NEE

Annual Report 2022 年報

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

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
CSRC	China Securities Regulatory Commission
Chongqing Hotel	Chongqing HNA Hotel Investment Co., Ltd., an investee of the Company
De facto controller of the Company	None
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
HNA Group	HNA Group Co., Ltd., a related party of the Company
HNA Trust Management	Hainan HNA No. 2 Trust Management Service Co., Ltd., an indirect 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
NEE, the Company, the listed company	Northeast Electric Development Company Limited
SZSE	Shenzhen Stock Exchange
NEEQ	The National Equities Exchange and Quotations

Stock Exchange	The Stock Exchange of Hong Kong
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
Dongguan Yujingwan	Dongguan Yujingwan Hotel (東莞御景灣酒店), other related party of the Company
Dalian Changjiang Plaza	Dalian Changjiang Plaza Co., Ltd., a related party of the Company
Changchun Mingmen Hotel	Changchun Mingmen Hotel Co., Ltd., 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
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
Shenyang HVS, Shenyang High Voltage Switchgear	Shenyang High Voltage Switchgear Co., Ltd.
Fushun Electric Porcelain	Fushun Electric Porcelain Manufacturing Co., Ltd.

(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) Legal representative: Su Weiguo

(3) Executive Directors: Su Weiguo (Chairman), Liu Jiangmei, He Wei, Ding Jishi, Mi Hongjie, Zhu Xinguang

(4) Independent Non-executive Directors: Wang Hongyu, Li Zhengning, and Fang Guangrong

(5) Supervisors: Fan Siyao (Chairman of the Supervisory Committee), Yang Qing, and Xing Meixia

(6) Secretary to the Board: Ding Jishi

Representative for securities affairs: Zhu Xinguang
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: Unit B, 17/F, United Centre 95 Queensway, 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
Office and correspondence address of the Company: HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Postal code of the office address: 570203
Telephone: 0898-68876008, 68876046
Fax: 0898-68876033
Website: www.nee.com.cn
E-mail address: dbdqdshbgs@hnagroup.com, nemm585@sina.com

(8) Website containing the annual report: www.neeq.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:
— Hong Kong Stock Exchange
— Stock name: Northeast Electric
— Stock code: 00042

(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: 10 January 2023
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: Zhongxingcai Guanghua Certified Public Accountants LLP

Office address: 24/F, Tower A, Vantone Financial Centre, No.2 Fuchengmenwai Street, Xicheng District, Beijing City

Overseas auditor	Ting Ho Kwan & Chan Certified Public Accountants (Practising)
Office address	9th Floor, Tung Ning Building, 249-253 Des Voeux Road C, Hong Kong.

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

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

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

Amount unit: RMB 1,000

	IFRS				PRC GAAP
Items	**2022**	**2021**	**2020**	**2019**	**2018**
1. Revenue (RMB'000)	161,003	119,485	79,797	102,252	32,311
2. (Loss)/profit before taxation (RMB'000)	(25,515)	17,466	67,016	(39,682)	15,465
3. (Loss)/profit attributable to equity holders (RMB'000)	(25,142)	17,629	63,977	(40,166)	14,596
4. Total assets (RMB'000)	181,481	197,239	157,896	477,387	505,114
5. Total liabilities (RMB'000)	374,511	364,776	343,125	528,494	482,998
6. Shareholders' equity (RMB'000)	(193,030)	(167,537)	(185,229)	(51,107)	22,116
7. Basic (loss)/earnings per share (RMB)	(0.03)	0.02	0.07	(0.046)	0.02
8. Net assets per share (RMB)	(0.22)	(0.19)	(0.21)	(0.059)	0.025
9. Return on net assets (%)	0.00	0.00	0.00	0.00	0.00
10. Shareholders' interest ratio (%)	(106.36%)	(84.94%)	(117.31%)	(10.71%)	4.38%
11. Current ratio (%)	34.25%	41.95%	36.72%	44.36%	45.76%
12. Gearing ratio (%)	206.36%	184.94%	217.31%	110.71%	95.62%

(1) Overview

In 2022, 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 pound 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.

Main business that the Company engaged in during the Reporting Period

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. 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. There was no material change in the principal business of the Company during the Reporting Period.

Business review

Since 2022, 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.

2022 is another extraordinary year for the development of NEE. Facing multiple challenges such as the HNA Group's restructuring risk due to the delisting of A-shares, the sharp changes in market transactions caused by the delisting of A-shares, the fluctuations in the mood of domestic shareholders, the urgent need to introduce strategic investors in the Company's development, and the difficulties in production and operation under repeated epidemics, all employees of NEE faced them bravely, overcame the difficulties and achieved the whole year's working goals in accordance with the law and regulations, laying a solid foundation for the health development of 2023.

During the Reporting Period, the Group consolidated the enclosed busbar business while operating hotel business. And it has reduced the scale of hotel operations with an operating income of RMB161 million since June according to the trend of COVID-19, the net profits attributed to the shareholders of the parent company amounted to about RMB-25.14 million.

(2) Priority Work

The main activities in the Reporting Period are as follows:

(I) Production and operation

1. Eliminate Adverse Effects and Achieve Stable Operation

In 2022, while properly handling the delisting of A-shares and accelerating the issuance of H-shares to attract strategic investors, NEE continued to improve production and operation with the goal of increasing revenue and cutting costs. The Company strived to overcome the adverse effects of the continued recurrence of the pandemic in China, the shortage of operating capital and the intensification of market competition by adjusting structure, strengthening marketing approach and expanding sales scale, the Company achieved relatively stable operation with balanced key operating indicators throughout the year. The annual operating income was RMB161 million, representing an increase of RMB41.52 million or 34.75% compared with last year. Gross profit for the year amounted to RMB92.22 million, representing an increase of RMB23.40 million or 34% over RMB68.82 million in previous year.

2. Ensure Safety Production

Continue to implement the safe production principle, with clear division of duties and responsibility, the Company build a strong safety line. Enhance the awareness of safety, strengthen the implementation of responsibility, troubleshoot safety issues exist in such subsidiaries as Fuxin Busbar and Garden Lane Flight Hotel. Overcome the impact of the pandemic, enhance the safety management and intensify the safety production, leading to a zero occurrence of the safety incidents all over the year.

3. Innovative R&D to Expand Market

With various measures taken, promote the labor and production resumption, optimise technology and vigorously reduce costs and losses by focusing on the increasement of renovation orders and engineering contract with installation requirements. In 2022, the subsidiary, Fuxin Busbar took the development of new products as an opportunity to expand the market, increase order number, capture the new market while bucking the trend. As of the end of December 2022, the new contracted amount of the year reached RMB75.26 million, becoming the highest order amount in recent years and providing a guarantee for the operation as a going concern of the Company in the future.

4. Continuously Improve the Company's Internal Control and Governance System

In 2022, the Company persisted in performing safety management for production safety and pandemic prevention and control, issued and implemented work plans for the establishment of the Company's monitoring mechanism, such as Work Plan for the Rectification of the Company's Style, Work Plan for Credit Reshaping, Work Plan for the Production Safety Month, Work Plan for Fire Safety in Winter and Spring and Work Plan for Pandemic Prevention and Control, offering an effective safeguard to its internal control governance.

(II) Spare No Efforts to Promote the Additional Issuance of H-shares and the Introduction of Strategic Investors

Strive to promote the introduction of strategic investors through the efforts of all parties all over the year. On 27 July 2022, upon the approval of the Company's Board of Directors, the Company entered into a subscription agreement for the issue of new H-shares with the W.H.B.D (HK) Technology Limited (referred to as "WHBD Company"), a subsidiary of the Zhonghuan Guoxin (Beijing) Investment Fund Co., Ltd.. On 30 December 2022, the agreement was reviewed and approved by the general meeting of the Company. Currently, the Company is promoting the progress of the issuance of H shares with the intermediary agency and striving for early submission of applications to the regulatory authorities for the issue of new H-shares.

(III) Progress of Material Litigations

1. Joint and Several Liability Dispute Cases between NEE and Fushun Electric Porcelain Co., Ltd. (hereinafter refer to as “Fushun Electric Porcelain”)

   The claim case as Fushun Electric Porcelain requested to add Northeast Electric as a person subject to enforcement, since Hainan First Intermediate People’s Court rejected its request in February 2021, Fushun Electric Porcelain filed a lawsuit again on 4 July 2022, in which NEE and Shenyang High-volt were considered to constitute a confusion of personality and evade the liability maliciously, so NEE was requested to bear the joint and several responsibilities for Shenyang High-volt. On 30 December 2022, Hainan First Intermediate People’s Court issued Civil Ruling (2022) Qiong 96 Min Chu No. 599. The court thought that the case constituted a repeated appealing, so the appealing by the plaintiff was rejected by law. Fushun Electric Porcelain has proposed an appealing on 11 February 2023. As of the disclosure date of the Report, the second-instance trial has not held by the court.

   For details, please refer to the relevant announcements released by the Company on the designated information disclosure platform: The Announcement on Litigations (announcement No.: 2022-044) dated 15 July 2022, and the Announcement on Litigation Progress (announcement No.: 2023-006) dated 7 February 2023.

(IV) Properly Handle the Delisting of A-shares

As the Company’s audited financial data in two consecutive fiscal years of 2020 and 2021 touched the financial compulsory delisting situation stipulated in Article 9.3.11 of the Rules Governing the Listing of Stocks (2022 Revision) of the Shenzhen Stock Exchange, on 20 April 2022, Shenzhen Stock Exchange decided to terminate the listing of NEE’s A-shares. The Company set up a special working group for A-share delisting, formulated and implemented the NEE A-shares Delisting Overall Work Plan and its supporting plans, and ensured the implementation of A-share delisting and board transferring process in accordance with the laws and regulations, properly handled the delisting of A-shares. Since 13 July 2022, the delisted A shares were transferred to the delisting section of the NEEQ for listing and trading.

(1) 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 2022, according to the relevant regulations, the Company has no distributable reserve. Pursuant to the resolution approved by the Board on 31 March 2023, 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 generated from the Group's operating activities for the year ended 31 December 2022 was approximately RMB7,143,000 (2021: RMB11,332,000).

As at 31 December 2022, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB15,129,000 (2021: RMB18,645,000) and bank loans of RMB0 (2021: bank loans of RMB0)

As of 31 December 2022, the Group had current liabilities of RMB306,046,000, non-current liabilities of RMB68,465,000, and shareholders' equity attributable to shareholders of the Company of RMB-195,063,000. 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 from substantial shareholders. As at 31 December 2022, the Group's short-term bank borrowings amounted to RMB0, and the cash and cash equivalents were RMB15,129,000 (2021: RMB18,645,000). 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 "(2) Prospect of Future Development".

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any significant investments, material acquisitions and disposals of assets, subsidiaries, associates or joint ventures during the Year.

Assets pledge

As of 31 December 2022, 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 2022, the Group's gearing ratio (calculated as total liabilities/total assets) was 206% (2021: 185%).

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 2022, the total amount of purchases from the Group's top five suppliers was RMB32,571,000, accounting for 50% of the Group's total annual purchases.

The top five suppliers had no connected relationships with the Company.

The total amount of sales to the top five customers was RMB32,085,000, accounting for 23% of the Group's total annual sales. Among them, the sales amount to the biggest sales customer accounted for 6.8% of the total annual sales of the Group.

All of the top five customers had no connected relationships with the Company

(2) 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 focus 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, affected by 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 2023. 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, getting rid of the impact of the post-pandemic era, it is expected that the operating revenue of such industries as tourism, accommodation and catering in China will resume growth.

(2) Development strategy of the Company

In 2023, 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 speed up the issuance of H shares. 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 orienting new business and market expansion, in an effort to form a new synergistic pattern, and reshape the industry structure of the Company.

(3) 2023 Operation Plan

In 2023, facing the negative factors of its own difficulties and external competition, Northeast Electric and its subsidiaries (collectively, "the Group") will focus on the stable development of its main businesses and the achievement of the directional private placement and strategic investor introduction,, actively strengthen existing business advantages, utilize the H share listing status to actively bring in strategic investors to raise funds, then with the guidance of the strategic investments as well as support from the substantial shareholders, the Company is committed improving the assets quality, strengthen the continuous operation capacity of its main business, strive to maintain stability in the internal and external operating environments. All of these actions founded a solid foundation for the sustainability of healthy development.

