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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0042)

ANNUAL RESULTS ANNOUNCEMENT FOR 2018

This announcement is made pursuant to Rule 13.49(1) of the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and Paragraph 45 of Appendix 16 thereto.

The Board of Directors (the “**Board**”) and the directors (the “**Directors**”) of the Northeast Electric Development Company Limited (the “**Company**” or “**Northeast Electric**”) hereby announce the audited annual results report of the Company and its subsidiaries (collectively, the “**Group**”) as of 31 December 2018.

I. 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 report.**

This annual results announcement has been extracted from the full text of the annual report of the Company. Investors should carefully read the full text of the annual report which is published at Shenzhen Stock Exchange CNINFO (www.cninfo.com.cn) and other specified website for information disclosure.

- 1.2 The Company’s Chairman, Li Tie, Chief Financial Officer, Wang Kai and Chief Accounting Officer, Xing Liwen hereby represent: guaranteeing the truthfulness, accurateness and integrity of the financial report of the Annual Report.**
- 1.3 All Directors attended the Board meeting in person to consider and approve this annual report.**
- 1.4 This announcement has been considered and approved by the second meeting of the 9th Board convened on 28 March 2019. The audit committee of the Board of the Company has reviewed and confirmed the Company’s financial report for 2018.**
- 1.5 The Company’s annual financial report is prepared under the PRC GAAP and is audited by Ruihua CPAs (special general partner) and it issued an unqualified auditor’s report with paragraphs describing emphasized events .**
- 1.6 The forward-looking description involved in the announcement such as the future plan and development strategy does not constitute any substantial commitment of the Company to investors. Wide investors need to be aware of risks attached to investments.**
- 1.7 The risks that may be faced and countermeasures to be adopted by the Company are described in “Prospect of the Company’s Future Development” of “Report of the Directors” in this announcement and can be referenced by wide investors.**
- 1.8 The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves, subject to consideration and approval at the 2018 Annual General Meeting.**
- 1.9 The consolidated turnover is RMB32,310,000, decreasing from 2017 by RMB670,000.**
- 1.10 Profit attributable to equity holders of the Company is RMB14,600,000.**

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

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

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

1.14 Definitions.

Asia-Pacific International	Asia-Pacific International Conference Center Co., Ltd. (亞太國際會議中心有限公司), a related party of the Company
Ankao Solar Thermal	Jiangsu Ankao Solar Thermal Power Generation System Technology Co. (江蘇安靠光熱發電系統科技有限公司), Ltd., the counterparty of a substantial asset disposal
Beijing Haihongyuan	Beijing Haihongyuan Investment Management Co., Ltd. (北京海鴻源投資管理有限公司), a substantial shareholder of the Company
CSRC	China Securities Regulatory Commission
Dongguan Yujingwan	Dongguan Yujingwan Hotel (東莞御景灣酒店), a related party of the Company
Danzhou Xintiandi	Danzhou HNA Xintiandi Hotel Co., Ltd. (儋州海航新天地酒店有限公司), a related party of the Company
Fuxin Busbar	Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company
Hainan Tangyuan	Hainan Tangyuan Technology Co., Ltd. (海南唐苑科技有限公司), a subsidiary of the Company
HNA Hotel (Hong Kong)	HNA Hotel Group (Hong Kong) Co., Ltd. (海航酒店集團(香港)有限公司), a related party of the Company
HNA Group	HNA Group Co., Ltd., a related party of the Company

Hainan Guoshang	Hainan Guoshang Hotel Management Co., Ltd. (海南國商酒店管理有限公司), a related party of the Company
Hangzhou Huagang	Hangzhou Huagang HNA Resort Co., Ltd., a related party of the Company
Jiangsu Disheng	Jiangsu Disheng Silian New Energy Investment Co., Ltd. (江蘇迪盛四聯新能源投資有限公司)
Jilin Province Tourism Group	Jilin Province Tourism Group Co., Ltd. (吉林省旅遊集團有限責任公司), a related party of the Company
NEE, the Company, the listed company	Northeast Electric Development Company Limited
NNE Jinzhou PC	New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd., the former subsidiary of the Company, sold in December 2012
NEE Chengdu	Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd. (東北電氣(成都)電力工程設計有限公司), a subsidiary of the Company
SZSE	Shenzhen Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong
Shanghai Yizhou	Shanghai Yizhou Investment Management Co., Ltd. (上海驛舟投資管理有限公司), a related party of the Company
Tianjin Center	HNA Tianjin Center Development Co., Ltd. (海航天津中心發展有限公司), a related party of the Company
Yunnan Tonghui Hotel	Yunnan Tonghui Hotel Management Co., Ltd. (雲南通匯酒店管理有限公司), a related party of the Company

II. CORPORATE PROFILE

2.1 Basic information

Stock abbreviation of A shares	*ST Northeast Electric	Stock code	000585
Stock exchange	Shenzhen Stock Exchange		
Stock abbreviation of H shares	NE ELECTRIC	Stock code	0042
Stock exchange	The Stock Exchange of Hong Kong		
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		
Registered address	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province		
Postal Code	571152		
Correspondence address	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province		
Postal Code	570203		
Website	www.nee.com.cn		
E-mail address	nee@nee.com.cn		

2.2 Contact person and address

	Secretary to the Board of Directors	Representative for securities affairs
Name	Su Weiguo	Zhu Xinguang, Ding Jishi
	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Address		
Telephone	0898-68876008	0898-68876028; 0898-68876008
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Email	nee@nee.com.cn	nemm585@sina.com; gs306411@hnair.com

2.3 Additional information

	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province
Registered address	
Postal Code	571152
	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Office address	
Postal Code	570203
Website	www.nee.com.cn
E-mail address	nee@nee.com.cn
Index to the website designated to disclose the temporary announcement	www.cninfo.com.cn; www.hkexnews.hk

III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Financial Data

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

Principal accounting data for the year prepared under the PRC GAAP

Whether retroactive adjustments or restatements need be made by the Company to the accounting data for the previous years?

Yes No

	2018	2017	Increase/ decrease of the year over last year (%)	2016	2015	2014
Operating revenues (RMB)	32,311,485.10	32,985,857.66	-2.04%	63,514,424.29	151,740,484.82	197,439,030.24
Net profit attributable to shareholders of listed company (RMB)	14,596,076.43	-397,057,643.19	-103.68%	-99,493,754.11	4,933,337.50	6,169,105.14
Net profit attributable to shareholders of listed company after extraordinary items (RMB)	-38,948,124.08	-96,660,890.16	-59.71%	-99,613,423.79	-775,922.03	4,390,358.73
Net cash flow arising from operating activities (RMB)	-4,595,466.11	45,961,817.45	-110.00%	-29,891,482.85	-18,237,185.20	26,805,591.07
Basic earnings per share (RMB/Share)	0.020	-0.450	-104.44%	-0.11	0.0056	0.01
Diluted earnings per share (RMB/Share)	0.020	-0.450	-104.44%	-0.11	0.0056	0.01
Weighted average ROE	0.00%	0.00%	0.00%	-39.40%	1.68%	2.18%

	As at the end of 2018	As at the end of 2017	Increase/ decrease of the year over last year (%)	As at the end of 2016	As at the end of 2015	As at the end of 2014
Total assets (RMB)	505,113,480.52	306,236,911.04	64.94%	401,830,329.21	483,445,718.25	482,595,791.02
Net assets attributable to shareholders of listed company (RMB)	8,619,218.15	-198,631,842.02	-104.34%	202,789,879.48	296,987,112.46	482,595,791.02

1.2 Differences in figures under domestic and foreign accounting standards

There are no differences in net profits and net assets prepared under foreign accounting standards and PRC GAAP in the reporting period of the Company.

1.3 Major financial indicators by quarter

Unit: RMB

	The first quarter	The second quarter	The third quarter	The fourth quarter
Operating revenues	4,755,785.11	9,540,375.33	7,308,500.61	10,706,824.05
Net profit attributable to shareholders of listed company	-4,648,986.52	-9,470,446.30	23,784,065.49	4,931,443.76
Net profit attributable to shareholders of listed company after extraordinary items	-7,889,855.34	-9,623,862.15	-8,933,351.87	-13,582,201.09
Net cash flow arising from operating activities	-4,194,229.68	-969,494.63	-29,506,498.23	30,074,756.43

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

Yes No

During the reporting period, the Company actually received advanced guarantees of a total of RMB22.9 million from Jinzhou Power Capacitors Co., Ltd. on 26 June and 26 September 2018 respectively, which was recorded into non-operating income. an emergency notice from Jinzhou Power Capacitors Co., Ltd. claimed that the amount is its transaction amount received. Now, there may be a risk of refund due to disputes arising between the parties involved. The Company may need to cooperate when necessary. Based on the principle of financial prudence and upon confirmation with the auditor, the Company decided to adjust the amount received to other payables – temporary receipt. Before the relevant matters to be further verified, performance of internal control approval procedure for the listed company and assessment of its legal risks, the Company would take no further action.

1.4 Extraordinary items and the related amount

Unit: RMB

Item	2018	2017	2016	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for assets impairment being written off)	15,785,816.33	-177,333.23	-291,209.88	
Government subsidy included in the current profits and losses (closely related to business of the enterprise, excluding the government subsidy enjoyed fully or quantitatively according to uniform standards of the country)	1,070,676.39	50,000.00		
Gains/losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operations	N/A		367,369.30	
Reversal of account receivable provision by single devaluation test	N/A	9,590,990.45		
Other non-operating income and expense other than the above items	3,358,853.23	-309,696,590.44	43,510.26	
Other non-recurring gains or losses	34,695,454.56			
Less: Effect of income tax	1,366,600.00	163,819.81		
Total	53,544,200.51	-300,396,753.03	119,669.68	--

Notes for the Company's non-recurring gains or losses as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Non-recurring Gains or Losses and the non-recurring gains or losses as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Non-recurring Gains or Losses defined as its recurring gains or losses.

Applicable Not applicable

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

IV. REPORT OF THE DIRECTORS

(1) Overview

Though confronting with the complex and severe international situation and the arduous tasks of reform, development and stabilization, Chinese economy and society retained a constant and healthy growth in 2018, embodying in its economic growth, moderate inflation, steady employment rate, and solid progress of supply-side reforms such as leverage stabilization, in spite of the increasing risks and hardships in the global economy, slow-down growth in major economies, mounting inflation, beginning of tight monetary policy, and wakening protectionism.

In 2018, the machinery industry saw the steady production and sales, improved investment, and a positive export better than expected. However, old problems such as climbing costs, dropping benefits, sluggish demands and insufficient orders still haunted the industry, which increased the pressure to maintain a steady operation.

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

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

During the reporting period, the operating income of the Company amounted to RMB32,310,000, with a year-on-year decrease of RMB670,000 million, accounting for 97.96% of that of the previous year; the net profit attributable to shareholders of the listed company was RMB14,600,000, turning a loss into a gain.

(2) Priority Work

1. Progress of disposal of material assets

To optimize the corporate asset structure, minimize the impairment loss of assets, and protect the interests of investors, the Board of the Company determined to dispose of New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd (“NNE Jinzhou PC”) on 17 September 2017, which was considered and approved by Shenzhen Stock Exchange, Hong Kong Stock Exchange, and the second extraordinary general meeting of 2018. On 14 December 2018, the change of industrial and commercial registration in relation to the equity transfer was completed.

2. Progress of equity grant

To support the development of the Company, the proposal on the Equity Transfer Agreement entered into by Hainan Tangyuan Technology Co., Ltd. (“Hainan Tangyuan Technology”), a wholly-owned subsidiary of the Company, and Shanghai Yizhou Investment Management Co., Ltd. (“Shanghai Yizhou”) was considered and passed at the 27th meeting of the eighth Board and the fourth extraordinary general meeting of 2018, pursuant to which, Shanghai Yizhou granted 10.50% of its share equity in HNA Tianjin Center Development Co., Ltd. (“Tianjin Center”) for no consideration to Hainan Tangyuan Technology. According to the “Evaluation of Net Asset of HNA Tianjin Center Development Co., Ltd.” issued by Vigers Appraisal & Consulting Limited. (International Asset Appraisal Consultants), the appraisal value of such equity in Tianjin Center was RMB201,480,405. On 26 December 2018, the change of industrial and commercial registration in relation to the equity transfer was completed.

3. Progress of material legal proceedings

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

On 31 July 2018, the Company received the civil judgment (Liao 01 Min Chu (2017) No. 430) issued by Liaoning Shenyang Municipal Intermediate People's Court ("Shenyang Intermediate Court"). Shenyang Intermediate Court has given a first-instance judgment on the contract dispute between Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi SASAB") and the Company, Shenyang High Voltage Switchgear Co., Ltd., ("Shenyang High Voltage Switchgear") and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. ("New Northeast Electric"). Shenyang Intermediate Court rejected the claim of the plaintiff Tiexi SASAB which requested the defendant the Company to pay arrears of RMB28.53 million, interest and liquidated damages. The plaintiff Tiexi SASAB appealed to Shenyang Intermediate Court during the appeal period. In the early December 2018, Liaoning Shenyang Municipal High People's Court accepted the case. At present, the case is still on the docket.

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

74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. (formerly known as Shenyang Suntime High Voltage Electric Co., Ltd.) (the "Underlying Equity") was held by Fuxin Busbar by 22 September 2008. Due to the enforcement of the final judgment made by Supreme People's Court on 5 September 2008 for the case of China Development Bank (Document (2008) Min Er Zhong Zi No.23) and under the coordination, Fuxin Busbar returned the Underlying Equity to Shenyang High Voltage Switchgear Co., Ltd. ("Shenyang HVS") free of charge, and completed the change of equity registration on 22 September 2008 as required by the local industrial and commercial administration. Therefore, the Underlying Equity held by Fuxin Busbar was returned to Shenyang HVS free of charge. However, according to the enforcement ruling issued by 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". Given the failure of Shenyang HVS to pay the outstanding equity transfer consideration of USD16 million constituted a breach of contract, Fuxin Busbar, the plaintiff, in order to protect the interests of the Company, raised an litigation against the above 2 defendants, namely, Shenyang HVS

and Northeast Electric, claiming for the return of the consideration for the transfer of the Underlying Equity. The Higher People's Court of Hainan Province accepted the case on 30 November 2018, and published an announcement in connection with its service of documents such as pleadings to Shenyang High Voltage Switchgear on 3 January 2019. The case was tried on 21 March 2019 and the outcome of first instance is unavailable yet.

