中期報告 2023

NEE

輸送光明和动力的桥梁

# 東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

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# Chapter 1 IMPORTANT NOTICE

1.1 The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company hereby confirm that there are no false representations, misleading statements or material omissions contained in this report, and they, severally and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.

1.2 The Company's Chairman, Su Weiguo, Chief Accounting Officer, Dang Zhaozhao, and Chief Financial Officer, Li Ling hereby represent：guaranteeing the truthfulness, accurateness and integrity of the financial statements in the interim report.

1.3 This Report has been considered and approved by the 6th meeting of the 10th Board convened on 25 August 2023. All Directors attended the Board meeting in person to consider and approve this report.

1.4 The Group prepared the Unaudited Results Announcement for the Six Months Ended 30 June 2023 in accordance with the PRC GAAP and IFRS. The audit committee of the Board has reviewed and confirmed the Company's interim results announcement for 2023. The audit committee has approved the financial accounting principles, standards and methods adopted by the Company for the unaudited interim accounts for the six months ended 30 June 2023.

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

1.6 The consolidated turnover isRMB39,570,000 in accordance with the PRC GAAP.

1.7 The profit attributable to equity holders of the Company is RMB-8,550,000.

1.8 Earnings per share attributable to equity holders of the Company is RMB-0.01.

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

1.10 Definitions

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

# Chapter 2 CORPORATE PROFILE

## 2.1 Basic information

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

## 2.2 Contact person and contact in formation

| | Secretary to the Board | Representative for securities affairs |
|---|---|---|
| **Name** | Ding Jishi | Zhu Xinguang |
| **Address** | 19nd Floor, HNA Plaza, No.7Guoxing Avenue, Meilan District, Haikou City，Hainan | 19nd Floor, HNA Plaza, No.7Guoxing Avenue, Meilan District, Haikou City，Hainan |
| **Telephone** | 0898-68876008 | 0898-68876008 |
| **Fax** | 0898-68876033 | 0898-68876033 |
| **Email** | dbdqdshbgs@HNAgroup.com | nemm585@sina.com |

| | |
|---|---|
| **Website containing the annual report** | www.neeq.com.cn<br>www.hkexnews.hk |
| **Place for inspection of interim report** | Office of the Board |

## 2.3 Additional information

| | |
|---|---|
| Registered address | Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No.266 Hanhai Avenue, Haikou City, Hainan Province |
| Postal code | 571152 |
| Office address | 19nd Floor, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province |
| Postal code | 570203 |
| Website | www.nee.com.cn |
| E-mail address | dbdqdshbgs@HNAgroup.com |

## 2.4 Registration

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

## 2.5 Agency

| | |
|---|---|
| Sponsoring broker (reporting period) | Shanxi Securities Co., Ltd. |
| Office address of the sponsoring brokerage | East Tower, Shanxi International Trade Center, No. 69, Fuxi Street, Taiyuan City, Shanxi Province |
| Did the sponsoring broker change during the reporting period | No |
| Sponsoring Broker (Report Disclosure Date) | Shanxi Securities Co., Ltd. |

# Chapter 3 PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

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

(1) Profit Ability

Unit: RMB

| Items | Amount for the reporting period | Amount for the same period of last year | Increase/decrease in the reporting period compared with the same period of last year |
|---|---|---|---|
| Operating incomes | 39,575,875.51 | 36,398,794.86 | 8.73% |
| Gross margin% | 52.51% | 20.06% | - |
| Net profits attributable to shareholders of the listed Company | -8,551,272.01 | -17,771,697.62 | -51.88% |
| Net profits attributable to shareholders of the listed Company after extraordinary items | -9,486,423.63 | -18,861,391.11 | -49.70% |
| Weighted average return on net assets%（Basis on net profits attributable to shareholders of the listed Company） | N/A | N/A | - |
| Weighted average return on net assets %（Basis on net profits attributable to shareholders of the listed Company after extraordinary items） | N/A | N/A | - |
| Basic earnings per share (RMB/Share) | -0.01 | -0.02 | -50.00% |

(2) Debt-paying ability

Unit: RMB

| Items | As at the end of the reporting period | As at the end of last year | Increase/decrease in the reporting period compared with the end of last year |
|---|---|---|---|
| Total assets | 160,449,470.23 | 181,480,505.19 | -11.59% |
| Total debt | 362,417,333.75 | 374,510,270.10 | -3.23% |

| | | | |
|---|---|---|---|
| Net assets attributable to shareholders of the listed Company | -203,966,577.27 | -195,063,171.25 | 4.56% |
| Net asset value per share of the listed Company | -0.23 | -0.22 | 4.56% |
| Asset-liability ratio%（parent Company） | 66.93% | 66.62% | – |
| Asset-liability ratio%（consolidated statements） | 225.88% | 206.36% | – |
| Liquidity ratio | 0.30 | 0.34 | – |
| Interest coverage ratio | -53.10 | -99.22 | – |

(3) State of operation

Unit: RMB

| **Items** | **Amount for the reporting period** | **Amount for the same period of last year** | **Increase/decrease in the reporting period compared with the same period of last year** |
|---|---|---|---|
| Net cash flows from operating activities | -3,886,138.80 | -10,708,561.48 | -63.71% |
| Turnover of account receivable | 0.76 | 0.93 | – |
| Turnover of inventories | 0.94 | 1.75 | – |

(4) State of growth

| **Items** | **Amount for the reporting period** | **Amount for the same period of last year** | **Increase/decrease in the reporting period compared with the same period of last year** |
|---|---|---|---|
| Total assets growth rate% | -11.59% | -5.57% | - |
| Operating incomes growth rate% | 8.73% | 27.96% | - |
| Net profits growth rate% | N/A | N/A | - |

## (II) Principal financial data and indicators prepared in accordance with the International Financial Reporting Standards (IFRS)

**Condensed Consolidated Statement of Profit or Loss**

*Unit: RMB'000*

| Item | Reporting period (January-June) | The same period of previous year |
|---|---|---|
| Turnover | 39,576 | 79,081 |
| Profit before tax | -8,586 | -17,88 |
| Taxation | 0 | -8 |
| Profit after tax | -8,586 | -17,87 |
| Minority interests | -35 | -100 |
| Profits attributable to shareholders | -8,551 | -17,77 |

**Condensed Consolidated Statement of Financial Position**

*Unit: RMB'000*

| Items | At the end of this reporting period | At the end of previous year |
|---|---|---|
| Total assets | 160,44 | 183,60 |
| Total liabilities | 362,41 | 367,72 |
| Shareholders' equity | -201,9 | -184,1 |

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

| Item | Net profits attributable to shareholders of the listed Company | | Net assets attributable to shareholders of the listed Company | |
|---|---|---|---|---|
| | Amount for the reporting period | Amount for the same period of last year | As at the end of the reporting period | As at the end of last year |
| Domestic accounting standards | -8,551,272.01 | -17,771,697.62 | -203,966,577.27 | -195,063,171.25 |
| Items and amounts adjusted according to foreign accounting standards | - | - | - | - |
| Foreign accounting standards | -8,551,272.01 | -17,771,697.62 | -203,966,577.27 | -195,063,171.25 |

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

## (IV) Extraordinary items and the related amount

Unit: RMB

| Item | Amount |
|---|---|
| Gains and losses on disposal of non-current assets | -53,416.45 |
| Government subsidy included in the current profits and losses | 962,600.82 |
| Non-operating income and expense other than the above items | 26,157.03 |
| **Total** | 935,341.40 |
| Effect of income tax | 0.00 |
| Impact on minority interests (after tax) | 189.78 |
| **Net extraordinary items and the related amount** | 935,151.62 |

# Chapter 4 CHANGES IN SHARES AND SHAREHOLDER INFORMATION

## 4.1 Changes in shares

*Unit: Share*

| Items | Before the change | | Increase/decrease (+, -) arising from the change | | | | | After the change | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Percentage | Issue of new shares | Bonus issue | Conversion of capital reserve into shares | Others | Subtotal | Number | Percentage |
| I. Shares subject to trading moratorium | 5,999,022 | 0.69% | 0 | 0 | 0 | 0 | 0 | 5,999,022 | 0.69% |
| 1. State-owned shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 2. State-owned legal person shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 3. Other domestic shares | 5,999,022 | 0.69% | 0 | 0 | 0 | 0 | 0 | 5,999,022 | 0.69% |
| Including: Domestic legal person shares | 5,999,022 | 0.69% | 0 | 0 | 0 | 0 | 0 | 5,999,022 | 0.69% |
| Domestic natural person shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 4. Foreign shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Including: Overseas legal person shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Overseas natural person shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| II. Shares not subject to trading moratorium | 867,370,978 | 99.31% | 0 | 0 | 0 | 0 | 0 | 867,370,978 | 99.31% |
| 1. Renminbi ordinary shares | 609,420,978 | 69.78% | 0 | 0 | 0 | 0 | 0 | 609,420,978 | 69.78% |
| 2 Foreign shares listed domestically | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 3. Foreign shares listed overseas | 257,950,000 | 29.53% | 0 | 0 | 0 | 0 | 0 | 257,950,000 | 29.53% |
| 4.Others | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| III. Total shares | 873,370,000 | 100.00% | 0 | 0 | 0 | 0 | 0 | 873,370,000 | 100.00% |

## 4.2 Number of shareholders and shareholding

*Unit: Share*

| | | | |
|---|---|---|---|
| Total number of ordinary shareholders at the end of the reporting period | 35,547 | Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) | 0 |

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

| **Name of shareholder** | **Nature of shareholder** | **Percentage** | **Number of ordinary shares as at the end of the reporting period** | **Increase/ decrease in the reporting period** | **Number of ordinary shares held subject to trading moratorium** | **Number of ordinary shares held not subject to trading moratorium** | **Shares pledged or frozen** | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | **Status of shares** | **Number** |
| HKSCC Nominees Limited | Overseas legal person | 29.43% | 257,950,000 | -40,000 | 0 | 257,950,000 | | |
| Beijing Haihongyuan Investment Management Co.,Ltd. | Domestic non-state-owned legal person | 9.33% | 81,494,850 | 0 | 0 | 81,494,850 | Pledged | 81,494,850 |
| Qin Jianming | Domestic natural person | 1.50% | 10,080,200 | 3,841,300 | 0 | 10,080,200 | | |
| Wang Juan | Domestic natural person | 1.16% | 6,960,310 | 0 | 0 | 6,960,310 | | |
| Zhao Rui | Domestic natural person | 0.80% | 6,000,000 | 0 | 0 | 6,000,000 | | |
| Yu Jun | Domestic natural person | 0.72% | 5,686,600 | 1,240,000 | 0 | 5,686,600 | | |
| Yang Baizhong | Domestic natural person | 0.69% | 5,000,000 | -2,350,221 | 0 | 5,000,000 | | |
| Meng Xianliang | Domestic natural person | 0.53% | 4,600,000 | 1,409,900 | 0 | 4,600,000 | | |
| Shi Yubo | Domestic natural person | 0.51% | 4,405,236 | 100 | 0 | 4,405,236 | | |
| Qin Zonghai | Domestic natural person | 0.46% | 4,000,000 | -444,300 | 0 | 4,000,000 | | |

| | |
|---|---|
| Explanation on the connected relationship or concerted action among the top ten holders of ordinary shares not subject to trading moratorium and that between them and the top ten ordinary shareholders | To the extent known to the Company, there is no related relationship between the aforementioned shareholders and they are not acting in concert .Based on the public information as at the latest practicable date prior to the publication of this report and to the knowledge of Directors, the Company confirmed that there was sufficient public float in its shares. |

*Notes:*

1. Based on the information that is publicly available as at the latest practicable date prior to the publishing of this interim report and within the knowledge of the Directors, there was sufficient public float of the Company's shares.

2. Save as disclosed above, as at 30 June 2023, the Directors were not aware that any person (excluding Directors, Supervisors, or chief executives (if applicable) or senior management of the Company, the "**Senior Management**") had any interests or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**") in Chapter 571 of the Laws of Hong Kong, any interests which were required to be recorded in the register pursuant to Section 336 of the SFO, or was a substantial shareholder of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

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

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

5. As of 30 June 2023, the Company did not issue any convertible securities, options, warrants or any other similar right.

## 4.3 Changes in controlling shareholders and de facto controller

### Controlling Shareholders

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

### De facto controller

Nil

# Chapter 5 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR

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

There was no change in shareholdings during the reporting period.

## 5.2 Directors, supervisors and senior management situation

| Name | Position | Gender | Date of birth | Term of office commencing on | Term of office ending on |
|---|---|---|---|---|---|
| Su Weiguo | Chairman | Male | September 1962 | 3 January 2023 | 30 December 2025 |
| Liu Jiangmei | Director | Female | March 1974 | 30 December 2022 | 30 December 2025 |
| He Wei | Director | Female | August 1987 | 30 December 2022 | 30 December 2025 |
| Ding Jishi | Director | Male | September 1985 | 30 December 2022 | 30 December 2025 |
| Mi Hongjie | Director | Male | June 1993 | 29 December 2021 | 30 December2025 |
| Zhu Xinguang | Director | Male | October 1970 | 30 December 2022 | 30 December 2025 |
| Fang Guangrong | Independent Director | Male | September 1955 | 11 March 2019 | 30 December 2025 |
| Wang Hongyu | Independent Director | Male | March 1972 | 29 June 2020 | 30 December 2025 |
| Li Zhengning | Independent Director | Male | March 1980 | 2 June 2021 | 30 December 2025 |
| Fan Siyao | Shareholder Representative Supervisor Chairman of Supervisory Board | Male | May 1987 | 30 December 2022 | 30 December 2025 |
| Yang Qing | Shareholder Representative Supervisor | Male | August 1982 | 23 August 2021 | 30 December 2025 |
| Xing Meixia | Employee Representative Supervisor | Female | June 1988 | 30 December 2022 | 30 December 2025 |
| Su Weiguo | General Manager | Male | September 1962 | 28 July 2021 | 30 December 2025 |
| Ding Jishi | Secretary to the Board | Male | September 1985 | 29 August 2019 | 30 December 2025 |
| Dang Zhaozhao | Chief Financial Officer | Male | January 1986 | 2 August 2023 | 30 December 2025 |

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

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

## 5.4 Changes in Directors, supervisors and senior management

| Name | Initial position | Type | End of term | Reason |
|---|---|---|---|---|
| Mi Hongjie | Chief Financial Officer | Resigned | Director | Work adjustment |
| Dang Zhaozhao | None | Newly appointed | Chief Financial Officer | Operational need |

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

Save as disclosed above and to the knowledge of the Directors, senior management and supervisors of the Company, as at 30 June 2023, none of the Directors, senior management and supervisors had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken to have by such Directors, senior management and supervisors under provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the "**Model Code for Securities Transactions by Directors ofListed Issuers**" in Appendix X to the Listing Rules.

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

| Classification by nature of work | Number of people at the beginning of the period | Number of people at the end of the period |
|---|---|---|
| Production staff | 241 | 173 |
| Salesperson | 32 | 29 |
| Technical staff | 32 | 34 |
| Financial staff | 23 | 21 |
| Administrative staff | 56 | 50 |
| **Total** | 384 | 307 |

# Chapter 6 SUMMARY OF BUSINESS

## 6.1 Overview

The Company has been primarily engaged in the R&D, design, production and sales businesses of products related to power transmission and transformation equipment. Our main products are enclosed busbars that are mainly applied to the power system field to enhancethe transmission efficiency of power transmission lines and support the transmission of high power electric energy. Enclosed busbar plays an important role in the power system. Besides, Hainan Garden Lane Flight Hotel Management Co., Ltd., a holding Company of the Company, actively expanded its hotel catering and accommodation businesses during the reporting period. There was no material change in the principal business of the Company during the reportingperiod.

During the reporting period, the turnover calculated under the PRC GAAP was RMB39.57 million, representing a increase of 8.7% as compared to RMB36.4 million for the corresponding period of the previous year; earnings attributable to shareholders after tax and minority interests amounted to RMB-8.55 million, with earnings per share of RMB-0.01.

No dividend was paid during the period and the Directors do not recommend the payment of the interim dividend for the six months ended 30 June 2023.

## 6.2 Business review for the first half of 2023

The Chinese government's "14th Five-Year Plan" starting in 2021 has incorporated "carbon peaking and carbon neutrality" into the new economic layout, and accelerated the adjustment of the energy structure, and launched a number of green, low-carbon, clean and environmentally friendly new energy super projects. Carbon emission management has become the third wave of economic growth after real estate and internet Technology. The Group is also actively deploying new busbar product research and development plans for new energy power generation.

In recent years, Fuxin Busbar, a subsidiary of the Group, has continued to rely on technological innovation to promote enterprise development. We have established an innovation studio, organized and carried out technological innovation activities, and successively obtained 21 national utility model patents, and has successively completed the fully insulated cast busbar, fully insulated tubular busbar, intelligent busbar dehumidification system, wind power tower tubular type The design, development, manufacturing and sales of five new products such as busbars and intensive busbar ducts, and fully launched them into the market. Continuously improve the domestically produced formula of epoxy resin for pouring busbar, reduce product costs, and enhance market competitiveness.

During the reporting period, Fuxin Busbar took measures to address the market situation by adjusting its structure, reducing costs, improving efficiency, and promoting development. It made new breakthroughs in market development targeting pumped storage projects and foreign customers, becoming a highlight of sales structure adjustment. Currently, the cumulative order amount is RMB55 million, providing a guarantee for the operation as a going concern of the Company in the future.

According to the announcement of the winning candidates on the bidding and procurement website on August 16 2023, the isolated phase enclosed busbar equipment and common box enclosed busbar equipment in the 2x1 million KW expansion and upgrading project of Chang'an Yiyang Power Generation Co., Ltd., which Fuxin Busbar participated in, were both listed as the first winning candidates, with a total amount of RMB14.48 million for both equipment, adding new impetus to the market of million level unit power generation projects.

## 6.3 Analysis of core competitiveness

Thanks to the long-term accumulation in many aspects such as product quality, brand culture, R&D capability, technology, management service and marketing over the years, the Company shows some advantages and industrial competitiveness, which can be seen in the close association between the development of the industry where the Company operates and macroeconomic policies of the State; a certain association between the market and macroeconomic development; advanced production equipment and strong manufacturing capabilities of power transmission and distribution products; accumulation of technological strength and high professional technological level; sound internal control system and standardized corporate governance; certain product development capabilities and investment and financing capabilities.

There were no material changes in the core competitiveness of the Company during thereporting period. By introducing talents, developing new products, and adapting to market demand adjustments and changes, the Company has improved its competitiveness in some product markets and achieved breakthroughs in some businesses.

## 6.4 Risks faced by the Company and measures

### 1. 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 faces the risk of sustained losses. 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 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.

## 6.5 Prospects for the second half of the year

Centered on the annual business objectives and work tasks for 2023, the Company's management will adopt comprehensive measures to change the loss-making situation by enhancing the operation efficiency and core competitiveness. For details, please see "**Prospect of Future Development**" set out in the Annual Report 2022. By virtue of seizing opportunities and making full use of the capital market, the Company will fine tune its main business and operating strategy and actively increase the operating income and profits from relevant businesses in the upstream and downstream of hotel operation, in a bid to enhancethe sustained profitability and comprehensive competitive strength of the listed Company,promote its development and offer maximum protection to the interests of all shareholders, the minority shareholders in particular.

# Chapter7 DISCUSSION AND ANALYSIS OF BUSINESS CONDITION

## Analysis of principal business prepared under the PRC GAAP

### 7.1 Overview

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

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

## 7.2 Analysis of changes in major financial information

### 7.2.1 Analysis of Asset Liability Structure

√ Applicable □ Not applicable

Unit: RMB

| Item | As at the end of the reporting period | | As at the end of last year | | Increase/decrease in the reporting period compared with the end of last year % |
|---|---|---|---|---|---|
| | Amount | As a percentage of total assets % | Amount | As a percentage of total assets % | |
| Monetary funds | 8,172,655.35 | 5.09% | 15,129,411.41 | 8.34% | -45.98% |
| Notes receivable | 512,000.00 | 0.32% | 0 | 0.00% | - |
| Accounts receivable | 47,008,348.13 | 29.30% | 56,564,861.44 | 31.17% | -16.89% |
| Advances to suppliers | 3,599,246.96 | 2.24% | 1,776,539.33 | 0.98% | 102.60% |
| Other receivables | 8,459,193.82 | 5.27% | 9,440,013.71 | 5.20% | -10.39% |
| Inventories | 20,432,151.98 | 12.73% | 19,727,531.07 | 10.87% | 3.57% |
| Other current assets | 1,006,333.62 | 0.63% | 2,169,915.37 | 1.20% | -53.62% |
| Fixed assets | 37,302,906.77 | 23.25% | 39,128,810.30 | 21.56% | -4.67% |
| Right-of-use assets | 3,454,785.89 | 2.15% | 6,909,571.79 | 3.81% | -50.00% |
| Intangible assets | 11,418,262.69 | 7.12% | 11,550,265.75 | 6.36% | -1.14% |

**Reasons for major changes in the item**

Advances to suppliers: Due to business needs, the advance payment of Fuxin Busbar and Garden Lane Hotel has increased. Right-of-use assets: The lease contract of the subsidiary Garden Lane Hotel Dalian Branch expires on December 31 2023, and depreciation of the right to use assets is reasonably provided for during the lease period. Monetary funds and other current assets: The subsidiary Garden Lane Hotel reduced its business scale year-on-year.