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 healthy development, increase a new business growth point and overcome the negative impact of the delisting from the A-shares main board, the Company will improve the its ability to continue as a going concern by the following measures:

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, increase a new growth point. The Group has established a joint venture and explored new business growth points to bring in new impetus for the development of the Group. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, signed a joint venture agreement with Beijing DQH Brand Management Co., Ltd. to jointly invest in and establish NEE Business Travel (Hainan) Information Consulting Co., Ltd (東電商旅 (海南) 信息諮詢服務有限公司), which provides destination advertising and marketing services and travel information advisory services through online platforms; 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 2023, in addition to maintaining the operation of its enclosed busbar and hotel accommodation and catering businesses, NEE will 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, the Group will 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 Group's main business.

4. Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters as appropriate 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. Ensure safety production. Enhance the organizational leadership, strictly implement the main body's responsibilities and each responsibility measure to ensure the safe and steady production. By refining the emergency plan and improving emergency handling abilities, we practically implement the safe prevention work with the highest working standards, strictest working requirements, strongest responsibilities, thereby creating a sound and safe environment for the stable and orderly operation of and development and reform of enterprise safety production.

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, while ensuring the traditional busbar products, the Company will also 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, promote and implement a new business cooperation, and strive to increase industrial stock and seek for more customers.

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.

(4) 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-shares main board, in 2023, 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.

(5) 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 hotel industry in which the Company operates is still under gradual recovery and has not yet reached the pre-epidemic revenue scale.

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, such as 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-shares 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.

(6) 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, there is no major change to the Company's core competitiveness. By developing new products and adapting to the adjustment and changes of market demand, the Company's competitiveness in some product markets was improved with some businesses even witnessed breakthroughs.

(III) Investment analysis

1. Major subsidiaries and investees

√Applicable □ Not applicable

Unit: RMB

Name	Type	Principal business	Registered capital	Total assets	Net asset	Operating income	Net profit
Northeast Electric Development (HK) Co., Ltd.	Subsidiary	Trading	$20,000,000.00	72,332,245.35	57,009,167.18	0	14,628.99
Gaocai Technology Co., Ltd.	Subsidiary	Investment	$1	86,219,306.92	5,879,303.74	0	-9,899.49
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Manufacturing of electrical equipment	1,000,000.00	50,599,965.05	-58,035,795.49	0	-49,570.86
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary	Manufacturing of enclosed busbars	$8,500,000.00	112,474,736.45	-32,333,783.64	50,064,425.19	-6,976,093.41
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Subsidiary	Hotel business	50,000,000.00	79,636,323.67	-137,203,537.94	110,938,832.19	-12,700,691.02
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary	Electric power engineering	10,000,000.00	13,264,027.77	6,878,290.70	0	-1,281.45
HNA Tianjin Center Development Co., Ltd.	Investee	Property leasing and hotel catering	269,887,709.00	3,091,464,303.66	409,045,755.30	61,885,728.59	3,595,793.83
Chongqing HNA Hotel Investment Company Limited	Investee	Property leasing and hotel catering	50,000,000.00	318,611,404.58	177,239,498.42	8,584,204.23	894,383.79

Analysis of business of main investees

√Applicable □ Not applicable

Company name	Relevance to the Company's business	Purpose of investment
Chongqing HNA Hotel Investment Co., Ltd.	Property leasing and hotel catering	Investment
HNA Tianjin Center Development Co., Ltd.	Property leasing and hotel catering	Investment

Notes:

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.

Structured entity controlled by the Company

□Applicable √Not applicable

(IV) Significant assets and equity disposal

□Applicable √Not applicable

There was no significant assets and equity disposal of the Company during the Reporting Period.

(V) 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 of the Company for 2022

1. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the Connected Transaction of the Company for 2022 is as Follows:

   Save for the Announcement of Connected Transaction on Accepting Financial Assistance disclosed on 18 November 2022, there were no other disclosable connected transactions during the Reporting Period.

2. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the continuing connected transactions of the Company for 2022 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.

   As at the end of 2020, the financial institution had recorded net liabilities and was within the scope of bankruptcy reorganisation plan of HNA Group entities accepted by the Court in China. The Board of Directors held the view that the financial situation of the financial institution has been significantly deteriorated and was under financial reorganisation, and therefore, the financial institution was unlikely to be able to repay the deposit of RMB71,765,000. The cash of the financial institution was considered as credit-impaired. As the probability of recovery of the deposit is remote, full amount of loss allowance for the cash at the financial institution of RMB71,765,000 was recognised during the year.

   As at the end of 2021, the Court approved the bankruptcy reorganisation plan of HNA Group in October 2021. The Group, registered as a creditor of HNA Group and approved by the Court, would be the unit holder of the Trust. The directors evaluated the expected credit loss (“ECL”) of the cash deposited at the financial institution of RMB71,404,000 with reference to the valuation of unit price of the Trust to be established at the date of acceptance of Bankruptcy Reorganisation Plan (i.e. 10 February 2021) prepared by the valuer of the bankruptcy reorganisation 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.

At the end of 2022, the deposits in HNA Group Finance Co., Ltd. was treated as trust shares. According to the Substantive Merger and Reorganization Plan of HNA Group Co., Ltd. and the appraisal consultation report issued by China Enterprise Appraisals Co., Ltd., for the ordinary debts to be repaid with trust shares, the market value of the underlying assets corresponding to ordinary debts per RMB1 is RMB0.2605 to RMB0.3142. Following the principle of prudence, the Company recognised the value of each trust at RMB0.2605, included the trust share corresponding to deposits in HNA Finance in financial assets designated at fair value through current profit or loss of RMB18,623,930.37, and recognised investment income. The balance originally recorded in cash at a financial institution was derecognised accordingly.

(ii) Lease Agreements with the Lessors (I)

To further expand the business of the hotel, Garden Lane Flight Hotel entered into the House Lease Agreements with Dalian Changjiang Plaza Co., Ltd. on 13 July 2021, with a lease term from 1 September 2021 to 31 December 2022, with an extended period to 31 December 2023. During the Reporting Period in 2022, the Company incurred relevant lease expenses of RMB7,143,000. In the meantime, a house lease contract was signed with each of three hotels in Changchun, which were related parties, for a lease term from 1 September 2021 to 31 May 2022. During the Reporting Period in 2022, the Company incurred relevant lease expenses of RMB6,922,000.00.

(iii) Lease Agreement with the Lessor (II)

To further expand the hotel business, Garden Lane Flight Hotel entered into the house lease contract with HNA Tianjin Center Development Co., Ltd. (hereinafter refer to as "**Tianjin Center**") and Dongguan Yujingwan Hotel (hereinafter refer to as "**Yujingwan**") on 26 August 2021 respectively, with a lease term from 1 September 2021 to 31 December 2022. According to the above lease agreement, during the Reporting Period in 2022, Garden Lane Flight Hotel incurred relevant lease expenses of RMB2,357,000 and RMB3,303,000 respectively.

The independent non-executive Directors of the Company unanimously confirmed that the continuing connected transactions of the Company in 2022 were carried out:

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

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

(3) 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, annual accountant were: (1) not aware that the Transactions were carried out without the approval of the Board; (2) not aware of any matters which would make them believe that the Transactions were inconsistent with the pricing policies of the Group in any material aspects in connection with the Transactions where the Group provided commodities and services; (3) not aware of any matters which would make them believe that the Transactions were inconsistent with the terms of the transaction agreements in any material aspects; (4) not aware of any matters which would make them believe that the annual accumulative amount of any of the Transactions exceeded the annual cap set by the Company.

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 Zhi 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.

3. **Joint and Several Liability Dispute Cases between NEE and Fushun Electric Porcelain Co., Ltd. (hereinafter refer to as "Fushun Electric Porcelain")**

   The claim case as Fushun Electric Porcelain requested to add Northeast Electric as a person subject to enforcement, since Hainan First Intermediate People's Court rejected its request in February 2021, Fushun Electric Porcelain filed a lawsuit again on 4 July 2022, in which NEE and Shenyang High-volt were considered to constitute a confusion of personality and evade the liability maliciously, so NEE was requested to bear the joint and several responsibilities for Shenyang High-volt. On 30 December 2022, Hainan First Intermediate People's Court issued Civil Ruling (2022) Qiong 96 Min Chu No. 599. The court thought that the case constituted a repeated appealing, so the appealing by the plaintiff was rejected by law. Fushun Electric Porcelain has proposed an appealing on 11 February 2023. As of the disclosure date of the Report, the second-instance trial has not held by the court.

   For details, please refer to the relevant announcements released by the Company on the designated information disclosure platform: The Announcement on Litigation (announcement No.: 2022-044) dated 15 July 2022, and the Announcement on Litigation Progress (announcement No.: 2023-006) dated 7 February 2023.

(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 RMB-25,141,727.32 in 2022 and the profits distributable to shareholders was RMB-2,002,856,391.50 as at 31 December 2022. The Board has resolved not to recommend the payment of a final dividend for the current year (2021: Nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

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 on the "non-standard audit report" issued by the accounting firm for the Reporting Period

Northeast Electric Development Co., Ltd. (hereinafter refer to as "**NEE**" or "the **Company**") appointed Zhongxingcai Guanghua Certified Public Accountants LLP as the Company's domestic auditor for 2022 and Ting Ho Kwan & Chan Certified Public Accountants as the Company's overseas auditor for 2022 (collectively refer to as "**auditor**"). The auditor has issued an unqualified audit report with paragraphs on significant uncertainty as a going concern on the Company's financial report for the year 2022.

I. Matters Involved in Audit Opinions

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 RMB201,237,000 and RMB193,030,000 as at 31 December 2022 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. 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.

II. 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 fair and true 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 healthy development, increase new business growth points and smoothly ride out the negative impact caused by the delisting of the A-share from 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, increase a new business growth point. The Company has established a joint venture and explored new business growth points to bring in new impetus for the development of the Company. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, signed a joint venture agreement with Beijing DQH Brand Management Co., Ltd. to jointly invest in and establish NEE Business Travel (Hainan) Information Consulting Co., Ltd (東電商旅（海南）信息諮詢服務有限公司), which provides destination advertising and marketing services and travel information advisory services through online platforms; 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 2023, 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 new economic growth. Thus ensures the continued operation of the listed company through the introduction of strategic investors in a two-way manner.

3. Maintain stability in the internal and external operating environments and set long-term sustainable operation goals. In order to achieve the balance of cash flow, the Company will reasonably plan and adjust the business operation scale, establish sound operational objectives and continue to pursue sound operation management. Apart from that, it will also improve product innovation ability, maintain and strengthen the capacity for continuous operation, and continue to improve the profitability of the Group's main business.

4. Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters as appropriate 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 to reduce operating costs and maximize the profitability of the main business.

5. Ensure safety production. Enhance the organizational leadership, strictly implement the main body's responsibilities and each responsibility measure to ensure the safe and steady production. By refining the emergency plan and improving emergency handling abilities, we practically implement the safe prevention work with the highest working standards, strictest working requirements, strongest responsibilities, thereby creating a sound and safe environment for the stable and orderly operation of and development and reform of enterprise safety production.

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, while ensuring the traditional busbar products, the Group will also 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, promote and implement a new business cooperation, and strive to increase industrial stock and seek for more customers.

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 to ensure 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.

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 Reorganization

During the Reporting Period, the actual controller was changed.

For the execution of the Reorganization Plan for the substantive Merger and Reorganization of 321 Companies including HNA Group Co., Ltd., the de facto controller of NEE was changed from Hainan Province Cihang Foundation to no de facto controller; the controlling shareholder of NEE remains unchanged, still as Beijing Haihongyuan Investment Management Co., Ltd. , and Hainan HNA No.2 Information Management Service Co., Ltd. became the indirect controlling shareholder. For details, please refer to the Suggestive Announcement on Change of Actual Company Controller disclosed by the Company on 27 April 2022.

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 2022, 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 strict 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

The Company held an extraordinary general meeting of shareholders on 30 December 2022 for reselecting and appointing the members of the tenth Board of Directors and the tenth Board of Supervisors.

Directors and Supervisors of the Company have each entered into service contracts with the Company for a term beginning on 30 December 2022 and ending on the expiration of the term of the 10th session of the Board on 30 December 2025;

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's Board 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 10th 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 10th Supervisory Committee of the Company in each accounting year shall not exceed RMB800,000 (after tax) on average during their terms of office.

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 local authorities of Ministry of Human Resource and Social Security 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 2022, the Group had contributions to defined contribution pension scheme of RMB5,765,000. Please refer to the notes to the financial statements for details of the implementation policies of employee remuneration and pension scheme.

Top five individuals with the highest remuneration

The top five individuals with the highest remuneration of the Group for the year 2022 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 2022 and the year 2021.