4. Changes of business address and registered address

To fulfill its business development needs and approved at the 22th meeting of the 8th Board in the conference room of the Company, the Company has moved from Changzhou City in Jiangsu Province to Haikou City in Hainan Province since 28 May 2018.

For the strategic development, the Company was approved by the 23rd meeting of the 8th Board and the 2017 Annual General Meeting to change its office address from 23rd Floor, Building 4, No. 9 Taihu East Road, Xinbei District, Changzhou City, Jiangsu Province to a new location for business operation in Haikou City, Hainan Province. On 17 July 2018, the Company completed the industrial and commercial registration procedures for the change of registered address and obtained the business license issued by Industrial and Commercial Administration Bureau of Haikou City, Hainan Province. The registered address after change is Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province.

5. New issue of H shares

In order to raise funds, expand the shareholder base, and enhance the corporate capital strength, on 5 April 2017, HNA Hospitality Group (Hong Kong) (the person acting in concert with Beijing Haihongyuan) signed the Subscription Agreement with the listed company, agreeing to purchase 155,830,000 new H shares that the Company planned to allot and issue, at the price of HKD2.40 per share. Beijing Haihongyuan and its person acting in concert, HNA Hospitality Group (Hong Kong), are both subsidiaries of HNA Group Co., Ltd. The matter was approved at the 2nd Extraordinary General Meeting of 2017, Class Meeting of A Shareholders, and Class Meeting of H Shareholders and was submitted to domestic and foreign regulators for approval according to relevant procedures. Now the matter is under review by the International Cooperation Division of the CSRC.

(3) Analysis of Financial Position

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

(4) Prospect of Future Development

1. Industry development trend and competition outlook

Under the impact of the macroeconomic situation, the economy growth in China is expected to slow down, for which demands for electricity power and investment will decrease accordingly. As China continues to deepen the structural reform of supply side, the key of power grid development is switching to the construction of UHV transmission line and smart power grids, continuously boosting the market share of power generated by clean energy. In light of this, thermal power generating units are developing towards high capacity, high parameter and environmental protection. It is expected that the macro economy in China remain stable amid growth in 2019. In the meantime, since the continuous adjustment of economic structure, and deepening supply-side reform may have negative impact over the infrastructure industries of the national economy. It is of high probability that economic structuring of the country will continue to have adverse impact on the power sector, the thermal power industry in particular, resulting in insufficient demands and decreased benefits in the power sector and the downstream sectors, which further create harmful effect over the future performance of the Company.

2. Development strategy of the Company

In 2019, the Company will take the initiative to adapt itself to the new normal of national economic development, new pattern of energy development, innovation-driven development trend, and have brand-building as its key strategy. By virtue of its capability of integrating resources, the Company will optimize resources allocation, and use resources in an efficient manner. Centering on improving the quality and the efficiency of development, the Company will increase industrial stock and seek for more customers, foster new driving force and new source of economic growth and transform to the upstream and downstream industries of hotel by grading industrial structure and prioritizing market expansion, in an effort to form a new synergistic pattern, and reshape the industry structure of the Company.

3. 2019 operation plan

The Company will focus on optimizing the industrial layout and deepening reform to facilitate reform, innovation and improve quality and efficiency. Through the perfection of internal control system, enhancement of internal management, operating efficiency and key competitive edges, the Company will make every effort to achieve a breakthrough, and reverse the declining performance. By virtue of seizing opportunities, and taking fully use of capital market, the Company will fine tune its principal activities and operating strategy. To enhance the profitability and comprehensive power of the listed company on a going concern, the Company will actively increase the operating income and profits from activities in connection with hotel, and promote the development of the listed company for maximum protection of the interests of all shareholders, the minority shareholders in particular.

4. Priorities of the Company in 2019

- (1) The Company will further improve the corporate governance structure, facilitate the transformation of management mindset, strive for innovation, and broaden sources of income and reduce expenditure. With an aim to inspire the vitality, motivation and creativity of the management, the Company will promote and scale up its ability of development and innovation by tapping into new markets and acquiring new customers.
- (2) Under the support of substantial shareholders, the Company will vigorously change its operation and development mindset, create favorable conditions for orderly industrial restructuring, and facilitate industrial upgrading. The Company will improve its ability of sustained operating, profitability and asset quality, in order to enhance its capability of risk defense and key competitive edges. In 2019, Beijing Haihongyuan, a substantial shareholder of the Company, proposes to offer financial assistance with an accumulated amount not exceeding RMB80 million to Shenyang Kaiyi Electric Co., Ltd., a wholly-owned subsidiary of the Company, for supporting production and operation of the listed company.

- (3) In response to changes and demands of the market, the Company will actively adjust product structure and upgrade its business, expedite the transformation to modern service industry, and optimize the overall pattern; develop new customer group, improve and strengthen sales system, and enhance the profitability of principal activities.
- (4) By engaging Hainan Tangyuan, a wholly-owned subsidiary of the Company, as a platform, the Company will study and explore new business segment for sake of new development space. Supported by the resources and the talent pool of the substantial shareholder in respect of modern service industry, the Company will tap into new business, develop new industry, in order to enrich the business scope, improve the structure of asset portfolio, and breathe new life to the continuing operations of the listed company. Incomes and profits generated from such new services will facilitate the listed company to transform from a traditional manufacturing company to a modern service company.
- (5) The Company will continue to advance the review progress for new privately-issued H shares at securities regulators. Through equity financing, the Company will further optimize its principal activities, seek for opportunities of new business segments, and scale up the core competitive edges and sustainable development of the Company.
- (6) Based on the operation policies, the Company will continue to strip off under-performing assets, equity investment with small volume of business, and other non-operating assets. The Company will increase the cash flows, and refine equity structure of the Company.
- (7) The Company intends to carry out full budget management and cost control, and put various expenditures are under strict control to diminish operating costs. Ultimately, the Company can maximize the profitability of principal activities.
- (8) Through strict observance of Standardised Operation of Listed Companies, the Company will keep upgrading its working standards and internal control system, establish a sound operation organization across the Company, and strengthen various internal control systems. The Company will also develop robust risk control measures to mitigate operating risks, create a more feasible internal control system, eradicate the incidents that may damage the interests of the listed company and shareholders, as well as ensure the realization of its operating targets.

The abovementioned future prospects of the Company do not constitute a substantial commitment to investors. Investors should be aware of the risks attached to investments.

5. Risks faced by the Company and measures

(1) Market risks arising from macro-economic environment

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

(2) Risk of market competition

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

(3) Risk of strategic transformation

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

(5) Profit distribution and dividend declaration

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

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

Share capital

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

Reserve

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

Distributable reserve

As at 31 December 2018, according to the relevant regulations, the Company's distributable reserve is RMB-2,019,154,197.71. Pursuant to the resolution approved by the Board on 28 March 2019, the Company proposes not to distribute cash dividend, issue bonus share, or capitalize from capital reserves during the year. The matter is still subject to approval by the general meeting.

Analysis of loans and borrowings

The Company's short-term borrowings amounted to RMB4,500,000, primarily consisting of the secured loans borrowed from Bank of China by Fuxin Busbar.

Working capital and financial resources

The net cash generated from the Group's operating activities for the year ended 31 December 2018 was approximately RMB4,595,466.11 (2017: net cash generated from operating activities was approximately RMB45,961,817.45).

As at 31 December 2018, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB145,725,658.23 (2017: RMB45,175,761.77) and bank loans of RMB4,500,000 (2017: no bank loans).

As of 31 December 2018, the Group had current liabilities of RMB400,226,813.06, non-current liabilities of RMB82,770,287.50, and shareholders' equity attributable to shareholders of the Company of RMB8,619,218.15. Details of the capital structure of the Group are set out in the financial report of the Company's annual report.

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

Capital expenditure

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

Capital structure

The Company's sources of funds are mainly operating cash inflows and loans of substantial shareholders. As at 31 December 2018, the Group's short-term bank borrowings amounted to RMB4,500,000, and the cash and cash equivalents were RMB145,725,658.23 (2017: RMB45,175,761.77). Borrowings bear fixed interest rate, and no hedging instruments are hedged.

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

Prospects for new business

Details of the prospects for new business are set out in “(4) Future Development Outlook” of “Report of the Directors”.

Significant investments held and the performance of such investments

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

Significant investments and sales

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

Segmental information of results

Details of the major investments and sales are set out in the “Main Business Composition” section of the “Discussion and Analysis of Business Condition”.

Assets pledge

As of 31 December 2018, the Company had fixed asset and net land value of RMB26,624,511.71 for mortgages.

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

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

Gearing ratio

As of 31 December 2018, the Group's gearing ratio (calculated as total liabilities/total assets) was 95% (2017: 163.55%).

Risks of exchange rate fluctuation and any related hedges

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

Major suppliers and customers

For the year ended 31 December 2018, the total amount of purchases from the Group's top five suppliers was RMB22,720,249.48, accounting for 70.39% of the Group's total annual purchases; the total amount of sales to the top five customers was RMB14,567,834.80, accounting for 47.16% of the Group's total annual sales. Among them, the sales amount to the largest customer accounts for 13.33% of the total annual sales of the Group. The top five customers have no connected relationship with the Company.

V. Discussion and Analysis of Business Condition

(I) Overview

During the reporting period, the operating income of the Company amounted to RMB32,310,000 with a year-on-year decrease of RMB670,000, accounting for 97.96% of that of the previous year; the net profit attributable to shareholders of the listed company was RMB14,600,000, turning a loss into a gain.

(II) Analysis of Principal Business

(1) Composition of operating income

Unit: RMB

	2018		2017		Year-on-year increase/decrease
	Amount	Percentage of operating income	Amount	Percentage of operating income	
Total operating income	32,311,485.10	100%	32,985,857.66	100%	-2.04%
By industries					
Power transmission and transformation	32,074,907.02	99.27%	32,382,320.55	98.17%	-0.96%
Others	236,578.08	0.73%	603,537.11	1.83%	-155.11%
By products					
Enclosed busbars	30,855,743.61	95.49%	30,072,679.91	91.17%	2.60%
Power capacitors	1,219,163.41	3.77%	2,309,640.64	7.00%	-47.21%
Others	236,578.08	0.73%	603,537.11	1.83%	-60.80%
By regions					
Northeast China	9,243,837.94	28.61%	1,319,451.60	4.00%	600.58%
North China	4,231,675.89	13.10%	5,135,379.25	15.57%	-17.60%
Central China	9,195,534.49	28.46%	9,815,797.89	29.76%	-6.32%
East China	1,818,408.13	5.63%	701,838.03	2.13%	159.09%
South China	356,809.67	1.10%	1,186,290.66	3.60%	-69.92%
Southwest China	6,233,538.28	19.29%	9,106,143.07	27.61%	-31.55%
Northwest China	995,102.62	3.08%	5,117,420.05	15.51%	-80.55%
Others	236,578.08	0.73%	603,537.11	1.83%	-60.80%

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

√ Applicable □ Not applicable

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

No

Unit: RMB

	Operating income	Operating cost	Gross margin	Increase/decrease in operating income compared with the same period of previous year	Increase/decrease in operating cost compared with the same period of previous year	Increase/decrease in gross margin compared with the same period of previous year
By industries						
Power transmission and transformation	32,074,907.02	26,649,958.43	16.91%	-0.95%	4.22%	-4.12%
Others	236,578.08	145,538.27	38.48%	-60.80%	-63.50%	4.55%
By products						
Enclosed busbars	30,855,743.61	25,752,486.14	16.54%	2.60%	7.26%	-3.62%
Power capacitors	1,219,163.41	897,472.29	26.39%	-47.21%	-42.53%	-5.99%
Others	236,578.08	145,538.27	38.48%	-60.80%	-63.50%	4.55%
By regions						
Northeast China	9,243,837.94	7,227,720.40	21.81%	600.58%	897.25%	-23.26%
North China	4,231,675.89	3,508,309.69	17.09%	-17.60%	-31.70%	17.12%
Central China	9,195,534.49	7,724,408.15	16.00%	-6.32%	16.38%	-16.38%
East China	1,818,408.13	1,122,461.97	38.27%	159.09%	134.01%	6.61%
South China	356,809.67	207,676.17	41.80%	-69.92%	-42.46%	-27.77%
Southwest China	6,233,538.28	6,188,855.81	0.72%	-31.55%	-21.57%	-12.62%
Northwest China	995,102.62	670,526.24	32.62%	-80.55%	-84.55%	17.43%
Others	236,578.08	145,538.27	38.48%	-60.80%	-63.50%	4.55%

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

Applicable Not applicable

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

By industry	Item	Unit	2018	2017	Year-on-year
					increase/ decrease
Enclosed busbar	Sales	meter	4,784	4,045	18.27%
	Production	meter	5,856	4,319	35.59%
	Stock	meter	722	524	37.79%
Power capacitor – high-voltage capacitor	Sales	kilovar	37,275	107,955	-65.47%
	Production	kilovar	0	135,800	-100.00%
	Stock	kilovar	298,938.5	336,085.5	-11.05%
Power capacitor – low-voltage capacitor	Sales	kilovar	57,393.5	83,442.4	-31.22%
	Production	kilovar	61,400	76,400	-19.63%
	Stock	kilovar	259,463.88	254,948.88	1.77%

Reasons for the change of the relevant data for more than 30% on a year-on-year basis

Applicable Not applicable

Enclosed busbars:

The increase of production was mainly due to: a. the increase of sales, and b. the increase of inventory reserves to support product sales.

Power capacitor:

The key products are high-voltage oil filled power capacitor and low-voltage thin film capacitor. In recent years, due to the structural adjustment of the national macroeconomic policy and the overcapacity of the power industry, the market demand and product price of power capacitors were reduced. Meanwhile, due to disposal of subsidiaries in this reporting period, the computation caliber of comparative figures for this year ended in September 2018.

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

Applicable Not applicable

(5) Cost of sales

Unit: RMB

By product	Item	2018		2017		Year-on-year increase/decrease
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Enclosed busbars	Direct materials	22,448,083.49	87.17%	20,700,134.43	86.22%	
Enclosed busbars	Direct labor	1,615,639.27	6.27%	1,631,803.16	6.80%	
Enclosed busbars	Manufacture expense	1,678,763.38	6.52%	1,677,113.06	6.98%	
Power capacitor	Direct materials	446,380.81	49.74%	1,241,247.49	79.48%	
Power capacitor	Direct labor	25,773.34	2.87%	100,261.81	6.42%	
Power capacitor	Manufacture expense	82,685.38	9.21%	220,201.18	14.10%	

Remarks:

Sales of power capacitors dropped sharply, resulting in a sharp decline in direct materials, direct labor and manufacture expenses.

