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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 2019

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**”) hereby announce the audited annual results report of the Company and its subsidiaries (collectively, the “**Group**”) as of 31 December 2019.

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 the Shenzhen Stock Exchange CNINFO (www.cninfo.com.cn) and other specified website for information disclosure.

- 1.2 The Company’s Chairman, Zhu Jie, 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 report.**
- 1.4 This announcement has been considered and approved by the fourteenth meeting of the 9th Board convened on 29 April 2020. The Audit Committee of the Board has reviewed and confirmed the Company’s financial report for 2019.**
- 1.5 The Company’s annual financial report is prepared under the PRC GAAP and the International Financial Reporting Standards (“IFRS”). The Company’s domestic auditor Mazars Certified Public Accountants LLP issued the unqualified audit report with paragraphs regarding significant uncertainties on the ability to continue as a going concern and the overseas auditor Mazars CPA Limited issued the unqualified audit report with paragraphs regarding significant uncertainties on the ability to continue as a going concern.**
- 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. Investors need to be aware of risks attached to investments.**
- 1.7 The risks that may be faced and countermeasures to be adopted by the Company are described in the “Prospect of Future Development” of “Report of the Directors” in this announcement and investors are advised to refer to the relevant section.**
- 1.8 The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves, subject to consideration and approval at the 2019 Annual General Meeting.**
- 1.9 The consolidated turnover is RMB102,341,100, increasing from 2018 by RMB70,029,600.**

1.10 Profit attributable to equity holders of the Company is RMB-40,165,700.

1.11 Earnings per share attributable to equity holders of the Company are RMB-0.05.

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

1.13 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
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
The Group	the Company and its subsidiaries
De facto controller of the Company	Hainan Province Cihang Foundation

Garden Lane Hotel	Hainan Garden Lane Flight Hotel Management Co., Ltd. (海南逸唐飛行酒店管理有限公司) (formerly known as Hainan Tangyuan Technology Co., Ltd. (海南唐苑科技有限公司), changed its name to Hainan Garden Lane Flight Hotel Management Co., Ltd. on 23 August 2019), 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 Hotel Holdings	HNA Hotel Holdings Ltd.
HNA Group	HNA Group Co., Ltd., a related party of the Company
Finance Company	HNA Group Finance Co., Ltd. (海航集團財務有限公司), 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
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

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
Lucky Air	Yunnan Lucky Air Co., Ltd., 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
Mazars	the Company's domestic auditor Mazars Certified Public Accountants LLP and the overseas auditor Mazars CPA Limited

II. CORPORATE PROFILE

- (1) Legal Chinese name: 東北電氣發展股份有限公司

Legal English name: Northeast Electric Development Company Limited

Chinese abbreviation: 東北電氣

English abbreviation: NEE

- (2) Legal representative: Zhu Jie

- (3) Executive directors: Zhu Jie (Chairman), Ma Yun, Bao Zongbao, Su Weiguo and Liu Huafen

- (4) Independent non-executive directors: Li Ming, Fang Guangrong and Qian Fengsheng
- (5) Supervisors: Zhou Jinyang (Chairman of the Supervisory Committee), Liu Lu and Hu Tao
- (6) Secretary to the Board: Ding Jishi

Representative for securities affairs: Zhu Xinguang, Xing Zhihuang

Joint company secretary and authorized representative to accept service of process and notice:
Chan Yee Ping (Michael)

Place of business and place for acceptance of service of process and notice in Hong Kong: 17/F,
Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong

- (7) Registered address of the Company:

Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National
High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province

Postal code of the registered address: 571152

Correspondence address of the Company: 22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan
District, Haikou City, Hainan Province

Postal code of the correspondence address: 570203

Telephone: 0898-68876008, 68876046

Fax: 0898-68876033

Website: www.nee.com.cn

E-mail address: dbdqshbgs@hnair.com, nemm585@sina.com

- (8) PRC newspapers for information disclosure: “Securities Times”

Website containing the annual report: www.cninfo.com.cn, www.hkexnews.hk

Place for inspection of annual report: Office of the Board

(9) Place of listing, stock names and codes

H Share:	A Share:
– Hong Kong Stock Exchange	– Shenzhen Stock Exchange
– Stock Name: Northeast Electric	– Stock Name:*ST Northeast Electric
– Stock Code: 0042	– Stock Code: 000585