Remuneration band:	**Number of employees for the year 2022**	**Number of employees for the year 2021**
HKD0 – HKD500,000	3	4
HKD500,001- HKD1,000,000	2	1

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 actively participate in continuous professional development to develop and refresh their knowledge and skills, so as 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.

Replacement of auditor

Upon consideration and approval at the 2nd meeting of the tenth session of the Board held on 19 January 2023 and the first extraordinary general meeting on 19 January 2023, the Company appointed the Zhongxingcai Guanghua Certified Public Accountants LLP as the domestic auditor for financial statements and internal control of the Company for the year 2022, and appointed Ting Ho Kwan & Chan Certified Public Accountants as the overseas auditor for the year 2022 for a period of one year, and authorized the Board to determine their remuneration.

Zhongxingcai Guanghua Certified Public Accountants LLP was engaged as the domestic auditor for the Company's annual financial report in 2022, 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 2022, and issuing audit opinions on its effectiveness. The total annual audit fee charged was RMB300,000. Meanwhile, Ting Ho Kwan & Chan Certified Public Accountants charged an annual audit fee of RMB400,000.

The remuneration (excluding tax) paid to the accounting firm for auditing the 2022 annual report was as follows:

(Unit of the amount: RMB)

Item	Year 2022	Year 2021
Auditor's remuneration		
—Annual auditing service fees (including internal control auditing service fees)	700,000.00	945,000.00
—Other service fees	0	55,000.00
Total	700,000.00	1,000,000.00

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 of the Company. As at the date of this Report, the Committee comprises Mr. Wang Hongyu, Mr. Li Zhengning, and Mr. Fang Guangrong and Mr. Mi Hongjie, 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 four 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 six meetings were held by the Audit Committee to scrutinize the Company's annual and interim financial reports, the first and the third quarterly reports respectively. All members attended the meetings to hear reports on the Company's internal control and issued related auditing reports and put forward their views. Especially in the annual report audit period, the Audit Committee has in-depth communication with the auditor, including discussion about key audit matters, going concern issues, and other important events or transactions that occurred during the period.

The tenth 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 2022, 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 all business operations 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 2022.

Guarantee

In 2022, the Company neither increased the external guarantee amount nor provided guarantee for any of its shareholders, de facto controller or related parties; as at 31 December 2022, the balance of the actual external guarantees provided by the Company was RMB30 million (all of which were provided before 2004, with no new guarantee amount provided in 2022).

Purchase, Sale or Redemption of The Company's Listed Securities

During the year, the Company did not redeem any listed securities nor did the Company and any of its subsidiaries repurchase or sell any of the Company's listed securities.

Employee and Remuneration Policies

As at 31 December 2022, the Group had 384 employees (31 December 2021: 651 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB50.85 million, and the number of retired employees for whom the Company bore expenses was nil. The remuneration policy for the Directors and the senior management focuses on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the performance of the Directors and individual senior management. The Group provides and arranges on-the-job training for the employees.

The Remuneration Committee of the Board reviews the remuneration and compensation packages of the Directors and the senior management with reference to the salaries paid by comparable companies in the market, time commitment, responsibilities of the Directors and the senior management as well as the Group's financial performance and make recommendations to the Board for consideration and approval.

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.

In order to improve employees' sense of identity and belonging, the Company and its subsidiary also actively provide multiple benefits for employees, including annual physical examination, holiday allowance, high temperature allowance etc., enabling each staff to be respected and cared as much as possible, thus enhancing the corporate cohesiveness, and stimulate employees' enthusiasm and creativity.

The Company strictly forbids any unethical employment approaches, including child labour and forced labour in the workplace, ensures employees to enjoy labour rights and perform their obligations in accordance with laws, and earnestly fulfills social responsibilities. During the year, the Company is not aware of any material violations of laws and regulations relating to employment and labour practices.

Environmental Management

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental-friendly and sustainable development by abiding by relevant laws and regulations (including the "Environmental Protection Law of the People's Republic of China" and the regulations implemented by the environmental protection bureaus of the relevant PRC local governments) during its daily operation. An environmental, social and governance report ("ESG Report") of the Group will be issued in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Listing Rules.

(I) Change in Equity (unit: shares)

Unit: shares

Nature of shares		At the beginning of the period		Changes in the period	At the end of the period	
		Number of shares	Percentage (%)		Number of shares	Percentage (%)
Shares not subject to trading moratorium	Total number of shares not subject to trading moratorium	867,370,978	99.31%	0	867,370,978	99.31%
	Including: Controlling Shareholders and de facto Controller	81,494,850	9.33%	0	81,494,850	9.33%
	Directors, supervisors and senior management	0	0%	0	0	0%
	Core employees	0	0%	0	0	0%
Shares subject to trading moratorium	Total number of Shares subject to trading moratorium	5,999,022	0.69%		5,999,022	0.69%
	Including: Controlling Shareholders and de facto Controller	0	0%	0	0	0%
	Directors, supervisors and senior management	0	0%	0	0	0%
	Core employees	0	0%	0	0	0%
Total number of shares		873,370,000	-	0	873,370,000	-
Number of ordinary shareholders						36,031

(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	Number of shares
HKSCC Nominees Limited	Overseas legal person	29.44%	257,099,899	-14,000	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
Wang Juan	Domestic natural person	1.16%	10,093,600	7,475,200	0	6,960,310		
Qin Jianming	Domestic natural person	1.06%	9,246,600	8,565,600	0	6,255,600		
Yang Bozhong	Domestic natural person	0.96%	8,400,000	8,400,000	0	5,530,912		
Zhu Xinghu	Domestic natural person	0.93%	8,101,700	8,101,700	0	5,132,388		
Zhao Rui	Domestic natural person	0.80%	6,960,310	0	0	5,079,067		
Yu Jun	Domestic natural person	0.57%	5,010,000	2,660,000	0	4,974,489		
Yang Youhong	Domestic natural person	0.57%	5,000,000	5,000,000	0	4,058,571		
Shi Yubo	Domestic natural person	0.51%	4,418,036	590,100	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

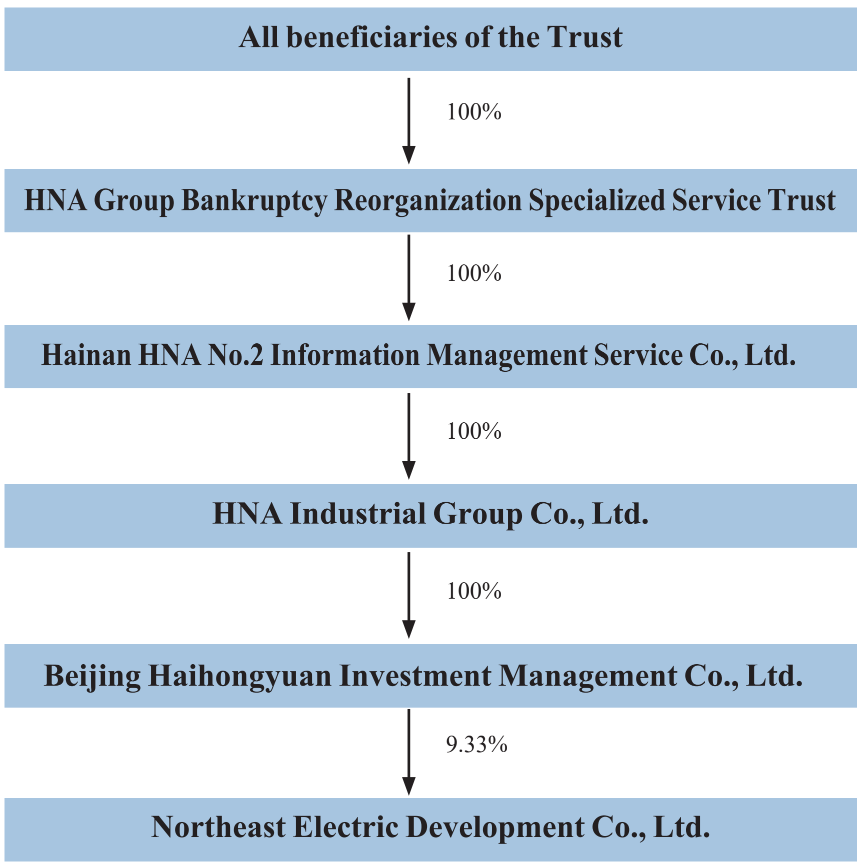
As of 31 December 2022, the Company did not issue any convertible securities, options, warrants or any other similar rights.

(7) The pledge procedures in respect of 81,494,850 domestic shares not subject to trading moratorium held by Beijing Haihongyuan Investment Management Co., Ltd. were completed with the 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

The controlling shareholder of the Company did not change during the Reporting Period.

Due to the implementation of the Reorganization Plan for the substantive Merger and Reorganization of 321 Companies including HNA Group Co., Ltd., the de facto controller of NEE was changed from Hainan Province Cihang Foundation to no facto controller; The controlling shareholder of NEE remains unchanged, still as Beijing Haihongyuan Investment Management Co., Ltd., and Hainan HNA No.2 Information Management Service Co., Ltd. as the indirect controlling shareholder. For details, please refer to the Suggestive Announcement on Change of Actual Company Controller disclosed by the Company on 27 April 2022.



(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 during the period (shares)	Number of shares held at the end of the period (shares)	Total pre-tax remuneration from the Company (RMB0'000)
Su Weiguo	Chairman, President	Incumbent	Male	61	3 January 2023	30 December 2025	0	0	0	64.4
Liu Jiangmei	Director	Incumbent	Female	49	30 December 2022	30 December 2025	0	0	0	0
He Wei	Director	Incumbent	Female	36	30 December 2022	30 December 2025	0	0	0	0
Ding Jishi	Director, Secretary to the Board	Incumbent	Male	38	30 December 2022	30 December 2025	0	0	0	46.6
Mi Hongjie	Director, Chief Financial Officer	Incumbent	Male	30	29 December 2021	30 December 2025	0	0	0	0
Zhu Xinguang	Director	Incumbent	Male	53	30 December 2022	30 December 2025	0	0	0	0
Fang Guangrong	Independent Director	Incumbent	Male	68	11 March 2019	30 December 2025	0	0	0	0
Wang Hongyu	Independent Director	Incumbent	Male	51	29 June 2020	30 December 2025	0	0	0	12
Li Zhengning	Independent Director	Incumbent	Male	43	2 June 2021	30 December 2025	0	0	0	12
Fan Siyao	Shareholder representative supervisor, Chairman of Supervisory Committee	Incumbent	Male	31	30 December 2022	30 December 2025	0	0	0	0
Yang Qing	Shareholder representative supervisor	Incumbent	Male	41	23 August 2021	30 December 2025	0	0	0	13.1
Xing Meixia	Employee representative supervisor	Incumbent	Female	35	3 January 2023	30 December 2025	0	0	0	0
Shang Duoxu	Former Director, Chairman	Resigned	Male	37	23 August 2021	30 December 2022	0	0	0	0
Wang Yongfan	Former Director	Resigned	Male	58	29 June 2020	1 June 2022	0	0	0	0
Guo Qianli	Former Director	Resigned	Male	61	29 June 2020	30 June 2022	0	0	0	0
Xing Zenghai	Former shareholder representative supervisor, Chairman of Supervisory Committee	Resigned	Male	36	23 August 2021	30 December 2022	0	0	0	0
Wu Rongyu	Former employee representative supervisor	Resigned	Female	31	23 August 2021	30 December 2022	0	0	0	14
Total										**162.1**

The breakdown of the remuneration of Directors, Supervisors and senior management for the year 2022 is as follows:

Unit: RMB10,000

Name	Emolument	Wage and allowance	Bonus	Housing provident fund and social insurance ※	Total pre-tax remuneration
Su Weiguo		57.5		6.8	64.3
Liu Jiangmei					
He Wei					
Ding Jishi		38.2		8.4	46.6
Mi Hongjie					
Zhu Xinguang					
Fang Guangrong					
Wang Hongyu	12				12
Li Zhengning	12				12
Fan Siyao					
Yang Qing		10.7		2.4	13.1
Xing Meixia					
Shang Duoxu					
Wang Yongfan					
Guo Qianli					
Xing Zenghai					
Wu Rongyu		12		2	14

※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	Date	Reason
Wang Yongfan	Former Director	Resigned	1 June 2022	Work adjustment
Guo Qianli	Former Director	Resigned	30 June 2022	Work adjustment
Liu Jiangmei	Director	Appointed	30 December 2022	Operational needs
He Wei	Director	Appointed	30 December 2022	Operational needs
Ding Jishi	Director	Appointed	30 December 2022	Operational needs
Zhu Xinguang	Director	Appointed	30 December 2022	Operational needs
Fan Siyao	Shareholder representative supervisor	Appointed	30 December 2022	Operational needs
Xing Meixia	Employee representative supervisor	Appointed	30 December 2022	Operational needs
Shang Duoxu	Former Director, Chairman	Leave office at expiration	30 December 2022	Work adjustment
Xing Zenghai	Former Director	Resigned	30 December 2022	Work adjustment
Wu Rongyu	Former Director	Resigned	30 December 2022	Work adjustment
Su Weiguo	Chairman	Appointed	3 January 2023	Operational needs

(III) Employment

1. Directors of the 10th session of the Board

(1) Non-independent Directors

Mr. Su Weiguo, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a senior economist 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, and the section chief of business management department, assistant to 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 the Chairman and President of NEE.