(6) Whether consolidation scope changed during the reporting period

Yes No

The consolidation scope for the period reduced two companies, namely the significant assets sale NNE Jinzhou PC and its subsidiary.

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

Applicable Not applicable

The consolidation scope for the period reduced two companies, namely the significant assets sale NNE Jinzhou PC and its subsidiary, whose main product, power capacitors, were split from the listed company along with sale.

(8) Major customers and major suppliers

Major customers

Total sales of the top five customers (RMB)	14,567,834.80
Proportion of total sales of the top five customers over total sales for the year	47.16%
Proportion of sales of connected parties in the top five customers over total sales for the year	0.00%

The top five customers

No.	Name	Sales (RMB)	Percentage over the annual total amount of sales
1	Power Construction Corporation of China Shandong Electric Power Construction First Engineering Co., Ltd. (Xinyou Qitai)	4,116,379.30	13.33%
2	Shenhua Guoneng Baoqing Electrify Co., Ltd. (Luneng Baoqing)	2,978,205.13	9.64%
3	Fujian Huadian Shaowu Energy Co., Ltd.	2,820,515.00	9.13%
4	China Resources Power (Changzhou) Co., Ltd.	2,375,384.48	7.69%
5	(Shandong Steel Rizhao) Beijing Xuguo Energy Co., Ltd.	2,277,350.89	7.37%
Total	--	14,567,834.80	47.16%

Other conditions of the major customers

Applicable Not applicable

The top five customers are not related to the Company, and none of directors, supervisors, senior management, key technicians, shareholders with more than 5% shareholding, the de facto controller and other related parties of the Company was directly or indirectly interested in the major customers.

Major suppliers

Total purchases attributable to the top five suppliers (RMB)	22,720,249.48
Proportion of total purchases attributable to the top five suppliers over total purchases for the year	70.39%
Proportion of purchases of connected parties in the top five suppliers over total purchases for the year	0.00%

The top five suppliers

No.	Name	Purchase (RMB)	Percentage over the annual total purchase
1	Shenyang Taihua Copper Co., Ltd.	9,594,989.25	29.73%
2	Shenyang Haqingdong Metal Co., Ltd.	5,924,816.38	18.36%
3	Shenyang Xinhuahao Trading Co., Ltd.	5,451,416.45	16.89%
4	Fuxin Xiandao Electric Wire Factory	880,067.60	2.73%
5	Fuxin Hongsheng Steel Sales Co., Ltd.	868,959.80	2.69%
Total	--	22,720,249.48	70.39%

Other conditions of the major suppliers

Applicable Not applicable

The top five suppliers are not related to the Company, and none of directors, supervisors, senior management, key technicians, shareholders with more than 5% shareholding, the de facto controller and other related parties of the Company was directly or indirectly interested in the major suppliers.

3. Expenses

Unit: RMB

	2018	2017	Year-on-year increase/ decrease	Explanation of significant changes
Selling expenses	5,146,937.71	5,791,491.04	-11.13%	Reduction due to the decrease in operating income
Administrative expenses	36,877,974.78	44,710,248.31	-17.52%	Significant decrease in employee remuneration and agency fees
Financial costs	-299,852.96	1,061,942.38	-128.24%	Sharp increase in interest income and remarkable decrease in interest expense
R&D expenses	1,243,087.03	464,465.42	167.64%	Increase in R&D expense of subsidiary

4. R&D investment

The main isolated-phase busbars with 600MW, the pilot project in line with IEC international standards. With the said project, the Company also won the project “Panama 1X420MW unit of isolated-phase and nonsegregated-phase busbars”. The Company could evade the market environment with low bid domestically, and tap into the international market by virtue of internationally acclaimed lab report.

The R&D and trial-production of the busbars dehumidifying system have been successfully applied in the transformation of Unit 1# plant & standby transformer nonsegregated-phase busbars in Chaoyang Yanshan Power Plant.

R&D investment of the Company

	2018	2017	Changes of Proportion
Number of research personnel	12	12	
Proportion of research personnel	8.00%	2.00%	6.00%
Amount of R&D investment (RMB)	1,230,932.11	230,900.00	433.10%
Proportion of R&D investment to operating incomes	3.81%	0.70%	3.11%
Capitalization of R&D investment (RMB)	0.00	0.00	
Proportion of capitalization of R&D investment to total R&D investment	0.00%	0.00%	

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

Applicable Not applicable

To increase the operating income and R&D investment.

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

Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2018	2017	Year-on-year increase/decrease
Subtotal of cash inflow from operating activities	102,957,939.17	145,843,824.75	-29.41%
Subtotal of cash outflow from operating activities	107,553,405.28	99,882,007.30	7.68%
Net cash flow from operating activities	-4,595,466.11	45,961,817.45	-110.00%
Subtotal of cash inflow from investment activities	143,583,209.45		
Subtotal of cash outflow from investment activities	67,331,511.75	48,749,848.24	38.12%
Net cash flow from investment activities	76,251,697.70	-48,749,848.24	-256.41%
Subtotal of cash inflow from financing activities	43,255,139.00	27,355,984.89	36.76%
Subtotal of cash outflow from financing activities	38,610,932.86	38,622,195.25	-0.03%
Net cash flow from financing activities	4,644,206.14	-11,266,210.36	-141.22%
Net increase in cash and cash equivalents	76,315,876.46	-14,080,468.44	-642.00%

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

Applicable Not applicable

1. Cash inflows from sales of goods during the reporting period decreased. Repayment for the principal and interests from ICBC Jinzhou Branch of 18.33 million and cash for payment of bid bonds increased. Therefore, net cash flows from operating activities is negative;
2. Transaction amount received from disposal of the subsidiary during the reporting period.
3. Loan on mortgage from the subsidiary during the reporting period.

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

Applicable Not applicable

Revenue from recognized assets disposal upon relocation of the new plant of the subsidiary during the reporting period was RMB15,790,000

(III) Analysis of Non-principal Business

Applicable Not applicable

(IV) Assets and Liabilities

1. Significant changes in assets

Unit: RMB

	As at the end of 2018		As at the beginning of 2018		Increase/ decrease in percentage	Explanation of significant changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary fund	145,725,658.23	28.85%	45,175,761.77	14.75%	14.10%	Receiving consideration from subsidiary
Receivables	21,774,633.39	4.31%	77,087,033.39	25.17%	-20.86%	Decrease in receivables due to the disposal of subsidiary
Inventory	9,588,337.76	1.90%	11,533,044.52	3.77%	-1.87%	
Long-term equity investment	22,484,598.52	4.45%	19,463,641.61	6.36%	-1.91%	
Fixed assets	50,136,802.72	9.93%	36,335,533.78	11.87%	-1.94%	
Construction in progress	2,803,418.80	0.56%	42,553,751.05	13.90%	-13.34%	The new plant of the subsidiary converted to fixed assets upon completion
Short-term borrowings	4,500,000.00	0.89%	0	0.00%	0.89%	

2. Asset and liability at fair value

Applicable Not applicable

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

Item	Book value at the end of the year	Reasons for restriction
Monetary fund – other monetary fund	6,001,320.00	performance guarantee
Fixed assets – buildings	14,018,221.48	mortgage loan
Intangible assets – land use right	12,606,290.23	mortgage loan
Total	32,625,831.71	

(V) Investment

1. Overview

Applicable Not applicable

2. Significant equity investment obtained during the reporting period

Applicable Not applicable

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

Applicable Not applicable

4. Financial asset investment

(1) Securities investment

Applicable Not applicable

The Company had no securities investment during the reporting period.

(2) Derivative investment

Applicable Not applicable

The Company had no derivative investment during the reporting period.

5. Use of proceeds

Applicable Not applicable

There was no use of proceeds during the reporting period.

(VI) Significant Assets and Equity Disposal

To optimize the corporate asset structure, minimize the impairment loss of assets, and protect the interests of investors, the Board of the Company determined to dispose of NNE Jinzhou PC on 17 September 2017. On 25 May 2018, this disposal of material asset was considered and approved by the Company's second extraordinary general meeting of 2018. All parties have already completed the payment of equity transfer price after deducting the preliminary estimated interim profits and losses and finished transferring the ownership of the target asset.

Counterparty: Jiangsu Ankura Solar Power System Technology Limited (江蘇安靠光熱發電系統科技有限公司)

Asset disposed: 100% equity interests in New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.

Actual consideration paid: RMB103,000,000

Net profit contributed by the asset to the listed company from the beginning of this period to the disposal day: RMB-12,920,000

(VII) Analysis of Major Subsidiaries and Investees

√ Applicable □ Not applicable

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

Unit: RMB

Name	Type	Principal business	Registered capital	Total capital	Net capital	Operating income	Operating profit	Net profit
Northeast Electric Development (HK) Co., Ltd. (東北電氣發展(香港)有限公司)	Subsidiary	Trading	US\$20 million	71,213,936.05	56,296,443.33	0.00	-51,523.46	-51,523.46
Gaocai Technology Co., Ltd. (高才科技有限公司)	Subsidiary	Investment	US\$1	83,650,459.71	4,882,840.43	0.00	-18,025.35	-18,025.35
Shenyang Kaiyi Electric Co., Ltd. (沈陽凱毅電氣有限公司)	Subsidiary	Manufacturing of electrical equipment	RMB1 million	162,304,370.19	-11,502,247.33	0.00	-2,819,029.13	-2,821,064.08
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary	Manufacturing of enclosed busbars	US\$8.5 million	143,573,542.44	6,597,833.40	30,885,916.02	6,449,007.94	6,449,007.94
Hainan Tangyuan Technology Co., Ltd.	Subsidiary	Public space business	RMB10 million	331,667,746.68	200,372,779.63	113,896.72	-233,911.44	-233,911.44
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary	Electric power engineering	RMB10 million	13,612,334.10	7,088,605.48	0.00	-827,342.28	-827,342.28

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Name	Disposal of subsidiaries during the reporting period	Impact to the overall production, operation and results
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd.	Consideration payment in cash	Reduction in loss of profits
Jinzhou Jinrong Electric Appliances Co., Ltd. (錦州錦容電器有限責任公司)	Consideration payment in cash	Reduction in loss of profits

(VIII) Production and operation

1.1 Completion of operating incomes, product gross margin, period expense, and net profit

Investment revenue recognized from disposal of the subsidiary during the reporting period was RMB34,690,000; Revenue from recognized assets disposal upon relocation of the new plant of the subsidiary during the reporting period was RMB15,800,000; impairment provision of assets during the reporting period decreased by RMB41,270,000 compared with the previous year.

1.2 Accelerating implementation of the technical transformation project

During the reporting period, Fuxin Busbar, a wholly-owned subsidiary of the Company, completed its relocation to the new plant which was officially put into use. The new plant will significantly enhance the technological level of our busbar manufacturing, improve our market competitiveness, and radically reverse the trend of shrinking orders due to outdated equipment and declining technologies.

1.3 Developing hotel public space sharing business

In order to obtain new investment opportunities and profit growth drivers, Hainan Tangyuan Technology, a wholly-owned subsidiary of the Company, entered into the Lease Agreements with eight companies, namely Dongguan Yujingwan, Tianjin Center, Hainan Guoshang, Danzhou Xintiandi, Hangzhou Huagang, Asia-Pacific International, Yunnan Tonghui Hotel, and Jilin Province Tourism Group to build a sharing platform in the public space of hotel. The Lease Agreements were considered and approved at Northeast Electric's 24th meeting of the 8th Board of Directors and the third extraordinary general meeting of 2018. This will help invigorate its continuing operation and help the Company transform from the traditional manufacturing sector to modern service industry.

1.4 Cooperating with the Finance Company for financial services

For the purposes of further optimizing the Company's financial business processes, reducing financial costs, improving funds utilization efficiency, and maximizing benefits, the Company entered into the Financial Services Agreement with HNA Group Finance Co., Ltd. The Financial Services Agreement was considered and approved at Northeast Electric's 24th meeting of the 8th Board of Directors and the third extraordinary general meeting of 2018. This will help the Company and its holding subsidiaries strengthen capital management and control, reduce and prevent operational risks, facilitate settlement business with associates, shorten the time for funds in transit, accelerate capital turnover, and save transaction costs and expenses.

1.5 Further strengthening prevention of financial risks

During the reporting period, the Company strengthened internal financial management and monitoring, focused on the follow-up on key projects, and worked out reasonable goals and specific measures pertinently, which actively prevented financial risks and improved business performance.

1.6 Enhancing management and quality of human resources

During the reporting period, the Company focused on the enhancement of the construction of the human resources team and adjustment of the Company's personnel structure in combination with the relocation of the headquarter office and the conduction of the subsidiaries' business operations. A total of 5 senior management members have been appointed and over 20 professionals and talents have been introduced by the Company and its main subsidiaries through recruitment and competitive selection. Not only the Company's management and operation needs can be satisfied, but also the staff quality and capability have been significantly improved, and the staffing structure has become more reasonable.

VI. Important Matters

(I) Substantial connected transactions of the Company for the year

1. Pursuant to the Hong Kong Listing Rules, the connected transaction of the Company for 2018 is as follows:

The equity transfer agreement with Shanghai Yizhou

Hainan Tangyuan (the holding subsidiary of the Company) and Shanghai Yizhou Investment Management Co., Ltd. ("Shanghai Yizhou") are controlled by the same de facto controller (i.e., Hainan Province Cihang Foundation), Shanghai Yizhou is a related party of the Company. Shanghai Yizhou is a limited liability company whose businesses include investment management, industrial investment, consultation, etc.

To support the development of the Company, improve the asset structure and enhance the sustainable operation capacity, Hainan Tangyuan and Shanghai Yizhou signed the Equity Transfer Agreement on 16 October 2018. According to the Equity Transfer Agreement, Shanghai Yizhou transferred 10.50% of its equity in Tianjin Center to Hainan Tangyuan for no consideration. As per the Evaluation of Net Assets of HNA Tianjin Center Development Co., Ltd. issued by Vigers Appraisal & Consulting Limited., an international asset appraiser, such shares valued RMB201,480,405. This connected transaction was a gratuitous gift of Shanghai Yizhou to Hainan Tangyuan Technology, without any conditions or obligations attached.

