Annual Report 2021 年報

NEE

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

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 report.**

1.2 **The Company's Chairman, Shang Duoxu, Chief Accounting Officer, Mi Hongjie, and Chief Financial Officer, Jin Muhan hereby represent: guaranteeing the truthfulness, accurateness and integrity of the financial report of the Annual Report.**

1.3 **All Directors attended the Board meeting in person to consider and approve this report.**

1.4 **This report has been considered and approved by the twenty-eighth meeting of the 9th Board convened on 30 March 2022. The Audit Committee of the Board has reviewed and confirmed the Company's financial report for 2021.**

1.5 **The Company's annual financial report is prepared under the PRC GAAP and the International Financial Reporting Standards ("IFRS"). The Company's domestic auditor Mazars Certified Public Accountants LLP issued the unqualified audit with paragraphs regarding material uncertainties on the ability to continue as a going concern. The Company's overseas auditor Mazars CPA Limited issued the unqualified audit with paragraphs regarding material uncertainties on the ability to continue as a going concern.**

1.6 **The forward-looking description involved in the report such as the future plan and development strategy does not constitute any substantial commitment of the Company to investors. Investors need to be aware of risks attached to investments.**

1.7 **The risks that may be faced and countermeasures to be adopted by the Company are described in the "Prospect of Future Development" of "Report of the Directors" in this report and investors are advised to refer to the relevant section.**

1.8 **The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves, subject to consideration and approval at the 2021 Annual General Meeting.**

1.9 **Prepared under the PRC GAAP: the consolidated turnover is RMB83,700,725.00, increasing from 2020 by RMB3,709,837.66.**

1.10 Profit attributable to equity holders of the Company is RMB17.63 million.

1.11 Earnings per share attributable to equity holders of the Company are RMB0.02.

1.12 Unless otherwise stated, Renminbi is the only monetary unit in this report.

1.13 Definitions

Beijing Haihongyuan	Beijing Haihongyuan Investment Management Co., Ltd. (北京海鴻源投資管理有限公司), a substantial shareholder of the Company
Changchun Mingmen Hotel	Changchun Mingmen Hotel Co., Ltd., a related party of the Company
Chongqing Hotel	Chongqing HNA Hotel Investment Co., Ltd., an investee of the Company
CSRC	China Securities Regulatory Commission
Dalian Changjiang Plaza	Dalian Changjiang Plaza Co., Ltd., a related party of the Company
De facto controller of the Company	Hainan Province Cihang Foundation
Dongguan Yujingwan	Dongguan Yujingwan Hotel (東莞御景灣酒店), a related party of the Company

Fushun Electric Porcelain	Fushun Electric Porcelain Manufacturing Co., Ltd.
Fuxin Company, Fuxin Busbar	Fuxin Enclosed Busbar Co., Ltd., a wholly-owned subsidiary of the Company
Garden Lane Hotel, Garden Lane Flight Hotel	Hainan Garden Lane Flight Hotel Management Co., Ltd. (海南逸唐飛行酒店管理有限公司), a subsidiary of the Company
Hainan First Intermediate People's Court	The First Intermediate People's Court of Hainan Province
Hainan Higher People's Court	Hainan Provincial Higher People's Court
HNA Group	HNA Group Co., Ltd., an indrect controlling shareholder of the Company
HNA Finance Company, Finance Company	HNA Group Finance Co., Ltd. (海航集團財務有限公司), a related party of the Company
Jilin Province Tourism Group	Jilin Province Tourism Group Co., Ltd. (吉林省旅遊集團有限責任公司), a related party of the Company
Lucky Air	Yunnan Lucky Air Co., Ltd., a related party of the Company

Mazars	the Company's domestic auditor Mazars Certified Public Accountants LLP and the overseas auditor Mazars CPA Limited
NEE, the Company, the listed company	Northeast Electric Development Company Limited
Orient Asset	Dalian Office of China Orient Asset Management Co., Ltd.
Shenyang HVS, Shenyang High Voltage Switchgear	Shenyang High Voltage Switchgear Co., Ltd.
Shenyang Intermediate People's Court	Liaoning Shenyang Municipal Intermediate People's Court
Stock Exchange	The Stock Exchange of Hong Kong
SZSE	Shenzhen Stock Exchange
Tianjin Center	HNA Tianjin Center Development Co., Ltd. (海航天津中心發展有限公司), a related party of the Company

(1) Legal Chinese name: 東北電氣發展股份有限公司

Legal English name: Northeast Electric Development Company Limited
Chinese abbreviation: 東北電氣
English abbreviation: NEE

(2) The Company's Chairman: Shang Duoxu

(3) Executive directors: Shang Duoxu (Chairman), Wang Yongfan, Su Weiguo, Guo Qianli, and Mi Hongjie

(4) Independent non-executive directors: Wang Hongyu, Li Zhengning, and Fang Guangrong

(5) Supervisors: Xing Zenghai (Chairman of the Supervisory Committee), Yang Qing, and Wu Rongyu

(6) Secretary to the Board: Ding Jishi

Representative for securities affairs: Zhu Xinguang, Ju Meng
Joint company secretary and authorized representative to accept service of process and notice: Chan Yee Ping (Michael)
Place of business and place for acceptance of service of process and notice in Hong Kong: 17/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong

(7) Registered address of the Company:

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 of the registered address: 571152
Correspondence address of the Company: 22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Postal code of the correspondence address: 570203
Telephone: 0898-68876008
Fax: 0898-68876033
Website: www.nee.com.cn
E-mail address: dbdqdshbgs@hnair.com, nemm585@sina.com

(8) PRC newspapers for information disclosure: "Securities Times"

Website containing the annual report: www.cninfo.com.cn, www.hkexnews.hk
Place for inspection of annual report: Office of the Board

(9) Place of listing, stock names and codes

H Share:	**A Share:**
—Hong Kong Stock Exchange	—Shenzhen Stock Exchange
—Stock Name: Northeast Electric	—Stock Name:*ST Northeast Electric
—Stock Code: 00042	—Stock Code: 000585

(10) Date of the Company’s first registration: 16 February 1993

Place of registration: No. 18, North Er Zhong Road, Tie Xi District, Shenyang City, Liaoning Province, the PRC
Date of the Company’s latest change of registration: 26 September 2019
Place of registration: Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No. 266 Nanhai Avenue, Haikou City, Hainan Province
Unified social credit code: 91210000243437397T

(11) Domestic auditor: Mazars Certified Public Accountants LLP

Office address: 2/F-9/F, No. 169 Donghu Road, Wuchang District, Wuhan City, Hubei Province

Overseas auditor: Mazars CPA Limited
Office address: 42/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong

(12) Hong Kong Registrar: Boardroom Share Registrars (HK) Limited

Office address: 21/F, 148 Electric Road, North Point, Hong Kong

1.1 Principal accounting data for the year prepared under the PRC GAAP

Item	2021	2020	Increase/ decrease of the year over the last year	2019	2018	2017
Operating revenues (RMB'000)	83,701	79,991	4.64%	102,341	32,311	32,986
Net profit attributable to shareholders of the listed company (RMB'000)	17,629	63,977	-72.45%	-40,166	14,596	-397,058
Net profit attributable to shareholders of the listed company after extraordinary items (RMB'000)	-40,114	-144,024	N/A	-41,164	-38,948	-96,661
Net cash flow from operating activities (RMB'000)	5,434	-76,154	N/A	3,337	-4,595	4,596.18
Basic earnings per share (RMB/Share)	0.02	0.07	-71.43%	-0.05	0.02	-0.45
Diluted earnings per share (RMB/Share)	0.02	0.07	-71.43%	-0.05	0.02	-0.45
Weighted average ROE	-	-	-	-	-	-

	As at the end of 2021	As at the end of 2020	Increase/ decrease of the end of the year over the end of last year	As at the end of 2019	As at the end of 2018	As at the end of 2017
Total assets (RMB'000)	194,428	157,526	23.43%	477,041	505,113	306,237
Net assets attributable to shareholders of the listed company (RMB'000)	-169,697	-187,420	N/A	-56,590	8,619	-198,632

1.2 Differences in figures under domestic and foreign accounting standards

There were no differences in net profits and net assets prepared under the International Financial Reporting Standards and PRC GAAP for the reporting period of the Company.

1.3 Major financial indicators by quarter

Unit: RMB

	The first quarter	**The second quarter**	**The third quarter**	**The fourth quarter**
Operating revenues	14,828,244.46	13,618,092.74	33,253,582.08	22,000,805.72
Net profit attributable to shareholders of the listed company	-2,970,061.29	-8,849,643.74	35,678,874.89	-6,230,518.36
Net profit attributable to shareholders of the listed company after extraordinary items	-2,970,061.29	-9,749,071.76	-2,572,086.61	-24,823,484.62
Net cash flow arising from operating activities	-7,430,407.71	-1,404,979.93	8,783,030.41	5,486,349.24

Whether there is any significant difference between above financial indicators or their sum and relevant financial indicators disclosed in the quarterly report and interim report.

□ Yes √ No

1.4 Extraordinary items and the related amount

Unit: RMB

Item	2021	2020	2019	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for assets impairment being written off)	0	32,743,426.99		
Government subsidy included in the current profits and losses (closely related to business of the enterprise, excluding the government subsidy enjoyed fully or quantitatively according to uniform standards of the country)	1,852,392.96	1,388,057.40	767,306.37	
Reversal of the provisions for impairment of receivables subject to impairment test separately	18,264,453.72	0	0	Reversal of other receivables of HNA Group Finance Co., Ltd. of RMB18,264,453.72
Non-operating income and expense other than the above items	37,809,710.99	1,011,291.39	571,715.65	For the case of Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau, NEE did not need to assume any liability according to the result of the court judgment, thus reversing the impairment provision in full of RMB37,745,190 in the current period
Other non-recurring gains or losses	0	178,549,569.56		
Less: Effect of income tax	0	5,616,743.58	334,755.51	
Impact on minority interests (after tax)	183,201.89	74,657.72	6,008.27	
Total	**57,743,355.78**	**208,000,944.04**	**998,258.24**	--

During the reporting period, no non-recurring gains or losses as defined and illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Non-recurring Gains or Losses were defined as recurring gains or losses.

1.5 Summary of financial data in the past five years prepared in accordance with International Financial Reporting Standards (IFRS) and the PRC GAAP

Unit: RMB'000

		IFRS		PRC GAAP	
Items	**2021**	**2020**	**2019**	**2018**	**2017**
1. Turnover (RMB'000)	119,485	79,797	102,252	32,311	32,985.86
2. Profit/(loss) before taxation (RMB'000)	17,466	67,016	(39,682)	15,465	(397,992.15)
3. Profit/(loss) attributable to shareholders (RMB'000)	17,629	63,977	(40,166)	14,596	(398,155.97)
4. Total assets (RMB'000)	197,239	157,896	477,387	505,114	306,236.91
5. Total liabilities (RMB'000)	364,776	343,125	528,494	482,998	500,877.93
6. Shareholders' equity (RMB'000)	(167,537)	(185,229)	(51,107)	22,116	(194,641)
7. Basic earnings/(loss) per share (RMB)	0.02	0.07	(0.046)	0.02	(0.450)
8. Net assets per share (RMB)	(0.19)	(0.21)	(0.059)	0.025	(0.22)
9. Return on net assets (%)	0.00	0.00	0.00	0.00	0.00
10. Shareholders' interest ratio (%)	(84.94%)	(117.31%)	(10.71%)	4.38%	(63.35%)
11. Current ratio (%)	41.95%	36.72%	44.36%	45.76%	40.03%
12. Gearing ratio (%)	184.94%	217.31%	110.71%	95.62%	163.35%

(1) Overview

In 2021, the world economy was continuously impacted by the spreading of COVID-19 which led to the uneven growth of international trade and investments, the severe obstruction in the movement of people and cargos and the impact on global industry and supply chains, while trade protectionism was increasingly serious, and the recovery of world economy was subject to limitations, with sluggish continued growth. From the perspective of domestic economic development, China's electricity industry adjusted power structure which led to decreased investment in thermal power; with repeated waves of pandemic, the demands for hotel catering, accommodation and other services were volatile.

The Company has primarily engaged in the R&D, design, production and sales businesses of products related to power transmission and transformation equipment as well as hotel catering and accommodation services in recent years. Main products offered by the Company include enclosed busbars which are applied to the power system field and are used to enhance transmission capacity of power transmission lines and support transmission of the high-power electric energy. These devices play an important role in the power system. Meanwhile, the Company also engaged in hotel catering and accommodation services.

Since 2021, the hotel industry in which the Company operates has been greatly hit by COVID-19, combined with the impact of macro-economic structural adjustments on the power transmission and distribution equipment industry. As a result, the industry experienced excess production capacity and intense market competition. The Company has therefore faced 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, with the support of substantial shareholders, properly dealt with various challenges, fully implemented the resolutions approved at the general meeting and by the Board, strictly practiced various pandemic prevention measures, implemented the production safety accountability system, advanced various work related to the resumption of work and production in an orderly fashion, actively expanded the business operation scale, consolidated its continuous operation capacity, made every effort to resolve all kinds of risks, and gradually advanced the progress of major tasks.

During the reporting period, starting from September 2021, subsidiary Garden Lane Flight Hotel expanded the operational scale of its hotel accommodation and catering business, achieving steady growth in sales revenue.

During the reporting period, the operating income of the Company amounted to RMB83,700,725.00, representing an increase of 4.64%; and the net profit attributable to shareholders of the listed company amounted to RMB17,628,651.5.

(2) Priority Work

The main activities in the reporting period are as follows:

(I) Production and operation

1. Combating the pandemic and recovering production at the same time

The Company overcome the impact of the pandemic in order to ensure safety production. We thoroughly implemented the pandemic prevention and control work: realized the on-site pandemic prevention and control supervision of the whole process of bidding and ordering, on-site installation, and technical services, formulated an emergency plan for pandemic prevention and control, organized and carried out emergency drills, suspended unnecessary activities such as business trips and training for the Company's employees to medium- and high-risk areas, implemented the daily health notification mechanism with overseas employees, and implemented daily health and pandemic prevention work. During the post-epidemic period, we will carefully take safety protection and emergency quarantining measures to ensure safety production, resolutely win the fight against Covid-19 to stabilize production capacity and ensure supplies, and ensure normal operation and stable growth of business.

2. Developing new products in a sale-oriented approach and increasing orders by all means

We completed the research and development of two new products during the period, in which the wind power tower duct busbar (風電塔筒管道母線) obtained the test certificate, and the Saudi Arabia export project obtained the 60HZ British ASTA test certificate. Due to the impact of the pandemic, the Company's orders, payment collection, on-site installation and other works were extremely difficult to carry out. In order to ensure orders, R&D personnel carried out technological optimization starting from the project bidding stage; sales staff worked hard, overcame various difficulties, and developed new customers against the negative impact of the pandemic, increasing the order quantity and grabbing new markets against the adverse trend; the contracts signed for ordering of busbar products during the year were RMB68.47 million, hitting a record high in recent years, thus providing support for the Company's continued operation in the future.

3. Improving management, reducing costs, and increasing efficiency through careful calculation and strict budgeting

Focusing on expenditure reduction and efficiency improvement, we strictly controlled all kinds of costs and expenditures. Through strict control of material costs, manufacturing expenses, travel expenses, consulting fees and other measures, we improved the profitability of the main business, while vigorously reducing labor costs, administrative expenses and other costs. The Company held work conferences on cost reduction and efficiency improvement many times, and in the face of soaring prices of main raw materials, we set cost reduction measures, starting from the source control, including design and procurement, formulating control measures for all consumptions; through design optimization, comparison of prices in purchasing, and vigorous reduction of all expenses, we managed to lower costs and reduce losses across the board; by increasing revenue, decreasing expenses, improving management, reducing costs, and increasing efficiency, we ensured the realization of annual production and operation targets. The accumulative cost saving reduced by 20% on a comparable basis.

4. **Establishing various special debt collection working groups, increasing the efforts of debt collection, accelerating the return of funds, and effectively guaranteeing daily capital turnover demand.**

5. **Actively setting a good example of the workmanship spirit reflected in the pursuit of perfection and continuous innovation**

   Fuxin Busbar, adhering to the dual driver strategy of developing high-tech products and applying for the title of "high-tech technology enterprise", has invested no less than 5% of its own revenue in R&D every year since 2018, in an effort to continuously promote technological transformation and new product research and development innovation. It newly achieved 15 utility model patents and a number of new product research and development innovation results. The company has established a model worker studio to promote innovation and improve business skills. By applying for the establishment of district-level and city-level model worker studios and organizing city-level skill contests, it strengthened the leadership of model workers, stimulated the work enthusiasm of all employees, fully promoted the resumption of work and production, and stimulated the work motivation and passion of employees.

6. **Improving corporate governance, strengthening risk management, and stimulating team synergy**

   The Company comprehensively improved its corporate governance, and completed the internal control function and enhanced risk management for the purpose of full compliance. It overcame difficulties revolving around major projects. It united workforce through goals, trained people through tasks, found talents in practice, and motivated team combat effectiveness through strong incentives. It cared about employees, paid more attention to their growth in daily team building, and provided them with training opportunities through projects and career development platforms. It emphasized internal and external communication to disseminate positive energy.

(II) Execution of Lease Agreements by Garden Lane Flight Hotel, a Subsidiary of the Company, and the Connected Transactions

In order to enhance the going-concern ability and inject new vitality into the development of the hotel business, the Lease Agreements entered into by Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of Northeast Electric, with Dalian Changjiang Plaza Co., Ltd. (大連長江廣場有限公司), Changchun Mingmen Hotel Co., Ltd. (長春名門飯店有限公司), and Jilin Province Tourism Group Co., Ltd. (吉林省旅遊集團有限責任公司) on 13 July 2021, were considered and approved at the Company's 22nd meeting of the ninth Board of Directors, and the second Extraordinary General Meeting of 2021. Through deliberation and approval at the 24th meeting of the ninth Board of Directors on 26 August 2021, Garden Lane Flight Hotel, the Company's subsidiary, entered into the Lease Agreements with HNA Tianjin Center Development Co., Ltd. and Dongguan Yujingwan Hotel, respectively, on 26 August 2021, for the development of hotel and related supporting businesses.

These transactions are beneficial (i) to boosting the Group's turnover and profitability in terms of its catering and accommodation services; (ii) for the Group to continue to utilise the Leased Properties for its hotel catering and accommodation services operations and realise diversification of operations of the Group; and (iii) to optimising the Group's income and asset structure.

For details, please refer to the relevant announcements released by the Company on the designated information disclosure media: the Announcement on Resolutions of the 22nd Meeting of the Ninth Board of Directors (No.: 2021-041), and the Announcement on the Lease Agreements Entered into by Garden Lane Flight Hotel, a Subsidiary of the Company, with Three Companies Including Dalian Changjiang Plaza Co., Ltd., and the Connected Transactions (No.: 2021-042) dated 13 July 2021, the Announcement on Resolutions of the Second Extraordinary General Meeting of 2021 (No.: 2021-053) dated 23 August 2021, the Announcement on Resolutions of the 24th Meeting of the Ninth Board of Directors (No.: 2021-055), and the Announcement on Execution of Lease Agreements by a Subsidiary of the Company and the Connected Transactions (No.: 2021-056) dated 26 August 2021.

(III) Actively Promoting the Introduction of Strategic Investors

During the Reporting Period, in order to improve the ability of continuing operations and avoid the risk of delisting for A-share main board, the Company actively sought strategic investors, with an aim to obtain fund contributions from external investors. However, because consensus could not be reached on the contribution methods and conditions of the strategic investors, this action could not be proceeded. The Company will continue to mobilize all the employees to give full play to their respective advantages, and promote the introduction of strategic investors through active communication and extensive hunting.

(IV) Progress of Material Litigations

1. Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau vs. the Company for the payment of settlement allowance for staff. On 27 July 2021, Northeast Electric received the civil judgment ((2021) Qiong Min Zhong No.36) from the High People's Court of Hainan Province, which made a judgment of the second instance on the contract dispute case between Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau and Northeast Electric, Shenyang High Voltage Switch Co., Ltd., and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd.: Maintain the judgment of the first-instance court against Northeast Electric, and reject the lawsuit request of Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau against Northeast Electric for compensation liability. The judgment was final. The Company made an impairment provision of RMB37,745,190 for the liabilities involved in this case in 2017. Because Northeast Electric did not need to assume any liability according to the result of the court judgment, we reversed the impairment provision in full in the current period.

2. The litigation on the application made by Fushun Electric Porcelain for adjudicating NEE as a person subject to enforcement. On 20 October 2021, the Company received the civil judgment ((2021) Qiong Min Zhong No.537) from the High People's Court of Hainan Province for the judgment of second instance, which held that the application made by Fushun Electric Porcelain Co., Ltd. ("**Fushun Electric Porcelain**") for adding Northeast Electric as a person subject to enforcement for the case of (2015) Fu Zhong Zhi Zi No. 00140 is unfounded and lacks legal evidence, and appeal request should not be supported, and that the judgment of first instance shall be upheld because the facts are clearly ascertained and the law is correctly applied. The appeal was dismissed and the verdict upheld. The judgment was final. Northeast Electric did not need to assume any liability according to the result of the court judgment.

For details, please refer to the relevant announcements released by the Company on the designated information disclosure media: The Announcement on Progress of Material Litigations (announcement No.: 2021-048) dated 28 July 2021, and the Announcement on Progress of Litigations (announcement No.: 2021-062) dated 20 October 2021.

(V) Possibility of the Delisting of the A-shares of the Company

Because the audited net profit after deducting non-recurring gains and loss of the Company was negative, the operating revenue was less than RMB100 million, and the audited closing net assets were negative in 2020, and the net profit after deducting non-recurring gains and loss for the last 3 fiscal years of 2018, 2019 and 2020 was negative, and the audit report for 2020 indicated that there was uncertainty about the Company's ability to continue as a going concern, a risk warning on delisting (*ST) was continuously implemented to the A-shares of the Company after the disclosure of the annual report for 2020 on 29 March 2021.

During the Reporting Period, despite the great efforts of the Company to resolve the risk of delisting from A-share main board, due to the impact from the macroeconomic environment, the overall situation of pandemic prevention and control, provision for impairment of related party assets in the previous year, weaker ability to continue as a going concern and other factors, the main audited financial data of 2021 hit the financial compulsory delisting indicators of Shenzhen Stock Exchange, such as "**net profit after deducting non-recurring gains and loss is negative and operating revenue is less than RMB100 million**" and "**net assets attributable to the parent company are negative**". After the disclosure of the annual report, the A-shares of the Company will be delisted from the main board of Shenzhen Stock Exchange, and transferred to NEEQ for trading.

(3) Analysis of Financial Position

Please refer to "**Discussion and Analysis of Business Condition**" for the analysis of financial position of the Company.

(4) Prospect of Future Development

(1) Industry development trend and competition outlook

In recent years, under the impact of the international and domestic macroeconomic situation, the economy growth in China is expected to slow down, for which demands for electricity power and investment will decrease accordingly. As China continues to deepen the structural reform of supply side, the key of power grid development is switching to the construction of UHV transmission line and smart power grids, continuously boosting the market share of power generated by clean energy. In light of this, thermal power generating units are developing towards high capacity, high parameter and environmental protection. In light of the continuous spread of coronavirus across the globe, intensified downside risk of the world's economy, and significantly increased instabilities and uncertainties, macro-economy in China is still expected to face new difficulties and challenges in 2022. Meanwhile, the adjustment of economic structure, the continued implementation of supply-side reform, and environmental indicators related to energy saving and emission reduction will have a negative impact over some infrastructure industries of the national economy for the short term. It is of high probability that economic structuring of the country will continue to have adverse impact on the traditional power sector, the thermal power industry in particular, resulting in insufficient demands and decreased benefits in the power sector and the upstream and downstream sectors, which further creates harmful effect over the future performance of the Company.

In addition, due to the lasting impact of the globally spread pandemic, such industries as tourism, accommodation and catering in China remained sluggish in 2021. Industry insiders predict that the operating revenue will resume growth in the second half of 2022 after the pandemic quarantine, prevention and control measures are gradually eased.

(2) Development strategy of the Company

In 2022, the Company will take the initiative to adapt itself to the new normal of national economic development, new pattern of energy development, innovation-driven development trend, catch the historic opportunity of Hainan free trade port construction, and have brand-building as its key strategy. By virtue of its capability of integrating resources, the Company will optimize resources allocation, and use resources in an efficient manner. It will actively bring in strategic investors to raise funds to acquire new business assets. Centering on improving the quality and efficiency of development, the Company will increase industrial stock and seek for more customers, and foster new driving force and new source of economic growth by upgrading industrial structure and prioritizing new business and market expansion, in an effort to form a new synergistic pattern, and reshape the industry structure of the Company.

(3) 2022 operation plan

In 2022, in the face of the impacts of various external pressure, such as the continued spread of COVID-19, the bankruptcy reorganization case of indirect controlling shareholder HNA Group and its related parties, and the delisting of A-share stock trading by the Shenzhen Stock Exchange after the disclosure of the 2021 annual report, NEE and its subsidiaries (collectively, "**the Group**") will actively overcome the negative factors, continue, under the guidance of local governments, substantial shareholders, and the board of directors of the Company, to give full play to its subjective initiative, fully exploit potential resources, strive to maintain stability in the internal and external operating environments, strengthen the continuous operation capacity of its main business, utilize the H share listing status to actively bring in strategic investors to raise funds, and thereby plan the addition of new businesses and the industry development direction for the future.

(4) Key tasks

1. By strengthening the collection of receivables and seeking to obtain external financial support, the Group can guarantee its own capital needs. Sources of capital: first, strengthen supply chain management and internal fund management, and strengthen the collection of receivables; second, the Company's wholly-owned subsidiary Shenyang Kaiyi Electric Co., Ltd. ("**Shenyang Kaiyi**") has signed a loan contract with Yunshangtong Holdings Co., Ltd. ("**Yunshangtong**"), in which they agree that in 2022, Yunshangtong will lend the maximum balance of RMB50 million to Shenyang Kaiyi to support normal production and operation; third, Fuxin Enclosed Busbar Co., Ltd. ("**Fuxin Busbar**"), a subsidiary of the Company, has good bank credit, financing records and financing ability; in the future, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging the new factory, which will be sufficient to support its continuous operation for the next 12 months. Through the above measures, the Group is able to meet its working capital needs and achieve a cash flow balance.

2. Make full use of financing channels of the capital market to bring in strategic investors in a two-way manner. In 2022, in addition to maintaining the operation of its enclosed busbar and hotel accommodation and catering businesses, NEE will openly attract a wide range of investors to advance the two-way attraction of strategic investors. On one hand, it will utilize the H share capital market platform to issue new H shares to raise funds and add new businesses; on the other hand, it will utilize Fuxin Busbar's plant equipment and production technologies and resources to bring in strategic investors, enrich the product structure of transmission and transformation equipment, and improve new economic growth points, thus supporting the continuous operation of the listed company through the two-way attraction of strategic investors.

3. Maintain stability in the internal and external operating environments and plan long-term sustainable operation goals. In order to achieve the balance of cash flow, reasonably plan and adjust the business operation scale, establish sound operational objectives, continue to do a good job in operation management, improve product innovation ability, maintain and strengthen the capacity for continuous operation, and continue to improve the profitability of the Company's main business.

4. Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters timely according to the scale of operations, reduce the staffing of the headquarters, gradually change to a flat management structure, and effectively reduce operating costs. Optimize asset management, strengthen overall budget management and cost control, strictly control all expenses and expenditures, reduce operating costs, and maximize the profitability of the main business.

5. Overcome the impact of the pandemic and ensure safe production. Ensure the steady growth and normal operation of our business, implement safety protection and emergency quarantine measures in the post-pandemic period, ensure production safety, resolutely win the fight against the pandemic, stabilize production capacity, and ensure supplies.

6. Explore new markets and expand new businesses. In order to reverse the loss trend of the main business, with the development of traditional busbar transmission and transformation equipment products as the core, adjust the product structure, and while ensuring the traditional busbar products, increase the proportion of transformation projects with high gross margin, insulation tube busbar and other products in the sales revenue, so as to gain time for the future transformation. Meanwhile, try to attract investment with the enclosed busbar product line, bring in strategic investors, obtain continuous investment, and strive to increase industrial stock and seek for more customers.

7. In strict accordance with the standardized operation requirements for listed companies, continuously improve work standards and improve the internal control system, establish and improve corporate operation organizations, continuously improve various internal control systems, strengthen risk control measures, and reduce operating risks in order to provide compliance assurance for achieving the Company's operational objectives of the year.

   The above outlook of the Company does not constitute the Company's substantial commitment to investors. Investors are advised to pay attention to investment risks.

(5) Capital position

The Company has taken into account future liquidity and its sources of available funds in assessing whether the Group has sufficient financial resources to continue operations as a going concern. In order to enhance sustainable development ability and profitability, improve asset quality, promote long-term and healthy development, and overcome the negative impact of the delisting from the A share main board, in 2022, the Company will effectively use a variety of financing methods, including the capital market, to carry out capital operations and improve business operations, actively expand financing and main business channels to strive for unobstructed funding sources, and further improve the financing structure and reduce financial costs to consolidate the Company's ability to continue as a going concern.

(6) The Company's risks and countermeasures

1. Market risks brought by macroeconomic environment

The Company's industry is closely related to the demand of the power equipment industry, and prosperity of the industry is also directly related to the national economy, which has a large impact on the Company's performance. Therefore, it is necessary to continue to pay attention to the impact of the national macroeconomic and the global economy on the industry. Meanwhile, the pandemic had a significant impact on the hotel industry where the Company operates in the first quarter of 2022, and the impact is expected to continue for a period of time in the future. The Company will carry out pandemic prevention and control work in strict accordance with the requirements of relevant government departments, and actively apply for the implementation of government support policies.

2. Market competition risk

Enclosed busbar production and hotel operation are the Company's main businesses. The increasing market competition has adversely affected the average profit level of the industry. The Company will continue to improve technical standards, enhance innovation capabilities, expand production capacity and improve the efficiency of operation and management, curb the situation that the sudden outbreak of the pandemic has brought a decrease in the Company's operating income and the continued decline in the gross profit rate of products and services and in the profitability, and consolidate the Company's ability to continue as a going concern.

3. Strategic transformation risk

In order to overcome the negative impact of the delisting from the A share main board, get rid of the existential crisis, and boost the sustainable development of the Company for the medium and long terms, the Company is implementing a strategic transformation and actively attracting strategic investors to raise funds and add new businesses. If the Company fails to implement the transformation as soon as possible due to various reasons, it may face the risk of a slowdown or even failure of the strategic transformation process. The Company will actively promote relevant work and at the same time actively seek partners and adopt various methods to gradually realize strategic transformation.

(7) Analysis of core competitiveness

After years of accumulation in product quality, brand culture, research and development capabilities, process technology, management services and marketing, the Company has certain advantages and industry competitiveness, which is reflected as follows: the development of the Company's industry is closely related to the national macro policy, and the market has a certain degree of relevance to the development of the macro economy; the Company has advanced production equipment and strong manufacturing capabilities in power transmission and transformation related products; the Company has a certain accumulation of technical strength and a high level of professional craftsmanship; the Company has a sound internal control system and standardized corporate governance; and the Company has certain product development capabilities and investment and financing capabilities.

During the reporting period, the Company's core competitiveness did not undergo major changes. Through the development of new products and the adjustments and changes to adapt to market demands, the Company's competitiveness in some product markets has improved to some extent, with breakthroughs in some businesses.

(5) Profit distribution and dividend declaration

The Company does not propose to distribute cash dividend, issue bonus share, or capitalise from capital reserves during the year.

(6) 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

Share capital

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

Reserve

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

Distributable reserve

As at 31 December 2021, according to the relevant regulations, the Company has no distributable reserve. Pursuant to the resolution approved by the Board on 30 March 2022, the Company proposes not to distribute cash dividend, issue bonus share, or capitalize from capital reserves during the year. The matter is still subject to approval by the general meeting.

Analysis of loans and borrowings

As at the end of the reporting period, the Company's short-term borrowings was RMB0.

Working capital and financial resources

The net cash earned in the Group's operating activities for the year ended 31 December 2021 was approximately RMB11,332,000 (2020: approximately RMB-11,469,000).

As at 31 December 2021, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB18,645,000 (2020: RMB12,913,000) and bank loans of RMB0 (2020: bank loans of RMB0).

As of 31 December 2021, the Group had current liabilities of RMB294,386,000, non-current liabilities of RMB70,390,000, and shareholders' equity attributable to shareholders of the Company of RMB-169,697,000. Details of the capital structure of the Group are set out in the financial report of the Company's annual report.

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

Capital expenditure

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

Capital structure

The Company's sources of funds are mainly operating cash inflows and loans of substantial shareholders. As at 31 December 2021, the Group's short-term bank borrowings amounted to RMB0, and the cash and cash equivalents were RMB18,645,000 (2020: RMB12,913,000). 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.

Prospects for new business

Details of the prospects for new business are set out in "**(4) Prospect of Future Development**" of "**Report of the Directors**".

Significant investments held and the performance of such investments

Details of the significant investments held and the performance of these investments are set out in "**Analysis of Major Subsidiaries and Investees**" of "**Discussion and Analysis of Business Condition**".

Significant investments and sales

Details of the significant investments and sales are set out in "**Disposal of material assets**" of "**Discussion and Analysis of Business Condition**".

Segmental information of results

Details of the segmental information of results are set out in the "**Main Business Composition**" section of the "**Discussion and Analysis of Business Condition**".

Assets pledge

As of 31 December 2021, the Company had fixed asset and net land value of RMB0 for mortgages.

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

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

Gearing ratio

As of 31 December 2021, the Group's gearing ratio (calculated as total liabilities/total assets) was 185% (2020: 217%).

Risks of exchange rate fluctuation and any related hedges

The Group's assets and liabilities are denominated in Renminbi, and 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.

Major suppliers and customers

For the year ended 31 December 2021, the total amount of purchases from the Group's top five suppliers was RMB16,602,000, accounting for 32.77% of the Group's total annual purchases.

The top five suppliers did not have connected relationships with the Company.

The total amount of sales to the top five customers was RMB16,734,000, accounting for 14.01% of the Group's total annual sales. Among them, the sales amount to the biggest sales customer accounted for 10.36% of the total annual sales of the Group.

The top five customers did not have connected relationships with the Company.

(I) Overview

During the reporting period, the operating income of the Company amounted to approximately RMB83,700,000, increasing by approximately RMB3,710,000 or 4.64% as compared to the previous year; and the net profit attributable to shareholders of the listed company was approximately RMB27,160,000.

(II) Analysis of revenue and cost

1. Revenue and cost

(1) Composition of operating income

Unit: RMB

	2021		2020		
	Amount	Percentage of operating income	Amount	Percentage of operating income	Year-on-year increase/ decrease
Total operating income	83,700,725.00	100%	79,990,887.34	100%	4.64%
By industries					
Production and sales of enclosed busbars	40,991,226.15	48.97%	48,756,932.40	60.95%	-15.93%
Hotel catering and accommodation industry	40,498,371.87	48.38%	31,039,468.36	38.80%	30.47%
Others	2,211,126.98	2.64%	194,486.58	0.25%	1,036.90%
By products					
Enclosed busbars	40,991,226.15	48.97%	48,756,932.40	60.95%	-15.93%
Hotel catering and accommodation industry	40,498,371.87	48.38%	31,039,468.36	38.80%	30.47%
Others	2,211,126.98	2.64%	194,486.58	0.25%	1,036.90%
By regions					
Northeast China	4,554,988.51	5.44%	4,325,194.77	5.41%	5.31%
North China	26,303,857.39	31.43%	29,399,016.62	36.75%	-10.53%
Central China	11,733,313.82	14.02%	6,156,598.60	7.70%	90.58%
East China	7,404,586.93	8.85%	2,886,715.77	3.61%	156.51%
South China	12,217,172.08	14.60%	10,144,124.98	12.68%	20.44%
Southwest China	19,232,193.69	22.98%	19,114,667.89	23.90%	0.61%
Northwest China	2,254,612.58	2.69%			
Others		0.00%	7,964,568.71	9.96%	-100.00%

(2) Industry, product, region or sales models accounting for more than 10% of the operating income or profit of the Company

√ Applicable □ Not applicable

Unit: RMB

	Operating income	Operating cost	Gross margin	Increase/decrease in operating income compared with the same period of previous year	Increase/decrease in operating cost compared with the same period of previous year	Increase/decrease in gross margin compared with the same period of previous year
By industries						
Production and sales of enclosed busbars	40,991,226.15	36,993,905.45	9.75%	-15.93%	-18.62%	2.98 percentage points increased
Hotel catering and accommodation industry	40,498,371.87	7,758,525.84	80.84%	30.47%	23.13%	1.14 percentage points increased
By products						
Production and sales of enclosed busbars	40,991,226.15	36,993,905.45	9.75%	-15.93%	-18.62%	2.98 percentage points increased
Hotel catering and accommodation industry	40,498,371.87	7,758,525.84	80.84%	30.47%	23.13%	1.14 percentage points increased
By regions						
By sales models						

Due to adjustments to the statistical criteria for the Company's principal business during the reporting period, the data on the Company's principal business in the recent year after making adjustments to the statistical criteria at the end of the reporting period

□ Applicable √ Not applicable

(3) Whether the goods sales income of the Company is more than its labor service income

√ Yes □ No

(4) Performance of major sales contract and procurement contract signed by the Company as of the reporting period

□ Applicable √ Not applicable

(5) Components of operating costs

Unit: RMB

		2021		2020		
By industries	**Item**	**Amount**	**As a percentage of operating costs**	**Amount**	**As a percentage of operating costs**	**Year-on-year increase/ decrease**
Enclosed busbars	Direct material costs	28,777,910.07	77.79%	39,525,022.29	76.37%	-27.19%
Enclosed busbars	Direct labour costs	2,993,408.07	8.09%	2,239,977.28	4.33%	33.64%
Enclosed busbars	Manufacturing costs	4,464,124.78	12.07%	3,690,526.93	7.13%	20.96%
Enclosed busbars	Transportation costs	758,462.53	9.78%			
Hotel catering and accommodation services	Cost of food materials	7,758,525.84	17.34%	6,300,877.24	12.17%	23.13%

(6) Whether consolidation scope changed during the reporting period

□ Yes √ No

(7) Significant changes or adjustment in businesses, products or services during the reporting period

□ Applicable √ Not applicable

(8) Major customers and major suppliers

Major customers

Total sales of the top five customers (RMB)	16,734,212.88
Proportion of total sales of the top five customers over total sales for the year	35.72%
Proportion of sales of connected parties in the top five customers over total sales for the year	0.00%

Top five customers

No.	Name	Sales (RMB)	Percentage over the annual total amount of sales
1	XX Design Institute Co., Ltd.	4,853,206.90	10.36%
2	XX Engineering Technology Co., Ltd.	3,341,300.00	7.13%
3	XX Power Engineering Co., Ltd.	3,059,305.98	6.53%
4	XX Engineering Technology Co., Ltd.	2,780,000.00	5.93%
5	Inner Mongolia XX Co., Ltd.	2,700,400.00	5.77%
Total		**16,734,212.88**	**35.72%**

Other conditions of the major customers

□ Applicable √ Not applicable

Major suppliers

Total purchases attributable to the top five suppliers (RMB)	16,602,449.53
Proportion of total purchases attributable to the top five suppliers over total purchases for the year	54.03%
Proportion of purchases of connected parties in the top five suppliers over total purchases for the year	0.00%

Top five suppliers

No.	Name	Purchase (RMB)	Percentage over the annual total purchase
1	Shenyang XX Copper Co., Ltd.	8,146,927.01	26.51%
2	Shenyang XX Aluminum Co., Ltd.	5,330,850.33	17.35%
3	Dalian XX Transformers Co., Ltd.	1,211,586.00	3.94%
4	Shenyang XX Aluminum Co., Ltd.	1,117,031.94	3.64%
5	Fuxin XX Steel Sales Co., Ltd.	796,054.25	2.59%
Total		**16,602,449.53**	**54.03%**

Other conditions of the major suppliers

□ Applicable √ Not applicable

2. Expenses

Unit: RMB

	2021	2020	Year-on-year increase/decrease	Explanation of significant changes
Selling expenses	35,635,524.54	31,784,989.22	12.11%	
Administrative expenses	27,142,622.89	19,469,719.62	39.41%	Expansion of the scale of hotel management
Financial costs	422,397.23	271,600.93	55.52%	Decrease in interest income on deposits
R&D expenses	2,158,870.95	2,502,192.76	-13.72%	

3. R&D investment

R&D personnel of the Company

	2021	2020	Changes of Proportion
Number of research personnel	12	12	0.00%
Proportion of research personnel	1.84%	10.00%	-8.16%

R&D investment of the Company

	2021	2020	Changes of Proportion
Amount of R&D investment (RMB)	2,158,870.95	2,502,192.76	-13.72%
Proportion of R&D investment to operating incomes	2.58%	3.13%	-0.55%
Capitalization of R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalization of R&D investment to total R&D investment	0.00%	0.00%	0.00%

Reasons for significant changes in the composition of the Company's R&D personnel and effects

□ Applicable √ Not applicable

Reasons for the significant changes in the proportion of total R&D investment to operating income compared with the previous year

□ Applicable √ Not applicable

Reasons and explanations for the significant changes in the proportion of capitalization of R&D investment

□ Applicable √ Not applicable

4. **Cash flow**

Unit: RMB

Item	2021	2020	Year-on-year increase/decrease
Subtotal of cash inflow from operating activities	102,478,299.32	90,465,760.84	13.28%
Subtotal of cash outflow from operating activities	97,044,307.31	166,619,858.02	-41.76%
Net cash flow from operating activities	5,433,992.01	-76,154,097.18	107.14%
Subtotal of cash inflow from investment activities	5,500,000.00	78,500,000.00	-92.99%
Subtotal of cash outflow from investment activities	87,001.00	55,637,280.74	-99.84%
Net cash flow from investing activities	5,412,999.00	22,862,719.26	-76.32%
Subtotal of cash outflow from financing activities	3,736,896.25	12,674,273.76	-70.52%
Net cash flow from financing activities	-3,736,896.25	-12,674,273.76	70.52%
Impact of exchange rate change in cash and cash equivalents	-9,726.91	-26,206.26	62.89%
Net increase in cash and cash equivalents	7,100,367.85	-65,991,857.94	110.76%

Description on main factors of significant changes compared to the previous year

√ Applicable □ Not applicable

1. Cash outflow from operating activities resulted from the reclassification of deposit of HNA Group Finance Co., Ltd. from monetary funds to other receivables in the previous year.