Ms. Liu Jiangmei, born in 1974, with Chinese nationality and without the right of permanent residence abroad, graduated from Tangshan University with a bachelor's degree in business management, Beihang University with a master's degree in public relations management, and Tsinghua University with a master's degree in economic management. She used to be the HR manager of the Beijing Office of American 7xi Industrial Investment Co., Ltd., the deputy general manager of the Beijing Office of Sunwave Communications Co., Ltd., and the executive director and general manager of Beijing GuoshiJingwei Technology Co., Ltd. Currently, she is the chairman of Beijing GuoshiJingwei Technology Co., Ltd., the executive director of Lhasa GuoshiJingwei Culture Communication Co., Ltd., and the Director of NEE.

Ms. He Wei, born in 1987, with Chinese nationality and without the right of permanent residence abroad, graduated from Electronic Information Engineering of Southwest Petroleum University with a bachelor's degree. She used to be the commercial director of the Hotel Business Department of Beijing Sankuai Online Technology Co., Ltd., the general manager of the Enterprise Department of Beijing Fanyu Jingtai Technology Co., Ltd., and the general manager of ZhongcaiChengfa Group Co., Ltd., She is now the director and president of People's Industrial Development (Qingdao) Co., Ltd., the executive director of Beijing Qingfengye Technology Co., Ltd., and the Director of NEE.

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 holds the qualification certificate of secretary of the board of directors. 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 NEE. He currently serves as the director and secretary to the Board of NEE.

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 and the Chief Financial Officer of NEE.

Mr. Zhu Xinguang, born in 1970, with Chinese nationality and without the right of permanent residence abroad. As a senior engineer, he graduated from the Department of Electrical Engineering of Shenyang University of Technology in 1992 with a bachelor's degree in engineering. He was a technician in the design department of Shenyang High Voltage Switchgear Co., Ltd., secretary, deputy director, director and securities affairs representative of the general manager's office of NEE. He is currently the Director of NEE, director of the office of the Board of Directors and representative of securities affairs.

(2) Independent Directors

Mr. Fang Guangrong, born in 1955, with Chinese nationality and without the right of permanent residence abroad, graduated from Ningxia University with 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 NEE.

Mr. Wang Hongyu, born in 1972, with Chinese nationality and without the right of permanent residence abroad, successively graduated from Wuhan University and Hong Kong University of Science and Technology with a master's degree., He holds the senior accountant certificate and the independent director qualification certificate. He once served as a senior manager at Asia Pacific (Group) Certified Public Accountants, the deputy general manager of Yango 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 NEE.

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 NEE.

(3) Members of the Special Committees Under the 10th Session of the Board

As at the date of this report, the members of each special committee of the 10th session of the Board are as follows:

① Strategic Development Committee

Chairman: Mr. Su Weiguo

Members: Mr. Fang Guangrong, Ms. Liu Jiangmei, Mr. Mi Hongjie, Mr. Ding Jishi

② Nomination Committee

Chairman: Mr. Wang Hongyu

Members: Mr. Su Weiguo, Mr. Fang Guangrong

③ Remuneration Committee

Chairman: Mr. Fang Guangrong

Members: Mr. Su Weiguo, Mr. Li Zhengning, Mr. Wang Hongyu

④ Investment Management Committee

Chairman: Mr. Su Weiguo

Members: Mr. Fang Guangrong, Ms. He Wei, Mr. Ding Jishi, Mr. Zhu Xinguang

⑤ Audit Committee

Chairman: Mr. Wang Hongyu

Members: Mr. Li Zhengning, Mr. Fang Guangrong, Mr. Mi Hongjie

2. Supervisors of the 10th session of the Supervisory Committee

(1) Shareholder representative Supervisors

Mr. Fan Siyao, born in 1992, with Chinese nationality and without the right of permanent residence abroad, graduated from Northwestern Polytechnical University with a bachelor's degree in mathematics and applied mathematics. He was the director of standardized operation of the board office of Xi 'an Minsheng Group Co., Ltd., the senior director of the board office of Supply and Ccoop Group Co., Ltd., and the business assistant of the securities business department of HNA Group Headquarters. He is currently the manager of the securities management center of the enterprise management department of Hainan HNA No.2 Information Management Service Co., Ltd., the chairman of the Supervisory Committee and the shareholder representative Supervisor of NEE.

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 of Fuxin Enclosed Busbars Co., Ltd. He is currently the deputy chief engineer at Fuxin Enclosed Busbars Co., Ltd. and a shareholder representative Supervisor of NEE.

Ms. Xing Meixia, born in 1988, with Chinese nationality and without the right of permanent residence abroad. She graduated from Nanjing University of Aeronautics and Astronautics with a bachelor's degree in management and a senior secretary professional qualification certificate and an administrator certificate. She used to be the domestic customer specialist of the domestic call center of the marketing department of Hainan Airlines Holding Co., Ltd. She is now the employee representative Supervisor and the administrative commissioner of the Human Resources Administration Department of NEE.

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 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, and the section chief of business management department, assistant to 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 the Chairman and President of NEE.

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 holds the qualification certificate of secretary of the board of directors. 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 Director and secretary to the Board of NEE.

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 and the Chief Financial Officer of the Company.

4. Joint Company Secretary

Mr. Chen Yiping, born in 1977, with Chinese Hongkong nationality, graduated from The Hong Kong Polytechnic University with a bachelor's degree in accounting (honours). Mr. Chen Yiping has more than 20 years of rich working experience in auditing, financial management, company secretarial management and corporate governance. At present, he is the director of Tianhao Certified Public Accountants Co., Ltd., a certified public accountant in Hong Kong, and the Joint Company Secretary of NEE.

(IV) Staff of the Company (Number of Employees, Occupational Structure and Education Level)

Number of employees on the payroll of the parent company (person)	9
Number of employees on the payroll of the main subsidiaries (person)	119
Total number of employees on the payroll (person)	384
Total number of employees receiving remuneration in the current period (person)	384
Number of retired employees for whom the parent company and main subsidiaries need to pay expenses (person)	0

Occupational structure

Occupational structure category	**occupational structure**
Production staff	241
Salesperson	32
Technical staff	32
Financial staff	23
Administrative staff	56
Total	**384**

Education level

Education level category	**Number (person)**
Bachelor degree and above	86
College	102
Senior high school and below	196
Total	**384**

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, and ensure that all shareholders, especially minority shareholders, can enjoy equal status and fully exercise their rights.

(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, 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 2021 by a combination of on-site voting and online voting on 29 June 2022, details of which are set out in the Announcement on the Poll Results of the 2021 Annual General Meeting issued on 29 June 2022.

The Company convened its first extraordinary general meeting in 2022 by a combination of on-site voting and online voting on 30 December 2022, details of which are set out in the Announcement on the Poll Results of the First Extraordinary General Meeting for 2022 issued on 30 December 2022.

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	8	0	8	0	0	No	1
Wang Hongyu	8	0	8	0	0	No	2
Li Zhengning	8	0	8	0	0	No	1

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

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. Su Weiguo serves as Chairman, and members are Mr. Fang Guangrong, Ms. Liu Jiangmei, Mr. Mi Hongjie, Mr. Ding Jishi. 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. Su Weiguo and Mr. Fang Guangrong. During the reporting period, the committee convened one 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. Su Weiguo, 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. Su Weiguo serves as Chairman, and members are Mr. Fang Guangrong, Ms. He Wei, Mr. Ding Jishi, Mr. Zhu Xinguang. 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 all members. 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, Mr. Fang Guangrong and Mr. Mi Hongjie.

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 2022 to 31 December 2022, except for the following deviation:

Pursuant to CG Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. In addition, as all major decisions are made in consultation with the members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure from time to time to ensure that appropriate action is being taken as and when appropriate.

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 six executive directors and three independent non-executive directors, which is shown as follows:

Executive directors:

Su Weiguo	Chairman of the Board, member of Nomination Committee, member of Remuneration Committee, chief member of Investment Management Committee, chief member of Strategy Committee
Liu Jiangmei	Member of Strategy Committee
He Wei	Member of Investment Management Committee
Ding Jishi	Member of Strategy Committee , member of Investment Management Committee
Mi Hongjie	Member of Audit Committee
Zhu Xinguang	Member of Investment Management Committee

Independent non-executive directors:

Li Zhengning	Member of Audit Committee, member of Remuneration 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, member of Investment Management 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 2022, the Board of the Company held 8 meetings, the Company held 2 general meetings. In 2022, the attendance of directors at board meetings and general meetings was as follows:

	Board meeting			General meeting	
Number of meetings	**8**			**2**	
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	8	0	8/8	1	1/2
Su Weiguo	8	0	8/8	2	2/2
Liu Jiangmei	0	0	0/0	0	0/0
He Wei	0	0	0/0	0	0/0
Ding Jishi	0	0	0/0	0	0/0
Zhu Xinguang	0	0	0/0	0	0/0
Mi Hongjie	8	0	8/8	2	2/2
Independent non-executive directors					
Li Zhengning	8	0	8/8	1	1/2
Fang Guangrong	8	0	8/8	1	1/2
Wang Hongyu	8	0	8/8	2	2/2

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 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		
Su Weiguo	√	√
Liu Jiangmei	√	√
He Wei	√	√
Ding Jishi	√	√
Mi Hongjie	√	√
Zhu Xinguang	√	√
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 Company has now completed the implementation of board diversity policy. The Company has made 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 both chaired by Mr. Su Weiguo.

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 30 December 2025.

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 30 December 2022, the general meeting considered and approved the appointment of Zhongxingcai Guanghua Certified Public Accountants LLP as the Company's domestic auditor in 2022 and Ting Ho Kwan & Chan Certified Public Accountants as the Company's 2022 overseas auditor (collectively referred to as the "**Audit Institutions**"), and authorized the Board to determine the auditor's remuneration. As determined, the remuneration is RMB700,000 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 2020 Annual General Meeting held on 2 June 2021 by special resolution. For details about the Articles of Association, please refer to the Company's announcement dated 2 June 2021.

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.

Zhongxingcai Guanghua Certified Public Accountants LLP issued a standard and unqualified internal control audit report, and is of the view that as at 31 December 2022, 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 2022 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 2022 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 2022.

(3) Asset acquisitions and disposals

The external investment, equity acquisition, and asset acquisition and sale matters (if any) 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, Fan Siyao, Yang Qing and Xing Meixia, 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.

To the members of
Northeast Electric Development Company Limited
(Incorporated in the People's Republic of China with limited liability)

TING HO KWAN & CHAN

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 82 to 198, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 RMB201,237,000 and RMB193,030,000 as at 31 December 2022 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. 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 2022. 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 and other receivables *Refer to significant accounting policies in note 2 and the disclosure of trade and rental receivables and other receivables in notes 19, 20 and 33(a) to the consolidated financial statements.*	
As at 31 December 2022, the carrying value of trade and rental receivables and other receivables (net of loss allowances) were RMB56,565,000 and RMB9,441,000 respectively. Provision of loss allowance amounting to RMB480,000 and RMB1,568,000 on trade and rental receivables and other receivables 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 and other receivables requires the use of management's judgement and estimate. Management assessed the provision for ECL of 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 and other receivables.

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 2022, the Group had property, plant and equipment with carrying amount of approximately RMB38,526,000, which are used by the Group in its production and sales of power transmission equipment and related accessories segment. The carrying amount 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 amount 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 amount 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 2022. 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 amount.	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 of 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.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information include in the 2022 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.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Chan Shun Lan.