2. Pursuant to the Hong Kong Listing Rules, the continuing connected transactions of the Company for 2018 are as follows:

The financial service agreement with Finance Company

The Company and Finance Company, a related party of the Company, are controlled by the same de facto controller (i.e., Hainan Province Cihang Foundation). Finance Company is a limited liability company whose businesses include: financial and financing advisor, credit verification and relevant consultation and agency services for group members; assisting group members in receipt and payment of transaction monies; approved insurance agency business; provision of guarantees for group members; services for entrusted loans and entrusted investments among group members; bill acceptance and discount services for group members; services for internal transfer settlement among group members and the design of settlement and clearing schemes; absorption of deposits from group members; loan and finance lease for group members; inter-bank borrowing; issuance of bonds of Finance Company under approval; underwriting of corporate bonds of group members; equity investment in financial institutions; securities investment; provision of consumer credit, buyer credit and finance lease services related to the products of group members.

To adapt to the development of the Company, further optimize the financial business process, reduce the financial cost, improve the capital utilization efficiency and maximum its benefits, the Company and Finance Company signed the Financial Services Agreement on 17 July 2018. The agreement has a term of 3 years, starting from 17 July 2018. According to the Financial Services Agreement, Finance Company agrees to provide credit service, deposit service, fund settlement service and other financial services approved by CBRC for the Company and its subsidiaries. As of 31 December 2018, the balances of the deposits the Company and its subsidiaries placed with Finance Company was RMB70,206,244.75.

Lease agreements with the lessors

Hainan Tangyuan (the holding subsidiary of the Company) and the lessors (Hainan Guoshang Hotel Management Co., Ltd., Danzhou HNA Xintiandi Hotel Co., Ltd., Dongguan Yujingwan Hotel, HNA Tianjin Center Development Co., Ltd., Hangzhou Huagang HNA Holiday Hotel Co., Ltd., Asia-Pacific International Conference Center Co., Ltd., Yunnan Tonghui Hotel Management Co., Ltd., and Jilin Province Tourism Group Co., Ltd.) are controlled by the same de facto controller (i.e., Hainan Province Cihang Foundation), the lessors are the related parties of the Company. The principal businesses of the lessors include hotel management, consultation and other businesses.

To further expand the business of the Company, Hainan Tangyuan entered into the Lease Agreements with the lessors on 17 July 2018 for a term of 3 years, starting from 1 July 2018 to 30 June 2021. According to the Lease Agreements, the lessors agreed to lease the Leased Properties to Hainan Tangyuan. During the reporting period in 2018, the Company did not carry out any practical business, no relevant lease payment was incurred.

The independent non-executive Directors of the Company unanimously confirmed that the continuing connected transactions of the Company in 2018 were:

- (1) in the ordinary course of business of the Company;
- (2) carried out based on normal commercial terms or better terms; and
- (3) carried out based on the terms of the relevant transaction agreements, and the relevant terms were fair and reasonable, and in the interests of the shareholders of the Company as a whole;

In respect of the above continuing connected transactions (the “Transactions”) specified in Chapter 14A of Hong Kong Listing Rules, Ruihua CPAs has performed the relevant reviews for the Transactions for the year ended 31 December 2018 and issued a letter to the Board of the Company, stating that: (1) they were not aware that the Transactions were carried out without the approval of the Board; (2) they were not aware of any matters which would make them believe that the Transactions were inconsistent with the pricing policies of the Group in any material aspects in connection with the Transactions where the Group provided commodities and services; (3) they were not aware of any matters which would make them believe that the Transactions were inconsistent with the terms of the agreements in any material aspects; (4) they were not aware of any matters which would make them believe that the annual accumulative amount of any of the Transactions exceeded the annual cap.

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

Except for the connected transactions disclosed above, there is no connected transaction involving joint external investment, creditor’s rights and debts, or other connected transactions which are not subject to the annual reporting requirements.

(II) Significant Litigations and Arbitrations

1. Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau v. the Company, Shenyang High Voltage Switchgear Co., Ltd. and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. for dispute concerning the payment of employee resettlement fee

Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau (“Tiexie SASAB”) raised litigation to Shenyang Intermediate People’s Court (“Shenyang Intermediate Court”) against the Company, Shenyang High Voltage Switchgear Co., Ltd. (“Shenyang HVS”) and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. for dispute concerning the payment of employee resettlement fee, requesting the court to judge that the defendants shall pay arrears of RMB28.53 million under the Agreements, interest of RMB7,788,690 and liquidated damages of RMB1,426,500, totaling RMB37,745,190 to the plaintiff.

On 12 June 2018, the case was heard in the Shenyang Intermediate Court. On 18 July, the Shenyang Intermediate Court issued a civil written order ((2017) Liao 01 Min Chu No.430). The Shenyang Intermediate Court held that when the Plaintiff, Tiexie SASAB, reclaimed its rights to the Company on 21 July 2016, it has been more than two years of statute of limitations. The Shenyang Intermediate Court rejected the claim that the Plaintiff requested the Company to pay arrears of RMB28.53 million, interest and liquidated damages. The judgment of Shenyang Intermediate Court is as follows: (1) Shenyang HVS, the defendant shall pay the plaintiff, Tiexie SASAB, arrears of RMB24.99 million and the liquidated damages of RMB1.2495 million within 15 days after the judgment takes effect. (2) Reject other claims of the plaintiff, Tiexie SASAB. The litigation fee is RMB230,526, which shall be assumed by Shenyang HVS, the defendant. If any party refuses to accept this judgment, it may appeal to Liaoning Higher Peoples' Court by submitting the appellate petition to the Court within 15 days from the date of delivery of the judgment. Tiexie SASAB, the plaintiff, has submitted appellate petition to Shenyang Intermediate People's Court within the appeal period. Liaoning Higher Peoples' Court accepted the appellate petition in early December 2018.

According to the legal opinions from lawyers and based upon the principle of financial prudence, the Company has made provision for estimated liabilities of RMB37,745,190 according to the amount of money involved in the case in 2017, with details referring to the Earnings Forecast 2017 published on 31 January 2018 (announcement number: 2018-006), as well as the Annual Report 2017 published on 29 March 2018. Given the judgment was only the first instance judgment, the Company was unable to estimate the possible impact of the final judgment on the profit for the current period or the profits afterwards of the Company.

This case is still on the docket. The Company will timely perform its announcement obligation in relation to the progress of the case according to related regulations.

2. Progress in the execution of case involving China Development Bank

According to the announcement made by the Company on 19 October 2017, the Supreme People's Court issued Document of Ruling (2017) Zui Gao Fa Zhi Fu No.27 on August 2017, which stated that the reconsideration application of NEE was rejected, document of ruling (2015) Gao Zhi Yi Zi No.52 issued by The People's High Court of Beijing should be upheld, and the ruling should be final. China Development Bank, the execution applicant, requested the court based on the civil judgment that had taken effect to order the relevant persons subject to enforcement, including NEE, to perform the obligations set out in the civil judgment that had taken effect. The lawyer handling the case believed that the Company shall pay the compensation of RMB272,627,700 according to the final ruling of the Supreme People's Court. Based upon the principle of financial prudence, the Company has charged the compensation payable under the final ruling to the profit and loss for the period. For details, please refer to Earnings Forecast 2017 issued on 31 January 2018 and Annual Report 2017 issued on 29 March 2018 by the Company.

3. Fuxin Busbar v. Shenyang HVS and NEE for return of transfer price for target equity

Fuxin Busbar held 74.4% of the equity of New Northeast Electric (Shenyang) High-voltage Disconnecting Switch Co., Ltd. (formerly known as Shenyang Sundime High-voltage Electric Co, Ltd.) (the "Underlying Equity") before 22 September 2008. Since NEE performed the final judgment (2008) Min Er Zhong Zi No.23 on the case concerning China Development Bank made by the Supreme People's Court on 5 September 2008, based on coordination, Fuxin Busbar, its wholly-owned subsidiary, returned the Underlying Equity to Shenzhen HVS free of charge and finished the change of equity registration on 22 September 2008 as required by the industrial and commercial administration where the Company registered. Since then, the Underlying Equity held by Fuxin Busbar had been returned to Shenyang HVS free of charge. However, according to the document of ruling (2017) Zui Gao Fa Zhi Fu No.27 issued by the Supreme People's

Court on 31 August 2017, “the fact that the equity involved in the case had been returned under the coordination of NEE could not be affirmed”. Given the failure of Shenyang HVS to pay the outstanding equity transfer consideration of USD16 million constituted a breach of contract, Fuxin Busbar, to protect the interests of the Company, claimed against the two defendants for the return of the transfer price for the Underlying Equity.

Hainan Higher Peoples’ Court accepted this case on 30 November 2018 (Case No.: (2018) Qiong Min Chu No.69) and delivered the case materials, including the indictment, to Shenyang HVS through service by publication on 3 January 2019. Given the plaintiff Fuxin Busbar is a wholly-owned subsidiary of the Company, the judgment made by the court will not have any negative impact on the profit for current period and profit afterwards of the Company on a consolidated basis.

The case will be heard on March 21, 2019, and is currently waiting for the outcome of the first trial.

(III) Other major events

Directors’ interests in business that competes with the Group

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

Purchase, sale or redemption of shares

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

Share option scheme

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

Profiles of Directors, Supervisors and senior management

Details of the profiles of Directors, Supervisors and senior management of the Company are set out in the section headed “(3) Appointment” in “Directors, Supervisors, Senior Management and Employees”.

Service contracts of Directors and Supervisors

Since the term of office of the 8th session of Board was due on 10 March 2019, the Company convened the extraordinary general meetings on 11 March 2019 and 12 March 2019 respectively to reelect and appoint Directors.

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

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

Directors and Supervisors’ interests in arrangements or contracts

None of the Directors or Supervisors has any direct or indirect interests in any arrangements or contracts entered into by the Company, its holding company or any of its subsidiaries or fellow subsidiaries which was significant to the Group’s business during the reporting period.

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

Remuneration Policy

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

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

Top five employees with the highest remuneration

Details of the top five employees with the highest remuneration of the Company during the reporting period are set out in "Changes in Shareholdings of Directors, Supervisors and Senior Management and Their Remuneration" of "Directors, Supervisors, Senior Management and Employees".

Permitted indemnity provisions

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

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

Auditor

Considered and approved at the general meeting convened on 11 March 2019, the Company renewed the appointment of Ruihua CPAs (special general partner) as its auditor for the year 2018 and authorized the Board to determine its remuneration, which was determined as RMB900,000.

Public float

Based on the publicly available data as at the latest practicable date prior to the publication of this report and which the Directors are aware of, the Company confirms that the public float is sufficient.

Audit Committee

The ninth session of Audit Committee of the Company has reviewed the final results and results report of the Group for the year ended 31 December 2018.

Corporate Governance

The Company is committed to improving its corporate governance structure, regulating the operation and establishing a sound internal control system in strict accordance with the principles and code provisions stipulated in Code of Corporation Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules. The general meeting, the Board, and the Supervisory Committee of the Company operate in a standard and effective manner. Through well-established governance and disclosure measures, the Company aims to protect the interests of all shareholders and the Company

During the reporting period, the Board regularly monitored and reviewed the progress of the Group's corporate governance practices to ensure compliance with the relevant codes. The Company confirms that it has been in compliance with the principles and code provisions ("code provisions") of the Corporation Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules for the period from 1 January 2018 to 31 December 2018, except for the following deviations:

Rule E.1.2 of the code provisions stipulates that the chairman of the board of directors shall attend the annual general meeting. Mr. Li Tie, the Chairman of the Board of the Company, was unable to attend the 2017 Annual General Meeting due to work arrangements.

Changes in accounting policy

On 15 June 2018, the Ministry of Finance of the PRC issued the Notice on Revising and Issuing the Format of 2018 Financial Statements for General Enterprises (Cai Kuai [2018] No.15), pursuant to which, non-financial enterprises that adopt Accounting Standards for Business Enterprises should prepare their financial statements following the Accounting Standards for Business Enterprises and the requirements in the Notice. According to the above revision requirements, the Company adjusted the format of its original report, and prepared its financial statements in the light of the format of financial statements for general enterprises as specified in the above document. The changes in accounting policy affected only the presentation items in financial statement, did not cause any impacts to the Company's financial status and operating results for the current period and period before the changes in accounting policy. The changes in accounting policy have been reviewed and approved at the second meeting of the 9th Board on 28 March 2019, and need not be submitted to the Company's general meeting for consideration and approval.

VII. CHANGES IN EQUITY AND SHAREHOLDING OF SHAREHOLDERS

(1) Change in Equity (Unit: shares)

	Before the change		Increase/decrease as a result of the change (+, -)					After the change	
	Number	Percentage	New shares issued	Bonus shares	Capital reserve converted to shares	Others	Subtotal	Number	Percentage
I. Shares subject to trading moratorium	5,999,022	0.69%	0	0	0	0	0	5,999,022	0.69%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	5,999,022	0.69%	0	0	0	0	0	5,999,022	0.69%
Including: Domestic corporate shares	5,999,022	0.69%	0	0	0	0	0	5,999,022	0.69%
Domestic natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
Foreign natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to trading moratorium	867,370,978	99.31%	0	0	0	0	0	867,370,978	99.31%
1. RMB ordinary shares	609,420,978	69.78%	0	0	0	0	0	609,420,978	69.78%
2. Domestic-listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas-listed foreign shares	257,950,000	29.53%	0	0	0	0	0	257,950,000	29.53%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	873,370,000	100.00%	0	0	0	0	0	873,370,000	100.00%

(2) Shareholding of Shareholders (Unit: shares)

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

Name of shareholders	Nature of shareholder	Percentage	Shares held at the end of the reporting period	Increase or decrease during the period	Number of shares subject to trading moratorium	Number of shares not subject to trading moratorium	Shares pledged or frozen	
							Status of shares	Number
HKSCC Nominees Limited	Overseas legal person	29.43%	257,037,899	0	0	257,037,899		
Beijing Haihongyuan Investment Management Co., Ltd	Domestic non-state-owned legal person	9.33%	81,494,850	0	0	81,494,850	Pledged	81,494,850
Nanjing Fang Kai Enterprise Management Co., Ltd	Domestic non-state-owned legal person	0.84%	7,352,100	3,137,600	0	7,352,100		
Yang Qinxiu	Domestic natural person	0.45%	3,963,094	-23,992,658		3,963,094		
Shi Yubo	Domestic natural person	0.41%	3,560,000	-194,300		3,560,000		
Shenzhen Zhongda Software Development Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	0	3,550,000	0		
Wan Jinchun	Domestic natural person	0.33%	2,879,200	1,906,400		2,879,200		
Liang Liusheng	Domestic natural person	0.31%	2,713,900			2,713,900		
Xu Kaidong	Domestic natural person	0.28%	2,432,059	700		2,432,059		
Fu Lianjun	Domestic natural person	0.27%	2,384,689			2,384,689		

Notes:

- (1) So far as the Company is aware, there is no connected relationship among the top ten shareholders or persons acting in concert as required in “Methods of Information Disclosure of Shareholding Changes of Listed Companies”.
- (2) Based on the public information as at the latest practicable date prior to the publishing of this report and within the knowledge of the Directors, the Company confirmed that there was sufficient public float of its shares.