### 7.2.2 Business situation and cash flow analysis

√ Applicable □ Not applicable

Unit: RMB

| Item | Amount for the reporting period | | Amount for the same period of last year | | Increase/decrease in the reporting period compared with the same period of last year % |
|---|---|---|---|---|---|
| | Amount | As a percentage of operating incomes % | Amount | As a percentage of operating incomes % | |
| Operating incomes | 39,575,875.51 | – | 36,398,794.86 | – | 8.73% |
| Cost for operation | 18,793,166.94 | | 29,096,149.21 | | -35.41% |
| Gross margin% | 52.51% | – | 20.06% | – | - |
| Selling expenses | 19,561,261.94 | 49.43% | 7,602,614.51 | 20.89% | 157.30% |
| Administrative expenses | 9,032,280.66 | 22.82% | 15,972,670.52 | 43.88% | -43.45% |
| Net cash flows from operating activities | -3,886,138.80 | – | -10,708,561.48 | – | -63.71% |
| Net cash flows from investing activities | 0.00 | – | 5,040,000.00 | – | -100.00% |
| Net cash flows from financing activities | 0.00 | – | 0.00 | – | - |

**Reasons for major changes in the item**

The significant changes in accounts related to operating incomes, sales expenses, administrative expenses and cash flow during the current period are mainly due to the year-on-year reduction in business scale of the subsidiary Garden Lane Hotel.

## 7.3 Assets and liabilities at fair value

None

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

*Unit: RMB*

| Item | Book value at the end of the year | Reasons for restriction |
|---|---|---|
| Monetary fund – other monetary funds | 3,452,588.65 | Performance guarantee |
| **Total** | 3,452,588.65 | |

## 7.5 Disposal of major assets

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

## 7.6 Analysis of major controlling Company and invested Company

*Unit: RMB*

| Company name | Company type | Principal business | Registered capital | Total asset | Net as set | Operating income | Net pro fit |
|---|---|---|---|---|---|---|---|
| Northeast Electric Development (HK) Co.,Ltd. | Subsidiary | Trading | USD20million | 80,538,501.47 | 64,662,013.27 | - | -73,457.51 |
| Great Talent Technology Ltd. | Subsidiary | Investment | USD1 | 88,989,105.83 | 6,054,844.21 | - | -13,350.17 |
| Shenyang Kaiyi Electric Co.,Ltd. | Subsidiary | Manufacturing of Electrical | RMB1million | 50,842,075.42 | -58,334,271.31 | - | -298,475.82 |
| Fuxin Enclosed Busbar Co.,Ltd. | Subsidiary | Manufacturing of enclosed busbars | USD8.5million | 105,231,315.61 | -35,970,353.06 | 15,996,739.52 | -3,636,569.42 |
| Hainan Garden Lane Flight Hotel Management Co.,Ltd. | Subsidiary | Public space business | RMB50million | 62,106,806.73 | -140,782,883.63 | 23,579,135.99 | -3,469,258.68 |
| Northeast Electric (Chengdu)Electric Engineering Design Co.,Ltd. | Subsidiary | Electric power engineering | RMB10million | 13,264,027.77 | 6,878,290.70 | - | - |
| HNA Tianjin Center Development Co.,Ltd. | Invested Company | Property leasing, hotel catering | RMB269,887,709 | 3,099,537,340.37 | 408,994,309.49 | 48,109,764.76 | 894,622.16 |
| Chongqing HNA Hotel Investment Company Limited | Associate (limited liability Company) | Property leasing | RMB50million | 136,645,763.94 | 36,307,974.68 | 4,305,000.00 | -336,449.31 |

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

**Share capital**

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

**Reserve**

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

**Distributable reserve**

As at 30 June 2023, according to the relevant regulations, the Company's distributable reserve isRMB-2,011,407,663.51. Pursuant to the resolution approved at the Board meeting on 25 August 2023, the Board proposes not to distribute cash dividend, issue bonus share, or capitalize from capital reserves during the year.

**Analysis of loans and borrowings**

The Group's short-term borrowings were nil (2022: nil).

**Working capital and financial resources**

The net cash generated from the Group's operating activities for the half year ended 30 June 2023 was approximately RMB-3,886,138.80 (2022: net cash generated from operating activities ofapproximately RMB-10,708,561.48).

As at 30 June 2023, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB8,172,655.35 (2022: RMB15,129,411.41) and had no bank loans (2021: nil).

As of 30 June 2023, the Group had current liabilities of RMB294,915,551.27, non-current liabilities of RMB67,501,782.48, and shareholders' equity attributable to shareholders of the Company of RMB-203,966,577.27. Details of the capital structure of the Group are set out in the financial report of the Company's interim report.

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

**Capital expenditure**

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

**Capital structure**

The Company's sources of funds are mainly operating cash inflows and loans of substantial shareholders. As at 30 June 2023, the Group's short-term bank borrowings were nil, and the cash and cash equivalents were RMB4,722,476.35 (2022 nil:). Borrowings bear fixed interest rates, and no hedging instruments are hedged.

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

**Prospects for new business**

Details of the prospects for new business are set out in "**Prospects for the second half of the year**" of "**Summary of Business**".

**Significant investments held and the performance of such investments**

Details of significant investments held and the performance of these investments are set out in "**Analysis of Major Controlling Company and Invested Company**" of "**Discussion and Analysis ofBusiness Condition**".

**Significant investments and sales**

Details of significant investments and sales are set out in "**Disposal of major assets**" of "**Discussionand Analysis of Business Condition**".

**Segmental information of results**

Details of segmental information of results are set out in the "**Main Business Composition**" of "**Summary of Business**".

**Assets pledge**

As of 30 June 2023, the Company had fixed assets and net land value of RMB nil for mortgages.

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

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

**Gearing ratio**

As of 30 June 2023, the Group's gearing ratio (calculated as total liabilities/total assets) was 226% (2022: 206%).

**Risks of exchange rate fluctuation and any related hedges**

The Group's assets and liabilities are denominated in Renminbi, so the risk of exchange rate changes has little impact on the Group. The Group has taken the following measures in reducing the risk of exchange rate fluctuations: (1) increase the export price of products to reduce the risk of exchange rate fluctuations; (2) agree with the other party in advance in case of large export contracts that the risks of exchange rate fluctuations shall be borne by both parties when the exchange rate fluctuation exceeds the limit of agreed scope; (3) strive to sign forward agreements with financial institutions to lock up exchange rates and avoid risks.

**Contingent liabilities**

As of 30 June 2023, the Company had no material contingent liabilities.

# Chapter8 Significant Events

## 8.1 Personnel changes

Please refer to "**Chapter 5 Profiles of Directors, Supervisors and Senior Management**".

## 8.2 Staff of the Company and remuneration policy

As at 30 June 2023, the number of employees on the payroll of the Company was 307. Thetotal salary of employees was RMB15.44 million in the first half of 2023 (the number of employees of the Group was 384 and the total salary of employees was RMB50.85 million in 2022).

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

## 8.3 Corporate governance structure

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

## 8.4 Profit distribution plan and its implementation

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

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

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

## 8.6 Litigation

1. The litigation brought by China Development Bank

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

2. The litigation on the application made by Fushun Electric Porcelain Manufacturing Co.,Ltd. (the “**Fushun Electric Porcelain**”) for adjudicating NEE as a person subject toenforcement

The plaintiff, Fushun Electric Porcelain, and the third party, New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (the “**Insulation Switches Company**”), had a contract dispute, and the Fushun Intermediate People's Court ruled that Insulation Switches Company should pay Fushun Electric Porcelain the processing fee of RMB 11,258,221.34 and interest. Because Insulation Switches Company failed to perform, the plaintiff Fushun Electric Porcelain applied to add its shareholders Shenyang High Voltage Switchgear Co., Ltd. (the “**Shenyang High Voltage Switchgear**”) and Northeast Electric as the persons subject to enforcement. Hainan First Intermediate People’s Court ruled to add Shenyang High Voltage Switchgear Co., Ltd. as the person subject to execution, and rejected its request to add Northeast Electric as the person subject to execution. Now, Fushun Electric Porcelain has filed another lawsuit in this case, claiming that "the shareholder damages the Company's creditors' interests and liability disputes", requiring Northeast Electric to bear joint and several liability for Shenyang High Voltage Switchgear's debts.

On December 302022, the First Intermediate People's Court of Hainan Province issued a civil judgment (2022) Qiong 96 Min Chu No. 599. The court found that this case constitutes a duplicate lawsuit and dismissed the plaintiff's lawsuit in accordance with the law. Fushun Electric Porcelain immediately filed an appeal. On June 282023, the Hainan Provincial High Court issued a civil ruling (2023) Qiongminzhong No. 280. The court found that it constituted a duplicate prosecution, and the final ruling rejected the appeal and upheld the original ruling. For details, please refer to the Announcements dated February 8 2023 and June 30 2023.

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

Unit: RMB

| Type of Specific Matters | Estimated amount | Actual amount |
|---|---|---|
| 1. Purchase raw materials, fuel, power, and accept labor services | - | 487,541.94 |
| 2. Selling products, commodities, and providing services | - | - |
| 3. Types of daily connected transactions applicable to the Company stipulated in the Company's articles of association | - | - |
| 4. Others | - | 387,845.68 |

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

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

## 8.9 Significant contracts and their execution

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

## 8.10 Guarantees

As at the end of the reporting period, the actual balance of the external guarantee provided bythe Company totaled RMB30 million, with Jinzhou Power Capacitors Co., Ltd. as the collateral.

## 8.11 Corporate governance

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

For more details on the implementation, please refer to the Corporate Governance Report disclosed in the Annual Report 2022. After the issuance of the annual report, the compliance and execution of the Code by the listed issuer remained unchanged.

## 8.12 Model Code for Securities Transactions by Directors

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

The Board has formulated guidelines on the trading of securities of listed companies by "**directors and relevant employees**". The Office of the Board has given written notices in advance to insiders (including the Company's Directors, supervisors, senior management, controlling shareholders, de facto controllers and their connected parties, as defined in the Listing Rules) stating that purchase and sales of shares of the Company shall comply with relevant regulations and forbidding the insiders to purchase or sell the shares with inside information: no transactions of the Company's securities shall be carried out during the price-sensitive timeframe within 30 days, a lock-up period from 25 July 2023 to 25 August 2023, prior to the results announcement.

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

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The Company has appointed three independent non-executive Directors including one with financial management expertise, of whom the biographical details are set out in the Annual Report 2022 of the Company.

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

## 8.13 Others

**Purchase, sale or redemption of shares**

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

**Loans to an entity**

At the end of the reporting period, neither the Company nor its subsidiaries have granted loansto any entity.

**Pledge of shares by controlling shareholder**

At the end of the reporting period, the controlling shareholder of the Company did not pledgeall or part of its equities in the Company to guarantee the Company's debts or warranty.

**Terms included in the loan agreements under which the controlling shareholder shall fulfil specific responsibilities**

At the end of the reporting period, the Company and its subsidiaries did not encounter any situation where the controlling shareholder should fulfil specific responsibilities according to the terms included in the loan agreements.

**Breach of loan agreements**

At the end of the reporting period, the Company and its subsidiaries did not have any breachof loan agreements.

**Provision of financial assistance and guarantee to affiliates**

At the end of the reporting period, the Company and its subsidiaries did not provide anyfinancial assistance and guarantee to affiliates.

**Share option scheme**

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

**Directors, supervisors and chief executive's interests in the shares, underlying shares and debentures of the Company**

For details of Directors, supervisors and chief executives' interests in the shares, underlying shares and debentures of the Company, please see "**Equity interest of Directors, supervisorsand senior management**" under "**Profiles of Directors, Supervisors and Senior Management**".

**Audit of interim results**

The unaudited results for the six months ended 30 June 2023 were prepared by the Group in accordance with the PRC GAAP and IFRS.

The audit committee under the Board of the Company has reviewed and confirmed the interim results announcement of the Company for 2023.

The audit committee has approved the financial accounting principles, standards and methods adopted by the Company for the unaudited interim accounts for the six months ended 30 June 2023.

## 8.14 Subsequent events

None

# Chapter 9 FINANCIAL STATEMENTS

## Ⅰ.PREPARED UNDER THE IFRS

### (1) Consolidated Balance Sheet

Unit: RMB

| Item | Notes | Closing balance | Opening balance |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary funds | V. 1 | 8,172,655.35 | 15,129,411.41 |
| Deposit Reservation for Balance | | | |
| Lending funds | | | |
| Financial assets held for trading | | | |
| Derivative financial assets | | | |
| Notes receivable | V. 2 | 512,000.00 | |
| Accounts receivable | V. 3 | 47,008,348.13 | 56,564,861.44 |
| Receivables financing | | | |
| Advances to suppliers | V. 4 | 3,599,246.96 | 1,776,539.33 |
| Receivable premium | | | |
| Reinsurance accounts receivable | | | |
| Provision of cession receivable | | | |
| Other receivables | V. 5 | 8,459,193.82 | 9,440,013.71 |
| Including: Interests receivable | | | |
| Dividends receivable | | | |
| Redemptory monetary capital for sale | | | |
| Inventories | V. 6 | 20,432,151.98 | 19,727,531.07 |
| Contract assets | | | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | V. 7 | 1,006,333.62 | 2,169,915.37 |
| **Total current assets** | | 89,189,929.86 | 104,808,272.33 |
| **Non-current assets:** | | | |
| Issuing loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | V. 8 | | |
| Other equity instrument investments | V. 9 | | |
| Other non-current financial assets | V. 10 | 19,083,585.02 | 19,083,585.02 |
| Investment properties | | | |
| Fixed assets | V. 11 | 37,302,906.77 | 39,128,810.30 |

| | | | |
|---|---|---|---|
| Construction in progress | | | |
| Biological assets held for production | | | |
| Oil and gas assets | | | |
| Right-of-use assets | V. 12 | 3,454,785.89 | 6,909,571.79 |
| Intangible assets | V. 13 | 11,418,262.69 | 11,550,265.75 |
| Development expenditure | | | |
| Goodwill | V. 14 | | |
| Long-term deferred charges | | | |
| Deferred income tax assets | V. 15 | | |
| Other non-current assets | | | |
| **Total non-current assets** | | 71,259,540.37 | 76,672,232.86 |
| **Total asset** | | 160,449,470.23 | 181,480,505.19 |
| **Current liabilities:** | | | |
| Short-term borrowings | | | |
| Borrowings from central bank | | | |
| Loans from other banks and other financial institutions | | | |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities | | | |
| Notes payable | | | |
| Accounts payable | V. 16 | 43,061,216.44 | 45,516,404.94 |
| Advances from customers | | | |
| Contract liabilities | V. 17 | 15,401,430.17 | 15,671,256.88 |
| Sell to repurchase financial assets | | | |
| Deposits from customers and interbank | | | |
| Receiving from vicariously traded securities | | | |
| Receiving from vicariously sold securities | | | |
| Employment benefits payable | V. 18 | 4,900,614.37 | 5,957,965.52 |
| Taxes and fees payable | V. 19 | 1,798,751.33 | 3,487,729.94 |
| Other payables | V. 20 | 221,854,769.19 | 226,920,695.23 |
| Including: Interests payable | | | |
| Dividends payable | | | |
| Charges and commissions payable | | | |
| Dividend payable for reinsurance | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | V. 21 | 7,079,406.77 | 6,909,571.79 |
| Other current liabilities | V. 22 | 819,363.00 | 1,582,262.50 |
| **Total current liabilities** | | 294,915,551.27 | 306,045,886.80 |
| **Non-current liabilities:** | | | |
| Reserve fund for insurance contracts | | | |
| Long-term borrowings | | | |
| Debt instruments payable | | | |

| | | | |
|---|---|---|---|
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | V. 23 | | |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | V. 24 | 34,354,500.00 | 34,354,500.00 |
| Deferred income | V. 25 | 33,147,282.48 | 34,109,883.30 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| **Total non-current liabilities** | | 67,501,782.48 | 68,464,383.30 |
| **Total liabilities** | | 362,417,333.75 | 374,510,270.10 |
| **Shareholders' equity:** | | | |
| Share capital | V. 26 | 873,370,000.00 | 873,370,000.00 |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserves | V. 27 | 1,083,997,337.88 | 1,083,997,337.88 |
| Less: Treasury stock | | | |
| Other comprehensive income | V. 28 | -258,513,376.04 | -258,161,242.03 |
| Designated reserves | | | |
| Surplus reserves | V. 29 | 108,587,124.40 | 108,587,124.40 |
| General risk provision | | | |
| Retained earnings | V. 30 | -2,011,407,663.51 | -2,002,856,391.50 |
| Total equity attributable to shareholders of the Parent | | -203,966,577.27 | -195,063,171.25 |
| Minority interests | | 1,998,713.75 | 2,033,406.34 |
| **Total shareholders' equity** | | -201,967,863.52 | -193,029,764.91 |
| **Total liabilities and shareholders' equity** | | 160,449,470.23 | 181,480,505.19 |

*The Company's Chairman:* **Su Weiguo**    *Chief Financial Officer:* **Dang Zhaozhao**    *Chief Accounting Officer:* **Li Ling**

## (2) Balance Sheet of parent Company

Unit: RMB

| Item | Notes | Closing balance | Opening balance |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary funds | | 2,409.65 | 2,406.66 |
| Deposit Reservation for Balance | | | |
| Lending funds | | | |
| Financial assets held for trading | | | |
| Derivative financial assets | XIV. 1 | | |
| Notes receivable | | | |
| Accounts receivable | | | |
| Receivables financing | XIV. 2 | 249,249,768.98 | 249,713,804.62 |
| Advances to suppliers | | | |
| Receivable premium | | | |
| Reinsurance accounts receivable | | | |
| Provision of cession receivable | | | |
| Other receivables | | | |
| Including: Interests receivable | | | |
| Dividends receivable | | | |
| Redemptory monetary capital for sale | | 620,824.01 | 609,433.66 |
| Inventories | | 249,873,002.64 | 250,325,644.94 |
| Contract assets | | | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | | | |
| **Total current assets** | XIV. 3 | 56,436,473.03 | 56,436,473.03 |
| **Non-current assets:** | | | |
| Issuing loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | 15,012.34 | 16,557.28 |
| Long-term receivables | | | |
| Long-term equity investments | | | |
| Other equity instrument investments | | | |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | | | |
| Construction in progress | | | |
| Biological assets held for production | | | |
| Oil and gas assets | | | |
| Right-of-use assets | | | |
| Intangible assets | | 56,451,485.37 | 56,453,030.31 |
| Development expenditure | | 306,324,488.01 | 306,778,675.25 |

| | | | |
|---|---|---|---|
| Goodwill | | | |
| Long-term deferred charges | | | |
| Deferred income tax assets | | | |
| Other non-current assets | | | |
| **Total non-current assets** | | | |
| **Total asset** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings | | 581,743.59 | 581,743.59 |
| Borrowings from central bank | | | |
| Loans from other banks and other financial institutions | | 3,249,386.03 | 3,512,586.03 |
| Financial liabilities held for trading | | 104,556.96 | 102,732.41 |
| Derivative financial liabilities | | 166,737,021.72 | 165,834,980.51 |
| Notes payable | | | |
| Accounts payable | | | |
| Advances from customers | | | |
| Contract liabilities | | | |
| Sell to repurchase financial assets | | | |
| Deposits from customers and interbank | | 170,672,708.30 | 170,032,042.54 |
| Receiving from vicariously traded securities | | | |
| Receiving from vicariously sold securities | | | |
| Employment benefits payable | | | |
| Taxes and fees payable | | | |
| Other payables | | | |
| Including: Interests payable | | | |
| Dividends payable | | | |
| Charges and commissions payable | | | |
| Dividend payable for reinsurance | | 34,354,500.00 | 34,354,500.00 |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | | |
| **Total current liabilities** | | 34,354,500.00 | 34,354,500.00 |
| **Non-current liabilities:** | | 205,027,208.30 | 204,386,542.54 |
| Reserve fund for insurance contracts | | | |
| Long-term borrowings | | 873,370,000.00 | 873,370,000.00 |
| Debt instruments payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | | 996,869,700.23 | 996,869,700.23 |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | | | |

| | | | |
|---|---|---|---|
| Deferred income | | 108,587,124.40 | 108,587,124.40 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | -1,877,529,544.92 | -1,876,434,691.92 |
| **Total non-current liabilities** | | 101,297,279.71 | 102,392,132.71 |
| **Total liabilities** | | 306,324,488.01 | 306,778,675.25 |