2. Cash inflow from investment activities resulted from the sale of land assets by the subsidiary Fuxin Busbar in the previous year.

3. Cash outflow from investment activities resulted from the acquisition of Chongqing HNA Hotel in the previous year.

Explanations on great differences between the net cash flows generated from operating activities of the Company in the reporting period and the net profits of the current year

√ Applicable □ Not applicable

1. In accordance with the verdict of the case of Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau, the Company offset accrued estimated liabilities of previous years without assuming any liability, which affected the net profit and did not involve operating cash flow;

2. Because some branches of Garden Lane Flight Hotel, a subsidiary of the Company, expected the future net operating cash inflow was negative, the Company made provision for impairment of relevant right-of-use assets, which affected the net profit and did not involve operating cash flow.

(III) Analysis of non-principal business

□ Applicable √ Not applicable

(IV) Analysis of assets and liabilities

1. Significant changes in assets

Unit: RMB

	End of 2021		Beginning of 2021			
	Amount	Percentage of total assets	Amount	Percentage of total assets	Increase/ decrease in percentage	Explanation of significant changes
Monetary fund	18,645,415.83	9.59%	12,912,725.07	8.20%	1.39%	
Receivables	55,336,307.45	28.46%	32,293,932.13	20.50%	7.96%	Due to the expansion of management scale of Garden Lane Flight Hotel
Inventory	14,795,944.05	7.61%	16,710,311.95	10.61%	-3.00%	
Fixed assets	42,179,538.52	21.69%	44,911,967.97	28.51%	-6.82%	Due to the depreciation of fixed assets
Right-of-use assets	19,763,670.18	10.17%	16,432,367.74	10.43%	-0.26%	
Contract liabilities	14,134,307.20	7.27%	6,624,272.90	4.21%	3.06%	
Lease liabilities		0.00%	11,582,700.60	7.35%	-7.35%	The lease contract of Garden Lane Flight Hotel will expire within one year and be converted into non-current liabilities due within one year

High proportion of overseas assets

□ Applicable √ Not applicable

2. Asset and liability at fair value

□ Applicable √ Not applicable

3. Restricted assets right as at the end of the reporting period

Item	Book value at the end of the year (RMB)	Reason for restriction
Monetary fund	3,009,138.27	Performance guarantee
Total	**3,009,138.27**	

(V) Investment analysis

1. Overview

□ Applicable √ Not applicable

2. Significant equity investment obtained during the reporting period

□ Applicable √ Not applicable

3. Significant on-going non-equity investment during the reporting period

□ Applicable √ Not applicable

4. Financial asset investment

(1) Securities investment

□ Applicable √ Not applicable

The Company had no securities investment during the reporting period.

(2) Derivative investment

□ Applicable √ Not applicable

The Company had no derivative investment during the reporting period.

5. Use of proceeds

□ Applicable √ Not applicable

There was no use of proceeds during the reporting period.

6. Structured entity controlled by the Company

□ Applicable √ Not applicable

(VI) Significant assets and equity disposal

□ Applicable √ Not applicable

There was no significant assets and equity disposal of the Company during the reporting period.

(VII) Analysis of major subsidiaries and investees

√Applicable Not applicable

Main subsidiaries and investees which contributed more than 10% of net profit to the Company

Unit: RMB

Name	Type	Principal business	Registered capital	Total assets	Net asset	Operating income	Operating profit	Net profit
Northeast Electric Development (HK) Co., Ltd.	Subsidiary (limited liability company)	Trading	USD20 million	66,221,744.33	52,236,405.59	0	118,264.82	-118,264.82
Gaocai Technology Co., Ltd.	Subsidiary (limited liability company)	Investment	USD1	78,013,119.35	4,490,070.44	0	-9,027.88	-9,027.88
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary (limited liability company)	Manufacturing of electrical equipment	RMB1 million	50,288,344.72	-57,986,224.63	0	-2,269,519.20	-2,260,614.46
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary (limited liability company)	Manufacturing of enclosed busbars	USD8.5 million	112,400,226.38	-25,357,690.23	41,484,897.50	-9,874,027.10	-9,874,064.21
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Subsidiary (limited liability company)	Hotel business	RMB50 million	101,215,284.61	-114,874,846.92	42,215,827.50	6,481,985.25	6,670,805.28
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary (limited liability company)	Electric power engineering	RMB10 million	13,265,309.22	6,879,572.15	0	-861.99	-861.99
HNA Tianjin Center Development Co., Ltd.	Investee (limited liability company)	Property leasing and hotel catering	RMB269,887,709	3,167,282,352.85	368,567,686.06	77,034,845.65	11,192,489.00	7,583,428.10
Chongqing HNA Hotel Investment Company Limited	Investee (limited liability company)	Property leasing	RMB50 million	260,383,037.05	119,187,662.33	8,300,450.30	-50,894,313.15	-50,791,904.54

Note:

1. During the Reporting Period, the 30% equity of Chongqing HNA Hotel Investment Co., Ltd. held by the subsidiary can reverse the investment income of 0, because the mortgage of the company's assets has not been released. According to the reorganisation plan, the pledgee has the priority of claim, and the amount of mortgage debt is greater than the market value of the company's assets.

2. During the Reporting Period, the 10.5% equity of HNA Tianjin Center Development Co., Ltd. held by the subsidiary can reverse other comprehensive income of 0, because the mortgage of the company's assets has not been released. According to the reorganisation plan, the pledgee has the priority of claim, and the amount of mortgage debt is greater than the market value of the company's assets.

Supplementary information on investments in investees of the Company, HNA Tianjin Center Development Co., Ltd. ("Tianjin Center") and Chongqing HNA Hotel Investment Co., Ltd. ("Chongqing Hotel")

(I) Tianjin Center

1. Investment cost

There is no investment cost as all equity investments come from donated assets without any conditions or obligations attached. 10.5% of Tianjin Center's equity investment is granted by Shanghai Yizhou Investment Management Co., Ltd.(上海驛舟投資管理有限公司) ("Shanghai Yizhou", a related party of the Company, both of which are under de facto control of Hainan Province Cihang Foundation) at zero consideration and with no conditions and obligations attached (Please refer to the temporary announcement dated 16 October 2018 for further details).

2. Investment performance during the reporting period

Unit: RMB

Name	Number of shares held	Percentage of equity investments	Fair value as at 1 January 2021	Loss on change in fair value for the current period	Fair value as at 31 December 2020
HNA Tianjin Center Development Co., Ltd.	28,338,209	10.5%	0	0	0

(1) During the reporting period in 2018, 10.50% of the equity in Tianjin Center accepted by the Company was recognized into financial assets designated at fair value through other comprehensive income at RMB201,480,405 according to the relevant requirements of the Accounting Standards for Business Enterprises, which increased our capital reserve and improved our net assets.

(2) During the reporting period in 2019, aggregated loss on changes in fair value of RMB3,401,596 was recognized in other comprehensive income in view of a drop in its fair value, according to the assessment results issued by an independent third-party intermediary. The loss on changes in fair value for 2019 of RMB2,630,006 (2018: RMB771,590) was unrealised loss and the investment balance of Tianjin Center at the end of the period amounted to RMB198,078,808.

(3) As at the disclosure date of 2020 annual results, considering that the reorgnisation of Tianjin Center was ruled by the court, and all of property assets of Tianjin Center have been used as bank collateral for the loans of related parties, it is estimated that there is no amount would become recoverable after taking into account the related parties' credit status, repayment ability and other factors, and the Group therefore recognises the fair value of the equity at the end of the period as RMB0, and the loss on changes in fair value for 2020 as RMB198,078,808 (2019: RMB2,630,006).

As at the disclosure date of 2021 annual results, the 10.5% equity of HNA Tianjin Center Development Co., Ltd. held by the subsidiary that can reverse the other comprehensive income was 0, because the mortgage of the company's assets has not been released, and according to the reorganisation plan, the mortgagee has the priority of claim, and the amount of mortgage debt is greater than the market value of the company's assets.

(4) During the reporting period, the Group received no dividend from the equity investment (2020: Nil).

(II) Chongqing Hotel

1. Investment cost

As at the valuation date 31 December 2019, the appraised value of the net assets of Chongqing Hotel was RMB163,338,600. Garden Lane Hotel paid RMB48.9 million in cash as consideration to acquire 15 million shares of Chongqing Hotel from HNA Hotel Holding, representing 30% equity interests of Chongqing Hotel (see the temporary announcement dated 26 April 2020 for details).

2. Investment performance during the reporting period

Unit: RMB

Name	Number of shares held	Percentage of equity investments	Loss from interest in an associate, net	Fair value as at 31 December 2021
Chongqing HNA Hotel Investment Co., Ltd.	15,000,000	30%	0	0

(1) On 26 April 2020, HNA Hotel Holdings Ltd., a related party of the Company, transferred its 30% equity in Chongqing HNA Hotel Investment Co., Ltd. ("Chongqing Hotel") to the Group by entering into an agreement. According to the relevant requirements of the Accounting Standards for Business Enterprises, Chongqing Hotel is managed by the Group as an associate and is accounted for as long-term equity investment using equity method at RMB48,900,000. As of the disclosure date of 2020 annual results, considering that the reorgnisation of Chongqing Hotel was ordered by the court, and all of property assets of Chongqing Hotel have been used as bank collateral for the loans of related parties; it is estimated that there is no amount would become recoverable after taking into account the related parties' credit status, repayment ability and other factors, and the Group therefore recognises the carrying amount accounted for under equity method at the end of the period as RMB0.

As at the disclosure date of 2021 annual results, the 30% equity of Chongqing HNA Hotel Investment Co., Ltd. held by the subsidiary that can reverse the investment income was 0, because the mortgage of the company's assets has not been released, and according to the reorganisation plan, the mortgagee has the priority of claim, and the amount of mortgage debt is greater than the market value of the company's assets.

(2) During the reporting period, the Group received no dividend from the equity investment (2020: Nil).

(III) Discussion and analysis on investment strategies for major investments

In recent years, in view of the needs of business transformation and strategic development, the Company chose to invest in upstream and downstream businesses of hotel industry, thus possessing the above major investments. In addition, the rich experience owned by the directors and senior management of the Company in hotel operation and management, and the relevance of our current business operation to such investments help to improve our ability to continue as a going concern and in line with the interests of all shareholders.

At the beginning of 2021, the Company's indirect controlling shareholder HNA Group and its related companies were ordered by the court to be reorganised successively. The Company has made full provisions for impairment losses in the accounting year 2020. In the future, the Company will keep a close eye on the reorgnisation progress, and timely adopt the corresponding measures to protect the legitimate interests of the Company and its investors.

Acquisition and disposal of subsidiaries during the reporting period

□ Applicable √ Not applicable

(VIII) **Cause description of significant changes in production and operation, as well as the profit component, principal business and its structure and profitability during the reporting period as compared to the previous reporting period**

Please refer to "**(1) Overview and (2) Priority Work**" in "**IV. REPORT OF THE DIRECTORS**".

(I) Substantial Connected Transactions

1. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the connected transaction of the Company for 2021 is as follows:

Please refer to "**(2) Priority Work**" in "**IV. REPORT OF THE DIRECTORS**" for the lease agreements signed by Garden Lane Flight Hotel, a subsidiary of the Company, and connected transactions.

2. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the continuing connected transactions of the Company for 2021 are as follows:

(i) Financial Services Agreement with Finance Company

To adapt to the development of the Company, further optimize the financial business process, reduce financial cost, improve the capital utilization efficiency and maximize its benefits, the Company and Finance Company signed the Financial Services Agreement on 17 July 2018 with a term of 3 years starting from 17 July 2018. According to the Financial Services Agreement, Finance Company agrees to provide credit service, deposit service, fund settlement service and other financial services approved by CBRC for the Company and its subsidiaries. As of 31 December 2020, the balance of the deposits the Company and its subsidiaries placed with Finance Company was RMB71,765,302.96.

On 15 March 2021, Hainan Higher People's Court ruled that the claim for reorganisation of Finance Company has been accepted. Based on the prudence principle, decided to reclassify the monetary funds as other receivables, and make a provision in full for credit impairment losses.

The reversal of impairment provision of other receivables of HNA Group Finance Co., Ltd of RMB18,264,453.72 is included in the non-recurring gain or loss. The Group reported and registered in HNA Group Finance Co., Ltd. and confirmed the debt of RMB71,404,102.96. According to the simulated valuation of the Plan for the Substantial Merger and Reorganisation of 321 Companies including HNA Group Co., Ltd., for the ordinary debts to be repaid with trust shares, the minimum market value of the underlying assets corresponding to ordinary debts per RMB100 is RMB25, that is, the minimum repayment proportion of ordinary debts per RMB100 is 25%. Calculated by 25% of the amount of the Company's debts to HNA Finance Company, RMB18,264,453.72 is reversed and included in non-recurring gain or loss.

(ii) Lease agreements with the lessors (I)

Garden Lane Flight Hotel, subsidiary of the Company and the lessors (Dongguan Yujingwan Hotel and Jilin Province Tourism Group Co., Ltd.) are controlled by the same de facto controller (i.e., Hainan Province Cihang Foundation) or other related parties, and the lessors are related parties of the Company. The principal businesses of the lessors include hotel management, consultation and other businesses.

To further expand the business of the Company, Garden Lane Flight Hotel entered into the Lease Agreements with the lessors on 17 July 2018 for a term of 3 years, starting from 1 July 2018 to 30 June 2021. However, following the acceptance of bankruptcy reorganisation of entities of HNA Group by the Court in February 2021, all the assets and liabilities of these 321 entities under HNA Group would be managed by the Committee. As a result, the leases have been terminated on 10 February 2021. According to the Lease Agreements, the lessors agreed to lease the Leased Properties to Garden Lane Flight Hotel. During the reporting period in 2021, Garden Lane Flight Hotel incurred relevant lease expenses of RMB790,000.

(iii) Lease agreement with the lessor (II)

In order to obtain new investment opportunities and profit pool, optimize income structure, and enhance the ability to operate on a going concern basis, Garden Lane Flight Hotel, the Company’s subsidiary, and Lucky Air entered into a premise lease contract for the development of airport hotel and related supporting businesses, covering an area of 27,750 square meters and with a term from 1 September 2019 to 31 August 2025. The total rental and the total property management fee for the six-year lease are about RMB20.57 million and RMB5.14 million, respectively. By virtue of the advantaged geographical location of Kunming Airport and relying on the management’s extensive management experience and expertise in the hotel industry, Garden Lane Hotel will create a unique and boutique airport hotel, which will inject new vitality into the continuing operation of the listed company and promote transformation from traditional manufacturing to modern service.

However, following the acceptance of bankruptcy reorganisation of entities of HNA Group by the Court in February 2021, all the assets and liabilities of these 321 entities under HNA Group would be managed by the Committee. As a result, the leases have been terminated on 10 February 2021. During the reporting period in 2021, the Company incurred relevant lease expenses of RMB368,000.

(iv) Customer Service Cooperation Agreements

Included in hotel management fee, rental expenses and property management fee of RMB nil, RMB927,000 and RMB322,000 respectively were continuing connected transactions for the year ended 31 December 2021 *(2020: RMB638,000, RMB nil and RMB795,000 respectively)*. At the end of reporting period, trade receivables due from a company controlled by the same de facto controller of the Company of RMB282,000 *(2020: RMB483,000)* were continuing connected transaction. Loss allowance of RMB282,000 was fully recognized during the year.

The independent non-executive Directors of the Company unanimously confirmed that the continuing connected transactions of the Company in 2021 were carried out:

(a) in the ordinary course of business of the Company;

(b) based on normal commercial terms or better terms; and

(c) based on the terms of the relevant transaction agreements, and the relevant terms were fair and reasonable, and in the interests of all the shareholders of the listed company as a whole.

In respect of the above continuing connected transactions (the "Transactions") specified in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, Mazars CPA has performed the relevant reviews for the Transactions for the year ended 31 December 2021 and issued a letter to the Board of the Company, stating that: (1) the Transactions have not been approved by the Board of the Company; (2) the Transactions were inconsistent with the pricing policies of the Group in any material aspects if the Transactions involved services provided by the Group; (3) in all material respects, the Transactions were not carried out in accordance with the regulation of relevant agreements; (4) the total amount of each disclosed continuing connected transaction exceeded the annual cap set by the Group; and (5) for the contractual arrangements for continuing connected transactions disclosed with the continuing connected partners, we were not aware of any matters which would make us believe that dividends, other distributions and subsequent transfers in other ways were made by the continuing connected partners to the equity holders of the Group and its subsidiaries under the contractual arrangements.

The Board and all the Directors confirm that the Company has complied with the disclosure provisions in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

Except for the connected transactions disclosed above, there is no connected transaction involving joint external investment, non-operational creditor's rights and debts, or other connected transactions which are not exempted from the annual reporting requirements.

(II) Significant Litigations and Arbitrations

1. The litigation on the application made by China Development Bank ("CDB") for enforcement on Shenyang High-voltage Switches Co., Ltd. ("Shenyang HVS") and Northeast Electric

According to Announcement on Judgement Enforcement Progress (Announcement No.: 2021-037) published on 27 May 2021, the Company received the Enforcement Ruling ((2021) Qiong 96 Zi No. 120) issued by the First Intermediate People's Court of Hainan Province on 25 May 2021. The court ruled that, continue to seal up the right to use the state-owned land under the name of Northeast Electric Development Co., Ltd., located at No. 39, Shentie Road, Dadong District, Shenyang City, Liaoning Province, and the land certificate number is Shenyang Guoyong (1995) No. 17. The land use right in the name of the Company is the capital contribution in kind when the Company initiated establishment of Shenyang HVS, although the land use right has been registered in the name of the Company and has not been transferred, the Company has actually delivered the land to Shenyang HVS for possession and use. The relevant civil judgment of the Supreme People's Court has identified the land use right as the actual contribution of Northeast Electric to Shenyang HVS, so the Enforcement Ruling has no impact on the assets of the Company. Moreover, as the Company has carried out accounting treatment on the compensation responsibility in the CDB case in previous years, the Enforcement Ruling will not have any negative impact on the current profits of the Company.

2. The litigation on the subrogation application for enforcement of Liaoning Branch of China Orient Asset Management Co., Ltd.

In accordance with the Announcement on Receipt of the Civil Order Letter from Shenyang Railway Transport Intermediate Court (announcement No.: 2020-002) issued on 16 January 2020, Shenyang Railway Transport Intermediate Court (hereinafter referred to as the "**SRTIC**") published an announcement in the People's Court Daily on 26 November 2019 to serve NEE with the Enforcement Judgment No.1 ((2019) Liao 71 Zhi Hui No.2) (hereinafter referred to as the "**Court Announcement**"). For the case on the dispute over the recovery of non-performing financial indebtedness among Liaoning Branch of China Orient Asset Management Co., Ltd. and Shenyang Transformers Co., Ltd., Shenyang High Voltage Switchgear Co., Ltd., the SRTIC ruled that RMB48,000,000 in the due debts of RMB270,000,000 and its interests owed by the person subject to enforcement, namely Shenyang High Voltage Switchgear Co., Ltd., to your company should be enforced. The Company has simultaneously raised an enforcement objection to the SRTIC in respect of the Enforcement Judgment No.1 ((2019) Liao 71 Zhi Hui No.2) published by the SRTIC and the SRTIC has ruled that the enforcement procedures shall be terminated.

(III) Other Major Events

Profit distribution of ordinary shares and conversion of capital reserve into share capital of the Company

The Company recorded net profit attributable to shareholders of the listed company of RMB17,628,651.5 and the reserves distributable to shareholders was RMB-1,977,714,664.18 as at 31 December 2021. The Board of the Company did not recommend paying cash dividends, issuing bonus shares or transferring capital reserve during the reporting period.

Explanation of changes in accounting policy, accounting estimates and accounting methods in comparison with the financial report of the previous year

Nil

Explanation of retrospective restatement for adjustment of significant accounting errors occurred during the reporting period

During the reporting period, there was no retrospective restatement for adjustment of significant accounting errors occurred in the Company.

Explanation of change in the scope of consolidated statement in comparison with the financial report of the previous year

Nil

Notes made by the Board, the Supervisory Committee and independent Directors on the "non-standard audit report" issued by the accounting firm for the reporting period

Northeast Electric Development Company Limited engaged Mazars Certified Public Accountants LLP as the auditor of the Company for the year of 2021. Mazars Certified Public Accountants LLP has issued the unqualified audit report with paragraphs regarding material uncertainties on the ability to continue as a going concern for the 2021 financial report of the Company.

Matters involved in audit opinions

Material uncertainties related to going concern: We draw the attention of users of financial statements to the information as set forth in Note 2 to the financial statements that, the Company recorded accumulated net loss of RMB-1,977,714,700, the equity attributable to shareholders of the parent of RMB-169,697,100 and the current liabilities of the Company of RMB170,903,900 higher than its current assets as of 31 December 2021. Meanwhile, the Company faced a compensation amount of RMB94,078,100 for settled lawsuits. Such matters or situations indicate the existence of material uncertainties that could lead to significant doubts about the Company's ability to continue as a going concern. This matter does not have effects on the issued audit opinions.

The Board's opinion on such matter and specific measures to eliminate the matter and its influence.

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

(1) By strengthening the collection of receivables and seeking to obtain external financial support, the Group can guarantee its own capital needs. Sources of capital: first, strengthen supply chain management and internal fund management, and strengthen the collection of receivables; second, the Company's wholly-owned subsidiary Shenyang Kaiyi Electric Co., Ltd. ("**Shenyang Kaiyi**") has signed a loan contract with Yunshangtong Holdings Co., Ltd. ("**Yunshangtong**"), in which they agree that in 2022, Yunshangtong will lend the maximum balance of RMB50 million to Shenyang Kaiyi to support normal production and operation; third, Fuxin Enclosed Busbar Co., Ltd. ("**Fuxin Busbar**"), a subsidiary of the Company, has good bank credit, financing records and financing ability, and in the future, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging the real estate and land of the factory, which will be sufficient to support its continuous operation for the next 12 months. Through the above measures, the Group is able to meet its working capital needs and achieve a cash flow balance.

(2) Make full use of financing channels of the capital market to bring in strategic investors in a two-way manner. In 2022, in addition to maintaining the operation of its enclosed busbar and hotel accommodation and catering businesses, the Company will enhance the attraction of its business to strategic investors. On one hand, it will utilize the H share capital market platform to issue new H shares to raise funds and add new businesses; on the other hand, it will utilize Fuxin Busbar's plant equipment and production technologies and resources to bring in strategic investors, enrich the product structure of transmission and transformation equipment, and improve business growth.

(3) Maintain stability in the internal and external operating environments and plan long-term sustainable operation goals. In order to achieve the balance of cash flow, reasonably plan and adjust the business operation scale, establish sound operational objectives, continue to do a good job in operation management, improve product innovation ability, maintain and strengthen the capacity for continuous operation, and continue to improve the profitability of the Company's main business.

(4) Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters timely according to the scale of operations, reduce the staffing of the headquarters, gradually change to a flat management structure, and effectively reduce operating costs. Optimize asset management, strengthen overall budget management and cost control, strictly control all expenses and expenditures, reduce operating costs, and maximize the profitability of the main business.

(5) Explore new markets and expand new businesses. In order to reverse the loss trend of the main business, with the development of traditional busbar transmission and transformation equipment products as the core, adjust the product structure, and while ensuring the traditional busbar products, increase the proportion of transformation projects with high gross margin, insulation tube busbar and other products in the sales revenue, so as to gain time for the future transformation.

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

The Board will continue to pay attention to and supervise the management of the Company so that they take proactive and effective measures, focus on the implementation of all work related to the Company's going concern to improve the Company's ability to continue as a going concern, work with the management to ensure the healthy, stable and sustainable development of the Company, and safeguard the legitimate rights and interests of the Company and investors.

Special notes made by the Supervisory Committee on matters related to non-standard audit opinions

The Supervisory Committee of the Company considers that: The above audit opinions truly, accurately and fairly reflect the Company's financial position and operating results in 2021 in all major respects, indicating material uncertainties related to going concern, but without effects on the published audit opinions. The Supervisory Committee agrees with the Special Notes made by the Board on Matters Related to Non-standard Audit Opinions for Financial Statements for 2021. The Supervisory Committee will continue to pay attention to and supervise the Board and the management of the Company so that they take proactive and effective measures to improve the Company's ability to continue as a going concern and safeguard the legitimate rights and interests of the Company and investors.

Special notes made by independent Directors on matters related to non-standard audit opinions

1. The unqualified audit report issued by Mazars Certified Public Accountants LLP for the Company with paragraphs regarding material uncertainties on the ability to continue as a going concern objectively and truthfully reflects the actual financial position of the Company. We have no objection to the audit report.

2. We agree with the Special Notes made by the Board on Matters Related to Non-standard Audit Opinions for Financial Statements for 2021, and will continue to pay attention to and supervise the Board and the management of the Company so that they take effective measures to improve the Company's ability to continue as a going concern and safeguard the interests of the Company and investors.

Non-operational use of capital of the listed company by the controlling shareholder and its connected parties

The controlling shareholder and its connected parties did not use any capital of the listed company for non-operational purpose.

Matters related to bankruptcy reorganisation

The court ruled that the claim for reorganisation of HNA Group, the indirect controlling shareholder of the Company and Beijing Haihongyuan, the controlling shareholder of the Company had been accepted.

On 29 January 2021, the Company received the letter of notice from HNA Group Co., Ltd. ("**HNA Group**"), the indirect controlling shareholder of the Company, stating that the creditor, Bank of Hainan Co., Ltd., applied to the Hainan Higher People's Court (the "**Court**") for reorganisation of HNA Group for the reason that HNA Group failed to pay off its due debts, was apparently lack of solvency, but still had reorganisation value.

On 10 February 2021, the Company received a notice from HNA Group, the indirect controlling shareholder of the Company, stating that HNA Group received the Civil Ruling Paper from the Court on 10 February 2021 that the Court ruled that the claim by the relevant creditor for reorganisation of HNA Group had been accepted.

On 15 March 2021, the Company received a notice from Beijing Haihongyuan Investment Management Co., Ltd. ("**Beijing Haihongyuan**"), the controlling shareholder of the Company, stating that Beijing Haihongyuan received the Civil Ruling Paper from the Court on 15 March 2021 that the Court ruled that the claim for reorganisation of Beijing Haihongyuan had been accepted.

On 29 September 2021, the second creditors' meeting of HNA Group, the indirect controlling shareholder of the Company, and Beijing Haihongyuan, the controlling shareholder of the Company was held, at which each of the voting groups of HNA Group and the controlling shareholder Beijing Haihongyuan had adopted the Draft Reorganisation Plan for the Substantial Merger and Reorganisation of 321 Companies including HNA Group Co., Ltd..

According to the Recognisation Plan ruled and approved by the court and inquiry through the National Enterprise Credit Information Publicity System (http://www.gsxt.gov.cn), the shareholding of the Company was not adjusted, the shareholding ratio was not changed, the Company still held 30% equity of Chongqing HNA Hotel Investment Co., Ltd. and 10.5% equity of HNA Tianjin Center Development Co., Ltd.

The above mentioned matters are detailed in the relevant announcements published by the Company on designated media for information disclosure at the below time: Informative Announcement on the Claim for Reorganisation of Indirect Controlling Shareholder by Creditor (Announcement No.: 2021-002) dated 30 January 2021, Announcement on the Court Ruling for Acceptance of the Reorganisation of the Indirect Controlling Shareholder (Announcement No.: 2021-006) dated 10 February 2021, Announcement on the Court Ruling for Acceptance of the Reorganisation of the Controlling Shareholder (Announcement No.: 2021-011) dated 15 March 2021, Announcement on the Holding of the Second Creditors' Meeting on the Reorganisation of Indirect Controlling Shareholder and Controlling Shareholder and Voting Results (Announcement No.: 2021-063) dated 24 October 2021, Announcement on the Court Ruling for Approval of the Reorganisation Plan of Indirect Controlling Shareholder and Controlling Shareholder of the Company (Announcement No.: 2021-068) dated 31 October 2021 and Announcement on the Implementation Progress of Reorganisation Plan of Investees (Announcement No.: 2022-014) dated 30 March 2022

In order to give a true, objective and fair view of the financial position and asset values of the Company and its subsidiaries (collectively, the "**Group**") as at 31 December 2020, according to the relevant requirements of the Accounting Standards and the Company's accounting policies and accounting estimates, the Company makes provision of credit impairment losses of RMB71,765,302.96 for other receivables of HNA Group and its related parties and recognises investment loss of RMB48,900,000.00 on long-term equity investment, which accordingly reduces the net profit and net assets; in addition, the Company recognises losses of RMB198,078,808.21 on fair value changes in financial assets designated at fair value through other comprehensive income, thus reducing the net assets.

The reversal of three related party assets with full provision for impairment recognition losses in the accounting year 2020 during the reporting period:

1. The reversal of impairment provision of other receivables of HNA Group Finance Co., Ltd. of RMB18,264,453.72 is included in the non-recurring gain or loss. The Group reported and registered in HNA Group Finance Co., Ltd. and confirmed the debt of RMB71,404,102.96. According to the simulated valuation of the Plan for the Substantial Merger and Reorganisation of 321 Companies including HNA Group Co., Ltd., by China Enterprise Appraisals Co., Ltd. for the ordinary debts to be repaid with trust shares, the minimum market value of the underlying assets corresponding to ordinary debts per RMB100 is RMB25, that is, the minimum repayment proportion of ordinary debts per RMB100 is 25%. Calculated by 25% of the amount of the Company's debts to HNA Finance Company, RMB18,264,453.72 is reversed and included in non-recurring gain or loss.

2. The 30% equity of Chongqing HNA Hotel Investment Co., Ltd. held by the subsidiary can reverse the investment income of 0, because the mortgage of the company's assets has not been released. According to the reorganisation plan, the pledgee has the priority of claim, and the amount of mortgage debt is greater than the market value of the company's assets.

3. The 10.5% equity of HNA Tianjin Center Development Co., Ltd. held by the subsidiary can reverse other comprehensive income of 0, because the mortgage of the company's assets has not been released. According to the reorganisation plan, the pledgee has the priority of claim, and the amount of mortgage debt is greater than the market value of the company's assets.

Directors' interest in business that competes with the Group

None of the Directors was interested in any business that competes or is likely to compete, either directly or indirectly, with the Group's businesses.

Purchase, sale or redemption of shares

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

Share option scheme

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

Names and profiles of Directors, Supervisors and senior management

Details of the names and profiles of Directors, Supervisors and senior management of the Company are set out in the section headed "**(III) Appointment**" in "**Directors, Supervisors, Senior Management and Employees**".

Directors, supervisors and chief executives' interests in the shares, underlying shares and debentures of the Company

As of 31 December 2021, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Registration and management of persons informed of inside information

The Company has always been in compliance with the Registration and Management System for Persons Informed of Inside Information considered and approved by the Board. During the reporting period, the Company had not been aware of any violation.

Service contracts of Directors and Supervisors

Since the term of office of the 8th session of the Board was due on 10 March 2019, the Company convened an extraordinary general meeting on 11 March 2019 to reelect and appoint Directors.

Directors and Supervisors of the Company have each entered into service contracts with the Company for a term beginning on 11 March 2019 and ending on the expiration of the term of the 9th session of the Board on 10 March 2022;

Save for the service contracts of Directors and Supervisors, none of the Directors or Supervisors has entered into any service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors and Supervisors' interests in arrangements or contracts

None of the Directors or Supervisors has any direct or indirect interests in any arrangements or contracts of significance to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the reporting period.

Remuneration of directors, supervisors and senior management

Details of the remuneration of the Company's current and resigned directors, supervisors and senior management during the reporting period are set out in "**Changes in shareholdings of Directors, Supervisors and senior management and their remuneration**" under the section headed "**Directors, Supervisors, Senior Management and Employees**".

According to the Company's remuneration management system and annual performance appraisal, the Remuneration Committee of the Company has determined the remuneration standard based on their positions. The remuneration standard for Directors and Supervisors that has been considered and approved at the Company's general meeting is as follows: The total remuneration of all Directors of the 9th Board of the Company in each accounting year shall not exceed RMB6 million (after tax) on average during their terms of office. The total remuneration of all Supervisors of the 9th Supervisory Committee of the Company in each accounting year shall not exceed RMB800,000 (after tax) on average during their terms of office.

Remuneration policy

The Company's employee remuneration policy is based on the Company's economic benefits. According to the Company's annual business plan and business task indicators, the Company conducts a comprehensive performance appraisal to determine the employees' annual salary distribution. The Company determines employees' compensation standards based on job value, and adheres to performance-oriented and ability-oriented principles, giving reasonable returns to excellent employees. All employees shall enjoy fair and consistent treatment, without gender discrimination. At the same time, the Company is committed to attracting and retaining outstanding talents by offering them competitive salaries. The salary and welfare of the Company's employees will be appropriately adjusted according to its operating benefits, regional living standards, and changes in the price index.

The Remuneration Committee under the Board of the Company is responsible for formulating and reviewing the Company's remuneration plan based on the duties of Directors, Supervisors and senior management, the Company's performance and the salary level of relevant positions in the industry.

Employee pension scheme

The Group's employees participate in the basic pension insurance plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period when the employee serves for the Group, charging to the profit or loss for the current period or the cost of relevant assets. During the year ended 31 December 2021, the Group had contributions to defined contribution pension scheme of RMB7,692,000. Please refer to the notes to the financial statements for details of the implementation policies of employee remuneration and pension scheme.

Top five people with the highest remuneration

The top five employees with the highest remuneration of the Group for the year 2021 included 1 director. Detailed remuneration items have been reflected in the aforesaid remuneration of directors, supervisors and senior management.

None of the key management personnel of the Group (including directors and supervisors) had abandoned any remuneration for the year 2021 and the year 2020.

Remuneration band:	Number of employees for the year 2021	Number of employees for the year 2020
HKD0 – HKD500,000	4	3
HKD500,001- HKD1,000,000	1	2

During the year, no payment was paid or payable to Directors as an inducement to join or upon joining the Group, and no compensation was paid or payable to Directors or former Directors for the loss of office as a Director or other management positions in any member of the Group.

Remuneration for the Directors and Supervisors of the Company was determined according to the salary management system and approved by the Remuneration Committee of the Board.

Permitted indemnity provisions

The requirement of "**an issuer should arrange appropriate insurance cover in respect of legal action against its directors**" in Rule A.1.8 of the Corporate Governance Code is changed from "**the recommended best practice**" to "**code provisions**". The Company is keeping a close eye on markets investigation and assessing feasible operation plans.

Additionally, according to the requirement of Rule A.6.5 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

Renewed engagement of auditor

Upon consideration and approval at the 26th meeting of the ninth session of the Board held on 29 October 2021 and the third extraordinary general meeting on 29 December 2021, the Company renewed the appointment of Mazars Certified Public Accountants LLP as the domestic auditor for financial statements and internal control of the Company for the year 2021, and the appointment of Mazars CPA Limited as the overseas auditor for the year 2021 for a period of one year, and authorized the Board to determine their remuneration.

Mazars Certified Public Accountants LLP was employed as the domestic auditor for the Company's annual financial report in 2021, responsible for auditing the internal control on financial report established by the Company in accordance with the Basic Standard for Enterprise Internal Control and relevant regulations as of 31 December 2021, and issuing audit opinions on its effectiveness. The total annual audit fee charged was RMB450,000. Meanwhile, Mazars CPA Limited charged an annual audit fee of RMB495,000, and RMB55,000 for special report on continued related party transactions, as well as other non-audit travel expenses.

The remuneration (excluding tax) paid to the accounting firm for auditing the 2021 annual report was as follows:

(Amount unit: RMB)

Item	**Year 2021**	**Year 2020**
Auditor's remuneration		
—Annual auditing service fees (including internal control auditing service fees)	945,000	900,000.00
—Other service fees	55,000	196,000.00
Total	**1,000,000**	**1,096,000.00**

Public float

Based on the public information as at the latest practicable date prior to the publication of this report and to the knowledge of Directors, the Company confirmed that sufficient public float existed in its shares.

Audit Committee

Duties and main work of the Committee include scrutiny of the Company's financial reports, appointment of independent auditors, approval of auditing and audit-related services and monitoring of internal control and risk management procedure, financial reporting procedure and management policies. As at the date of this report, the Committee comprises Mr. Wang Hongyu, Mr. Li Zhengning, and Mr. Fang Guangrong, with Mr. Wang Hongyu serving as the chairman. The Audit Committee complies with Rule 3.21 of the Listing Rules.

The Committee convenes no less than 4 audit committee meetings each year to collectively scrutinize the accounting principles adopted by the Company, internal control system and related financial matters so as to ensure the integrity, fairness and accuracy of the Company's financial statements and other related information. During the year, a total of 6 meetings were held by the Audit Committee to scrutinize the Company's annual and interim reports, the first and the third quarterly reports respectively. All members attended the meetings to hear reports on internal control and issued related auditing reports and putting forward their views. Especially in the annual report audit period, the Audit Committee deeply communicated with the auditor, including discussion about key audit matters, continuing operation problem, and other important events or transactions that occurred in the period.

The ninth session of the Audit Committee of the Company has reviewed the final results and results report of the Group for the year ended 31 December 2021, the accounting policies and practices adopted by the Company, and has discussed on internal control and financial report.

Corporate governance

During the reporting period, the Board regularly monitored and reviewed the progress of the Group's corporate governance practices to ensure compliance with the relevant codes. The Company is committed to maintaining strict corporate governance standards. The principles of these standards are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2021.

(I) Change in Equity (unit: shares)

	Before the change		Increase/decrease as a result of the change (+, -)					After the change	
	Number	Percentage	New shares issued	Bonus shares	Capital reserve converted to 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 corporate 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: Foreign corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
Foreign 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.RMB ordinary shares	609,420,978	69.78%	0	0	0	0	0	609,420,978	69.78%
2.Domestic-listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3.Overseas-listed foreign shares	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 number of shares	873,370,000	100.00%	0	0	0	0	0	873,370,000	100.00%

(II) Shareholding of Shareholders (unit: shares)

Shareholdings of the shareholders holding more than 5% of the total share capital or the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding ratio	Shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares not subject to trading moratorium	Shares pledged or frozen: Status of shares	Shares pledged or frozen: Number
HKSCC Nominees Limited	Overseas legal person	29.44%	257,113,899	16,000	0	257,113,899		
Beijing Haihongyuan Investment Management Co., Ltd.	Domestic non-state-owned legal person	9.33%	81,494,850	0	0	81,494,850	Pledged	81,494,850
Zhao Rui	Domestic natural person	0.80%	6,960,310	764,500	0	6,960,310		
Jin Lei	Domestic natural person	0.72%	6,255,600	-24,410	0	6,255,600		
Miao Haonan	Domestic natural person	0.63%	5,530,912	1,102,100	0	5,530,912		
Huang Tao	Domestic natural person	0.58%	5,132,388	127,279	0	5,132,388		
Zhang Sijia	Domestic natural person	0.58%	5,079,067	3,240,867	0	5,079,067		
Fu Lianjun	Domestic natural person	0.57%	4,974,489	0	0	4,974,489		
Zhang Ping	Domestic natural person	0.46%	4,058,571	954,900	0	4,058,571		
Gao Yan	Domestic natural person	0.44%	3,858,900	6,006	0	3,858,900		

Notes:

(1) So far as the Company is aware, there is no connected relationship among the top ten shareholders, nor are they persons acting in concert as required in the Administrative Measures for Information Disclosure of Listed Company.

(2) Based on the public information as at the latest practicable date prior to the publication of this report and to the knowledge of Directors, the Company confirmed that there was sufficient public float in its shares.

(3) Save as disclosed above, the Directors were not aware that any person (not being a Director, or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**") or which were required to be recorded in the designated register pursuant to Section 336 of the SFO.

(4) Purchase, sale or redemption of the Company's listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

(5) Pre-emptive rights

There is no provision for the issuance of pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.

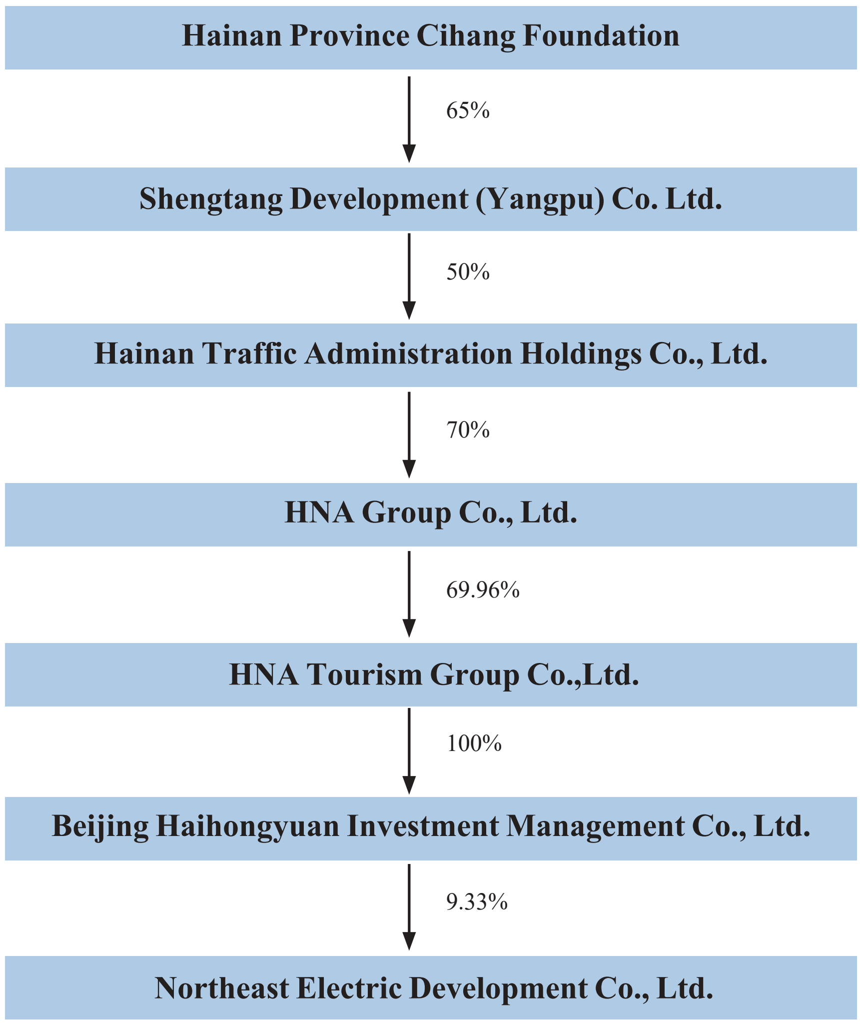
(6) Convertibles, options, warrants or other similar rights

As of 31 December 2021, the Company did not issue any convertible securities, options, warrants or any other similar rights.

