

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT ON UNAUDITED SIGNIFICANT FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement is published by the Northeast Electric Development Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) pursuant to Rule 13.49(3) of the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

Please also refer to the announcement (the “**Announcement**”) of the Company dated 29 March 2020 in relation to, among other things, the delay in the publication of our annual results for the year ended 31 December 2019.

UNAUDITED FINANCIAL INFORMATION AS OF 31 DECEMBER 2019

Rule 13.49(3) of the Listing Rules of the Stock Exchange provides that where an issuer is unable to publish its preliminary financial results in accordance with the rules 13.49(1) and 13.49(2) of the Listing Rules, it must make an announcement on its results based on financial results which have yet to be agreed with the auditor (so far as the information is available).

For the reasons stated in the “**Review of Unaudited Financial Information**”, the audit procedures for the Group’s annual results have not been completed. At the same time, the board of directors (the “**Board**”) of the Company is pleased to announce the unaudited significant financial information of the Group for the year ended 31 December 2019 which has been reviewed by the Audit Committee of the Company.

Unless otherwise stated, all monetary figures referred to in this announcement, are denominated in Renminbi (“**RMB**”), the lawful currency of the People’s Republic of China (“**PRC**”). The unaudited financial information for the year ended 31 December 2019 has been prepared in accordance with the Generally Accepted Accounting Principles of the PRC (“**PRC GAAP**”) and International Financial Reporting Standards (“**IFRSs**”). The collective term includes all applicable IFRSs, International Accounting Standards (“**IASs**”) and Interpretations promulgated by the International Accounting Standards.

SIGNIFICANT FINANCIAL INFORMATION

1 Summary of Accounting Data and Financial Indicators

1.1 Principal accounting data for the year prepared under PRC GAAP

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

☐ Yes ☒ No

Items	2019 Unaudited	2018	Increase/ decrease of the year over last year	2017	2016	2015
Operating revenues (RMB'000)	102,341	32,311	216.74%	32,986	63,514	151,740
Net profit attributable to shareholders of the Company (RMB'000)	-40,166	14,596	-	-397,058	-99,494	4,933
Net profit attributable to shareholders of the Company after extraordinary items (RMB'000)	-41,127	-38,948		-96,661	-99,613	-776
Basic earnings per share (RMB/Share)	-0.046	0.02	-	-0.45	-0.11	0.01
Diluted earnings per share (RMB/Share)	-0.046	0.02	-	-0.45	-0.11	0.01
Weighted average ROE	-	-	-	-	-39.40%	1.68%

	As at the end of 2019 Unaudited	As at the end of 2018	Increase/ decrease of the end of the year over the end of last year	As at the end of 2017	As at the end of 2016	As at the end of 2015
Total assets (RMB'000)	480,017	505,114	-4.97%	306,237	401,830	483,446
Net assets attributable to shareholders of the Company (RMB'000)	-53,987	8,619		-198,632	202,790	296,987

1.2 Differences in figures under domestic and foreign accounting standards

There are no differences in net profits and net assets in financial reports disclosed under the IFRSs and PRC GAAP in the reporting period of the Company.

2 Consolidated Financial Statements Prepared under the IFRSs

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2019

	End of 2019 (Unaudited) RMB '000	End of 2018 RMB '000
Non-current assets	295,816	321,980
Current assets	184,201	183,134
Current liabilities	415,284	400,227
Net current liabilities	-231,083	-217,093
Total assets less current liabilities	64,733	104,887
Non-current liabilities	113,210	82,771
NET (LIABILITIES) ASSETS	-48,477	22,116
Capital and reserves		
Share capital	873,370	873,370
Reserves	-927,357	-864,751
Equity attributable to equity holders of the Company	-53,987	8,619
Non-controlling interests	5,510	13,497
NET (LIABILITIES) ASSETS	-48,477	22,116

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the year ended 31 December 2019