TING HO KWAN & CHAN
Certified Public Accountants (Practising)
Hong Kong, 31 March 2023

	Notes	**2022** **RMB'000**	2021 RMB'000
Revenue	3	**161,003**	119,485
Cost of sales and services		**(68,784)**	(50,662)
Gross profit		**92,219**	68,823
Other income and gain (loss)	4	**10,031**	42,406
Selling expenses		**(84,339)**	(50,156)
Administrative and other operating expenses		**(40,310)**	(46,776)
(Provision) Reversal of loss allowance on			
– trade and rental receivables	33(a)	**(480)**	(2,665)
– other receivables	33(a)	**(1,568)**	(1,003)
– cash at a financial institution	33(a)	**-**	18,264
Impairment loss of right-of-use assets	12	**-**	(9,628)
Finance costs	6	**(1,068)**	(1,799)
(Loss) Profit before taxation	6	**(25,515)**	17,466
Income tax credit	7	**246**	133
(Loss) Profit for the year		**(25,269)**	17,599
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		**(224)**	93
Total other comprehensive (loss) income for the year, net of tax		**(224)**	93
Total comprehensive (loss) income for the year		**(25,493)**	17,692

		2022	2021
	Notes	***RMB'000***	*RMB'000*
(Loss) Profit for the year attributable to:			
Equity holders of the Company		**(25,142)**	17,629
Non-controlling interests	*14*	**(127)**	(30)
(Loss) Profit for the year		**(25,269)**	17,599
Total comprehensive (loss) income for the year attributable to:			
Equity holders of the Company		**(25,366)**	17,722
Non-controlling interests	*14*	**(127)**	(30)
Total comprehensive (loss) income for the year		**(25,493)**	17,692
(Loss)/Earnings per share		**RMB cents**	RMB cents
Basic and diluted	*10*	**(2.88)**	2.02

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**39,129**	42,178
Right-of-use assets	12	**6,909**	19,764
Land use right	13	**11,550**	11,814
Interest in associates	15	**-**	-
Financial assets at fair value through profit or loss	16	**19,084**	-
Designated FVOCI	17	**-**	-
		76,672	73,756
Current assets			
Inventories	18	**19,727**	14,796
Trade and rental receivables	19	**56,565**	58,558
Prepayments, deposits and other receivables	20	**13,388**	13,581
Cash at a financial institution	21	**-**	17,903
Cash at banks and in hand	21	**15,129**	18,645
		104,809	123,483

	Notes	2022 RMB'000	2021 RMB'000
Current liabilities			
Trade payables	22	**45,516**	31,892
Contract liabilities	23	**9,528**	6,757
Other payables	24	**225,644**	203,726
Employment benefits payables	24	**5,958**	8,835
Tax payables		**2,332**	2,799
Lease liabilities	25	**17,068**	40,377
		306,046	294,386
Net current liabilities		**(201,237)**	(170,903)
Total assets less current liabilities		**(124,565)**	(97,147)
Non-current liabilities			
Provisions	26	**34,355**	34,355
Government grants	27	**34,110**	36,035
		68,465	70,390
NET LIABILITIES		**(193,030)**	(167,537)

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Capital and reserves			
Share capital	*28*	**873,370**	873,370
Reserves	*29*	**(1,068,433)**	(1,043,067)
Equity attributable to equity holders of the Company		**(195,063)**	(169,697)
Non-controlling interests	*14*	**2,033**	2,160
TOTAL DEFICITS		**(193,030)**	(167,537)

The consolidated financial statements on pages 82 to 198 were approved and authorised for issue by the Board of Directors on 31 March 2023 and signed on its behalf by:

Su Weiguo	**Mi Hongjie**
Executive Director	*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 2022	873,370	1,083,997	108,587	(231,194)	(26,743)	(1,977,714)	(1,043,067)	(169,697)	2,160	(167,537)
Loss for the year	-	-	-	-	-	(25,142)	(25,142)	(25,142)	(127)	(25,269)
Other comprehensive loss										
Exchange differences on translation of foreign operations	-	-	-	-	(224)	-	(224)	(224)	-	(224)
Total other comprehensive loss for the year	-	-	-	-	(224)	-	(224)	(224)	-	(224)
Total comprehensive loss for the year	-	-	-	-	(224)	(25,142)	(25,366)	(25,366)	(127)	(25,493)
As at 31 December 2022	873,370	1,083,997	108,587	(231,194)	(26,967)	(2,002,856)	(1,068,433)	(195,063)	2,033	(193,030)

	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 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)

	Notes	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	31(a)	**7,364**	12,313
Income taxes paid		**(221)**	(981)
Net cash generated from operating activities		**7,143**	11,332
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(165)**	(479)
Proceeds from disposal of property, plant and equipment		**73**	-
Deposits withdrawn from a financial institution		**-**	361
Interest received		**181**	-
Net cash generated from (used in) investing activities		**89**	(118)
FINANCING ACTIVITIES	31(b)		
Repayment of lease liabilities		**(12,308)**	(2,972)
Interest paid		**(647)**	(1,240)
Net cash used in financing activities		**(12,955)**	(4,212)
Net (decrease) increase in cash and cash equivalents		**(5,723)**	7,002
Cash and cash equivalents at the beginning of the reporting period		**15,636**	8,536
Effect on exchange rate changes on cash and cash equivalents		**36**	98
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	21	**9,949**	15,636

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.

The Company, a joint stock company incorporated in the People's Republic of China (the "PRC") with limited liability, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") ("H shares").

The addresses of the registered office and the principal place of business of the Company are located 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 and New HNA Building, No. 7 Guoxing Avenue, Meilian District, Haikou City, Hainan Province respectively.

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 14 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 2021 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)*

Adoption of New/Revised IFRSs

The Group has applied, for the first time, the following amendments to IFRSs that are relevant to the Group:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

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 2022, the current liabilities of the Group exceeded its current assets by approximately RMB201,237,000 and net liabilities of approximately RMB193,030,000. The Group maintained cash at bank and in hand of approximately RMB15,129,000 as at 31 December 2022. 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) 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, increase a new growth point. The Group has established a joint venture and explored new business growth points to bring in new impetus for the development of the Group. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, signed a joint venture agreement with Beijing DQH Brand Management Co., Ltd. to jointly invest in and establish NEE Business Travel (Hainan) Information Consulting Co., Ltd., which provides destination advertising and marketing services and travel information advisory services through online platforms; 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 its factory, which will be sufficient to support its continuous operation for the next twelve months. Through the above measures, the Group is able to meet its working capital needs and achieve a cash flow balance.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

(b) Make full use of financing channels of the capital market to bring in strategic investors in a two-way manner. In 2023, in addition to maintaining the operation of its enclosed busbar and hotel accommodation and catering businesses, the Group will 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.

(c) 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, the Group will 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 Group's main business.

(d) Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters as appropriate 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.

(e) 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, while ensuring the traditional busbar products, the Group will also 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, promote and implement a new business cooperation, and strive to increase industrial stock and seek for more customers.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

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 financial assets at fair value through profit or loss and 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment 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 as set out below from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method. 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
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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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 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)*

Recognition and derecognition (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 fair value through profit or loss ("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 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)*

Recognition and derecognition (Continued)

Classification and measurement (Continued)

Financial assets at FVPL

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

The Group's financial assets at FVPL include unlisted equity investment.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(Continued)*

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
(e) external credit risk ratings

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

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:

– Sale of power transmission equipment and related accessories

– Provision of catering and other ancillary services

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).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 (Continued)

Timing of revenue recognition

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.

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:

- 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 and other ancillary services is recognised at a point in time when the relevant transactions have been arranged or the relevant services have been rendered.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

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.

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.

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 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 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign-currency translation *(Continued)*

- 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.

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, investments in associates 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).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets, other than goodwill *(Continued)*

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.

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	Over the lease term
Hotels and restaurants	Over the lease term

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 included in the measurement of the lease liability 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

(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.

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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which are derived from the Group’s ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15, Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

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 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.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment, 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

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 investments. Details of the key assumption and inputs used in the valuation are set out in notes 16, 17 and 34(a) 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

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.

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.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors do not anticipate that the adoption of the new/revised IFRSs will have any material impact on the Group'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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
Sales of power transmission equipment and related accessories	**50,064**	41,475
Provision of catering and other ancillary services	**45,284**	31,795
	95,348	73,270
Revenue from other sources		
Lease income from operating lease of hotel rooms	**65,655**	46,215
	161,003	119,485

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:

	Sales of power transmission equipment and related accessories	**Provision of catering and other ancillary services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Year ended 31 December 2022			
By products:			
- Enclosed busbars	**50,064**	**-**	**50,064**
- Provision of catering and other ancillary services	**-**	**45,284**	**45,284**
	50,064	**45,284**	**95,348**
Geographical region:			
- The PRC	**50,064**	**45,284**	**95,348**
Timing of revenue recognition:			
- At a point in time	**50,064**	**45,284**	**95,348**
Type of transaction price:			
- Fixed price	**50,064**	**45,284**	**95,348**

3. REVENUE *(Continued)*

	Sales of power transmission equipment and related accessories	Provision of catering and other ancillary services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021			
By products:			
- Enclosed busbars	41,475	-	41,475
- Provision of catering and other ancillary 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	31,795#	73,270
Type of transaction price:			
- Fixed price	41,475	31,795	73,270

The comparative figures of revenue amounted to approximately RMB31,795,000, representing the revenue of provision of catering and other ancillary services have been reclassified from "over time" to "point in time" to conform with the current year's presentation.

4. OTHER INCOME AND GAIN (LOSS)

	2022	2021
	RMB'000	*RMB'000*
Interest income from banks	**181**	-
Gain on early termination/modification of lease contracts	**5,883**	1,378
Loss on disposal of property, plant and equipment	**(49)**	-
Government grants *(note 27)*	**1,925**	1,853
Income from reorganisation of HNA Group	**296**	-
Reversal of overprovision of litigation expenses in prior years	**-**	37,745
Overprovision of salaries and other benefits	**-**	1,216
Sundry income	**1,795**	214
	10,031	42,406

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 2022

	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	**50,064**	**110,939**	**-**	**161,003**
Results				
(Loss) Profit for the year before the following items:	**(3,609)**	**2,348**	**-**	**(1,261)**
Depreciation and amortisation of				
- property, plant and equipment	**(3,006)**	**-**	**(27)**	**(3,033)**
- right-of-use assets	**-**	**(14,605)**	**-**	**(14,605)**
- land use right	**(264)**	**-**	**-**	**(264)**
Finance costs	**(97)**	**(911)**	**(60)**	**(1,068)**
Segment results	**(6,976)**	**(13,168)**	**(87)**	**(20,231)**
Unallocated other operating expenses				**(5,284)**
Loss before taxation				**(25,515)**
Taxation				**246**
Loss for the year				**(25,269)**

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Segment assets and liabilities as at 31 December 2022

	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 other than following items:	59,557	43,581	-	103,138
Financial assets at fair value through profit or loss	-	-	19,084	19,084
Property, plant and equipment	38,526	-	603	39,129
Right-of-use assets	-	6,909	-	6,909
Land use right	11,550	-	-	11,550
Segment assets	109,633	50,490	19,687	179,810
Unallocated assets				1,671
				181,481
Liabilities				
Segment liabilities	(72,539)	(82,665)	-	(155,204)
Unallocated liabilities				(219,307)
				(374,511)

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

Other segment information for the year ended 31 December 2022

	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	165	-	-	-	165
Provision of loss allowance on trade, rental and other receivables, net	(261)	(1,313)	-	(474)	(2,048)
Research and development expenses	(2,761)	-	-	-	(2,761)
Short-term leases – office premises	-	-	-	(703)	(703)

5. SEGMENT INFORMATION *(Continued)*

(a) By business segments *(Continued)*

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, plant 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 other than 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 (Provision) of 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 investment properties that generated rental income	-	(3,295)	-	-	(3,295)

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

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

6. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	2022 ***RMB'000***	2021 *RMB'000*
Staff costs, including directors' emoluments		
Salaries and other benefits	**42,088**	27,408
Contributions to defined contribution retirement schemes	**8,762**	6,993
Total staff costs	**50,850**	34,401

	2022 ***RMB'000***	2021 *RMB'000*
Finance costs		
Interest expenses on borrowings	**52**	49
Interest expenses on lease liabilities	**796**	1,632
Bank charges	**220**	118
	1,068	1,799

6. (LOSS) PROFIT BEFORE TAXATION *(Continued)*

	2022	2021
	RMB'000	*RMB'000*
Other items		
Auditor's remuneration		
- Current year	**700**	1,000
- Overprovision in prior year	**(100)**	-
Cost of inventories	**60,076***	48,828*
Depreciation and amortisation		
- Property, plant and equipment	**3,033**	3,207
- Investment properties	**-**	2,826
- Right-of-use assets	**14,605**	10,531
- Land use right, included in administrative and other operating expenses	**264**	264
Research and development expenses	**2,761**	2,496
Short-term leases expenses		
- Office premises	**703**	927
Direct operating expenses arising from investment properties that generated rental income	**-**	3,295

* Included in cost of inventories recognised as expense were a provision for impairment on inventories of RMB42,000 *(2021: RMB18,000)* and write down of inventories of RMBnil *(2021: RMB22,000)* to their net realisable values.