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

Place of registration: No. 18, North Er Zhong Road, Tie Xi District, Shenyang, Liaoning Province, the PRC

Date of the Company's latest change of registration: 26 September 2019

Place of registration: Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province

Unified social credit code: 91210000243437397T

(11) Domestic auditor: Mazars Certified Public Accountants LLP

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

Overseas auditor: Mazars CPA Limited

Office address: 42/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

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

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

III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Financial Data

1.1 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

Items	2019	2018	Increase/ decrease of the year over last year	2017	2016	2015
Total operating revenues (RMB'000)	102,341	32,311	216.73%	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)	-41,164	-38,948		-96,661	-99,613	-776
Net cash flow arising from operating activities (RMB'000)	3,336.82	-4,495.47	-	4,596.18	-2,989.15	-1,823.72
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%

Items	As at the end of 2019	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)	477,041	505,113	5.56%	306,237	401,830	483,446
Net assets attributable to shareholders of the Company (RMB'000)	-56,590	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 prepared under the International Accounting Standards and PRC GAAP during the reporting period of the Company.

1.3 Major financial indicators by quarter

Unit: RMB

	The first quarter	The second quarter	The third quarter	The fourth quarter
Operating revenues	14,500,346.70	30,663,411.83	26,936,210.94	30,241,116.30
Net profit attributable to shareholders of the listed company	-4,965,656.38	1,041,325.64	-1,922,176.09	-34,286,671.11
Net profit attributable to shareholders of the listed company after extraordinary items	-4,965,656.38	1,041,325.64	-1,922,176.09	-34,286,671.11
Net cash flow arising from operating activities	-7,141,229.89	5,049,310.60	-10,934,637.18	3,336,820.25

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

Yes No

1.4 Extraordinary items and the related amount

√ Applicable □ Not applicable

Unit: RMB

Item	2019	2018	2017	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	
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)	767,306.37	1,070,676.39	50,000.00	
Reversal of provision for accounts receivable under separate impairment test and contract assets			9,590,990.45	
Other non-operating income and expense other than the above items	571,715.65	3,358,853.23	-309,696,590.44	
Other non-recurring gains or losses		34,695,454.56		
Less: Effect of income tax	334,755.51	1,366,600.00	163,819.81	
Impact on minority interests (after tax)	6,008.27			
Total	998,258.24	53,544,200.51	-300,396,753.03	--

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

1.5 Prepared in accordance with International Financial Reporting Standards (IFRS) and the PRC GAAP

Unit: RMB'000

Items	IFRS		PRC GAAP		
	2019	2018	2017	2016	2015
1. Turnover (RMB'000)	102,252	32,311	32,985.86	63,514.42	151,740.48
2. Profit/(loss) before taxation (RMB'000)	(39,682)	15,465	(397,992.15)	(92,316.02)	7,518.97
3. Profit/(loss) attributable to shareholders (RMB'000)	(40,166)	14,596	(398,155.97)	(92,631.66)	7,662.98
4. Total assets (RMB'000)	477,387	505,114	306,236.91	401,830.33	483,445.72
5. Total liabilities (RMB'000)	528,494	482,998	500,877.93	193,951.30	186,105.38
6. Shareholders' fund (RMB'000)	(51,107)	22,116	(194,249.87)	207,879.03	297,340.33
7. Basic earnings/(loss) per share (RMB)	(0.046)	0.02	(0.450)	(0.114)	0.006
8. Net assets per share (RMB)	(0.059)	0.025	(0.22)	0.24	0.34
9. Return on net assets (%)	0.00	0.00	0.00	(47.91%)	1.63%
10. Shareholders' interest ratio (%)	(10.71%)	4.38%	(63.35%)	51.73%	61.50%
11. Current ratio (%)	44.36%	45.76%	40.03%	208.17%	237.20%
12. Gearing ratio (%)	110.71%	95.62%	163.35%	48.27%	38.50%

IV. REPORT OF THE DIRECTORS

(1) 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 RMB102.34 million, increasing by RMB 70.3 million, accounting for 216.74% of that of the previous year; and the net loss for the year attributable to shareholders of the Company was RMB40.166 million.

(2) Priority Work

1. Removal of delisting risk warning on the 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 removed the delisting risk warning on 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 perform the obligation of information disclosure in a timely manner 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 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.