## (3) Consolidated income statement

Unit: RMB

| Item | Notes | Amount for current year | Amount for last year |
|---|---|---|---|
| **I. Total operating income** | | 39,575,875.51 | 79,081,901.29 |
| Including: Revenue from operation | V. 31 | 39,575,875.51 | 79,081,901.29 |
| Interest income | | | |
| The premium has been made | | | |
| Fee and commission income | | | |
| **II. Total operating costs** | | 49,202,857.96 | 98,514,786.34 |
| Including: Cost for operation | V. 31 | 18,793,166.94 | 38,471,647.39 |
| Interest expense | | | |
| Service charge and commission fee | | | |
| Surrender value | | | |
| Net payments for insurance claims | | | |
| Draw the net insurance liability reserve | | | |
| Bond insurance expense | | | |
| Reinsurance expenses | | | |
| Taxes and surcharges | V. 32 | 377,484.54 | 392,101.53 |
| Selling expenses | V. 33 | 19,561,261.94 | 30,647,669.79 |
| Administrative expenses | V. 34 | 9,032,280.66 | 28,734,561.95 |
| Research and development expenses | V. 35 | 1,165,078.69 | 1,236,526.06 |
| Financial costs | V. 36 | 273,585.19 | -967,720.38 |
| Including: Interest expense | | 158,719.27 | -1,461,752.93 |
| Interest income | | -11,311.63 | 19,158.83 |
| Add: Other income | V. 37 | 1,072,488.94 | 1,419,912.37 |
| Investment income (loss presented with “-” prefix) | | | |
| Including: In vestment income from associates and joint ventures | | | |
| Gain on derecognition of financial assets measured at amortized cost | | | |
| Exchange earning (loss presented with “-” prefix) | | | |
| Net open hedge income (loss presented with “-” prefix) | | | |
| Gain from changes in fair value (loss presented with “-”prefix ) | | | |
| Credit impairment loss (loss presented with “-” prefix) | | -4,211.67 | -4,451.22 |

| | | | |
|---|---|---|---|
| Asset impairment loss (loss presented with “-” prefix) | | | |
| Gain on disposal of assets (loss presented by “-” prefix) | V. 38 | -53,416.45 | |
| **III. Profit from operation (loss presented with “-” prefix)** | | -8,612,121.63 | -18,008,521.46 |
| Add: Non-operating income | V. 39 | 26,755.87 | 128,641.29 |
| Less: Non-operating expenses | V. 40 | 598.84 | 578.57 |
| **IV. Total profits (total loss presented with “-” prefix)** | | -8,585,964.60 | -17,880,458.74 |
| Less: Income tax expenses | V. 41 | | 128,641.29 |
| **V. Net profit (net loss presented with “-” prefix)** | | -8,585,964.60 | -17,872,498.25 |
| Include: the net profit realized by the merged party before the merger | | | |
| A. Classified by business continuity | – | – | – |
| 1. Net profit from continued operations (net loss presented with “-” prefix) | | -8,585,964.60 | -17,872,498.25 |
| 2. Net profit from discontinued operations (net loss presented with “-” prefix) | | | |
| B. Classified by ownership | – | – | – |
| 1. Net profit attributable to shareholders of the Parent (net loss presented with “-”prefix) | | -34,692.59 | -100,800.63 |
| 2. Profits and losses attributable to minority interests (net loss presented with “-”prefix) | | -8,551,272.01 | -17,771,697.62 |
| **VI. Net after-tax other comprehensive income** | | -352,134.01 | 1,283,399.39 |
| A. Net after-tax other comprehensive income attributable to shareholders of the Parent | | -352,134.01 | 1,283,399.39 |
| 1. Other comprehensive income not reclassification to profit or loss | | | |
| (1) Remeasurement of changes in defined benefit plans | | | |
| (2) Other comprehensive income of non-convertible profit and loss under the equity method | | | |
| (3) Changes in fair value of other equity instruments investment | | | |

| | | | |
|---|---|---|---|
| (4) Changes in fair value of the Company's own credit risk | | | |
| (5) Others | | | |
| 2. Other comprehensive income reclassification to profit or loss | | -352,134.01 | 1,283,399.39 |
| (1) Other comprehensive income of convertible profit and loss under the equity method | | | |
| (2) Changes in fair value of other debt investments | | | |
| (3) The amount of financial assets reclassified into other comprehensive income | | | |
| (4) Other debt investment credit impairment provisions | | | |
| (5) Cash flow hedge reserve | | | |
| (6) Exchange difference on translation of foreign financial statements | | -352,134.01 | 1,283,399.39 |
| (7) Others | | | |
| B. Net after-tax other comprehensive income attributable to minority interests | | | |
| **VII. Total comprehensive income** | | -8,938,098.61 | -16,589,098.86 |
| A. Total comprehensive income attributable to shareholders of the Parent | | -8,893,239.93 | -16,589,098.86 |
| B. Total comprehensive income attributable to minority interests | | -44,858.68 | |
| **VIII. Earning per share:** | | | |
| A. Basic earning per share (RMB per share) | | -0.01 | -0.02 |
| B. Diluted earning per share (RMB per share) | | -0.01 | -0.02 |

*The Company's Chairman:* **Su Weiguo** *Chief Financial Officer:* **Dang Zhaozhao** *Chief Accounting Officer:* **Li Ling**

### (4) Parent Company income statement

Unit: RMB

| Item | Notes | Amount for current year | Amount for last year |
|---|---|---|---|
| **I Revenue from operation** | | | |
| Less：Cost for operation | | | |
| Taxes and surcharges | | | |
| Selling expenses | | | |
| Administrative expenses | | 1,097,555.99 | 1,828,413.61 |
| Research and development expenses | | | |
| Financial costs | | -2.99 | 1,333.13 |
| Including: Interest expense | | | |
| Interest income | | -2.99 | -75.69 |
| Add: Other income | | | |
| Investment income (loss presented with “-” prefix) | | | |
| Including: In vestment income from associates and joint ventures | | | |
| Gain on derecognition of financial assets measured at amortized cost | | | |
| Exchange gains(loss presented with “-” prefix) | | | |
| Net open hedge income (loss presented with “-” prefix) | | | |
| Gain from changes in fair value (loss presented with “-prefix) | | | |
| Credit impairment loss (loss presented with “-” prefix) | | 2,700 | |
| Asset impairment loss (loss presented with “-” prefix) | | | |
| Gain on disposal of assets (loss presented by “-” prefix) | | | |
| **II. Profit from operation (loss presented with “-” prefix)** | | -1,094,853.00 | -1,829,746.74 |
| Add: Non-operating income | | | 27,567.55 |
| Less: Non-operating expenses | | | |
| **III. Total profits (total loss presented with “-” prefix)** | | -1,094,853.00 | -1,802,179.19 |
| Less: Income tax expenses | | | |
| **IV.Net profit (net loss presented with “-” prefix)** | | -1,094,853.00 | -1,802,179.19 |

| | | | |
|---|---|---|---|
| 1.Net profit from continued operations (net loss presented with "-" prefix) | | -1,094,853.00 | -1,802,179.19 |
| 2. Net profit from discontinued operations (net loss presented with "-" prefix) | | | |
| **V.Net after-tax other comprehensive income** | | | |
| 1. Other comprehensive income not reclassifiable to profit or loss | | | |
| (1) Remeasurement of changes in defined benefit plans | | | |
| (2) Other comprehensive income of non-convertible profit and loss under the equity method | | | |
| (3) Changes in fair value of other equity instruments investment | | | |
| (4) Changes in fair value of the Company's own credit risk | | | |
| (5) Others | | | |
| 2. Other comprehensive income reclassification to profit or loss | | | |
| (1) Other comprehensive income of convertible profit and loss under the equity method | | | |
| (2) Changes in fair value of other debt investments | | | |
| (3) The amount of financial assets reclassified into other comprehensive income | | | |
| (4) Other debt investment credit impairment provisions | | | |
| (5) Cash flow hedge reserve | | | |
| (6) Exchange difference on translation of foreign financial statements | | | |
| (7) Others | | | |
| **VI. Total comprehensive income** | | -1,094,853.00 | -1,802,179.19 |
| **VII. Earning per share:** | | | |
| A. Basic earning per share (RMB per share) | | | |
| B. Diluted earning per share (RMB per share) | | | |

## (5) Consolidated statement of cash flow

Unit: RMB

| Item | Notes | Amount for current year | Amount for last year |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received for sales of goods and rendering of services | | 49,766,810.01 | 87,463,461.05 |
| Net increase in customer deposits and interbank deposits | | | |
| Net increase in borrowing from the central bank | | | |
| Net increase in funds borrowed from other financial institutions | | | |
| Cash received from the original insurance contract premium | | | |
| Net cash received from reinsurance operations | | | |
| Net increase in policyholders' savings and investment funds | | | |
| Cash for interest, fees and commissions | | | |
| Net increase in borrowed funds | | | |
| Net increase in repurchase business funds | | | |
| Net cash received from agents buying and selling securities | | | |
| Tax refund received | | 591.58 | 304,174.55 |
| Other cash receipts relating to operating activities | V. 43 | 5,176,795.52 | 6,624,916.44 |
| **Cash inflows from operating activities (subtotal)** | | 54,944,197.11 | 94,392,552.04 |
| Cash payments for purchase of goods and services | | 34,474,515.64 | 58,993,355.54 |
| Net increase in loans and advances to customers | | | |
| Net increase in deposits with central banks and inter banks | | | |
| Cash to pay the original insurance contract compensation | | | |
| Net increase in financial assets held for trading purposes | | | |
| Net increase in borrowed funds | | | |
| Cash for interest, fees and commissions | | | |
| Cash to pay policy dividends | | | |
| Cash paid to or on behalf of employees | | 15,284,611.59 | 25,590,538.53 |
| Taxes and fees paid | | 1,425,384.41 | 1,184,959.40 |
| Other cash payments relating to operating activities | V. 43 | 7,645,824.27 | 19,332,260.05 |
| **Cash outflows for operating activities (subtotal)** | | 58,830,335.91 | 105,101,113.52 |
| **Net cash flows from operating activities** | | -3,886,138.80 | -10,708,561.48 |
| **II. Cash flows from investing activities:** | | | |
| Cash received from investment withdrawal | | | |
| Cash received from investment income | | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | | 5,040,000.00 |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Other cash receipts relating to investing activities | | | |
| **Cash inflows from investing activities (subtotal)** | | | 5,040,000.00 |

| | | | |
|---|---|---|---|
| Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets | | | |
| Cash paid for investment | | | |
| Net increase in mortgage loans | | | |
| Net cash paid for acquisition of subsidiaries and other business units | | | |
| Other cash payments relating to investing activities | | | |
| **Cash outflows for investing activities (subtotal)** | | | |
| **Net cash flows from investing activities** | | | 5,040,000.00 |
| **III. Cash flows from financing activities:** | | | |
| Cash received from investors | | | |
| Including: Cash received by subsidiaries from investments of minority shareholders | | | |
| Cash received from loans raised | | | |
| Cash received from bond issuance | | | |
| Other cash receipts relating to financing activities | | | |
| **Cash inflows from financing activities (subtotal)** | | | |
| Cash paid for debt repayment | | | |
| Cash paid for dividends, profit distribution and interests | | | |
| Including: Dividends and profits paid by subsidiaries to minority shareholders | | | |
| Other cash payments relating to financing activities | | | |
| **Cash outflows for financing activities (subtotal)** | | | |
| **Net cash flows from financing activities** | | | |
| **IV. Impact of change of foreign exchange rates on cash and cash equivalents** | | 25,854.90 | 46,825.68 |
| **V. Net increase of cash and cash equivalents** | | -3,860,283.90 | -5,621,735.80 |
| Add: cash and cash equivalents opening balance | | 8,582,760.25 | 18,645,415.83 |
| VI. Cash and cash equivalents closing balance | | 4,722,476.35 | 13,023,680.03 |

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

*Chief Financial Officer:* **Dang Zhaozhao**

*Chief Accounting Officer:* **Li Ling**

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

Unit: RMB

| Item | Notes | Amount for | Item |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received for sales of goods and rendering of services | | | |
| Tax refund received | | | |
| Other cash receipts relating to operating activities | | 2.99 | 3,099,846.01 |
| **Cash inflows from operating activities (subtotal)** | | 2.99 | 3,099,846.01 |
| Cash payments for purchase of goods and services | | | |
| Cash paid to or on behalf of employees | | | 2,707,155.87 |
| Taxes and fees paid | | | |
| Other cash payments relating to operating activities | | | 403,926.22 |
| **Cash outflows for operating activities (subtotal)** | | | 3,111,082.09 |
| **Net cash flows from operating activities** | | 2.99 | -11,236.08 |
| **II. Cash flows from investing activities:** | | | |
| Cash received from investment withdrawal | | | |
| Cash received from investment income | | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | | |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Other cash receipts relating to investing activities | | | |
| **Cash inflows from investing activities (subtotal)** | | | |
| Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets | | | |
| Cash paid for investment | | | |
| Net cash paid for acquisition of subsidiaries and other business units | | | |
| Other cash payments relating to investing activities | | | |
| **Cash outflows for investing activities (subtotal)** | | | |
| **Net cash flows from investing activities** | | | |
| **Cash flows from financing activities:** | | | |
| Cash received from investors | | | |
| Cash received from loans raised | | | |
| Cash received from bond issuance | | | |
| Other cash receipts relating to financing activities | | | |
| **Cash inflows from financing activities (subtotal)** | | | |
| Cash paid for debt repayment | | | |
| Cash paid for dividends, profit distribution and interests | | | |
| Other cash payments relating to financing activities | | | |
| **Cash outflows for financing activities (subtotal)** | | | |
| **Net cash flows from financing activities** | | | |
| **IV. Impact of change of foreign exchange rates on cash** | | | |

| | | | |
|---|---|---|---|
| **and cash equivalents** | | | |
| **V. Net increase of cash and cash equivalents** | | 2.99 | -11,236.08 |
| Add: cash and cash equivalents opening balance | | 2,406.66 | 18,629.59 |
| **VI. Cash and cash equivalents closing balance** | | 2,409.65 | 7,393.51 |

## Ⅱ.PREPARED UNDER THE PRC GAAP

## AUDIT REPORT

The interim report of the Company has not been audited.

## FINANCIAL STATEMENTS

### ⑴Consolidated Balance Sheet

Unit: RMB

| Item | Notes | Closing balance | Opening balance |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary funds | V. 1 | 8,172,655.35 | 15,129,411.41 |
| Deposit Reservation for Balance | | | |
| Lending funds | | | |
| Financial assets held for trading | | | |
| Derivative financial assets | | | |
| Notes receivable | V. 2 | 512,000.00 | |
| Accounts receivable | V. 3 | 47,008,348.13 | 56,564,861.44 |
| Receivables financing | | | |
| Advances to suppliers | V. 4 | 3,599,246.96 | 1,776,539.33 |
| Receivable premium | | | |
| Reinsurance accounts receivable | | | |
| Provision of cession receivable | | | |
| Other receivables | V. 5 | 8,459,193.82 | 9,440,013.71 |
| Including: Interests receivable | | | |
| Dividends receivable | | | |
| Redemptory monetary capital for sale | | | |
| Inventories | V. 6 | 20,432,151.98 | 19,727,531.07 |
| Contract assets | | | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | V. 7 | 1,006,333.62 | 2,169,915.37 |
| **Total current assets** | | 89,189,929.86 | 104,808,272.33 |
| **Non-current assets:** | | | |
| Issuing loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | V. 8 | | |
| Other equity instrument investments | V. 9 | | |

| | | | |
|---|---|---|---|
| Other non-current financial assets | V. 10 | 19,083,585.02 | 19,083,585.02 |
| Investment properties | | | |
| Fixed assets | V. 11 | 37,302,906.77 | 39,128,810.30 |
| Construction in progress | | | |
| Biological assets held for production | | | |
| Oil and gas assets | | | |
| Right-of-use assets | V. 12 | 3,454,785.89 | 6,909,571.79 |
| Intangible assets | V. 13 | 11,418,262.69 | 11,550,265.75 |
| Development expenditure | | | |
| Goodwill | V. 14 | | |
| Long-term deferred charges | | | |
| Deferred income tax assets | V. 15 | | |
| Other non-current assets | | | |
| **Total non-current assets** | | 71,259,540.37 | 76,672,232.86 |
| **Total asset** | | 160,449,470.23 | 181,480,505.19 |
| **Current liabilities:** | | | |
| Short-term borrowings | | | |
| Borrowings from central bank | | | |
| Loans from other banks and other financial institutions | | | |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities | | | |
| Notes payable | | | |
| Accounts payable | V. 16 | 43,061,216.44 | 45,516,404.94 |
| Advances from customers | | | |
| Contract liabilities | V. 17 | 15,401,430.17 | 15,671,256.88 |
| Sell to repurchase financial assets | | | |
| Deposits from customers and interbank | | | |
| Receivings from vicariously traded securities | | | |
| Receivings from vicariously sold securities | | | |
| Employment benefits payable | V. 18 | 4,900,614.37 | 5,957,965.52 |
| Taxes and fees payable | V. 19 | 1,798,751.33 | 3,487,729.94 |
| Other payables | V. 20 | 221,854,769.19 | 226,920,695.23 |
| Including: Interests payable | | | |
| Dividends payable | | | |
| Charges and commissions payable | | | |
| Dividend payable for reinsurance | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | V. 21 | 7,079,406.77 | 6,909,571.79 |
| Other current liabilities | V. 22 | 819,363.00 | 1,582,262.50 |
| **Total current liabilities** | | 294,915,551.27 | 306,045,886.80 |

| | | | |
|---|---|---|---|
| **Non-current liabilities:** | | | |
| Reserve fund for insurance contracts | | | |
| Long-term borrowings | | | |
| Debt instruments payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | V. 23 | | |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | V. 24 | 34,354,500.00 | 34,354,500.00 |
| Deferred income | V. 25 | 33,147,282.48 | 34,109,883.30 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| **Total non-current liabilities** | | 67,501,782.48 | 68,464,383.30 |
| **Total liabilities** | | 362,417,333.75 | 374,510,270.10 |
| **Shareholders' equity:** | | | |
| Share capital | V. 26 | 873,370,000.00 | 873,370,000.00 |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserves | V. 27 | 1,083,997,337.88 | 1,083,997,337.88 |
| Less: Treasury stock | | | |
| Other comprehensive income | V. 28 | -258,513,376.04 | -258,161,242.03 |
| Designated reserves | | | |
| Surplus reserves | V. 29 | 108,587,124.40 | 108,587,124.40 |
| General risk provision | | | |
| Retained earnings | V. 30 | -2,011,407,663.51 | -2,002,856,391.50 |
| Total equity attributable to shareholders of the Parent | | -203,966,577.27 | -195,063,171.25 |
| Minority interests | | 1,998,713.75 | 2,033,406.34 |
| **Total shareholders' equity** | | -201,967,863.52 | -193,029,764.91 |
| **Total liabilities and shareholders' equity** | | 160,449,470.23 | 181,480,505.19 |

*The Company's Chairman:* **Su Weiguo** *Chief Financial Officer:* **Dang Zhaozhao** *Chief Accounting Officer:* **Li Ling**