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

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

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

(5) Pre-emptive rights

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

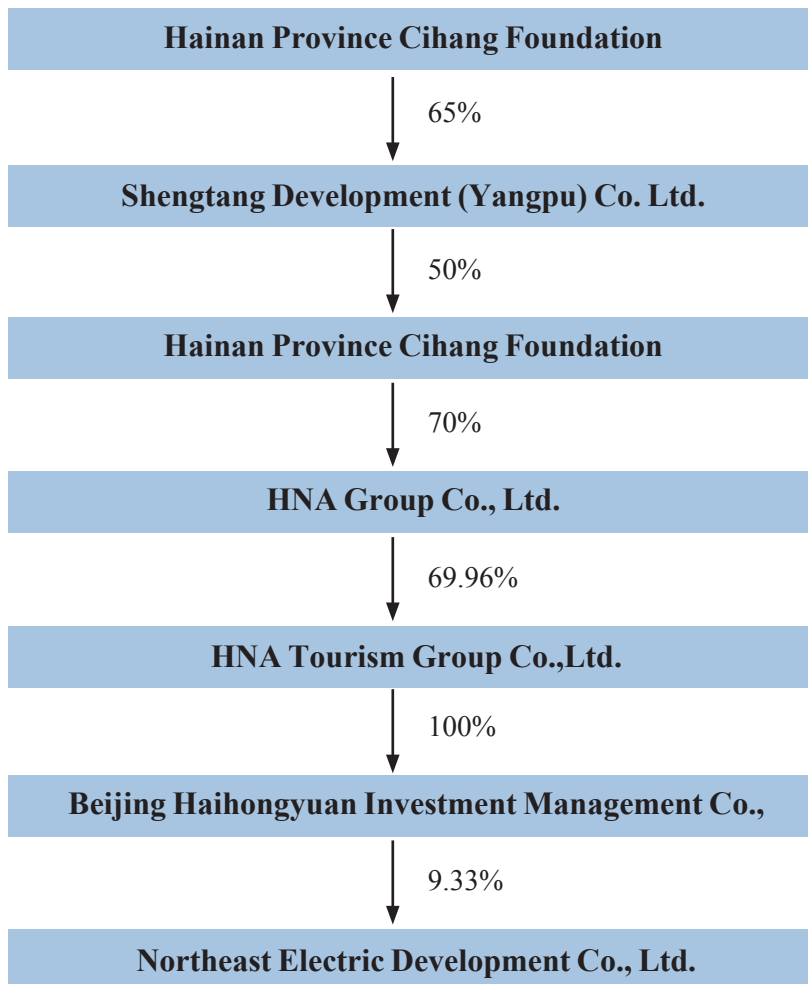
(6) Convertibles, options, warrants or other similar rights

As of 31 December 2018, the Company did not issue any convertible securities, options, warrants or any other similar rights.

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

(3) Controlling Shareholders and de facto Controller

The largest shareholder of the Company is Beijing Haihongyuan Investment Management Co., Ltd. (“**Beijing Haihongyuan**”) and the de facto controller of the Company is Hainan Province Cihang Foundation. The block diagram of property rights and control relationships between the Company and the actual controller:



VIII.DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other increase or decrease (shares)	Number of shares held at the end of the period (shares)	Remuneration (RMB'000)
Li Tie	Director, Chairman	Incumbent	Male	43	25 May 2018	10 March 2022	0	0	0	0	0	0
Li Rui	Director, Vice Chairman, General Manager	Incumbent	Male	42	11 May 2017	10 March 2022	0	0	0	0	0	22.55
Zhu Jie	Director	Incumbent	Male	38	3 December 2018	10 March 2022	0	0	0	0	0	0
Ma Yun	Director	Incumbent	Female	47	11 March 2019	10 March 2022	0	0	0	0	0	-
Su Weiguo	Director, Secretary to the Board	Incumbent	Male	57	3 December 2018	10 March 2022	0	0	0	0	0	120
Bao Zongbao	Director	Incumbent	Male	36	5 June 2017	10 March 2022	0	0	0	0	0	0
Li Ming	Independent director	Incumbent	Male	66	25 May 2018	10 March 2022	0	0	0	0	0	7
Fang Guangrong	Independent director	Incumbent	Male	64	11 March 2019	10 March 2022	0	0	0	0	0	-
Qian Fengsheng	Independent director	Incumbent	Male	55	11 March 2016	11 March 2022	0	0	0	0	0	12
Jin Wenhong	Former independent director	Resigned	Male	69	11 March 2016	10 March 2019	0	0	0	0	0	12
Qin Jianmin	Former Director	Resigned	Male	68	26 June 2018	10 March 2019	0	0	0	0	0	0
Liu Daoqi	Former Director, former Chairman	Resigned	Male	41	11 May 2017	16 May 2018	0	0	0	0	0	0
Bai Haibo	Former Director, former vice Chairman	Resigned	Male	43	11 May 2017	16 August 2018	0	0	0	0	0	0
Song Xiang	Former Director	Resigned	Male	40	11 May 2017	14 November 2018	0	0	0	0	0	0
Zhang Xiangsheng	Former Director	Resigned	Male	36	5 June 2017	2 March 2018	0	0	0	0	0	0
Zhang Luyang	Former independent director	Resigned	Male	69	11 March 2016	25 May 2018	0	0	0	0	0	5

Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other increase or decrease (shares)	Number of shares held at the end of the period (shares)	Remuneration (RMB0'000)
Zhou Jinyang	Shareholder representative supervisor	Incumbent	Female	54	29 October 2018	10 March 2022	0	0	0	0	0	4.84
Lei Xiao	Shareholder representative supervisor	Incumbent	Female	29	29 October 2018	10 March 2022	0	0	0	0	0	11.92
Li Wei	Employee representative supervisor	Incumbent	Male	33	29 October 2018	10 March 2022	0	0	0	0	0	16.86
Hao Lianjie	Former shareholder representative supervisor	Resigned	Male	33	25 May 2018	29 October 2018	0	0	0	0	0	0
Wang Jun	Former shareholder representative supervisor	Resigned	Male	40	5 June 2017	29 October 2018	0	0	0	0	0	0
Deng Yongfei	Former employee representative supervisor	Resigned	Male	30	25 May 2018	29 October 2018	0	0	0	0	0	0
Li Dong	Former shareholder representative supervisor	Resigned	Male	57	11 March 2016	25 May 2018	0	0	0	0	0	4
Qiu Yongjian	Former employee representative supervisor	Resigned	Male	55	11 March 2016	25 May 2018	0	0	0	0	0	0
Xiao Xun	Former vice general manager, former Chief Finance Officer	Resigned	Male	32	9 March 2018	10 March 2019	0	0	0	0	0	27.86
Zhao Guogang	Former vice general manager, former Chief Risks Officer	Resigned	Male	36	9 March 2018	10 March 2019	0	0	0	0	0	0
Xiong Haocheng	Former vice general manager	Resigned	Female	34	29 August 2018	10 March 2019	0	0	0	0	0	16.6
Feng Xiaoyu	Former vice general manager, Financial manager	Resigned	Male	46	11 March 2016	2 March 2018	0	0	0	0	0	2.93
Wang Kai	Vice general manager, Chief Finance Officer	Incumbent	Male	44	12 March 2019	10 March 2022	0	0	0	0	0	0

(2) Changes in Directors, Supervisors and Senior Management

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

Name	Position	Type	Date	Reason
Liu Daoqi	Former Director, former Chairman	Resigned	16 May 2018	Work adjustment
Bai Haibo	Former Director, former Vice Chairman	Resigned	16 August 2018	Work adjustment
Song Xiang	Former Director	Resigned	14 November 2018	Work adjustment
Zhang Xiangsheng	Former Director	Resigned	2 March 2018	Job change
Zhang Luyang	Former independent Director	Resigned	25 May 2018	Heavy business commitment
Hao Lianjie	Former shareholder representative supervisor, former chairman of the Supervisory Committee	Resigned	29 October 2018	Work adjustment
Wang Jun	Former shareholder representative supervisor	Resigned	29 October 2018	Work adjustment
Deng Yongfei	Former employee representative supervisor	Resigned	29 October 2018	Work adjustment
Li Dong	Former shareholder representative supervisor	Resigned	25 May 2018	Heavy business commitment
Qiu Yongjian	Former employee representative supervisor	Resigned	25 May 2018	Heavy business commitment
Feng Xiaoyu	Former vice general manager, former financial manager	Dismissed	2 March 2018	Job change
Li Tie	Director, Chairman		25 May 2018	Elected due to job demand
Li Rui	Director, Vice Chairman		29 August 2018	Elected due to job demand
Zhu Jie	Director		3 December 2018	Elected due to job demand
Qin Jianming	Former Director	Resigned due to expiration of term of office	10 March 2019	Work adjustment
Su Weiguo	Director		3 December 2018	Elected due to job demand

Name	Position	Type	Date	Reason
Li Ming	Independent Director		25 May 2018	Elected due to job demand
		Resigned due to expiration of		
Jin Wenhong	Former independent Director	term of office	10 March 2019	Work adjustment
Ma Yun	Director		11 March 2019	Elected due to job demand
Fang Guangrong	Independent Director		11 March 2019	Elected due to job demand
Zhou Jinyang	Shareholder representative supervisor, chairman of the Supervisory Committee		29 October 2018	Elected due to job demand
Lei Xiao	Shareholder representative supervisor		29 October 2018	Elected due to job demand
Li Wei	Employee representative supervisor		29 October 2018	Elected due to job demand
	Former vice general manager, former financial	Resigned due to expiration of		Resigned due to expiration of
Xiao Xun	manager	term of office	10 March 2019	term of office
	Former vice general manager, former risk	Resigned due to expiration of		Resigned due to expiration of
Zhao Guogang	control director	term of office	10 March 2019	term of office
		Resigned due to expiration of		Resigned due to expiration of
Xiong Haocheng	Former Vice Chairman	term of office	10 March 2019	term of office
Wang Kai	Vice general manager, financial manager		12 March 2019	Appointed due to job demand

(3) Employment

1. Employment of Directors to the 9th Board of Directors

The term of office of the 8th session of the Board was due on 10 March 2019. Upon consideration and approval by the 32nd meeting of the 8th Board on 22 February 2019, the 1st extraordinary general meeting of 2019 on 11 March 2019 and the 1st meeting of the 9th Board on 12 March 2019, Mr. Li Tie, Mr. Li Rui, Mr. Zhu Jie, Ms. Ma Yun, Mr. Bao Zongbao and Mr. Su Weiguo were appointed as the non-independent Directors of the 9th session of the Board of the Company; Mr. Li Ming, Mr. Qian Fengsheng and Mr. Fang Guangrong were appointed as the independent Directors of the 9th session of the Board of the Company; Mr. Li Tie was elected as the Chairman of the 9th session of the Board; Mr. Li Rui was elected as the Vice Chairman of the 9th session of the Board. The above terms of office are effective until the expiration of the term of the 9th session of the Board of Directors on 10 March 2022.

(1) Directors of the 9th session of the Board

Executive Directors

Mr. Li Tie, born in 1976, with Chinese nationality and without the right of permanent residence abroad, is a certified public accountant, insurance assessor, certified tax agent, and postgraduate, and has successively majored in law at Anhui University, and taken courses of Executive Master of Business Administration (EMBA) at Tsinghua University, and obtained a bachelor's degree and a master's degree respectively. He once served as the president of Hainan Airlines Holding Co., Ltd., the chief executive officer of HNA Travel Group Co., Ltd., the chairman of China Civil Aviation Investment Group Ltd., the chief investment officer of HNA Tourism Group Co., Ltd., and the chairman and chief executive officer of tourism investment platform of HNA Tourism Group Co., Ltd. He currently serves as a Director and the Chairman of the 9th session of the Board of the Company.

Mr. Li Rui, born in 1977, with Chinese nationality and without the right of permanent residence abroad, graduated from School of Management, Huazhong University of Science and Technology. He joined HNA Group Co., Ltd. in 1999 and has successively held the posts of deputy general manager and standing deputy general manager of securities business department of HNA Group Co., Ltd., the standing deputy general manager and the general manager of investment management department of HNA Group Co., Ltd. and the vice president and board secretary of Hainan Airlines Holding Co., Ltd. He currently serves as a Director of the 9th session of the Board, vice chairman and the general manager of the Company.

Mr. Zhu Jie, born in 1981, with Chinese nationality and without the right of permanent residence abroad, graduated from York University and obtained a master degree in business administration. He once served as the chairman of HNA Tourism Innovative Investment Co., Ltd., the chairman of HNA Tourism Travel Group, the chairman of HNA Navigation Investment Group Co., Ltd., and the venture capital investment president of HNA-Caissa Travel Group Co., Ltd. He currently serves as the chairman of Hainan HNA International Hospitality Management Limited and a Director of the 9th session of the Board of the Company.

Ms. Ma Yun, born in 1972, with Chinese nationality and without the right of permanent residence abroad, graduated from Toulouse Business School with a master's degree in travel and hotel management. She once served as the general manager of Guangzhou Chen Jian Tianyu Real Estate Development Co., Ltd. (廣州市城建天譽房地產開發有限公司), the general manager of Beijing Kehang Investment Co., Ltd. (北京科航投資有限公司), the deputy general manager and employer's representative of Beijing Marriott Hotel Northeast, and the general manager of Hangzhou Huagang HNA Resort. She currently serves as the president of HNA International Hotel Management Co., Ltd. and a Director of the 9th session of the Board of the Company.

Mr. Bao Zongbao, born in 1983, with Chinese nationality and without the right of permanent residence abroad, graduated from Civil Aviation University of China. He once served as the investment director of HNA Investment Holding Co., Ltd. and the chief financial officer of HNA Tourism Hospitality Investment Group Co., Ltd. He currently serves as a Director of the 9th session of the Board of the Company and a supervisor of Beijing Haihongyuan Investment Management Co., Ltd.