7. TAXATION

For the years ended 31 December 2022 and 2021, Enterprise Income Tax has not been provided as the Group incurred a loss for taxation purpose in the PRC.

For the years ended 31 December 2022 and 2021, Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong.

	2022	2021
	RMB'000	*RMB'000*
Current tax		
Enterprise Income Tax		
Current year	**-**	-
Overprovision in prior years	**(246)**	(133)
Income tax credit	**(246)**	(133)

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

	2022	2021
	RMB'000	*RMB'000*
(Loss) profit before taxation	**(25,515)**	17,466
Tax calculated at applicable tax rate	**(5,680)**	5,354
Non-deductible expenses	**13**	97
Non-taxable income	**-**	(9,436)
Unrecognised tax losses	**5,995**	4,797
Unrecognised temporary differences	**73**	(1,223)
Differences in overseas tax rates	**(699)**	(10)
Overprovision in prior years	**(246)**	(133)
Others	**298**	421
Income tax credit	**(246)**	(133)

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 2022 and 2021.

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid or payables to each director of the Company are as follows:

	2022				
	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 *(resigned on 30 December 2022)*	-	113	-	27	140
Xing Zenghai *(resigned on 30 December 2022)*	-	-	-	-	-
Yang Qing	-	109	-	22	131
Fan Siyao *(appointed on 30 December 2022)*	-	-	-	-	-
Xing Meixia *(appointed on 30 December 2022)*	-	-	-	-	-
Executive directors					
Guo Qianli *(resigned on 30 June 2022)*	-	-	-	-	-
Mi Hongjie	-	-	-	-	-
Shang Duoxu *(resigned on 30 December 2022)*	-	-	-	-	-
Su Weiguo	-	595	-	48	643
Wang Yongfan *(resigned on 31 May 2022)*	-	-	-	-	-
He Wei *(appointed on 30 December 2022)*	-	-	-	-	-
Liu Jiangmei *(appointed on 30 December 2022)*	-	-	-	-	-
Ding Jishi *(appointed on 30 December 2022)*	-	-	-	-	-
Zhu Xinguang *(appointed on 30 December 2022)*	-	-	-	-	-
Independent non-executive directors					
Fang Guangrong	120	-	-	-	120
Li Zhengning	-	-	-	-	-
Wang Hongyu	120	-	-	-	120
	240	**817**	**-**	**97**	**1,154**

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	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' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

There were no arrangements under which a director waived or agreed to waive any emoluments for the year *(2021: Nil)*. 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 *(2021: Nil)*.

(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 2022 *(2021: Nil)*.

(ii) Directors' material interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the Group'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 2022 *(2021: Nil)*.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one *(2021: one)* is director whose emolument is disclosed above. The aggregate of the emoluments in respect of the remaining four *(2021: four)* highest paid individuals, who are not directors, are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,697**	1,456
Contributions to defined contribution retirement schemes	**244**	302
	1,941	1,758

8. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(Continued)*

(b) Individuals with highest emoluments *(Continued)*

The emoluments of the four *(2021: four)* individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000	**4**	4

There were no arrangements under which any of the four *(2021: four)* highest paid individuals waived or agreed to waive any remuneration during the year *(2021: Nil)*. In addition, no remuneration was paid by the Group to any of the four *(2021: four)* highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office *(2021: Nil)*.

9. DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the years ended 31 December 2022 and 2021.

10. (LOSS)EARNINGS PER SHARE

The calculation of the basis (loss) earnings per share for the year is based on the consolidated loss for the year attributable to the equity holders of the Company of approximately RMB25,142,000 *(2021: profit of approximately RMB17,629,000)* and the weighted average number of 873,370,000 *(2021: 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 (loss) earnings per share is the same as basic (loss) earnings per share for the years presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Machinery and other equipment**	**Transportation equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
Reconciliation of carrying amount – year ended 31 December 2022				
At the beginning of the reporting period	32,500	8,822	856	42,178
Additions	-	98	67	165
Depreciation	(1,990)	(1,011)	(32)	(3,033)
Disposal	-	(78)	(44)	(122)
Exchange adjustments	-	-	(59)	(59)
At the end of the reporting period	30,510	7,831	788	39,129
At 1 January 2022				
Cost	39,539	16,668	4,230	60,437
Accumulated depreciation and impairment losses	(7,039)	(7,846)	(3,374)	(18,259)
Net carrying amount	32,500	8,822	856	42,178
At 31 December 2022				
Cost	39,539	16,674	2,714	58,927
Accumulated depreciation and impairment losses	(9,029)	(8,843)	(1,926)	(19,798)
Net carrying amount	30,510	7,831	788	39,129

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 RMB41,145,000 together with land use right of RMB12,730,000 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 RMB38,526,000 *(2021: RMB41,367,000)* and RMB11,550,000 *(2021: RMB11,814,000)* 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 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
Reconciliation of carrying amount – year ended 31 December 2022				
At the beginning of the reporting period	**-**	**-**	**19,764**	**19,764**
Lease modification	**-**	**-**	**6,909**	**6,909**
Depreciation	**-**	**-**	**(14,605)**	**(14,605)**
Early termination of lease contracts	**-**	**-**	**(5,159)**	**(5,159)**
At the end of the reporting period	**-**	**-**	**6,909**	**6,909**

12. LEASES *(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 2022				
Cost	-	-	39,189	39,189
Accumulated depreciation and impairment loss	-	-	(19,425)	(19,425)
Net carrying amount	-	-	19,764	19,764
At 31 December 2022				
Cost	-	-	18,461	18,461
Accumulated depreciation and impairment loss	-	-	(11,552)	(11,552)
Net carrying amount	-	-	6,909	6,909

In December 2022, the Group had lease modification in respect of extend the lease term from 1.4 to 2.4 years and reduce the annual lease payment from RMB9,500,000 to RMB7,500,000 on a lease arrangement of a hotel.

The right-of-use assets in respect of the hotel have been classified under owner-occupied properties rather than investment properties as the provision of ancillary services are significant. All the leases of investment properties which were recognised in previous year have been early terminated during the year ended 31 December 2021.

12. LEASES *(Continued)*

Leasing arrangements – As lessee

Hotel

During the year ended 31 December 2021, 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 companies 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 presented as investment properties with its carrying amount of right-of-use assets and lease liabilities at the date of termination of RMB10,361,000 and RMB11,583,000 respectively were terminated in February 2021, resulted in a gain on early termination of lease contracts of RMB1,222,000 recognised in profit or loss during the year ended 31 December 2021.

During the year ended 31 December 2022, a subsidiary of the Group has entered into a termination agreement with the landlords to terminate certain tenancy agreements. As a result, certain leases of hotel with carrying amount of right-of-use assets and lease liabilities at the date of termination of RMB5,159,000 and RMB9,136,000 respectively were terminated in May 2022, resulted in a gain on early termination of leases contracts of RMB3,977,000 recognised in profit or loss during the year.

At the end of the reporting period, the right-of-use assets of RMB6,909,000 (2021: RMB19,764,000) are held under head leases with the remaining lease term of 1 year (2021:1 year) with an option to renew the lease upon renegotiation. 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 companies 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 and RMB2,668,000 respectively were terminated in February 2021, resulted in a gain on early termination of leases contracts of RMB156,000 recognised in profit or loss during the year ended 31 December 2021.

12. LEASES *(Continued)*

Leasing arrangements – As lessee *(Continued)*

The Group has recognised the following amounts for the year.

	2022	2021
	RMB'000	*RMB'000*
Lease payments:		
Short-term leases	**703**	927
Expenses recognised in profit or loss	**703**	927
Total cash outflow for leases	**12,019**	4,212

At 31 December 2021, the directors of the Company evaluated the recoverable amount of RMB19,764,000 for leases of hotel presented as right-of-use assets based on value-in-use calculation. The value-in-use calculation 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% during the remaining lease 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 leases of hotel presented as right-of-use assets of RMB9,628,000 was recognised in profit or loss during the year ended 31 December 2021.

13. LAND USE RIGHT

	RMB'000
Reconciliation of carrying amount – year ended 31 December 2021	
At the beginning of the reporting period	12,078
Amortisation	(264)
At the end of the reporting period	11,814
Reconciliation of carrying amount – year ended 31 December 2022	
At the beginning of the reporting period	**11,814**
Amortisation	**(264)**
At the end of the reporting period	**11,550**

	RMB'000
At 1 January 2022	
Cost	13,200
Accumulated amortisation	(1,386)
Net carrying amount	11,814
At 31 December 2022	
Cost	13,200
Accumulated amortisation	(1,650)
Net carrying amount	11,550

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 amortised on a straight-line basis over 50 years. At the end of the reporting period, the remaining useful life is 44 years *(2021: 45 years)*.

14. 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	Issued and fully paid share capital/registered capital	Effective ownership interest held by the Company	Principal activities
Northeast Electric Development (Hong Kong) Co. Ltd.	Hong Kong/Limited liability company	20,000,000 ordinary shares of US$1 each	100%	Investment holding
Great Talent Technology Limited	British Virgin Islands ("BVI")/ Limited liability company	1 share of US$1 each	100%	Investment holding
Shenyang Kaiyi Electric Co. Ltd. ("Shenyang Kaiyi Electric")	The PRC/Limited liability company	RMB1,000,000	100%	Investment holding
Fuxin Enclosed Busbar Co., Ltd.	The PRC/Limited liability company	US$8,500,000	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	RMB50,000,000	99%	Hotel operations and provision of catering service
Northeast Electric (Chengdu) Electric Engineering Design Co. Ltd ("Northeast Electric (Chengdu)")	The PRC/Limited liability company	RMB10,000,000	50.49%	Investment holding

All the above subsidiaries carried out operations in the PRC.

None of the subsidiaries had any debt securities in issue at any time during the years ended 31 December 2022 and 2021.

14. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material non-controlling interest ("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 2022	***RMB'000***	*RMB'000*
Non-current assets	31,374	-
Current assets	48,262	13,264
Current liabilities	(216,840)	(6,386)
Non-current liabilities	-	-
Net (liabilities) assets	(137,204)	6,878
Carrying amount of NCI	(1,372)	3,405

14. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI (Continued)

	Hainan Garden	**Northeast Electric (Chengdu)**
	RMB'000	*RMB'000*
Year ended 31 December 2022		
Revenue	110,939	-
Expenses	(123,640)	(1)
Loss for the year	(12,701)	(1)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(12,701)	(1)
Attributable to NCI:		
Loss for the year	(127)	-
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(127)	-
Net cash inflow (outflow) from		
- operating activities	8,049	(1)
- investing activities	237	-
- financing activities	(12,019)	-

14. 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 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

14. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI (Continued)

	Hainan Garden	Northeast Electric (Chengdu)
	RMB'000	*RMB'000*
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	(4,212)	-

15. INTEREST IN ASSOCIATES

	2022	2021
	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**	**Issued and fully paid share capital/ registered capital**	**Proportion of value of registered capital held indirectly by the Company**	**Principal activities**
Great Power Technology Limited ("Great Power")	BVI/ Limited liability company	12,626 ordinary share of US$1 each	20.8%	Trading of transformers and capacitors
Chongqing HNA Hotel Investment Company Limited ("Chongqing HNA Hotel") (note)	The PRC/ Limited liability company	RMB50,000,000	30%	Hotel management

Note: As at 31 December 2022, the Group's entire equity interest in Chongqing HNA Hotel with a carrying amount of RMBnil was pledged to obtain a loan from a substantial shareholder, Beijing Haihongyuan.

15. INTEREST IN ASSOCIATES *(Continued)*

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 associates' 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.