(3) Analysis of Financial Position

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

(4) Prospect of Future Development

1. Industry development trend and competition outlook

In recent years, under the impact of the international and domestic macroeconomic situation, the economy growth in China is expected to slow down, for which demands for electricity power and investment will decrease accordingly. As China continues to deepen the structural reform of supply side, the key of power grid development is switching to the construction of UHV transmission line and smart power grids, continuously boosting the market share of power generated by clean energy. In light of this, thermal power generating units are developing towards high capacity, high parameter and environmental protection. In light of the continuous spread of coronavirus across the globe, intensified downside risk of the world’s economy, and significantly increased instabilities and uncertainties, macro-economy in China is expected to face new difficulties and challenges. Meanwhile, the adjustment of economic structure and deepening supply-side reform have caused 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 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 taken 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 full 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.

(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 statements and the statement of changes in shareholders' equity.

Distributable reserve

As at 31 December 2019, according to the relevant regulations, the Company's distributable reserve is RMB-2,059,320,000. Pursuant to the resolution approved by the Board on 29 April 2020, 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 Group's short-term borrowings amounted to RMB10,500,000, primarily consisting of the secured loans borrowed from the Bank of China by our subsidiary Fuxin Busbar.

Working capital and financial resources

The net cash used in the Group's operating activities for the year ended 31 December 2019 was approximately RMB9,597,000 (2018: net cash used in operating activities of approximately RMB22,861,000).

As at 31 December 2019, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB135,274,000 (2018: RMB145,726,000) and bank loans of RMB12,000,000 (2018: bank loans of RMB4,500,000).

As of 31 December 2019, the Group had current liabilities of RMB415,284,000, non-current liabilities of RMB113,210,000, and shareholders' deficit attributable to shareholders of the Company of RMB56,590,000. Details of the capital structure of the Group are set out in the financial report of the Company's annual report.

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

Capital expenditure

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

Capital structure

The Company's sources of funds are mainly operating cash inflows and loans of substantial shareholders. As at 31 December 2019, the Group's short-term bank borrowings amounted to RMB12,000,000, and the cash and cash equivalents were RMB135,274,000 (2018: RMB145,726,000). Borrowings bear fixed interest rate, and no hedging instruments are hedged.

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

Prospects for new business

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

Significant investments held and the performance of such investments

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

Significant investments and sales

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

Segmental information of results

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

Assets pledge

As of 31 December 2019, the Company had fixed asset and net land value with fair value of RMB31.77 million and carrying amount of RMB15.80 million respectively 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 2019, the Group’s gearing ratio (calculated as total liabilities/total assets) was 111% (2018: 95%).

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 2019, the total amount of purchases from the Group's top five suppliers was RMB33,928,250.98, accounting for 62.57% of the Group's total annual purchases.

The top five suppliers have no connected relationship with the Company.

The total amount of sales to the top five customers was RMB37,600,322.37, accounting for 36.74% of the Group's total annual sales. Among them, the sales amount to the largest customer accounts for 10.83% of the total annual sales of the Group.

V. DISCUSSION AND ANALYSIS OF BUSINESS CONDITION

(I) Overview

During the reporting period, the operating income of the Company amounted to RMB102.34 million, increasing by RMB 70.3 million, accounting for 216.74% of that of the previous year; and the net loss for the year attributable to shareholders of the Company was RMB40.166 million.

(II) Revenue and Cost

(1) Composition of operating income

Unit: RMB

	2019		2018		Year-on-year increase/ decrease
	Amount	Percentage of operating income	Amount	Percentage of operating income	
Total operating income	102,341,085.77	100%	32,311,485.10	100%	216.73%
By industries					
Power transmission and transformation			32,074,907.02	99.27%	-100.00%
Others			236,578.08	0.73%	-100.00%
Production and sales of enclosed busbars	41,026,340.80	40.09%			100.00%
Hotel catering and accommodation industry	61,314,744.97	59.91%			100.00%
By products					
Enclosed busbars	41,026,340.80	40.09%	30,855,743.61	95.49%	32.96%
Power capacitors			1,219,163.41	3.77%	-100.00%
Hotel catering and accommodation			236,578.08	0.73%	-100.00%
Others	61,314,744.97	59.91%			100.00%
By regions					
Northeast China	22,185,459.39	21.68%	9,243,837.94	28.61%	140.00%
North China	14,453,326.87	14.12%	4,231,675.89	13.10%	241.55%
Central China			9,195,534.49	28.46%	-100.00%
East China			1,818,408.13	5.63%	-100.00%
South China	30,791,069.23	30.09%	356,809.67	1.10%	8,529.55%
Southwest China	15,274,884.20	14.93%	6,233,538.28	19.29%	145.04%
Northwest China	19,636,346.08	19.19%	995,102.62	3.08%	1,873.30%
Others			236,578.08	0.73%	-100.00%