	2019 (Unaudited) RMB '000	2018 RMB '000
Revenue	102,252	32,311
Cost of Sales	-59,647	-26,795
Gross profit	42,605	5,516
Other revenue and other income	5,348	5,317
Selling expenses	-35,454	-5,147
Administrative and other operating expenses	-29,660	-39,639
Gain on disposal of subsidiaries	-	34,695
Gain on disposal of a plant	-	15,810
Reversal (Provision) of loss allowance on trade and other receivables	1,385	-478
Finance costs	-1,421	-599
Share of losses of an associate	-22,485	-10
(Loss) Profit before taxation	-39,682	15,465
Income tax expenses	-451	-1,367
(Loss) Profit for the year	-40,133	14,098
Other comprehensive (loss) income		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair value of financial assets designated at fair value through other comprehensive income ("Designated FVOCI")	-30,287	-2,245
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	218	32
Exchange difference on translation of share of other comprehensive income of an associate	-391	3,031

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited) *(Continued)*

For the year ended 31 December 2019

	2019 (Unaudited) RMB'000	2018 RMB'000
Other comprehensive (loss) income for the year, net of tax	-30,460	818
 Total comprehensive (loss) income for the year	 -70,593	 14,916
 (Loss) Profit for the year attributable to:		
Equity holders of the Company	-40,166	14,596
Non-controlling interests	33	-498
 (Loss) Profit for the year	 -40,133	 14,098
 Total comprehensive (loss) income for the year attributable to:		
Equity holders of the Company	-70,626	15,453
Non-controlling interests	33	-537
 Total comprehensive (loss) income for the year	 -70,593	 14,916
 (Loss) earnings per share		
Basic and diluted earnings per share (RMB/share)	-0.046	0.02

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

2019 saw a global slowdown in economic growth. Amid major economies' lack of growth momentum and increasing geopolitical uncertainties, and severe interference on the structure of global industry chain by the US unilateral protectionism, economic growth worldwide faces a more uncertain external environment. The economy in China remained stable by and large with reinforcing reform and opening up, continuously improving business climate, and the national economy functioning within a reasonable range.

In 2019, the machinery industry made steady progress and there was still upside potential in spite of great difficulties and stress, with moderate growth in operating income, total profits and value of import and export.

The Group 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 Group include enclosed busbars which are applied to the power system field and are used to enhance transmission capacity of power transmission lines and support transmission of the high power electric energy. These devices play an important role in the power system. Meanwhile, during the reporting period, to improve the ability of continuing operation and drive business transformation, Hainan Garden Lane Flight Hotel Management Co., Ltd., a holding subsidiary of the Company, proactively developed hotel catering and accommodation services in 2019, significantly improving the income structure of the Group.

During the reporting period, the power transmission and distribution equipment industry in which the Group operates was affected by macro-economic structural adjustments, leading to excessive industrial capacity and intense market competition. In the meantime, the overall spending power in the hotel service industry where the Group operates was weakened due to regional economic downturn. The Group has therefore faced increasing operational pressure. In the face of such a complex and difficult situation, all personnel of the Group adhered to the overall work plan, worked diligently to fulfill their duties, and strived to achieve breakthroughs. Under the leadership of the Board, the Group 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 approximately RMB 102 million, increasing by approximately RMB 70 million, accounting for 216.46% of that of the previous year; and the net loss for the year attributable to equity holders of the listed Company was approximately RMB 40 million.

REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

	2019 (Unaudited) RMB '000	2018 RMB '000
Revenue from contracts with customers within IFRSs 15		
Sales of power transmission equipment and related accessories	40,937	32,105
Provision of catering services income	53,299	-
Management fee income	1,140	206
Lease income from operating leases	95,376	32,311
Hotel rooms	6,876	-
	102,252	32,311

Business Review

The main work during the reporting period was as follows:

1. Risk warning on the removal of delisting for A shares

According to the Audit Report of Northeast Electric Development Co., Ltd. issued by Ruihua Certified Public Accountants (Special General Partnership) (Ruihua CPAs) on 28 March 2019 (Rui Hua Shen Zi [2019] No. 48190004), the Company recorded an operating income of RMB32,311,000, a net profit attributable to shareholders of the listed company of RMB14,596,000, and a net asset attributable to shareholders of the listed company of RMB8,619,000 in 2018. Meanwhile, considering that the net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss in 2018 and in the first quarter of 2019 was negative, the profitability of principal business was still weak. Shenzhen Stock Exchange gave the risk warning on the removal of delisting for A shares of the Company from the commencement of trading on 21 August 2019 and implemented other risk warnings.