15. INTEREST IN ASSOCIATES *(Continued)*

	2022		2021	
	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	**#1**	**-**	#65	-
Current assets	**72,433**	**97**	71,453	97
Current liabilities	**(105,365)**	**(2,839)**	(105,399)	(2,839)
Non-current liabilities	**(36,006)**	**-**	(36,006)	-
Net liabilities	**(68,937)**	**(2,742)**	(69,887)	(2,742)
Group's share of equity and carrying amount of interests	##-	##-	##-	##-

15. INTEREST IN ASSOCIATES *(Continued)*

	2022		2021	
	Chongqing HNA Hotel	**Great Power**	Chongqing HNA Hotel	Great Power
Group's ownership interests	**30%**	**20.8%**	30%	20.8%
Year ended 31 December	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Profit for the year	**#950**	**-**	#6,247	-
Other comprehensive income for the year	**-**	**-**	-	-
Total comprehensive income for the year	**950**	**-**	6,247	-
Group's share of results:				
Profit for the year	**285**	**-**	1,874	-
	##285	**-**	##1,874	-
Total other comprehensive income for the year	**-**	**-**	-	-

\# Included in non-current assets of Chongqing HNA Hotel as at 31 December 2022 were pledged investment properties with carrying amount of RMB RMB246,177,000 *(2021: RMB246,177,000)* for the borrowings and facilities granted to the companies of HNA Group, which was adjusted to zero in view of the fact that the default of loans repayment by the companies of HNA Group. In the opinion of the directors, the recoverable amount of investment properties was minimal.

\## As at 31 December 2022 and 2021, share of net liabilities of Chongqing HNA Hotel and Great Power was limited to zero.

15. 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 *(2021: RMBnil)* and RMB179,000 *(2021: 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 RMB285,000 *(2021: RMB1,874,000)* and RMB20,681,000 *(2021: RMB20,966,000)* 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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity investment		
Ordinary trust shares	**19,084**	-

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

As at 31 December 2021, the Group's deposit in HNA Group Finance Co., Ltd. and rental and other receivable from the companies included in the scope of bankruptcy reorganisation plan of HNA Group ("Reorganisation Plan") amounted to RMB18,788,000 (net of loss allowances). In April 2022, the Court ruled on the completion of the Reorganisation Plan, HNA Group Bankruptcy Reorganisation Specialised Service Trust (the "Trust") is created for the implementation of the Reorganisation Plan and for the benefit of all the creditors of the 321 companies of HNA Group. Hainan HNA No. 2 Information Management Service Co., Ltd., is established as the holding company of 321 companies pursuant to the Reorganisation Plan and the Trust is the controlling shareholder of Hainan HNA No. 2 Information Management Service Co., Ltd.

According to the outcome of the Reorganisation Plan, being one of the approved creditors as approved by the Court, the Group had received unlisted ordinary trust shares with a fair value of approximately RMB19,084,000 in June 2022 for settlement of the Group's deposit in HNA Group Finance Co., Ltd. (i.e. cash at a financial institution) and other receivables owed by the companies included in the Reorganisation Plan. The difference amounted to approximately RMB296,000 between the total carrying amounts of cash at a financial institution, rental and other receivables of RMB18,788,000 and the fair value of the unlisted ordinary trust shares was recognised as income from reorganisation of HNA Group during the year.

The details of the fair value measurement are set out in note 34 to the consolidated financial statements.

17. DESIGNATED FVOCI

	Notes	**2022** ***RMB'000***	2021 *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**	**Principal activities**
Shenyang Zhaoli	The PRC/ Limited liability company	Registered capital	6.9% *(note a)*	Production and sales of high-voltage electrical equipment and other accessories
Tianjin Center	The PRC/ Limited liability company	Registered capital	10.5% *(notes b and c)*	Properties investment

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 2022, the net asset value of Tianjin Center was RMB409,046,000 *(2021: RMB1,605,483,000)*, however, the investment properties and property, plant and equipment with carrying amount of RMB2,666,459,000 *(2021: RMB2,666,459,000)* and RMB282,987,000 *(2021: RMB294,682,000)* were pledged for the borrowings and facilities granted to the companies of HNA Group. As a result of the default of loans repayment by the companies of HNA Group, the directors considered the pledged assets are to be confiscated for settlement of borrowings. In the opinion of directors, the recoverable amounts of investment properties and property, plant and equipment are considered to be minimal as at 31 December 2022 and 2021.

(c) As at 31 December 2022, the Group's entire equity interest in Tianjin Center with a carrying amount of RMBnil was pledged to obtain a loan from a substantial shareholder, Beijing Haihongyuan.

Details of the fair value measurements are set out in note 34 to the consolidated financial statements.

18. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**6,760**	7,143
Work-in-progress	**7,330**	461
Finished goods	**5,637**	7,192
	19,727	14,796

19. TRADE AND RENTAL RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade and rental receivables	**63,871**	65,926
Loss allowances	**(7,306)**	(7,368)
	56,565	58,558

During the year ended 31 December 2022, the Group had received ordinary trust shares (note 16) for settling the rental receivables amounting to RMB592,000 upon the completion of the Reorganisation Plan.

The Group normally grants a credit period of 5 days to 90 days to its customers.

19. TRADE AND RENTAL RECEIVABLES *(Continued)*

The ageing analysis of trade and rental receivables (net of loss allowance) by invoice date is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**19,890**	32,434
More than 3 months but less than 12 months	**18,542**	12,246
1 to 2 years	**11,353**	10,706
2 to 3 years	**5,830**	2,887
3 to 4 years	**864**	285
Over 4 years	**86**	-
	56,565	58,558

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 RMB480,000 *(2021: RMB2,665,000)* was recognised in profit or loss during the year.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Other receivables	**91,581**	90,581
Loss allowances	**(82,140)**	(81,181)
	9,441	9,400
Prepayments	**1,777**	2,602
Other tax receivables	**2,170**	1,579
	13,388	13,581

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Included in other receivables as at 31 December 2022 and 2021 was a loan of RMB76,090,000 due 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 2022 and 2021 was amount due from a former related party of RMB3,500,000. Owing 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, 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, the balance had been received by the Group during the year.

(b) The Group had received ordinary trust shares (note 16) for settling the other receivables amounting to RMB203,000 upon the completion of the Reorganisation Plan.

(c) 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

	Note	**2022**	2021
		RMB'000	*RMB'000*
Cash at a financial institution		**-**	71,404
Loss allowances		**-**	(53,501)
	(a)	**-**	17,903
Cash at banks and in hand			
Bank deposits for performance guarantee		**5,180**	3,009
Bank balances and cash, as stated in the consolidated statement of cash flows*		**9,949**	15,636
		15,129	18,645
		15,129	36,548

* At 31 December 2022, a bank account of the Group of RMB1,364,000 was frozen by a court for preservation. In March 2023, the bank account has been released upon a settlement reached between the Group and the creditor with respect to the repayment schedule of balance due to that creditor.

21. CASH AND CASH EQUIVALENTS *(Continued)*

Notes:

(a) At 31 December 2021, the Group placed a deposit at a financial institution, HNA Group Finance Co., Ltd., which was included in the scope of Reorganisation Plan of HNA Group. Since the Group registered as an approved creditor of HNA Group and the Group would be the trust unit holder upon the completion of Reorganisation Plan. 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 the Reorganisation Plan (i.e. 10 February 2021) prepared by the valuer of the 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.

During the year, the Group received ordinary trust shares (note 16) for settling cash at a financial institution upon the completion of the Reorganisation plan.

(b) 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

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**45,516**	31,892

22. TRADE PAYABLES *(Continued)*

Ageing analysis of trade payables by invoice date is summarised as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 365 days	**39,929**	27,189
1 to 2 years	**3,335**	3,493
2 to 3 years	**1,142**	538
Over 3 years	**1,110**	672
	45,516	31,892

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:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the reporting period	**6,757**	6,624
Receipt in advance	**7,745**	5,718
Recognised as revenue	**(4,974)**	(5,585)
At the end of the reporting period	**9,528**	6,757

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.

23. CONTRACT LIABILITIES *(Continued)*

Unsatisfied or partially unsatisfied performance obligations

All (2021: all) of the performance obligations that are unsatisfied or partially unsatisfied at 31 December 2022 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	**2022** *RMB'000*	2021 *RMB'000*
Compensation for litigation	*(a)*	**94,078**	94,078
Due to former subsidiaries	*(b)*	**49,596**	49,596
Due to a director	*(c)*	**4**	17
Due to an associate	*(c)*	**350**	320
Due to a substantial shareholder, Beijing Haihongyuan	*(d)*	**2,680**	1,697
Due to a related company	*(e)*	**7,997**	5,437
Accrued charges and other payables		**62,638**	41,566
Receipt in advance	*(f)*	**5,562**	9,552
Other tax payable		**2,739**	1,463
		225,644	203,726
Employment benefits payables		**5,958**	8,835
		231,602	212,561

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. 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.

24. OTHER PAYABLES *(Continued)*

Notes: (continued)

(a) *(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 (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.

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.

24. OTHER PAYABLES *(Continued)*

Notes: (continued)

(a) (continued)

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.

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.

As at the end of the reporting period, the remaining obligation due to Shenyang High-volt amounted to RMB94,078,000 *(2021: 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 2022 and 2021 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 2022 and 2021 was the amount due to another former subsidiary of RMB26,696,000. The amount is unsecured, interest-free and has no fixed repayment term.

(c) The amounts are unsecured, interest-free and have no fixed repayment terms.

(d) The amount of RMB934,000 is secured by the Group's entire equity interest in Chongqing HNA Hotel (note 15) and Tianjin Center (note 17), interest-bearing at 4.35% per annum and repayable on 31 December 2023. The remaining balance of RMB1,746,000 is unsecured, interest-bearing at 4.35% per annum and repayable on demand (2021: unsecured, interest-bearing at 4.35% per annum and repayable in December 2021).

(e) The related company, Yunshangtong International Holdings Co., Ltd., is controlled by indirect substantial shareholder of the Company. The amount of RMB2,560,000 is unsecured, interest-bearing at 4.35% per annum and repayable on 31 December 2022, the remaining balance of RMB5,437,000 is unsecured, interest-free and repayable in 2023.

(f) The amount represented the receipts in advance from customers in respect of lease of hotel premises.

25. LEASE LIABILITIES

	2022	2021
	RMB'000	RMB'000
Current portion	**17,068**	40,377

As the end of the reporting period, lease liabilities are carried at incremental borrowing rate at 6.18% *(2021: 6.18%)* per annum and repayable in one year *(2021:one year)*.

26. PROVISIONS

	2022	2021
	RMB'000	*RMB'000*
Liabilities arising from guarantees issued to bankers of former subsidiary	**34,355**	34,355

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.

27. GOVERNMENT GRANTS

The movements of government grants during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the reporting period	**36,035**	29,426
Additions	**-**	8,462
Amount recognised as other income *(note 4)*	**(1,925)**	(1,853)
At the end of the reporting period	**34,110**	36,035

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

	2022		2021	
	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 the year ended 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. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to accumulated losses.

(d) Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2 to the consolidated financial statements.

30. DEFERRED TAXATION

Unrecognised deferred tax assets arising from

	2022	2021
	RMB'000	*RMB'000*
Temporary difference		
- Depreciation allowance and right-of-use assets	**-**	9,695
- Provision of loss allowance of trade and rental receivables and other receivables	**3,816**	3,524
- Provision of loss allowance on cash at a financial institution	**-**	53,501
	3,816	66,720
Tax losses arising in		
- Hong Kong	**15,854**	14,511
- The PRC	**149,573**	386,754
	165,427	401,265

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)*

Unrecognised deferred tax assets arising from *(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:

	2022	2021
	RMB'000	*RMB'000*
Year of expiry		
2022	**-**	324,356
2023	**1,203**	1,203
2024	**24,582**	24,582
2025	**15,271**	15,271
2026	**21,342**	21,342
2027	**87,175**	-
	149,573	386,754

The accumulated profits of a foreign subsidiary would be subject to additional taxation if they are distributed. The estimated withholding tax effect on the distribution of accumulated profits of the foreign entity was approximately of RMB102,000 *(2021: RMB104,000)*. In the opinion of the directors, these accumulated profits, at the present time, are required for financing the continuing operations of the entity and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made.