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

Applicable Not applicable

Unit: RMB

	Operating income	Operating cost	Gross margin	Increase/ decrease in operating income compared with the same period of previous year	Increase/ decrease in operating cost compared with the same period of previous year	Increase/ decrease in gross margin compared with the same period of previous year
By industries						
Production and sales of enclosed busbars	41,026,340.80	34,906,183.30	14.92%	100.00%	100.00%	100.00%
Hotel catering and accommodation industry	61,314,744.97	20,943,727.79	65.84%	100.00%	100.00%	100.00%
By products						
Production and sales of enclosed busbars	41,026,340.80	34,906,183.30	14.92%	100.00%	100.00%	100.00%
Hotel catering and accommodation industry	61,314,744.97	20,943,727.79	65.84%	100.00%	100.00%	100.00%
By regions						

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

Applicable Not applicable

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

Yes No

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

Applicable Not applicable

(5) Components of operating costs

By industries

Unit: RMB

By industries	Item	2019		2018		Year-on-year increase/decrease
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Enclosed busbars	Direct material costs	29,084,761.85	83.32%	22,448,083.49	87.17%	29.56%
Enclosed busbars	Direct labour costs	2,203,620.41	6.31%	1,615,639.27	6.27%	36.39%
Enclosed busbars	Manufacturing costs	3,617,801.04	10.37%	1,678,763.38	6.52%	115.50%
Hotel catering and accommodation services	Cost of food materials	20,943,727.79		0.00	0.00%	100.00%
Power capacitors	Direct material costs			446,380.81	49.74%	-100.00%
Power capacitors	Direct labour costs			25,773.34	2.87%	-100.00%
Power capacitors	Manufacturing costs			82,685.38	9.21%	-100.00%

Remarks:

The Group is mainly engaged in the production and sales of enclosed busbars, and hotel catering and accommodation businesses.

(6) Whether consolidation scope changed during the reporting period

Yes No

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

Applicable Not applicable

Remarkable results have been achieved for proactive development of business transformation by the Company. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, 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 RMB 61 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 listed company and to further promote the transformation of the Company from the traditional manufacturing sector to modern service industry.

(8) Major customers and major suppliers

Major customers

Total sales of the top five customers (RMB)	37,600,322.37
Proportion of total sales of the top five customers over total sales for the year	36.74%
Proportion of sales of connected parties in the top five customers over total sales for the year	10.83%

Note: Customers under the control of the same de facto controller should be presented on a consolidated basis, except those actually controlled by the same state-owned asset management institution.

Top five customers

No.	Name	(RMB)	Percentage over Sales the annual total amount of sales
1	Dongguan Yujingwan Hotel	11,082,504.83	10.83%
2	Zijinghua Hotel of Jilin Province Tourism Group Co., Ltd.	8,952,460.26	8.75%
3	Changbaishan Hotel of Jilin Province Tourism Group Co., Ltd.	6,861,630.86	6.70%
4	Capital Engineering & Research Incorporation Limited	5,361,846.08	5.24%
5	CPI Power Engineering Company Limited	5,341,880.34	5.22%
Total	--	37,600,322.37	36.74%

Note: Customers under the control of the same de facto controller should be presented on a consolidated basis, except those actually controlled by the same state-owned asset management institution.

Other conditions of the major customers

Applicable Not applicable

Note: the Company should indicate whether there is connected relationship between the top five customers and the Company, and whether its directors, supervisors, senior management, key technicians, shareholders holding more than 5% of its shares and de facto controller of the Company as well as other related parties are directly or indirectly interested in the major customers.