### ⑵Balance Sheet of parent Company

Unit: RMB

| Item | Notes | Closing balance | Opening balance |
|---|---|---|---|
| **Current assets:** | | | |
| Monetary funds | | 2,409.65 | 2,406.66 |
| Deposit Reservation for Balance | | | |
| Lending funds | | | |
| Financial assets held for trading | | | |
| Derivative financial assets | XIV. 1 | | |
| Notes receivable | | | |
| Accounts receivable | | | |
| Receivables financing | XIV. 2 | 249,249,768.98 | 249,713,804.62 |
| Advances to suppliers | | | |
| Receivable premium | | | |
| Reinsurance accounts receivable | | | |
| Provision of cession receivable | | | |
| Other receivables | | | |
| Including: Interests receivable | | | |
| Dividends receivable | | | |
| Redemptory monetary capital for sale | | 620,824.01 | 609,433.66 |
| Inventories | | 249,873,002.64 | 250,325,644.94 |
| Contract assets | | | |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | | | |
| **Total current assets** | XIV. 3 | 56,436,473.03 | 56,436,473.03 |
| **Non-current assets:** | | | |
| Issuing loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | 15,012.34 | 16,557.28 |
| Long-term receivables | | | |
| Long-term equity investments | | | |
| Other equity instrument investments | | | |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | | | |
| Construction in progress | | | |
| Biological assets held for production | | | |
| Oil and gas assets | | | |
| Right-of-use assets | | | |
| Intangible assets | | 56,451,485.37 | 56,453,030.31 |
| Development expenditure | | 306,324,488.01 | 306,778,675.25 |

| | | | |
|---|---|---|---|
| Goodwill | | | |
| Long-term deferred charges | | | |
| Deferred income tax assets | | | |
| Other non-current assets | | | |
| **Total non-current assets** | | | |
| **Total asset** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings | | 581,743.59 | 581,743.59 |
| Borrowings from central bank | | | |
| Loans from other banks and other financial institutions | | 3,249,386.03 | 3,512,586.03 |
| Financial liabilities held for trading | | 104,556.96 | 102,732.41 |
| Derivative financial liabilities | | 166,737,021.72 | 165,834,980.51 |
| Notes payable | | | |
| Accounts payable | | | |
| Advances from customers | | | |
| Contract liabilities | | | |
| Sell to repurchase financial assets | | | |
| Deposits from customers and interbank | | 170,672,708.30 | 170,032,042.54 |
| Receivings from vicariously traded securities | | | |
| Receivings from vicariously sold securities | | | |
| Employment benefits payable | | | |
| Taxes and fees payable | | | |
| Other payables | | | |
| Including: Interests payable | | | |
| Dividends payable | | | |
| Charges and commissions payable | | | |
| Dividend payable for reinsurance | | 34,354,500.00 | 34,354,500.00 |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | | |
| **Total current liabilities** | | 34,354,500.00 | 34,354,500.00 |
| **Non-current liabilities:** | | 205,027,208.30 | 204,386,542.54 |
| Reserve fund for insurance contracts | | | |
| Long-term borrowings | | 873,370,000.00 | 873,370,000.00 |
| Debt instruments payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | | 996,869,700.23 | 996,869,700.23 |
| Long-term payables | | | |
| Long-term employee benefits payable | | | |
| Provisions | | | |

| | | | |
|---|---|---|---|
| Deferred income | | 108,587,124.40 | 108,587,124.40 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | -1,877,529,544.92 | -1,876,434,691.92 |
| **Total non-current liabilities** | | 101,297,279.71 | 102,392,132.71 |
| **Total liabilities** | | 306,324,488.01 | 306,778,675.25 |

### ⑶Consolidated income statement

Unit: RMB

| Item | Notes | Amount for current year | Amount for last year |
|---|---|---|---|
| **I. Total operating income** | | 39,575,875.51 | 36,398,794.86 |
| Including: Revenue from operation | V. 31 | 39,575,875.51 | 36,398,794.86 |
| Interest income | | | |
| The premium has been made | | | |
| Fee and commission income | | | |
| **II. Total operating costs** | | 49,202,857.96 | 55,831,679.91 |
| Including: Cost for operation | V. 31 | 18,793,166.94 | 29,096,149.21 |
| Interest expense | | | |
| Service charge and commission fee | | | |
| Surrender value | | | |
| Net payments for insurance claims | | | |
| Draw the net insurance liability reserve | | | |
| Bond insurance expense | | | |
| Reinsurance expenses | | | |
| Taxes and surcharges | V. 32 | 377,484.54 | 392,101.53 |
| Selling expenses | V. 33 | 19,561,261.94 | 7,602,614.51 |
| Administrative expenses | V. 34 | 9,032,280.66 | 15,972,670.52 |
| Research and development expenses | V. 35 | 1,165,078.69 | 1,236,526.06 |
| Financial costs | V. 36 | 273,585.19 | 1,531,618.08 |
| Including: Interest expense | | 158,719.27 | 1,490,380.03 |
| Interest income | | -11,311.63 | -16,926.56 |
| Add: Other income | V. 37 | 1,072,488.94 | 1,419,912.37 |
| Investment income (loss presented with "-" prefix) | | | |
| Including: In vestment income from associates and joint ventures | | | |
| Gain on derecognition of financial assets measured at amortized cost | | | |
| Exchange earning(loss presented with "-" prefix) | | | |
| Net open hedge income (loss presented with "-" prefix) | | | |
| Gain from changes in fair value (loss presented with "-"prefix) | | | |
| Credit impairment loss (loss presented with "-" prefix) | | -4,211.67 | 4,451.22 |
| Asset impairment loss (loss presented with "-" prefix) | | | |
| Gain on disposal of assets (loss | V. 38 | -53,416.45 | |

| | | | |
|---|---|---|---|
| presented by "-" prefix) | | | |
| **III. Profit from operation (loss presented with "-" prefix)** | | -8,612,121.63 | -18,008,521.46 |
| Add: Non-operating income | V. 39 | 26,755.87 | 128,641.29 |
| Less: Non-operating expenses | V. 40 | 598.84 | 578.57 |
| **IV. Total profits (total loss presented with "-" prefix)** | | -8,585,964.60 | -17,880,458.74 |
| Less: Income tax expenses | V. 41 | | -7,960.49 |
| **V. Net profit (net loss presented with "-" prefix)** | | -8,585,964.60 | -17,872,498.25 |
| Include: the net profit realized by the merged party before the merger | | | |
| A. Classified by business continuity | – | – | – |
| 1. Net profit from continued operations (net loss presented with "-" prefix) | | -8,585,964.60 | -17,872,498.25 |
| 2. Net profit from discontinued operations (net loss presented with "-" prefix) | | | |
| B. Classified by ownership | – | – | – |
| 1. Net profit attributable to shareholders of the Parent (net loss presented with "-"prefix) | | -34,692.59 | -100,800.63 |
| 2. Profits and losses attributable to minority interests (net loss presented with "-"prefix) | | -8,551,272.01 | -17,771,697.62 |
| **VI. Net after-tax other comprehensive income** | | -352,134.01 | 1,283,399.39 |
| A. Net after-tax other comprehensive income attributable to shareholders of the Parent | | -352,134.01 | 1,283,399.39 |
| 1. Other comprehensive income not reclassification to profit or loss | | | |
| (1) Remeasurement of changes in defined benefit plans | | | |
| (2) Other comprehensive income of non-convertible profit and loss under the equity method | | | |
| (3) Changes in fair value of other equity instruments investment | | | |
| (4) Changes in fair value of the Company's own credit risk | | | |
| (5) Others | | | |
| 2. Other comprehensive income reclassification to profit or loss | | -352,134.01 | 1,283,399.39 |
| (1) Other comprehensive income of convertible profit and loss under the equity method | | | |

| | | | |
|---|---|---|---|
| (2) Changes in fair value of other debt investments | | | |
| (3) The amount of financial assets reclassified into other comprehensive income | | | |
| (4) Other debt investment credit impairment provisions | | | |
| (5) Cash flow hedge reserve | | | |
| (6) Exchange difference on translation of foreign financial statements | | -352,134.01 | 1,283,399.39 |
| (7) Others | | | |
| B. Net after-tax other comprehensive income attributable to minority interests | | | |
| **VII. Total comprehensive income** | | -8,938,098.61 | -16,589,098.86 |
| A. Total comprehensive income attributable to shareholders of the Parent | | -8,893,239.93 | -16,589,098.86 |
| B. Total comprehensive income attributable to minority interests | | -44,858.68 | |
| **VIII. Earning per share:** | | | |
| A. Basic earning per share (RMB per share) | | -0.01 | -0.02 |
| B. Diluted earning per share (RMB per share) | | -0.01 | -0.02 |

*The Company's Chairman:* **Su Weiguo** *Chief Financial Officer:* **Dang Zhaozhao** *Chief Accounting Officer:* **Li Ling**

### (4)Parent Company income statement

Unit: RMB

| Item | Notes | Amount for current year | Amount for last year |
|---|---|---|---|
| **I Revenue from operation** | | | |
| Less：Cost for operation | | | |
| Taxes and surcharges | | | |
| Selling expenses | | | |
| Administrative expenses | | 1,097,555.99 | 1,828,413.61 |
| Research and development expenses | | | |
| Financial costs | | -2.99 | 1,333.13 |
| Including: Interest expense | | | |
| Interest income | | -2.99 | -75.69 |
| Add: Other income | | | |
| Investment income (loss presented with "-" prefix) | | | |
| Including: In vestment income from associates and joint ventures | | | |
| Gain on derecognition of financial assets measured at amortized cost | | | |
| Exchange gains(loss presented with "-" prefix) | | | |
| Net open hedge income (loss presented with "-" prefix) | | | |
| Gain from changes in fair value (loss presented with "-prefix) | | | |
| Credit impairment loss (loss presented with "-" prefix) | | 2,700 | |
| Asset impairment loss (loss presented with "-" prefix) | | | |
| Gain on disposal of assets (loss presented by "-" prefix) | | | |
| **II. Profit from operation (loss presented with "-" prefix)** | | -1,094,853.00 | -1,829,746.74 |
| Add: Non-operating income | | | 27,567.55 |
| Less: Non-operating expenses | | | |
| **III. Total profits (total loss presented with "-" prefix)** | | -1,094,853.00 | -1,802,179.19 |
| Less: Income tax expenses | | | |
| **IV.Net profit (net loss presented with "-"** | | -1,094,853.00 | -1,802,179.19 |

| | | | |
|---|---|---|---|
| **prefix)** | | | |
| 1.Net profit from continued operations (net loss presented with "-" prefix) | | -1,094,853.00 | -1,802,179.19 |
| 2. Net profit from discontinued operations (net loss presented with "-" prefix) | | | |
| **V.Net after-tax other comprehensive income** | | | |
| 1. Other comprehensive income not reclassifiable to profit or loss | | | |
| (1) Remeasurement of changes in defined benefit plans | | | |
| (2) Other comprehensive income of non-convertible profit and loss under the equity method | | | |
| (3) Changes in fair value of other equity instruments investment | | | |
| (4) Changes in fair value of the Company's own credit risk | | | |
| (5) Others | | | |
| 2. Other comprehensive income reclassification to profit or loss | | | |
| (1) Other comprehensive income of convertible profit and loss under the equity method | | | |
| (2) Changes in fair value of other debt investments | | | |
| (3) The amount of financial assets reclassified into other comprehensive income | | | |
| (4) Other debt investment credit impairment provisions | | | |
| (5) Cash flow hedge reserve | | | |
| (6) Exchange difference on translation of foreign financial statements | | | |
| (7) Others | | | |
| **VI. Total comprehensive income** | | -1,094,853.00 | -1,802,179.19 |
| **VII. Earning per share:** | | | |
| A. Basic earning per share (RMB per share) | | | |
| B. Diluted earning per share (RMB per share) | | | |

## (5)Consolidated statement of cash flow

Unit: RMB

| Item | Notes | Amount for current year | Amount for last year |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received for sales of goods and rendering of services | | 49,766,810.01 | 87,463,461.05 |
| Net increase in customer deposits and interbank deposits | | | |
| Net increase in borrowing from the central bank | | | |
| Net increase in funds borrowed from other financial institutions | | | |
| Cash received from the original insurance contract premium | | | |
| Net cash received from reinsurance operations | | | |
| Net increase in policyholders' savings and investment funds | | | |
| Cash for interest, fees and commissions | | | |
| Net increase in borrowed funds | | | |
| Net increase in repurchase business funds | | | |
| Net cash received from agents buying and selling securities | | | |
| Tax refund received | | 591.58 | 304,174.55 |
| Other cash receipts relating to operating activities | V. 43 | 5,176,795.52 | 6,624,916.44 |
| **Cash inflows from operating activities (subtotal)** | | 54,944,197.11 | 94,392,552.04 |
| Cash payments for purchase of goods and services | | 34,474,515.64 | 58,993,355.54 |
| Net increase in loans and advances to customers | | | |
| Net increase in deposits with central banks and inter banks | | | |
| Cash to pay the original insurance contract compensation | | | |
| Net increase in financial assets held for trading purposes | | | |
| Net increase in borrowed funds | | | |
| Cash for interest, fees and commissions | | | |
| Cash to pay policy dividends | | | |
| Cash paid to or on behalf of employees | | 15,284,611.59 | 25,590,538.53 |
| Taxes and fees paid | | 1,425,384.41 | 1,184,959.40 |
| Other cash payments relating to operating activities | V. 43 | 7,645,824.27 | 19,332,260.05 |
| **Cash outflows for operating activities (subtotal)** | | 58,830,335.91 | 105,101,113.52 |
| **Net cash flows from operating activities** | | -3,886,138.80 | -10,708,561.48 |
| **II. Cash flows from investing activities:** | | | |
| Cash received from investment withdrawal | | | |
| Cash received from investment income | | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | | 5,040,000.00 |
| Net cash received from disposal of subsidiaries | | | |

| | | | |
|---|---|---|---|
| and other business units | | | |
| Other cash receipts relating to investing activities | | | |
| **Cash inflows from investing activities (subtotal)** | | | 5,040,000.00 |
| Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets | | | |
| Cash paid for investment | | | |
| Net increase in mortgage loans | | | |
| Net cash paid for acquisition of subsidiaries and other business units | | | |
| Other cash payments relating to investing activities | | | |
| **Cash outflows for investing activities (subtotal)** | | | |
| **Net cash flows from investing activities** | | | 5,040,000.00 |
| **III. Cash flows from financing activities:** | | | |
| Cash received from investors | | | |
| Including: Cash received by subsidiaries from investments of minority shareholders | | | |
| Cash received from loans raised | | | |
| Cash received from bond issuance | | | |
| Other cash receipts relating to financing activities | | | |
| **Cash inflows from financing activities (subtotal)** | | | |
| Cash paid for debt repayment | | | |
| Cash paid for dividends, profit distribution and interests | | | |
| Including: Dividends and profits paid by subsidiaries to minority shareholders | | | |
| Other cash payments relating to financing activities | | | |
| **Cash outflows for financing activities (subtotal)** | | | |
| **Net cash flows from financing activities** | | | |
| **IV. Impact of change of foreign exchange rates on cash and cash equivalents** | | 25,854.90 | 46,825.68 |
| **V. Net increase of cash and cash equivalents** | | -3,860,283.90 | -5,621,735.80 |
| Add: cash and cash equivalents opening balance | | 8,582,760.25 | 18,645,415.83 |
| **VI. Cash and cash equivalents closing balance** | | 4,722,476.35 | 13,023,680.03 |

*The Company's Chairman:* **Su Weiguo** *Chief Financial Officer:* **Dang Zhaozhao** *Chief Accounting Officer:* **Li Ling**

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

Unit: RMB

| Item | Notes | Amount for | Item |
|---|---|---|---|
| **I. Cash flows from operating activities:** | | | |
| Cash received for sales of goods and rendering of services | | | |
| Tax refund received | | | |
| Other cash receipts relating to operating activities | | 2.99 | 3,099,846.01 |
| **Cash inflows from operating activities (subtotal)** | | 2.99 | 3,099,846.01 |
| Cash payments for purchase of goods and services | | | |
| Cash paid to or on behalf of employees | | | 2,707,155.87 |
| Taxes and fees paid | | | |
| Other cash payments relating to operating activities | | | 403,926.22 |
| **Cash outflows for operating activities (subtotal)** | | | 3,111,082.09 |
| **Net cash flows from operating activities** | | 2.99 | -11,236.08 |
| **II. Cash flows from investing activities:** | | | |
| Cash received from investment withdrawal | | | |
| Cash received from investment income | | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | | |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Other cash receipts relating to investing activities | | | |
| **Cash inflows from investing activities (subtotal)** | | | |
| Cash paid for purchase or construction of fixed assets,<br>intangibles assets and other long-term assets | | | |
| Cash paid for investment | | | |
| Net cash paid for acquisition of subsidiaries and other business units | | | |
| Other cash payments relating to investing | | | |

| | | | |
|---|---|---|---|
| activities | | | |
| **Cash outflows for investing activities (subtotal)** | | | |
| **Net cash flows from investing activities** | | | |
| **Cash flows from financing activities:** | | | |
| Cash received from investors | | | |
| Cash received from loans raised | | | |
| Cash received from bond issuance | | | |
| Other cash receipts relating to financing activities | | | |
| **Cash inflows from financing activities (subtotal)** | | | |
| Cash paid for debt repayment | | | |
| Cash paid for dividends, profit distribution and interests | | | |
| Other cash payments relating to financing activities | | | |
| **Cash outflows for financing activities (subtotal)** | | | |
| **Net cash flows from financing activities** | | | |
| **IV. Impact of change of foreign exchange rates on cash and cash equivalents** | | | |
| **V. Net increase of cash and cash equivalents** | | 2.99 | -11,236.08 |
| Add: cash and cash equivalents opening balance | | 2,406.66 | 18,629.59 |
| **VI. Cash and cash equivalents closing balance** | | 2,409.65 | 7,393.51 |

## Company Profile

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

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

The financial statements were approved through the resolution on 25 August 2023 by the Board of Directors of the Company.

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

As of 30 June 2023, the results of 6 subsidiaries of the Group have been consolidated. Please see Note Ⅶ “Equity in other entities”. There is no change in the Group’s consolidation scope this year compared with last year.

# Basis of Preparation of Financial Statements

## 1. Basic of preparation

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

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

## 2. Continuing operations

At the 30 June 2023, the Company had a cumulative net loss of RMB-2,011,407,700, the equity attributable to shareholders of the parent Company was RM-230,966,600, and current liabilities were RMB205,725,600 more than current assets. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB94,078,100.

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

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

(1) 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., Lt, 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) 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.

(3) 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.

(4) Ensure safe production. Strengthen the organization and leadership, strictly implement the main responsibility, pay close attention to the implementation of all responsibility measures, to ensure production safety and stability. Refine the emergency plan, improve the emergency response capacity with the highest work standards, the strictest work requirements, the strongest responsibility, earnestly implement the safety prevention work, to create a good safety environment for the smooth and orderly operation and development and reform of enterprise safety production.

(5) Explore new markets and expand new businesses. In order to reverse the loss trend of the main business, with the development of traditional busbar transmission and transformation equipment products as the core, adjust the product structure, 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.

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.

**Statement of Compliance with the Accounting Standards for Business Enterprises**

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company and the Group as at 30 June 2023 and the operating results, cash flows and other information for the year 2023. In addition, all material aspects of the financial statements of the Company and the Group are compliant with the "Disclosure Requirement on Listed Issuers No.15– General Requirements on Financial Statements (2014 revision)" issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and their accompanying notes.

## III. Significant Accounting Policies and Accounting Estimates

The Group has set up certain specific Accounting Policies and Accounting Estimates on accounting items such as Accounts Receivables, Inventories, Fixed Assets, and Income according to actual characteristics of manufacturing and operations and the relevant stipulations in the Accounting Standards for Business Enterprises. For the explanations on significant accounting judgements and estimates made by the Management, please refer to Note Ⅲ.33 “Major accounting judgment and estimate”.

### 1. Statement following the Accounting Standards for Business Enterprises

This financial statements comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's merger and financial position of the Company on June 30 2023, as well as the merger and the Company's operating results and cash flow from January to June 2023.