2. Production and operation of the Company

(1) Completion of the technical transformation project and expansion of after-sales repair services

During the reporting period, Fuxin Busbar, a wholly-owned subsidiary of the Company, completed technical transformation, and the new plant was put into use, which significantly enhances the technological level of our busbar manufacturing, improves our market competitiveness, and radically reverses the trend of shrinking orders due to outdated equipment and declining technologies. In the meantime, Fuxin Busbar provides after-sales services of repair and maintenance for busbar products to increase service income and improve profitability by taking advantage of customer resources of existing power stations.

(2) New hotel-related businesses

Remarkable results have been achieved for proactive development of new hotel related business transformation by the Group. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Group, successively entered into venues lease agreements and entrusted hotel management agreements with hotels under its related party HNA Group. The relevant businesses have been commenced gradually since February 2019. The income from new hotel-related businesses in 2019 was over RMB61 million. With the management's experienced management practices and expertise in the hotel industry, Hainan Garden Lane Flight Hotel Management Co., Ltd. develops a characteristic and boutique airport hotel to bring new vitality for the continuing operation of the Group and to further promote the transformation of the Group from the traditional manufacturing sector to modern service industry.

(3) Further strengthening prevention of financial risks

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

(4) Enhancing management and quality of human resources

During the reporting period, the Group focused on the enhancement of the construction of the human resources team and adjustment of the Group's personnel structure in combination with the conduction of the subsidiaries' business operations. Not only the Group'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.

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

- (I) The civil judgment (Liao 01 Min Chu (2017) No. 430) issued by Liaoning Shenyang Municipal Intermediate People's Court shall be abrogated;
- (II) A retrial for this case shall be performed by Liaoning Shenyang Municipal Intermediate People's Court.

The Company will push forward the handling of the case according to laws and regulations, and timely perform its announcement obligation in relation to the progress of the case.

- (2) The legal proceeding involving Fuxin Enclosed Busbar Co., Ltd. (the “**Fuxin Busbar**”), a wholly-owned subsidiary of the Company. 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. (formerly known as Shenyang Suntime High Voltage Electric Co., Ltd.) (the “**Underlying Equity**”) was held by Fuxin Busbar prior to 22 September 2008. Due to the enforcement of the final judgment made by the Supreme People’s Court on 5 September 2008 for the case of China Development Bank (Document (2008) Min Er Zhong Zi No. 23) and under the coordination, Fuxin Busbar returned the Underlying Equity to Shenyang High Voltage Switchgear Co., Ltd. (“**Shenyang HVS**”) free of charge, and completed the change of equity registration on 22 September 2008 as required by the local industrial and commercial administration. Therefore, the Underlying Equity held by Fuxin Busbar was returned to Shenyang HVS free of charge. However, according to the enforcement ruling issued by the Supreme People’s Court on 31 August 2017 (Document (2017) Zui Gao Fa Zhi Fu No. 27), “the fact that the return of the Underlying Equity free of charge under the coordination of NEE cannot be ascertained”. Given the failure of Shenyang HVS to pay the outstanding consideration of USD16 million for equity transfer constituted a breach of contract, the plaintiff Fuxin Busbar, in order to protect its interests, raised a litigation against the above 2 defendants, namely, Shenyang HVS and NEE, 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 HVS on 3 January 2019. The case was tried on 21 March 2019 and the written judgment of first instance was received on 20 May 2019. As the defendants did not appeal within the announcement period, a final ruling was achieved for the case, and NEE will not bear joint and several liabilities.