31. OTHER CASH FLOW INFORMATION

(a) Cash generated from operations

	2022	2021
	RMB'000	*RMB'000*
(Loss) Profit before taxation	**(25,515)**	17,466
Interest income	**(181)**	-
Interest expenses	**848**	1,681
Provision (Reversal) of loss allowance on		
- trade, rental and other receivables	**2,048**	3,668
- cash at a financial institution	**-**	(18,264)
Impairment loss of right-of-use assets	**-**	9,628
Provision for impairment loss on inventories	**42**	18
Reversal of overprovision of litigation expenses in priors year	**-**	(37,745)
Write-down of inventories	**-**	22
Depreciation and amortisation	**17,902**	16,828
Loss on disposal of property, plant and equipment	**49**	-
Income from reorganisation of HNA Group	**(296)**	-
Gain on early termination/modification of lease contracts	**(5,883)**	(1,378)
Government grants	**(1,925)**	(1,853)
Changes in working capital:		
Trade, rental and other receivables	**(747)**	(20,957)
Inventories	**(4,973)**	1,874
Trade payables	**13,624**	10,073
Contract liabilities	**2,771**	133
Other payables (including employment benefits payables)	**11,771**	21,289
Government grants	**-**	8,462
Deposit placed for performance guarantee	**(2,171)**	1,368
Cash generated from operations	**7,364**	12,313

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
2022	
At the beginning of the reporting period	40,377
Non-cash changes	
- Early termination of lease contracts	(9,136)
- Interest expenses	796
- Reclassified to other payables	(7,017)
- Lease modification	5,003
Changes in cash flows	
- Repayment of lease liabilities	(12,308)
- Interest paid	(647)
At the end of the reporting period	17,068

31. OTHER CASH FLOW INFORMATION *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	Lease liabilities *RMB'000*
2021	
At the beginning of the reporting period	22,537
Non-cash changes	
- Early termination of lease contracts	(14,251)
- Interest expenses	1,632
- Offset with trade and rental receivables	(4,518)
- Additions	39,189
Changes in cash flows	
- Repayment of lease liabilities	(2,972)
- Interest paid	(1,240)
At the end of the reporting period	40,377

(c) Major non-cash transaction

Other than disclosed in note 31(b), the Group's cash at a financial institution, rental and other receivables with total carrying amounts of RMB18,788,000 had been settled by ordinary trust shares during the year.

32. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Other than disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions and balances during the year.

Relationship	Nature of transactions	**2022** *RMB'000*	2021 *RMB'000*
A substantial shareholder	Interest expenses	(52)	(49)

Relationship	Nature of transactions/balances	**2022** *RMB'000*	2021 *RMB'000*
Companies controlled by indirect substantial shareholder/the de facto controller of the Company	Catering service income	**740**	1,186
	Lease income – hotel room	**20,182**	10,678
	Rental expenses	**-**	(927)
	Building management fee	**-**	(956)
	Hotel service fee	**(500)**	(961)
	Management service fee	**-**	(290)
	Payroll service fee	**-**	(5,296)
	Utility expenses	**-**	(4,194)
	Purchase of inventories	**(33)**	(1,014)
	Addition/modification of right-of-use assets *(note 12)*	**6,909**	39,189
	Trade, rental and other receivables	**10,302**	10,742
	Cash at a financial institution	**-**	17,903
	Trade and other payables	**40,789**	17,385
	Lease liabilities	**17,068**	37,696

Certain companies controlled by Hainan Cihang Foundation as at 31 December 2021 were still regarded as related companies as they are directly/indirectly controlled by an indirect substantial shareholder of the Company, Hainan HNA No. 2 Information Management Service Co., Ltd., after the completion of the Reorganisation Plan.

32. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) *(Continued)*

Remuneration for key management personnel (including directors) of the Group:

	2022	2021
	RMB'000	*RMB'000*
Salaries, bonus, allowances and other short-term benefits	**1,439**	1,671
Contributions to defined contribution plans	**181**	293
	1,620	1,964

(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

	2022	2021
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Unlisted equity investment	**19,084**	-
Financial assets at amortised cost		
Trade and rental receivables	**56,565**	58,558
Other receivables	**9,441**	9,400
Cash at a financial institution	**-**	17,903
Cash at banks and in hand	**15,129**	18,645
	81,135	104,506
Financial liabilities at amortised cost		
Trade payables	**45,516**	31,892
Other payables (excluding receipt in advance, other tax payables and employment benefits payables)	**217,343**	192,711
Lease liabilities	**17,068**	40,377
	279,927	264,980

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, trade and rental 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The main risks arising from the Group's financial instruments 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.

(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 19% *(2021: 6%)* and 29% *(2021: 26%)* of the total trade and rental receivables were made up by the Group's largest outstanding balance and the five largest outstanding balances respectively.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

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.

The information about the exposure to credit risk and ECL for trade and rental receivables using a provision matrix as at 31 December 2022 and 2021 are summarised below:

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2022

Trade receivables – production and sales of power transmission equipment and related accessories

Ageing by due date	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowances *RMB'000*	Credit-impaired	Net carrying amount *RMB'000*
Past due:					
- within 3 months	3.2	9,259	294	No	8,965
- more than 3 months but less than 12 months	3.2	12,290	389	No	11,901
- 1 to 2 years	6.7	8,249	556	No	7,693
- 2 to 3 years	13.1	6,362	834	No	5,528
- 3 to 4 years	41.3	1,471	607	No	864
- over 4 years	95.9	2,084	1,998	Yes	86
		39,715	4,678		35,037

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

As at 31 December 2022 *(Continued)*

Trade and rental receivables – hotel operations and provision of related catering services

Ageing by due date	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowances *RMB'000*	Credit-impaired	Net carrying amount *RMB'000*
Not yet past due	**5.0**	**7,663**	**383**	**No**	**7,280**
Past due:					
- within 3 months	**7.7**	**3,947**	**302**	**No**	**3,645**
- more than 3 months but less than 12 months	**8.2**	**7,234**	**594**	**No**	**6,640**
- 1 to 2 years	**20.4**	**4,599**	**938**	**No**	**3,661**
- 2 to 3 years	**57.6**	**713**	**411**	**No**	**302**
		24,156	**2,628**		**21,528**

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

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 and rental 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	6.2	25,123	1,554	No	23,569
Past due:					
- within 3 months	7.9	2,140	168	No	1,972
- more than 3 months but less than 12 months	-	-	-	No	-
- 1 to 2 years	64.7	1,899	1,229	No	670
		29,162	2,951		26,211

The Group does not hold any collateral over trade and rental receivables at the end of the reporting period *(2021: Nil)*.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Trade and rental receivables *(Continued)*

The Group recognised loss allowance of RMB480,000 *(2021: RMB2,665,000)* on the trade and rental receivables and written off of trade and rental receivables of RMB542,000 *(2021: RMB30,000)* as a result of the carrying amount of the receivables had been settled by unlisted ordinary trust shares during the year (note 16). The movement in the loss allowance for trade and rental receivables during the year is summarised below.

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the reporting period	**7,368**	4,733
Increase in loss allowance	**480**	2,665
Amount write-off	**(542)**	(30)
At the end of the reporting period	**7,306**	7,368

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 categories of internal credit rating. The information about the ECL for the other receivables as at 31 December 2022 *(2021: other receivables and cash at a financial institution)* is summarised below. After considering the above factors, a loss allowance of RMB82,140,000 was recognised as at 31 December 2022 *(2021: RMB134,682,000)*.

Other receivables and cash at a financial institution

At 31 December 2022

Internal credit rating	Gross carrying amount *RMB'000*	ECL	Loss allowance *RMB'000*	Net carrying amount *RMB'000*
Performing *(note i)*	9,933	12-month	569	9,364
Underperforming *(note ii)*	81,648	Lifetime	81,571	77
Not performing *(note iii)*	-	Lifetime	-	-
	91,581		82,140	9,441

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Other receivables and cash at a financial institution *(Continued)*

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

Notes:

(i) Performing (normal credit quality) refers to the other receivables 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 RMB1,568,000 (2021: RMB1,003,000) and written off of other receivables of RMB609,000 (2021: Nil) as a result of the carrying amount of other receivables had been settled by unlisted ordinary trust shares during the year (note 16). The movement in the loss allowance for other receivables during the year is summarised below.

	2022 ***RMB'000***	2021 *RMB'000*
At the beginning of the reporting period	**81,181**	80,178
Increase in loss allowance	**1,568**	1,003
Amount write-off	**(609)**	-
At the end of the reporting period	**82,140**	81,181

During the year, the Group writes off of cash at a financial institution with a carrying amount of RMB17,992,000 upon the completion of the Reorganisation Plan and the Group received unlisted ordinary trust shares in June 2022 as a settlement of cash at a financial institution (note 16).

During the year ended 31 December 2021, 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 the Reorganisation Plan, the Group recognised a reversal of loss allowance of RMB18,264,000 on cash at a financial institution during the year ended 31 December 2021.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

Other receivables and cash at a financial institution *(Continued)*

The movement in the loss allowance for cash at a financial institution during the year is summarised below.

	2022 ***RMB'000***	2021 *RMB'000*
At the beginning of the reporting period	**53,501**	71,765
Decrease in loss allowance	**-**	(18,264)
Amount write-off	**(53,501)**	-
At the end of the reporting period	**-**	53,501

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(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.

	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 2022					
Trade payables	**45,516**	**-**	**-**	**45,516**	**45,516**
Other payables	**210,972**	**6,371**	**-**	**217,343**	**217,343**
Lease liabilities	**10,159**	**7,143**	**-**	**17,302**	**17,068**
	266,647	**13,514**	**-**	**280,161**	**279,927**

	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

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 2022 and 2021, 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

	Financial assets at fair value through profit or loss – Unlisted equity investment	
	2022	2021
	RMB'000	*RMB'000*
Addition and at the end of the reporting period	**19,084**	-

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement:

34. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets measured at fair value *(Continued)*

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
	2022	2021			
	RMB'000	*RMB'000*			
Financial assets at fair value through profit or loss					
Unlisted equity investment - Ordinary trust shares	**19,084**	N/A	Comparable companies anaylsis/Net assets value adjustment method *(2021: n/a)*	Discount for lack of marketability	Higher discount for lack of marketability, lower fair value/ The higher the net asset value, the higher the fair value
Designated FVOCI					
Unlisted equity securities					
- Shenyang Zhaoli	**-**	-	Net assets values as assessed by management *(2021: same)*	n/a	n/a
- Tianjin Center	**-**	-	Adjusted net asset values as reported by management *(2021: same)*	n/a	n/a

(b) Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis

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 2022 and 2021.

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% *(2021: 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	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**16**	19
Interests in subsidiaries	*14*	**41,558**	41,558
		41,574	41,577
Current assets			
Prepayment and other receivables		**638**	922
Due from subsidiaries		**8,852**	16,405
Cash at banks and in hand		**2**	19
		9,492	17,346
Current liabilities			
Contract liabilities		**-**	582
Other payables		**167,025**	164,487
Due to a director		**4**	17
		167,029	165,086
Net current liabilities		**(157,537)**	(147,740)
Total assets less current liabilities		**(115,963)**	(106,163)
Non-current liabilities			
Provisions		**34,355**	34,355
NET LIABILITIES		**(150,318)**	(140,518)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	Notes	2022 RMB'000	2021 RMB'000
Share capital		**873,370**	873,370
Capital reserves		**996,870**	996,870
Surplus reserve		**108,587**	108,587
Accumulated losses		**(2,129,145)**	(2,119,345)
TOTAL DEFICITS	*37(a)*	**(150,318)**	(140,518)

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 2021	873,370	996,870	108,587	(2,067,681)	(88,854)
Loss for the year and total comprehensive loss for the year	-	-	-	(51,664)	(51,664)
As at 31 December 2021 and at 1 January 2022	873,370	996,870	108,587	(2,119,345)	(140,518)
Loss for the year and total comprehensive loss for the year	**-**	**-**	**-**	**(9,800)**	**(9,800)**
As at 31 December 2022	**873,370**	**996,870**	**108,587**	**(2,129,145)**	**(150,318)**

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

	Results of the Group for the five years ended 31 December				
	IFRSs				PRC GAAP
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**161,003**	119,485	79,797	102,252	32,311
Profit (Loss) before taxation	**(25,515)**	17,466	67,016	(39,682)	15,465
Income tax expenses	**246**	133	(4,351)	(451)	(1,367)
Profit (Loss) for the year	**(25,269)**	17,599	62,665	(40,133)	14,098
	RMB cents	*RMB cents*	*RMB cents*	*RMB cents*	*RMB cents*
(Loss) Earnings per share					
Basic and diluted	**(2.88)**	2.02	7.33	(4.60)	1.67

	Assets and liabilities of the Group as at 31 December				
	IFRSs				PRC GAAP
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**76,672**	73,756	73,423	293,186	321,980
Current assets	**104,809**	123,483	84,473	184,201	183,134
Total assets	**181,481**	197,239	157,896	477,387	505,114
Non-current liabilities	**68,465**	70,390	113,109	113,210	82,771
Current liabilities	**306,046**	294,386	230,016	415,284	400,227
Total liabilities	**374,511**	364,776	343,125	528,494	482,998
Net (liabilities) assets	**(193,030)**	(167,537)	(185,229)	(51,107)	22,116

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 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