(7) The pledge procedures in respect of 81,494,850 A shares not subject to trading moratorium held by Beijing Haihongyuan Investment Management Co., Ltd. were completed with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 21 December 2018, extending the term to 21 March 2025.

(III) Controlling Shareholders and de facto Controller

As of 31 December 2021, the largest shareholder of the Company is Beijing Haihongyuan Investment Management Co., Ltd. ("**Beijing Haihongyuan**") and the de facto controller of the Company is Hainan Province Cihang Foundation. The block diagram of property rights and control relationships between the Company and the actual controller is as follows:



Name of de facto controller	Legal representative	Date of establishment	Organization code	Principal businesses
Hainan Province Cihang Foundation	Sun Mingyu	8 October 2010	534600005624068701	Acceptance of public donations; disaster and poverty relief; charity and public welfare aids; charitable activities in various forms carried out by volunteers who enthusiastically devote themselves to the philanthropic undertaking.

The controlling shareholder of the Company did not change during the reporting period.

Remark: On 31 October 2021, the Reorganisation Plan for the Substantial Merger and Reorganisation of 321 Companies including HNA Group Co., Ltd., including Beijing Haihongyuan Investment Management Co., Ltd., the controlling shareholder of NEE, was ruled and approved by the court. According to the Reorganisation Plan, the equity of 321 companies will change. The Company will disclose relevant information in time, subject to the relevant announcement.

(I) Changes in shareholdings of Directors, Supervisors and senior management and their remuneration

Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the period (shares)	Increase/ decrease in the number of shares held (shares)	Number of shares held at the end of the period (shares)	Total pre-tax remuneration from the Company (RMB0'000)
Shang Duoxu	Director, Chairman	Incumbent	Male	36	23 August 2021	10 March 2022	0	0	0	0
Wang Yongfan	Director	Incumbent	Male	57	29 June 2020	10 March 2022	0	0	0	0
Su Weiguo	Director, general manager	Incumbent	Male	60	11 March 2019	10 March 2022	0	0	0	66.9
Guo Qianli	Director	Incumbent	Male	60	29 June 2020	10 March 2022	0	0	0	0
Mi Hongjie	Director, Chief Financial Officer	Incumbent	Male	29	29 December 2021	10 March 2022	0	0	0	0
Fang Guangrong	Independent Director	Incumbent	Male	67	11 March 2019	10 March 2022	0	0	0	0
Wang Hongyu	Independent Director	Incumbent	Male	50	29 June 2020	10 March 2022	0	0	0	12
Li Zhengning	Independent Director	Incumbent	Male	42	23 August 2021	10 March 2022	0	0	0	7
Ding Jishi	Secretary to the Board	Incumbent	Male	37	29 August 2019	10 March 2022	0	0	0	51.11
Xing Zenghai	Shareholder representative supervisor, Chairman of Supervisory Committee	Incumbent	Male	35	23 August 2021	10 March 2022	0	0	0	0
Yang Qing	Shareholder representative supervisor	Incumbent	Male	40	23 August 2021	10 March 2022	0	0	0	10.7
Wu Rongyu	Employee representative supervisor	Incumbent	Female	30	23 August 2021	10 March 2022	0	0	0	4.18
Li Ming	Former Independent Director	Resigned	Male	69	25 May 2018	23 August 2021	0	0	0	5
Liu Lu	Former shareholder representative supervisor	Resigned	Female	32	23 December 2019	23 August 2021	0	0	0	0
Zhou Jinyang	Former shareholder representative supervisor, former Chairman of Supervisory Committee	Resigned	Female	57	29 October 2018	23 August 2021				0
Zhu Jie	Former Director, former Chairman	Resigned	Male	41	11 March 2019	22 July 2021				39.48
Wang Kai	Former Chief Financial Officer	Resigned	Male	47	12 March 2019	28 July 2021				38.05
Bao Zongbao	Former Director	Resigned	Male	39	5 June 2017	5 August 2021				0
Hu Tao	Former employee representative supervisor	Resigned	Male	37	29 August 2019	23 August 2021				0
Li Guoqing	Former Director	Resigned	Male	35	29 June 2020	3 November 2021				0
Total										234.42

Name	Emolument	Wage and allowance	Bonus	Housing provident fund and social insurance※	Total pre-tax remuneration
Shang Duoxu					0
Wang Yongfan					0
Su Weiguo		58.9		8	66.9
Guo Qianli					0
Mi Hongjie					0
Fang Guangrong					0
Wang Hongyu	12	12			12
Li Zhengning	7	7			7
Ding Jishi		42.5		8.6	51.11
Xing Zenghai					0
Yang Qing		7.2		3.5	9
Wu Rongyu		3		1.18	4.18
Li Ming	5				5
Liu Lu	6				0
Zhou Jinyang					0
Zhu Jie		31.48		8	39.48
Wang Kai		32.45		5.6	38.05
Bao Zongbao					0
Hu Tao					0
Li Guoqing					0
Total					**234.42**

※Note: Social insurance includes medical insurance premium, contribution to endowment insurance plan, unemployment insurance, maternity insurance premium, and work-related injury insurance premium.

(II) Changes in Directors, Supervisors and Senior Management

During the reporting period, changes in Directors, Supervisors and senior management are set out as follows.

Name	Position	Type	Announcement date	Reason
Li Ming	Independent Director	Resigned	21 January 2021	Personal health reasons
Liu Lu	Supervisor	Resigned	7 May 2021	Work adjustment
Li Zhengning	Independent Director	Elected	2 June 2021	Operational needs
Zhou Jinyang	Supervisor	Resigned	25 June 2021	Work adjustment
Zhu Jie	Director, Chairman	Resigned	23 July 2021	Work adjustment
Su Weiguo	General Manager	Appointed	28 July 2021	Operational needs
Shang Duoxu	Chief Financial Officer	Appointed	28 July 2021	Operational needs
Wang Kai	Chief Financial Officer	Resigned	28 July 2021	Work adjustment
Bao Zongbao	Director	Resigned	6 August 2021	Work adjustment
Shang Duoxu	Director	Elected	23 August 2021	Operational needs
Xing Zenghai	Supervisor	Elected	23 August 2021	Operational needs
Yang Qing	Supervisor	Elected	23 August 2021	Operational needs
Wu Rongyu	Supervisor	Elected	23 August 2021	Operational needs
Hu Tao	Supervisor	Resigned	23 August 2021	Work adjustment
Shang Duoxu	Chairman	Elected	26 August 2021	Operational needs
Shang Duoxu	Chief Financial Officer	Resigned	29 October 2021	Work adjustment
Mi Hongjie	Chief Financial Officer	Appointed	29 October 2021	Operational needs

(III) Employment

1. Directors of the 9th session of the Board

(1) Non-independent Directors

Mr. Shang Duoxu, born in 1986, with Chinese nationality and without the right of permanent residence abroad, graduated from Tulane University with a master's degree in financial management. He served as Chief Financial Officer of Hainan Island All-in-One Card Exchange Marketing Management Co., Ltd., Deputy General Manager of Planning and Finance Department of HNA Real Estate Holding (Group) Co., Ltd. (海航地產控股（集團）有限公司), General Manager of Planning and Finance Department of Hainan Supply and Marketing Daji Holding Co., Ltd., Chief Financial Officer of HNA Logistics Group Co., Ltd., Chief Financial Officer and Director of the 8th session of the board of HNA Infrastructure Investment Group Co., Ltd., Director of the 7th session of the board of HNA Innovation Co., Ltd., etc. He is currently the Chairman of CCOOP Group Co., Ltd. (供銷大集集團股份有限公司), and a Director and the Chairman of the 9th session of the Board of the Company.

Mr. Wang Yongfan, born in 1965, with Chinese nationality and without the right of permanent residence abroad, is a postgraduate from International Hotel Management Institute Switzerland and The University of Manchester with a master's degree. Mr. Wang successively served as the deputy general manager of Hainan Xinglong Hot Spring Kangleyuan Co., Ltd. (海南興隆溫泉康樂園有限公司), the general manager of Shaanxi Huangcheng HNA Hotel Co., Ltd. (陝西皇城海航酒店有限公司), the president of Hainan Island Construction Services Co., Ltd. (海南海島建設服務有限公司), and the chairman of Changchun Nobel Hotel Co., Ltd. (長春名門飯店有限公司). He currently serves as a Director of the 9th session of the Board of the Company.

Mr. Su Weiguo, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a senior economist and graduated from Harbin University of Science and Technology majoring in heat treatment and later from Dalian Maritime University majoring in international economic law, and obtained a bachelor's degree in engineering and a master's degree in law. He served as the section chief of the business management department, deputy general manager, Board secretary, general manager and chairman of the Company, and the section chief of business management department, assistant president and deputy general manager of Northeast Electric Transmission and Transformation Equipment Group, and the general manager of Tieling Copper Industry Co., Ltd., (鐵嶺銅業有限責任公司) and the chairman of Shenyang Furukawa Cable Co., Ltd., a Sino-Japanese joint venture. He is currently a Director of the 9th session of the Board and the general manager of the Company.

Mr. Guo Qianli, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a junior college graduate from Jiangxi Radio and TV University majoring in Chinese Language and Literature. Mr. Guo once served as the general manager of Shaanxi Chang'an Haihangzhixing Hotel Co., Ltd. (陝西長安海航之星賓館有限公司) and the chairman of Tangla Hotel Tianjin. He currently serves as a Director of the 9th session of the Board of the Company.

Mr. Mi Hongjie, born in 1993, with Chinese nationality and without the right of permanent residence abroad, graduated from Fudan University with a master's degree in business administration. He served as Head of Planning and Finance Department of HNA Group Non-Aviation Asset Management Division (海航集團非航空資產管理事業部), Business Director of Planning and Finance Department of HNA Logistics Group Co., Ltd. (海航物流集團有限公司), Manager of the Operations Centre of the Internet Finance Division of Hainan Supply and Marketing Daji Financial Information Technology Co., Ltd.* (海南供銷大集金服信息科技有限公司), Senior Manager of the Fund Planning Centre of Financing Management Department, HNA Investment Group Co., Ltd. (海航投資集團股份有限公司). He is currently a Director of the 9th session of the Board and the Chief Financial Officer of the Company.

(2) Independent Directors

Mr. Fang Guangrong, born in 1955, with Chinese nationality and without the right of permanent residence abroad, graduated from Ningxia University and obtained a bachelor's degree. He has been long engaged in accounting management and financial work. He once served as the deputy director of Department of Finance of Hainan Province and the director of Hainan Financial Supervision Agent Office. He currently serves as a director of the sixth session of the Chinese Institute of Certified Public Accountants, the president of Hainan Institute of Certified Public Accountants, and an independent Director of the 9th session of the Board of the Company.

Mr. Wang Hongyu, born in 1972, with Chinese nationality and without the right of permanent residence abroad, successively graduated from Wuhan University and The Hong Kong University of Science and Technology with a master's degree. Mr. Wang is a senior accountant. He once served as a senior manager at Asia Pacific (Group) Certified Public Accountants, the deputy general manager of Sunshine Holdings Limited (a company listed on the Singapore Exchange) and the general manager of planning and finance department at Zhongyu Gas Holdings Limited (stock code: HK.03633). He currently serves as a co-founder and the chief financial officer of Shenzhen Huadachuan Automation Technology Co., Ltd. (深圳華達川自動化科技有限公司) and an independent Director of the 9th session of the Board of the Company.

Mr. Li Zhengning, born in 1980, with Chinese nationality and without the right of permanent residence abroad. He graduated from China Foreign Affairs University majoring in international law with a master's degree in law. He holds the lawyer qualification certificate and the independent director qualification certificate. He served as a lawyer at Grandall Legal Group (Beijing) (國浩律師集團（北京）事務所), a director of JL MAG Rare-Earth Co., Ltd. He currently serves as a partner of Beijing Hylands Law Firm (北京市浩天信和律師事務所) and an Independent Director of the 9th session of the Board of the Company.

(3) Members of the special committees under the 9th session of the Board

As at the date of this report, the members of each special committee of the 9th session of the Board are as follows:

1) Strategic Development Committee

Chairman: Mr. Shang Duoxu

Members: Mr. Fang Guangrong, Mr. Wang Yongfan, Mr. Guo Qianli

2) Nomination Committee

Chairman: Mr. Wang Hongyu

Members: Mr. Shang Duoxu, Mr. Fang Guangrong

3) Remuneration Committee

Chairman: Mr. Fang Guangrong

Members: Mr. Shang Duoxu, Mr. Li Zhengning, Mr. Wang Hongyu

4) Investment Management Committee

Chairman: Mr. Shang Duoxu

Members: Mr. Fang Guangrong, Mr. Wang Yongfan, Mr. Su Weiguo

5) Audit Committee

Chairman: Mr. Wang Hongyu

Members: Mr. Li Zhengning, Mr. Fang Guangrong

2. Supervisors of the 9th session of the Supervisory Committee

(1) Shareholder representative Supervisors

Mr. Xing Zenghai, born in 1987, with Chinese nationality and without the right of permanent residence abroad, graduated from Zhongnan University of Economics and Law majoring in human resources with a master's degree. He served as the information disclosure manager at Hainan HNA China Travel Business Management Co., Ltd. (海南海航華之旅商務務管理股份有限公司) and the human resources manager at Hainan Garden Lane Flight Hotel Management Co., Ltd. He currently serves as a shareholder representative Supervisor and Chairman of the 9th session of the Supervisory Committee of the Company.

Mr. Yang Qing, born in 1982, with Chinese nationality and without the right of permanent residence abroad, graduated from Liaoning University of Technology majoring in machine design with the bachelor's degree of engineering. He is an intermediate engineer. He served as a technician, the deputy director of Technical R&D Department, and the deputy chief engineer at Fuxin Enclosed Busbars Co., Ltd. He currently is a shareholder representative Supervisor of the 9th session of the Supervisory Committee of the Company.

(2) Employee representative Supervisors

Ms. Wu Rongyu, born in 1992, with Chinese nationality and without the right of permanent residence abroad, graduated from Northwest A&F University majoring in fishery with the bachelor's degree of science in agriculture. She is a level-3 enterprise human resources professional. She served as the business manager of HR & Administration Department at Hainan Tangyuan Technology Co., Ltd. She currently is an employee representative Supervisor of the 9th session of the Supervisory Committee of the Company.

3. Members of the senior management

Mr. Su Weiguo, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a senior economist and graduated from Harbin University of Science and Technology with a major in heat treatment and later from Dalian Maritime University with a major in international economic law, and obtained a bachelor's degree in engineering and a master's degree in law. He served as the section chief of the business management department, deputy general manager, secretary to the Board, general manager and Chairman of the Company, the section chief of business management department, assistant to president and deputy general manager of Northeast Electric Transmission and Transformation Equipment Group, the general manager of Tieling Copper Industry Co., Ltd. (鐵嶺銅業有限責任公司), and the chairman of Shenyang Furukawa Cable Co., Ltd., a Sino-Japanese joint venture. He is currently a Director of the 9th session of the Board and the general manager of the Company.

Mr. Ding Jishi, born in 1985, with Chinese nationality and without the right of permanent residence abroad, graduated from Zhongnan University of Economics and Law with a bachelor's degree in business administration. He once served as the domestic investment senior manager of the investment management department in HNA Group Co., Ltd., the listed issuer information disclosure manager in the Board office of Hainan Airlines Holding Co., Ltd., and the securities affairs representative of the Company. He currently serves as the secretary to the Board of the Company.

Mr. Mi Hongjie, born in 1993, with Chinese nationality and without the right of permanent residence abroad, graduated from Fudan University with a master's degree in business administration. He served as Head of Planning and Finance Department of HNA Group Non-Aviation Asset Management Division (海航集團非航空資產管理事業部), Business Director of Planning and Finance Department of HNA Logistics Group Co., Ltd. (海航物流集團有限公司), Manager of the Operations Centre of the Internet Finance Division of Hainan Supply and Marketing Daji Financial Information Technology Co., Ltd. (海南供銷大集金服信息科技有限公司), and the Senior Manager of the Fund Planning Centre of Financing Management Department of HNA Investment Group Co., Ltd. (海航投資集團股份有限公司). He is currently a Director of the 9th session of the Board and the Chief Financial Officer of the Company.

(IV) Staff of the Company (number of employees, occupational structure and education level)

Number of employees on the payroll of the parent company (person)	10
Number of employees on the payroll of the main subsidiaries (person)	637
Total number of employees on the payroll (person)	651
Total number of employees receiving remuneration in the current period (person)	651
Number of retired employees for whom the parent company and main subsidiaries need to pay expenses (person)	0

Occupational structure

Occupational structure category	**Population of occupational structure**
Production staff	388
Salesperson	67
Technical staff	52
Financial staff	56
Administrative staff	88
Total	**651**

Education level

Education level category	**Number (person)**
Bachelor degree and above	150
College	186
Senior high school and below	315
Total	**651**

The Company has formulated two versions of "**Corporate Governance Report**" in accordance with different requirements of securities regulatory authorities in Mainland China and the Listing Rules of the Hong Kong Stock Exchange in terms of form and content, respectively. To avoid undue repetitions and keep the presentation lucid, a cross-referencing approach has been adopted.

Part 1: Corporate Governance Report (Prepared in Accordance with the Requirements of Securities Regulatory Authorities in Mainland China)

1. Basic Status of Corporate Governance

During the reporting period, the Company, in strict compliance with provisions of the Company Law, Securities Law and other laws and regulations as well as relevant normative documents, improved its corporate governance structure and regulated its daily operation on an ongoing basis to further upgrade the level of normalization. As of the end of the reporting period, the Company's actual corporate governance met the requirements of normative documents on the governance of listed companies published by CSRC. No significant difference existed.

(1) Shareholders and general meeting

The Company strictly complied with the provisions and requirements of the Company Law, Articles of Association and Rules of Procedure for General Meeting to convene general meetings and normalize its voting procedure. External lawyers were appointed to witness the meeting in order to ensure its legality, and ensure that all shareholders, especially minority shareholders, can enjoy equal status and fully exercise their rights. Professional lawyers were appointed to serve as a witness at the general meeting and issue their legal opinions.

(2) Relationship between substantial shareholders and the listed company

The Company's substantial shareholders strictly complied with the Company Law, Articles of Association and Code of Conduct of Substantial Shareholders to normalize their behaviors, exercised their rights according to law, as well as assume their corresponding obligations. During the reporting period, they did not, directly or indirectly, interfere with the Company's decision-making or business activities by circumventing the general meeting. The Company's Board of Directors, Supervisory Committee and relevant departments could work normally and independently.

(3) Directors and the Board of Directors

In compliance with the Company Law, Articles of Association and Rules of Procedure for the Board Meeting, the Company's Directors worked, attended relevant meetings in a conscientious manner, actively participated in trainings, and familiarized themselves with relevant laws and regulations. The Company strictly complied with the election procedure as specified in the Articles of Association to complete the election at expiration of terms of office. During the reporting period, the Company had nine directors, of whom there were three independent directors. Each of the elected directors had participated or committed to participating in relevant trainings organized by securities regulators. The composition of the Board of Directors met requirements of relevant laws, regulations and the Articles of Association. The independent directors, in accordance with the provisions of Working Rules of Independent Directors and other rules, fulfilled their duties independently, attended the Company's board meetings and general meeting, and expressed their independent opinions on the Company's significant matters so as to ensure the Company's normal operation.

(4) Supervisors and Supervisory Committee

The Company's Supervisory Committee worked under relevant provisions of the Company Law, Articles of Association, and Rules of Procedure for Meeting of Supervisory Committee, and its supervisors were recommended, elected and appointed in accordance with relevant laws and regulations. The supervisors earnestly fulfilled their duties, and supervised the Company's financial situation and the legality and compliance of significant matters, thus safeguarding the legal rights and interests of the Company and its shareholders.

(5) Information disclosure and transparency

Pursuant to Information Management Rules, the Company strengthened its management of investor relations and conscientiously fulfilled its information disclosure obligation. Securities Times and www.cninfo.com.cn were designated as the newspapers and website to disclose the Company's information, thus ensuring truthful, accurate, complete and timely information disclosure, as well as enabling all of the Company's shareholders to have equal chances for information.

(6) Stakeholders

In accordance with Information Management Rules, the Company strengthened the confidentiality of internal information and the management of owners of inside information, prevented insiders misusing the right of information, revealing inside information for insider dealings. The Company could fully respect and safeguard the legal rights and interests of the stakeholders, and realize the coordination and balance of interests among shareholders, staff and society so as to jointly push the Company's stable and sound growth.

(7) Performance appraisal and incentive and restraint mechanisms

The Company has established a series of performance appraisal and incentive and restraint mechanisms. Its appointment of senior management was open and transparent, meeting the requirements of relevant laws and regulations.

(8) Establishment and implementation of internal audit system

The executive office of Audit Committee under the Company's Board is internal audit department. The internal audit department exercises its rights of audit supervision within the authorized scope of Audit Committee. Guided by the Management System for Internal Control Supervision and Inspection and according to law, the department checked the Company's accounting books and related assets, and analyzed and evaluated its capital operation, utilization of assets and other financial operation, therefore ensuring the truth and integrity of the Company's assets. The execution of internal audit enabled the Company to avoid operation risks and enhance its economic benefit.

2. The Company's Independence from its Controlling Shareholders on Business, Personnel, Assets, Organization Structure, and Finance

The Company operated independently and steadily from its controlling shareholders in terms of business, personnel, assets, organization structure and finance.

With respect to business, the Company' business has been absolutely independent from that of its controlling shareholders. The Company has been responsible for its own operation and management, profits and losses, independent of any shareholders or any other related parties. It has a complete and independent business structure.

With respect to personnel, the Company has an independent and complete human resources management system. Pursuant to relevant policies in PRC, the Company has established a sound personnel management system, and implemented the labor contract system to all the staff so as to systemize and normalize the personnel management. Independent management has been carried out in staff's social security and remuneration.

With respect to assets, the Company's assets have been complete and separated from those of controlling shareholders. None of the Company's capital, assets or other resources has been utilized without payment by any controlling shareholders, de facto controllers or any other enterprises under their control.

With respect to organization structure, the Company's organization structure has been sound, and absolutely independent from that of its controlling shareholders. The Board, Supervisory Committee and general manager have operated independently, having no affiliation with the function department of any controlling shareholders. The Company has established and improved its decision-making system and internal control system to realize effective operation.

With respect to finance, the Company has set up an independent financial department, and established an independent financial accounting and management system. It has opened accounts in banks and paid taxes according to law independently.

3. Information on General Meetings Convened

The Company convened its annual general meeting for 2020 by a combination of on-site voting and online voting on 2 June 2021, details of which are set out in the Announcement on the Poll Results of the 2020 Annual General Meeting issued on 2 June 2021.

The Company convened its first extraordinary general meeting in 2021 by a combination of on-site voting and online voting on 24 March 2021, details of which are set out in the Announcement on the Poll Results of the First Extraordinary General Meeting for 2021 issued on 24 March 2021.

The Company convened its second extraordinary general meeting in 2021 by a combination of on-site voting and online voting on 23 August 2021, details of which are set out in the Announcement on the Poll Results of the Second Extraordinary General Meeting for 2021 issued on 23 August 2021.

The Company convened its third extraordinary general meeting in 2021 by a combination of on-site voting and online voting on 29 December 2021, details of which are set out in the Announcement on the Poll Results of the Third Extraordinary General Meeting for 2021 issued on 29 December 2021.

4. Performance of Duties by Independent Non-executive Directors

During the reporting period, the independent directors did not raise objections to relevant matters of the Company. The independent directors, in strict accordance with the Articles of Association and Working Rules of Independent Directors and other laws and regulations, kept an eye on the standard operation of the Company, independently performed their duties, presented their valuable and professional advices on such matters as the improvement of the Company's system and its daily operation and decision making, issued independent and fair opinions about the engagement of annual report auditor, related transactions, and the election and appointment of Directors, Supervisors and senior management during the reporting period, thus playing their due role in improving the Company's supervision mechanism and safeguarding the legal rights and interests of the Company and its shareholders.

Attendance of independent non-executive directors at board meetings and general meetings in this year was as follows:

	Attendance of independent directors at board meetings and general meetings						
Name of independent directors	Number of board meeting required to be attended during the reporting period	Number of board meeting attended in person	Number of board meeting attended via communications	Number of board meeting attended by proxy	Number of absence from board meetings	Failure to attend in person at two consecutive board meetings	Number of attendance at general meetings
Fang Guangrong	9	0	9	0	0	No	0
Wang Hongyu	9	0	9	0	0	No	3
Li Zhengning	6	0	6	0	0	No	1

5. Performance of Duties by Special Committees under the Board during the Reporting Period

In compliance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and Guidelines for the Standardised Operation of Listed Companies, the Company has set up Strategic Development Committee, Nomination Committee, Remuneration Committee, Audit Committee and Investment Management Committee, each of which operates normatively according to their respective rules of procedure.

(1) Performance of Duties by Strategic Development Committee

Duties and major work of the committee include consideration and assessment of the Company's development, financial budget, investment and business operations.

As of the disclosure date of this report, Mr. Shang Duoxu serves as Chairman, and members are Mr. Fang Guangrong, Mr. Wang Yongfan and Mr. Guo Qianli. During the reporting period, the committee convened one committee meeting, which was attended by all members of the committee. At the meeting, the committee reviewed the future development program and other matters of the Company.

(2) Performance of Duties by Nomination Committee

Duties and major work of the committee include assessment of performance of directors and senior management, nomination of candidates for directors, independent directors and senior management, as well as regular review of the structure, membership of the Board of Directors and performance of work of directors.

As of the disclosure date of this report, Mr. Wang Hongyu serves as Chairman, and members are Mr. Shang Duoxu and Mr. Fang Guangrong. During the reporting period, the committee convened four committee meetings, which were attended by all members of the committee.

(3) Performance of Duties by Remuneration Committee

Duties and major work of the committee include formulation of remuneration policies for directors and senior management and approval of terms of directors' service contracts.

As of the disclosure date of this report, Mr. Fang Guangrong serves as Chairman, and members are Mr. Shang Duoxu, Mr. Li Zhengning and Mr. Wang Hongyu. During the reporting period, the committee convened one committee meeting, which was attended by all members of the committee.

(4) Performance of Duties by Investment Management Committee

Duties and major work of the committee include consideration and assessment of the Company's strategic plans on annual investment return. As of the disclosure date of this report, Mr. Shang Duoxu serves as Chairman, and members are Mr. Fang Guangrong, Mr. Wang Yongfan and Mr. Su Weiguo. During the reporting period, the committee convened two committee meetings, which was attended by all members of the committee.

(5) Performance of Duties by Audit Committee

Duties and main work of the committee include review of the Company's financial reports, appointment of independent auditors, approval of audit and audit-related services as well as monitoring of internal control and risk management procedure, financial report procedure and management policies.

The committee convenes at least four meetings every year to jointly review the accounting principles adopted, internal control system and relevant financial affairs, ensuring the integrity, fairness and accuracy of the financial statements and other related materials. During the year, the committee convened six meetings, which were attended by three independent directors. At these meetings, the annual report, interim financial report and the first and third quarterly reports were audited respectively, the internal control report was debriefed, and relevant auditors' report and opinions were issued. Especially during the audit period of annual report, the Audit Committee deeply communicated with the audit institution, discussed on key audit matters, continuous operation issues, and other important events or transactions occurred in the period. As of the disclosure date of this report, Mr. Wang Hongyu serves as Chairman, and members are Mr. Li Zhengning and Mr. Fang Guangrong.

6. Performance of Duties by Supervisory Committee

During the year, the Supervisory Committee of the Company earnestly performed supervisory duties, and carried out effective supervision and verification on the Company's decision-making process in operation, operation, finance, assets disposal, appropriation of non-operating funds and related transactions pursuant to laws and regulations of PRC and the Articles of Association. No objection was raised during the supervision on these matters.

7. Appraisal and Incentives to Senior Management

The Company has established a series of performance appraisal and incentive and restraint mechanisms. Its appointment of senior management was open and transparent, meeting the requirements of relevant laws and regulations. The Company's Remuneration Committee under the Board, in accordance with the Company's remuneration management system and annual performance appraisal, has established remuneration standards based on positions and duties of directors, supervisors and senior management.

8. Internal Control

During the reporting period, details about the internal control are set out in "**Self-assessment Report on Internal Control**" and "**Audit Report on Internal Control**" issued by the auditor.

The Audit Report on Internal Control issued by the auditor is in line with the Board's opinions about the Self-assessment Report on Internal Control.

Part 2: Corporate Governance Report (Prepared in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)

1. Compliance with Corporate Governance Code

The Company is committed to achieving and maintaining an overall high level of corporate governance by unswervingly continuing to improve its corporate governance practices and procedures, and it has always been well aware of the importance of assumption of responsibility and communication with shareholders. The Company adopts Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as its corporate governance code. Through the establishment of a sound and effective board of directors, a comprehensive internal control system and a stable corporate structure, the Company is committed to disclosing data completely and transparently, enhancing operational stability, and consolidating and increasing value and profits for shareholders.

During the reporting period, the Board regularly monitored and reviewed the progress of the Group's corporate governance practices to ensure compliance with the relevant codes. The Company confirmed that the Company had remained compliant with the principles and code provisions of Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("**Code Provision**") during the period from 1 January 2021 to 31 December 2021.

2. 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 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 to purchase or sell the shares with inside information: no transactions of the company securities shall be carried out during the price-sensitive time within sixty days, a lock-up period from 30 January 2022 to 30 March 2022, prior to results report.

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

3. The Board

All directors of the Board, in the best interests of the Company, lead and supervise the Company and assume joint and individual responsibility to all shareholders of the Company regarding the management, monitoring and operation of the Company.

Functions of the Board

The Board is responsible for convening general meetings, reporting to the general meeting and implementing the resolutions of the general meeting in a timely manner, determining the Company's business plan and investment plan, and supervising and guiding the senior management of the Company. The Board is also responsible for monitoring the Company's operating and financial performance, formulating the Company's annual financial budget plan, final settlement plan and preparation of financial accounts.

Composition of the Board

The composition of the Board is in compliance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. On the reporting date, the Board consisted of five executive directors and three independent non-executive directors, which is shown as follows:

Executive directors:

Shang Duoxu	Chairman of the Board, member of Nomination Committee, member of Remuneration Committee, chief member of Investment Management Committee, chief member of Strategy Committee
Mr. Wang Yongfan	Member of Strategy Committee
Su Weiguo	Member of Investment Management Committee, member of Strategy Committee
Guo Qianli	Member of Strategy Committee
Mi Hongjie	

Independent non-executive directors:

Li Zhengning	Member of Audit Committee, member of Remuneration Committee, chief member of Nomination Committee
Fang Guangrong	Member of Audit Committee, chief member of Remuneration Committee, member of Nomination Committee, member of Investment Management Committee, member of Strategy Committee
Wang Hongyu	Chief member of Audit Committee, member of Remuneration Committee

There are no financial, business, family or other significant/related relationships between the members of the Board of the Company.

The Company has appointed three independent non-executive directors, representing one third of the Board.

Independent non-executive director, Mr. Wang Hongyu is expertised in accounting and financial management.

Attendance of the Board Meetings and General Meetings

In 2021, the Board of the Company held 9 meetings. In 2021, the Company held 4 general meetings. In 2021, the attendance of directors at board meetings and general meetings was as follows:

	Board meeting			General meeting	
Number of meetings	**9**			**4**	
Members of the Board Note 1	**Number of attendance in person**	**Number of attendance by proxy**	**Attendance rate** Note2	**Number of attendance in person**	**Attendance rate** Note2
Executive directors					
Shang Duoxu	4	0	4/4	0/1	0/1
Su Weiguo	9	0	9/9	4	4/4
Bao Zongbao	5	0	5/5	0/2	0/2
Wang Yongfan	9	0	9/9	0/4	0/4
Guo Qianli	9	0	9/9	0/4	0/4
Li Guoqing	8	0	8/8	0/3	0/3
Zhu Jie	4	0	4/4	0/2	0/2
Mi Hongjie	1	0	1/1	0/0	0/0
Independent non-executive directors					
Li Zhengning	6	0	6/6	1	1/4
Fang Guangrong	9	0	9/9	0	0/4
Wang Hongyu	9	0	9/9	3	3/4

Note 1: During the year, the changes in the members of the Board of Directors of the Company are set out in section "**(2) Change in Directors, Supervisors and Senior Management**" of "**8. Directors, Supervisors, Senior Management, and Employees**".

Note 2: The number of attendance by proxy is not included when the attendance rate is calculated. The attendance rate of departed and appointed directors during the year is calculated based on the number of board meetings and general meetings held during their respective term of office.

Responsibilities and Authorities of the Board and Management

The responsibilities and authorities of the Board and management are clearly defined. The powers of the Board are set out in Article 153 of the Articles of Association. For an overview, please refer to section "**Functions of the Board of Directors**" in "**Part 2: Corporate Governance Report**"; the management conducts day-to-day operations and management and reports to the Board, providing the Board and its special committees with sufficient data in a timely manner to ensure that they make informed decisions. In addition, each director has the right to request further data from the management of the Company.

Service contracts for directors: Details are set out in the relevant disclosure information of "Other Major Events" under "Important Matters" in section V.

Liability insurance for directors and supervisors: The requirement of "an issuer should arrange appropriate insurance cover for its directors" in Rule A.1.8 of the Corporate Governance Code is changed from "the recommended best practice" to "code provisions". The Company is keeping a close eye on such change and will carry out markets investigation to assess feasible operation plans.

Training and sustainable development of directors

After a director is appointed, the Company provides relevant inaugural materials and then provides information to help the director understand the business and operations of the Company on a regular basis. From time to time, the Company sends updated materials in connection with relevant new laws and regulations, internal publications and others to the directors and organizes continuing professional training for directors (with the expense borne by the Company) to help them fully understand the duties of directors as stipulated in the relevant laws and regulations such as the Listing Rules and the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and timely and comprehensively learn the operations of the Company.

The relevant records of training for directors are listed below:

	Training content	
Member of the Board	**Reading materials such as laws, regulations and rules**	**Lectures or training**
Executive directors		
Shang Duoxu	√	√
Su Weiguo	√	√
Wang Yongfan	√	—
Guo Qianli	√	—
Mi Hongjie	√	√
Independent non-executive directors		
Li Zhengning	√	√
Wang Hongyu	√	—
Fang Guangrong	√	—

Board Diversity

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development and has established the board diversity policy. The remuneration committee and the nomination committee will regularly review the structure, size, and composition of the Board (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) in support of the Company's strategy. The Remuneration and Nomination Committee reviews and implements the board diversity policy as and when appropriate, and proposes any recommended revisions as and when necessary to the Board for consideration and approval so as to ensure the effectiveness of the policy. The Company will make proper information disclosure on board composition (including gender, ethnicity, age and length of service) according to laws and regulations and listing rules.

4. The Chairman and the Chief Executive Officer

The Chairman of the Board and the president are Mr. Shang Duoxu and Mr. Su Weiguo respectively.

The primary role of the Chairman is to lead the Board and to ensure that it works effectively in discharging its responsibilities by setting the overall strategy and making major development decisions of the Company and monitoring their implementation and ensuring the creation of value for Shareholders.

The General Manager who also serves as the Chief Executive Officer of the Company is responsible for the day-to-day operation and management of the Company's business, formulating different business and financial targets and management rules, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Company.

5. Independent non-executive directors

As at the date of issue of this Report, there are three independent non-executive directors (being Mr. Li Zhengning, Mr. Wang Hongyu and Mr. Fang Guangrong), with a term of office up to 10 March 2022.

The Company has, in accordance with the provision of Rule 3.13 of the Listing Rules, required each of the independent non-executive directors to submit their annual confirmation of independence, and considered the independence of independent non-executive directors.

6. Performance of Duties by Special Committees

Details of performance of duties by special committees are set out in "**5. Performance of Duties by Special Committees under the Board During the Reporting Period**" of "**Part 1: Corporate Governance Report**".

7. Remunerations of Auditor

On 29 December 2021, the general meeting considered and approved the appointment of MAZARS as the auditor of the Company for the year 2021 and authorized the Board to determine the auditor's remuneration. As determined, the remuneration is RMB1.012 million in total.

8. Secretary of the Company

Mr. Chan Yee Ping (Michael) is engaged by the Company as the joint company secretary to assist the Company in dealing with the compliance matters relating to the Hong Kong Listing Rules. Mr. Chan Yee Ping is the Company's external personnel, and he can contact and communicate with Mr. Su Weiguo, the internal contact and the authorised representative of the Company in his day-to-day work.

According to Rule 3.29 of the Hong Kong Listing Rules, the secretary of the Board has taken no less than 15 hours of relevant professional trainings during the reporting period.

9. Shareholders' Rights and Investor Relations

Shareholders' rights

The Company adopts various measures to facilitate and ensure the smooth exercise of shareholders' rights in strict compliance with relevant laws and regulations such as the Company Law, Securities Law, and Hong Kong Listing Rules in accordance with pertinent requirements under the Articles of Association of the Company.

Procedures for Shareholders' Requirement to Convene an Extraordinary General Meeting ("EGM") or a Class Meeting

The following set out the procedures for Shareholders to convene an extraordinary general meeting or a class meeting of the Company:

Shareholders that, either individually or jointly, hold over 10% of shares of the Company have the right to propose to the Board for the convening of an EGM, and such proposal shall be made in writing to the Board. The Board shall, in accordance with laws, administrative regulations, and these Articles, provide written feedback within ten days after receiving the proposal with respect to whether it agrees with the proposal to convene an EGM.

In the event that the Board agrees to convene an EGM, a notice of the general meeting shall be provided within five days of such resolution by the Board. Alterations to the original proposals in the notice shall be approved by the relevant shareholders.

In the event that the Board disagrees with the convening of an EGM, or fails to provide any feedback within ten days after receiving the proposal, shareholders that, either individually or jointly, hold over 10% of shares of the Company have the right to propose to the Supervisory Committee for the convening of an EGM, and such proposal shall be made in writing to the Supervisory Committee.

In the event that the Supervisory Committee agrees to convene an EGM, a notice of convening a general meeting shall be provided within 5 days after receiving the proposal. Alterations to the original proposals in the notice shall be approved by the relevant shareholders.

In the event that the Supervisory Committee did not provide a notice of convening a general meeting within the specified timeframe, the Supervisory Committee shall be considered to be unwilling to convene and preside over the general meeting. The shareholders that, either individually or jointly, hold over 10% of shares of the Company for a period of 90 consecutive days or more may at their sole discretion convene and preside over the EGM.

Procedures by Which Enquiries May be Made by Shareholders

A shareholder requesting information such as the Articles of Association, register of shareholders and minutes of shareholders' meetings or inspecting relevant information should provide written documentation to the Company to evidence the type and number of shares of the Company that he/she holds. Upon verification of the shareholder's identities, the Company will provide the copy as per the shareholder's request within seven days upon receipt of reasonable charges. In addition, the shareholders can also review the copy of minutes of general meetings free of charge during the business time.

The shareholders can also make enquiries or questions in writing to the securities affairs representative and the secretary of the Board by various methods such as phone, mail, site visit and internet platform. The Office of the Board, whose contact information is set out in "**BASIC INFORMATION OF THE COMPANY**" of this report, is responsible for the day-to-day communication with shareholders,

For the consideration of and voting on a proposal in a general meeting, the shareholders are entitle to make enquiries and suggestions to the proposal. The shareholder shall first introduce his/her identity as a shareholder and his/her shareholding. The chairman of the general meeting shall in person or appoint an attendee to reply to or give an explanation to such enquiries or suggestions.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

When the Company convenes a general meeting, the Board, the Supervisory Committee, and shareholders that, either individually or jointly, hold more than 3% of shares of the Company have the right to make proposals to the Company and can make and deliver the temporary proposals to the convener in writing ten days prior to the general meeting. The convener shall give a supplementary notice of the general meeting within two days after receiving such proposals, and announce the contents of the temporary proposals. Other than circumstances stipulated in the above provision, proposals already listed in the notice of the general meeting shall not be altered and new proposals shall not be added following the issuance of the announcement of the notice of the general meeting by the convener.

Investor Relations

In order to further maintain the accuracy and timeliness of the Articles of Association of the Company, the Board announced that the amendments to the Articles of Association in accordance with the relevant laws and the listing rules with reference to the actual circumstances of the Company were necessary. The proposed amendments to the Articles of Association were approved and effective at the second extraordinary general meeting of 2019 by special resolution. For details about the Articles of Association, please refer to the Company's announcement dated 23 December 2019.

The latest version of Articles of Association is available for inspection at the Company's website and the website of Hong Kong Stock Exchange.

10. Risk Control and Internal Control

The Board of Directors of the Company is responsible for reviewing the Company's risk management and internal control systems to ensure its effective implementation. The Board of Directors has delegated to the internal audit department the responsibility for reviewing the effectiveness of the risk management and internal control systems of the Company and its subsidiaries. The Board shall reasonably ensure operations in compliance with laws and regulations, security of assets, and truthfulness and completeness of financial reports and relevant information, enhance the efficiency and effectiveness of operations, and promote the realization of development strategies. Additionally, the Board shall ensure the adequacy of resources, staff qualifications and experience for accounting, internal audit and financial reporting functions, and of the courses and budget for staff training.