### 2. Accounting period

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

### 3. Operating cycle

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

### 4. Recording currency

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

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

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

(1) Business combination under common control

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

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

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

(2) Business combination not under common control

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

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

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

For a business combination not involving enterprises under common control and achieved in stages, the Company would determine whether the business combination shall be regarded as "a bundle of transactions" in accordance with the criteria for "a bundle of transactions" in "Interpretation 5 on Accounting Standards for Business Enterprises" (Cai Kuai [2012] No.19) and Article 51 of " Decree 33, Accounting Standards for Business Enterprises–Consolidated Reports" (Refer to paragraph (2) under Note Ⅲ.6 "Preparation method of consolidated financial statements"). When the business combination is regarded as "a bundle of transactions", the accounting treatment for the business combination shall be in accordance with the previous paragraphs and Note Ⅲ.15 "Long-term equity investments"; when the business combination is not regarded as "a bundle of transactions", the accounting treatment for the individual financial statements and consolidated financial statements shall be as follows:

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

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

## 6. Preparation method of consolidated financial statements

(1) Scope of consolidation

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

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

(2) Preparation method of consolidated financial statements

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

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

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

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

When the control to a subsidiary ceased due to disposal of a portion of equity investment in the subsidiary or other reasons, the remaining equity interest is remeasured at its fair value on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the acquirer since acquisition date according to the original shareholding ratio, is recognised as the investment income from the loss of control. Other comprehensive income in relation to the original equity investment in the subsidiary is accounted on the same basis as the investee when disposing the related assets or liabilities when control ceased (i.e. except for changes due to net liabilities or net assets from such subsidiary's re-measured defined benefits plan, the rest is reclassified as investment income during the period). Subsequent measurement of the remaining interests shall be in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments" or "Accounting Standards for Business Enterprises No.22 – Financial Instruments Recognition and Measurement", which are detailed in Note Ⅲ.15 "Long-term equity investments" or Note Ⅲ. 10 "Financial instruments".

The Group shall determine whether a series of transactions in relation to disposal of equity investment in or even loss of control over a subsidiary in stages should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions meet one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into simultaneously or after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal with commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series; and (iv) The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as "disposal of a portion of an interest in a subsidiary which does not lead to loss of control" (detailed in paragraph (2)(iv) under Note Ⅲ.15 "Long-term equity investments") and "disposal of a portion of an interest in a subsidiary which leads to loss of control" (detailed in the previous paragraph), as the case may be. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transaction before loss of control shall be recognised as other comprehensive income in the consolidated financial statements, and reclassified as profit or loss arising from the loss of control when control is lost.

## 7. Joint venture arrangement classification and relative accounting methods

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

Equity method is adopted to account for investment in the joint ventures by the Group in accordance with the accounting policy as set out in paragraph (2)(ii) "Long-term equity investment accounted for using equity method" under Note Ⅲ.15 "Long-term equity investments".

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

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

## 8. Definitions of cash and cash equivalents

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

## 9. Translation of foreign currency transactions and foreign currency financial statements

(1) Translation of foreign currency transactions

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

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

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

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

(3) Translation of foreign currency financial statements

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

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

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

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

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

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

## 10. Financial instruments

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

(1) Classification, recognition and measurement of financial assets

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

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

(i) Financial assets measured at amortised cost

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

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

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

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

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

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

(2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

(ii) Other financial liabilities

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

(3) Recognition and measurement on transfer of financial assets

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

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

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

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

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

(4) Derecognition of financial liabilities

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

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

(5) Offsetting financial assets and financial liabilities

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

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

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

(7) Equity instruments

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

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

## 11. Impairment of financial assets

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

(1) Recognition approach of impairment provisions

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

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

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

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

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

(3) Simplified approach options

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

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

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

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

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

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

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

## 12. Receivables financing

For notes receivable and accounts receivable classified as at FVOCI, the portion within one year (inclusive) from the date of acquisition is presented as receivables financing,while the portion over one year from the date of acquisition is presented as other debt investments. For the relevant accounting policies, please refer to Note Ⅲ.10 “Financialinstruments” and Note Ⅲ.11 “Impairment of financial assets”.

## 13. Inventories

(1) Classifications of inventories

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

(2) Costing of inventories

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

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

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

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

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

(4) The Group adopts the perpetual inventory system.

## 14. Contract assets

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

For the determination and accounting treatment methods of the expected credit loss of contract assets, please see Note Ⅲ.11 "Impairment of financial assets" and Note Ⅲ.10 "Financial instruments".

## 15. Long-term equity investments

Long-term equity investments in this section refer to those with which the Group exercises single or joint control over the invested entity, or has significant influence on its operation. Long-term equity investments falling out of this category are classified as financial assets at fair value through current profit or loss. In particular, if such long-term equity investments are non-transactional, the Group may choose to designate them as financial assets at fair value through other comprehensive income at initial recognition. For detailed accounting policy, please see Note Ⅲ.10 "Financial instruments".

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

(1) Recognition of cost of investment

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Acquisition of minority interest

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

(iv) Disposal of long-term equity investment

When preparing consolidated financial statements, when the parent Company disposes part of its long-term equity investment in its subsidiary without lossof control, the difference between the consideration received and the shareof net assets of the subsidiary for the disposed portion of long-term equity investment shall be recognised in shareholders' equity; when the parent Company disposes part of its long-term equity investment in its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated in Note Ⅲ .6(2) "Preparation method of consolidated financial statements".

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

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

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

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

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

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

## 16. Fixed assets

(1) Recognition criteria for fixed assets

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

(2) Depreciation for different categories of fixed assets

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

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

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

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

The impairment test and provision for impairment of fixed asset are detailed in Note Ⅲ.22 “Impairment of longterm assets”.

(4) Other explanations

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

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

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

## 17. Construction in progress

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

The impairment test and provision for impairment of construction in progress are detailed in Note Ⅲ.22 "Impairment of long-term assets".

## 18. Borrowing costs

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

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

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

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

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

## 19. Right-of-use assets

See Note Ⅲ.31 “Leases” for the determination and accounting treatment of the right-of-use assets.

## 20. Intangible assets

(1) Intangible assets

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

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

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

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

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

(2) Expenditures on research and development

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

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

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

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

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

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

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

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

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

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

The impairment test and provision for impairment of intangible asset is detailed in Note Ⅲ. 22 “Impairment of long-term assets”.

## 21. Long-term deferred expenses

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

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

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

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

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

## 22. Impairment of long-term assets

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

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

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

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

## 23. Contractual liabilities

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

## 24. Employee compensation

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

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

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

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

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

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

## 25. Lease liabilities

See Note Ⅲ. 31 "Leases" for the methods of recognition and accounting treatment of lease liabilities.

## 26. Provisions

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

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

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

## 27. Revenue

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

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

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

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

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

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

## 28. Contract costs

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

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

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

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

## 29. Government grants

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

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

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

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

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

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

## 30. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

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

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

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

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

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

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

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

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

(3) Income tax expense

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

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

(4) Offset of income tax

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

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

## 31. Leases

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

(1) The Group as a lessee

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

(i) Initial measurement

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

(ii) Subsequent measurement

The Group subsequently makes depreciation provisions for the right-of-use assets with reference to the depreciation requirements of the Accounting Standards for Business Enterprises No. 4 – Fixed Assets (see Note Ⅲ.16 "Fixed assets"). If the Group can reasonably determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets will be depreciated over their useful life. If there is no reasonable certainty that the Group can determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets are depreciated over the shorter of the lease term and useful life.

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

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

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

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

(2) The Group as a leaser

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

(i) Operating leases

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

(ii) Finance leases

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

## 32. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

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

(2) Changes in accounting estimates

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

## 33. Major accounting judgment and estimate

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

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

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

(1) Recognition of revenue

As stated in Note Ⅲ.27 "Revenue", the Group makes the following major accounting judgments and estimates in terms of recognition of revenue: identifying customer contracts; estimating the recoverability of the considerations that the Group is entitled to by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract; determining whether the performance obligation is performed in a certain period of time or at a certain point in time; the determination of the progress of the contract, etc.

The Group mainly relies on past experience and work to make judgments. It isexpected that the changes in major judgments and estimates may have an impacton operating revenue, operating cost, and profit and loss for the period in whichthe change was made or later, and may have a significant impact.

(2) Leases

(i) Identification of leases

When identifying whether a contract is or contains a lease, the Group needs to assess whether an identified asset exists and whether its customer controls the right-of-use of such asset in a certain period. In the assessment, it is necessary to consider the nature of the asset, substantive substitution right and whether the customer is entitled to almost all the economic interests generated from use of such asset and can manage the use of suchasset in the period.

(ii) Classification of leases

The Group classifies leases into operating leases and finance leases as alessor. When making the classification, the management needs to analyse and judge whether all the risks and rewards relating to the ownership of leased out assets have been substantially transferred to the lessee.

(iii) Lease liabilities

As a lessee, the Group measures the lease liabilities initially at the present value of the outstanding lease payments as at the lease commencementdate. When measuring the present value of the lease payments, the Group estimates the discount rate applied and the term of the lease contract with the option to renew or terminate the lease. When assessing the lease term, the Group takes into account of all the facts and circumstance relating to theeconomic benefits of its exercise of options, including the facts and expected changes of situation from the lease commencement date until the option exercise date. Different judgments and estimates may affect the recognition of lease liabilities and right-of-use assets and the profit or less in the subsequent periods.

(3) Impairment of financial assets

The Group uses the expected credit loss model to assess the impairment of financial assets. The application of the expected credit loss model requires major judgments and estimates, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimates, the Group infers the expected changes in the debtor's credit risk based on the historical data in combination with economic policies, macroeconomic indicators, industry risks, external market environment, technical environment, and changes of the customers.

(4) Fair value of financial instruments

The Company recognises the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Company needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments.

Where an equity instrument investment or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

(5) Provision for impairment of long-term assets

The Group assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. For an intangible asset that has indefinite useful life, impairment test is made in addition to the annual impairment test if there is any indication of impairment. For non-current assets other than financial assets, impairment test is made when there is any indication that its carrying amount cannot be recovered.

An asset or asset group is impaired when its carrying amount is higher than the recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it).

The fair value net of disposal cost is determined by reference of the price of similar asset under a sale agreement in an arm's length transaction or an observable market price less the incremental cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flow, significant judgments are made in connection with the production, selling price and relevant operating expenses of such asset (or asset groups), and discount rate used to calculate present value. All available materials that are considered to be relevant shall be used in the estimation of recoverable value. These materials include estimations of production, selling price and operating expenses based on reasonable and supportable assumptions.

The Group makes an impairment test for goodwill at least at each year-end. This requires an estimation of present value of future cash flow of the asset groups or sets of asset groups where goodwill has been allocated. The Group shall make estimation on the future cash flow derived from asset groups or sets of asset groups and choose an appropriate discount rate to calculate the present value of future cash flow.

## IV. Tax

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

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

On 15 September 2020, Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company, was qualified as New and High Technology Enterprise, which is valid for three years. The income tax rate for the year is 15%.

### 2. Other instructions

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

(2) Great Talent Technology Co., Ltd. is a wholly-owned subsidiary registered in BVI and no enterprise income tax is imposed on it.

## Ⅴ. Notes to Items in Consolidated Financial Statements

Unless otherwise specified, “beginning of year” refers to 31 December 2022, “end of year” refers to 30 June 2023, “this year” refers to January 1 2023 to June 30 2023, “last year” refersto January 1 2022 to June 30 2022 in the following Notes (including Notes to Major Items inthe Financial Statements of the Company).

**1. Cash and equivalents**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Cash on hand | 94,547.95 | 156,658.83 |
| Bank deposits | 4,625,518.75 | 9,792,722.04 |
| Other cash and equivalents | 3,450,179.00 | 5,180,030.54 |
| Total | 8,170,245.70 | 15,129,411.41 |
| Including: Total overseas deposits | 439,888.12 | 429,717.96 |
| The total amount of funds that have restrictions on use due to mortgages, pledges, or freezes | 2,409.65 | 1,366,620.62 |

Notes:

(1) Of other cash and equivalents as at the end of the year, RMB3,450,179.00 is the deposits for performance guarantee.

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

(3) The First Intermediate People's Court of Hainan Province froze RMB2,409.65 of funds in the Construction bank of NEE.

**2. Bill receivable**

**(1) Disclosure by aging**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Bank acceptance bill | 512,000.00 | |
| Commercial Acceptance Notes | | |
| Total | 512,000.00 | |

Unit:RMB

| Type | Balance at end of year | | | | | Balance at beginning of year | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | Provision for bad debt | | Book value | Carrying amount | | Provision for bad debt | | Book value |
| | Amount | Percentage (%) | Amount | Percentage (%) | | Amount | Percentage (%) | Amount | Percentage (%) | |
| Accounts receivable of provision for bad debt on an individual basis | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Including: | | | | | | | | | | |
| | | | | | | | | | | |
| Accounts receivable of provision for bad debt on a collective basis | 512,000 | 100.00% | 0.00 | 0.00% | 512,000 | | | | | |
| Including: | | | | | | | | | | |
| | | | | | | | | | | |
| Total | 512,000 | 100.00% | 0.00 | 0.00% | 512,000 | | | | | |

**3.Accounts receivable**

(1)**Accounts Receivable Classification Disclosure**

Unit:RMB

| Type | Balance at end of year | | | Balance at beginning of year | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Provision for bad debt | Book value | Carrying amount | Provision for bad debt | Book value |
| Accounts receivable | 53,709,308.26 | 6,700,960.13 | 47,008,348.13 | 63,870,819.06 | 7,305,957.62 | 56,564,861.44 |

Accounts receivable of provision for bad debt on an individual basis：

Unit:RMB

| Name of Company | Balance at end of year | | | |
|---|---|---|---|---|
| | Book balance | Provision for bad debt | Percentage of provision(%) | Reasons for provision |
| Hainan HNA International Hotel Management Co., LTD | 50,010.00 | 50,010.00 | 100% | Estimated loss ratio |
| Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd. | 282,201.34 | 281,592.60 | 99.78% | Estimated loss ratio |
| Jilin Lanpeng Catering Management Co., Ltd. | 1,672,920.24 | 836,460.12 | 50% | Estimated loss ratio |
| Total | 2,005,131.58 | 1,168,062.72 | -- | -- |

Accounts receivable of provision for bad debts based on aging combination

Unit:RMB

| Item | Balance at end of year | | |
|---|---|---|---|
| | Carrying amount | Provision for bad debt | Percentage of provision (%) |
| Within 1 year (inclusive) | 22,163,439.25 | 832,363.22 | 4 |
| 1 – 2 years (inclusive) | 14,775,388.59 | 917,484.19 | 6 |
| 2 – 3 years (inclusive) | 10,882,166.35 | 1,178,150.04 | 11 |
| 3 – 4 years (inclusive) | 1,244,206.40 | 607,381.60 | 49 |
| Over 4 years | 2,638,976.09 | 1,997,518.36 | 76 |
| Total | 51,704,176.68 | 5,532,897.41 | -- |

**⑵Provisions for bad debts accrued, recovered or reversed in the current period**

Provision for bad debts in the current period:

Unit:RMB

| Type | Balance at beginning of year | Changes during the year | | | | Balance at end of year |
|---|---|---|---|---|---|---|
| | | Provision | Retrieval or reversal | Write-off | Other changes | |
| Provision for bad debts | 7,305,957.62 | | 604,997.49 | | | 6,700,960.13 |

**⑶Top five accounts receivable by debtor at the end of the year**

The sum of the top five accounts receivable with year-end balance by debtor amounted to RMB19,057,088.22, accounting for 35.48% of the total year-end balance of accounts receivable, and the year-end balance of provision for bad debt accordingly amounted to RMB884,378.79.

**4.Prepayments**

**⑴Prepayments by aging**

Unit:RMB

| Aging | Balance at end of year | | Balance at beginning of year | |
|---|---|---|---|---|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 3,436,502.16 | 95 | 1,617,508.53 | 91.06 |
| 1-2 years | 5,464.00 | 0 | 50,000.00 | 2.81 |
| 2-3 years | 2,272.00 | 0 | 101,696.80 | 5.72 |
| Over 3 years | 155,008.80 | 5 | 7,334.00 | 0.41 |
| Total | 3,599,246.96 | -- | 1,776,539.33 | -- |

⑵**Top five prepayments by supplier based on balance at the end of the year**

The sum of the top five prepayments by supplier based on balance at the end of the year amounted to RMB765,181.08, accounting for 21% of the total balance of prepayments at the end of the year.

**5.Other receivables**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 8,459,193.82 | 9,440,013.71 |
| Total | 8,459,193.82 | 9,440,013.71 |

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

⑴ **Other receivables**

1）**Classification by nature of the amount**

Unit:RMB

| Nature of the amount | Amount at end of year | Amount at beginning of year |
|---|---|---|
| Litigation from Benxi Iron & Steel (Group) Co., Ltd. | 76,090,000.00 | 76,090,000.00 |
| Deposits and deposits | 3,552,294.84 | 2,367,379.84 |
| Current payments and others | 10,935,728.92 | 13,123,119.73 |
| Total | 90,578,023.76 | 91,580,499.57 |

2）**Provision for bad debt**

Unit:RMB

| Provisions for bad debt | Phase I | Phase II | Phase III | Total |
|---|---|---|---|---|
| | Expected credit loss over the next 12 months | Lifetime expected credit losses (not credit impaired loans) | Lifetime expected credit losses (credit-impaired loans) | |
| Balance at beginning of year | 1,766,210.15 | | 80,374,275.71 | 82,140,485.86 |
| Balance at beginning of the year | —— | —— | —— | —— |
| - Transferred to Phase II | | | | |

| | | | | |
|---|---|---|---|---|
| - Transferred to Phase III | | | | |
| - Reversed to Phase II | | | | |
| - Reversed to Phase I | | | | |
| Provision for the year | | | | |
| Reversal for the year | | | | |
| Written-off for the year | | | | |
| Charge off for the year | | | | |
| Other changes | | | | |
| Balance at end of year | 1,766,210.15 | | 80,374,275.71 | 82,140,485.86 |

**3）Provisions for bad debts accrued, recovered or reversed in the current period**

Provision for bad debts in the current period：

Unit:RMB

| Type | Balance at beginning of year | Changes during the year | | | | Balance at end of year |
|---|---|---|---|---|---|---|
| | | Provision | Retrieval or reversal | Write-off | Other changes | |
| Other receivables | 82,140,485.86 | | 21,655.92 | | | 82,118,829.94 |
| Total | 82,140,485.86 | | 21,655.92 | | | 82,118,829.94 |

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

Unit:RMB

| Name of Company | Nature of accounts | Balance at end of year | Aging | Percentage in total balance of other receivables at end of year (%) | Balance of provisions for bad debt at end of year |
|---|---|---|---|---|---|
| Benxi Iron & Steel (Group) Co., Ltd. (Note 1) | Current payment (with litigation) | 76,090,000.00 | Over 4 years | 93 | 76,090,000.00 |
| Dalian Yangtze River Plaza Co., LTD Hotel Nikko | Current payment | 4,222,725.98 | Within 1 years | 5 | 211,136.30 |
| New Jinrong credit transfer receivables package | Current payment | 2,807,140.00 | Over 4 years | 3 | 2,807,140.00 |

| | | | | | |
|---|---|---|---|---|---|
| Jilin Province Tourism Group Co., LTD. Bauhinia hotel | Current payment and deposit | 3,700,805.04 | Within 2 years | 5 | 1,246,235.70 |
| Changchun Famous Hotel Co., LTD | Current payment | 1,484,356.03 | Within 1 years | 2 | 74,217.80 |
| Total | -- | 88,305,027.05 | -- | 96.42 | 80,428,729.80 |

**5）Other instructions**

Note 1:

The principal owed from Benxi Iron & Steel (Group) Co., Ltd. (hereinafter referred to as “Benxi Steel”)of RMB76,090,000 is included in other receivables, which occurred in May and September 2005, by Liaoning Trust & Investment Co., Ltd. (hereinafter referred to as “Liao Trust”) repaying principals of RMB74,424,671.45 deposited with them by the Company with their receivables from Benxi Steel of RMB76,090,000 by the approval from related governments in Liaoning Province. The Company has taken receivables from Benxi Steel into other receivables, and surplus to the original deposit has been taken into provision for bad debt. On 16 December 2005, Liaoning High People’s Court made final ruling (2005) Liao Min Er Zhong Zi No. 220, that Benxi Steel had owed the Company RMB15,900,000 and related interest. The Company had applied for enforcement. As a result, Shenyang Municipal Intermediate People’s Court established the case and delivered Enforcement Notice to Benxi Steel on 10 March 2006. On 30 March 2006, the Shenyang Municipal Intermediate People’s Court made first ruling concerning the remaining principals by Rulings (2005) Shen Zhong Min Si He Chu Zi No. 21, 22 and 23, that Benxi Steel should repay the Company principal of RMB60,190,000 and related interest. On 30 April 2006, Benxi Steel appealed to Liaoning High People’s Court. On 14 May 2008, Liaoning High People’s Court ordered retry of the case to Shenyang Municipal Intermediate People’s Court by Rulings (2006) Liao Min Er Zhong Zi No. 214, 215, 216, repealing Rulings (2005) Shen Zhong Min Si He Chu Zi No. 21, 23, 22 by the latter People’s Court. On 9 June 2009, Shenyang Municipal Intermediate People’s Court refuted the Company’s case by rulings (2008) Shen Zhong Min Si Chu Zi No. 143, 144 and 145, and the Company appealed to Liaoning High People’s Court. On 26 October and 29 October 2009, the Liaoning High People’s Court made final rulings (2009) Liao Min Er Zhong Zi No. 182, 183 and 184, sustaining previous rulings. The Company may appeal for retrial by providing evidence and facts if it still holds objections. The Company objected the ruling and appealed for retrial. The Supreme People’s Court made Civil Rulings (2010) Min Shen Zi No. 1144, 1145 and 1146 on 13 December 2010, overruling retrial appeal of the Company. Since other receivables are long outstanding and the chance of recovery is remote, the Company has made a provision for bad debt in full for such other receivables.