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

Independent Non-Executive Directors

Mr. Li Ming, born in 1953, with Chinese nationality and without the right of permanent residence abroad, majored in law at Hainan Radio and TV University and has been long engaged in legal practice. He once served as secretary of the party committee of Hainan Technology and Business College and is now retired. He currently serves as an Independent Director of the 9th session of the Board of the Company.

Mr. Qian Fengsheng, born in 1964, with Chinese nationality and without the right of permanent residence abroad, graduated from Shanghai University of Finance and Economics with a major in Accounting in 1986 and obtained Ph.D. in Management (Accounting) in 1999. He is a professional accountant and was the director of the MPACC Center in Shanghai University of Finance and Economics. He currently serves as an associate professor of the School of Accounting in Shanghai University of Finance and Economics, a consultant expert of the first session of Accounting Standards for Business Enterprises in the Ministry of Finance, the member of the Accounting Basic Theory Special Committee in the Ministry of Finance, and an Independent Director of the 9th session of the Board of the Company.

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

The Company has received the annual written confirmation from the Independent Non-Executive Directors above in respect of their independence and believes that they are independent.

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

Upon the approval of the first meeting of the 9th session of the Board on 12 March 2019, the members of each special committee of the 9th session of the Board are as follows:

① Strategic Development Committee

Chairman: Mr. Li Tie

Members: Mr. Zhu Jie, Mr. Li Rui, Ms. Ma Yun, Mr. Fang Guangrong

② Nomination Committee

Chairman: Mr. Li Ming

Members: Mr. Li Tie, Mr. Fang Guangrong

③ Remuneration Committee

Chairman: Mr. Fang Guangrong

Members: Mr. Zhu Jie, Mr. Li Ming, Mr. Qian Fengsheng

④ Investment Management Committee

Chairman: Mr. Li Tie

Members: Mr. Zhu Jie, Mr. Li Rui, Mr. Su Weiguo, Mr. Fang Guangrong

⑤ Audit Committee

Chairman: Mr. Li Ming

Members: Mr. Fang Guangrong, Mr. Qian Fengsheng, Mr. Bao Zongbao

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

The term of office of the 8th session of the Supervisory Committee was due on 10 March 2019. Upon consideration and approval by the 16th meeting of the 8th session of Supervisory Committee on 22 February 2019, the 1st meeting of 2019 of the Labor Union Committee on 11 March 2019, the 1st extraordinary general meeting of 2019 on 11 March 2019, and the 1st meeting of the 9th session of Supervisory Committee on 12 March 2019, Ms. Zhou Jinyang and Ms. Lei Xiao were appointed as Shareholder Representative Supervisors of the 9th session of the Supervisory Committee; Mr. Li Wei was appointed as the Employee Representative Supervisor of the 9th session of the Supervisory Committee; Ms. Zhou Jinyang was elected as the Chairman of the 9th session of the Board; Mr. Li Rui was elected as the Vice Chairman of the 9th session of the Supervisory Committee. The above terms of office are effective until the expiration of the term of the 9th session of the Supervisory Committee on 10 March 2022.

(1) Supervisors of the 9th session of the Supervisory Committee

① Shareholder Representative Supervisors

Ms. Zhou Jinyang, born in 1965, with Chinese nationality and without the right of permanent residence abroad, graduated from Guizhou University, majoring in foreign language and literature, with a bachelor's degree in arts. She once served as the manager of Shenzhen operation department of Hainan Airlines Holding Co., Ltd., the deputy general manager of Hainan Airlines Foods Co., Ltd., the general manager of Hainan Airlines Beverage Manufacture Co., Ltd. and the deputy general manager of comprehensive management department of Yishi Group Co., Ltd. She currently serves as the Shareholder Representative Supervisor and the chairman of the 9th session of Supervisory Committee of the Company.

Ms. Lei Xiao, born in 1990, with Chinese nationality and without the right of permanent residence abroad, graduated from University of Bristol, majoring in accounting and financial management, with a master's degree of science. She once served as the business manager of planning finance department of HNA Tourism Investment Holdings Co., Ltd. She currently serves as the business director of planning finance department and Shareholder Representative Supervisor of the 9th session of Supervisory Committee of the Company.

② Employee Representative Supervisor

Mr. Li Wei, born in 1986, with Chinese nationality and without the right of permanent residence abroad, graduated from Northwest University of Political Science and Law, majoring in economics, with a bachelor's degree in economics. He once served as the deputy manager of General Management Department of HNA Tourism Investment Group Co., Ltd. (海航旅遊投資集團有限公司). He currently serves as the director of the human resources and administrative department and the employee representative supervisor of the 9th session of Supervisory Committee of the Company.

3. Members of the Senior Management

The terms of office of General Manager, Chief Financial Officer, and Secretary to the Board were due on 10 March 2019. Upon the consideration and approval of the first meeting of the 9th session of the Board on 12 March 2019, Mr. Li Rui, Mr. Wang Kai, and Mr. Su Weiguo were appointed as the General Manager, Chief Financial Officer and Secretary to the Board, respectively. The above terms of office are effective until the expiration of the term of the 9th session of the Board on 10 March 2022.

Mr. Li Rui, born in 1977, with Chinese nationality and without the right of permanent residence abroad, graduated from School of Management, Huazhong University of Science and Technology. He joined HNA Group in 1999 and has successively held the posts of deputy general manager and standing vice manager of Securities Business Department of HNA Group, the standing vice manager and general manager of Investment Management Department of HNA Group and the vice president and board secretary of Hainan Airlines Group Co., Ltd. He currently serves as a Director, Vice Chairman and the general manager of the Company.

Mr. Wang Kai, born in 1975, with Chinese nationality and without the right of permanent residence abroad, graduated from Xi'an Political Academy of PLA (中國人民解放軍西安政治學院), majoring in international accounting and applied psychology. He served as the vice president of CDB Leasing Co., Ltd., the vice chairman of Minan Property and Casualty Insurance Co., Ltd, the vice president of Wanjiang Financial Leasing Co., Ltd., the general manager of HNA Financial Services Co., Ltd. (海航金融服務有限公司), and the vice chairman of Hainan HNA Shared Financial Services Agency Co., Ltd. (海南海航財務共用服務代理有限公司). He currently serves as Chief Financial Officer of the Company.

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

Consolidated Balance Sheet (31 December 2018)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

IX. FINANCIAL STATEMENTS

(I) Accounting statement prepared in accordance with the Accounting Standards for Business Enterprises

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary funds	145,725,658.23	45,175,761.77
Financial assets held for trading	-	-
Financial assets measured by fair value with changes in fair value recognised in profit or loss	-	-
Derivative financial assets	-	-
Notes receivable and accounts receivable	21,774,633.39	92,132,512.68
Including: Notes receivable	-	15,878,744.00
Accounts receivable	21,774,633.39	76,253,768.68
Advances to suppliers	1,941,493.37	1,878,311.93
Other receivables	3,063,837.30	3,123,072.43
Including: Interests receivable	-	-
Dividends receivable	-	-
Inventories	9,588,337.76	11,533,044.52
Contract assets	-	-
Held-for-sale assets	-	-
Non-current assets due within one year	-	-
Other current assets	1,039,590.89	3,696,251.15
Total current assets	183,133,550.94	157,538,954.48

Consolidated Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Non-current assets:		
Debt investments	-	-
Available-for-sale financial assets	-	31,760,858.70
Other debt investments	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	22,484,598.52	19,463,641.61
Other equity instrument investments	230,996,496.87	-
Other non-current financial assets	-	-
Investment properties	-	-
Fixed assets	50,136,802.72	36,335,533.78
Construction in progress	2,803,418.80	42,553,751.05
Biological assets held for production	-	-
Oil and gas assets	-	-
Intangible assets	15,029,136.13	16,664,015.40
Development expenditure	-	-
Goodwill	-	72,097.15
Long-term deferred charges	529,476.54	1,545,177.16
Deferred tax assets	-	-
Other non-current assets	-	302,881.71
Total non-current assets	321,979,929.58	148,697,956.56
Total asset	505,113,480.52	306,236,911.04

Consolidated Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Current liabilities:		
Short-term borrowings	4,500,000.00	-
Financial liabilities held for trading	-	-
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable and accounts payable	12,221,771.06	21,541,715.83
Advances from customers	2,637,043.59	4,185,139.12
Contract liabilities	-	-
Employment benefits payable	1,554,344.98	3,022,542.03
Taxes and fees payable	2,253,284.13	341,620.35
Other payables	377,060,369.30	365,460,755.28
Including: Interests payable	5,712.50	-
Dividends payable	-	40,017.86
Held-for-sale liabilities	-	-
Non-current liabilities due within one year	-	-
Other current liabilities	-	-
Total current liabilities	400,226,813.06	394,551,772.61

Consolidated Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Non-current liabilities:		
Long-term borrowings	-	-
Debt instruments payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payables	-	-
Designated payables	-	30,965,484.89
Long-term employee benefits payable	-	-
Provisions	72,099,690.00	75,360,671.25
Deferred income	10,670,597.50	-
Deferred income tax liabilities	-	-
Other non-current liabilities	-	-
Total non-current liabilities	82,770,287.50	106,326,156.14
Total liabilities	482,997,100.56	500,877,928.75

Consolidated Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Shareholders' equity		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Capital reserves	1,074,828,788.67	883,422,403.92
Less: Treasury shares	-	-
Other comprehensive income	-29,012,497.21	-29,869,066.75
Designated reserves	-	-
Surplus reserves	108,587,124.40	108,587,124.40
Provision for General risks	-	-
Retained earnings	-2,019,154,197.71	-2,034,142,303.59
Total equity attributable to shareholders of the Parent	8,619,218.15	-198,631,842.02
Minority interests	13,497,161.81	3,990,824.31
Total shareholders' equity	22,116,379.96	-194,641,017.71
Total liabilities and shareholders' equity	505,113,480.52	306,236,911.04

Consolidated Income Statement (31 December 2018)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
I. Total operating income	32,311,485.10	32,985,857.66
Including: Revenue from operation	32,311,485.10	32,985,857.66
II. Total operating costs	71,747,660.92	121,144,688.70
Including: Cost for operation	26,795,496.70	25,969,499.69
Taxes and surcharges	1,441,374.71	1,335,946.97
Selling expenses	5,146,937.71	5,791,491.04
Administrative expenses	36,877,974.78	44,710,248.31
Research and development expenses	1,243,087.03	464,465.42
Financial costs	-299,852.96	1,061,942.38
Including: Interest expense	508,574.91	1,056,010.25
Interest income	896,055.67	84,802.07
Loss on asset impairment	64,818.41	41,811,094.89
Credit impairment loss	477,824.54	
Add: Other income	1,070,676.39	50,000.00
Investment income (loss presented with “-” prefix)	34,685,634.73	-9,396.59
Including: Investment income from associates and joint ventures		
Net open hedge income(loss presented with “-” prefix)		
Gain from changes in fair value (loss presented with “-” prefix)		
Gain on disposal of assets (loss presented by “-” prefix)	15,804,474.53	

Consolidated Income Statement (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
III. Profit from operation (loss presented with “-” prefix)	12,124,609.83	-88,118,227.63
Add: Non-operating income	3,434,659.42	1,218,806.22
Less: Non-operating expenses	94,464.39	311,092,729.89
IV. Total profits (total loss presented with “-” prefix)	15,464,804.86	-397,992,151.30
Less: Income tax expenses	1,366,600.00	163,819.81
V. Net profit (net loss presented with “-” prefix)	14,098,204.86	-398,155,971.11
A. Classified by business continuity		
1. Profit or loss from continued operations (net loss presented with “-” prefix)	14,098,204.86	-398,155,971.11
2. Net profit from discontinued operations (net loss presented with “-” prefix)		
B. Classified by ownership		
1. Net profit attributable to minority interests (net loss presented with “-” prefix)	-497,871.57	-1,098,327.92
2. Net profit attributable to shareholders of the Parent (net loss presented with “-” prefix)	14,596,076.43	-397,057,643.19
VI. Net after-tax other comprehensive income	817,989.99	-4,364,078.31
Net after-tax other comprehensive income attributable to shareholders of the parent	856,569.54	-4,364,078.31
A. Other comprehensive income not reclassifiable to profit or loss	-2,206,187.28	
1. Remeasurement of changes in defined benefit plans		
2. Other comprehensive income measured by the equity method not reclassifiable to profit or loss		
3. Changes in fair value of other equity instruments investment	-2,206,187.28	
4. Changes in the fair value of the company’s own credit risk		
5. Others		

Consolidated Income Statement (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
B. Other comprehensive income reclassifiable to profit or loss	3,062,756.82	-4,364,078.31
1. Other comprehensive income of convertible profit and loss under the equity method		
2. Changes in fair value of other debt investments		
3. Gain or loss on changes in fair value of financial assets available for sale		
4. The amount of financial assets reclassified into other comprehensive income		
5. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale		
6. Other debt investment credit impairment provisions		
7. Cash flow hedge reserve (Effective elements of gain or loss of cash flow hedges)		
8. Exchange difference on translation of foreign financial statements	3,062,756.82	-4,364,078.31
9. Others		
Net after-tax other comprehensive income attributable to minority interests	-38,579.55	
VII. Total comprehensive income	14,916,194.85	-402,520,049.42
Total comprehensive income attributable to shareholders of the Parent	15,452,645.97	-401,421,721.50
Total comprehensive income attributable to minority interests	-536,451.12	-1,098,327.92
VIII. Earning per share:		
A. Basic earning per share (RMB per share)	0.02	-0.45
B. Diluted earning per share (RMB per share)	0.02	-0.45