4. 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 its loss-making subsidiary 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. The Company disclosed the Report for the Implementation of the Disposal of Major Assets, the Legal Opinions of Grandall Law Firm on the Implementation of the Disposal of Major Assets of the Company and the Independent Financial Advisers’ Audit Opinions of Haitong Securities Co., Ltd. for the Implementation of the Disposal of Major Assets of the Company on 6 June 2019.

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. As of this announcement, the transaction is under review by the International Cooperation Division of the CSRC.

Analysis of financial position

Changes of items in the income statement and balance sheet and reasons for changes

Unit: RMB'000

Items	Changes of			Reasons for changes
	2019	2018	proportion	
Operating revenues	102,252	32,311	216.46%	Increase of existing and new businesses
Operating cost	-59,647	-26,795	—	Increase of existing and new businesses
Total profit	-39,682	15,465	—	Changes of such items as income and expenditure
Net assets	-53,990	8,619	—	Loss on operations and change in the fair value of financial assets

During the reporting period, Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, expanded the hotel catering business, and achieved revenue of RMB61.32 million and profit of more than RMB6 million. Fuxin Busbar realized an increase of revenue by RMB9 million compared with the same period last year, and recorded a loss of more than RMB2 million. As a result of the disposal of the loss-making subsidiary in 2018 and the strict control over costs and expenses in this year, the operating loss of the Company this year was significantly reduced by about RMB20 million. The target joint venture companies in which the company holds minority shares and the target companies invested with other equity instruments recorded worse operating conditions, resulting in an increase in losses of approximately RMB22 million. As a result, the Company's overall operating loss was flat compared with last year.

In 2018, the Company completed the material asset restructuring and disposal, and realized an investment income of about RMB34 million. In addition, Fuxin Busbar, a subsidiary of the Company, received a relocation compensation of RMB20 million for its new factory relocation project and recorded in the profit and loss during the financial year 2018. There was no such non-operating profit and loss item in this reporting period.

During the reporting period, the net assets attributable to shareholders of the listed company were declined by RMB62.6 million to RMB-54 million which was attributable to the operating losses and the net losses arising from the changes in fair value of financial assets.

Prospect of Future Development

1. Industry development trend and competition outlook

In recent years, under the impact of the international and domestic macroeconomic situation, the economy growth in China is expected to slow down, for which demands for electricity power and investment will decrease accordingly. As China continues to deepen the structural reform of supply side, the key of power grid development is switching to the construction of UHV transmission line and smart power grids, continuously boosting the market share of power generated by clean energy. In light of this, thermal power generating units are developing towards high capacity, high parameter and environmental protection. It is expected that the macro economy in China remain stable amid growth in 2020. In the meantime, since the continuous adjustment of economic structure and deepening supply-side reform have caused negative impact over the infrastructure industries of the national economy, coupled with the uncertainties of the outbreak of the novel coronavirus (COVID-19) in late 2019 and its ongoing spread, 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 upstream and downstream sectors, which further creates harmful effect over the future performance of the Company.

In addition, due to the lingering uncertainty of the epidemic, such industries as tourism, accommodation and catering in China suffered heavy losses in the first quarter of 2020. Industry insiders predict that the income and profits will drop to different extents in 2020 with cash flow troubles.

2. Development strategy of the Company

In 2020, 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 efficiency of development, the Company will increase industrial stock and seek for more customers, foster new driving force and new source of economic growth by upgrading industrial structure and prioritizing market expansion, in an effort to form a new synergistic pattern, and reshape the industry structure of the Company.