During the year, in accordance with relevant laws and regulations, the internal audit department of the Company reviewed for four times the control over financial, operational and compliance matters of the Company and its subsidiaries and whether the risk management and internal control systems had been operating effectively and what further improvements could be made, and reported their findings to the Board of the Company.

In accordance with the provisions and requirements of Basic Code of Corporate Internal Control and its supporting guidelines and with reference with the internal control systems and evaluation policies of the Company, the Company conducted an effective assessment on the Company's internal control for this year in respects of specific operations such as outward investment, guarantee business, funds raising, procurement, asset management, sales, capital activities, and comprehensive budgeting, and the Company itself and Fuxin Enclosed Busbars Co., Ltd. which were also under internal control, based upon day-to-day and special monitoring of internal control, and drew a conclusion in terms of the effectiveness of internal control: during the reporting period, the Company has established and implemented internal control measures of the businesses and matters which fell into the scope of evaluation, achieving the Company's target of internal control.

Mazars Certified Public Accountants LLP issued a standard and unqualified internal control audit report, and is of the view that as at 31 December 2021, the Company maintained effective internal control related to financial reporting and non-financial reporting in accordance with Basic Code of Corporate Internal Control and relevant requirements in all material aspects.

11. The Supervisory Committee provided audit opinion on the related matters of the Company

(1) The Company's legal operation

The Supervisory Committee opines that during the reporting period, the Company has established a fairly comprehensive corporate governance framework and internal control system. Decision-making procedure of the Annual General Meeting and each of the board meetings are lawful. Directors, independent directors, managers and other senior management strictly observe the law in performing their duties. They had no acts in breach of discipline, law, Articles of Association nor had damaged interests of the Company.

(2) The Company's financial status and the consideration of 2021 Financial Report

The Supervisory Committee opines that during the reporting period, the financial department of the Company has established a sound internal control and management system by attentively performing related accounting system and codes of the State to integrate operation and financial management, so as to protect interests of investors. The 2021 financial report truly reflected the Company's financial status and operating results. The auditors' report issued by the Company's auditor is true, accurate and objective in all material aspects, which truly reflected the Company's financial status and operating results in 2021.

(3) Asset acquisitions and disposals

The external investment, equity acquisition, and asset acquisition and sale matters of the Company in the reporting period were all prepared based on the general commercial terms and according to the normal way, and the pricing terms are fair and reasonable; the supervisory committee agrees with the resolution of the Board of Directors; all the transactions are fair and reasonable to all the shareholders and do not damage the legitimate interests of minority shareholders.

(4) Connected transaction

The Supervisory Committee opines that no insider dealings between the associates of the Company and connected transactions that damage the interests of some of the shareholders or the Company are found.

(5) Self-assessment of the Company's internal control

According to related regulations of the Internal Control Guidance for Listed Companies, the Supervisory Committee of the Company published the following opinions on internal control of the Company:

1) In accordance with relevant provisions of China Securities Regulatory Commission and stock exchange, the Company, under the basic principles of internal control, has established and improved the internal control systems covering all the links of the Company based on its own real situation, ensuring its normal business activities and protecting the security and integrity of its assets.

2) The Company has a whole internal control organization with an internal audit department and complete staff, ensuring full and effective implementation and supervision of key internal control activities.

In summary, Xing Zenghai, Yang Qing and Wu Rongyu, members of the Supervisory Committee, opine that the self-assessment of internal control of the Company is full, true and correct, which reflected the real situation of the Company's internal control.

中審眾環會計師事務所（特殊普通合夥）
武漢市武昌東湖路169號中審眾環大廈
郵政編碼：430077

Mazars Certified Public Accountants LLP
Zhongshen Zhonghuan Building
No. 169 Donghu Road, Wuchang District
Wuhan, 430077

電話 Tel：027-86791215
傳真 Fax：027-85424329

Auditors' Report

Zhonghuan Shen Zi [2022] No. 1710024

To the Shareholders of Northeast Electric Development Company Limited

I. Opinion

We have audited the Financial Statements of Northeast Electric Development Company Limited ("**Northeast Electric**" or the "**Company**"), which comprise the consolidated and Company Balance Sheet as of 31 December 2021, the Consolidated and Company Income Statement, the Consolidated and Company Cash Flows Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended, and Notes to the Financial Statements.

In our opinion, the Financial Statements attached have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respects, the consolidated and Company financial positions as at 31 December 2021 and the consolidated and Company results of operations and cash flows for the year of 2021.

II. Basis of Forming the Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The section “**Auditors’ Responsibility for the Financial Statements**” in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Material Uncertainties Relating to Business Continuous Operating

We would like to emphasize to the Report readers that, as of 31 December 2021, the Company had an accumulated net loss of RMB1,977,714,700, the equity attributable to shareholders of the parent company was RMB-169,697,100, and current liabilities were RMB170,903,900 more than current assets, as stated in Note II.2. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB94,078,100. These issues or items, might cause material uncertainties as to the continuous operating of the Company. Such issues do not affect the Opinion.

IV. Key Audit Items

Key audit items are the items which we believe, based on our professional judgment, to be significant in the audit of financial statements for the current period. Audit response to these items has been designed and implemented in the context of auditing the financial statements as a whole for the purpose of expressing an audit opinion on the financial statements; and we do not express an opinion on each of these items individually. Except for matters stated in the section “**Material uncertainties relating to business continuous operating**”, we believe that the following matters are the key audit items which warrant disclosure in the audit report.

(I) Lease with a related party and recognition of business revenue from the public space of that related party's hotel

Key audit items	Response to the items
As an enclosed busbar manufacturer, the Company began to lease the public space of the hotel owned by its related party for operation in 2019 due to the business transformation, as stated in Note VI.29 to the Financial Statements. The Company recognises the revenue of RMB40,498,371.87 from the hotel catering and accommodation in 2021, accounting for 48.38% of its operating income. As income is one of the Company's key performance indicators and involved the lease with a related party, we regard the lease with a related party and the recognition of revenue from the hotel catering and accommodation as key audit items.	1. Understanding and evaluating the design and operating effectiveness of management's key internal controls in relation to the revenue recognition and the lease with a related party, and testing the effectiveness of the implementation of key control; 2. Searching the lease contract and the actual conditions of the lease to evaluate whether the accounting treatment of the revenue generated from the lease complies with the relevant provisions of the Accounting Standards for Business Enterprises; 3. Understanding the specific business content and checking the relevant contracts and documents to evaluate whether the Company's policies on revenue recognition complies with the requirements of the accounting standards; 4. Performing the analytical review procedures to determine the rationality of changes in the sales revenue and in gross profit; checking whether the changes in monthly revenue are reasonable; 5. Selecting samples of the sales in the current year, checking the relevant consumption receipts, sales receipts, bank receipts, cash receipts, and checking and analysing the sales amount in the daily sales report and in the financial books; 6. Conducting a cut-off test of the sales revenues recognised before and after the balance sheet date to determine whether the sales revenues are recognised in appropriate periods; 7. We access the breakdown of amount incurred and balance provided by the management with respect to the lease with a related party, and perform the following procedures: (1) checking it with the financial record; (2) sampling to check whether the amount incurred for and the balance of the related party transactions are accurate; (3) sampling the letters of confirmation for the amount incurred for and balance of the related party transactions; (4) judging whether the lease has commercial substance; (5) judging whether the gross method or the net method should apply to the revenue from the lease of hotel.

(II) Lawsuit generating non-operating income

Key audit items	Response to the items
The case of employee settlement compensation dispute – Shenyang Tiexi District State-owned Asset Supervisory Commission vs. the Company, Shenyang High-Voltage Switchgear Co., Ltd. and New Northeast Electric (Shenyang) High-Voltage Switches Co., Ltd. as stated in Note VI.40 to the Financial Statements. According to the legal opinion issued by the lawyer, the Company's estimated liabilities amounted to RMB37,745,190.00 in connection with the litigation in 2017, considering that the business license of Shenyang High-voltage Switchgear Co., Ltd. was revoked by the industrial and commercial department. In 2021, according to the court decision, the provision for estimated liabilities was reversed, increasing the non-operating income in the current period. The lawsuit involved a significant amount and then had a material impact on the financial statements. Therefore, we determine the lawsuit as a key audit item.	1. Asking the management about the impact of the lawsuit and the result of judgment on the Company; 2. Accessing the files and written judgement related to the lawsuit, and understanding the lawsuit and result of judgment; 3. Searching the Company's announcements on the lawsuit, and comparing them with the available files on the lawsuit, and checking whether the relevant decision approval procedures comply with the provisions of laws and regulations; 4. Comparing the evidence and information accessed with the management's judgment to confirm the rationality of the management's judgement; 5. Accessing the special legal opinion on the lawsuit from a law firm; 6. Checking the Company's accounting treatment regarding the lawsuit to confirm whether the treatment complies with the Accounting Standards for Business Enterprises and the relevant provisions; 7. Checking whether the information about the lawsuit has been properly presented and disclosed in the financial statements.

V. Other information

The management of the Company is responsible for other information, which includes the information contained in the Company’s 2021 annual report except for the financial statements and our auditors’ report.

Our audit opinion on the financial statements does not cover other information, and we do not express assurance opinion in any form on the other information.

In parallel to our audit of the financial statements, our responsibilities include reading other information and assessing if other information is significantly inconsistent with the financial statements or information obtained during the audit, and if there is possible material misstatement in other information.

Where we identify material misstatement in other information on the basis of our work, we shall report such fact. Based on our work, we have no such matter to be reported.

VI. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Company (the “Management”) is responsible for preparing and presenting the financial statements in accordance with Accounting Standards for Business Enterprises and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the Management is responsible for assessing the Company’s ability to continue as a going concern; disclosing, where applicable, matters in relation to the continuing operations; and applying the continuing operations assumption, unless the Management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

Those charged with governance are responsible for monitoring the Company’s financial reporting process.

VII. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards. Misstatements may be caused by fraud or error. Misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

(I) To identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.

(II) To understand the internal controls related to auditing in order to design appropriate audit procedures.

(III) To evaluate the appropriateness of accounting policies adopted by the Management and the reasonableness of accounting estimates and relevant disclosures made by the Management.

(IV) To reach a conclusion on the appropriateness of the Management's assumption of the continuing operations. Meanwhile, based on the audit evidence obtained, to conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

(V) To evaluate the overall presentation, structure and content of financial statements, and evaluate whether the financial statements present fairly the relevant transactions and events.

(VI) To obtain sufficient and appropriate audit evidence regarding to the Company's financial information on the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence, as well as, where applicable, the relevant precautions.

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest, we do not disclose such items in the audit report.

Mazars Certified Public Accountants LLP

Chinese Certified Public Accountants:

(Engagement Partner): Li Hui

Chinese Certified Public Accountants: Yang Lijuan

Wuhan, China

March 30, 2022

(I) Accounting statement prepared in accordance with the PRC GAAP

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	18,645,415.83	12,912,725.07
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable	55,336,307.45	32,293,932.13
Receivables financing		
Advances to suppliers	2,563,355.39	997,454.96
Other receivables	27,961,945.29	19,230,044.90
Including: Interests receivable		
Dividends receivable		
Inventories	14,795,944.05	16,710,311.95
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,367,430.85	1,958,726.08
Total current assets	**120,670,398.86**	**84,103,195.09**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	42,179,538.52	44,911,967.97
Construction in progress		
Biological assets held for production		
Oil and gas assets		
Right-of-use assets	19,763,670.18	16,432,367.74
Intangible assets	11,814,271.87	12,078,277.99
Development expenditure		
Goodwill		
Long-term deferred charges		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**73,757,480.57**	**73,422,613.70**
Total asset	**194,427,879.43**	**157,525,808.79**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	38,380,570.47	21,344,941.14
Advances from customers		
Contract liabilities	14,134,307.20	6,624,272.90
Employment benefits payable	8,835,266.49	4,753,756.28
Taxes and fees payable	3,938,416.15	4,744,439.95
Other payables	191,146,104.42	181,225,923.07
Including: Interests payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	33,966,281.82	10,953,560.25
Other current liabilities	1,173,384.17	
Total current liabilities	**291,574,330.72**	**229,646,893.59**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		11,582,700.60
Long-term payables		
Long-term employee benefits payable		
Provisions	34,354,500.00	72,099,690.00
Deferred income	36,035,084.94	29,425,846.58
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**70,389,584.94**	**113,108,237.18**
Total liabilities	**361,963,915.66**	**342,755,130.77**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,083,997,337.88	1,083,997,337.88
Less: Treasury stock		
Other comprehensive income	-257,936,882.03	-258,031,515.00
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Retained earnings	-1,977,714,664.18	-1,995,343,315.68
Total equity attributable to shareholders of the Parent	**-169,697,083.93**	**-187,420,368.40**
Minority interests	2,161,047.70	2,191,046.42
Total shareholders' equity	**-167,536,036.23**	**-185,229,321.98**
Total liabilities and shareholders' equity	**194,427,879.43**	**157,525,808.79**

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Representatives of the Board

Su Weiguo
Executive Director

Mi Hongjie
Executive Director

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Total operating income	**83,700,725.00**	**79,990,887.34**
Including: Revenue from operation	83,700,725.00	79,990,887.34
II. Total operating costs	**110,986,549.08**	**106,615,419.76**
Including: Cost for operation	44,752,431.29	51,756,403.74
Taxes and surcharges	874,702.18	830,513.49
Selling expenses	35,635,524.54	31,784,989.22
Administrative expenses	27,142,622.89	19,469,719.62
Research and development expenses	2,158,870.95	2,502,192.76
Financial costs	422,397.23	271,600.93
Including: Interest expense	330,322.14	1,684,723.80
Interest income	36,869.10	1,487,871.78
Add: Other income	1,991,958.94	1,883,241.62
Investment income (loss presented with "-" prefix)		129,649,569.56
Including: Investment income from associates and joint ventures		-48,900,000.00
Gain on derecognition of financial assets measured at amortised cost		
Net open hedge income (loss presented with "-" prefix)		
Gain from changes in fair value (loss presented with "-" prefix)		
Credit impairment loss (loss presented with "-" prefix)	14,595,954.70	-71,646,732.73
Asset impairment loss (loss presented with "-" prefix)	-9,646,195.79	
Gain on disposal of assets (loss presented by "-" prefix)		32,743,426.99

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Profit from operation (loss presented with "-" prefix)	**-20,344,106.23**	**66,004,973.02**
Add: Non-operating income	37,810,857.19	1,032,327.02
Less: Non-operating expenses	1,146.20	21,035.63
IV. Total profits (total loss presented with "-" prefix)	**17,465,604.76**	**67,016,264.41**
Less: Income tax expenses	-133,048.02	4,351,215.25
V. Net profit (net loss presented with "-" prefix)	**17,598,652.78**	**62,665,049.16**
A. Classified by business continuity		
1. Net profit from continued operations (net loss presented with "-" prefix)	17,598,652.78	62,665,049.16
2. Net profit from discontinued operations (net loss presented with "-" prefix)		
B. Classified by ownership		
1. Net profit attributable to shareholders of the Parent (net loss presented with "-"prefix)	17,628,651.50	63,976,621.79
2. Profits and losses attributable to minority interests (net loss presented with "-"prefix)	-29,998.72	-1,311,572.63

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
VI. Net after-tax other comprehensive income	**94,632.97**	**-197,936,049.06**
A. Net after-tax other comprehensive income attributable to shareholders of the Parent	94,632.97	-195,955,260.98
1. Other comprehensive income not reclassifiable to profit or loss		-196,098,020.13
(1) Remeasurement of changes in defined benefit plans		
(2) Other comprehensive income of non-convertible profit and loss under the equity method		
(3) Changes in fair value of other equity instruments investment		-196,098,020.13
(4) Changes in fair value of the company's own credit risk		
(5) Others		
2. Other comprehensive income reclassifiable to profit or loss	94,632.97	142,759.15
(1) Other comprehensive income of convertible profit and loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) The amount of financial assets reclassified into other comprehensive income		
(4) Other debt investment credit impairment provisions		
(5) Cash flow hedge reserve		
(6) Exchange difference on translation of foreign financial statements	94,632.97	142,759.15
(7) Others		
B. Net after-tax other comprehensive income attributable to minority interests		-1,980,788.08

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
VII. Total comprehensive income	**17,693,285.75**	**-135,270,999.90**
A. Total comprehensive income attributable to shareholders of the Parent	17,723,284.47	-131,978,639.19
B. Total comprehensive income attributable to minority interests	-29,998.72	-3,292,360.71
VIII. Earning per share:		
A. Basic earning per share (RMB per share)	0.02	0.07
B. Diluted earning per share (RMB per share)	0.02	0.07

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item		Amount for current year	Amount for last year
I.	**Cash flows from operating activities:**		
	Cash received for sales of goods and rendering of services	92,639,027.35	74,336,570.13
	Tax refund received		
	Other cash receipts relating to operating activities	9,839,271.97	16,129,190.71
	Cash inflows from operating activities (subtotal)	**102,478,299.32**	**90,465,760.84**
	Cash payments for purchase of goods and services	44,954,992.04	50,924,667.95
	Cash paid to or on behalf of employees	29,616,725.55	23,743,773.33
	Taxes and fees paid	2,654,360.33	2,018,612.63
	Other cash payments relating to operating activities	19,818,229.39	89,932,804.11
	Cash outflows for operating activities (subtotal)	**97,044,307.31**	**166,619,858.02**
	Net cash flows from operating activities	**5,433,992.01**	**-76,154,097.18**
II.	**Cash flows from investing activities:**		
	Cash received from investment withdrawal		
	Cash received from investment income		
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,500,000.00	23,500,000.00
	Net cash received from disposal of subsidiaries and other business units		
	Other cash receipts relating to investing activities		55,000,000.00
	Cash inflows from investing activities (subtotal)	**5,500,000.00**	**78,500,000.00**
	Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets	87,001.00	7,201,561.40
	Cash paid for investment		48,435,719.34
	Net cash paid for acquisition of subsidiaries and other business units		
	Other cash payments relating to investing activities		
	Cash outflows for investing activities (subtotal)	**87,001.00**	**55,637,280.74**
	Net cash flows from investing activities	**5,412,999.00**	**22,862,719.26**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Cash flows from financing activities:		
Cash received from investors		
Including:Cash received by subsidiaries from investments of minority shareholders		
Cash received from loans raised		
Other cash receipts relating to financing activities		
Cash inflows from financing activities (subtotal)		
Cash paid for debt repayment		10,500,000.00
Cash paid for dividends, profit distribution and interests		269,932.01
Including:Dividends and profits paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	3,736,896.25	1,904,341.75
Cash outflows for financing activities (subtotal)	**3,736,896.25**	**12,674,273.76**
Net cash flows from financing activities	**-3,736,896.25**	**-12,674,273.76**
IV. Impact of change of foreign exchange rates on cash and cash equivalents	**-9,726.91**	**-26,206.26**
V. Net increase of cash and cash equivalents	**7,100,367.85**	**-65,991,857.94**
Add: cash and cash equivalents opening balance	8,535,909.71	74,527,767.65
VI. Cash and cash equivalents closing balance	**15,636,277.56**	**8,535,909.71**

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Consolidated Statement of Changes in Shareholders' Equity (31 December 2021)

For the year ended 31 December 2021 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year													
	Equity attributable to shareholders of the Parent												Minority interests	Total shareholders' equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Subtotal		
I. Closing balance of the preceding year	873,370,000.00				1,083,997,337.88		-258,031,515.00		108,587,124.40		-1,995,343,315.68	-187,420,368.40	2,191,046.42	-185,229,321.98
Add: Changes of accounting policies														
Correction of prior period errors														
Business combination under common control														
Others														
II. Opening balance of the current year	873,370,000.00				1,083,997,337.88		-258,031,515.00		108,587,124.40		-1,995,343,315.68	-187,420,368.40	2,191,046.42	-185,229,321.98
III. Changes for the year (decrease presented by "-" prefix)							94,632.97				17,628,651.50	17,723,284.47	-29,998.72	17,693,285.75
A. Total comprehensive income							94,632.97				17,628,651.50	17,723,284.47	-29,998.72	17,693,285.75
B. Shareholders' contribution and capital decline														
1. Contribution by shareholders of ordinary shares														
2. Contribution by holders of other equity instruments														
3. Share-based payments recognised in shareholders' equity														
4. Others														
C. Profit distribution														
1. Withdrawn from surplus reserves														
2. Withdrawn from provision for general risks														
3. Distribution to shareholders														
4. Others														

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year													
	Equity attributable to shareholders of the Parent													
		Other equity instruments												
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Subtotal	Minority interests	Total shareholders' equity
D. Movements within shareholders' equity														
1. Capital reserves transferred to capital (or share capital)														
2. Surplus reserves transferred to capital (or share capital)														
3. Loss set-off by surplus reserves														
4. Transfer changes of defined benefit plans into retained earnings														
5. Other comprehensive income to carry forward retained earnings														
6. Others														
E. Designated reserves														
1. Withdrawal during the current period														
2. Usage during the current period														
F. Others														
IV. Closing balance of the current year	**873,370,000.00**				**1,083,997,337.88**		**-257,936,882.03**		**108,587,124.40**		**-1,977,714,664.18**	**-169,697,083.93**	**2,161,047.70**	**-167,536,036.23**

Consolidated Statement of Changes in Shareholders' Equity (31 December 2021) *(Continued)*

For the year ended 31 December 2021 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year														
	Equity attributable to shareholders of the Parent														
		Other equity instruments													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal	Minority interests	Total shareholders' equity
I. Closing balance of the preceding year	**873,370,000.00**				**1,082,848,805.11**		**-62,076,254.02**		**108,587,124.40**		**-2,059,319,937.47**		**-56,590,261.98**	**5,483,407.13**	**-51,106,854.85**
Add: Changes of accounting policies															
Correction of prior period errors															
Business combination under common control															
Others															
II. Opening balance of the current year	**873,370,000.00**				**1,082,848,805.11**		**-62,076,254.02**		**108,587,124.40**		**-2,059,319,937.47**		**-56,590,261.98**	**5,483,407.13**	**-51,106,854.85**
III. Changes for the period (decrease presented by "-" prefix)					**1,148,532.77**		**-195,955,260.98**				**63,976,621.79**		**-130,830,106.42**	**-3,292,360.71**	**-134,122,467.13**
A. Total comprehensive income							-195,955,260.98				63,976,621.79		-131,978,639.19	-3,292,360.71	-135,270,999.90
B. Shareholders' contribution and capital decline															
1. Contribution by shareholders of ordinary shares															
2. Contribution by holders of other equity instruments															
3. Share-based payments recognised in shareholders' equity															
4. Others															

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

	Amount for last year														
	Equity attributable to shareholders of the Parent														
		Other equity instruments													
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal	Minority interests	Total shareholders' equity
C. Profit distribution															
1. Withdrawn from surplus reserves															
2. Withdrawn from provision for general risks															
3. Distribution to shareholders															
4. Others															
D. Movements within shareholders' equity															
1. Capital reserves transferred to capital (or share capital)															
2. Surplus reserves transferred to capital (or share capital)															
3. Loss set-off by surplus reserves															
4. Transfer changes of defined benefit plans into retained earnings															
5. Other comprehensive income to carry forward retained earnings															
6. Others															

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year														
	Equity attributable to shareholders of the Parent														
		Other equity instruments													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal	Minority interests	Total shareholders' equity
E. Designated reserves															
1. Withdrawal during the current period															
2. Usage during the current period															
F. Others					1,148,532.77								1,148,532.77		1,148,532.77
IV. Closing balance of the current year	**873,370,000.00**				**1,083,997,337.88**		**-258,031,515.00**		**108,587,124.40**		**-1,995,343,315.68**		**-187,420,368.40**	**2,191,046.42**	**-185,229,321.98**

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	18,629.59	1,683.02
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Advances to suppliers		
Other receivables	252,990,813.19	251,656,394.15
Including: Interests receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	609,433.66	581,337.61
Total current assets	**253,618,876.44**	**252,239,414.78**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	56,436,473.03	56,436,473.03
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	19,647.16	22,737.04
Construction in progress		
Biological assets held for production		
Oil and gas assets		
Right-of-use assets		
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred charges		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**56,456,120.19**	**56,459,210.07**
Total asset	**310,074,996.63**	**308,698,624.85**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	**Closing balance**	**Opening balance**
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers		
Contract liabilities	581,743.59	581,743.59
Employment benefits payable	3,672,991.60	1,860,964.74
Taxes and fees payable	201,338.00	219,991.85
Other payables	163,325,829.29	158,816,321.38
Including: Interests payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	**167,781,902.48**	**161,479,021.56**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	34,354,500.00	72,099,690.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**34,354,500.00**	**72,099,690.00**
Total liabilities	**202,136,402.48**	**233,578,711.56**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	996,869,700.23	996,869,700.23
Less: Treasury stock		
Other comprehensive income		
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Retained earnings	-1,870,888,230.48	-1,903,706,911.34
Total shareholders' equity	**107,938,594.15**	**75,119,913.29**
Total liabilities and shareholders' equity	**310,074,996.63**	**308,698,624.85**

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Income from operation	**2,970,297.03**	**2,970,297.03**
Less: Cost for operation		
Taxes and surcharges	1,782.17	1,782.17
Selling expenses		
Administrative expenses	7,890,617.08	8,816,324.27
Research and development expenses		
Financial costs	4,288.27	7,131.44
Including: Interest expense		
Interest income	62.61	110.59
Add: Other income		
Investment income (loss presented with "-" prefix)		175,549,569.56
Including: Investment income from associates and joint ventures		
Gain on derecognition of financial assets measured at amortised cost		
Net open hedge income (loss presented with "-" prefix)		
Gain from changes in fair value (loss presented with "-" prefix)		
Credit impairment loss (loss presented with "-" prefix)		-91.14
Asset impairment loss (loss presented with "-" prefix)		
Gain on disposal of assets (loss presented by "-" prefix)		

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
II. Profit from operation (loss presented with "-" prefix)	**-4,926,390.49**	**169,694,537.57**
Add: Non-operating income	37,745,190.00	36,890.69
Less: Non-operating expenses	118.65	70.07
III. Total profits (total loss presented with "-" prefix)	**32,818,680.86**	**169,731,358.19**
Less: Income tax expenses		
IV. Net profit (net loss presented with "-" prefix)	**32,818,680.86**	**169,731,358.19**
A. Net profit from continued operations (net loss presented with "-" prefix)	32,818,680.86	169,731,358.19
B. Net profit from discontinued operations (net loss presented with "-" prefix)		
V. After-tax other comprehensive income		
A. Other comprehensive income not reclassifiable to profit or loss		
1. Remeasurement of changes in defined benefit plans		
2. Other comprehensive income of non-convertible profit and loss under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Changes in fair value of the company's own credit risk		
5. Others		

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
B. Other comprehensive income reclassifiable to profit or loss		
1. Other comprehensive income of convertible profit and loss under the equity method		
2. Changes in fair value of other debt investments		
3. The amount of financial assets reclassified into other comprehensive income		
4. Provisions for other debt investment credit impairment		
5. Cash flow hedge reserve		
6. Exchange difference on translation of foreign financial statements		
7. Others		
VI. Total comprehensive income	**32,818,680.86**	**169,731,358.19**

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Cash flows from operating activities:		
Cash received for sales of goods and rendering of services		
Tax refund received		
Other cash receipts relating to operating activities	4,851,226.14	6,712,965.27
Cash inflows from operating activities (subtotal)	**4,851,226.14**	**6,712,965.27**
Cash payments for purchase of goods and services		
Cash paid to or on behalf of employees	2,862,030.28	4,656,088.96
Taxes and fees paid	1,650.00	2,138.74
Other cash payments relating to operating activities	1,970,599.29	2,053,948.06
Cash outflows for operating activities (subtotal)	**4,834,279.57**	**6,712,175.76**
Net cash flows from operating activities	16,946.57	789.51
II. Cash flows from investing activities:		
Cash received from investment withdrawal		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities		
Cash inflows from investing activities (subtotal)		
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets		
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities		
Cash outflows for investing activities (subtotal)		
Net cash flows from investing activities		

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Cash flows from financing activities:		
Cash received from investors		
Cash received from loans raised		
Other cash receipts relating to financing activities		
Cash inflows from financing activities (subtotal)		
Cash paid for debt repayment		
Cash paid for dividends, profit distribution and interests		
Other cash payments relating to financing activities		
Cash outflows for financing activities (subtotal)		
Net cash flows from financing activities		
IV. Impact of change of foreign exchange rates on cash and cash equivalents		
V. Net increase of cash and cash equivalents	**16,946.57**	**789.51**
Add: cash and cash equivalents opening balance	1,683.02	893.51
VI. Cash and cash equivalents closing balance	**18,629.59**	**1,683.02**

The Company's Chairman: Shang Duoxu Chief Financial Officer: Mi Hongjie Chief Accounting Officer: Jin Muhan

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Closing balance of the preceding year	**873,370,000.00**				**996,869,700.23**				**108,587,124.40**	**-1,903,706,911.34**	**75,119,913.29**
Add: Changes of accounting policies											
Correction of prior period errors											
Others											
II. Opening balance of the current year	**873,370,000.00**				**996,869,700.23**				**108,587,124.40**	**-1,903,706,911.34**	**75,119,913.29**
III. Changes for the period (decrease presented by "-" prefix)										**32,818,680.86**	**32,818,680.86**
A. Total comprehensive income										32,818,680.86	32,818,680.86
B. Shareholders' contribution and capital decline											
1. Contribution by shareholders of ordinary shares											
2. Contribution by holders of other equity instruments											
3. Share-based payments recognised in shareholders' equity											
4. Others											
C. Profit distribution											
1. Withdrawn from surplus reserves											
2. Distribution to shareholders											
3. Others											

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Total shareholders' equity
D. Movements within shareholders' equity											
1. Capital reserves transferred to capital (or share capital)											
2. Surplus reserves transferred to capital (or share capital)											
3. Loss set-off by surplus reserves											
4. Transfer changes of defined benefit plans into retained earnings											
5. Other comprehensive income to carry forward retained earnings											
6. Others											
E. Designated reserves											
1. Withdrawal during the current period											
2. Usage during the current period											
F. Others											
IV. Closing balance of the current year	**873,370,000.00**				**996,869,700.23**				**108,587,124.40**	**-1,870,888,230.48**	**107,938,594.15**

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Closing balance of the preceding year	**873,370,000.00**				**995,721,167.46**				**108,587,124.40**	**-2,073,438,269.53**	**-95,759,977.67**
Add: Changes of accounting policies											
Correction of prior period errors											
Others											
II. Opening balance of the current year	**873,370,000.00**				**995,721,167.46**				**108,587,124.40**	**-2,073,438,269.53**	**-95,759,977.67**
III. Changes for the period (decrease presented by "-" prefix)					**1,148,532.77**					**169,731,358.19**	**170,879,890.96**
A. Total comprehensive income										169,731,358.19	169,731,358.19
B. Shareholders' contribution and capital decline											
1. Contribution by shareholders of ordinary shares											
2. Contribution by holders of other equity instruments											
3. Share-based payments recognised in shareholders' equity											
4. Others											
C. Profit distribution											
1. Withdrawn from surplus reserves											
2. Distribution to shareholders											
3. Others											

Statement of Changes in Shareholders' Equity (31 December 2021) *(Continued)*

For the year ended 31 December 2021 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others							
D. Movements within shareholders' equity											
1. Capital reserves transferred to capital (or share capital)											
2. Surplus reserves transferred to capital (or share capital)											
3. Loss set-off by surplus reserves											
4. Transfer changes of defined benefit plans into retained earnings											
5. Other comprehensive income to carry forward retained earnings											
6. Others											
E. Designated reserves											
1. Withdrawal during the current period											
2. Usage during the current period											
F. Others					1,148,532.77						1,148,532.77
IV. Closing balance of the current year	**873,370,000.00**				**996,869,700.23**				**108,587,124.40**	**-1,903,706,911.34**	**75,119,913.29**

The Company's Chairman: Shang Duoxu   Chief Financial Officer: Mi Hongjie   Chief Accounting Officer: Jin Muhan

Northeast Electric Development Co., Ltd.
Notes to the Financial Statements
(All amounts expressed in RMB unless otherwise specified)

I. Company Profile

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

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

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

The Company's parent company is Beijing Haihongyuan Investment Management Co., Ltd. (hereinafter referred to as "**Haihongyuan**"), while the ultimate controlling party of the Company is Hainan Province Cihang Foundation.

As of 31 December 2021, the results of 6 subsidiaries of the Group have been consolidated. Please see Note 8 "**Equity in other entities**". There is no change in the Group's consolidation scope this year compared with last year.

II. Basis of Preparation of Financial Statements

1. Basic of preparation

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

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

2. Continuing operations

At the 31 December 2021, the Company had a cumulative net loss of RMB-1,977,714,700, the equity attributable to shareholders of the parent company was RMB-169,697,100, and current liabilities were RMB170,903,900 more than current assets. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB94,078,100. These are major items or uncertainties that might probably cause concerns in regards with the continuing operation ability of the Company, even cause the Company unable to liquidate its assets and repay debts in the normal course of business.

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

II. Basis of Preparation of Financial Statements *(Continued)*

2. Continuing operations *(Continued)*

(1) By laying more efforts on collection of accounts receivable while seeking external funding support, the Group is capable of guaranteeing its own funding requirements. Funding sources: Firstly, the Group strengthens supply chain and internal funding management and strives for collection of accounts receivable. Secondly, Shenyang Kaiyi Electric Co., Ltd. ("Shenyang Kaiyi"), a wholly-owned subsidiary of the Company, has entered into a loan contract with Yunshangtong International Holding Company Limited ("Yunshangtong"). As agreed in 2022, Yunshangtong will continue to lend a loan with a maximum balance of no more than RMB50 million to Shenyang Kaiyi to support the production and operations of the latter. Thirdly, Fuxin Enclosed Busbar Company Limited ("Fuxin Busbar"), a subsidiary of the Company, has good bank credit and financing records and financing ability; in the future, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging real estate and lands in the factory, which will be sufficient to support its on-going operation for the next 12 months. With these measures, the Group will sufficiently guarantee working capital requirements and achieve the balance of cash flows.

(2) Financing channels in the capital market will be fully utilised to bring in strategic investors in both ways. In 2022, the Company will maintain the operation of closed busbar and hotel and catering, while continuing to bring in strategic investors. On the one hand, the Company will utlise the H-share capital market to raise funds for new business through new offering of H-shares by Northeast Electric. On the other hand, the Company will bring in strategic investors by virtue of Fuxin Busbar's equipment in its plant and production technology resources, in order to enrich the structure of power transmission and transformation equipment and boost its performance growth.

(3) Human resources will be allocated appropriately to tighten control over cost. Based on the operation scale, the Group will adjust the organising structure of the head office by downsizing headcounts at the head office, gradually shifts to flat management and effectively reduce operation costs. The Group will optimise asset management, intensify overall budget management and cost control, strictly control expenditure, reduce operating costs and maximise the profitability of main business.

II. Basis of Preparation of Financial Statements *(Continued)*

2. Continuing operations *(Continued)*

(4) The Group will tap into new markets and expand new business. To turn the operating activities from loss into profits, the Group adjusts its product structure with a centre on the development of traditional busbar transmission and transformation equipment. By ensuring the traditional busbar products, the Group will increase the proportion of renovation projects with high gross margin, insulating pipe busbar and other products in its sales revenue, so that it can buy more time for future transformation.

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

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

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company and the Group as at 31 December 2021 and the operating results, cash flows and other information for the year 2021. In addition, all material aspects of the financial statements of the Company and the Group are compliant with the "Disclosure Requirement on Listed Issuers No.15 – General Requirements on Financial Statements (2014 revision)" issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and their accompanying notes.

IV. Significant Accounting Policies and Accounting Estimates

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

1. Accounting period

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

2. Operating cycle

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

3. Recording currency

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

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

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

(1) Business combination under common control

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

4. Accounting treatment for business combinations under common control and business combination not under common control *(Continued)*

(2) Business combination not under common control

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

4. Accounting treatment for business combinations under common control and business combination not under common control *(Continued)*

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

4. Accounting treatment for business combinations under common control and business combination not under common control *(Continued)*

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

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

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

5. Preparation method of consolidated financial statements

(1) Scope of consolidation

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

5. Preparation method of consolidated financial statements *(Continued)*

(2) Preparation method of consolidated financial statements

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

5. Preparation method of consolidated financial statements *(Continued)*

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

5. Preparation method of consolidated financial statements *(Continued)*

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

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

6. Joint venture arrangement classification and relative accounting methods

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

6. Joint venture arrangement classification and relative accounting methods *(Continued)*

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

7. Definitions of cash and cash equivalents

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

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

(1) Translation of foreign currency transactions

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

8. Translation of foreign currency transactions and foreign currency financial statements *(Continued)*

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

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

(3) Translation of foreign currency financial statements

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: The asset and liability items in the balance sheets are translated at the spot exchange rates on the balance sheet date. Under the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates of the transaction dates. Opening balance of undistributed profits is equal to the closing balance of undistributed profits after translation in last year; closing balance of undistributed profit is computed according to the items in profit distribution after translation. The exchange difference arising from translation of assets, liabilities and equity items is recognised 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.

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

8. Translation of foreign currency transactions and foreign currency financial statements *(Continued)*

(3) Translation of foreign currency financial statements *(Continued)*

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

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments

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

(1) Classification, recognition and measurement of financial assets

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

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

(i) Financial assets measured at amortised cost

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments *(Continued)*

(1) Classification, recognition and measurement of financial assets *(Continued)*

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

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments *(Continued)*

(2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments *(Continued)*

(2) Classification, recognition and measurement of financial liabilities *(Continued)*

(ii) Other financial liabilities

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

(3) Recognition and measurement on transfer of financial assets

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments *(Continued)*

(3) Recognition and measurement on transfer of financial assets *(Continued)*

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

When the de-recognition criteria are met and the financial asset is partially transferred, the carrying amount of the financial asset transferred should be apportioned based on fair value to the derecognised portion or the non-derecognised portion, and the difference between the sum of the consideration received and the cumulative changes in fair value of the potion that shall be apportioned to the derecognised portion and 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 sold with recourse or endorsement, the Group needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial asset shall be derecognised. If the risk and rewards of ownership of the financial asset have been substantially retained, the financial asset shall not be de-recognised. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall assess whether the control over the financial asset is retained, and the financial assets shall be accounted for according to the above paragraphs.

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments *(Continued)*

(4) Derecognition of financial liabilities

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

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

(5) Offsetting financial assets and financial liabilities

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

9. Financial instruments *(Continued)*

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

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

(7) Equity instruments

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Impairment of financial assets

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

(1) Recognition approach of impairment provisions

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Impairment of financial assets *(Continued)*

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

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

(3) Simplified approach options

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

10. Impairment of financial assets *(Continued)*

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

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

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

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

11. Receivables financing

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

12 Inventories

(1) Classifications of inventories

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

(2) Costing of inventories

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

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

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

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

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

(4) The Group adopts the perpetual inventory system.

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

13. Contract assets

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

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

14. Long-term equity investments

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

(1) Recognition of cost of investment

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

(1) Recognition of cost of investment *(Continued)*

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

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

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

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

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

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

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

(iii) Acquisition of minority interest

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

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

(iv) Disposal of long-term equity investment

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

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

(iv) Disposal of long-term equity investment *(Continued)*

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

14. Long-term equity investments *(Continued)*

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

(iv) Disposal of long-term equity investment *(Continued)*

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

15. Fixed assets

(1) Recognition criteria for fixed assets

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

(2) Depreciation for different categories of fixed assets

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

15. Fixed assets *(Continued)*

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

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

(4) Other explanations

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

16. Construction in progress

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

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

17. Borrowing costs

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

17. Borrowing costs *(Continued)*

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

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

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

18. Right-of-use assets

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

19. Intangible assets

(1) Intangible assets

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

19. Intangible assets *(Continued)*

(1) Intangible assets *(Continued)*

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

19. Intangible assets *(Continued)*

(2) Expenditures on research and development

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

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

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

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

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

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

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

(vi) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

19. Intangible assets *(Continued)*

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

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

20. Long-term deferred expenses

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

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

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

(3) Decoration cost that is qualified to be capitalized in relation to fixed asset leased under finance lease, amortized over the period between two decorations, remaining lease term or remaining useful life of the fixed asset, whichever is shorter.

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

21. Impairment of long-term assets

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

21. Impairment of long-term assets *(Continued)*

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

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

22. Contractual liabilities

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

23. Employee compensation

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

23. Employee compensation *(Continued)*

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

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

24. Lease liabilities

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

25. Provisions

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

26. Revenue

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

26. Revenue *(Continued)*

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

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

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

27. Contract costs

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

27. Contract costs *(Continued)*

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

28. Government grants

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

28. Government grants *(Continued)*

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

28. Government grants *(Continued)*

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

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

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

29. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

29. Deferred income tax assets/deferred income tax liabilities *(Continued)*

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

29. Deferred income tax assets/deferred income tax liabilities *(Continued)*

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

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

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

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

(3) Income tax expense

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

29. Deferred income tax assets/deferred income tax liabilities *(Continued)*

(4) Offset of income tax

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

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

30. Leases

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

30. Leases *(Continued)*

(1) The Group as a lessee

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

(i) Initial measurement

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

(ii) Subsequent measurement

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

30. Leases *(Continued)*

(1) The Group as a lessee *(Continued)*

(ii) Subsequent measurement *(Continued)*

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

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

30. Leases *(Continued)*

(2) The Group as a leaser

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

(i) Operating leases

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

(ii) Finance leases

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

31. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

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

(2) Changes in accounting estimates

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

32. Major accounting judgment and estimate

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

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

32. Major accounting judgment and estimate *(Continued)*

(1) Recognition of revenue

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

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

(2) Leases

(i) Identification of leases

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

32. Major accounting judgment and estimate *(Continued)*

(2) Leases *(Continued)*

(ii) Classification of leases

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

(iii) Lease liabilities

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

32. Major accounting judgment and estimate *(Continued)*

(3) Impairment of financial assets

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

(4) Fair value of financial instruments

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

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

IV. Significant Accounting Policies and Accounting Estimates *(Continued)*

32. Major accounting judgment and estimate *(Continued)*

(5) Provision for impairment of long-term assets

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

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

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

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

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

V. Tax

1. Major types of tax and tax rates

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

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

According to the Announcement of the Ministry of Finance (MOF), the State Administration of Taxation (SAT) and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement of the MOF, the SAT and the General Administration of Customs [2019] No. 39), our subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. was qualified for a deduction of 15% current deductible input VAT from its VAT payable between 1 October 2019 and 31 December 2021, as taxpayer engaged in life services.