## 6.Inventories

### ⑴Classification of inventories

Unit:RMB

| Item | Balance at end of year | | | Balance at beginning of year | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Allowance for impairment of inventories | Book value | Carrying amount | Allowance for impairment of inventories | Book value |
| Raw material | 9,648,235.29 | | 9,648,235.29 | 6,759,650.81 | | 6,759,650.81 |
| Work in progress | 5,004,963.36 | | 5,004,963.36 | 7,330,790.35 | | 7,330,790.35 |
| Finished goods | 5,839,328.70 | 60,375.37 | 5,778,953.33 | 5,697,447.28 | 60,375.37 | 5,637,071.91 |
| Reusable materials | | | | | | |
| Consumable biological assets | | | | | | |
| Contract performance costs | | | | | | |
| Release products | | | | | | |
| Total | 20,492,527.35 | 60,375.37 | 20,432,151.98 | 19,787,888.44 | 60,375.37 | 19,727,513.07 |

### ⑵Allowance for impairment of inventories

Unit:RMB

| Item | Balance at beginning of year | Increment | | Decrement | | Balance at end of year |
|---|---|---|---|---|---|---|
| | | Provision | Others | Write-off | Others | |
| Raw material | | | | | | |
| Work in progress | | | | | | |
| Finished goods | 60,375.37 | | | | | 60,375.37 |
| Reusable materials | | | | | | |
| Consumable biological assets | | | | | | |
| Contract performance costs | | | | | | |
| 合计 | 60,375.37 | | | | | 60,375.37 |

### 7.Other current assets

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Prepaid and deductable input VAT | 1,618,264.18 | 1,618,264.18 |
| Total | 1,618,264.18 | 1,618,264.18 |

### 8.Long-term equity investments

Unit:RMB

| Investee | Balance at beginning of year | Increase/decrease during the year | | | | | | | | Balance at end of year | Balance of provision for impairment at end of year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Increase in investment | Decrease in investment | Profit or loss for investment under equity method | Adjustment to OCI | Other changes to equity | Cash dividend or profit declared | Provision for impairment | Others | | |
| I. Joint ventures | | | | | | | | | | | |
| | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | |
| II.Associates | | | | | | | | | | | |
| Chongqing HNA Hotel Investment Co., Ltd. (Note 1) | 0.00 | | | | | | | | | 0.00 | 0.00 |
| Great Power Technology Limited (Note 2) | 0.00 | | | | | | | | | 0.00 | 56,603,237.37 |
| Subtotal | 0.00 | | | | | | | | | 0.00 | 56,603,237.37 |
| Total | 0.00 | | | | | | | | | 0.00 | 56,603,237.37 |

Other instructions

Note 1: Chongqing HNA Hotel Investment Co., Ltd. has entered the bankruptcy reorganization procedure since February 10, 2021, and has been included in the scope of substantial reorganization of 321 companies including HNA Group. As of the disclosure date of this report, the mortgage of relevant assets has not been released. According to the reorganization plan, the mortgagee has the priority of repayment, and the amount of mortgage debt is greater than the market value of assets.

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

**9.Other equity instrument investment**

Unit:RMB

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

Itemized disclosure of non-trading equity instrument investments in the current period

Unit:RMB

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

Other instructions

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

**10.Other non-current financial assets**

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| HNA Group bankruptcy reorganization special service trust | 19,083,585.02 | 19,083,585.02 |
| Less: reserve for impairment | 0.00 | 0.00 |
| Total | 19,083,585.02 | 19,083,585.02 |

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

**11.Fixed assets**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Fixed assets | 37,302,906.77 | 39,128,810.30 |
| Disposal of fixed assets | | |
| Total | 37,302,906.77 | 39,128,810.30 |

(1)**Fixed assets**

Unit:RMB

| Item | Buildings and structures | Machinery & equipment | Motor vehicles & others | Total |
|---|---|---|---|---|
| I. Carrying amount | | | | |
| 1. Balance at beginning of year | 39,539,732.27 | 13,080,497.84 | 6,645,949.48 | 59,266,179.59 |
| 2. Increment | | | | |
| (1) Purchase | | | | |
| (2) Transferred from construction | | | | |

| | | | | |
|---|---|---|---|---|
| in progress | | | | |
| ⑶Business combination increase | | | | |
| | | | | |
| 3. Decrement | | | 604,914.53 | 604,914.53 |
| ⑴Disposal or write-off | | | 604,914.53 | 604,914.53 |
| | | | | |
| 4. Balance at end of year | 39,539,732.27 | 13,080,497.84 | 6,041,034.95 | 58,661,265.06 |
| II. Accumulated depreciation | | | | |
| 1. Balance at beginning of year | 9,029,542.49 | 7,006,542.78 | 3,468,721.62 | 19,504,806.89 |
| 2. Increment | 994,892.89 | 395,827.62 | 180,005.65 | 1,570,726.16 |
| (1) Provision | 994,892.89 | 395,827.62 | 180,005.65 | 1,570,726.16 |
| | | | | |
| 3. Decrement | | | 349,737.16 | 349,737.16 |
| (1) Disposal or write-off | | | 349,737.16 | 349,737.16 |
| | | | | |
| 4. Balance at end of year | 10,024,435.38 | 7,402,370.40 | 3,298,990.11 | 20,725,795.89 |
| III. Provision for impairment | | | | |
| 1. Balance at beginning of year | | 413,043.28 | 219,519.12 | 632,562.40 |
| 2. Increment | | | | |
| (1) Provision | | | | |
| | | | | |
| 3. Decrement | | | | |
| (1) Disposal or write-off | | | | |
| | | | | |
| 4. Balance at end of year | | 413,043.28 | 219,519.12 | 632,562.40 |
| IV. Book balance | | | | |
| 1. Book balance at end of year | 29,515,296.89 | 5,265,084.16 | 2,522,525.72 | 37,302,906.77 |
| 2. Book balance at beginning of year | 30,510,189.78 | 5,660,911.78 | 2,957,708.74 | 39,128,810.30 |

**12.Right-of-use assets**

Unit:RMB

| Item | Buildings and structures | Total |
|---|---|---|
| I. Carrying amount | | |
| 1. Balance at beginning of year | 16,637,353.78 | 16,637,353.78 |
| 2. Increment | | |
| | | |
| 3. Decrement | | |
| (1) Early termination of contract | | |
| 4. Balance at end of year | 16,637,353.78 | 16,637,353.78 |
| II. Accumulated depreciation | | |
| 1. Balance at beginning of year | 9,727,781.99 | 9,727,781.99 |
| 2. Increment | 3,454,785.90 | 3,454,785.90 |
| (1) Provision | 3,454,785.90 | 3,454,785.90 |
| | | |
| 3. Decrement | | |
| (1)Dispose | | |
| | | |
| 4. Balance at end of year | 13,182,567.89 | 13,182,567.89 |
| III. Provision for impairment | | |
| 1. Balance at beginning of year | | |
| 2. Increment | | |
| (1) Provision | | |
| | | |
| 3. Decrement | | |
| (1)Dispose | | |
| | | |
| 4. Balance at end of year | | |
| IV. Book balance | | |
| 1. Book balance at end of year | 3,454,785.89 | 3,454,785.89 |
| 2. Book balance at beginning of year | 6,909,571.79 | 6,909,571.79 |

### 13.Intangible assets

#### (1)Status of Intangible Assets

Unit:RMB

| Item | Land use rights | Software | Total |
|---|---|---|---|
| I. Carrying amount | 13,200,304.00 | 207,000.00 | 13,407,304.00 |
| 1. Balance at beginning of year | | | |
| 2. Increment | | | |
| (1) Purchase | | | |
| (2) Internal R&D | | | |
| (3) Business combination increase | | | |
| | | | |
| 3. Decrement | | | |
| (1) Disposal | | | |
| | | | |
| 4. Balance at end of year | 13,200,304.00 | 207,000.00 | 13,407,304.00 |
| II. Accumulated amortization | | | |
| 1. Balance at beginning of year | 1,650,038.25 | 207,000.00 | 1,857,038.25 |
| 2. Increment | 132,003.06 | | 132,003.06 |
| (1) Provision | 132,003.06 | | 132,003.06 |
| | | | |
| 3. Decrement | | | |
| (1) Disposal | | | |
| | | | |
| 4. Balance at end of year | 1,782,041.31 | 207,000.00 | 1,989,041.31 |
| III. Provision for impairment | | | |
| 1. Balance at beginning of year | | | |
| 2. Increment | | | |
| (1) Provision | | | |
| | | | |
| 3. Decrement | | | |
| (1) Disposal | | | |
| | | | |
| 4. Balance at end of year | | | |
| IV. Book balance | | | |
| 1. Book balance at end of year | 11,418,262.69 | | 11,418,262.69 |
| 2. Book balance at beginning of year | 11,550,265.75 | | 11,550,265.75 |

## 14.Goodwill

### ⑴Carrying amount of goodwill

Unit:RMB

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

## 15.Deferred income tax assets

### ⑴Details of unrecognized deferred tax assets

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Deductible temporary difference | 472,205,085.14 | 472,205,085.14 |
| Deductible loss | 155,668,887.28 | 155,668,887.28 |
| Total | 627,873,972.42 | 627,873,972.42 |

## 16.Accounts payable

### ⑴Details of accounts payable

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Within 1 year | 35,166,348.81 | 39,928,734.92 |
| 1 – 2 years | 2,403,568.88 | 3,335,490.07 |
| 2 -3 years | 3,962,776.17 | 1,142,150.28 |
| Over 3 years | 1,528,522.58 | 1,110,029.67 |
| Total | 43,061,216.44 | 45,516,404.94 |

### ⑵Significant accounts payable aged over 1 year

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

**17.Contract liabilities**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Equipment sales contract | 9,996,034.71 | 10,109,301.11 |
| Hotel catering service contract | 5,405,395.46 | 5,561,955.77 |
| Total | 15,401,430.17 | 15,671,256.88 |

**18.Employee compensation**

⑴**Details of employee compensation**

Unit:RMB

| Item | Balance at beginning of year | Increment | Decrement | Balance at end of year |
|---|---|---|---|---|
| I. Short-term compensation | 5,679,263.19 | 12,705,671.16 | 13,537,009.38 | 5,679,263.19 |
| II. Post-employment benefits – defined contribution plan | 278,702.33 | 2,028,464.45 | 2,254,477.39 | 278,702.33 |
| III. Termination benefits | | | | |
| IV.Other benefits due within one year | | | | |
| Total | 5,957,965.52 | 14,734,135.61 | 15,791,486.77 | 5,957,965.52 |

⑵**Short-term compensation**

Unit:RMB

| Item | Balance at beginning of year | Increment | Decrement | Balance at end of year |
|---|---|---|---|---|
| 1. Wages, bonuses, allowances, subsidies | 5,361,030.66 | 9,742,175.36 | 10,554,538.90 | 4,548,667.12 |
| 2. Employee welfare | | 569,092.52 | 498,891.22 | 70,201.30 |
| 3. Social insurances | 122,899.16 | 1,081,339.80 | 1,203,587.67 | 651.30 |
| Including: Medical insurance | 83,697.53 | 899,534.64 | 1,003,767.26 | -20,535.09 |
| Work injury insurance | 9,498.04 | 104,211.63 | 109,718.20 | 3,991.47 |
| Maternity insurance | 29,703.60 | 77,593.53 | 90,102.21 | 17,194.92 |
| 4. Housing provident | 17,665.41 | 1,160,202.00 | 1,160,202.00 | 17,665.41 |

| | | | | |
|---|---|---|---|---|
| fund | | | | |
| 5. Labor union expenditure and employee education expenses | 177,667.96 | 152,861.48 | 119,789.59 | 210,739.85 |
| 6.Short-term paid absences | | | | |
| 7.Short-term profit sharing plan | | | | |
| Total | 5,679,263.19 | 12,705,671.16 | 13,537,009.38 | 4,847,924.98 |

**⑶Defined contribution plan**

Unit:RMB

| Item | Balance at beginning of year | Increment | Decrement | Balance at end of year |
|---|---|---|---|---|
| 1. Basic endowment insurance | 252,501.95 | 1,952,516.80 | 2,170,037.44 | 34,981.31 |
| 2. Unemployment insurance | 26,200.38 | 75,947.65 | 84,439.95 | 17,708.08 |
| 3.Enterprise annuity payment | | | | |
| Total | 278,702.33 | 2,028,464.45 | 2,254,477.39 | 52,689.39 |

**19.Tax payable**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Enterprise income tax | 2,235,765.87 | 2,332,049.81 |
| Value-added tax | | 820,145.27 |
| City maintenance and construction tax | | 25,165.31 |
| Education surcharge/local education surcharge | 249.86 | 18,394.07 |
| Individual income tax | 119,966.40 | 131,839.36 |
| Land use tax | 19,947.50 | 19,947.50 |
| Housing property tax | 28,831.55 | 28,831.55 |
| Stamp duty | 83,899.87 | 111,357.07 |
| Total | 3,487,729.94 | 3,487,729.94 |

**20.Other payables**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Interests payable | | |
| Dividends payable | | |
| Other payables | 221,854,769.19 | 226,920,695.23 |

⑴**Other payables**

**1）Details of other payables by nature**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Compensation due for CDB case (Note) | 94,078,130.44 | 94,078,130.44 |
| Current account | 127,776,638.75 | 132,842,564.79 |
| Total | 221,854,769.19 | 226,920,695.23 |

**2）Other instructions**

Note:

⑴Shenyang High-voltage Switches Co., Ltd. (hereafter "Shenyang HVS") acquired bank loan from China Development Bank (hereafter "CDB") in 1998 by Agreement of Bank Loan, which was guaranteed by other companies with Agreement of Guarantee. In 2003 and 2004, with its assets in kind and land use rights, Shenyang HVS joined with other companies in setting up subsidiaries including New Northeast Electric (Shenyang) High-voltage Switches Co., Ltd. (hereafter "New Northeast High-volt"), New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (hereafter "New Northeast Insulation"), Shenyang Dongli Logistics Co., Ltd. (formerly Shenyang Xintai Warehouse & Logistics Co., Ltd., hereafter " Dongli Logistics") and Shenyang Beifu Machinery Manufacturing Co., Ltd. (formerly Shenyang Chengtai Energy Power Co., Ltd., hereafter "Beifu Machinery"). In 2004, the Company acquired shares of Dongli Logistics, Beifu Machinery and New Northeast Insulation with transfer of creditor's rights and share swaps. In May 2004, CDB filed a lawsuit with Beijing Higher People's Court (hereafter "Beijing Higher Court"), claiming for Shenyang HVS to repay the overdue loan principal of RMB150,000,000 and the interest incurred, and for the Company, New Northeast High-volt, New Northeast Insulation, Dongli Logistics and Beifu Machinery to take joint and several liabilities for the aforesaid principal and interest; also claiming for the Court to rule the share transfer agreement between Shenyang HVS and the Company on purchase of shares of New Northeast Insulation, Dongli Logistics and Beifu Machinery to be void.

The case went through trial by Beijing Higher Court and the Supreme People's Court. Eventually, the Supreme People's Court ruled in September 2008 with Ruling (2008) Min Er Zhong Zi No. 23, that 1) Cancel the agreement by which the Company swapped 95% of Beifu Machinery shares and 95% of Dongli Logistics shares held by Shenyang HVS with obligation of RMB76.66 million and interest incurred of Northeast Electric Power Transmission and Transformation Equipment Group Co., Ltd. held by the Company; the Company should return the aforesaid shares to Shenyang HVS within 10 days of the Ruling, or should compensate Shenyang HVS within the limit of RMB247.1165 million if unable to return those shares; Shenyang HVS should return the obligation of RMB76.66 million of Northeast Electric Power Transmission and Transformation Equipment Group Co., Ltd. and interest incurred to the Company within 10 days of the Ruling, or should compensate the Company within the limit of RMB76.66 million if unable to return; 2) Cancel the share swap agreement between Shenyang HVS and the Company for 74.4% of New Northeast Insulation shares held by Shenyang HVS and 98.5% of Shenyang Taisheng Industry & Trade Co., Ltd. (formerly Shenyang Tiansheng Communication Equipment Co., Ltd., hereafter "Taisheng Industry & Trade") shares held by the Company; 3) Shenyang HVS should return 98.5% of Taisheng Industry & Trade shares to the Company within 10 days of the Ruling and the Company should return 74.4% of New Northeast Insulation shares to Shenyang HVS within 10 days of the Ruling. The Company should compensate Shenyang HVS within the limit of RMB130 million after deducting RMB27.8788 million if shares return is not possible.

The Company carried out the Ruling in 2007 and 2008. However, CDB filed with Beijing Higher Court for execution in 2009 by the Ruling (2008) Min Er Zhong Zi No. 23, and consequently, the Court froze 10% of Shenyang Kaiyi Electric shares held by the Company according to law. The Company appealed for such execution while the Beijing Higher Court dismissed the appeal in October 2013 with Ruling (2013) Gao Zhi Yi Zi No. 142. Then the Company filed for retrial with the Supreme People's Court, for which the Court dismissed Beijing Higher Court's ruling with Ruling (2013) Gao Zhi Yi Zi No. 142 and ruled for retrial with Ruling (2014) Zhi Fu Zi No. 9 in March 2015. Beijing Higher Court issued Ruling (2015) Gao Zhi Yi Zi No. 52 in December 2016, which ruled that Northeast Electric's appeal lacked evidence, did not sustain the claim of shares return already carried out, and held that the Company should carry out compensation. The Company again appealed to the Supreme People's Court, and the Supreme People's Court made final Ruling (2017) Zui Gao Fa Zhi Fu No. 27 in August 2017 to dismiss Northeast Electric's appeal and sustain Beijing Higher Court's Ruling (2015) Gao Zhi Yi Zi No. 52. The Company accordingly recognised liabilities of RMB272,627,700 in 2017.

On 21 June 2019, Beijing Higher Court transferred the case to the First Intermediate People's Court of Hainan Province for jurisdiction. On February 23, 2021, the First Intermediate People's Court of Hainan Province issued ruling (2021) Qiong 96 Zhi No. 120, which continued to seal up the state-owned land use right under the name of the Company located at No. 39 Shentie Road, Dadong District, Shenyang City, Liaoning Province, with the land certificate No. Shenyang Guoyong 1995 Zi No. 17. However, the land use right was auctioned by the Intermediate People's Court of Shenyang City, Liaoning Province in 2011.