Consolidated Statement of Cash Flows (31 December 2018)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
I. Cash flows from operating activities		
Cash received for sales of goods and rendering of services	43,560,205.08	67,838,754.27
Tax refund received	-	-
Other cash receipts relating to operating activities	59,397,734.09	78,005,070.48
Cash inflows from operating activities (subtotal)	102,957,939.17	145,843,824.75
Cash payments for purchase of goods and services	32,220,644.46	34,077,326.85
Cash paid to or on behalf of employees	21,305,858.85	25,376,336.83
Taxes and fees paid	1,989,145.48	2,496,257.11
Other cash payments relating to operating activities	52,037,756.49	37,932,086.51
Cash outflows for operating activities (subtotal)	107,553,405.28	99,882,007.30
Net cash flows from operating activities	-4,595,466.11	45,961,817.45
II. Cash flows for operating activities		
Cash received from investment withdrawal	-	-
Cash investment income received	-	-
Net cash received from disposal of fixed assets, intangible assets or other long-term assets	595,510.00	-
Net cash received from disposal of subsidiaries or other invested entities	102,987,699.45	-
Other cash receipts relating to investing activities	40,000,000.00	-
Cash inflows from investing activities (subtotal)	143,583,209.45	-
Cash paid for purchase or construction of fixed assets, intangibles assets or other long-term assets	2,331,511.75	17,344,848.24
Cash paid for investment	-	-
Net cash paid for acquisition of subsidiaries and other invested entities	-	-
Other cash payments relating to investing activities	65,000,000.00	31,405,000.00
Cash outflows for investing activities (subtotal)	67,331,511.75	48,749,848.24
Net cash flows from investing activities	76,251,697.70	-48,749,848.24

Consolidated Statement of Cash Flows (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
III. Cash flows from financing activities:		
Cash received from investors	-	-
Including: Cash received from minority shareholders of subsidiaries	-	-
Cash received from loans raised	43,100,800.00	7,000,000.00
Cash received from debt instruments issued	-	-
Other cash receipts relating to financing activities	154,339.00	20,355,984.89
Cash inflows from financing activities (subtotal)	43,255,139.00	27,355,984.89
Cash paid for debt repayment	38,115,126.90	36,000,000.00
Cash paid for dividends, profit distribution and interests	495,805.96	849,695.25
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries	-	-
Other cash payments relating to financing activities	-	1,772,500.00
Cash outflows for financing activities (subtotal)	38,610,932.86	38,622,195.25
Net cash flows from financing activities	4,644,206.14	-11,266,210.36
IV. Impact of change of foreign exchange rates on cash and cash equivalents	15,438.73	-26,227.29
V. Net increase of cash and cash equivalents	76,315,876.46	-14,080,468.44
Add: cash and cash equivalents opening balance	8,408,461.77	22,488,930.21
VI. Cash and cash equivalents closing balance	84,724,338.23	8,408,461.77

Consolidated Statement of Changes in Shareholders' Equity (31 December 2018)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018										Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury stock	Less: Treasury stock	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Minority interests		
Equity attributable to shareholders of the Parent											
I. Closing balance of the preceding year	873,370,000.00	883,422,403.92	-	-29,869,066.75	-	108,587,124.40	-	-2,034,142,303.59	3,990,824.31	-194,641,017.71	
Add: Changes of accounting policies	-	-	-	-	-	-	-	392,029.45	-885.27	391,144.18	
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	
Business combination under common control	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	
II. Opening balance of the current year	873,370,000.00	883,422,403.92	-	-29,869,066.75	-	108,587,124.40	-	-2,033,750,274.14	3,989,939.04	-194,249,873.53	
III. Changes for the period (decrease presented by "-", prefix)											
I. Total comprehensive income	-	191,406,384.75	-	856,569.54	-	-	-	14,596,076.43	9,507,222.77	216,366,253.49	
II. Shareholders' contribution and capital decline	-	-	-	856,569.54	-	-	-	14,596,076.43	-536,451.12	14,916,094.85	
a. Contribution by shareholders of ordinary shares	-	-	-	-	-	-	-	-	-	-	
b. Contribution by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	
c. Share-based payments directly recognised in equity	-	-	-	-	-	-	-	-	-	-	
d. Others	-	191,406,384.75	-	-	-	-	-	-	10,043,673.89	201,450,058.64	

Consolidated Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

2018

Item	Equity attributable to shareholders of the Parent						Provision for			Total
	Share capital	Capital reserves	Less: Treasury stock	Less: Treasury stock	Designated reserves	Surplus reserves	general risks	Retained earnings	Minority interests	
III. Profit distribution	•	•	•	•	•	•	•	•	•	•
a. Recognition of surplus reserves	•	•	•	•	•	•	•	•	•	•
b. Recognition of provision for general risks	•	•	•	•	•	•	•	•	•	•
c. Distribution to shareholders	•	•	•	•	•	•	•	•	•	•
d. Others	•	•	•	•	•	•	•	•	•	•
4. Movements within equity	•	•	•	•	•	•	•	•	•	•
a. Capital reserves transferred to capital (or share capital)	•	•	•	•	•	•	•	•	•	•
b. Surplus reserves transferred to capital (or share capital)	•	•	•	•	•	•	•	•	•	•
c. Loss set-off by surplus reserves	•	•	•	•	•	•	•	•	•	•
d. Set the benefit plan change amount to carry forward retained earnings	•	•	•	•	•	•	•	•	•	•
e. Other comprehensive income carry-over retained earnings	•	•	•	•	•	•	•	•	•	•
f. Others	•	•	•	•	•	•	•	•	•	•

Consolidated Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018										Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury stock	Less: Treasury stock	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Minority interests		
					Equity attributable to shareholders of the Parent						
5. Designated reserves	-	-	-	-	-	-	-	-	-	-	-
a. Recognition during the current period	-	-	-	-	-	-	-	-	-	-	-
b. Withdrawal during the current period	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	873,370,000.00	1,074,828,788.67	-	-29,012,497.21	-	108,587,124.40	-	-2,019,154,197.71	13,497,161.81	-	22,116,379.96

Consolidated Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2017										Total shareholders' equity
	Equity attributable to shareholders of the Parent										
	Share capital	Capital reserves	Less: Treasury stock	Less: Treasury stock	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Minority interests		
I. Closing balance of the preceding year	873,370,000.00	883,422,403.92	-	-25,504,988.44	-	108,587,124.40	-	-1,637,084,660.40	5,089,152.23		207,879,031.71
Add: Changes of accounting policies	-	-	-	-	-	-	-	-	-	-	-
Add: Changes of accounting policies	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	873,370,000.00	883,422,403.92	-	-25,504,988.44	-	108,587,124.40	-	-1,637,084,660.40	5,089,152.23		207,879,031.71
III. Changes for the period (decrease presented by "-"; prefix)											
1. Total comprehensive income	-	-	-	-4,364,078.31	-	-	-	-397,057,643.19	-1,098,327.92		-402,520,049.42
2. Shareholders' contribution and capital decline	-	-	-	-	-	-	-	-	-	-	-
a. Contribution by shareholders of ordinary shares	-	-	-	-	-	-	-	-	-	-	-
b. Contribution by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
c. Share-based payments directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-
d. Others	-	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2017										Total
	Share capital	Capital reserves	Less: Treasury stock	Less: Treasury stock	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Minority interests	shareholders' equity	
	Equity attributable to shareholders of the Parent										
3. Profit distribution											
a. Recognition of surplus reserves											
b. Recognition of provision for general risks											
c. Distribution to shareholders											
d. Others											
4. Movements within equity											
a. Capital reserves transferred to capital (or share capital)											
b. Surplus reserves transferred to (or share capital)											
c. Loss set-off by surplus reserves											
d. Set the benefit plan change amount to carry forward retained earnings											
e. Other comprehensive income to carry forward retained earnings											
f. Others											

Consolidated Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2017										Total shareholders' equity	
	Equity attributable to shareholders of the Parent											
	Share capital	Capital reserves	Less: Treasury stock	Less: Treasury stock	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Minority interests			
5. Designated reserves	-	-	-	-	-	-	-	-	-	-	-	-
a. Recognition during the current period	-	-	-	-	-	-	-	-	-	-	-	-
b. Withdrawal during the current period	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	873,370,000.00	883,422,403.92	-	-29,889,066.75	-	106,587,124.40	-	-2,034,142,203.59	3,990,824.31	-	-194,641,017.71	

Balance Sheet (31 December 2018)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	2018	2017
Current assets:		
Monetary funds	131,150.21	20,119.58
Financial assets held for trading	-	-
Financial assets measured by fair value with changes in fair value recognised in profit or loss	-	-
Derivative financial assets	-	-
Notes receivable and accounts receivable	-	497,804.72
Including: Notes receivable	-	-
Accounts receivable	-	497,804.72
Advances to suppliers	1,668,168.36	1,668,168.36
Other receivables	265,704,605.00	270,790,205.23
Including: Interests receivable	-	-
Dividends receivable	-	-
Inventories	-	-
Contract assets	-	-
Held-for-sale assets	-	-
Non-current assets due within one year	-	-
Other current assets	718,327.52	363,531.99
Total current assets	268,222,251.09	273,339,829.88

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	2018	2017
Non-current assets:		
Debt investments	-	-
Available-for-sale financial assets	-	-
Other debt investments	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	56,436,473.03	56,436,473.03
Other equity investments	-	-
Other non-current financial assets	-	-
Investment properties	-	-
Fixed assets	32,630.16	46,373.60
Construction in progress	-	-
Biological assets held for production	-	-
Oil and gas assets	-	-
Intangible assets	-	-
Development expenditure	-	-
Goodwill	-	-
Long-term deferred charges	529,476.54	1,018,224.11
Deferred income tax assets	-	-
Other non-current assets	-	-
Total non-current assets	56,998,579.73	57,501,070.74
Total asset	325,220,830.82	330,840,900.62

Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
Current liabilities:		
Short-term borrowings	-	-
Financial liabilities held for trading	-	-
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable and accounts payable	-	-
Advances from customers	581,743.59	581,743.59
Contract liabilities	-	-
Employment benefits payable	472,797.28	908,719.52
Taxes and fees payable	243,342.01	27,037.06
Other payables	337,056,335.75	329,433,337.90
Including: Interests payable	-	-
Dividends payable	-	-
Held-for-sale liabilities	-	-
Non-current liabilities due within one year	-	-
Other current liabilities	-	-
Total current liabilities	338,354,218.63	330,950,838.07

Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
Non-current liabilities:		
Long-term borrowings	-	-
Debt instruments payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payables	-	-
Long-term employee benefits payable	-	-
Provisions	72,099,690.00	75,360,671.25
Deferred income	-	-
Deferred tax liabilities	-	-
Other non-current liabilities	-	-
Total non-current liabilities	72,099,690.00	75,360,671.25
Total liabilities	410,453,908.63	406,311,509.32

Balance Sheet (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
Shareholders' equity		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Capital reserves	995,721,167.46	995,721,167.46
Less: Treasury shares	-	-
Other comprehensive income	-	-
Designated reserves	-	-
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risks	-	-
Retained earnings	-2,062,911,369.67	-2,053,148,900.56
Total shareholders' equity	-85,233,077.81	-75,470,608.70
Total liabilities and shareholders' equity	325,220,830.82	330,840,900.62

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
I. Income from operation	-	-
Less: Cost for operation	-	-
Taxes and surcharges	15.00	1,662.30
Selling expenses	-	-
Administrative expenses	12,531,574.35	15,375,551.17
Research and development expenses	-	-
Financial costs	-72,008.92	655,240.86
Including: Interest expense	-	-
Interest income	-	-
Loss on asset impairment	-	50,740,598.92
Credit impairment loss	574,087.73	-
Add: Other income	-	-
Investment income (loss presented with “-” prefix)	-	-
Including: Investment income from associates and joint ventures	-	-
Net exposure hedge income(loss presented with “-” prefix)	-	-
Gain from changes in fair value (loss presented with “-” prefix)	-	-
Gain on disposal of assets (loss presented by “-” prefix)	-	-
II. Profit from operation (loss presented with “-” prefix)	-13,033,668.16	-66,773,053.25
Add: Non-operating income	3,260,981.25	-
Less: Non-operating expenses	-	310,372,890.00
III. Total profit (loss presented with “-” prefix)	-9,772,686.91	-377,145,943.25
Less: Income tax expenses	-	-

Income Statement (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
IV. Net profit (loss presented with “-” prefix)	-9,772,686.91	-377,145,943.25
1. Net profit from continued operations (net loss presented with “-” prefix)	-9,772,686.91	-377,145,943.25
2. Net profit from discontinued operations (net loss presented with “-” prefix)	-	-
V. After-tax other comprehensive income	-	-
A. Other comprehensive income not reclassifiable to profit or loss	-	-
1. Remeasurement of net assets or net liabilities of defined benefit plans	-	-
2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss	-	-
3. Changes in fair value of other equity instruments investment	-	-
4. Changes in the fair value of the company’s own credit risk	-	-
5. Others	-	-
B. Other comprehensive income reclassifiable to profit or loss	-	-
1. Other comprehensive income of convertible profit and loss under the equity method	-	-
2. Changes in fair value of other debt investments	-	-
3. Gain or loss on changes in fair value of financial assets available for sale	-	-
4. The amount of financial assets reclassified into other comprehensive income	-	-
5. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale	-	-
6. Provisions for other debt investment credit impairment	-	-
7. Cash flow hedge reserve(Effective elements of gain or loss of cash flow hedges)	-	-
8. Exchange difference on translation of foreign financial statements	-	-
9. Others	-	-
VI. Total comprehensive income	-9,772,686.91	-377,145,943.25

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
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	146,086,925.93	148,908,008.13
Cash inflows from operating activities (subtotal)	146,086,925.93	148,908,008.13
Cash payments for purchase of goods and services	-	-
Cash paid to or on behalf of employees	6,286,418.89	4,198,407.96
Taxes and fees paid	1,677.30	7,350.90
Other cash payments relating to operating activities	139,690,902.26	119,559,906.85
Cash outflows for operating activities (subtotal)	145,978,998.45	123,765,665.71
Net cash flows from operating activities	107,927.48	25,142,342.42
II. Cash flows from investing activities:		
Cash received from investment withdrawal	-	-
Cash investment income received	-	-
Net cash received from disposal of fixed assets, intangible assets or other non-current assets	-	-
Other cash receipts relating to investing activities	-	-
Cash inflows from investing activities (subtotal)	-	-
Cash paid for purchase or construction of fixed assets, intangibles assets or other long-term assets	-	1,525,872.00
Cash paid for investment	-	-
Other cash payments relating to investing activities	-	1,405,000.00
Cash outflows for investing activities (subtotal)	-	2,930,872.00
Net cash flows from investing activities	-	-2,930,872.00