2. Tax concessions

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

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

VI. Notes to Items in Consolidated Financial Statements

Unless otherwise specified, "beginning of year" refers to 31 December 2020, "end of year" refers to 31 December 2021, "this year" refers to year 2021, "last year" refers to year 2020 in the following notes (including Notes to Major Items in the Financial Statements of the Company).

1. Cash and equivalents

Item	Balance at end of year	Balance at beginning of year
Cash on hand	200,544.25	16,211.01
Bank deposits	15,435,733.31	8,519,698.70
Other cash and equivalents	3,009,138.27	4,376,815.36
Total	**18,645,415.83**	**12,912,725.07**
Including: Total overseas deposits	394,094.46	406,916.05

Notes:

(1) Of other cash and equivalents as at the end of the year, RMB3,009,138.27 is the deposits for performance guarantee.

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

2. Accounts receivable

(1) Disclosure by aging

Aging	Balance at end of year
Within 1 year	44,823,821.15
1 – 2 years	11,067,539.91
2 – 3 years	3,333,916.12
3 – 4 years	531,849.80
Over 4 years	2,334,429.79
Subtotal	**62,091,556.77**
Less: Provision for bad debt	6,755,249.32
Total	**55,336,307.45**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

2. Accounts receivable *(Continued)*

(2) Disclosure by method of provision for bad debt

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

(Continued)

	Balance at beginning of year				
	Carrying amount		Provision for bad debt		
Type	Amount	Percentage (%)	Amount	Percentage of provision (%)	Book value
Accounts receivable of provision for bad debt on an individual basis					
Accounts receivable of provision for bad debt on a collective basis	36,986,816.24	100.00	4,692,884.11	12.69	32,293,932.13
Including:	36,986,816.24	100.00	4,692,884.11	12.69	32,293,932.13
Accounts receivable of provision for bad debt based on aging					
Total	**36,986,816.24**	**100.00**	**4,692,884.11**	**12.69**	**32,293,932.13**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

2. Accounts receivable *(Continued)*

(2) Disclosure by method of provision for bad debt *(Continued)*

(i) Accounts receivable of provision for bad debt on an individual basis

	Balance at end of year			
Name of company	**Book balance**	**Provision for bad debt**	**Percentage of provision (%)**	**Reasons for provision**
Tianjin Airlines Co., Ltd.	74,704.00	37,292.50	49.92	Estimated loss ratio
West Air Co., Ltd.	13,887.00	3,774.35	27.18	Estimated loss ratio
Beijing Capital Airlines Co., Ltd.	1,045,005.30	500,362.27	47.88	Estimated loss ratio
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	1,596,622.20	347,371.61	21.76	Estimated loss ratio
Jilin Lanpeng Catering Management Co., Ltd.	1,295,891.84	379,971.82	29.32	Estimated loss ratio
Total	**4,026,110.34**	**1,268,772.55**	**31.51**	

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

2. Accounts receivable *(Continued)*

(2) Disclosure by method of provision for bad debt *(Continued)*

(ii) Accounts receivable of provision for bad debts based on aging combination

Item	Balance at end of year		
	Carrying amount	Provision for bad debt	Percentage of provision (%)
Within 1 year (inclusive)	41,079,332.39	1,708,343.13	4.16
1 – 2 years (inclusive)	10,785,918.33	750,216.96	6.96
2 – 3 years (inclusive)	3,333,916.12	446,844.83	13.40
3 – 4 years (inclusive)	531,849.80	246,653.89	46.38
Over 4 years	2,334,429.79	2,334,417.96	100.00
Total	**58,065,446.43**	**5,486,476.77**	**9.45**

(3) Provision for bad debt

Type	Balance at beginning of year	Changes during the year				Balance at end of year
		Provision	Retrieval or reversal	Write-off	Other changes	
Accounts receivable of provision for bad debt on an individual basis		1,268,772.55				1,268,772.55
Accounts receivable of provision for bad debt on a collective basis	4,692,884.11	793,592.66				5,486,476.77
Total	**4,692,884.11**	**2,062,365.21**				**6,755,249.32**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

2. Accounts receivable *(Continued)*

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

The sum of the top five accounts receivable with year-end balance by debtor amounted to RMB17,967,150.00, accounting for 28.94% of the total year-end balance of accounts receivable, and the year-end balance of provision for bad debt accordingly amounted to RMB866,366.71.

3. Prepayments

(1) Prepayments by aging

	Balance at end of year		Balance at beginning of year	
Aging	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Within 1 year	2,403,746.59	93.77	990,120.96	99.26
1-2 years	152,274.80	5.94		
Over 3 years	7,334.00	0.29	7,334.00	0.74
Total	**2,563,355.39**	**100.00**	**997,454.96**	**100.00**

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

The sum of the top five prepayments by supplier based on balance at the end of the year amounted to RMB1,668,345.59, accounting for 65.08% of the total balance of prepayments at the end of the year.

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

4. Other receivables

Item	Balance at end of year	Balance at beginning of year
Other receivables	27,961,945.29	19,230,044.90
Total	**27,961,945.29**	**19,230,044.90**

(1) Disclosure by aging

Aging	Balance at end of year
Within 1 year	2,787,895.06
1 – 2 years	78,594,090.96
2 – 3 years	1,895,138.57
3 – 4 years	30,145.00
Over 4 years	79,980,622.83
Subtotal	**163,287,892.42**
Less: Provision for bad debt	135,325,947.13
Total	**27,961,945.29**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

4. Other receivables *(Continued)*

(2) Classification by nature of the amount

Nature of the amount	Amount at end of year	Amount at beginning of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Asset disposal proceeds	7,540,000.00	13,040,000.00
Rental deposit	1,117,047.84	4,839,800.00
Current account	77,539,844.58	75,845,540.94
Deposits for bidding	1,001,000.00	1,398,971.00
Subtotal	**163,287,892.42**	**171,214,311.94**
Less: Provision for bad debt	135,325,947.13	151,984,267.04
Total	**27,961,945.29**	**19,230,044.90**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

4. Other receivables *(Continued)*

(3) Provision for bad debt

Provisions for bad debt	Phase I Expected credit loss over the next 12 months	Phase II Lifetime expected credit losses (not credit-impaired loans)	Phase III Lifetime expected credit losses (credit-impaired loans)	Total
Balance at beginning of year	235,265.14		151,749,001.90	151,984,267.04
Balance at beginning of the year				
- Transferred to Phase II				
- Transferred to Phase III				
- Reversed to Phase II				
- Reversed to Phase I				
Provision for the year	489,085.97		1,117,047.84	1,606,133.81
Reversal for the year			18,264,453.72	18,264,453.72
Written-off for the year				
Charge off for the year				
Other changes				
Balance at end of year	724,351.11		134,601,596.02	135,325,947.13

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

4. Other receivables *(Continued)*

(4) Provision for bad debt

Type	Balance at beginning of year	Changes during the year				Balance at end of year
		Provision	Retrieval or reversal	Write-off	Other changes	
Other receivables	151,984,267.04	1,606,133.81	18,264,453.72			135,325,947.13
Total	**151,984,267.04**	**1,606,133.81**	**18,264,453.72**			**135,325,947.13**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

4. Other receivables *(Continued)*

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

Name of company	Nature of accounts	Balance at end of year	Aging	Percentage in total balance of other receivables at end of year (%)	Balance of provisions for bad debt at end of year
Benxi Iron & Steel (Group) Co., Ltd. (Note 1)	Current account (with litigation)	76,090,000.00	Over 4 years	46.60	76,090,000.00
HNA Group Finance Co., Ltd. (Note 2)	Current account	71,404,102.96	Within 2 years	43.73	53,500,849.24
Haizhou House Expropriation Office of Fuxin	Asset disposal proceeds	7,540,000.00	1 to 2 years	4.62	
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	Rental deposit	1,117,047.84	Within 3 years	0.68	1,076,561.84
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Current account	849,181.34	Within 1 years	0.52	42,459.07
Total		**157,000,332.14**		**96.15**	**130,709,870.15**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

4. Other receivables *(Continued)*

(5) Top five other receivables by debtor at the end of the year *(Continued)*

Note 1:

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

Note 2:

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

5. Inventories

(1) Classification of inventories

	Balance at end of year			Balance at beginning of year		
Item	Carrying amount	Allowance for impairment of inventories	Book value	Carrying amount	Allowance for impairment of inventories	Book value
Raw material	7,142,808.48		7,142,808.48	5,354,508.66		5,354,508.66
Work in progress	415,551.13		415,551.13	1,944,261.02		1,944,261.02
Finished goods	7,255,780.23	18,195.79	7,237,584.44	9,411,542.27		9,411,542.27
Total	**14,814,139.84**	**18,195.79**	**14,795,944.05**	**16,710,311.95**		**16,710,311.95**

(2) Allowance for impairment of inventories

	Balance at beginning	Increment		Decrement			Balance
Type of inventories	of year	Provision	Others	Write-off	Reverse	Others	at end of year
Raw material							
Finished goods		18,195.79					18,195.79
Total		**18,195.79**					**18,195.79**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

6. Other current assets

Item	Balance at end of year	Balance at beginning of year
Prepaid and deductable input VAT	1,367,430.85	1,958,726.08
Total	**1,367,430.85**	**1,958,726.08**

7. Long-term equity investments

Investee	Balance at beginning of year	Increase/decrease during the year				
		Increase in investment	Decrease in investment	Profit or loss for investment under equity method	Adjustment to OCI	Other changes to equity
Associate						
Chongqing HNA Hotel Investment Co., Ltd. *(Note 1)*						
Great Power Technology Limited *(Note 2)*						
Total						

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

7. Long-term equity investments *(Continued)*

(Continued)

	Increase/decrease during the year				
Investee	**Cash dividend or profit declared**	**Provision for impairment**	**Others**	**Balance at end of year**	**Balance of provision for impairment at end of year**
Associate					
Chongqing HNA Hotel Investment Co., Ltd. (Note 1)					
Great Power Technology Limited (Note 2)					56,603,237.37
Total					**56,603,237.37**

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

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

8. Other equity instrument investment

(1) Other equity instrument investment

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

(2) Investment in equity instruments held for non-trading purpose

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

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

9. Fixed assets

Item	Balance at end of year	Balance at beginning of year
Fixed assets	42,179,538.52	44,911,967.97
Disposal of fixed assets		
Total	**42,179,538.52**	**44,911,967.97**

(1) Fixed assets

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount				
1. Balance at beginning of year	39,147,491.74	16,633,725.41	4,504,148.90	60,285,366.05
2. Increment	392,240.53	23,520.00	63,481.00	479,241.53
(1) Purchase	392,240.53	23,520.00	63,481.00	479,241.53
(2) Transferred from construction in progress				
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of year	39,539,732.27	16,657,245.41	4,567,629.90	60,764,607.58
II. Accumulated depreciation				
1. Balance at beginning of year	3,273,255.11	8,499,370.69	2,968,209.88	14,740,835.68
2. Increment	1,908,245.60	795,274.89	508,150.49	3,211,670.98
(1) Provision	1,908,245.60	795,274.89	508,150.49	3,211,670.98
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of year	5,181,500.71	9,294,645.58	3,476,360.37	17,952,506.66
III. Provision for impairment				
1. Balance at beginning of year		359,687.12	272,875.28	632,562.40
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of year		359,687.12	272,875.28	632,562.40
IV. Book balance				
1. Book balance at end of year	34,358,231.56	7,002,912.71	818,394.25	42,179,538.52
2. Book balance at beginning of year	35,874,236.63	7,774,667.60	1,263,063.74	44,911,967.97

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

10. Right-of-use assets

Item	Buildings and structures	Total
I. Carrying amount		
1. Balance at beginning of year	32,238,124.43	32,238,124.43
2. Increment	39,188,893.51	39,188,893.51
(1) Lease	39,188,893.51	39,188,893.51
3. Decrement	28,250,260.20	28,250,260.20
(1) Early termination of contract	28,250,260.20	28,250,260.20
4. Balance at end of year	43,176,757.74	43,176,757.74
II. Accumulated depreciation		
1. Balance at beginning of year	15,805,756.69	15,805,756.69
2. Increment	13,448,030.55	13,448,030.55
(1) Provision	13,448,030.55	13,448,030.55
3. Decrement	15,468,699.68	15,468,699.68
(1) Early termination of contract	15,468,699.68	15,468,699.68
4. Balance at end of year	13,785,087.56	13,785,087.56
III. Provision for impairment		
1. Balance at beginning of year		
2. Increment	9,628,000.00	9,628,000.00
(1) Provision	9,628,000.00	9,628,000.00
3. Decrement		
4. Balance at end of year	9,628,000.00	9,628,000.00
IV. Book balance		
1. Book balance at end of year	19,763,670.18	19,763,670.18
2. Book balance at beginning of year	16,432,367.74	16,432,367.74

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

11. Intangible assets

Item	Land use rights	Software	Total
I. Carrying amount			
1. Balance at beginning of year	13,200,304.00	207,000.00	13,407,304.00
2. Increment			
(1) Purchase			
3. Decrement			
(1) Disposal			
4. Balance at end of year	13,200,304.00	207,000.00	13,407,304.00
II. Accumulated amortization			
1. Balance at beginning of year	1,122,026.01	207,000.00	1,329,026.01
2. Increment	264,006.12		264,006.12
(1) Provision	264,006.12		264,006.12
3. Decrement			
(1) Disposal			
4. Balance at end of year	1,386,032.13	207,000.00	1,593,032.13
III. Provision for impairment			
IV. Book balance			
1. Book balance at end of year	11,814,271.87		11,814,271.87
2. Book balance at beginning of year	12,078,277.99		12,078,277.99

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

12. Goodwill

(1) Carrying amount of goodwill

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

(2) Provision for impairment of goodwill

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

13. Deferred income tax assets

(1) Details of unrecognised deferred income tax assets

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

(2) Deductable loss of unrecognised deferred income tax asset due in the following years

Year	Balance at end of year	Balance at beginning of year	Note
2022	17,153,778.37	17,153,778.37	
2023	1,203,418.17	1,203,418.17	
2024	12,706,128.66	12,706,128.66	
2025	12,985,193.71	12,985,193.71	
2026	27,161,027.34		
No specified limit	14,452,508.44	14,322,191.28	Deductable loss by subsidiary- Northeast Electric (HK) Co., Ltd.
Total	**85,662,054.69**	**58,370,710.19**	

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

14. Accounts payable

(1) Details of accounts payable

Item	Balance at end of year	Balance at beginning of year
Within 1 year	34,409,151.92	17,809,839.08
1 – 2 years	2,777,947.31	1,832,577.69
2 -3 years	123,341.59	1,035,642.73
Over 3 years	1,070,129.65	666,881.64
Total	**38,380,570.47**	**21,344,941.14**

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

15. Contract liabilities

(1) Contract liabilities

Item	Balance at end of year	Balance at beginning of year
Equipment sales contract	5,073,308.86	5,571,128.14
Hotel catering service contract	9,060,998.34	1,053,144.76
Total	**14,134,307.20**	**6,624,272.90**

(2) Reasons for significant changes in the book value during the year

The catering and accommodation business of several hotels was added in this period, resulting in a significant increase in contract liabilities.

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

16. Employee compensation

(1) Details of employee compensation

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
I. Short-term compensation	4,502,735.47	29,796,380.73	25,942,000.25	8,357,115.95
II. Post-employment benefits – defined contribution plan	245,204.81	3,950,622.61	3,717,676.88	478,150.54
III. Termination benefits	5,816.00		5,816.00	
Total	**4,753,756.28**	**33,747,003.34**	**29,665,493.13**	**8,835,266.49**

(2) Short-term compensation

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
1. Wages, bonuses, allowances, subsidies	4,320,129.27	23,807,938.05	20,259,385.98	7,868,681.34
2. Employee welfare	41,000.00	1,829,250.43	1,870,250.43	
3. Social insurances	99,896.29	1,877,660.97	1,732,018.25	245,539.01
Including: Medical insurance	58,905.79	1,577,848.90	1,429,936.14	206,818.55
Work injury insurance	20,539.06	191,326.55	192,763.34	19,102.27
Maternity insurance	20,451.44	108,485.52	109,318.77	19,618.19
4. Housing provident fund	18,275.21	1,963,835.38	1,829,120.32	152,990.27
5. Labour union expenditure and employee education expenses	23,434.70	317,695.90	251,225.27	89,905.33
Total	**4,502,735.47**	**29,796,380.73**	**25,942,000.25**	**8,357,115.95**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

16. Employee compensation *(Continued)*

(3) Defined contribution plan

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
1. Basic endowment insurance	219,311.92	3,844,616.86	3,610,242.14	453,686.64
2. Unemployment insurance	25,892.89	106,005.75	107,434.74	24,463.90
Total	**245,204.81**	**3,950,622.61**	**3,717,676.88**	**478,150.54**

17. Tax payable

Item	Balance at end of year	Balance at beginning of year
Enterprise income tax	2,627,421.18	3,867,705.37
Value-added tax	909,401.95	498,651.57
City maintenance and construction tax	15,559.77	1,545.59
Education surcharge/local education surcharge	11,114.13	3,943.45
Individual income tax	270,878.23	222,110.65
Tenure tax	19,947.50	19,947.50
Housing property tax	28,831.55	28,836.06
Stamp duty	53,537.42	101,699.76
Others	1,724.42	
Total	**3,938,416.15**	**4,744,439.95**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

18. Other payables

Item	Balance at end of year	Balance at beginning of year
Interests payable		
Other payables	191,146,104.42	181,225,923.07
Total	**191,146,104.42**	**181,225,923.07**

(1) Other payables

(i) Details of other payables by nature

Item	Balance at end of year	Balance at beginning of year
Compensation due for CDB case (Note)	94,078,130.44	94,078,130.44
Current account and litigation fee	96,619,563.85	87,041,945.27
Others	448,410.13	105,847.36
Total	**191,146,104.42**	**181,225,923.07**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

18. Other payables *(Continued)*

(1) Other payables *(Continued)*

(i) Details of other payables by nature *(Continued)*

Note:

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

18. Other payables *(Continued)*

(1) Other payables *(Continued)*

(i) Details of other payables by nature *(Continued)*

Note: (Continued)

(1) (Continued)

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

VI. **Notes to Items in Consolidated Financial Statements** *(Continued)*

18. **Other payables** *(Continued)*

(1) **Other payables** *(Continued)*

(i) Details of other payables by nature *(Continued)*

Note: (Continued)

(1) (Continued)

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

On 21 June 2019, Beijing Higher Court transferred the case to the First Intermediate People's Court of Hainan Province for jurisdiction. On February 23, 2021, the First Intermediate People's Court of Hainan Province issued ruling (2021) Qiong 96 Zhi No. 120, which continued to seal up the state-owned land use right under the name of the Company located at No. 39 Shentie Road, Dadong District, Shenyang City, Liaoning Province, with the land certificate No. Shenyang Guoyong 1995 Zi No. 17. However, the land use right was auctioned by the Intermediate People's Court of Shenyang City, Liaoning Province in 2011.

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

18. Other payables *(Continued)*

(1) Other payables *(Continued)*

(i) Details of other payables by nature *(Continued)*

Note: (Continued)

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

18. Other payables *(Continued)*

(1) Other payables *(Continued)*

(i) Details of other payables by nature *(Continued)*

Note: (Continued)

(2) (Continued)

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

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

19. Non-current liabilities due within one year

Item	Balance at end of year	Balance at beginning of year
Lease liabilities due within one year	33,966,281.82	10,953,560.25
Total	**33,966,281.82**	**10,953,560.25**

20. Other current liabilities

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

21. Lease liabilities

Item	Balance at Beginning of year	Increment: New leases	Increment: Interests	Increment: Others	Decrement	Balance at end of year	Term to maturity
Site lease	22,536,260.85	39,188,893.51	330,322.14		28,089,194.68	33,966,281.82	1 year
Less: Lease liabilities due within one year	10,953,560.25	23,012,721.57				33,966,281.82	
Total	**11,582,700.60**	**16,176,171.94**	**330,322.14**		**28,089,194.68**		

22. Estimated liabilities

Item	Balance at end of year	Balance at beginning of year	Reason
External guarantee (Note)	34,354,500.00	34,354,500.00	Liability under guarantees
Lawsuits pending ruling (see note VI. 40)		37,745,190.00	Case of Shenyang HVS employees' settlement
Total	**34,354,500.00**	**72,099,690.00**	

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

22. Estimated liabilities *(Continued)*

Note:

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

22. Estimated liabilities *(Continued)*

Note: (Continued)

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

23. Deferred income

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year	Reason
Policy-based relocation compensation for new plant construction project	29,425,846.58	8,461,631.32	1,852,392.96	36,035,084.94	Relocation of Fuxin Busbar's north plant
Total	**29,425,846.58**	**8,461,631.32**	**1,852,392.96**	**36,035,084.94**	

In particular, projects involving government grants:

Item	Balance at beginning of year	New grants for the year	Amount of nonoperating income included in the year	Amount of other income included in the year	Balance at end of year	Asset/ Revenue related
Policy-based relocation compensation for new plant construction project	29,425,846.58	8,461,631.32		1,852,392.96	36,035,084.94	Related to assets
Total	**29,425,846.58**	**8,461,631.32**		**1,852,392.96**	**36,035,084.94**	

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

24. Share capital

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

25. Capital reserve

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

26. Other comprehensive income (OCI)

Item	Balance at beginning of year	Amount incurred during the year: Amount before income tax	Less: previous other comprehensive income converted to current profit or loss	Less: previous other comprehensive income converted to current retained earnings	Less: income tax	Attributable to the parent company after tax	Attributable to minority interests after tax	Balance at end of year
I. OCI that cannot be reclassified into profit or loss	-231,195,596.01							-231,195,596.01
Including: Changes in fair value of other equity instruments investment	-231,195,596.01							-231,195,596.01
II. OCI to be reclassified into profit or loss	-26,835,918.99	94,632.97				94,632.97		-26,741,286.02
Including: Foreign currency translation difference	-26,835,918.99	94,632.97				94,632.97		-26,741,286.02
Total	**-258,031,515.00**	**94,632.97**				**94,632.97**		**-257,936,882.03**

27. Surplus reserves

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

28. Undistributed profit

Item	Amount for the year	Amount for previous year
Undistributed profit at the end of the previous year before adjustment	-1,995,343,315.68	-2,059,319,937.47
Adjustment for total undistributed profits at the beginning of the year (+ for increase and – for decrease)		
Undistributed profits at the beginning of the year after adjustment	-1,995,343,315.68	-2,059,319,937.47
Add: Net profits attributable to shareholders of the parent for the year	17,628,651.50	63,976,621.79
Less: Appropriation for statutory surplus reserve		
Appropriation for optional surplus reserve		
Ordinary shares dividends payable		
Ordinary shares dividends converted to equity		
Undistributed profit at the end of the year	-1,977,714,664.18	-1,995,343,315.68

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

29. Operating income and operating costs

	Amount for the year		Amount for previous year	
Item	**Income**	**Cost**	**Income**	**Cost**
Main business	81,489,598.02	44,752,431.29	79,796,400.76	51,756,403.74
Other business	2,211,126.98		194,486.58	
Total	**83,700,725.00**	**44,752,431.29**	**79,990,887.34**	**51,756,403.74**

(1) Revenue from contracts during the year

Classification of contracts	Sales of enclosed busbar products	Hotel and catering industry	Total
By the time of transfer of goods			
Including: recognised at a certain point	40,991,226.15	40,498,371.87	81,489,598.02
Recognised during a period			
Total	**40,991,226.15**	**40,498,371.87**	**81,489,598.02**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

30. Tax and surcharges

Item	Amount for the year	Amount for previous year
City maintenance and construction tax	140,683.97	14,982.34
Education surcharges/Local education surcharge	96,917.75	13,151.41
Land use tax	239,370.00	405,683.25
Property tax	346,005.66	331,820.35
Stamp duty	37,891.12	52,943.50
Tax on vehicles	5,503.20	5,488.80
Others	8,330.48	6,443.84
Total	**874,702.18**	**830,513.49**

Note: Please refer to note V. "Tax" for details of the tax base of taxes and surcharges.

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

31. Sales expenses

Item	Amount for the year	Amount for previous year
Employee compensation	5,653,834.85	7,365,715.53
Labour outsourcing fee	9,508,214.24	5,646,465.54
Depreciation of right-of-use assets	5,914,585.81	9,316,969.19
Vehicle use fee	1,128,474.06	2,500,098.17
Material consumption	2,414,227.26	1,266,902.84
After-sales services expenses	1,180,144.26	1,582,475.00
Energy expenses	3,922,932.59	1,308,314.82
Travelling expenses	755,262.76	496,269.59
Property fee	988,044.03	795,238.08
Repair expense	1,175,904.20	461,285.60
Commission	676,293.04	220,138.80
Cleaning fee	722,916.16	149,375.11
Bidding fee	552,745.48	338,389.21
Consulting fee	466,862.12	
Entertainment fee	145,855.91	148,785.49
Others	429,227.77	188,566.25
Total	**35,635,524.54**	**31,784,989.22**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

32. Administrative expenses

Item	Amount for the year	Amount for previous year
Employee compensation	15,147,619.14	11,995,350.71
Agent fee	3,365,215.62	2,627,011.48
Office expenses	1,050,916.51	483,744.79
Amortization of right-of-use assets and supporting fees	1,169,500.10	1,148,532.77
Depreciation expenses	960,928.56	1,084,047.69
Repair expense	492,393.29	
Amortization expenses	312,006.12	349,602.42
Heating expenses	249,699.73	386,839.00
Travelling expense	225,644.77	311,480.64
Entertainment expense	101,371.95	414,181.12
Others	4,067,327.10	668,929.00
Total	**27,142,622.89**	**19,469,719.62**

33. R&D expenditure

Item	Amount for the year	Amount for previous year
Casting busbar test section	525,754.83	1,298,235.96
Insulating pipe busbar test section	661,467.58	933,891.98
Intelligent forced circulation tank test section	585,412.17	270,064.82
Wind power pipe busbar test section	386,236.37	
Total	**2,158,870.95**	**2,502,192.76**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

34. Financial expenses

Item	Amount for the year	Amount for previous year
Interest expenses	330,322.14	1,684,723.80
Less: Interest income	36,869.10	1,487,871.78
Exchange gain or loss		538.56
Bank charges	128,944.19	74,210.35
Total	**422,397.23**	**271,600.93**

35. Other income

Item	Amount for the year	Amount for previous year	Amounts included in the current nonrecurring profit or loss
VAT exemption or reduction	139,565.98	495,184.22	
Compensation for new plant construction project in policy-based demolition	1,852,392.96	1,388,057.40	1,852,392.96
Total	**1,991,958.94**	**1,883,241.62**	**1,852,392.96**

36. Return on investments

Item	Amount for the year	Amount for previous year
Return on long-term equity investment by equity method		-48,900,000.00
Others		178,549,569.56
Total		**129,649,569.56**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

37. Credit impairment loss

Item	Amount for the year	Amount for previous year
Impairment loss of accounts receivable	-2,062,365.21	234,626.98
Impairment loss of other receivables	16,658,319.91	-71,881,359.71
Total	**14,595,954.70**	**-71,646,732.73**

38. Assets impairment loss

Item	Amount for the year	Amount for previous year
Allowance for impairment of inventories	-18,195.79	
Allowance for impairment of right-of-use assets	-9,628,000.00	
Total	**-9,646,195.79**	

39. Gain on asset disposal

Item	Amount for the year	Amount for previous year	Amounts included in the current non-recurring profit or loss
Land and property		32,743,426.99	
Total		**32,743,426.99**	

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

40. Non-operating income

Item	Amount for the year	Amount for previous year	Amounts included in the current non-recurring profit or loss
Reversal of estimated liabilities（Note）	37,745,190.00		37,745,190.00
Liquidated damages		937,242.48	
Others	65,667.19	95,084.54	65,667.19
Total	**37,810,857.19**	**1,032,327.02**	**37,810,857.19**

Note:

Reversal of estimated liabilities is related to the case of employee settlement compensation dispute – State-owned Asset Supervisory Commission of Tiexi District of Shenyang City (hereafter "Tiexi Commission") vs. Northeast Electric, Shenyang High Voltage Switch Co., Ltd., and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd.

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

40. Non-operating income *(Continued)*

Note: (Continued)

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

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

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

40. Non-operating income *(Continued)*

Note: (Continued)

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

On 23 July 2021, Hainan Higher People's Court issued civil judgment (2021) Qiong Min Zhong No. 36, and it judged as follows: first, it upheld item 2 of civil judgment (2020) Qiong 96 Min Chu No. 81 of the First Intermediate People's Court of Hainan Province. Therefore, the Company shall not be liable for payment to Tiexi Commission, and the estimated liabilities shall be reversed in the current period.

41. Non-operating expenses

Item	Amount for the year	Amount for previous year	Amounts included in the current non-recurring profit or loss
Loss on scrapping of non-current assets		19,014.80	
Fines on late payment & penalty	1,003.91	2,020.83	1,003.91
Others	142.29		142.29
Total	**1,146.20**	**21,035.63**	**1,146.20**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

42. Income tax expense

(1) Income tax expense

Item	Amount for the year	Amount for previous year
Current income tax expense	-133,048.02	4,351,215.25
Deferred income tax expense		
Total	**-133,048.02**	**4,351,215.25**

(2) Reconciliation between accounting profit and income tax expenses

Item	Amount for the year
Total profit	17,465,604.76
Income tax expenses calculated at statutory/appropriate tax rate	4,366,401.19
Effects of different tax rates applicable to subsidiaries	-997,458.93
Effects of adjustments to previous income taxes	-133,048.02
Effects of non-taxable income	
Effects of investment income	
Effects of non-deductible cost/expenses/loss	24,973.76
Effects of utilization of deductible losses from previously unrecognized deferred income tax assets	-12,237,613.67
Effects of deductible temporary difference or losses from unrecognized deferred income tax assets	9,167,528.29
for the year	
Effects of accelerated deduction on R&D expenditure	-323,830.64
Changes in the balances of deferred income tax assets/liabilities arising from tax rates adjustments at beginning of year	
Income tax expenses	-133,048.02

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

43. Other comprehensive income

See Note VI. 26 for details.

44. Statements of cash flows

(1) Cash received from other operating related activities

Item	Amount for the year	Amount for previous year
Government grants		7,190,612.85
Interest income	36,869.10	1,487,871.78
Current accounts	7,468,500.00	3,155,162.42
Bidding deposits	301,000.00	1,918,021.00
Deposits for performance guarantees	1,904,677.09	1,369,720.71
Others	128,225.78	1,007,801.95
Total	**9,839,271.97**	**16,129,190.71**

(2) Cash paid for other operating related activities

Item	Amount for the year	Amount for previous year
Fees for cash payments	17,982,258.39	13,784,987.15
Current accounts	600,000.00	73,321,324.96
Deposits for performance guarantees	537,000.00	
Deposits for bidding	698,971.00	2,826,492.00
Total	**19,818,229.39**	**89,932,804.11**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

44. Statements of cash flows *(Continued)*

(3) Cash received from other investment related activities

Item	Amount for the year	Amount for previous year
Time deposits		55,000,000.00
Total		**55,000,000.00**

(4) Cash paid for other financial activities

Item	Amount for the year	Amount for previous year
Rental payment of the leased premise	3,736,896.25	1,904,341.75
Total	**3,736,896.25**	**1,904,341.75**

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

47. Supplementary information to statement of cash flows

(1) Supplementary information to statement of cash flows

Supplementary information	Amount for the year	Amount for previous year
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	17,598,652.78	62,665,049.16
Add: Provisions for assets impairment	9,646,195.79	-8,188.82
Credit impairment loss	– 14,595,954.70	71,646,732.73
Depreciation of fixed assets, oil and gas assets and productive bio-assets	3,211,670.98	3,373,642.58
Depreciation of right-of-use assets	13,448,030.55	9,316,969.19
Amortization of intangible assets	264,006.12	308,873.64
Amortization of long term deferred expenses		40,728.78
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is shown as "-")		- 32,743,426.99
Loss on write-off of fixed assets (gain is shown as "-")		19,014.80
Loss on changes in fair value (gain is shown as "-")		
Finance costs (gain is shown as "-")	330,322.14	1,684,723.80
Loss on investments (gain is shown as "-")		-129,649,569.56
Decrease in deferred income tax assets (increase is shown as "-")		
Increase in deferred income tax liabilities (decrease is shown as "-")		
Decrease in inventories (increase is shown as "-")	1,896,172.11	207,592.48
Decrease in operating receivables (increase is shown as "-")	-24,951,716.00	-86,999,328.21
Increase in operating payables (decrease is shown as "-")	-1,413,387.76	23,983,089.24
Others		
Net cash flows generated from operating activities	5,433,992.01	-76,154,097.18
2. Significant non-cash investment and financing activities:		
Debts changed to capital		
Convertible bonds mature within 1 year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Cash at the end of the year	15,636,277.56	8,535,909.71
Less: cash at the beginning of the year	8,535,909.71	74,527,767.65
Add: cash equivalents at the end of the year		
Less: cash equivalents at beginning of the year		
Net increase in cash and cash equivalents	7,100,367.85	-65,991,857.94

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

47. Supplementary information to statement of cash flows *(Continued)*

(2) Composition of cash and cash equivalents

Item	Balance at end of year	Balance at beginning of year
I. Cash	15,636,277.56	8,535,909.71
Including: Cash on hand	200,544.25	16,211.01
Bank deposits available on demand	15,435,733.31	8,519,698.70
Other cash assets available on demand		
II. Cash equivalents		
Including: Bond investments mature within 3 months		
III. Balance of cash and cash equivalents at end of year	15,636,277.56	8,535,909.71

48. Assets with restricted ownership or use right

Item	Book balance at end of year	Reason
Monetary capital	3,009,138.27	Deposit placed for performance guarantee
Total	**3,009,138.27**	

VI. Notes to Items in Consolidated Financial Statements *(Continued)*

49. Foreign-currency monetary items

(1) Foreign-currency monetary items

Item	Foreign currency balance at end of year	Exchange rate	Translated RMB balance at end of year
Monetary capital			
Including: US dollars	154.27	6.3775	983.85
HK dollars	480,810.43	0.8176	393,110.61

(2) Overseas operating entities

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

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

50. Government grants

Category	Amount of new grants	Item	Amount included in current profit or loss
Related to income	139,565.98	Other income	139,565.98
Related to assets	8,461,631.32	Deferred income	1,852,392.96

VII. Changes in Consolidation Scope

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

VIII. Equity in Other Entities

1. Equity in subsidiaries

(1) Composition of the Group

Name of subsidiary	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
Gaocai Technology Co., Ltd.	BVI	BVI	Investment	100.00		Set up
Shenyang Kaiyi Electric Co., Ltd.	Shenyang	Shenyang	Manufacturing, sales of electrical equipment	10.00	90.00	Set up
Fuxin Enclosed Busbar Co., Ltd.	Fuxin	Fuxin	Manufacturing of enclosed busbar		100.00	Set up
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Haikou	Haikou	Investment		99.00	Set up
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Chengdu	Chengdu	Engineering design and construction, reconnaissance and design, project consultation of new energy		51.00	Merger acquisition under different control

VIII. Equity in Other Entities *(Continued)*

1. Equity in subsidiaries *(Continued)*

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

Name of subsidiary	Percentage of minority shares (%)	Profit or loss attributable to minority shareholders in the year	Dividends paid to minority shareholders in the year	Closing balance of minority interests
Hainan Garden Lane Flight Hotel Management Co., Ltd.	1.00	66,708.05		-1,148,748.48
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	49.00	-426.77		3,406,076.18

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

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

(Continued)

	Balance at beginning of year					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	16,438,276.75	21,935,556.33	38,373,833.08	148,336,784.68	11,582,700.60	159,919,485.28

VIII. Equity in Other Entities *(Continued)*

1. Equity in subsidiaries *(Continued)*

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

(Continued)

Name of subsidiary	Amount for the year Operating income	 Net profit	 Total comprehensive income	 Cash flow from operating activities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	42,215,827.50	-2,957,194.72	-2,957,194.72	12,918,090.75

(Continued)

Name of subsidiary	Amount for previous year Operating income	 Net profit	 Total comprehensive income	 Cash flow from operating activities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	31,042,108.36	-125,376,260.62	-323,455,068.83	-71,838,515.62

2. Equity in joint ventures or associates

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

IX. Risks Related to Financial Instrument

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

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

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

IX. Risks Related to Financial Instrument *(Continued)*

1. Market risks

Foreign currency risk is the risk of loss caused by fluctuation in exchange rates. The main foreign currency risks for the Company involve HKD. Except for subsidiaries established overseas – Northeast Electric (HK) Co., Ltd. and Gaocai Technology Co., Ltd. which record in HKD for their financial statements, other principal operating activities of the Company are settled in RMB. On 31 December 2021, only daily expenses reported with no purchases or sales for overseas subsidiaries of the Company.

On 31 December 2021, impacts on the current profit or loss and shareholders' equity are as follows, supposing HKD against RMB appreciate or depreciate 0.5% while all other variables remain unchanged:

		Current year		Previous year	
Item	Change in exchange rate	Impacts on profit	Impacts on shareholders' equity	Impacts on profit	Impacts on shareholders' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB		283,632.38		285,805.67
Translation from foreign currency reports	Depreciate 0.5% against RMB		-283,632.38		-285,805.67

IX. Risks Related to Financial Instrument *(Continued)*

2. Credit risks

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

As at 31 December 2021, credit risks of the Group were mainly derived from the financial assets recognised by the Group, specifically including:

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

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

For quantitative data of the Group's credit risk exposure and loss provision due to accounts receivable, other receivables and contract assets, please refer to the disclosure in Note VI.2 and Note VI.4.

3. Liquidity risk

As of 31 December 2021, the current liabilities of the Company were RMB170.9039 million more than current assets. Material uncertainties concerning major matters which might impact the continuous operation of the Company exist, thus may result in the Company's inability to liquidate assets and repay debts during its normal operation.

X. Disclosure of Fair Value

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

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

XI. Related parties and related party transactions

1. The largest controlling shareholder of the Company

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

Notes: The ultimate controller of the Company is Hainan Province Cihang Foundation. As of 31 December 2021, Beijing Haihongyuan Investment Management Co., Ltd. pledged 9.33% of its equity in the Company to Bank of Guangzhou Co., Ltd.