⑵On 30 November 2018, Fuxin Enclosed Busbar Co., Ltd. ("Fuxin Busbar"), a wholly-owned subsidiary of the Company, filed a lawsuit with Hainan Higher People's Court, claiming for Shenyang HVS to pay USD16 million, which was the consideration for the transfer of 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (formerly Shenyang Xintai High-voltage Electric Co., Ltd.), as well as the interest accrued from the date of transfer to the date of litigation, and for the Company to be jointly liable for the payment of the equity transfer consideration by Shenyang HVS. 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (formerly Shenyang Xintai High-voltage Electric Co., Ltd.) (the "Underlying Equity") was held by Fuxin Busbar by 22 September 2008. Due to the enforcement of the final judgment made by the Supreme People's Court on 5 September 2008 for the case of CDB (Document (2008) Min Er Zhong Zi No. 23) and under the coordination of the Company, Fuxin Busbar, a whollyowned subsidiary of the Company, returned the Underlying Equity to Shenyang HVS free of charge, and completed the equity change registration on 22 September 2008 as required by the local industrial and commercial administration of the place of registration of the Company. Therefore, the Underlying Equity held by Fuxin Busbar was returned to Shenyang HVS free of charge. However, according to the enforcement ruling issued by the Supreme People's Court on 31 August 2017 (Document (2017) Zui Gao Fa Zhi Fu No. 27), "the fact that the return of the Underlying Equity free of charge under the coordination of Northeast Electric cannot be ascertained". Fuxin Busbar held that the outstanding equity transfer consideration of USD16 million of Shenyang HVS constituted a default. Hence, Fuxin Busbar filed a lawsuit with the Court, claiming for the return of the consideration for the transfer of the Underlying Equity. Hainan Higher People's Court accepted this case. On 20 May 2019, the Company received the Ruling (2018) Qiong Min Chu No. 69 from Hainan Higher People's Court, which ruled that Shenyang HVS should, within 15 days of the Ruling, pay Fuxin Busbar RMB111,121,600 (since the average exchange rate of RMB against USD was 6.9451 in 2008, USD16 million was equivalent to RMB111,121,600), which was the consideration for the transfer of the Underlying Equity, as well as the interest incurred (commencing from 23 October 2008 to 23 November 2018, at the corresponding benchmark rate of one-year loan provided by the People's Bank of China).

On 24 June 2020, Fuxin Busbar transferred all of its rights under the Ruling (2018) Qiong Min Chu No. 69 from Hainan Higher People's Court to the Company, at the consideration of RMB3.00 million. As of 7 September 2020, the Company is legally entitled to claim Shenyang HVS' matured debt totaling RMB178,549,569.56, including equity transfer payment, interest, interest on debt during the period of delayed performance. In accordance with Article 99 of the Contract Law of the People's Republic of China and other relevant laws, the Company has notified Shenyang HVS by post on 7 September 2020 that the aforesaid matured debt due from Shenyang HVS of RMB178,549,569.56 would be offset against the Company's matured debt due to Shenyang HVS arising from the Civil Ruling (2004) Gao Min Chu Zi No. 802 issued by the Beijing Municipal Higher People's Court and the Civil Ruling (2008) Min Er Zhong Zi No. 23 issued by the Supreme People's Court, namely, the offset amount was RMB178,549,569.56. The Company has published an announcement on Liaoshen Evening News, a media in Liaoning where Shenyang HVS is located on 11 September 2020; the debt offset has become effective on 11 September 2020. At the same time, the Company has carried out offset accounting treatment.

⑶Other significant accounts payable aged over 1 year are mainly unexecuted litigation amounts

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

Unit：RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Lease liabilities due within one year | 7,079,406.77 | 6,909,571.79 |
| Total | 7,079,406.77 | 6,909,571.79 |

### 22.Other current liabilities

Unit：RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| VAT payable – output tax to be transferred | 819,363.00 | 1,582,262.50 |
| Total | 819,363.00 | 1,582,262.50 |

### 23.Lease liabilities

Unit：RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Site lease | 7,079,406.77 | 6,909,571.79 |
| Less: Lease liabilities due within one year | 7,079,406.77 | 6,909,571.79 |
| Total | - | - |

### 24.Estimated liabilities

Unit：RMB

| Item | Balance at end of year | Balance at beginning of year | Reason |
|---|---|---|---|
| External guarantee (Note) | 34,354,500.00 | 34,354,500.00 | Liability under guarantees |
| Total | 34,354,500.00 | 34,354,500.00 | -- |

Note:

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

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

## 25.Deferred income

Unit：RMB

| Item | Balance at beginning of year | Increment | Decrement | Balance at end of year | Reason |
|---|---|---|---|---|---|
| Policy-based relocation compensation for new plant construction project | 34,109,883.30 | | 962,600.82 | 33,147,282.48 | |
| Total | 34,109,883.30 | | 962,600.82 | 33,147,282.48 | -- |

particular, projects involving government grants:

Unit：RMB

| Item | Balance at beginning of year | New grants for the year | Amount of nonoperating income included in the year | Amount of other income included in the year | Amount of offsetting costs and expenses in the current period | Other changes | Balance at end of year | Asset/ Revenue related |
|---|---|---|---|---|---|---|---|---|
| Policy-based relocation compensation for new plant construction project | 34,109,883.30 | | | 962,600.82 | | | 33,147,282.48 | Related to assets |

**26.Share capital**

Unit：RMB

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

**27.Capital reserve**

Unit：RMB

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

## 28.Other comprehensive income (OCI)

Unit：RMB

| Item | Balance at beginning of year | Amount for this period | | | | | | Balance at end of year |
|---|---|---|---|---|---|---|---|---|
| | | Amount before income tax | Less: previous other comprehensive income converted to current profit or loss | Less: previous other comprehensive income converted to current retained earnings | Less: income tax | Attributable to the parent Company after tax | Attributable to minority interests after tax | |
| I. OCI that cannot be reclassified into profit or loss | -231,195,596.01 | | | | | | | -231,195,596.01 |
| Including: Remeasurement of changes in defined benefit plans | | | | | | | | |
| Other comprehensive income that cannot be transferred to profit or loss under the equity method | | | | | | | | |
| Changes in fair value of other equity instruments investment | -231,195,596.01 | | | | | | | -231,195,596.01 |
| Changes in the fair value of the Company's own credit risk | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| II. OCI to be reclassified into profit or loss | -26,965,646.02 | -352,134.01 | | | | -352,134.01 | | -27,317,780.03 |
| Including: Other comprehensive income that can be transferred to profit or loss under the equity method | | | | | | | | |
| Changes in fair value of other debt investments | | | | | | | | |
| Amount of financial assets reclassified into other comprehensive income | | | | | | | | |
| Provision for credit impairment of other debt investments | | | | | | | | |
| Cash flow hedge reserve | | | | | | | | |
| Foreign currency translation difference | -26,965,646.02 | -352,134.01 | | | | -352,134.01 | | -27,317,780.03 |
| | | | | | | | | |
| Total | -258,161,242.03 | -352,134.01 | | | | -352,134.01 | | -258,513,376.04 |

**29.Surplus reserves**

Unit：RMB

| Item | Balance at beginning of year | Increment | Decrement | Balance at end of year |
|---|---|---|---|---|
| Statutory surplus reserve | 80,028,220.48 | | | 80,028,220.48 |
| Optional surplus reserve | 28,558,903.92 | | | 28,558,903.92 |
| Reserve Fund | | | | |
| Business development fund | | | | |
| Other | | | | |
| Total | 108,587,124.40 | | | 108,587,124.40 |

### 30.Undistributed profit

Unit：RMB

| Item | Amount for the year | Extract or allocate proportions |
|---|---|---|
| Undistributed profit at the end of the previous year before adjustment | -2,002,856,391.50 | |
| Adjustment for total undistributed profits at the beginning of the year (+ for increase and – for decrease) | | |
| Undistributed profits at the beginning of the year after adjustment | -2,002,856,391.50 | |
| Add: Net profits attributable to shareholders of the parent for the year | -8,551,272.01 | |
| Less: Appropriation for statutory surplus reserve | | |
| Appropriation for optional surplus reserve | | |
| Extract general risk provision | | |
| Ordinary shares dividends payable | | |
| Ordinary shares dividends converted to equity | | |
| Others | | |
| Undistributed profit at the end of the year | -2,011,407,663.51 | |

### 31.Operating income and operating costs

Unit：RMB

| Item | Amount for the year | | Amount for previous year | |
|---|---|---|---|---|
| | Income | Cost | Income | Cost |
| Main business | 39,575,875.51 | 17,867,250.27 | 36,274,702.98 | 28,955,925.39 |
| Other business | | 925,916.67 | 124,091.88 | 140,223.82 |
| Total | 39,575,875.51 | 18,793,166.94 | 36,398,794.86 | 29,096,149.21 |

Unit：RMB

| By the time of transfer of goods | | | |
|---|---|---|---|
| Including: | Sales of enclosed Busbar products | Hotel and catering industry | Total |
| Recognized at a certain point | 15,996,739.52 | 23,579,135.99 | 39,575,875.51 |
| Total | 15,996,739.52 | 23,579,135.99 | 39,575,875.51 |

### 32.Tax and surcharges

Unit：RMB

| Item | Amount for the year | Amount for previous year |
|---|---|---|
| City maintenance and construction tax | 31,607.04 | 46,264.81 |
| Education surcharges | 13,758.88 | 21,019.61 |
| Land use tax | 119,685.00 | 119,685.00 |
| House tax | 172,989.30 | 172,989.30 |
| Stamp duty | 18,511.45 | 3,905.96 |
| Vehicle and vessel use tax | 3,464.16 | 4,449.12 |
| Others | 17,468.71 | 23,787.73 |
| Total | 377,484.54 | 392,101.53 |

### 33.Sales expenses

Unit：RMB

| Item | Amount for the year | Amount for previous year |
|---|---|---|
| Employee compensation | 6,993,260.19 | 2,223,145.61 |
| Labor outsourcing fee | 414,101.57 | |
| Depreciation of right-of-use assets | 3,454,785.90 | 1,128,574.68 |
| Vehicle usage fee | 461,043.20 | 1,499,650.50 |
| Material consumption | 1,444,840.53 | |
| After-sales services expenses | 1,090,401.87 | 854,874.50 |
| Energy expenses | 2,824,505.76 | |
| Travelling expenses | 221,629.67 | 118,343.81 |
| Property fee | 1,066,744.52 | 240,000.00 |
| Energy expenses | 823,468.50 | 4,116.43 |
| Repair expenses | 236,171.10 | 289,244.25 |
| Commission | 143,589.98 | 263,673.39 |
| Cleaning fee | 110,859.43 | 882,887.76 |
| Bidding fee | 191,217.08 | 79,193.29 |
| Entertainment fee | 84,642.64 | 18,910.29 |
| Others | 19,561,261.94 | 7,602,614.51 |
| Total | 6,993,260.19 | 2,223,145.61 |

### 34.Administrative expenses

Unit：RMB

| Item | Amount for the year | Amount for previous year |
|---|---|---|
| Employee compensation | 5,607,176.66 | 8,971,108.72 |
| Agency fee | 56,841.39 | 419,585.22 |
| Office expenses | 282,832.94 | 181,483.25 |
| Rental fee | 204,302.95 | 339,496.59 |
| Depreciation expenses | 408,535.61 | 384,687.25 |
| Amortization charge | 132,003.06 | 204,003.06 |
| Heating expenses | 128,077.73 | 1,918,700.23 |
| Travelling expense | 105,788.84 | 40,603.13 |
| Entertainment fee | 212,593.66 | 53,395.80 |
| Others | 1,894,127.82 | 3,459,607.27 |
| Total | 9,032,280.66 | 15,972,670.52 |

### 35.R&D expenditure

Unit：RMB

| Item | Amount for the year | Amount for previous year |
|---|---|---|
| Casting busbar test section | 326,834.30 | 428,745.52 |
| Intelligent forced circulation cabinet test section | | 168,462.43 |
| Wind power pipe test section | | 174,533.48 |
| Intensive busway test section | 357,680.12 | 464,784.63 |
| Epoxy resin cast tubular busbar | 215,868.69 | |
| PTLA cabinet structure improvement test section | 264,695.58 | |
| Total | 1,165,078.69 | 1,236,526.06 |

### 36.Financial expenses

Unit：RMB

| Item | Amount for the year | Amount for the year |
|---|---|---|
| Interest expenses | 158,719.27 | 1,490,380.03 |
| Less: Interest income | -11,311.63 | -16,926.56 |
| Exchange gain or loss | | |
| Bank charges | 126,177.55 | 58,164.61 |
| Total | 273,585.19 | 1,531,618.08 |

### 37.Other income

Unit：RMB

| Other sources of income | Amount for the year | Amount for previous year |
|---|---|---|
| VAT exemption or reduction | 109,888.12 | 447,320.44 |
| Compensation for new plant construction project in policy-based demolition | 962,600.82 | 962,600.82 |
| Total | 1,072,488.94 | 1,419,912.37 |

### 38.Gain on asset disposal

Unit：RMB

| Item | Amount for the year | Amounts included in the current nonrecurring profit or loss |
|---|---|---|
| Profit or loss on disposal of fixed assets | -53,416.45 | -53,416.45 |
| Total | -53,416.45 | -53,416.45 |

### 39.Non-operating income

| Item | Amount for the year | Amount for previous year | Amounts included in the current nonrecurring profit or loss |
|---|---|---|---|
| Others | 26,755.87 | 128,641.29 | 26,755.87 |
| Total | 26,755.87 | 128,641.29 | 26,755.87 |

### 40.Non-operating expenses

Unit：RMB

| Item | Amount for the year | Amount for previous year | Amounts included in the current nonrecurring profit or loss |
|---|---|---|---|
| Fine for overdue payment | 598.84 | 578.57 | 598.84 |
| Total | 598.84 | 578.57 | 598.84 |

## 41.Income tax expense

### ⑴Income tax expense

Unit：RMB

| Item | Amount for the year | Amount for previous year |
|---|---|---|
| Current income tax expense | | -7,960.49 |
| Deferred income tax expense | | |
| Total | | -7,960.49 |

## 42.Other comprehensive income

See Note V. 28 for details.

## 43.Statements of cash flows

### ⑴Cash received from other operating related activities

Unit：RMB

| Item | Amount for the year | Amount for previous year |
|---|---|---|
| Government subsidy | 1,314.43 | |
| Interest income | 10,162.87 | 14,286.79 |
| Current accounts | 399,805.05 | 3,141,599.75 |
| Bidding deposits | 2,717,729.57 | 3,185,767.48 |
| Others | 2,047,783.60 | 283,262.42 |
| Total | 5,176,795.52 | 6,624,916.44 |

### ⑵Cash paid for other operating related activities

Unit：RMB

| Item | Amount for the year | Amount for previous year |
| --- | --- | --- |
| Fees for cash payments | 2,752,539.12 | 5,022,480.46 |
| Current accounts | 1,768,766.55 | 940,684.33 |
| Deposits for performance guarantees | | 5,868,683.73 |
| Deposits for bidding | 2,763,191.00 | 2,787,018.00 |
| Others | 361,327.60 | 4,713,393.53 |
| Total | 7,645,824.27 | 19,332,260.05 |

## 44.Assets with restricted ownership or use right

Unit：RMB

| Item | Book balance at end of year | Reason |
| --- | --- | --- |
| Monetary capital | 3,452,588.65 | Deposit placed for performance guarantee |
| Total | 3,452,588.65 | -- |

## 45.Foreign-currency monetary items

### ⑴Foreign-currency monetary items

Unit：RMB

| Item | Foreign currency balance at end of year | Exchange rate | Translated RMB balance at end of year |
| --- | --- | --- | --- |
| Monetary capital | -- | -- | |
| Including: US dollars | 1,203.34 | 7.2258 | 8,695.09 |
| HK dollars | 475,898.74 | 0.9220 | 438,778.64 |

**⑵The description of the overseas business entity, including for important overseas business entities, should disclose its main overseas business location, recording currency and selection basis, and the reasons for the change of the recording currency should also be disclosed.**

√ Applicable □ Not applicable

| Item | Principle operating place | Functional currency | Basis for selection of functional currency |
| --- | --- | --- | --- |
| Northeast Electric Development (HK) Co., Ltd. (東北電氣發展（香港）有限公司) | Hong Kong | HKD | Principal operating place |
| Great Talent Technology Limited Subsidiary Investment (高才科技有限公司) | British Virgin Islands | HKD | Territory |

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

**46.Government grants**

**⑴Basic information on government subsidies**

Unit：RMB

| Category | Amount of new grants | Item | Amount included in current profit or loss |
| --- | --- | --- | --- |
| Related to income | 962,600.82 | Other income | 962,600.82 |

## Ⅵ. Changes in Consolidation Scope

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

## Ⅶ. Equity in Other Entities

### 1.Equity in subsidiaries

⑴Composition of the Group

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

⑵Information on significant non-wholly-owned subsidiary

| Name of subsidiary | Percentage of minority shares (%) | Profit or loss attributable to minority shareholders in the year | Dividends paid to minority shareholders in the year | Closing balance of minority interests |
|---|---|---|---|---|
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | 1.00 | -34,692.59 | | -1,406,727.97 |
| Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd. | 49.00 | | | 3,405,441.72 |

⑶Main financial information on significant non wholly-owned subsidiary

| Name of subsidiary | Balance at end of year | | | | | |
|---|---|---|---|---|---|---|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | 34,921,625.57 | 27,185,181.16 | 62,106,806.73 | 202,889,690.36 | | 202,889,690.36 |

(Continued)

| Name of subsidiary | Balance at beginning of year | | | | | |
|---|---|---|---|---|---|---|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | 48,262,360.91 | 31,373,962.76 | 79,636,323.67 | 216,839,861.61 | | 216,839,861.61 |

(Continued)

| Name of subsidiary | Amount for the year | | | |
|---|---|---|---|---|
| | Operating income | Net profit | Total comprehensive income | Cash flow from operating activities |
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | 23,579,135.99 | -3,469,258.68 | -3,469,258.68 | -6,384,146.36 |
| Name of subsidiary | Amount for previous year | | | |
| | Operating income | Net profit | Total comprehensive income | Cash flow from operating activities |
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | 17,455,399.22 | -12,692,344.36 | -12,692,344.36 | -685,094.84 |

## 2、Equity in joint ventures or associates

| Name of associate | Principle operating place | Registration place | Nature of business | Shareholding ratio (%) | | Accounting method for investment in associates |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Chongqing HNA Hotel Investment Co., Ltd. | Chongqing | Chongqing | Hotel accommodation | | 30.00 | Equity method |
| Great Power Technology Limited | BVI | BVI | Investment holding | | 20.80 | Equity method |

## Ⅷ. Risks Related to Financial Instrument

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

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

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

### 1. Market risks

Foreign currency risk is the risk of loss caused by fluctuation in exchange rates. The main foreign currency risks for the Company involve HKD. Except for subsidiaries established overseas – Northeast Electric (HK) Co., Ltd. and Great Talent Technology Limited Subsidiary Investment Ltd.. which record in HKD for their financial statements, other principal operating activities of the Company are settled in RMB. On 30 June 2023, only daily expenses reported with no purchases or sales for overseas subsidiaries of the Company.

On 30 June 2023, impacts on the current profit or loss and shareholders' equity are as follows, supposing HKD against RMB appreciate or depreciate 0.5% while all other variables remain unchanged:

| Item | Change in exchange rate | Current year | | Previous year | |
|---|---|---|---|---|---|
| | | Impacts on profit | Impacts on shareholders' equity | Impacts on profit | Impacts on shareholders' equity |
| Translation from foreign currency reports | Appreciate 0.5% against RMB | | 149,253.08 | | 281,061.97 |
| Translation from foreign currency reports | Depreciate 0.5% against RMB | | -149,253.08 | | -281,061.97 |

## 2. Credit risks

Credit risk is the risk of financial losses arising from default of the counterparty of the financial instruments.

As at 30 June 2023, credit risks of the Group were mainly derived from the financial assets recognized by the Group, specifically including:

The book value of financial assets recognized in the consolidated balance sheet: the maximum exposure of risks is equal to the book value of these financial assets.

Please refer to Note Ⅲ.11 for the methods to assess whether the credit risk has increased since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly.

For quantitative data of the Group's credit risk exposure and loss provision due to accounts receivable, other receivables and contract assets, please refer to the disclosure in Note V.2 and Note V.4.

## 3. Liquidity risk

As of 30 June 2023, the current liabilities of the Company were RMB205.7256 million more than current assets. Material uncertainties concerning major matters which might impact the continuous operation of the Company exist, thus may result in the Company's inability to liquidate assets and repay debts during its normal operation.