Statement of Cash Flows (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018	2017
III. Cash flows from financing activities:		
Cash received from investors	-	-
Cash received from loans raised	-	-
Cash received from debt instruments issued	-	-
Other cash receipts relating to financing activities	-	-
Cash inflows from financing activities (subtotal)	-	-
Cash paid for debt repayment	-	20,000,000.00
Cash paid for dividends, profit distribution and interests	-	468,611.11
Other cash payments relating to financing activities	-	1,772,500.00
Cash outflows for financing activities (subtotal)	-	22,241,111.11
Net cash flows from financing activities	-	-22,241,111.11
IV. Impact of change of foreign exchange rates on cash and cash equivalents	3,103.15	-
V. Net increase of cash and cash equivalents	111,030.63	-29,640.69
Add: cash and cash equivalents brought forward	20,119.58	49,760.27
VI. Cash and cash equivalents carried forward	131,150.21	20,119.58

Statement of Changes in Shareholders' Equity (31 December 2018)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018							Total shareholders' equity	
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks		Retained earnings
I. Closing balance of the preceding year	873,370,000.00	995,721,167.46	-	-	-	108,587,124.40	-	-2,053,148,900.56	-75,470,608.70
Add: Changes of accounting policies	-	-	-	-	-	-	-	10,217.80	10,217.80
Correction of prior period errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	873,370,000.00	995,721,167.46	-	-	-	108,587,124.40	-	-2,053,138,682.76	-75,460,390.90
III. Changes for the period (decrease presented by "-", prefix)	-	-	-	-	-	-	-	-9,772,686.91	-9,772,686.91
1. Total comprehensive income	-	-	-	-	-	-	-	-9,772,686.91	-9,772,686.91
2. Shareholders' contribution and capital decline	-	-	-	-	-	-	-	-	-
a. Contribution by shareholders of ordinary shares	-	-	-	-	-	-	-	-	-
b. Contribution by holders of other equity instruments	-	-	-	-	-	-	-	-	-
c. Share-based payments directly recognised in equity	-	-	-	-	-	-	-	-	-
d. Others	-	-	-	-	-	-	-	-	-
3. Profit distribution	-	-	-	-	-	-	-	-	-
a. Recognition of surplus reserves	-	-	-	-	-	-	-	-	-
b. Recognition of provision for general risks	-	-	-	-	-	-	-	-	-
c. Distribution to shareholders	-	-	-	-	-	-	-	-	-
d. Others	-	-	-	-	-	-	-	-	-

Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2018						Total shareholders' equity	
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves		
4. Movements within equity								
a. Capital reserves transferred to capital (or share capital)								
b. Surplus reserves transferred to capital (or share capital)								
c. Loss set-off by surplus reserves								
d. Set changes in the benefit plan change to carry forward retained earnings								
e. Other comprehensive income to carry forward retained earnings								
f. Others								
5. Designated reserves								
a. Recognition during the current period								
b. Withdrawal during the current period								
6. Others								
IV. Closing balance of the current year	873,370,000.00	995,721,167.46				108,587,124.40	-2,062,911,569.67	-85,233,077.81

Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2017							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Closing balance of the preceding year	873,370,000.00	995,721,167.46	-	-	-	108,587,124.40	-1,676,002,957.31	301,675,334.55
Add: Changes of accounting policies	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the current year	873,370,000.00	995,721,167.46	-	-	-	108,587,124.40	-1,676,002,957.31	301,675,334.55
III. Changes for the period (decrease presented by "-", prefix)	-	-	-	-	-	-	-	-
1. Total comprehensive income	-	-	-	-	-	-	-377,145,943.25	-377,145,943.25
2. Shareholders' contribution and capital decline	-	-	-	-	-	-	-	-
a. Contribution by shareholders of ordinary shares	-	-	-	-	-	-	-	-
b. Contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
c. Share-based payments directly recognised in equity	-	-	-	-	-	-	-	-
d. Others	-	-	-	-	-	-	-	-
3. Profit distribution	-	-	-	-	-	-	-	-
a. Recognition of surplus reserves	-	-	-	-	-	-	-	-
b. Recognition of provision for general risks	-	-	-	-	-	-	-	-
c. Distribution to shareholders	-	-	-	-	-	-	-	-
d. Others	-	-	-	-	-	-	-	-

Statement of Changes in Shareholders' Equity (31 December 2018) (Continued)

For the year ended 31 December 2018 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	2017							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Total shareholders' equity
4. Movements within equity	-	-	-	-	-	-	-	-
a. Capital reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-
b. Surplus reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-
c. Loss set-off by surplus reserves	-	-	-	-	-	-	-	-
d. Set changes in the benefit plan to carry forward retained earnings	-	-	-	-	-	-	-	-
e. Other comprehensive income to carry forward retained earnings	-	-	-	-	-	-	-	-
f. Others	-	-	-	-	-	-	-	-
5. Designated reserves	-	-	-	-	-	-	-	-
a. Recognition during the current period	-	-	-	-	-	-	-	-
b. Withdrawal during the current period	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	873,370,000.00	995,721,167.46	-	-	-	108,587,124.40	-2,053,148,900.56	-75,470,608.70

(II) Matters relating to notes in the financial statements

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

The Company recorded net profit attributable to shareholders of the listed company of RMB14,596,076.43, profit distributable for shareholders as at the end of the year of RMB-2,019,154,197.71 in 2018. The Board of the Company does not recommend paying cash dividend, issuing bonus shares or transferring capital reserve during the reporting period.

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

On 15 June 2018, the Ministry of Finance of the PRC issued the Notice on Revising and Issuing the Format of 2018 Financial Statements for General Enterprises (Cai Kuai [2018] No.15), pursuant to which, non-financial enterprises that adopt Accounting Standards for Business Enterprises should prepare their financial statements following the Accounting Standards for Business Enterprises and the requirements in the Notice. According to the above revision requirements, the Company adjusted the format of its original statement, and prepared its financial statements in the light of the format of financial statements for general enterprises as specified in the above document.

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

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

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

The consolidated statement reduced two companies during the period, namely the significant assets sale NNE Jinzhou PC and its subsidiaries.

Notes by the Board of directors, Board of Supervisors and the independent directors on the “standard auditors’ report” issued by the accounting firm for the reporting period

Northeast Electric Development Co., Ltd. (the “Company”) engaged Ruihua Certified Public Accountants (Special General Partnership) as the auditors of the Company for 2018. Ruihua Certified Public Accountants (Special General Partnership) has issued the unqualified auditors’ report with explanatory paragraph for 2018 financial report of the Company.

Special Notes by the Board of directors on matters involved in non-standard audit opinion

Content of matters involved in audit opinion

The users of financial statements shall pay attention to the fact that the Company’s net loss after deduction of non-recurring gains and losses was RMB39,445,995.65, and as of 31 December 2018, the current liabilities of the Company were RMB217,093,262.12 higher than current assets. In the meanwhile, the Company faced a compensation amount of RMB272 million for settled lawsuits. Such matters or situations indicate the existence of significant uncertainties that could lead to significant doubts about the continuing operation viability of the Company. This matter does not have effects on the issued audit opinions.

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

The Board of the Company believes that the aforesaid audit opinions gave a true and fair view of the Company's actual financial position, and disclosed the risks in the continuing operations of the Company. In order to enhance the Company's sustainable development capability and profitability, improve asset quality, promote its long-term, healthy development, and strive to cancel the risk warning of delisting, the Company plans to take the following measures to improve its ability to continue as a going concern:

1. In 2019, the Company's substantial shareholder, Beijing Haihongyuan Investment Management Co., Ltd. plans to provide financial support for Shenyang Kaiyi Electric Co., Ltd., a wholly-owned subsidiary of the Company, with a cumulative amount of not more than RMB80 million to support the production and operation of listed companies.
2. Continue to promote the private placement of H shares and improve the capital structure, thereby accelerating the transition to the modern service industry and improving operational capability, profitability and risk resistance.
3. Continue to divest inefficient assets, as well as equity investments with less business and other non-operating assets according to the business policy, increase cash flow, and improve the ownership structure of the Company.
4. By taking Hainan Tangyuan Technology Co., Ltd., a wholly-owned subsidiary of the Company, as a platform to research and develop business modules, and by leveraging strengths in resources and talents of the substantial shareholder in the modern service industry to conduct new businesses, develop new industries, and expand business scope, improve the asset portfolio structure and inject new vitality into the continuing operation of the listed company. The revenue and profits generated from such new service industry will help the listed company expand from the traditional manufacturing industry to modern service industry.

5. Actively adjust product structure and industrial upgrading according to market changes and demands, accelerate the process of transformation to the modern service industry, optimize the overall layout, develop new customer groups, improve and strengthen the sales system, and improve the profitability of the main business.
6. Increase income and reduce expenditure, strengthen overall budget management and cost control, strictly control expenditure, reduce operating costs, and maximize the profitability of main business.

Through the above measures, the Company's management considers that it is reasonable to prepare the financial statements on the basis of going concern, and the board of directors has made a full and detailed assessment of the Company's going concern ability, including reviewing the company's operating capital forecast compiled by the management in the next 12 months. It is believed that the Company can obtain sufficient sources of financing to ensure the need of working capital and capital expenditure and identify with the management to prepare these financial statements on the basis of going concern. The board of directors will continue to pay attention to and supervise the management of the Company to take effective measures to enhance the Company's sustainability and safeguard the legitimate rights and interests of the Company and investors.

Special Notes by the Board of Supervisors on Matters Related to Non-standard Audit Opinions

The Board of Supervisors of the Company considers that the above audit opinions truly, accurately and fairly reflect the Company's financial position and operating results in 2018 in all major respects, indicating significant uncertainties related to going concern, but without affecting the published audit opinions. The Supervisory Committee agrees with the Specific Notes of the Board of Directors on Matters Related to Non-standard Audit Opinions. The Supervisory Committee will continue to pay attention to and supervise the board of directors and the management of the Company to take proactive and effective measures to enhance the sustainability of the Company and safeguard the legitimate rights and interests of the company and investors.

Special Notes by Independent Directors on Matters Related to Non-standard Audit Opinions

The auditors' report issued by Ruihua Certified Public Accountants (Special General Partnership) for the Company with an unqualified opinion on the stressed items section objectively and truthfully reflects the actual financial situation of the company. We have no objection to the auditors' report.

We agree with the Special Notes of the Board of Directors on Matters Related to Non-standard Audit Opinions, and will continue to pay attention to and supervise the effective measures taken by the board of directors and management of the Company to enhance the Company's sustainability and safeguard the interests of the company and investors.

Appropriation of non-business capital on the listed company by controlling shareholder and its related parties

The controlling shareholder and its related parties did not have any appropriation of non-business capital on the listed company.

Matters related to bankruptcy reorganization

The Company did not have any matters related to bankruptcy reorganization.

Operating income and operating cost

(1) Operating income and operating cost

Type	Amount for the current year		Amount for the previous year	
	Income	Cost	Income	Cost
Principal business	32,074,907.02	26,649,958.43	32,382,320.55	25,570,761.13
Other businesses	236,578.08	145,538.27	603,537.11	398,738.56
Total	32,311,485.10	26,795,496.70	32,985,857.66	25,969,499.69

(2) Information of principal business by region and product

① By major operating regions

Region	Amount for the current year		Amount for the previous year	
	Operating income	Operating cost	Operating income	Operating cost
Northeast China	9,243,837.94	7,227,720.40	1,319,451.60	724,763.81
North China	4,231,675.89	3,508,309.69	5,135,379.25	5,136,764.88
Central China	9,195,534.49	7,724,408.15	9,815,797.89	6,637,085.92
East China	1,818,408.13	1,122,461.97	701,838.03	479,657.27
South China	356,809.67	207,676.17	1,186,290.66	360,938.08
Southwest China	6,233,538.28	6,188,855.81	9,106,143.07	7,891,359.72
Northwest China	995,102.62	670,526.24	5,117,420.05	4,340,191.45
Total	32,074,907.02	26,649,958.43	32,382,320.55	25,570,761.13

② By major product classification

Industry	Amount for the current year		Amount for the previous year	
	Operating income	Operating cost	Operating income	Operating cost
Enclosed busbars	30,855,743.61	25,752,486.14	30,072,679.91	24,009,050.65
Power capacitors	1,219,163.41	897,472.29	2,309,640.64	1,561,710.48
Total	32,074,907.02	26,649,958.43	32,382,320.55	25,570,761.13

(3) Operating income of top five customers

Period	Amount	Percentage of operating income for the period (%)
2018	14,567,834.80	45.09
2017	22,120,940.23	67.06

(4) Purchases of top five suppliers

Period	Amount	Percentage of purchases for the period (%)
2018	16,257,925.44	57.41
2017	10,724,560.22	55.66

Taxes

Primary taxes and tax rates

Taxes	Specific tax rates
Value-added tax (VAT)	Taxable incomes are taxable to output VAT at a tax rate of 16%, and may deduct the VAT it has paid on eligible purchases.
City maintenance and construction tax	Levied on actual payment of turnover tax at 7%
Educational surcharge	Levied on actual payment of turnover tax at 5%
Corporate income tax	Levied on the taxable profit at 25%

Tax rate on VAT taxable sales or imported goods of the Company was 17%. According to the Notice on Adjusting Value-added Tax Rate by the Ministry of Finance and State Taxation Administration (Cai Shui [2018] No.32), the applicable VAT was adjusted to 16% since 1 May 2018.

Other explanations

- (1) Northeast Electric Development (HK) Co., Ltd. is a wholly-owned subsidiary established in Hong Kong Special Administrative Region of the PRC by the Company, the rate for profits tax is 16.5%.
- (2) Gaocai Technology Co., Ltd. is a wholly-owned subsidiary established in British Virgin Islands by the Company, no corporate income tax is needed to pay.
- (3) Corporate income tax of Shenyang Kaiyi Electric Co., Ltd., a subsidiary of the Company, is collected in a way of verification.

Earnings (losses) per share

Basic earnings per share are the profit attributable to equity holders of the Company of RMB0.02 (total equity: 873,370,000 shares).

Contingent liabilities

As of 30 June 2018, the Company had no material contingent liabilities.

Publication of annual report in The Stock Exchange of Hong Kong Limited and the official website of the Company

Annual report which contained all information specified in Appendix 16 of Listing Rules will be published in the Stock Exchange of Hong Kong at <http://www.hkex.com.hk> and the website of the Company at <http://www.nee.com.cn>.

By order of the Board

Li Tie

Chairman

Haikou, Hainan Province, PRC

28 March 2019

As at the date of this announcement, the Board consists of six executive Directors: Mr. Li Tie, Mr. Li Rui, Mr. Zhu Jie, Ms. Ma Yun, Mr. Bao Zongbao and Mr. Su Weiguo; three independent non-executive Directors: Mr. Li Ming, Mr. Qian Fengsheng and Mr. Fang Guangrong.