2. Subsidiaries of the Company

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

3. Associate of the Group

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

XI. Related parties and related party transactions *(Continued)*

4. Other related parties

Name of other related parties	Relationship with the Group
Antu Business Travel Services Co., Ltd.	Other related party
Beijing Capital Airlines Co., Ltd.	Controlled by the same ultimate controller
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Controlled by the same ultimate controller
Dongguan Yujingwan Hotel	Controlled by the same ultimate controller
HNA Group Finance Co., Ltd.	Controlled by the same ultimate controller
HNA Hotel (Group) Co., Ltd.	Controlled by the same ultimate controller
HNA Hotel Group (Hong Kong) Co., Ltd.	Controlled by the same ultimate controller
HNA Hotel Holdings Ltd.	Controlled by the same ultimate controller
HNA Tianjin Center Development Co., Ltd.	Controlled by the same ultimate controller
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Controlled by the same ultimate controller
Yunnan Tonghui Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Hainan Fushun Investment Development Limited	Other related party
Hainan Guoshang Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Hainan Island CardsPayment Network Co. Ltd. (海南海島一卡通支付網路有限公司)	Other related party
Hainan HNA International Hotel Management Limited	Controlled by the same ultimate controller
Hainan HNA Business Service Co., Ltd.	Controlled by the same ultimate controller
Hainan Airlines Holding Co., Ltd.	Other related party
Hainan Meilan HNA Hotel Co., Ltd.	Controlled by the same ultimate controller
Hainan Meilan Airport Hotel Investment Co., Ltd.	Other related party
Hainan Property Management Group Co., Ltd.	Other related party
Hainan Yingzhi Construction and Development Co., Ltd.	Other related party
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Controlled by the same ultimate controller
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	Controlled by the same ultimate controller
Tianjin Airlines Co., Ltd.	Other related party
Tunchang HNA Agricultural Park Investment Co., Ltd.	Controlled by the same ultimate controller
West Air Co., Ltd.	Other related party
Asia-Pacific International Conference Center Co., Ltd.	Controlled by the same ultimate controller
Yunnan Lucky Air Co., Ltd.	Other related party
Yunshangtong International Holdings Co., Ltd.	Controlled by the same ultimate controller
Changchun Noble Hotel Co., Ltd.	Controlled by the same ultimate controller

XI. Related parties and related party transactions *(Continued)*

5. Related party transactions

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

(i) Goods purchased/labor services received

Related party	Content of related party transactions	Amount for the year	Amount for previous year
Antu Business Travel Services Co., Ltd.	Procurement service fee	160.00	1,012.00
Hainan Property Management Group Co., Ltd.	Property fees and utilities	242,496.95	
Beijing Haihongyuan Investment Management Co., Ltd.	Property fees and utilities		587,328.77
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Procurement and inventory	1,735,300.00	
Dongguan Yujingwan Hotel	Labor cost and remuneration paid on behalf of employees	3,731,996.94	3,122,917.28
Dongguan Yujingwan Hotel	Procurement and inventory	585,117.93	
Dongguan Yujingwan Hotel	Utilities and out-of- pocket expenses	1,235,422.12	275,228.78
HNA Hotel (Group) Co., Ltd.	Remuneration paid on behalf of employees	31,083.24	
HNA Hotel Holdings Ltd.	Remuneration paid on behalf of employees, payment for goods, etc.		833,953.19
HNA Tianjin Center Development Co., Ltd.	Utilities and room charges	875,181.93	
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Procurement and inventory	836,412.03	
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Labor cost and remuneration paid on behalf of employees	2,455,552.95	
Hainan Fushun Investment Development Limited	Service fees	349,844.34	
Hainan Island Cards Payment Network Co., Ltd. (海南海島一卡通支付網路有限公司)	Staff catering expenses	172,387.05	248,693.44
Hainan HNA International Hotel Management Co., Ltd.	Remuneration paid on behalf of employees	29,218.71	
Hainan Meilan Airport Hotel Investment Co., Ltd.	Conference expenses	2,219.96	
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Procurement an inventory	126,712.83	
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Utilities and out-of-pocket expenses	752,554.55	
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Remuneration paid on behalf of employees	669,932.90	92,242.27
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Procurement and inventory	159,927.34	
Yunnan Lucky Air Co., Ltd.	Vehicle use fee	1,000,960.00	214,480.00
Yunnan Lucky Air Co., Ltd.	Property fees and utilities	2,023,809.52	2,015,238.08
Changchun Noble Hotel Co., Ltd.	Procurement and inventory	680,885.80	
Changchun Noble Hotel Co., Ltd.	Utilities and out-of pocket expenses	229,758.63	

XI. Related parties and related party transactions *(Continued)*

5. Related party transactions *(Continued)*

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

(ii) Sales of goods/provision of labor services

Related party	Content of related party transactions	Amount for the year	Amount for previous year
Dongguan Yujingwan Hotel	Catering and accommodation		2,560,703.03
Changchun Noble Hotel Co., Ltd	Catering and accommodation	3,004,366.22	
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Catering and accommodation	1,870,849.26	4,589,346.31
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd	Catering and accommodation	2,475,052.02	
HNA Hotel Holdings Ltd.	Catering and accommodation		32,406.20
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Catering and accommodation	257,341.69	
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Catering and accommodation	20,600.00	
Hainan HNA International Hotel Management Co., Ltd.	Catering and accommodation	34,996.23	
Beijing Capital Airlines Co., Ltd.	Catering and accommodation	591,861.32	456,042.45
West Air Co., Ltd.	Catering and accommodation	90,580.19	120,858.49
Hainan Meilan HNA Hotel Co., Ltd.	Catering and accommodation	2,169.81	
Yunnan Lucky Air Co., Ltd.	Catering and accommodation	1,431,528.71	2,168,451.38
Hainan Airlines Holding Co., Ltd.	Catering and accommodation	286,452.64	88,804.72
Asia-Pacific International Conference Center Co., Ltd.	Management service		637,784.79
Tianjin Airlines Co., Ltd.	Catering and accommodation	25,250.00	45,225.47

XI. Related parties and related party transactions *(Continued)*

5. Related party transactions *(Continued)*

(2) Related party lease

(i) The Company as a lessee

Lessor name	Type of leased assets	Rental expense recognized in 2021	Rental expense recognized in 2020
Hainan Yingzhi Construction and Development Co., Ltd.	Office leasing	52,390.80	
Beijing Haihongyuan Investment Management Co., Ltd.	Office leasing	-	561,204.00
Hainan Fushun Investment Development Limited	Office leasing	524,796.50	
HNA Tianjin Center Development Co., Ltd.	Parking lot leasing	160,000.00	
Dongguan Yujingwan Hotel	Hotel premises leasing	1,601,718.73	5,601,440.38
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing	2,113,847.94	1,780,571.52
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing	2,135,055.64	
Yunnan Lucky Air Co., Ltd.	Hotel premises leasing	2,859,720.46	3,180,952.36
Changchun Noble Hotel Co., Ltd.	Hotel premises leasing	1,040,410.68	
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Hotel premises leasing	2,887,935.24	
HNA Tianjin Center Development Co., Ltd.	Hotel premises leasing	752,383.12	

XI. Related parties and related party transactions *(Continued)*

5. Related party transactions *(Continued)*

(3) Related party funds lending

Related party	Borrowing amount	Starting date	Maturity date	Description
Borrowing:				
Yunshangtong International Holdings Co., Ltd.	5,437,300.00	25 March 2021	11 February 2023	

(4) Compensation for key management personnel

Item	Amount for the year	Amount for previous year
Compensation for key management personnel	2,220,915.99	3,472,751.52

(5) Other related party transactions

On 1 September 2021, Dalian JAL Branch (大連日航分公司) of Hainan Garden Lane Flight Hotel Management Co., Ltd. entered into an agreement with Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. to transfer the original operating fund of RMB393.15 and inventory of RMB1,735,300 (excluding tax) received by Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. to Dalian JAL Branch of Hainan Garden Lane flight Hotel Management Co., Ltd. In addition, Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. collects business funds on behalf of the company and pays the payment for goods. As of 31 December 2021, the receivable from Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. was RMB974,880.56.

XI. Related parties and related party transactions *(Continued)*

6. Amounts due to/from related parties

(1) Receivables

Item	Balance at end of year		Balance at beginning of year	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Receivables：				
Hainan HNA International Hotel Management Co., Ltd.	37,096.00	1,854.80		
Changchun Noble Hotel Co., Ltd.	1,006,078.19	50,285.51		
Hainan Airlines Holding Co., Ltd.	356,270.80	17,813.54	66,356.00	3,317.80
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	1,596,622.20	347,371.61	472,414.87	23,620.74
Tianjin Airlines Co., Ltd.	74,704.00	37,292.50	47,939.00	2,396.95
West Air Co., Ltd.	13,887.00	3,774.35	6,507.00	325.35
Yunnan Lucky Air Co., Ltd.	1,517,420.43	75,871.02		
Beijing Capital Airlines Co., Ltd.	1,045,005.30	500,362.27	617,932.30	30,896.62
Hainan Meilan HNA Hotel Co., Ltd.	2,300.00	115.00		
Total	**5,649,383.92**	**1,034,740.60**	**1,211,149.17**	**60,557.46**
Other receivables:				
HNA Group Finance Co., Ltd.	71,404,102.96	53,500,849.24	71,765,302.96	71,765,302.96
Dongguan Yujingwan Hotel			2,839,800.00	
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	1,117,047.84	1,117,047.84	2,000,000.00	
HNA Business Services Co., Ltd.	8,055.00		28,875.00	1,443.75
Asia-Pacific International Conference Center Co., Ltd	812,546.73	609,410.05	812,546.73	47,452.08
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	974,880.56	42,459.07		
Changchun Noble Hotel Co., Ltd.			368.00	18.40
Total	**74,316,633.09**	**55,269,766.20**	**77,446,892.69**	**71,814,217.19**

XI. Related parties and related party transactions *(Continued)*

6. Amounts due to/from related parties *(Continued)*

(2) Payables

Item	Balance at end of year	Balance at beginning of year
Accounts payable:		
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	944,724.22	
HNA Tianjin Center Development Co., Ltd.	1,039,443.13	
Hainan Meilan Airport Hotel Investment Co., Ltd.	2,219.96	
Hainan Guoshang Hotel Management Co., Ltd.	6,800.00	
Hainan HNA International Hotel Management Co., Ltd.	29,218.71	
HNA Hotel (Group) Co., Ltd.	31,083.24	
Changchun Noble Hotel Co., Ltd.	77,908.66	
Yunnan Lucky Air Co., Ltd.	2,783,779.77	
Yunnan Tonghui Hotel Management Co., Ltd.	2,382,445.38	
Total	**7,297,623.07**	
Non-current liabilities matured within one year：		
Dongguan Yujingwan Hotel	3,784,183.38	5,164,355.79
Yunnan Lucky Air Co., Ltd.		4,914,735.73
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	5,761,999.19	874,468.73
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd	6,487,729.94	
Changchun Noble Hotel Co., Ltd.	3,075,141.08	
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	11,791,355.25	
HNA Tianjin Center Development Co., Ltd.	3,065,872.98	
Total	**33,966,281.82**	**10,953,560.25**
Leasing liabilities:		
Yunnan Lucky Air Co., Ltd.		11,582,700.60
Total		**11,582,700.60**

XI. Related parties and related party transactions *(Continued)*

6. Amounts due to/from related parties *(Continued)*

(2) Payables *(Continued)*

Item	Balance at end of year	Balance at beginning of year
Other payables:		
Zijinghua Resuaurant, Jilin Province Tourism Group Co., Ltd.	2,342,046.21	681,578.00
HNA Hotel Group (Hong Kong) Co., Ltd.	140,000.00	140,000.00
HNA Hotel (Group) Co., Ltd.	20,164.34	20,164.34
HNA Hotel Holdings Ltd.	464,280.66	464,280.66
Tunchang HNA Agricultural Park Investment Co., Ltd.	12,666.00	12,666.00
Great Power Technology Limited	320,724.17	330,138.77
Hainan Yingzhi Construction and Development Co., Ltd.	1,152,532.80	1,100,142.00
Hainan Property Management Group Co., Ltd.	458,525.37	216,028.42
Beijing Haihongyuan Investment Management Co., Ltd.	1,696,549.95	1,647,202.95
Dongguan Yujingwan Hotel	2,270,632.66	108,967.45
HNA Business Services Co., Ltd.	1,600.00	3,200.00
Antu Business Travel Services Co., Ltd.	3,420.00	3,260.00
Hainan Guoshang Hotel Management Co., Ltd.	10,290.00	10,290.00
HNA Tianjin Center Development Co., Ltd.	17,608.80	
Yunshangtong International Holdings Co., Ltd.	5,437,300.00	
Hainan Fushun Investment Development Limited	874,612.35	
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	824,746.70	
Total	**16,047,700.01**	**4,737,918.59**

XII. Commitment and Contingent Events

1. Significant commitment

As at 31 December 2021, the Group has no significant commitment required to be disclosed.

2. Contingent events

As at 31 December 2021, the Group has no significant contingent event required to be disclosed.

XIII. Post Balance Sheet Date Events

1. Major non-adjusting events

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

2. Assessment of the impact of the COVID-19

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

XIV. Other Major Events

1. Segment information

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

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

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

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

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

XIV. Other Major Events *(Continued)*

1. Segment information *(Continued)*

(2) Financial information on the reportable segments

Item	Sales of enclosed busbar products	Hotel cantering and accommodation	Undistributed	Inter-segment elimination	Total
Revenue from external operations	41,484,897.50	42,215,827.50			83,700,725.00
Revenue from inter-segment transactions			2,970,297.03	-2,970,297.03	
Sales expense	3,681,530.93	31,953,993.61			35,635,524.54
Credit impairment losses	77,750.98	14,518,203.72			14,595,954.70
Losses on asset impairment		-9,646,195.79			-9,646,195.79
Depreciation and amortization	3,269,256.73	13,391,807.10	262,643.82		16,923,707.65
Total profit (loss)	-9,434,096.45	-3,090,279.85	29,989,981.06		17,465,604.76
Total assets	112,400,226.38	91,587,284.61	386,629,597.47	-396,189,229.03	194,427,879.43
Total liabilities	137,757,916.61	216,090,131.53	404,305,096.55	-396,189,229.03	361,963,915.66
Non-cash expenses other than depreciation and amortisation					
Long-term equity investment in associates and joint ventures					
Additions to other non-current assets other than long-term equity investment	479,241.53	13,448,030.55			13,927,272.08

(3) Information on revenue from external transactions

A. Revenue from external transactions

Please refer to note VI.29 for details.

B. Geographic information

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

C. Information on main customers

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

XIV. Other Major Events *(Continued)*

2. Leasing

(1) The Group as a lessee

(i) Please refer to Note VI. 10,19,21 for right-of -use assets and lease liabilities.

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

	Amount included in the current profit or loss		Amount included in relevant asset cost	
Item	**Item presented**	**Amount**	**Item presented**	**Amount**
Short-term lease expense (applicable to simplified approach)	Sales expense			
Short-term lease expense (applicable to simplified approach)	Management expense	577,187.30		

(iii) Cash outflow related to leasing

Item	**Categories of cash flow**	**Amount for the year**
Cash paid for repayment of principal and interest on lease liabilities	Cash outflows of financing activities	3,736,896.25
Payments made for short-term leases and low-value assets (applicable to simplified approach)	Cash outflows of operating activities	
Total		**3,736,896.25**

XIV. Other Major Events *(Continued)*

3. Other Events

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

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

XIV. Other Major Events *(Continued)*

3. Other Events *(Continued)*

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

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

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

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

1. Accounts receivable

(1) Disclosure by aging

Aging	Balance at end of year
Over 4 years	1,423,911.79
Subtotal	1,423,911.79
Less: Provision for bad debt	1,423,911.79
Total	

(2) Disclosure by method of provision for bad debt

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

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

1. Accounts receivable *(Continued)*

(2) Disclosure by method of provision for bad debt *(Continued)*

(Continued)

	Balance at beginning of year				
	Carrying amount		Provision for bad debt		
Type	Amount	Ratio (%)	Amount	Ratio of provision (%)	Book value
Accounts receivable of provision for bad debt on an individual basis					
Accounts receivable of provision for bad debt on a collective basis	1,423,911.79	100.00	1,423,911.79	100.00	
Including:					
Accounts receivable of provision for bad debt based on aging	1,423,911.79	100.00	1,423,911.79	100.00	
Total	**1,423,911.79**	**100.00**	**1,423,911.79**	**100.00**	

(i) Accounts receivables of provision for bad debts based on aging combination

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

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

1. Accounts receivable *(Continued)*

(3) Provision for bad debt

Category	Balance at beginning of year	Changes during the year: Provision	Recoveries or reversals	Write-off	Other changes	Balance at end of year
Accounts receivable	1,423,911.79					1,423,911.79
Total	**1,423,911.79**					**1,423,911.79**

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

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

2. Other receivables

Item	Balance at end of year	Balance at beginning of year
Other receivables	252,990,813.19	251,656,394.15
Total	**252,990,813.19**	**251,656,394.15**

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

2. Other receivables *(Continued)*

(1) Other receivables

(i) Disclosure by aging

Aging	Balance at end of year
Within 1 year	14,056,842.30
1 to 2 years	110,254.17
2 to 3 years	119,640.68
3 to 4 years	131,929,095.40
Over 4 years	183,230,977.04
Subtotal	**329,446,809.59**
Less: Provision for bad debt	76,455,996.40
Total	**252,990,813.19**

(ii) Classification by nature

Nature of accounts	Balance at end of year	Balance at beginning of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Current account with subsidiaries	252,981,904.33	251,635,564.15
Others	374,905.26	386,826.40
Subtotal	**329,446,809.59**	**328,112,390.55**
Less: Provision for bad debt	76,455,996.40	76,455,996.40
Total	**252,990,813.19**	**251,656,394.15**

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

2. Other receivables *(Continued)*

(1) Other receivables *(Continued)*

(iii) Provision for bad debts

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

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

2. Other receivables *(Continued)*

(1) Other receivables *(Continued)*

(iv) Provision for bad debts

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

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

Name of company	Nature of accounts	Balance at end of year	Aging	Proportion of the total balance of other receivables at the end of the year (%)	Balance of provision for bad debt at the end of the year
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Current account	111,913,604.03	Over 3 years	33.97	
Gaocai Technology Co., Ltd.	Current account	79,298,247.36	Within 4 years	24.07	
Benxi Iron & Steel (Group) Co., Ltd.	Current account (with litigation)	76,090,000.00	Over 3 years	23.10	76,090,000.00
Shenyang Kaiyi Electric Co., Ltd.	Current account	47,727,628.13	Over 4 years	14.49	
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Current account	6,228,207.28	Within 3 years	1.89	
Total		**321,257,686.80**		**97.52**	**76,090,000.00**

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

3. Long-term equity investments

(1) Classification

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

(2) Investment in subsidiaries

Investee	Balance at beginning of year	Increment	Decrement	Balance at end of year	Provision for impairment this year	Balance of provision for impairment at the end of the year
Northeast Electric Development (HK) Co., Ltd.	53,757,001.09			53,757,001.09		102,942,450.54
Shenyang Kaiyi Electric Co., Ltd.						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**

XV. Notes to Major Items in the Financial Statements of the Company *(Continued)*

4. Operating revenue and operating costs

	Amount for the year		Amount for previous year	
Item	**Revenue**	**Cost**	**Revenue**	**Cost**
Other operations	2,970,297.03		2,970,297.03	
Total	**2,970,297.03**		**2,970,297.03**	

5. Investment income

Item	Amount for the year	Amount for previous year
Others		175,549,569.56
Total		**175,549,569.56**

XVI. Supplementary Information

1. Breakdown of extraordinary profit or loss for the year

Item	Amount	Remarks
Profit or loss on disposal of non-current assets		
Tax return/exemption with ultra vires approval/or no official approval		
Government grant taken into profit or loss for the period (except for those closely related to business of the Company and those granted by the government in fixed amount or quantity according to national standards)	1,852,392.96	
Fund appropriation fees charged on non-financial enterprise taken into profit or loss for the period		
Revenue generated when cost of investment is less than fair value of identifiable net assets acquired when acquiring subsidiary, associates, or joint venture		
Profit or loss of non-monetary asset swap		
Profit or loss from entrusting third party to invest or manage asset		
Provision for impairment on assets due to force majeure, such as natural disaster		
Profit or loss on debt restructuring		
Expenses on reorganisation of enterprise, such as settlement expense for employees and combination expenses		
Profit or loss over difference between fair value and inappropriate transaction price		
Net profit or loss arising from business combination under common control in relation to the period from the beginning of the year to the date of combination		
Profit or loss by contingent events non-related to normal business of the Group		
Except for effective hedging related to the operation of the Company, profit or loss arising from changes in fair value of financial assets or liabilities held for trading, derivative financial assets or liabilities, and investment income from disposal of financial assets or liabilities held for trading, derivative financial assets or liabilities, as well as other debt investments		
Reversal of provision for accounts receivable and contract assets under separate impairment test	18,264,453.72	
Profit or loss on entrusted loans		
Profit or loss on subsequent measurement at fair value for investment properties		
Impact on current profit or loss by non-recurring adjustment according to laws and regulations on tax and accounting		
Trustee fee by entrusted operations		
Other non-operating incomes and expenses except for the above-mentioned	37,809,710.99	
Other items complying with definitions of extraordinary profit or loss		
Subtotal	**57,926,557.67**	
Amount of impact on income tax		
Impact on minority interests (after tax)	183,201.89	
Total	**57,743,355.78**	

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

XVI. Supplementary Information *(Continued)*

1. Breakdown of extraordinary profit or loss for the year *(Continued)*

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

2. Return on net assets and earnings per share

		Earnings per share (RMB/share)	
Profit for the period	**Weighted average return on net assets (%)**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to ordinary shareholders		0.02	0.02
Net profit attributable to ordinary shareholders after deduction of extraordinary profit or loss		-0.05	-0.05

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

The Company's Chairman: Shang Duoxu　　Chief Financial Officer: Mi Hongjie　　Chief Accounting Officer: Jin Muhan

Northeast Electric Development Co., Ltd.
30 March 2022

MAZARS CPA LIMITED
中審眾環（香港）會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓
Tel 電話 : (852) 2909 5555
Fax 傳真 : (852) 2810 0032
Email 電郵 : info@mazars.hk
Website 網址 : www.mazars.hk

To the members of
Northeast Electric Development Company Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Northeast Electric Development Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 302 to 437, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group had net current liabilities and net liabilities of RMB170,903,000 and RMB167,537,000 as at 31 December 2021 respectively. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and smoothly ride out the negative impact caused by the delisting of the A-share main board. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Loss allowance for expected credit loss ("ECL") on trade and rental receivables, other receivables and cash at a financial institution *Refer to significant accounting policies in note 2 and the disclosure of trade and rental receivables, other receivables and cash at a financial institution in notes 19, 20, 21 and 33(a) to the consolidated financial statements.*	
As at 31 December 2021, the carrying value of trade and rental receivables, other receivables and cash at a financial institution (net of loss allowances) were RMB58,558,000, RMB9,400,000 and RMB17,903,000 respectively. Provision of loss allowance amounting to RMB2,665,000, RMB1,003,000 and reversal of loss of allowance of RMB18,264,000 on trade and rental receivables, other receivables and cash at a financial institution respectively have been recorded during the year. We consider this matter to be a key audit matter because of their significance to the consolidated financial statements and the assessment of ECL for trade and rental receivables, other receivables and cash at financial institution requires the use of management's judgement and estimate. Management assessed the provision for ECL of cash at a financial institution, trade and rental receivables and other receivables based on probability-weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances.	Our audit procedures, among others, included: – Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables arising from the Group's business; – Assessing and evaluating the design and implementation of controls with respect to the identification of receivables with overdue or default payments; and – Assessing management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the debtors, past collection history of debtors, concentration risk of debtors, the Group's actual loss experience, forward-looking information and subsequent settlement of the trade and rental receivables, other receivables and cash at a financial institution.

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment ("PPE") *Refer to significant accounting policies in note 2 and the disclosure of PPE in note 11 to the consolidated financial statements.*	
As at 31 December 2021, the Group had property, plant and equipment with carrying amounts of approximately RMB41,367,000, which are used by the Group in its production and sales of power transmission equipment and related accessories segment. The carrying amounts of these property, plant and equipment are subject to impairment assessments when there is an indication of impairment or an impairment loss is reversed if there has been a favourable change in the estimates used to determine their recoverable amount. For the purpose of assessing impairment, these non-current assets, being the production and sales of power transmission equipment and related accessories business in Fuxin, China, were identified, as a cash generating unit (the "Power Transmission CGU") and the Group assessed the recoverable amounts of the Power Transmission CGU, which are determined based on the higher of the fair value less costs of disposal and the value in use. The management estimated the recoverable amounts of the Power Transmission CGU based on the fair value less costs of disposal and concluded that neither provision for nor reversal of impairment loss in relation to the property, plant and equipment is recognised for the year ended 31 December 2021. We have identified the impairment assessment of property, plant and equipment as a key audit matter because of their significance to the consolidated financial statements and significant estimation and judgement involved in the estimation of the recoverable amounts.	Our audit procedures, among others, included: – Evaluating the internal and external sources of information to identify impairment indications; – Obtaining an understanding of the valuation process and methodologies adopted by the management; – Evaluating and challenging the appropriateness of the valuation methodology used by the management to calculate the fair value less costs to disposal; – Challenging the reasonableness of key assumptions and variables adopted and critical judgements used in the valuation based on our knowledge of the business and industry; – Assessing the reasonableness of any significant unobservable input and the accuracy of the source data adopted by the management; and – Checking, if applicable, the accuracy and relevance of the key inputs adopted in the valuation of PPE.

Key Audit Matters *(Continued)*

Key audit matter

Impairment assessment of right-of-use assets ("ROU")

Refer to significant accounting policies in note 2 and the disclosure of ROU in notes 12 to the consolidated financial statements.

The carrying value of Group's ROU as at 31 December 2021 was approximately RMB19,764,000 (net of impairment loss), which are used by the Group in its hotel operations and provision of related catering services segment. Impairment loss amounting to RMB9,628,000 on ROU has been recorded during the year. The carrying amounts of these ROU are subject to impairment assessments when there is an indication of impairment or an impairment loss is reversed if there has been a favourable change in the estimates used to determine their recoverable amount.

For the purpose of assessing impairment, the recoverable amount of ROU was determined based on the higher of the fair value less costs of disposal and the value in use, of which value in use required the use of estimates such as future cash flows and discount rate. The use of these estimates involves a significant degree of management judgement and therefore could have a material impact on any impairment recorded for the year.

We have identified the impairment assessment of ROU as a key audit matter because of its significance to the consolidated financial statements and significant estimation and judgement involved in the estimation of the recoverable amounts.

How our audit addressed the key audit matter

Our audit procedures, among others, included:

– Evaluating the management assessment of impairment indicators with reference to external business environment of the industry and operating results of the Group;

– Evaluating the key assumptions used in the discounted cash flow forecasts, including the sales growth rates, fluctuation of expenses based on latest operation performance and historical data;

– Assessing the value-in-use calculation methodologies and discount rates adopted by management by benchmarking them to industry practices and making reference to market comparable; and

– Performing sensitivity analyses on key inputs on the discounted cash flows for any significant impact on the recoverable amount of ROU.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information include in the 2021 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2022

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Wai
Practising Certificate number: P05708

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*3*	**119,485**	79,797
Cost of sales and services		**(50,662)**	(51,752)
Gross profit		**68,823**	28,045
Other revenue and other income	*4*	**42,406**	183,180
Selling expenses		**(50,156)**	(31,769)
Administrative and other operating expenses		**(46,776)**	(22,903)
Gain on disposal of South Plant (as defined in note 20(a))		**-**	32,743
(Provision) Reversal of loss allowance on			
– trade and rental receivables	*33(a)*	**(2,665)**	220
– other receivables	*33(a)*	**(1,003)**	(76)
– cash at financial institution	*33(a)*	**18,264**	(71,765)
Impairment loss of right-of-use assets	*12*	**(9,628)**	-
Finance costs	*6*	**(1,799)**	(1,759)
Loss arising from interest in associates, net	*16*	**-**	(48,900)
Profit before taxation	*6*	**17,466**	67,016
Income tax credit (expenses)	*7*	**133**	(4,351)
Profit for the year		**17,599**	62,665

	Notes	2021 RMB'000	2020 RMB'000
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets designated at fair value through other comprehensive income ("Designated FVOCI")	17	**-**	(198,079)
Items that are reclassified or may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		**93**	(940)
Exchange difference on translation of share of other comprehensive income of associates	16	**-**	1,083
Total other comprehensive income (loss) for the year, net of tax		**93**	(197,936)
Total comprehensive income (loss) for the year		**17,692**	(135,271)
Profit for the year attributable to:			
Equity holders of the Company		**17,629**	63,977
Non-controlling interests	15	**(30)**	(1,312)
Profit for the year		**17,599**	62,665
Total comprehensive income (loss) for the year attributable to:			
Equity holders of the Company		**17,722**	(131,978)
Non-controlling interests	15	**(30)**	(3,293)
Total comprehensive income (loss) for the year		**17,692**	(135,271)
Earnings per share		***RMB cents***	*RMB cents*
Basic and diluted	10	**2.02**	7.33

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	11	**42,178**	44,912
Investment properties	12	**-**	13,187
Right-of-use assets	12	**19,764**	3,246
Land use right	13	**11,814**	12,078
Intangible assets	13	**-**	-
Goodwill	14	**-**	-
Interest in associates	16	**-**	-
Designated FVOCI	17	**-**	-
		73,756	73,423
Current assets			
Inventories	18	**14,796**	16,710
Trade and rental receivables	19	**58,558**	32,294
Prepayments, deposits and other receivables	20	**13,581**	22,556
Cash at a financial institution	21	**17,903**	-
Cash at banks and in hand	21	**18,645**	12,913
		123,483	84,473

	Notes	2021 RMB'000	2020 RMB'000
Current liabilities			
Trade payables	22	**31,892**	21,819
Contract liabilities	23	**6,757**	6,624
Other payables	24	**203,726**	181,951
Employment benefits payables	24	**8,835**	4,754
Tax payables		**2,799**	3,914
Lease liabilities	25	**40,377**	10,954
		294,386	230,016
Net current liabilities		**(170,903)**	(145,543)
Total assets less current liabilities		**(97,147)**	(72,120)
Non-current liabilities			
Provisions	26	**34,355**	72,100
Government grants	27	**36,035**	29,426
Lease liabilities	25	**-**	11,583
		70,390	113,109
NET LIABILITIES		**(167,537)**	(185,229)

	Notes	2021 RMB'000	2020 RMB'000
Capital and reserves			
Share capital	28	**873,370**	873,370
Reserves	29	**(1,043,067)**	(1,060,789)
Equity attributable to equity holders of the Company		**(169,697)**	(187,419)
Non-controlling interests	15	**2,160**	2,190
TOTAL DEFICITS		**(167,537)**	(185,229)

The consolidated financial statements on pages 302 to 437 were approved and authorised for issue by the Board of Directors on 30 March 2022 and signed on its behalf by:

Su Weiguo
Executive Director

Mi Hongjie
Executive Director

	Equity attributable to equity holders of the Company									
		Reserves								
	Share capital	Capital reserve	Surplus reserve	Investment revaluation reserve (non-recycling)	Exchange reserve	Accumulated losses	Total reserves	Sub-total	Non–controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 28)	*(Note 29(a))*	*(Note 29(b))*	*(Note 29(c))*	*(Note 29(d))*					
As at 1 January 2021	873,370	1,083,997	108,587	(231,194)	(26,836)	(1,995,343)	(1,060,789)	(187,419)	2,190	(185,229)
Profit (loss) for the year	-	-	-	-	-	17,629	17,629	17,629	(30)	17,599
Other comprehensive income										
Exchange differences on translation of foreign operations	-	-	-	-	93	-	93	93	-	93
Total other comprehensive income for the year	-	-	-	-	93	-	93	93	-	93
Total comprehensive income (loss) for the year	-	-	-	-	93	17,629	17,722	17,722	(30)	17,692
As at 31 December 2021	873,370	1,083,997	108,587	(231,194)	(26,743)	(1,977,714)	(1,043,067)	(169,697)	2,160	(167,537)

	Equity attributable to equity holders of the Company									
		Reserves								
	Share capital *RMB'000* *(Note 28)*	Capital reserve *RMB'000* *(Note 29(a))*	Surplus reserve *RMB'000* *(Note 29(b))*	Investment revaluation reserve (non-recycling) *RMB'000* *(Note 29(c))*	Exchange reserve *RMB'000* *(Note 29(d))*	Accumulated losses *RMB'000*	Total reserves *RMB'000*	Sub-total *RMB'000*	Non–controlling interests *RMB'000*	Total deficits *RMB'000*
As at 1 January 2020	873,370	1,082,848	108,587	(35,096)	(26,979)	(2,059,320)	(929,960)	(56,590)	5,483	(51,107)
Profit (Loss) for the year	-	-	-	-	-	63,977	63,977	63,977	(1,312)	62,665
Other comprehensive income (loss)										
Change in fair value of Designated FVOCI	-	-	-	(196,098)	-	-	(196,098)	(196,098)	(1,981)	(198,079)
Exchange differences on translation of foreign operations	-	-	-	-	(940)	-	(940)	(940)	-	(940)
Exchange differences on translation of share of other comprehensive income of associates	-	-	-	-	1,083	-	1,083	1,083	-	1,083
Total other comprehensive income (loss) for the year	-	-	-	(196,098)	143	-	(195,955)	(195,955)	(1,981)	(197,936)
Total comprehensive income (loss) for the year	-	-	-	(196,098)	143	63,977	(131,978)	(131,978)	(3,293)	(135,271)
Transactions with equity holders of the Company										
Contributions and distributions:										
Free use of office premise *(note 32(a))*	-	1,149	-	-	-	-	1,149	1,149	-	1,149
As at 31 December 2020	873,370	1,083,997	108,587	(231,194)	(26,836)	(1,995,343)	(1,060,789)	(187,419)	2,190	(185,229)

	Notes	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	31(a)	**12,313**	(11,910)
Income taxes paid		**(981)**	(1,047)
Interest received		**-**	1,488
Net cash from (used in) operating activities		**11,332**	(11,469)
INVESTING ACTIVITIES			
Acquisition of investment in an associate		**-**	(48,436)
Purchase of property, plant and equipment		**(479)**	(11)
Proceeds from disposal of South Plant		**-**	23,499
Deposits withdrawn (placed) in a financial institution		**361**	(1,191)
Net cash used in investing activities		**(118)**	(26,139)
FINANCING ACTIVITIES	31(b)		
Repayment of bank and other loans		**-**	(10,500)
Repayment of lease liabilities		**(2,972)**	(2,067)
Interest paid		**(1,240)**	(401)
Net cash used in financing activities		**(4,212)**	(12,968)
Net increase (decrease) in cash and cash equivalents		**7,002**	(50,576)
Cash and cash equivalents at the beginning of the reporting period		**8,536**	58,954
Effect on exchange rate changes on cash and cash equivalents		**98**	158
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	21	**15,636**	8,536

1. CORPORATE INFOMRATION

Northeast Electric Development Co., Ltd. (the "Company") was formerly known as Northeast Electricity Transmitting & Transformation Machinery Manufacturing Ltd. The Company is a company limited by shares established by directed placement initiated by 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.

The Company's shares are listed on both the Shenzhen Stock Exchange (the "Shenzhen Stock Exchange") ("A shares") and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") ("H shares"). As at 31 December 2021, the Company had 615,420,000 A shares and 257,950,000 H shares.

The address of the registered office and the principal place of business of the Company is located at 22nd Floor, New HNA Building, No. 7 Guoxing Avenue, Meilian District, Haikou City, Hainan Province.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company and their principal activities are disclosed in note 15 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Companies Ordinance (Cap. 622) (the "HKCO") and the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidation financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Reconciliation of Accounting Standards for Business Enterprises ("PRC GAAP") to IFRSs

The consolidated financial statements prepared under IFRSs and those prepared under PRC GAAP have no material differences except the reclassifications as follows:

Year ended 31 December 2021	As per consolidated financial statements prepared under IFRSs *RMB'000*	Reclassifications *RMB'000*	As per consolidated financial statements prepared under PRC GAAP *RMB'000*
Revenue	119,485	(35,784)	83,701
Cost of sales and services	(50,662)	5,910	(44,752)
Other income and other revenue	42,406	(2,603)	39,803
Selling expenses	(50,156)	14,520	(35,636)
Administrative and other operating expenses	(46,776)	16,580	(30,196)
Finance costs	(1,799)	1,377	(422)
Net profit attributable to the equity holders of the Company for the year	17,629	-	17,629

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Reconciliation of PRC GAAP to IFRSs *(Continued)*

Year ended 31 December 2020	As per consolidated financial statements prepared under IFRSs *RMB'000*	Reclassifications *RMB'000*	As per consolidated financial statements prepared under PRC GAAP *RMB'000*
Revenue	79,797	194	79,991
Cost of sales and services	(51,752)	(4)	(51,756)
Other income and other revenue	183,180	(50,636)	132,544
Selling expenses	(31,769)	(16)	(31,785)
Administrative and other operating expenses	(22,903)	101	(22,802)
Provision of loss allowance, net	(71,621)	(26)	(71,647)
Finance costs	(1,759)	1,487	(272)
Loss arising from interest in associates, net	(48,900)	48,900	-
Net profit attributable to the equity holders of the Company for the year	63,977	-	63,977

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Reconciliation of PRC GAAP to IFRSs *(Continued)*

As at 31 December 2021	As per consolidated financial statements prepared under IFRSs *RMB'000*	Reclassifications *RMB'000*	As per consolidated financial statements prepared under PRC GAAP *RMB'000*
Trade and rental receivables	58,558	(3,222)	55,336
Prepayment, deposits and other receivables and cash at a financial institution	31,484	409	31,893
Current assets	123,483	(2,813)	120,670
Trade payables	(31,892)	(6,489)	(38,381)
Contract liabilities	(6,757)	(7,377)	(14,134)
Other payables	(203,726)	11,407	(192,319)
Tax payables	(2,799)	(1,139)	(3,938)
Lease liabilities	(40,377)	6,411	(33,966)
Current liabilities	(294,386)	2,813	(291,573)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Reconciliation of PRC GAAP to IFRSs *(Continued)*

As at 31 December 2020	As per consolidated financial statements prepared under IFRSs *RMB'000*	Reclassifications *RMB'000*	As per consolidated financial statements prepared under PRC GAAP *RMB'000*
Prepayment, deposits and other receivables	22,556	(370)	22,186
Current assets	84,473	(370)	84,103
Trade payables	(21,819)	474	(21,345)
Other payables	(181,951)	726	(181,225)
Tax payables	(3,914)	(830)	(4,744)
Current liabilities	(230,016)	370	(229,646)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of New/Revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in September 2019 and relate to:

- changes to contractual cash flows—a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting—a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures—a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) and therefore the comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of New/Revised IFRSs *(Continued)*

Amendments to IFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021 (Continued)

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out below:

Going concern

At 31 December 2021, the current liabilities of the Group exceeded its current assets by approximately RMB170,903,000 and net liabilities of approximately RMB167,537,000. The Group maintained cash at bank and in hand of approximately RMB18,645,000 as at 31 December 2021. These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group is taking the following steps to ensure continuous operations of the Group:

(a) The Group will secure its own capital needs by strengthening the collection of receivables and seeking external financial support. The Group can obtain sources of funds through several aspects. First, strengthening the supply chain management and internal fund management, and increase the recovery of receivables. Second, Shenyang Kaiyi Electric Co., Ltd. ("Shengyang Kaiyi"), a wholly-owned subsidiary of the Company, and Yunshangtong Holdings Limited ("Yunshangtong"), a company controlled by Hainan Province Cihang Foundation (the "de facto controller of the Company"), entered into an agreement that Yunshangtong will lend a loan with a maximum balance of RMB50,000,000 to Shenyang Kaiyi to support its operation. Third, Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company, has good bank credit, financing records, and financing capabilities. In the later stage, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging the new factory area, which is sufficient to support the continuous operation in the next 12 months. The Group can meet the demand for working capital and achieve a balance of cash flow.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

(b) The Group will further make full use of capital market financing channels and introduce strategic investors in both directions. In 2022, the Group will maintain the operation of production and sales of power transmission equipment and related accessories and hotel operations and provision of related catering services, carry an openly and extensive recruitment and promote the two-way introduction of strategic investors. On the other hand, the Group will utilize the H-share capital market platform to raise funds through the issuance of new H-shares. Funds are injected into new businesses. On the one hand, Fuxin Enclosed Busbar Co., Ltd. 's plant and equipment production technology resources are used to attract strategic investors, enrich the product structure of power transmission and transformation equipment and improve new economic growth points, thereby ensuring the continuous operation of the Group through the two-way introduction of strategic investors.

(c) The Group will maintain a stable internal and external operating environment and plan a long-term goal for continuous operation. To achieve a balance of cash flow, the Group will plan and adjust the scale of business operations, formulate stable business goals, continue to maintain efficiency in operation management, improve product innovation capabilities, strengthen continuous operation capabilities and continue to improve the Group's main business profitability.

(d) The Group will allocate human resources and strengthen cost control and adjust the organizational structure of the headquarters promptly according to the scale of operation, reduce the staffing of the headquarters and gradually transform the organization to a flat management structure, effectively reducing operating costs. The Group will optimize asset management, enhance overall budget management and cost control, exert strict control over various expenditures and expenses, lower the operation costs and maximize the profitability of the principal business.

(e) The Group will overcome the impact of the Coronavirus Disease 2019 ("COVID-19") and ensure safe production. Ensure stable business growth and normal operation, take safety protection and emergency isolation measures in the post-epidemic period, ensure safe production, and resolutely win the battle against epidemic prevention, stabilize production capacity, and ensure supply.

(f) With its wholly-owned subsidiary, Hainan Garden Lane Flight Hotel Management Co., Ltd. ("Hainan Garden") as a platform, the Group will research and explore new business sectors and utilise the existing resources and talent advantages of the Group's substantial shareholders in modern service industries to launch new businesses and develop new industries, thereby expanding the business scope of the Group, improving its asset portfolio and bringing fresh energy into its sustained operation.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

(g) In strict accordance with the internal control system requirements of the Shenzhen Stock Exchange and Hong Kong Stock Exchange, the Group continuously improves working standards and perfects the internal control system, establishes and improves the operation organisation of the enterprise, continuously improves various internal control systems, strengthens risk control measures and reduces the Group's operational risks. The Group's internal control system is more operable, to prevent damage to the interests of listed companies and shareholders and to ensure the realisation of the Group's business objectives.

With the aforesaid measures, the board of directors of the Company (the "Board of Directors") deems it reasonable to prepare the consolidated financial statements on the assumption of continuous operations. The Board of Directors has conducted thorough evaluation of the Group's continuous operation ability by reviewing working capital forecasts for the coming twelve months, and has reached the conclusion that the Group will be able to acquire enough funding to ensure working capital and expensing needs, therefore agreed with preparation of the consolidated financial statements on the basis of continuous operations. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities to current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for Designated FVOCI, which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise these financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

Goodwill arising on acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in an associate. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position which is presented within these notes, an investment in associate is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the associate are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising on an acquisition of a business is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree (if applicable) and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if applicable) and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognised in profit or loss or other comprehensive income, as appropriate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Buildings	20 years
Leasehold improvement	Over the remaining lease terms
Machinery and other equipment	3-20 years
Transportation equipment	6-17 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress

Construction in progress which represents machinery and other equipment on which construction work has not been completed and machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction in progress until the construction and installation work is completed that the assets are ready for their intended use. On completion, the construction in progress is transferred to appropriate categories of property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Investment properties held by the Group under leases are accounted in the same way as other right-of-use assets. Depreciation is recognised for those investment properties over the period of 6 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Software

The initial cost of acquiring software is capitalised. Software with definite useful lives is carried at cost less accumulated amortisation and impairment losses (if any).

Land use right

Land use right are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss, which are accounted for as right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as expenses in profit or loss as incurred. When the asset is available for use, the capitalised development costs are amortised and subject to impairment review on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in the statement of profit or loss when incurred.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and measurement

Financial assets (except for trade and rental receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade and rental receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(a) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade, rental and other receivables, deposits and cash at a financial institution and banks.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and measurement (Continued)

Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated losses.

The Group's financial assets at Designated FVOCI include unlisted equity securities.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade payables, other payables, contract liabilities, interest-bearing borrowings and lease liabilities. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with IFRS 9. At each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(a) past due information
(b) nature of instrument
(c) nature of collateral
(d) industry of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(a) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(b) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(Continued)*

Assessment of significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(a) it has a low risk of default;

(b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade and rental receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(Continued)*

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue recognition

Rental income/Lease income

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs. Lease income from lease of hotel room is recognised as income over the lease period.

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

– Production and sale of power transmission equipment and related accessories

– Provision of catering services

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 *(Continued)*

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 *(Continued)*

Identification of performance obligations (Continued)

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue is recognised on the following basis:

- Production and sale of power transmission equipment and related accessories is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed; and

- Service income from the provision of catering services is recognised as income over time when the relevant transactions have been arranged or the relevant services have been rendered.