## Ⅸ. Disclosure of Fair Value

**Year-end fair value of assets and liabilities at fair value**

| Item | Year-end fair value | | | |
|---|---|---|---|---|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | Total |
| I. Recurring fair value measurement | | | 0.00 | 0.00 |
| (I) Financial assets held for trading | | | | |
| 1. Financial assets at fair value through profit or loss | | | | |
| (1) Equity instrument investment | | | | |
| (II) Other equity instrument investment | | | 0.00 | 0.00 |
| Total assets at fair value on a recurring basis | | | 0.00 | 0.00 |

## Ⅹ.Related parties and related party transactions

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

| Name | Registration place | Nature of business | Registered capital (RMB0'000) | Shareholding ratio of the largest shareholder (%) | Voting percentage of the largest shareholder (%) |
|---|---|---|---|---|---|
| Beijing Haihongyuan Investment Management Co., Ltd. | Beijing | Beijing Investment and management | 3,000,000 | 9.33 | 9.33 |

Notes: The ultimate controller of the Company is Hainan Province Cihang Foundation. As of 30 June 2023, Beijing Haihongyuan Investment Management Co., Ltd. pledged 9.33% of its equity in the Company to Bank of Guangzhou Co., Ltd.

**2. Subsidiaries of the Company**

(1) Composition of the Group

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

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

| Name of subsidiary | Percentage of minority shares (%) | Profit or loss attributable to minority shareholders in the year | Dividends paid to minority shareholders in the year | Closing balance of minority interests |
|---|---|---|---|---|
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | 1.00 | -34,692.59 | | -1,406,727.97 |
| Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd. | 49.00 | - | | 3,405,441.72 |

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

| Name of associate | Principle operating place | Registration place | Nature of business | Shareholding ratio (%) | | Accounting method for investment in associates |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Chongqing HNA Hotel Investment Co., Ltd. | Chongqing | Chongqing | Hotel accommodation | | 30.00 | Equity method |
| Great Power Technology Limited | BVI | BVI | Investment holding | | 20.80 | Equity method |

## 4. Other related parties

## 5. Related party transactions

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

(i) Goods purchased/labor services received

| Related party | Content of related party transactions | Amount for the year | Amount for previous year |
|---|---|---|---|
| Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. | Procurement and inventory | | 575,940.15 |
| Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. | Pay hotel property management fees | 154,934.46 | |
| Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. | Labor cost and remuneration paid on behalf of employees | 19,329.84 | |
| Dongguan Yujingwan Hotel | Labor cost and remuneration paid on behalf of employees | 220,086.15 | 2,996,373.24 |
| Dongguan Yujingwan Hotel | Procurement and inventory | 487,541.94 | 84,543.30 |
| Dongguan Yujingwan Hotel | Utilities and out-of-pocket expenses | 387,845.68 | 1,503,433.79 |
| HNA Tianjin Center Development Co., Ltd. | Utilities and room charges | | 1,119,903.11 |
| Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd. | Labor cost and remuneration paid on behalf of employees | 695,084.60 | 3,947,315.87 |
| Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd. | Utilities and out-of-pocket expenses | | 192,223.81 |
| Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd. | Procurement and inventory | | 2,988.06 |
| Changchun Noble Hotel Co., Ltd | Utilities and out-of pocket expenses | | 378,064.97 |

(ii) Sales of goods/provision of labor services

| Related party | Content of related party transactions | Amount for the year | Amount for previous year |
|---|---|---|---|
| Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd. | Catering and accommodation | | 341,690.11 |
| Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd. | Catering and accommodation | | 494,478.21 |

(2) Related party lease

(i) The Company as a lessee

| Lessor name | Type of leased assets | Rental expense recognized in the year | Rental expense recognized in previous year |
|---|---|---|---|
| HNA Tianjin Center Development Co., Ltd. | Parking lot leasing | | 240,000.00 |
| Dongguan Yujingwan Hotel | Hotel premises leasing | | 1,651,376.16 |
| Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd. | Hotel premises leasing | | 5,988,749.44 |
| Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd. | Hotel premises leasing | | 2,870,661.89 |
| Changchun Noble Hotel Co., Ltd. | Hotel premises leasing | | 2,252,632.01 |
| Nikko Hotel, Dalian Changjiang Plaza Co., Ltd. | Hotel premises leasing | 3,750,000.00 | 4,331,902.89 |
| HNA Tianjin Center Development Co., Ltd. | Hotel premises leasing | | 1,237,500.00 |

(3) Related party funds lending

| Related party | Borrowing amount | Starting date | Maturity date | Description |
|---|---|---|---|---|
| Borrowing: | | | | |
| Beijing Haihongyuan Investment Management Co., Ltd. | 1,468,400.00 | 2023/1/20 | 2023/12/31 | |

## XI. Commitment and Contingent Events

### 1. Significant commitment

As at 30 June 2023, the Group has no significant commitment required to be disclosed.

### 2. Contingent events

As at 30 June 2023, the Group has no significant contingent event required to be disclosed.

## Ⅻ. Post Balance Sheet Date Events

### 1. Major non-adjusting events

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

### 2. Others

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

## XIII. Other important matters

### 1. Segment information

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

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

A. Sales of enclosed busbar products, mainly producing and selling enclosed busbar products;
B. Hotel and catering industry, mainly producing catering and accommodation (including outward investment in the hotel and catering industry).

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

(2) Financial information on the reportable segments

| Item | Sales of enclosed busbar products | Hotel cantering and accommodation | Undistributed | Inter-segment elimination | Total |
|---|---|---|---|---|---|
| Revenue from external operations | 15,996,739.52 | 23,579,135.99 | | | 39,575,875.51 |
| Sales expense | 2,570,243.71 | 16,991,018.23 | | | 19,561,261.94 |
| Losses on asset impairment | | 6,911.67 | -2700 | | 4,211.67 |
| Depreciation and amortization | 132,003.06 | 3,478,740.50 | 13,669.92 | | 3,624,413.48 |
| Total profit (loss) | -3,636,569.42 | -3,469,258.68 | -1,480,136.50 | | -8,585,964.60 |
| Total assets | 105,231,315.61 | 62,106,806.73 | 394,185,415.09 | -401,074,067.20 | 160,449,470.23 |
| Total liabilities | 141,201,668.67 | 202,889,690.36 | 419,400,041.92 | -401,074,067.20 | 362,417,333.75 |

(3) Information on revenue from external transactions

A. Revenue from external transactions

Please refer to Note V.31 for details.

B. Geographic information

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

C. Information on main customers

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

**2. Leasing**

(1) The Group as a leasee

(i) Please refer to Note V. 12,21,23 for right-of -use assets and lease liabilities.

(ii) Amount included in the current profit or loss and relevant asset cost

| Item | Amount included in the current profit or loss | | Amount included in relevant asset cost | |
|---|---|---|---|---|
| | Item presented | Amount | Item presented | Amount |
| Short-term lease expense (applicable to simplified approach) | Sales expense | 204,302.95 | | |
| Short-term lease expense (applicable to simplified approach) | Management expense | 703,296.59 | | |

**3.Other Events**

(1) Fushun Electric Porcelain & Northeast Electric shareholders damage to the interests of the Company creditors

The Company received the Notice of Appearance ((2019) Qiong 96 Min Chu No. 381) served by the First Intermediate People's Court of Hainan Province in relation to adjudicating the Company as a person subject to enforcement on 16 July 2019. The plaintiff (the petitioner for enforcement), Fushun Electric Porcelain Co., Ltd. ("Fushun Electric Porcelain") is a creditor of the New Northeast Insulation. According to the evidence of the plaintiff, Northeast Electric (namely "the Company") set up Shenyang HVS with in-kind investment assets including land at No. 39 East Shentie Road, and Shenyang HVS set up the New Northeast Insulation with the land at No. 39 East Shentie Road as investment in kind. But the use right of the land at No. 39 East Shentie Road has been registered under the name of the Company, and was executed in auction by Shenyang Intermediate People's Court due to the dispute over loan contract between the Company and New Northeast Insulation afterwards. Therefore, Fushun Electric Porcelain considered that the Company's investment in Shenyang HVS and Shenyang HVS's investment in New Northeast Insulation are not true, the assets of the New Northeast Insulation have been harmed, and the interests of Fushun Electric Porcelain Company, the creditor of the New Northeast Insulation, have also been harmed.

In view of the foregoing, according to Article 19 of the Provisions of the Supreme People's Court on Several Issues Concerning the Modification and Addition of Parties in Civil Enforcement, Fushun Electric Porcelain claims that the Company fails to fulfill its investment obligation in accordance with the law, which is to transfer the equity of Shenyang High-volt, and Shenyang HVS fails to fulfill its investment obligation in accordance with the law, which is to transfer the equity of New Northeast Insulation; that the Company and Shenyang HVS shall be liable for the debt of RMB11,258,221.34 and the interest of New Northeast Insulation and Fushun Electric Porcelain and the interest generated during the period of delayed performance within the scope of non-investment according to law (i.e. the value range of land use rights of No. 39, East Shentie Road); and that Shenyang High-voltage Switches Co., Ltd. and the Company shall be adjudicated as persons subject to enforcement for the case of Fushun Intermediate People's Court of Liaoning Province ((2015) Fu Zhong Zhi Zi No. 00140).

The Company received the civil written order ((2019) Qiong 96 Min Chu No. 381) from the First Intermediate People's Court of Hainan Province by post on 5 February 2021, ordering as follows: (i) Shenyang High Voltage Switchgear Co., Ltd. shall be adjudicated as a person subject to enforcement for the case of Fushun Intermediate People's Court of Liaoning Province ((2015) Fu Zhong Zhi Zi No. 00140), and within the scope of non-contribution (limited to the value of the appraised use right of the land at No. 39 East Shentie Road with the number of Shen Yang Guo Yong (1995) Zi No. 17 when Shenyang High Voltage Switchgear Co., Ltd. set up New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd.), shall be liable for supplementary compensation for the debts of New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. to Fushun Electric Porcelain Co., Ltd. as confirmed by the civil judgment ((2015) Fu Zhong Min Chu Zi No. 00064 issued by Fushun Intermediate People's Court of Liaoning Province; and (ii) reject other claims of the plaintiff Fushun Electric Porcelain Co., Ltd.

The Company received the civil judgment ((2021) Qiong Min Zhong No. 537) of Hainan Higher People's Court on 9 October 2021, which rejected the appeal and upheld the original judgment.

On May 1 2022, Fushun Electric Porcelain Company once again filed a lawsuit with the First Intermediate People's Court of Hainan Province on the basis of "shareholder liability dispute for harming the interests of creditors of the Company". It is requested to order your Company to assume joint and several liability for the debts of the high voltage switch Company as determined by the above-mentioned (2019) Qiong96 Civil Judgment No. 381 at the beginning of the Republic of China and (2021) QiongMin-end Civil judgment No. 537.

The First Intermediate People's Court of Hainan Province organized two trials of the case on September 8 2022 and November 8 2022 respectively. On December 30 2022, the First Intermediate People's Court of Hainan Province made a (2022) Qiong96 Civil decision No. 599 at the beginning of the People's Republic of China, ruling to reject the lawsuit of Fushun Electric Porcelain Company on the grounds that the case constitutes repeated prosecution.

Fushun Electric Porcelain immediately appealed, and on June 28 2023, Hainan Provincial High Court issued (2023) Qiongmin Final 280 civil ruling, the court found that it constituted repeated prosecution, and the final ruling rejected the appeal and upheld the original ruling.

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

### 1. Accounts receivable

#### (1) Disclosure by aging

Unit:RMB

| Type | Balance at end of year | | | | | Opening balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | Provision for bad debt | | Book value | Carrying amount | | Provision for bad debt | | Book value |
| | Amount | Ratio (%) | Amount | Ratio of provision (%) | | Amount | Ratio (%) | Amount | Ratio of provision (%) | |
| Accounts receivable of provision for bad debt on an individual basis | | | | | | | | | | |
| Including: | | | | | | | | | | |
| | | | | | | | | | | |
| Accounts receivable of provision for bad debt on a collective basis | 1,423,911.79 | 100.00% | 1,423,911.79 | 100.00% | 0.00 | 1,423,911.79 | 100.00% | 1,423,911.79 | 100.00% | 0.00 |
| Including: | | | | | | | | | | |
| | | | | | | | | | | |
| Total | 1,423,911.79 | 100.00% | 1,423,911.79 | 100.00% | | 1,423,911.79 | 100.00% | 1,423,911.79 | 100.00% | |

Accounts receivable of provision for baddebt on a collective basis：Disclosure by aging

Unit:RMB

| Aging | Balance at end of year | | |
|---|---|---|---|
| | Carrying amount | Provision for bad debt | Ratio of provision (%) |
| Over 4 years | 1,423,911.79 | 1,423,911.79 | 100.00% |
| Total | 1,423,911.79 | 1,423,911.79 | -- |

Disclosure by aging

Unit:RMB

| Aging | Balance at end of year |
|---|---|
| Within 1 year (including 1 year) | |
| | |
| 1 to 2 years | |
| 2 to 3 years | |
| over 3 years | 1,423,911.79 |
| 2 to 4 years | |
| over 4years | 1,423,911.79 |
| Total | 1,423,911.79 |

**⑵Provisions for bad debts accrued, recovered or reversed in the current period**

Provision for bad debts in the current period：

Unit:RMB

| Category | Balance at beginning of year | Changes during the year | | | | Balance at end of year |
|---|---|---|---|---|---|---|
| | | Provision | Recoveries or reversals | Write-off | Other changes | |
| Bad debt provision | 1,423,911.79 | | | | | 1,423,911.79 |
| 合计 | 1,423,911.79 | | | | | 1,423,911.79 |

**2. Other receivables**

Unit:RMB

| Item | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 249,249,768.98 | 249,713,804.62 |
| Total | 249,249,768.98 | 249,713,804.62 |

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(1)**Other receivables**

**1）Classification by nature**

Unit:RMB

| Nature of accounts | Balance at end of year | Balance at beginning of year |
|---|---|---|
| Litigation from Benxi Iron & Steel (Group) Co., Ltd. | 76,090,000.00 | 76,090,000.00 |
| Current account with subsidiaries | 249,218,206.48 | 249,684,942.12 |
| Others | 398,746.40 | 398,655.26 |
| Total | 325,706,952.88 | 326,173,688.52 |

**2）Provision for bad debts**

Unit:RMB

| Provision for bad debt | Phase I | Phase II | Phase III | Total |
|---|---|---|---|---|
| | Expected credit loss over the next 12 months | Lifetime expected credit loss (not credit impaired loans) | Lifetime expected credit loss (credit impaired loans) | |
| Balance at beginning of year | 76,459,883.90 | | 91.14 | 76,455,996.40 |
| Balance at the beginning of the year： | —— | —— | —— | —— |
| − Transferred to Phase II | | | | |
| --Transferred to Phase III | | | | |
| − Reversed to Phase II | | | | |
| − Reversed to Phase I | | | | |
| Provision for the year | | | | |
| Reversal for the year | 2,700.00 | | | 2，700.00 |
| Resale for the year | | | | |
| Charge off for the year | | | | |
| Other changes | | | | |
| Balance at end of year | 76,457,092.76 | | 91.14 | 76,457,183.90 |

### 3）Provisions for bad debts accrued, recovered or reversed in the current period

Provision for bad debts：

Unit:RMB

| Category | Balance at beginning of year | Changes during the year | | | | Balance at end of year |
|---|---|---|---|---|---|---|
| | | Provision | Recoveries or reversals | Write-off Other changes | Others | |
| Other receivables | 76,455,996.40 | | 2,700 | | | 76,457,183.90 |
| Total | 76,455,996.40 | | 2,700 | | | 76,457,183.90 |

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

Unit:RMB

| Name of Company | Nature of accounts | Balance at end of year | Aging | Proportion of the total balance of other receivables at the end of the year (%) | Balance of provision for bad debt at the end of the year |
|---|---|---|---|---|---|
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | Current account | 111,775,395.35 | Over 4 years | 34.30% | |
| Great Talent Technology Limited Subsidiary Investment | Current account | 79,298,247.36 | Over 4 years | 24.29% | |
| Benxi Iron & Steel (Group) Co., Ltd. | Current account (with litigation) | 76,090,000.00 | Over 4 years | 23.31% | 76,090,000.00 |
| Shenyang Kaiyi Electric Co., Ltd. | Current account | 48,540,941.04 | Within 4 years | 13.78% | |
| Fuxin Enclosed Busbar Co., Ltd. | Current account | 6,228,207.28 | Within 4 years | 2.30% | |
| Total | -- | 319,836,921.09 | -- | 97.97% | 76,090,000.00 |

### 3.Long-term equity investments

Unit:RMB

| Item | Balance at end of year | | | Balance at beginning of year | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Provision for impairment | Book value | Carrying amount | Provision for impairment | Book value |
| Investment in subsidiaries | 173,305,837.52 | 116,869,364.49 | 56,436,473.03 | 173,305,837.52 | 116,869,364.49 | 56,436,473.03 |
| Investment in associates and joint ventures | | | | | | |
| Total | 173,305,837.52 | 116,869,364.49 | 56,436,473.03 | 173,305,837.52 | 116,869,364.49 | 56,436,473.03 |

### ⑴Investment in subsidiaries

Unit:RMB

| Investee | Balance at beginning of year | Changes in this period | | | | Provision for impairment this year | Balance of provision for impairment at the end of the year |
|---|---|---|---|---|---|---|---|
| | | Increment | Decrement | Balance at end of year | Others | | |
| Northeast Electric Development (HK) Co., Ltd. | 53,757,001.09 | | | | | 53,757,001.09 | 102,942,450.54 |
| Shenyang Kaiyi Electric Co., Ltd. | | | | | | | 100,000.00 |
| Great Talent Technology Limited Subsidiary Investment | 2,679,471.94 | | | | | 2,679,471.94 | 13,826,913.95 |
| Total | 56,436,473.03 | | | | | 56,436,473.03 | 116,869,364.49 |

## XV. Supplementary Information

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

| Item | Amount | Remarks |
|---|---|---|
| Profit or loss on disposal of non-current assets | -53,416.45 | |
| Tax return/exemption with ultra vires approval/or no official approval | | |
| Government grant taken into profit or loss for the period (except for those closely related to business of the Company and those granted by the government in fixed amount or quantity according to national standards) | 962,600.82 | |
| Fund appropriation fees charged on non-financial enterprise taken into profit or loss for the period | | |
| Revenue generated when cost of investment is less than fair value of identifiable net assets acquired when acquiring subsidiary, associates, or joint venture | | |
| Profit or loss of non-monetary asset swap | | |
| Profit or loss from entrusting third party to invest or manage asset | | |
| Provision for impairment on assets due to force majeure, such as natural disaster | | |
| Profit or loss on debt restructuring | | |
| Expenses on reorganization of enterprise, such as settlement expense for employees and combination expenses | | |
| Profit or loss over difference between fair value and inappropriate transaction price | | |
| Net profit or loss arising from business combination under common control in relation to the period from the beginning of the year to the date of combination | | |
| Profit or loss by contingent events non-related to normal business of the Group | | |
| Except for effective hedging related to the operation of the Company, profit or loss arising from changes in fair value of financial assets or liabilities held for trading, derivative financial assets or liabilities, and investment income from disposal of financial assets or liabilities held for trading, derivative financial assets or liabilities, as well as other debt investments | | |
| Reversal of provision for accounts receivable and contract assets under separate impairment test | | |
| Profit or loss on entrusted loans | | |
| Profit or loss on subsequent measurement at fair value for investment properties | | |
| Impact on current profit or loss by non-recurring adjustment according to laws and regulations on tax and accounting | | |
| Trustee fee by entrusted operations | | |
| Other non-operating incomes and expenses except for the above-mentioned | 26,157.03 | |
| Other items complying with definitions of extraordinary profit or loss | | |

| Item | Amount | Remarks |
|---|---|---|
| Subtotal | 935,341.40 | |
| Amount of impact on income tax | - | |
| Impact on minority interests (after tax) | 189.78 | |
| Total | 935,151.62 | |

Note: The “+” in the extraordinary profit or loss indicates the revenue and income, and the “-” indicates the loss or expenditure.

Extraordinary profit and loss of the Group are recognized in accordance with “Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit or Loss” (CSRC Announcement [2008] No. 43).

**2.Return on net assets and earnings per share**

| Profit for the period | Weighted average return on net assets (%) | Earnings per share (RMB/share) | |
|---|---|---|---|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to ordinary shareholders | | -0.01 | -0.01 |
| Net profit attributable to ordinary shareholders after deduction of extraordinary profit or loss | | -0.01 | -0.01 |

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

# Chapter 10 DOCUMENTS AVAILABLE FOR INSPECTION

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

(II) The original audit report (if any) bearing the seal of the accounting firm and the signature and seal of the certified public accountant；

(III) The originals of all Company documents and announcements publicly disclosed on the designated information disclosure platform during the reporting period.

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