3. 2020 operation plan

Faced with the unexpected novel coronavirus epidemic, the Company has took prevention and control measures to fight against the epidemic in an all-round manner, and resumed production orderly and steadily in response to the call of the Party and the State. Under the support of the local government and substantial shareholders, the Company has given its subjective initiative into full play and fully exploited the potential resources to tackle the current difficulties. In 2020, 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, and continuous reinforcement of operating efficiency and key competitive edges, the Company will further strengthen and enhance its business 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, 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 2020

- (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 2020, Beijing Haihongyuan Investment Management Co., Ltd. (“**Beijing Haihongyuan**”) – parent of the Company has issued Letter of Commitment, undertaking to provide financial support including funds and guarantees to help with the Company’s operating financial needs for 1 year since the issuance date of the Letter. Up to now, Shenyang Kaiyi Electric Co., Ltd. (“**Shenyang Kaiyi**”), a wholly-owned subsidiary of the Company, has entered into a loan contract with Beijing Haihongyuan, stipulating that, the maximum balance of the loan (principal) further lent by Beijing Haihongyuan to Shenyang Kaiyi for supporting the production and operation of the listed company in 2020 shall be RMB50 million.
- (3) On 14 February 2020, the CSRC published the newly revised Measures for the Administration of the Issuance of Securities by Listed Companies, which loosens the restriction on the private placement of listed companies, enabling the Company to expand financing channels through such financing means as capital market. Meanwhile, 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 beef up the core competitive edges and sustainable development of the Company.
- (4) In response to changes and demands of the market, the Company will actively adjust business structure, 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.

- (5) By engaging Hainan Garden Lane Flight Hotel Management Co., Ltd., 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, the Company will tap into hotel-related businesses, 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 hotel-related businesses will facilitate the listed company to transform from a traditional manufacturer to a modern service company.
- (6) By mobilising and exploiting its own resources, the Company intends to carry out full budget management and cost control, and put various expenditures under strict control to diminish operating costs. Ultimately, the Company can maximize the profitability of principal activities.
- (7) Through strict observance of Standardised Operation of Listed Companies, the Company will keep upgrading its working standards and internal control system, establish a sound operating network 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 incidents that may damage the interests of the listed company and shareholders, and realise 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.

Capital position

In 2020, the Company will take initiatives to expand financing channels through various financing means including capital market, to strive for open sources of funds. Moreover, the Company will further improve the financing structure and reduce financial costs, whereby strengthening the ability to continue as a going concern of the Company.

Material Uncertainty Related to Going Concern

The Group experienced a loss of RMB40,133,000 for the year ended 31 December 2019 and had net current liabilities of RMB231,083,000 as at 31 December 2019. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern.

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. At the same time, as the hotel management industry where the Company operates was notably influenced by the epidemic in the first quarter of 2020, it is estimated that the epidemic will continue to have a significant impact on the operations of the Company for some time to come. Hence, the Company will carry out the work in relation to epidemic prevention and control in strict accordance with the requirements of the relevant government departments while trying to apply for government support policies.

2. Risk of market competition

Enclosed busbars produced and hotel-related businesses operated by the Company are 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 caused by the outbreak of epidemic, thereby strengthening the sustainable operation capacity of the Company.

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 such a modern service industry as hotel. 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.

Review of unaudited financial information

The audit procedures for the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 have not been completed due to travel restrictions in certain areas in China for fighting against the novel coronavirus (COVID-19). The unaudited financial information set out in this announcement has been reviewed by the Audit Committee of the Company but not yet agreed with the auditor of the Company. It is projected that the annual results for 2019 will be postponed to on or before 30 April 2020.

After the completion of the audit procedures, the Company will further announce: (1) an audited results announcement; (2) the audited results for the year ended 31 December 2019 which has been agreed with the auditor of the Company, and material differences (if any) as compared with the unaudited annual results set out in this announcement; (3) the proposed date of the forthcoming annual general meeting; and (4) the date on which the registration of transfers of ordinary shares of the Company is closed for the purpose of determining the eligibility of shareholders to attend and vote at the annual general meeting. In addition, in case of any other significant progress in the completion of the audit procedures, the Company will publish further announcements as and when necessary.

The Board would like to draw your attention to the fact that the information set out above is made by the Board only based on the unaudited management accounts of the Group for the year ended 31 December 2019 which is prepared in accordance with the IFRSs. The auditors of the Company have not reviewed or audited this unaudited financial information. Therefore, the unaudited financial information may be adjusted to meet the needs of the completion of the audit.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board

Zhu Jie

Chairman

Haikou, Hainan Province, PRC

29 March 2020

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