Timing of revenue recognition

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the production and sale of power transmission equipment and related accessories, it is common for the Group to receive from the customer some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that year, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's functional currency is Renminbi ("RMB"). Since the Group's main operation is carried out in the People's Republic of China (the "PRC"), the amounts shown in the consolidated financial statements are presented in RMB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

- On all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, land use right, right-of-use assets, investment in an associate and subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowings costs

Borrowings costs which are directly attributable to the acquisition, construction and production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated amortisation/depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Amortisation/Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset as follows:

Land use rights	50 years
Hotels and restaurants	1.2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increase the scope of the lease by adding the right to use or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Employee benefit

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to a defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Overseas subsidiaries (including Hong Kong) also operate pension schemes or similar arrangements for their employees in accordance with the statutory requirements prescribed by the relevant legal authorities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

For the purpose of measuring deferred tax assets or deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Loss allowance for ECL

The Group's management estimates the loss allowance for rental receivables and financial assets at amotised cost including trade and other receivables and cash at a financial institution by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets at amortised cost. Details of the key assumption and inputs used in estimating ECL are set out in note 33(a) to the consolidated financial statements.

Impairment of investments in subsidiaries

The Group assesses annually if investments in subsidiaries have suffered any impairment in accordance with IAS 36 and follows the guidance of IFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment, investment properties, land use right and right-of-use assets at the end of each reporting period in accordance with the accounting policies as disclosed in Note 2 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

Useful lives of property, plant and equipment

The directors of the Company review the useful lives and depreciation method of property, plant and equipment at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

Fair value estimation

The Group's unlisted equity investments have been valued based on the valuation from the directors of the Company. The valuation requires the Group to make some estimation on a number of significant unobservable inputs associated with the investment. Details of the key assumption and inputs used in the valuation are set out in note 17 to the consolidated financial statements.

Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Discount rates for calculating lease liabilities as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Lease terms of contracts with extension and/or termination options – as lessee

Lease terms are determined as the non-cancellable period of a lease, including periods covered by an option to extend if the lessee is reasonably certain to exercise the extension option, and periods covered by an option to terminate if the lessee is reasonably certain not to exercise the termination option.

The Group has lease contracts that include extension and termination options. In assessing whether the lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group applies judgement and considers all relevant facts and circumstances that create an economic incentive to extend or terminate the leases.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an extension option or not to exercise a termination option.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/revised IFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to IAS 16	*Proceeds before Intended Use* [1]
Amendments to IAS 37	*Cost of Fulfilling a Contract* [1]
Amendments to IFRS 3	*Reference to the Conceptual Framework* [1]
Annual Improvements to IFRSs	*2018–2020 Cycle* [1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [2]
Amendments to IAS 1	*Disclosure of Accounting Policies* [2]
Amendments to IAS 8	*Definition of Accounting Estimates* [2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [2]
IFRS 17	*Insurance Contracts* [2]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information* [2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised IFRSs will have any material impact on the Company's consolidated financial statements in the future.

3. REVENUE

Revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with IFRS 15 and rental revenue derived from the hotel rooms, which is recognised under the scope of IFRS 16. The amount of each significant category of revenue recognised during the year is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
Sales of power transmission equipment and related accessories	**41,475**	48,757
Provision of catering services income	**31,795**	17,192
Management fee income	**-**	638
	73,270	66,587
Revenue from other sources		
Lease income from operating lease of hotel rooms	**46,215**	13,210
	119,485	79,797

3. REVENUE *(Continued)*

In addition to the information shown in segment disclosures in note 5 to the consolidated financial statements, the revenue from contracts with customers within IFRS 15 is disaggregated as follows:

	Production and sales of power transmission equipment and related accessories	Provision of catering services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021			
By products:			
- Enclosed busbars	41,475	-	41,475
- Provision of catering services	-	31,795	31,795
	41,475	31,795	73,270
Geographical region:			
- The PRC	41,475	31,795	73,270
Timing of revenue recognition:			
- At a point in time	41,475	-	41,475
- Over time	-	31,795	31,795
	41,475	31,795	73,270
Type of transaction price:			
- Fixed price	41,475	31,795	73,270

3. REVENUE *(Continued)*

	Production and sales of power transmission equipment and related accessories	Provision of catering services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
By products:			
- Enclosed busbars	48,757	-	48,757
- Provision of catering services	-	17,192	17,192
- Management fee	-	638	638
	48,757	17,830	66,587
Geographical region:			
- The PRC	48,757	17,830	66,587
Timing of revenue recognition:			
- At a point in time	48,757	-	48,757
- Over time	-	17,830	17,830
	48,757	17,830	66,587
Type of transaction price:			
- Fixed price	48,757	17,830	66,587

4. OTHER REVENUE AND OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income from banks and a financial institution	**-**	1,488
Gain on early termination of lease contracts *(note 12)*	**1,378**	-
Government grant *(note 27)*	**1,853**	1,388
Compensation on contracts termination	**-**	938
Income arising from legal claims *(note 24a)*	**-**	178,550
Reversal of overprovision of litigation expenses in prior years *(note 26b)*	**37,745**	-
Overprovision of salaries and other benefits	**1,216**	-
Sundry income	**214**	816
	42,406	183,180

5. SEGMENT INFORMATION

The management has been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments based on the Group's internal reporting in respect of these segments. The management considers production and sale of power transmission equipment and related accessories, hotel operations and provision of related catering services and investment holding are the Group's major operating segments.

Segment results represent the results before taxation earned by each segment. All assets are allocated to reportable segments other than unallocated assets which are mainly cash at banks and on hand. All liabilities are allocated to reportable segments other than corporate liabilities including accrued charges and other payables, provision and government grants.

Analysis of the Group's segmental information by business and geographical segments during the year is set out below.

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments

Segment results for the year ended 31 December 2021

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	41,475	78,010	-	119,485
Results				
(Loss) Profit for the year before the following items:	(3,601)	3,411	18,264	18,074
Depreciation and amortisation of				
- property, plants and equipment	(3,005)	(15)	(187)	(3,207)
- investment properties	-	(2,826)	-	(2,826)
- right-of-use assets	-	(10,531)	-	(10,531)
- land use right	(264)	-	-	(264)
Impairment loss of right-of-use assets	-	(9,628)	-	(9,628)
Finance costs	(34)	(1,708)	(57)	(1,799)
Segment results	(6,904)	(21,297)	18,020	(10,181)
Unallocated other income				37,745
Unallocated other operating expenses				(10,098)
Profit before taxation				17,466
Taxation				133
Profit for the year				17,599

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Segment assets and liabilities as at 31 December 2021

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Assets before following items:	57,335	46,777	17,903	122,015
Property, plant and equipment	41,367	86	725	42,178
Right-of-use assets	-	19,764	-	19,764
Land use right	11,814	-	-	11,814
Segment assets	110,516	66,627	18,628	195,771
Unallocated assets				1,468
				197,239
Liabilities				
Segment liabilities	(64,975)	(88,434)	-	(153,409)
Unallocated liabilities				(211,367)
				(364,776)

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Other segment information for the year ended 31 December 2021

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Additions to property, plant and equipment	392	87	-	-	479
Additions of right-of-use assets	-	39,189	-	-	39,189
Reversal of (Provision for) loss allowance on					
- trade, rental and other receivables, net	78	(3,746)	-	-	(3,668)
- cash at a financial institution	-	-	18,264	-	18,264
Impairment loss of right-of-use assets	-	(9,628)	-	-	(9,628)
Research and development expenses	(2,496)	-	-	-	(2,496)
Reversal of overprovision of litigation expenses in prior years	-	-	-	37,745	37,745
Short-term leases – office premises	-	-	-	(927)	(927)
Direct operating expenses arising from right-of-use assets that generated rental income	-	(11,022)	-	-	(11,022)
Direct operating expenses arising from investment properties that generated rental income	-	(3,295)	-	-	(3,295)

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Segment results for the year ended 31 December 2020

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	48,757	31,040	-	79,797
Results				
(Loss) Profit for the year before the following items:	(5,724)	6,930	(71,765)	(70,559)
Depreciation and amortisation of				
- property, plants and equipment	(3,137)	(4)	(255)	(3,396)
- investment properties	-	(2,825)	-	(2,825)
- right-of-use assets	-	(6,491)	-	(6,491)
- land use right	(309)	-	-	(309)
Gain on disposal of South Plant	32,743	-	-	32,743
Finance costs	(285)	(1,443)	(31)	(1,759)
Loss arising from interest in associates, net	-	(48,900)	-	(48,900)
Segment results	23,288	(52,733)	(72,051)	(101,496)
Unallocated other income				178,550
Unallocated other operating expenses				(10,038)
Profit before taxation				67,016
Taxation				(4,351)
Profit for the year				62,665

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Segment assets and liabilities as at 31 December 2020

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Assets before following items:	66,641	16,364	-	83,005
Property, plant and equipment	43,980	13	919	44,912
Investment properties	-	13,187	-	13,187
Right-of-use assets	-	3,246	-	3,246
Land use right	12,078	-	-	12,078
Segment assets	122,699	32,810	919	156,428
Unallocated assets				1,468
				157,896
Liabilities				
Segment liabilities	(69,166)	(33,596)	-	(102,762)
Unallocated liabilities				(240,363)
				(343,125)

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Other segment information for the year ended 31 December 2020

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Additions to property, plant and equipment	11	-	-	-	11
Reversal of loss allowance on trade, rental and other receivables, net	92	26	-	26	144
Provision of loss allowance on cash at a financial institution	-	-	(71,765)	-	(71,765)
Provision for impairment on inventories	(8)	-	-	-	(8)
Research and development expenses	(2,539)	-	-	-	(2,539)
Short-term leases					
– office premises	-	-	-	(788)	(788)
– motor vehicle	-	(32)	-	-	(32)
Write-off of property, plant and equipment	(19)	-	-	-	(19)
Direct operating expenses arising from right-of-use assets that generated rental income	-	(6,991)	-	-	(6,991)
Direct operating expenses arising from investment properties that generated rental income	-	(3,181)	-	-	(3,181)

5. SEGMENT INFORMATION *(Continued)*

(b) By geographical information

Geographical information is not presented since the Group's operations are principally located in the PRC that all the Group's revenue from external customers is generated in the PRC and over 99% of the non-current assets, excluding financial instruments, of the Group are located in the PRC. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these consolidated financial statements.

(c) Information about major customers

Revenue from external customers contributing 10% or more of the revenue of the Group for the years ended 31 December 2021 and 2020.

	Hotel operations and provision of related catering services 2021 ***RMB'000***	Hotel operations and provision of related catering services 2020 *RMB'000*
Customer A	**n/a***	10,489

* This customer individually contributed less than 10% of the total revenue in 2021.

6. PROFIT BEFORE TAXATION

This is stated after charging:

	2021	2020
	RMB'000	*RMB'000*
Staff costs, including directors' emoluments		
Salaries and other benefits	**27,408**	18,553
Contributions to defined contribution retirement schemes	**6,993#**	704
Total staff costs	**34,401**	19,257

\# The increment of contributions to defined contribution retirement schemes was mainly attributable to no exemption of social security insurances contributions in the PRC during the year *(2020: an exemption of social security insurances contribution in the PRC from February 2020 to December 2020)*.

	2021	2020
	RMB'000	*RMB'000*
Finance costs		
Interest expenses on borrowings	**49**	270
Interest expenses on lease liabilities	**1,632**	1,407
Bank charges, net	**118**	81
Exchange loss, net	**-**	1
	1,799	1,759

6. PROFIT BEFORE TAXATION *(Continued)*

	2021	2020
	RMB'000	*RMB'000*
Other items		
Auditor's remuneration	**1,000**	1,096
Cost of inventories	**48,828***	45,451
Depreciation and amortisation		
- Property, plant and equipment	**3,207**	3,396
- Investment properties	**2,826**	2,825
- Right-of-use assets	**10,531**	6,491
- Land use right, included in administrative and other operating expenses	**264**	309
Research and development expenses	**2,496**	2,539
Legal and professional fees	**2,217**	1,370
Write-off of property, plant and equipment	**-**	19
Short-term leases expenses		
- Office premises	**927**	788
- Motor vehicle	**-**	32
Direct operating expenses arising from right-of-use assets that generated rental income	**11,022**	6,991
Direct operating expenses arising from investment properties that generated rental income	**3,295**	3,181

* Included in cost of inventories recognised as expense were a provision for impairment on inventories of RMB18,000 *(2020: RMB8,000)* and write off of inventories of RMB22,000 *(2020: RMB nil)* to their net realisable values.

7. TAXATION

For the year ended 31 December 2021, Enterprise Income Tax has not been provided as the Group incurred a loss for taxation purpose in the PRC. For the year ended 31 December 2020, Enterprise Income Tax for New and High Technology Enterprise had been provided at the rate of 15% on the estimated assessable profits arising from the PRC. Other than New and High Technology Enterprise, Enterprise Income Tax had been provided at the rate of 25% on the estimated assessable profits arising from the PRC.

For the years ended 31 December 2021 and 2020, Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong for both years.

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Enterprise Income Tax		
Current year	**-**	3,868
(Over) Underprovision in prior years	**(133)**	483
Total income tax (credit) expenses	**(133)**	4,351

Further details of the deferred taxation status are set out in note 30 to the consolidated financial statements.

7. TAXATION *(Continued)*

Reconciliation of income tax (credit) expenses

	2021	2020
	RMB'000	*RMB'000*
Profit before taxation	**17,466**	67,016
Tax calculated at applicable tax rate	**5,354**	14,422
Non-deductible expenses	**97**	229
Non-taxable income	**(9,436)**	(45,112)
Unrecognised tax losses	**4,797**	3,828
Unrecognised temporary differences	**(1,223)**	17,934
Tax effect of share of loss of associates	**-**	12,545
Differences in overseas tax rates	**(10)**	(11)
(Over) Underprovision from prior year	**(133)**	483
Others	**421**	33
Income tax (credit) expenses for the year	**(133)**	4,351

The applicable tax rate is the weighted average of rates at 15% for the entity entitled for the tax rate of New and High Technology Enterprise and 25% for the other group entities during the years ended 31 December 2021 and 2020.

8. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

(a) Directors' remuneration

The aggregate amounts of remuneration paid or payables to each director of the Company are as follows:

	2021				
	Director fees	Salaries and other emoluments	Discretionary bonus	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors					
Wu Rongyu *(appointed on 23 August 2021)*	-	30	-	12	42
Xing Zenghai *(appointed on 23 August 2021)*	-	-	-	-	-
Yang Qing *(appointed on 23 August 2021)*	-	72	-	35	107
Hu Tao *(resigned on 23 August 2021)*	-	-	-	-	-
Liu Lu *(resigned on 7 May 2021)*	-	-	-	-	-
Zhou Jinyang *(resigned on 23 August 2021)*	-	-	-	-	-
Executive directors					
Bao Zongbao *(resigned on 5 August 2021)*	-	-	-	-	-
Guo Qianli	-	-	-	-	-
Li Guoqing *(resigned on 3 November 2021)*	-	-	-	-	-
Mi Hongjie *(appointed on 29 December 2021)*	-	-	-	-	-
Shang Duoxu *(appointed on 23 August 2021)*	-	-	-	-	-
Su Weiguo	-	590	-	79	669
Wang Yongfan	-	-	-	-	-
Zhu Jie *(resigned on 22 July 2021)*	-	314	-	80	394
Independent non-executive directors					
Fang Guangrong	-	-	-	-	-
Li Ming *(resigned on 22 January 2021 and effective on 23 August 2021)*	50	-	-	-	50
Li Zhengning *(appointed on 23 August 2021)*	70	-	-	-	70
Wang Hongyu	120	-	-	-	120
	240	1,006	-	206	1,452

8. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

	2020				
	Director fees	Salaries and other emoluments	Discretionary bonus	Contributions to defined contribution retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors					
Hu Tao	-	55	-	7	62
Liu Lu	-	55	-	6	61
Zhou Jinyang	-	108	-	12	120
Executive directors					
Bao Zongbao	-	-	-	-	-
Guo Qianli *(appointed on 29 June 2020)*	-	-	-	-	-
Li Guoqing *(appointed on 29 June 2020)*	-	-	-	-	-
Li Rui *(resigned as chief executive director on 10 January 2020 and resigned on 10 January 2020)*	-	-	-	-	-
Liu Huafen *(resigned on 18 May 2020)*	-	-	-	-	-
Ma Yun *(resigned on 18 May 2020)*	-	-	-	-	-
Su Weiguo	-	614	360	16	990
Wang Yongfan *(appointed on 29 June 2020)*	-	-	-	-	-
Zhu Jie	-	259	380	22	661
Independent non-executive directors					
Fang Guangrong	-	-	-	-	-
Li Ming *(resigned on 22 January 2021 and effective on 2 June 2021)*	120	-	-	-	120
Qian FengSheng *(resigned on 9 December 2019 and effective on 29 June 2020)*	60	-	-	-	60
Wang Hongyu *(appointed on 29 June 2020)*	60	-	-	-	60
	240	1,091	740	63	2,134

8. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

There were no arrangements under which a director waived or agreed to waive any emoluments for the year *(2020: RMBnil)*. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year *(2020: RMBnil)*.

(i) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the year ended 31 December 2021 *(2020: RMB nil).*

(ii) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 *(2020: RMB nil).*

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one *(2020: two)* are director(s) whose emolument is disclosed above. The aggregate of the emoluments in respect of the remaining four *(2020: three)* highest paid individuals, who are not directors, are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,456**	1,682
Contributions to defined retirement schemes	**302**	54
	1,758	1,736

8. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(Continued)*

(b) Individuals with highest emoluments *(Continued)*

The emoluments of the four *(2020: three)* individuals with the highest emoluments are within the following bands:

	2021	2020
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**4**	3

There were no arrangements under which any of the four *(2020: three)* highest paid individuals waived or agreed to waive any remuneration during the year *(2020: RMBnil)*. In addition, no remuneration was paid by the Group to any of the four *(2020: three)* highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office *(2020: RMBnil)*.

9. DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the years ended 31 December 2021 and 2020.

10. EARNINGS PER SHARE

The calculation of the basis earnings per share for the year is based on the consolidated profit for the year attributable to the equity holders of the Company of approximately RMB17,629,000 *(2020: RMB63,977,000)* and the weighted average number of 873,370,000 *(2020: 873,370,000)* shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted earnings per share is the same as basic earnings per share for the years presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery and other equipment	Transportation equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2020						
At the beginning of the reporting period	37,647	40	9,047	1,434	1,675	49,843
Additions	-	-	11	-	-	11
Transfer from CIP	-	-	1,675	-	(1,675)	-
Depreciation	(2,065)	(40)	(1,002)	(289)	-	(3,396)
Disposals	(1,508)	-	-	-	-	(1,508)
Write-off	-	-	(19)	-	-	(19)
Exchange adjustments	-	-	-	(19)	-	(19)
At the end of the reporting period	34,074	-	9,712	1,126	-	44,912
Reconciliation of carrying amount – year ended 31 December 2021						
At the beginning of the reporting period	34,074	-	9,712	1,126	-	44,912
Additions	392	-	87	-	-	479
Depreciation	(1,966)	-	(977)	(264)	-	(3,207)
Exchange adjustments	-	-	-	(6)	-	(6)
At the end of the reporting period	**32,500**	**-**	**8,822**	**856**	**-**	**42,178**
At 1 January 2021						
Cost	39,147	1,466	16,581	4,230	-	61,424
Accumulated depreciation and impairment losses	(5,073)	(1,466)	(6,869)	(3,104)	-	(16,512)
Net carrying amount	34,074	-	9,712	1,126	-	44,912
At 31 December 2021						
Cost	39,539	1,466	16,668	4,230	-	61,903
Accumulated depreciation and impairment losses	(7,039)	(1,466)	(7,846)	(3,374)	-	(19,725)
Net carrying amount	**32,500**	**-**	**8,822**	**856**	**-**	**42,178**

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

In light of the segment of production and sales of power transmission equipment and related accessories incurred operating loss in current year, property, plant and equipment in this segment that generate cash flows together with land use right and the net working capital balances which are largely integrated with the cash flows from the cash-generating unit (the "CGU") for the purpose of impairment assessment.

The directors of the Company evaluated the recoverable amount of the CGU at the end of the reporting period which are the higher of their value in use and their fair value less costs of disposal. The recoverable amount of CGU was determined based on the fair value less costs of disposal which was estimated by the market approach and depreciated replacement cost approach based on an estimation of the market value for the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The recoverable amounts of the CGU including buildings and plant and equipment of RMB45,536,000 together with land use right of RMB11,925,000 were classified as level 3 under fair value hierarchy. Sales prices of comparable in term of location, accessibility and other relevant factors in close proximity adjusted for differences in key valuation attributes, such as location and accessibility were used to value the land use right. The depreciated replace cost approach considered the cost to reproduce or replace in new condition of the property in accordance with current construction costs for similar property and plant and equipment in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent. One of the key unobservable inputs used in this valuation approach is price per square meter. A decrease in the price per square meter would result in decrease in fair value measurement of the properties by the same percentage and vice versa.

Based on the evaluation, no impairment loss on property, plant and equipment and land use right with carrying amounts of RMB41,367,000 *(2020: RMB43,980,000)* and RMB11,814,000 *(2020: RMB12,078,000)* respectively considered necessary.

12. LEASES

Right-of-use assets

	Presented as investment properties	**Presented as right-of-use assets**		
	Leases of hotel	**Leases of restaurants**	**Leases of hotel**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2020				
At the beginning of the reporting period	16,012	9,737	-	9,737
Depreciation	(2,825)	(6,491)	-	(6,491)
At the end of the reporting period	13,187	3,246	-	3,246
Reconciliation of carrying amount – year ended 31 December 2021				
At the beginning of the reporting period	**13,187**	**3,246**	**-**	**3,246**
Additions	**-**	**-**	**39,189**	**39,189**
Depreciation	**(2,826)**	**(734)**	**(9,797)**	**(10,531)**
Early termination of lease contracts	**(10,361)**	**(2,512)**	**-**	**(2,512)**
Impairment loss	**-**	**-**	**(9,628)**	**(9,628)**
At the end of the reporting period	**-**	**-**	**19,764**	**19,764**

12. LEASES *(Continued)*

Right-of-use assets *(Continued)*

Right-of-use assets

	Presented as investment properties	Presented as right-of-use assets		
	Leases of hotel	**Leases of restaurants**	**Leases of hotel**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021				
Cost	16,954	15,284	-	15,284
Accumulated depreciation	(3,767)	(12,038)	-	(12,038)
Net carrying amount	13,187	3,246	-	3,246
At 31 December 2021				
Cost	**-**	**-**	**39,189**	**39,189**
Accumulated depreciation and impairment losses	**-**	**-**	**(19,425)**	**(19,425)**
Net carrying amount	**-**	**-**	**19,764**	**19,764**

The Group leases hotels and restaurants from the companies controlled by Hainan Province Cihang Foundation (the "de facto controller of the Company") for its daily operations. The right-of-use assets in respect of the hotel have been classified under owner-occupied properties in current year rather than investment properties as the provision of ancillary services are significant *(2020: The right-of-use assets in respect of the hotel had have been classified under investment properties rather than owner-occupied properties as the provision of ancillary services are insignificant)*. Lease terms classified under owner-occupied properties were at 1.4 years *(2020: investment properties were 3 to 6 years)* with an option to renew the lease upon negotiation. All the leases of investment properties which recognised in previous year have been early terminated during the year. The interest expenses on lease liabilities are set out in note 6 to the consolidated financial statements.

12. LEASES *(Continued)*

Right-of-use assets *(Continued)*

The Group's right-of-use assets at the end of the reporting period represent a hotel for generating hotel rental income. Depreciation is recognised for those right-of-use assets classified under owner-occupied properties over a period of 1.4 years *(2020: investment properties over a period of 6 years)*.

Leasing arrangements – As lessee

Hotel

Following the acceptance of bankruptcy reorganisation plan of HNA group Co. Ltd. ("HNA Group") by Hainan Higher People's Court (the "Court") in February 2021, all the assets and liabilities of 321 entities under HNA Group, including all the lessors of the hotels, would be managed by a specific bankruptcy reorganisation committee (the "Committee"). As a result, all leases of hotel with its carrying amount of right-of-use assets and lease liabilities at the date of termination of RMB10,361,000 *(2020: Nil)* and RMB11,583,000 *(2020: Nil)* respectively were terminated in February 2021, resulted in a gain on early termination of lease contracts of RMB1,222,000 recognised to profit or loss during the year.

At the end of the reporting period, the right-of-use assets of RMB19,764,000 *(2020: investment properties of RMB13,187,000)* are held under head leases with the remaining lease term of 1 year *(2020: 4.7 years)* with an option to renew the lease upon renegotiation *(2020: with an option to renew the lease for another 6 years)*. The lease contract does not impose any covenants on the Group.

Restaurants

Following the acceptance of bankruptcy reorganisation of entities of HNA Group by the Court in February 2021, all the assets and liabilities of these 321 entities under HNA Group, including all the lessors of the restaurants, would be managed by the Committee. As a result, all leases of restaurants with its carrying amount of right-of-use assets and lease liabilities at the date of termination was RMB2,512,000 *(2020: Nil)* and RMB2,668,000 *(2020: Nil)* respectively were terminated in February 2021, resulted in a gain on early termination of leases contracts of RMB156,000 recognised to profit or loss during the year.

12. LEASES *(Continued)*

Leasing arrangements – As lessee *(Continued)*

The Group has recognised the following amounts for the year.

	2021	2020
	RMB'000	*RMB'000*
Lease payments:		
Short-term leases	**927**	820
Expenses recognised in profit or loss	**927**	820
Total cash outflow for leases	**4,212**	2,247

Commitments under leases

As at 31 December 2021, the Group has commitment of RMB105,000 *(2020: RMBnil)* for short-term leases.

In light of hotel operation and provision of related catering services business segment incurred operating loss in consecutive years, lease of hotel as classified under owner-occupied properties *(2020: investment properties)* that generate cash outflows together with the net working capital balances which are largely integrated with the cash flows for the purpose of impairment assessment.

The directors of the Company evaluated the recoverable amount of RMB19,764,000, lease of hotel as presented right-of-use assets *(2020: investment properties)* at the end of the reporting period which are the higher of their value in use and their fair value less costs of disposal. The recoverable amounts of lease of hotel as presented right-of-use assets *(2020: investment properties)* were determined based on their value-in-use calculation. The value in use calculations used discounted future cash flow model based on financial budgets approved by management covering the remaining lease period and expected average growth rate on revenue of 10% *(2020: 13%)* during the remaining lease period *(2020: budget period)*, which were determined based on past performance of the Group and the management's expectations for the market development. Based on the evaluation, an impairment loss on lease of hotel as presented right-of-use assets *(2020: investment properties)* of RMB9,628,000 *(2020: RMBnil)* was recognised to profit or loss during the year.

13. LAND USE RIGHT AND INTANGIBLE ASSETS

	Land use right classified as right-of-use assets	Intangible asset – software	Total
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2020			
At the beginning of the reporting period	14,675	-	14,675
Amortisation	(309)	-	(309)
Disposals	(2,288)	-	(2,288)
At the end of the reporting period	12,078	-	12,078
Reconciliation of carrying amount – year ended 31 December 2021			
At the beginning of the reporting period	**12,078**	**-**	**12,078**
Amortisation	**(264)**	**-**	**(264)**
At the end of the reporting period	**11,814**	**-**	**11,814**

13. LAND USE RIGHT AND INTANGIBLE ASSETS *(Continued)*

	Land use right classified as right-of-use assets	Intangible asset – software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021			
Cost	13,200	207	13,407
Accumulated amortisation	(1,122)	(207)	(1,329)
Net carrying amount	12,078	-	12,078
At 31 December 2021			
Cost	**13,200**	**207**	**13,407**
Accumulated amortisation	**(1,386)**	**(207)**	**(1,593)**
Net carrying amount	**11,814**	**-**	**11,814**

Land use right represents the prepaid lease payment of land located in Fuxin, the PRC. The land use right has a finite useful life and is depreciated on a straight-line basis over 50 years. At the end of the reporting period, the remaining useful life is 46 years *(2020: 47 years)*.

Software represents the commercial software system used for administrative purpose. The software has a finite useful life and is amortised on a straight-line basis over 3 years. The cost of software was fully amortised in previous years.

14. GOODWILL

	2021	2020
	RMB'000	***RMB'000***
Reconciliation of carrying amount – year ended 31 December		
At the beginning and the end of the reporting period	**-**	-
At 31 December		
Costs	**72**	72
Accumulated impairment losses	**(72)**	(72)
Net carrying amount	**-**	-

15. SUBSIDIARIES

Details of the principal subsidiaries of the Company at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ kind of legal entity	Particulars of issued share capital/ paid-up capital	Effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2021	2020	**2021**	2020	
Northeast Electric Development (Hong Kong) Co. Ltd.	Hong Kong/Limited liability company	20,000,000 shares of US$1 each	**100%**	100%	**-**	-	Investment holding
Great Talent Technology Limited	British Virgin Islands ("BVI")/Limited liability company	1 share of US$1 each	**100%**	100%	**-**	-	Investment holding
Shenyang Kaiyi Electric Co. Ltd. ("Shenyang Kaiyi Electric")	The PRC/Limited liability company	1,000,000 shares of RMB1 each	**-**	-	**100%**	100%	Investment holding
Fuxin Enclosed Busbar Co., Ltd.	The PRC/Limited liability company	8,500,000 shares of US$1 each	**-**	-	**100%**	100%	Production and sales of power transmission equipment and related accessories
Hainan Garden Lane Flight Hotel Management Co., Ltd. ("Hainan Garden")	The PRC/Limited liability company	50,000,000 shares of RMB1 each	**-**	-	**99%**	99%	Hotel operations and provision of catering service
Northeast Electric (Chengdu) Electric Engineering Design Co. Ltd ("Northeast Electric (Chengdu)")	The PRC/Limited liability company	10,000,000 shares of RMB1 each	**-**	-	**50.49%**	50.49%	Investment holding

All the above subsidiaries carried out operations in the PRC.

The above summary includes those subsidiaries which, in the opinion of the directors, principally affect the results or form a substantial portion of the net assets of the Group. The classes of shares held are ordinary shares unless otherwise stated. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. None of the subsidiaries had any debt securities in issue at any time during the years ended 31 December 2021 and 2020.

15. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	Hainan Garden	**Northeast Electric (Chengdu)**
Proportion of NCI's ownership interests	1%	49.51%
As at 31 December 2021	***RMB'000***	***RMB'000***
Non-current assets	25,281	-
Current assets	64,778	13,265
Current liabilities	(214,562)	(6,386)
Non-current liabilities	-	-
Net (liabilities) assets	(124,503)	6,879
Carrying amount of NCI	(1,245)	3,405

15. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI (Continued)

	Hainan Garden	**Northeast Electric (Chengdu)**
Year ended 31 December 2021		
Revenue	78,010	-
Expenses	(80,967)	-
Loss for the year	(2,957)	-
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(2,957)	-
Attributable to NCI:		
Loss for the year	(30)	-
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(30)	-
Net cash inflow (outflow) from		
- operating activities	13,354	-
- investing activities	(87)	-
- financing activities	(4,213)	-

15. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI (Continued)

	Hainan Garden	**Northeast Electric (Chengdu)**
Proportion of NCI's ownership interests	1%	49.51%
As at 31 December 2020	***RMB'000***	***RMB'000***
Non-current assets	21,936	-
Current assets	16,463	13,276
Current liabilities	(148,361)	(6,396)
Non-current liabilities	(11,583)	-
Net (liabilities) assets	(121,545)	6,880
Carrying amount of NCI	(1,215)	3,405

15. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI (Continued)

	Hainan Garden	Northeast Electric (Chengdu)
Year ended 31 December 2020		
Revenue	31,040	-
Expenses	(156,417)	(117)
Loss for the year	(125,377)	(117)
Other comprehensive loss for the year	(198,079)	-
Total comprehensive loss for the year	(323,456)	(117)
Attributable to NCI:		
Loss for the year	(1,254)	(58)
Other comprehensive loss for the year	(1,981)	-
Total comprehensive loss for the year	(3,235)	(58)
Net cash inflow (outflow) from		
- operating activities	236	(341)
- investing activities	(48,436)	-
- financing activities	(3,406)	-

16. INTEREST IN ASSOCIATES

	2021	2020
	RMB'000	*RMB'000*
Share of net assets	**-**	-

Details of the material associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation/ kind of legal entity	Particular of issued share capital	Proportion of value of registered capital held indirectly by the Company		Principal activities
			2021	2020	
Great Power Technology Limited ("Great Power")	BVI/Limited liability company	12,626 ordinary share of US$1 each	**20.8%**	20.8%	Trading of transformers and capacitors
Chongqing HNA Hotel Investment Company Limited ("Chongqing HNA Hotel") *(note)*	The PRC/Limited liability company	50,000,000 shares of RMB1 each	**30%**	30%	Hotel management

16. INTEREST IN ASSOCIATES *(Continued)*

Note: In February 2021, the Court accepted the bankruptcy reorganisation plan of HNA Group and ruled that 321 entities under HNA Group, including Chongqing HNA Hotel. The Court approved the bankruptcy reorganisation plan in October 2021, under which a trust (the "Trust") would be established to take over the assets of the 321 entities under HNA Group, including Chongqing HNA Hotel, and the creditors with debts approved by the Court would be the holders of the trust. The Trust would be managed by a trust management committee. In the opinion of the director, the establishment of the Trust has not yet completed as at 31 December 2021.

Fair value of investment

The above associates are private company and there is no quoted market price available for the investment.

Financial information of the associates

Summarised financial information of the above material associates of the Group is set out below, which represents amounts shown in the associate's financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

The above associates are accounted for using the equity method in the consolidated financial statements.

16. INTEREST IN ASSOCIATES *(Continued)*

	2021		2020	
	Chongqing HNA Hotel	**Great Power**	Chongqing HNA Hotel	Great Power
Group's ownership interests	**30%**	**20.8%**	30%	20.8%
At 31 December	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Gross amount				
Non-current assets	**#65**	**-**	**#4**	**-**
Current assets	**71,453**	**97**	**64,624**	**97**
Current liabilities	**(105,399)**	**(2,839)**	**(104,756)**	**(2,839)**
Non-current liabilities	**(36,006)**	**-**	**(36,006)**	**-**
Net liabilities	**(69,887)**	**(2,742)**	**(76,134)**	**(2,742)**
Group's share of equity and carrying amount of interests	##-	##-	##-	##-

16. INTEREST IN ASSOCIATES *(Continued)*

	2021		2020	
	Chongqing HNA Hotel	**Great Power**	Chongqing HNA Hotel	Great Power
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Group's ownership interests	**30%**	**20.8%**	30%	20.8%
Year ended 31 December				
Profit (Loss) for the year	**#6,247**	**-**	#(243,401)	-
Other comprehensive income for the year	**-**	**-**	-	5,206
Total comprehensive income (loss) for the year	**6,247**	**-**	(243,401)	5,206
Group's share of results:				
Profit (Loss) for the year	**1,874**	**-**	(50,180)	-
Bargain gain on acquisition	**-**	**-**	1,280	-
	##1,874	**-**	##(48,900)	-
Total other comprehensive income for the year	**-**	**-**	-	1,083

\# Included in non-current assets of Chongqing HNA Hotel as at 31 December 2021 were pledged investment properties with carrying amount of RMB246,177,000 *(2020: RMB246,114,000)* for the borrowings and facilities granted to the entities of HNA Group, which was adjusted to zero in view of the fact that the default of loans repayment by the entities of HNA Group and the acceptance of bankruptcy reorganisation of entities of HNA Group by the Court in the PRC in February 2021. In the opinion of the directors, the recoverable amount of investment properties was minimal.

\## As at 31 December 2021 and 2020, share of net liabilities of Chongqing HNA Hotel and Great Power was limited to zero.

16. INTEREST IN ASSOCIATES *(Continued)*

Unrecognised share of losses of associates

The unrecognised share of losses of Great Power for the current year and cumulatively up to the end of the reporting period amounted to RMBnil *(2020: RMB179,000)* and RMB179,000 *(2020: RMB179,000)* respectively.

The unrecognised share of profits of Chongqing HNA Hotel for the current year and cumulatively unrecognised share of losses up to the end of the reporting period amounted to RMB1,874,000 *(2020: share of losses of RMB22,840,000)* and RMB20,966,000 *(2020: RMB22,840,000)* respectively.

Contingent liabilities of associates

At the end of the reporting period, there are no contingent liabilities incurred by the Group in relation to its interest in associates.

17. DESIGNATED FVOCI

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Unlisted equity securities, at fair value			
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd. ("Shenyang Zhaoli")	*(a)*	-	-
HNA Tianjin Center Development Co., Ltd. ("Tianjin Center")	*(b)*	-	-
		-	-

17. DESIGNATED FVOCI *(Continued)*

Name of investee company	Place incorporation/ kind of legal entity	Class of shares held	Proportion of value of registered capital held indirectly by the Company 2021	2020	Principal activities
Shenyang Zhaoli	The PRC/Limited liability company	Registered capital	**6.9%**	6.9%	Production and sales of high-voltage electrical equipment and other accessories
Tianjin Center	The PRC/Limited liability company	Registered capital	**10.5%** *(note b)*	10.5%	Properties investments

Notes:

(a) The fair value of the unlisted equity securities is determined by the management based on the net asset value of Shenyang Zhaoli.

(b) The fair value of the unlisted equity securities is determined by the management based on the net asset value of Tianjin Center. As at 31 December 2021, the net asset value of Tianjin Center was RMB1,605,483,000 *(2020: RMB1,813,480,000)*, however, the investment properties and property, plant and equipment with carrying amount of RMB2,666,459,000 *(2020: RMB2,666,459,000)* and RMB294,682,000 *(2020: RMB305,836,000)* were pledged for the borrowings and facilities granted to the entities of HNA Group. As a result of the default of loans repayment by the entities of HNA Group and the acceptance of bankruptcy reorganisation of entities of HNA Group by the Court in the PRC in February 2021, in the opinion of directors, the pledged assets are considered to be confiscated for settlement of borrowings, fair value loss of RMB198,079,000 were made during the year ended 31 December 2020 and the recoverable amounts of investment properties and property, plant and equipment are considered to be minimal as at 31 December 2021 and 2020.

Details of the fair value measurements are set out in note 34 to the consolidated financial statements.

18. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**7,143**	5,217
Work-in-progress	**461**	1,944
Finished goods	**7,192**	9,549
	14,796	16,710

19. TRADE AND RENTAL RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
From third parties	**38,066**	30,551
From companies controlled by the de facto controller of the Company	***1,617**	*1,374
	39,683	31,925
Loss allowances	**(5,474)**	(4,478)
	34,209	27,447
Rental receivables		
From third parties	**17,126**	4,452
From companies controlled by the de facto controller of the Company	**9,117**	650
	26,243	5,102
Loss allowances	**(1,894)**	(255)
	24,349	4,847
	58,558	32,294

19. TRADE AND RENTAL RECEIVABLES *(Continued)*

* At the end of the reporting period, included in trade receivables was amount due from a company controlled by the de facto controller of the Company of RMB282,000 *(2020: RMB472,000)* arising from continuing connected transaction in previous year.

The Group normally grants a credit period of 5 days to 90 days to its customers.

The ageing analysis of trade and rental receivables (net of loss allowance) by invoice date is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**32,434**	9,785
More than 3 months but less than 12 months	**12,246**	14,681
1 to 2 years	**10,706**	6,609
2 to 3 years	**2,887**	1,080
3 to 4 years	**285**	87
Over 4 years	**-**	52
	58,558	32,294

Information about the Group's exposure to credit risks and loss allowance for trade and rental receivables is included in note 33(a) to the consolidated financial statements.

Loss allowance on trade and rental receivables of RMB2,665,000 *(2020: Reversal of loss allowance on trade and rental receivables of RMB220,000)* was recognised in profit or loss during the year.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2021** **RMB'000**	2020 *RMB'000*
Other receivables			
From third parties	*(a)*	**90,573**	94,544
From companies controlled by the de facto controller of the Company		**8**	29
		90,581	94,573
Less: Loss allowances	*(b)*	**(81,181)**	(80,178)
		9,400	14,395
Prepayments		**2,602**	997
Deposits		**-**	4,840
Other tax receivables		**1,579**	2,324
		13,581	22,556

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Included in other receivables as at 31 December 2021 and 2020 was a loan of RMB76,090,000 renewable from a borrower in 1999 which was subsequently assigned to another third party in 2005. The Liaoning High People's Court made a final ruling in 2005 that the Company has right to enforce the settlement of the loan from the assignee. However, the judgement made in 2005 was finally dismissed by the Supreme People's Court of the PRC in 2010. Accordingly, the Group made a full provision of loss allowances in previous year.

Included in other receivables as at 31 December 2021 and 2020 was amounts due from a former related party of RMB3,500,000. Owning to prolonged outstanding and lost contact with the former related party, the Group made a full provision of loss allowances in previous year.

Included in other receivables as at 31 December 2021 was compensation receivable of approximately RMB7,540,000 *(2020: RMB13,040,000)*, from Expropriation Office, a public institution under Haizhou District People's Government Fuxin, Liaoning Province, for expropriation its South Plant (the "South Plant") located at No. 46 Xinhua Road, Haizhou District, Fuxin, Liaoning Province.

(b) Information about the Group's exposure to credit risks and loss allowance for other receivables is included in note 33(a) to the consolidated financial statements.

21. CASH AND CASH EQUIVALENTS

	Notes	2021 RMB'000	2020 RMB'000
Cash at a financial institution		**71,404**	71,765
Loss allowances		**(53,501)**	(71,765)
	(a)	**17,903**	-
Cash at banks and in hand			
Bank deposits for performance guarantee		**3,009**	4,377
Bank balances and cash, as stated in the consolidated statement of cash flows		**15,636**	8,536
	(b)	**18,645**	12,913
		36,548	12,913

21. CASH AND CASH EQUIVALENTS *(Continued)*

Notes:

(a) Cash at a financial institution, HNA Group Finance Co., Ltd., a company controlled by the de facto controller of the Company, which was placed with and approved by China Banking Regulatory Commission. The balance of deposits placed with this related party constitutes a continuing connected transaction.

As at 31 December 2020, the financial institution has recorded net liabilities and was within the acceptance of bankruptcy reorganisation plan of HNA Group by the Court in February 2021. The directors were of the view of that the financial position of the financial institution had been significantly deteriorated and was entering into financial reorganisation that the financial institution was unlikely able to repay the deposits of RMB71,765,000 which was then considered as credited-impaired as at 31 December 2020. As the probability of recovery of the deposit is remote, full amount of loss allowance on cash at a financial institution of RMB71,765,000 was recognised in profit or loss during the year ended 31 December 2020.

As mentioned in note 16 to the consolidated financial statements, the Court approved the bankruptcy reorganisation plan of HNA Group in October 2021. The Group registered as a creditor of HNA Group and has been approved by the Court, for which the Group would be the unit holder of the Trust. The directors evaluated the expected credit loss (“ECL”) of the cash placed at the financial institution of RMB71,404,000 with reference to the valuation of unit price of the Trust to be established as at the date of acceptance of bankruptcy reorganisation plan (i.e. 10 February 2021) prepared by the valuer of the bankruptcy reorgansiation plan of HNA Group. A reversal of loss allowance of RMB18,264,000 was recognised in profit or loss during the year ended 31 December 2021.

(b) Bank balances and cash comprise bank balances held by the Group that earn interest at floating rates based on bank deposit rates.

Information about the Group’s exposure to credit risks and loss allowance for cash at a financial institution and cash at banks is included in note 33(a) to the consolidated financial statements.

22. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables – to third parties	**31,892**	21,819

Ageing analysis of trade payables by invoice date is summarised as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 365 days	**27,189**	18,420
1 to 2 years	**3,493**	2,253
2 to 3 years	**538**	479
Over 3 years	**672**	667
	31,892	21,819

The average credit period is 15 days to 120 days and certain suppliers grant longer credit period on a case-by-case basis.

23. CONTRACT LIABILITIES

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**6,624**	10,241
Receipt in advance	**5,718**	5,529
Recognised as revenue	**(5,585)**	(9,146)
At the end of the reporting period	**6,757**	6,624

There was an increase in the overall contract activities and the negotiation of large prepayments, resulting in an increase in receipt of advance during the year.

Unsatisfied or partially unsatisfied performance obligations

All *(2020: all)* of the performance obligations that are unsatisfied or partially unsatisfied at 31 December 2021 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of IFRS 15, the transaction price allocated to these performance obligations is not disclosed.

24. OTHER PAYABLES

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Compensation for litigation	*(a)*	**94,078**	94,078
Accrued charges and other payables		**29,618**	24,504
Construction cost payables		**-**	7,798
Due to former subsidiaries	*(b)*	**49,596**	49,596
Due to a director	*(c)*	**17**	27
Due to an associate	*(c)*	**320**	330
Due to companies controlled by the de facto controller of the Company	*(c)*	**17,385**	2,759
Due to a substantial shareholder, Beijing Haihongyuan	*(d)*	**1,697**	1,647
Receipt in advance	*(e)*	**9,552**	-
Other tax payable		**1,463**	1,212
		203,726	181,951
Employment benefits payables		**8,835**	4,754
		212,561	186,705

24. OTHER PAYABLES *(Continued)*

Notes:

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

24. OTHER PAYABLES *(Continued)*

Notes: (Continued)

(a) (continued)

The case went through trial by Beijing Higher Court and the Supreme People's Court. Eventually, the Supreme People's Court ruled in September 2008 with Ruling (2008) Min Er Zhong Zi No. 23, that

(i) Cancel the agreement by which the Company swapped 95% of Beifu Machinery shares and 95% of Dongli Logistics shares held by Shenyang High-volt with obligation of RMB76,660,000 and interest incurred of Northeast Electric Power Transmission and Transformation Equipment Group Co., Ltd. (hereafter "Northeast Electric PT&T") held by the Company. The Company should return the aforesaid shares to Shenyang High-volt within 10 days of the Ruling, or should compensate Shenyang High-volt within the limit of RMB247,117,000 if unable to return those shares; Shenyang High-volt should return the obligation of RMB76,660,000 of Northeast Electric PT&T and interest incurred to the Company within 10 days of the Ruling, or should compensate the Company within the limit of RMB76,660,000 if unable to return;

(ii) Cancel the share swap agreement between Shenyang High-volt and the Company for 74.4% of New Northeast Insulation shares held by Shenyang High-volt and 98.5% of Shenyang Taisheng Industry & Trade Co., Ltd. (formerly Shenyang Tiansheng Communication Equipment Co., Ltd., hereafter "Taisheng Industry & Trade") shares held by the Company. Shenyang High-volt should return 98.5% of Taisheng Industry & Trade shares to the Company within 10 days of the Ruling and the Company should return 74.4% of New Northeast Insulation shares to Shenyang High-volt within 10 days of the Ruling.

24. OTHER PAYABLES *(Continued)*

Notes: (Continued)

(a) (continued)

The Company should compensate Shenyang High-volt within the limit of RMB130,000,000 after deducting RMB27,879,000 if shares return is not possible.

The Company carried out the Ruling in 2007 and 2008. However, CDB filed with Beijing Higher Court for execution in 2009 by the Ruling (2008) Min Er Zhong Zi No. 23, and consequently, the Court froze 10% of Shenyang Kaiyi Electric (a wholly owned subsidiary of the Company) shares held by the Company according to law. The Company appealed against such execution and the Beijing Higher Court dismissed the appeal in October 2013 with Ruling (2013) Gao Zhi Yi Zi No. 142. Then the Company filed for retrial with the Supreme People's Court, for which the Court dismissed Beijing Higher Court's ruling with Ruling (2013) Gao Zhi Yi Zi No. 142 and ruled for retrial with Ruling (2014) Zhi Fu Zi No. 9 in March 2015. Beijing Higher Court issued Ruling (2015) Gao Zhi Yi Zi No. 52 in December 2016, ruled the Company's appeal was lack of evidence, did not sustain the claim of shares return already carried out, and held that the Company should carry out compensation. The Company again appealed to the Supreme People's Court, and the Supreme People's Court made final Ruling (2017) Zui Gao Fa Zhi Fu No. 27 in August 2017 to dismiss the Company's appeal and sustain Beijing Higher Court's Ruling (2015) Gao Zhi Yi Zi No. 52. The Company accordingly recognised liabilities of RMB272,628,000 in 2017 as the Group claimed back RMB104,489,000 from Shengyang High-volt. Consequently, the Company recognised the obligations due to Shenyang High-volt in aggregate of RMB377,167,000, after netting off the compensation due from Shengyang High-volt of RMB104,539,000, total liabilities for the compensation of this litigation of RMB272,628,000 were recognised since 2017.

24. OTHER PAYABLES *(Continued)*

Notes: (Continued)

(a) (continued)

In another legal proceeding involving this subsidiary, Fuxin Enclosed Busbar, held 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") prior to 22 September 2008. Due to the enforcement of the final judgment ((2008) Min Er Zhong Zi No. 23) made by the Supreme People's Court on 5 September 2008 for the case of China Development Bank and under the coordination, Fuxin Enclosed Busbar returned the Underlying Equity to Shenyang High-volt 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 Enclosed Busbar was returned to Shenyang High-volt free of charge. However, according to the enforcement ruling issued by the Supreme People's Court on 31 August 2017 ((2017) Zui Gao Fa Zhi Fu No. 27), the fact that the return of the Underlying Equity for free of charge under the coordination of the Company cannot be ascertained. Given the failure of Shenyang High-volt to pay the outstanding consideration of USD16,000,000 for equity transfer constituted a breach of contract, the plaintiff, Fuxin Enclosed Busbar, in order to protect its interests, raised litigation against the above two defendants, namely, Shenyang High-volt and the Company (collectively referred to "Defendants"), claiming for the return of the consideration for the transfer of the Underlying Equity.

The Higher People's Court of Hainan Province accepted the case in November 2018 with Civil Ruling (2018) Qiong Min Chu No. 69, and delivered the documents such as pleadings to Shenyang High-volt in January 2019. The case was tried in March 2019 and the written judgment of the first instance was received in May 2019. As the Defendants did not appeal within the announcement period, the judgment of the first instance has come into effect since August 2019 and the Company will not bear joint and several liability.

24. OTHER PAYABLES *(Continued)*

Notes: (Continued)

(a) (continued)

With reference to the announcements on litigation progress of the Company dated 10 September 2020, pursuant to the Civil Ruling (2018) Qiong Min Chu No.69 issued by the Hainan Provincial Higher People's Court, as of 7 September 2020, the Group is legally entitled to claim Shenyang High-volt's matured debt totalling RMB178,550,000, including equity transfer payment and interest on debt during the period of delayed performance. In accordance with Article 99 of the Contract Law of the People's Republic of China and other relevant laws, the Company has notified Shenyang High-volt by post on 7 September 2020 that the aforesaid matured debt due from Shenyang High-volt of RMB178,550,000 would be offset against the Company's matured debt due to Shenyang High-volt of the same amount arising from the Civil Ruling (2004) Gao Min Chu Zi No.802 issued by the Beijing Municipal Higher People's Court and the Civil Ruling (2008) Min Er Zhong Zi No.23 issued by the Supreme People's Court, namely, the offset amount was RMB178,550,000. When the Company published an announcement in an influential newspaper in Liaoning Province on 11 September 2020, the debt offset became effective on 11 September 2020 and the amount of RMB178,550,000 ruled to be offset against compensation payable to Shenyang High-volt was recognised as other income in profit or loss during the year ended 31 December 2020.

As at the end of the reporting period, the remaining obligation due to Shenyang High-volt amounted to RMB94,078,000 *(2020: RMB94,078,000)* relating to the first litigation is pending for ruling.

24. OTHER PAYABLES *(Continued)*

Notes: (Continued)

(b) Included in other payables as at 31 December 2021 and 2020 was the amount due to a former subsidiary of the Group, New Northeast Electric (Jinzhou) Power Capacitor Company Limited ("NNE (Jinzhou)") which was arising from the receipt of RMB22,900,000 in 2018 from NNE (Jinzhou).

Included in other payables as at 31 December 2021 and 2020 was the amount due to another former subsidiary of RMB26,696,000. The amount was unsecured, interest-free and no fixed repayment terms.

(c) The amounts are unsecured, interest-free and no fixed repayment terms.

(d) The amounts are unsecured, interest-bearing at interest rate ranged from 4.35% per annum and repayable in December 2021 *(2020: interest-bearing at 4.35% per annum and repayable in December 2021)*.

(e) The amount represented the receipts in advance from customers in respect of lease of hotel premises during the year *(2020: Nil)*.

25. LEASE LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Current portion	**40,377**	10,954
Non-current portion	**-**	11,583
	40,377	22,537

As the end of the reporting period, lease liabilities are carried at weighted average incremental borrowing rate at 6.18% *(2020: ranging from 6.18% to 6.37%)* per annum and repayable in one year *(2020: one to five years)*.

26. PROVISIONS

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Liabilities arising from guarantees issued to bankers of former subsidiary	*(a)*	**34,355**	34,355
Provision for litigation	*(b)*	**-**	37,745
		34,355	72,100

Notes:

(a) The Company has provided guarantee for the bank loan of RMB13,000,000 lent by Bank of China Jinzhou Branch to the then subsidiary, Jinzhou Power Capacitor Co. Ltd ("Jinrong"), and thus undertake obligation of joint guarantee. Bank of China Jinzhou Branch has filed a lawsuit in February 2005 to the district court of Jinzhou City Liaoning Province, asking for Jinrong's repayment of RMB13,000,000 and the accrued interests, along with the request that the Company undertakes joint obligation of repayment. The district court ruled in May 2005 that the Company should undertake the joint obligation of repayment of the captioned loan principal and interests. The Company has not filed an appeal and the Ruling has been effective. Intermediate Court of Liaoning Province Jinzhou City issued Enforcement Notice (2005) Jin Zhi Zi No. 89 in September 2005. On 23 June 2010, the Court made Enforcement Ruling (2005) Jin Zhi Yi Zi Di 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, 65 boxes of 240 sets of BFM3.11.5J3-300IW. The Company has accordingly recognised estimated liabilities of RMB14,465,000. Up to the date of this report, the abovementioned principal and interests have not yet been settled.

The Company has provided another guarantee for loans of RMB17,000,000 between Jinzhou Power Capacitor Co., Ltd. and Jinzhou City Commercial Bank. The bank has launched lawsuit to the Intermediate Court of Jinzhou City against Jinrong for repayment of principal of RMB17,000,000 and accrued interests of RMB2,890,000 and asking for the Company to assume joint obligation of repayment. The court ordered the Company to assume joint liability for repayment of RMB17,000,000 and accrued interests of RMB2,890,000 by Civil Judgment (2007) Jin Min San Chu Zi Di No. 00049 in June 2007. The Company did not appeal. Intermediary Court of Jinzhou City issued an order of Enforcement to the Company on 5 March 2008, ordering execution of obligations. The Company therefore has recognised an estimated liability of RMB19,890,000. Up to the reporting date, the Company has not settled the abovementioned liability.

26. PROVISIONS *(Continued)*

Notes: (Continued)

(b) The litigation refers to the case of employee settlement compensation dispute – State-owned Asset Supervisory Commission of Tiexi District of Shenyang City (hereafter "Tiexi Commission") vs. Shenyang High-volt & New Northeast Electric (Shenyang) High-Voltage Switches Co., Ltd. (hereafter refer to as "New Northeast High-Volt").

In May 2007, the Company and Shenyang High-volt entered into agreement with Tiexi Commission, Agreement of Shenyang High-volt Employees Settlement Affairs, then in June and November 2008, the 3 parties signed Agreement of Proper Settlement of Shenyang High-volt Employees and Supplementary Agreement, the New Northeast High-Voltage has guaranteed for the relevant settlement payments. Settlement involved in these agreements totalled RMB132,390,000, for which Shenyang High-volt has paid RMB103,860,000 up to July 2011.

In May 2017, Tiexi Commission sued the Company and Shenyang High-volt by filed a lawsuit to the Intermediate Court of Shenyang City, claiming RMB37,745,190 for settlement compensation, interest and penalty, and New Northeast High-Volt to take up joint and several guarantee. The Company has appealed based on jurisdiction of the Court and was dismissed by the Intermediate Court. Then the Company appealed to Higher Court of Liaoning Province, the latter Court dismissed the appeal with Civil Judgment (2017) Liao Min Xia Zhong No. 196 on 6 December 2017, sustaining the ruling of the Intermediate Court.

Although there seemed to be disputes in nature of the case, limitation of action and validity of the agreements, the Company's representing lawyer is of view that the Intermediate Court of Shenyang City would probably rule against the Company and Shenyang High-volt to settle full payment as it is concerning wellbeing of employees. Also, as Shenyang High-volt's business license has been revoked, the Company has recognised an estimated liability of RMB37,745,000 in 2017 according to the lawyer's opinion.

On 12 June 2018, the case was heard in the Shenyang Intermediate People's Court. On 18 July 2018, the Shenyang Intermediate People's Court issued Civil Judgment (2017) Liao 01 Minchu No. 430. The Shenyang Intermediate People's Court held that when the plaintiff Tiexi Commission took action against the Company on 21 July 2016, the two-year statute of limitations was lapsed. The Shenyang Intermediate People's Court did not support the claim that the plaintiff Tiexi Commission demanding the Company to repay the arrears of RMB28,530,000, interest and penalty. This judgment is the first-instance judgment of the court. The lawyer believes that in the case of the plaintiff's appeal and the second trial has not yet been tried, the court may still order the Company to assume full responsibility for paying the remaining resettlement fees and related expenses of the employees of Shenyang High-volt.

26. PROVISIONS *(Continued)*

Notes: (Continued)

(b) *(Continued)*

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 lawyer's opinion, it is still probable that the court may order the Company to assume full responsibility for paying the remaining settlement compensation and related expenses of Shenyang High-volt.

The case has been transferred from Shenyang Intermediate People's Court to the jurisdiction of Hainan First Intermediate People's Court on 11 February 2020 and has come to trial on 10 August 2020.

On 16 September 2020, the case was heard in the Hainan First Intermediate People's Court and issued a civil written order (Qiong 96 Min Chu No.81). The Hainan First Intermediate People's Court held that when Tiexi Commission reclaimed its rights to the Company, it has gone beyond the limitation of action. The Hainan First Intermediate People's Court rejected the claim that the Tiexi Commission requested the Company to pay arrears of RMB28,530,000, interest and liquidated damages.

It was the judgment made by the Hainan First Intermediate People's Court that:

(i) New Northeast High-Volt shall pay the Tiexi Commission arrears of RMB28,530,000 and liquidated damages of RMB1,249,500 within 15 days from the date when this judgment takes effect.

(ii) Reject the other claims of Tiexi Commission.

26. PROVISIONS *(Continued)*

Notes: (Continued)

(b) *(Continued)*

The plaintiff Tiexi Commission subsequently filed an appeal application to the higher court during the appeal period. The Hainan Provincial Higher People's Court filed the case on 13 January 2021, and the second instance opened on 10 June 2021.

The case was heard by the Hainan Provincial Higher People's Court on 10 June 2021, and the Hainan Provincial Higher Court issued (2021) Qiong Min Zhong No. 36 Civil Judgment on 23 July 2021. The Hainan Provincial Higher People's Court judged as follows:

(i) Uphold the second item of the Civil Judgment (2020) Qiong 96 Min Chu No. 81 of the Hainan First Intermediate People's Court;

(ii) Change the first item of the Civil Judgment (2020) Qiong 96 Min Chu No. 81 of the Hainan First Intermediate People's Court to "Within fifteen days from the day when this judgement comes into effect, New Northeast High-Volt shall pay Tiexi Commission of RMB28,530,000 as well as the interest (interest is based on RMB28,530,000, calculated from 1 July 2012 to 19 August 2019, calculated and paid at the same period of the People's Bank of China loan interest rate; from 20 August 2019 to the day of payment, the payment will be calculated at the quoted interest rate of the loan market announced by the National Interbank Funding Center during the same period)".

This judgment was final. Consequently, the reversal of overprovision of litigation proivision of RMB37,745,000 was recognised as other income in profit or loss during the year.

27. GOVERNMENT GRANTS

The movements of government grants during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**29,426**	23,623
Additions	**8,462**	7,191
Amount recognised as other income *(note 4)*	**(1,853)**	(1,388)
At the end of the reporting period	**36,035**	29,426

The government grants mainly represent amounts received from the local government to compensate for the acquisition and construction of a new factory in Fuxin. The grants are released to profit or loss over the expected useful life of the land use rights and property, plant and equipment by equal annual instalment over the period from 9 years to 50 years.

28. SHARE CAPITAL

	2021		2020	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised and fully paid:				
At the beginning and the end of the reporting period, ordinary shares of RMB1 each	**873,370,000**	**873,370**	873,370,000	873,370

29. RESERVES

(a) Capital reserve

Capital reserve represents i) premium on issue of shares net of issuing expenses and an amount arising as a result of the original restructuring of the Group and the impact arising from the changes in non-controlling interests without loss of control, ii) the Group acquired Designated FVOCI at zero consideration during 31 December 2018. The fair value of Designated FVOCI at the date of acquisition was RMB191,406,000. Capital reverse can only be used to increase share capital.

(b) Surplus reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(c) Investment revaluation reserve (non-recycling)

Investment revaluation reserve (non-recycling) comprises the accumulated net changes in the fair value of Designated FVOCI that have been recognised in other comprehensive income, net of the amounts reclassified to retained earnings when those investments are disposed of.

(d) Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2 to the consolidated financial statements.

30. DEFERRED TAXATION

The followings are the deferred tax liabilities recognised and the movements thereon during the current and prior years:

Unrecognised deferred tax assets arising from

	2021	2020
	RMB'000	*RMB'000*
Temporary difference		
- Depreciation allowance and right-of-use assets	**9,695**	69
- (Reversal) provision of loss allowance of trade and lease receivables and other receivables	**3,524**	(144)
- Provision of loss allowance on cash at financial institution	**53,501**	71,765
	66,720	71,690
Tax losses arising in		
- Hong Kong	**14,511**	14,459
- The PRC	**386,754**	365,511
	401,265	379,970

Deferred tax assets have not been recognised in respect of the above items because there is uncertainty on whether the unused tax losses and temporary difference can be utilised in the future.

30. DEFERRED TAXATION *(Continued)*

The unrecognised tax losses arising in Hong Kong do not expire under current tax legislation. At the end of the reporting period, the Group has the following unrecognised tax losses arising in the PRC that can be offset against future taxation profits of the subsidiary for a maximum of 5 years from the year in which the tax loss was incurred:

	2021	2020
	RMB'000	*RMB'000*
Year of expiry		
2021	**-**	99
2022	**324,356**	324,356
2023	**1,203**	1,203
2024	**24,582**	24,582
2025	**15,271**	15,271
2026	**21,342**	-
	386,754	365,511

The accumulated profits of certain foreign subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of accumulated profits of these foreign entities were approximately of RMB104,000 *(2020: RMB193,000)*. In the opinion of the directors, these accumulated profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

31. OTHER CASH FLOW INFORMATION

(a) Cash generated from (used in) operations

	2021	2020
	RMB'000	*RMB'000*
Profit before taxation	**17,466**	67,016
Interest income	**-**	(1,488)
Interest expenses	**1,681**	1,677
Provision (Reversal) of loss allowance on		
- trade, rental and other receivables	**3,668**	(144)
- cash at a financial institution	**(18,264)**	71,765
Impairment loss of right-of-use assets	**9,628**	-
Provision for impairment loss on inventories	**18**	8
Reversal of overprovision of litigation expenses in priors year	**(37,745)**	-
Write-off of property, plant and equipment	**-**	19
Write-off of inventories	**22**	-
Depreciation and amortisation	**16,828**	13,021
Gain on early termination of lease contracts	**(1,378)**	-
Gain on disposal of South Plant	**-**	(32,743)
Government grant	**(1,853)**	(1,388)
Loss from interest in associates, net	**-**	48,900
Changes in working capital:		
Trade, rental and other receivable	**(20,957)**	(8,894)
Inventories	**1,874**	192
Trade payable	**10,073**	3,893
Contract liabilities	**133**	(3,617)
Other payables	**21,289**	(178,688)
Government grants	**8,462**	7,191
Deposit placed for performance guarantee	**1,368**	1,370
Cash generated from (used in) operations	**12,313**	(11,910)

31. OTHER CASH FLOW INFORMATION *(Continued)*

(b) Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	Lease liabilities
	RMB'000
2021	
At the beginning of the reporting period	22,537
Early termination of lease contracts	(14,251)
Interest expenses	1,632
Offset with repayment of lease liabilities *(note c)*	(4,518)
Additions	39,189
Cash inflow (outflow) in financing activities:	
Repayment of lease liabilities	(2,972)
Interest paid	(1,240)
At the end of the reporting period	40,377

31. OTHER CASH FLOW INFORMATION *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	Interest–bearing borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
2020			
At the beginning of the reporting period	10,500	27,300	37,800
Interest expenses	253	1,407	1,660
Offset with repayment of lease liabilities *(note c)*	-	(3,955)	(3,955)
Cash inflow (outflow) in financing activities:			
Repayment of bank loans	(10,500)	-	(10,500)
Repayment of lease liabilities	-	(2,067)	(2,067)
Interest paid	(253)	(148)	(401)
At the end of the reporting period	-	22,537	22,537

(c) Major non-cash transaction

Other than disclosed in note 32(a) in the consolidated financial statements, trade and rental receivables arising from hotel operations and provision of related catering services segment of RMB4,518,000 *(2020: RMB3,955,000)* were offset against the repayment of lease liabilities during the year.

During the year ended 31 December 2021, the Group acquired assets by means of lease arrangement in respect of assets with a total capital value at the inception of the leases of RMB39,189,000.

32. RELATED PARTY TRANSACTIONS

(a) Other than disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the year.

Relationship	Nature of transactions	**2021** *RMB'000*	2020 *RMB'000*
A substantial shareholder	Interest expenses	**(49)**	(17)

Relationship	Nature of transactions	**2021** *RMB'000*	2020 *RMB'000*
Companies controlled by the de facto controller of the Company	Catering service income	**1,186**	7,814
	Hotel management fee	**-**	676
	Lease income – hotel room	**10,678**	2,675
	Interest income arising from cash at a financial institution	**-**	879
	Rental expenses	**(927)**	#-
	Building management fee	**(956)**	(795)
	Hotel service fee	**(961)**	(214)
	Management service fee	**(290)**	(316)
	Payroll service fee	**(5,296)**	-
	Utility expenses	**(4,194)**	(1,220)
	Purchase of inventories	**(1,014)**	-
	Addition of right-of-use assets *(note 12)*	**39,189**	-
	Acquisition of an associate	**-**	48,900

For the year ended 31 December 2020, Beijing Haihongyuan, a substantial shareholder, shared its own office premise for the Group's daily business operation use free of charge and borne the building management fee and related expenses with aggregate estimated market value of RMB1,149,000, which was a non-cash transaction.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Remuneration for key management personnel (including directors) of the Group:

	2021	2020
	RMB'000	*RMB'000*
Salaries, bonus, allowances and other short-term benefits	**1,671**	3,378
Contributions to defined contribution plans	**293**	101
	1,964	3,479

(b) For those transactions related to the continuing connected transactions under the Listing Rules, please refer to important matters of this annual report.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2021	2020
	RMB'000	*RMB'000*
Financial assets at amortised cost		
Trade receivables	**34,209**	32,294
Other receivables	**9,400**	19,235
Cash at a financial institution	**17,903**	-
Cash at banks and in hand	**18,645**	12,913
	80,157	64,442
Financial liabilities at amortised cost		
Trade payables	**31,892**	21,819
Other payables (excluding receipt in advance, other tax payables and employment benefits payables)	**192,711**	180,739
	224,603	202,558

The Group's principal financial instruments comprise trade receivables, trade payables and cash at banks and in hand. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has rental receivables and lease liabilities and various other financial instruments such as other receivables and other payables which arise directly from its business activities.

The main risks arising from the Group's financial instruments, rental receivables and lease liabilities are credit risk and liquidity risk.

The directors of the Company generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum level. The directors of the Company review and agree policies for managing each risk as summarised below and they manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group reviews the recoverable amount of each individual financial assets and rental receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade and rental receivables

The Group has a credit policy in place and exposures to credit risks are monitored on an ongoing basis. In order to minimise credit risk, the management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts. The Group normally grants a credit period of 5 days to 90 days to its customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

As at the end of the reporting period, the Group had a concentration of credit risk as 6% *(2020: 10%)* and 26% *(2020: 37%)* of the total trade and rental receivables were made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

The Group's customer base consists of a wide range of clients and the trade and rental receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade and rental receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past two years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

The information about the exposure to credit risk and ECL for trade and rental receivables using a provision matrix as at 31 December 2021 and 2020 are summarised below.

As at 31 December 2021

Trade receivables – production and sales of power transmission equipment and related accessories

Ageing by due date	Expected loss rate	Gross carrying amount	Loss allowances	Credit-impaired	Net carrying amount
	%	*RMB'000*	*RMB'000*		*RMB'000*
Past due:					
- within 3 months	3.2	8,987	290	No	8,697
- more than 3 months but less than 12 months	3.2	10,790	348	No	10,442
- 1 to 2 years	7.0	10,786	750	No	10,036
- 2 to 3 years	13.4	3,334	447	No	2,887
- 3 to 4 years	46.4	532	247	No	285
- over 4 years	100.0	2,335	2,335	Yes	-
		36,764	4,417		32,347

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2021 *(Continued)*

Trade receivables – hotel operations and provision of related catering services

Ageing by due date	Expected loss rate	Gross carrying amount	Loss allowances	Credit-impaired	Net carrying amount
	%	*RMB'000*	*RMB'000*		*RMB'000*
Not yet past due	**5.5**	**1,257**	**69**	**No**	**1,188**
Past due:					
- within 3 months	**5.9**	**391**	**23**	**No**	**368**
- more than 3 months but less than 12 months	**-**	**-**	**-**	**No**	**-**
- 1 to 2 years	**75.9**	**1,271**	**965**	**No**	**306**
		2,919	**1,057**		**1,862**

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2021 *(Continued)*

Lease receivables

Ageing by due date	Expected loss rate	Gross carrying amount	Loss allowances	Credit-impaired	Net Carrying Amount
	%	*RMB'000*	*RMB'000*		*RMB'000*
Not yet past due	6.2	23,866	1,485	No	22,381
Past due:					
- within 3 months	8.3	1,749	145	No	1,604
- more than 3 months but less than 12 months	-	-	-	No	-
- 1 to 2 years	42.0	628	264	No	364
		26,243	1,894		24,349

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2020

Trade receivables – production and sales of power transmission equipment and related accessories

Ageing by due date	Expected loss rate	Gross carrying amount	Loss allowances	Credit-impaired	Net carrying amount
	%	*RMB'000*	*RMB'000*		*RMB'000*
Past due:					
- within 3 months	3.1	4,006	126	No	3,880
- more than 3 months but less than 12 months	3.1	14,315	449	No	13,866
- 1 to 2 years	7.3	7,131	522	No	6,609
- 2- 3 years	14.8	1,266	188	No	1,078
- 3-4 years	40.0	145	58	No	87
- over 4 years	98.3	3,091	3,039	Yes	52
		29,954	4,382		25,572

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2020 *(Continued)*

Trade receivables – hotel operations and provision of related catering services

Ageing by due date	Expected loss rate	Gross carrying amount	Loss allowances	Credit-impaired	Net carrying amount
	%	*RMB'000*	*RMB'000*		*RMB'000*
Not yet past due	5.0	1,763	86	No	1,677
Past due within 3 months	5.0	208	10	No	198
		1,971	96		1,875

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2020 *(Continued)*

Lease receivables

Ageing by due date	Expected loss rate	Gross carrying amount	Loss allowances	Credit-impaired	Net carrying amount
	%	*RMB'000*	*RMB'000*		*RMB'000*
Not yet past due	5.0	2,761	138	No	2,623
Past due:					
- within 3 months	5.0	1,449	72	No	1,377
- more than 3 months but less than 12 months	5.0	892	45	No	847
		5,102	255		4,847

The Group does not hold any collateral over trade and rental receivables at the end of the reporting period *(2020: RMBnil)*.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

The Group recognised loss allowance of RMB2,665,000 *(2020: reversal of loss allowance of RMB220,000)* on the trade and rental receivables and written off of trade receivables arising from production and sales of power transmission equipment and related accessories segment of RMB30,000 *(2020: RMB1,887,000)* as a result of deregistered of debtors during the year. The movement in the loss allowance for trade and rental receivables during the year is summarised below.

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**4,733**	6,840
Increase/(Decrease) in loss allowance	**2,665**	(220)
Amount write-off	**(30)**	(1,887)
At the end of the reporting period	**7,368**	4,733

Other receivables and cash at a financial institution

Management has credit risk policies in place for the amount due from other debtors and the exposure to the credit risk is monitored on an ongoing basis. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the debtors and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Other receivables and cash at a financial institution *(Continued)*

The Group has established the other receivables and cash at a financial institution credit risk classification system and performs credit risk management based on other receivable classification in one of three *(2020: three)* categories of internal credit rating. The information about the ECL for the other receivables and cash at a financial institution as at 31 December 2021 is summarised below. After considering the above factors, a loss allowance of RMB134,682,000 was recognised as at 31 December 2021 *(2020: RMB151,943,000)*.

At 31 December 2021

Internal credit rating	**Gross carrying amount**	**ECL**	**Loss allowance**	**Net carrying amount**
	RMB'000		***RMB'000***	***RMB'000***
Performing *(note i)*	9,347	12-month	29	9,318
Underperforming *(note ii)*	81,234	Lifetime	81,152	82
Not performing *(note iii)*	71,404	Lifetime	53,501	17,903
	161,985		**134,682**	**27,303**

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Other receivables and cash at a financial institution *(Continued)*

At 31 December 2020

Internal credit rating	Gross carrying amount	ECL	Loss allowance	Net carrying amount
	RMB'000		*RMB'000*	*RMB'000*
Performing *(note i)*	14,312	12-month	125	14,187
Underperforming *(note ii)*	80,261	Lifetime	80,053	208
Not performing *(note iii)*	71,765	Lifetime	71,765	-
	166,338		151,943	14,395

Notes:

(i) Performing (Normal Credit Quality) refers to the other receivables and cash at a financial institution that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised.

(ii) Underperforming (Significant Increase in Credit Risk) refers to the other receivables that have had a significant increase in credit risk and for which the lifetime ECL will be recognised.

(iii) Not performing (credit impaired) refers to the cash at a financial institution that have past due or it has become probably that a debtor will enter into bankruptcy or reorganisation, for which the lifetime will be recognised.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Other receivables and cash at a financial institution *(Continued)*

At the end of the reporting period, the Group recognised provision of loss allowance of RMB1,003,000 *(2020: RMB76,000)* and written off on other receivables of RMBnil *(2020: RMB1,545,000)* as a result of settlement during the year. The movement in the loss allowance for other receivables during the year is summarised below.

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**80,178**	81,647
Increase in loss allowance	**1,003**	76
Amount write-off	**-**	(1,545)
At the end of the reporting period	**81,181**	80,178

Resulting from cash receipt of RMB361,000 from a financial institution and with reference to the valuation of unit price of the Trust to be established as at the date of acceptance of bankruptcy reorganisation plan, the Group recognised reversal of loss allowance of RMB18,264,000 *(2020: provision of loss allowance of RMB71,765,000)* on cash at a financial institution during the year. The movement in the loss allowance for cash at a financial institution during the year is summarised below.

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**71,765**	-
(Decrease) Increase in loss allowance	**(18,264)**	71,765
At the end of the reporting period	**53,501**	71,765

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Cash at banks

The credit risk on cash at banks balances is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for both years.

(b) Liquidity risk

Individual operating units within the Group are responsible for their own cash management. To minimise liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet operational needs so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

The maturity profile of the financial liabilities and lease liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

	On demand	Within 12 months	1 to 2 years	Total undiscounted cash flows	Total carrying value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Trade payables	**31,892**	**-**	**-**	**31,892**	**31,892**
Other payables	**185,577**	**1,697**	**5,437**	**192,711**	**192,711**
Lease liabilities	**-**	**42,820**	**-**	**42,820**	**40,377**
	217,469	**44,517**	**5,437**	**267,423**	**264,980**

	On demand	Within 12 months	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020						
Trade payables	21,819	-	-	-	21,819	21,819
Other payables	179,092	1,647	-	-	180,739	180,739
Lease liabilities	-	11,840	3,410	9,638	24,888	22,537
	200,911	13,487	3,410	9,638	227,446	225,095

34. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets measured at fair value

During the years ended 31 December 2021 and 2020, there were no transfer between Level 1 and Level 2 fair value measurement, and no transfer into and out of Level 3 fair value measurements.

Movements in Level 3 fair value measurements

	Designated FVOCI – Unlisted equity securities	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	-	198,079
Loss in other comprehensive income	-	(198,079)
At the end of the reporting period	-	-
Change in unrealised losses for the year included in other comprehensive loss	-	(198,079)

34. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets measured at fair value *(Continued)*

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value at 31 December		Valuation techniques	Unobservable input	Sensitivity of fair value to changes in unobservable inputs
	2021	2020			
	RMB'000	*RMB'000*			
Designated FVOCI - unlisted equity securities					
- Shenyang Zhaoli	-	-	Adjusted net asset values as reported by management *(2020: Adjusted net asset values as reported by management)*	n/a	n/a
- Tianjin Center	-	-	Net assets values as assessed by management *(2020: Net assets values as assessed by management)*	n/a	n/a

34. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets measured at fair value *(Continued)*

Valuation processes of the Group

The fair values of assets and liabilities that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows and net asset value, are used to determine fair value for other assets and liabilities.

The carrying value less impairment provision of trade, rental and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

As mentioned in note 12 to the consolidated financial statements, investment properties are carried at amortised cost but its fair value information is required to be disclosed and shown in the table below:

	Level 1	Level 2	Level 3	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 31 December 2021					
Investment properties	-	-	-	-	-
As 31 December 2020					
Investment properties	-	-	13,187	13,187	13,187

34. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Assets and liabilities with fair value disclosure, but not measured at fair value *(Continued)*

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of the valuation methodology used in Level 3 fair value measurement for investment properties, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurement, are as follows:

Description	**Fair value at 31 December**		**Valuation techniques**	**Unobservable input**	**Sensitivity of fair value to changes in unobservable inputs**
	2021	2020			
	RMB'000	*RMB'000*			
Investment properties	-	13,187	*n/a (2020: discount cash flow of rental income)*	*n/a (2020: Rental income)*	*n/a (2020: Increasing/ decreasing rental income would increase/ decrease fair value.)*

(c) Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair values at the end of each reporting period.

35. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Group's objectives, policies or processes in managing capital during the years ended 31 December 2021 and 2020.

36. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 1% to 16% *(2020: 1% to 16%)* of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	**2021** **RMB'000**	2020 RMB'000
Non-current assets			
Property, plant and equipment		**19**	23
Interests in subsidiaries	*15*	**41,558**	56,436
		41,577	56,459
Current assets			
Prepayment and other receivables		**922**	922
Due from subsidiaries		**16,405**	87,633
Due from related companies		**-**	21
Cash at banks and in hand		**19**	2
		17,346	88,578
Current liabilities			
Contract liabilities		**582**	582
Other payables		**161,841**	159,307
Due to a director		**17**	27
Due to related companies		**2,646**	1,344
Tax payables		**-**	531
		165,086	161,791
Net current liabilities		**(147,740)**	(73,213)
Total assets less current liabilities		**(106,163)**	(16,754)
Non-current liabilities			
Provisions		**34,355**	72,100
NET LIABILITIES		**(140,518)**	(88,854)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	Notes	2021 RMB'000	2020 RMB'000
Share capital		**873,370**	873,370
Capital reserves		**996,870**	996,870
Surplus reserve		**108,587**	108,587
Accumulated losses		**(2,119,345)**	(2,067,681)
TOTAL DEFICITS	*37(a)*	**(140,518)**	(88,854)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Movements of the reserves

	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29(a))*	*(note 29(b))*		
As at 1 January 2020	873,370	995,721	108,587	(2,128,285)	(150,607)
Profit for the year and total comprehensive income for the year	-	-	-	60,604	60,604
Transactions with equity holders of the Company					
Contributions and distributions:					
Free use of office premise *(note 33(i))*	-	1,149	-	-	1,149
As at 31 December 2020 and at 1 January 2021	**873,370**	**996,870**	**108,587**	**(2,067,681)**	**(88,854)**
Profit for the year and total comprehensive income for the year	**-**	**-**	**-**	**(51,664)**	**(51,664)**
As at 31 December 2021	**873,370**	**996,870**	**108,587**	**(2,119,345)**	**(140,518)**

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

As at the date of authorisation of these consolidated financial statements, in addition to disclosure elsewhere in these consolidated financial statements, the Group has the following events after the reporting period.

(a) Impact of COVID-19 to hotel industries

In view of the outbreak of COVID-19, the governments of different countries have taken their own nation-wide prevention and control measures. The COVID-19 has certain impacts on the hotel operations and provision of related catering services business of the Group. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19 in the future.

(b) Risk warning on the removal of delisting in Shenzhen Stock Exchange

According to the financial statements of the Company as at 31 December 2020 and 2019, the Group has recorded net liabilities of RMB185,229,000 and RMB51,107,000 respectively. The Shenzhen Stock Exchange was given the risk warning on the removal or delisting for A shares of the Company from trading since 2020 and implemented other risk warnings. As at 31 December 2021, the Group has recorded a net liabilities of RMB167,537,000. Based on the Rule 13.2.1 of the Listing Rules of Shenzhen Stock Exchange, if the listed company has recorded net liabilities in three consecutive years, the listed company should stop listing in Shenzhen Stock Exchange.

At the date of authorization of these consolidated financial statements, the management considered the delisting in Shenzhen Stock Exchange in the future will not materially affect the measures planned to maintain the Group as a going concern.

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the year ended/as at 31 December 2021, 2020, 2019, 2018 and 2017 is extracted from the consolidated financial statements in this annual report. There is no significant difference between IFRSs and PRC GAAP.

	Results of the Group for the five years ended 31 December				
	IFRSs			**PRC GAAP**	
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**119,485**	79,797	102,252	32,311	32,986
Profit (Loss) before taxation	**17,466**	67,016	(39,682)	15,465	(397,992)
Income tax expenses	**133**	(4,351)	(451)	(1,367)	(164)
Profit (Loss) for the year	**17,599**	62,655	(40,133)	14,098	(398,156)
	RMB cents	*RMB cents*	*RMB cents*	*RMB cents*	*RMB cents*
Earnings (Loss) per share					
Basic and diluted	**2.02**	7.33	(4.60)	1.67	(45.46)

	Assets and liabilities of the Group as at 31 December				
	IFRSs			PRC GAAP	
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**73,756**	73,423	293,186	321,980	148,698
Current assets	**123,483**	84,473	184,201	183,134	157,539
Total assets	**197,239**	157,896	477,387	505,114	306,237
Non-current liabilities	**70,390**	113,109	113,210	82,771	106,326
Current liabilities	**294,386**	230,016	415,284	400,227	394,552
Total liabilities	**364,776**	343,125	528,494	482,998	500,878
Net (liabilities) assets	**(167,537)**	(185,229)	(51,107)	22,116	(194,641)

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

(I) Originals of Accounting Statements bearing signatures and seals of the Legal Representative, Chief Financial Officer and Head of Financial Department (Accounting supervisor) of the Company;

(II) Originals of auditors' reports bearing seals of the accounting firm and signatures and seals of the certified public accountants;

(III) Originals of all the Company's documents and originals of announcements, which have been disclosed on the newspapers designated by China Securities Regulatory Commission (CSRC) during the reporting period;

(IV) Original of the annual report of the Company.

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

地址：海南省海口市美蘭區
國興大道7號新海航大厦22層
網址：www.nee.com.cn
電郵：nee@nee.com.cn
電話：0898-68876008
傳真：0898-68876033
郵編：570203

Address : 22nd Floor, HNA Plaza, No.7 Guoxing Road,
Meilan District, Haikou City, Hainan Province
Website : www.nee.com.cn
E-mail : nee@nee.com.cn
Tel : 0898-68876008
Fax : 0898-68876033
Zip : 570203