Major suppliers

Total purchases attributable to the top five suppliers (RMB)	33,928,250.98
Proportion of total purchases attributable to the top five suppliers over total purchases for the year	62.57%
Proportion of purchases of connected parties in the top five suppliers over total purchases for the year	0.00%

Note: Customers under the control of the same de facto controller should be presented on a consolidated basis, except those actually controlled by the same state-owned asset management institution.

Top five suppliers

No.	Name	Percentage	
		Purchase (RMB)	over the annual total purchase
1	Shenyang Taihua Copper Co., Ltd.	14,041,641.21	25.89%
2	Shenyang Xinhuhao Aluminum Co., Ltd.	9,036,696.71	16.66%
3	Shenyang Haqingdong Aluminum Co., Ltd.	4,847,363.95	8.94%
4	Beijing Dongyao Restaurant Management Co., Ltd.	4,245,291.91	7.83%
5	Fuxin Special Wire Rod Plant	1,757,257.20	3.24%
Total	--	33,928,250.98	62.57%

Other conditions of the major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2019	2018	Year-on-year increase/decrease	Explanation of significant changes
Selling expenses	39,131,388.70	5,146,937.71	660.28%	Increase in selling expenses arising from new catering services
Administrative expenses	26,843,137.46	36,877,974.78	-27.21%	
Financial costs	-1,781,696.14	-299,852.96	-494.19%	Increase in financial costs recognised in accordance with lease standards
R&D expenses	1,022,056.35	1,243,087.03	-17.78%	

4. R&D investment

Applicable Not applicable

1. The design, production and type tests of all-insulated casting busbar 10KV/3150A during the test section were completed, and reports of type tests on withstand voltage, temperature rise and partial discharge issued by identification institutions in the industry were obtained.
2. The type tests of all-insulated pipe busbar 10KV/3500A during the test section were completed, and reports of type tests on withstand voltage, temperature rise and partial discharge issued by identification institutions in the industry were obtained.

During the reporting period, the contract amount for the foregoing newly developed products were approximately RMB 10 million. The most crucial step for the launch of new products in the market was taken, laying a solid foundation for the structural adjustment strategy of busbar products.

R&D investment of the Company

	2019	2018	Changes of Proportion
Number of research personnel	12	12	0.00%
Proportion of research personnel	7.40%	8.00%	-0.60%
Amount of R&D investment (RMB)	1,000,000.00	1,230,932.11	-18.76%
Proportion of R&D investment to operating incomes	0.98%	3.81%	-2.83%
Capitalization of R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalization of R&D investment to total R&D investment	0.00%	0.00%	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2019	2018	Year-on-year increase/decrease
Subtotal of cash inflow from operating activities	136,162,823.17	102,957,939.17	32.25%
Subtotal of cash outflow from operating activities	132,826,002.92	107,553,405.28	23.50%
Net cash flow from operating activities	3,336,820.25	-4,595,466.11	172.61%
Subtotal of cash inflow from investment activities	55,000,000.00	143,583,209.45	-61.69%
Subtotal of cash outflow from investment activities	68,342,384.18	67,331,511.75	1.50%
Net cash flow from investment activities	-13,342,384.18	76,251,697.70	-117.50%
Subtotal of cash inflow from financing activities	10,500,000.00	43,255,139.00	-75.73%
Subtotal of cash outflow from financing activities	10,699,807.27	38,610,932.86	-72.29%
Net cash flow from financing activities	-199,807.27	4,644,206.14	-104.30%
Impact of change foreign exchange rates on cash and cash equivalents	8,800.62	15,438.73	-43.00%
Net increase in cash and cash equivalents	-10,196,570.58	76,315,876.46	-113.36%

(III) Analysis of Non-principal Business

Applicable Not applicable

(IV) Assets and Liabilities

1. Significant changes in assets

The Company started to apply the New Accounting Standards for Business Enterprises (“ASBEs”) on Financial Instrument, the New ASBEs on Revenue or the New ASBEs on Leasing in 2019 and adjusted the relevant items in the financial statements at the beginning of the year of adoption.

Applicable Not applicable

Unit: RMB

	As at the end of 2019		As at the beginning of 2019		Increase/ decrease in percentage	Explanation of significant changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary fund	135,274,303.72	28.36%	145,725,658.23	28.85%	-0.49%	
Receivables	27,140,493.40	5.69%	21,774,633.39	4.31%	1.38%	Increased due to the growth of operating income
Inventory	16,909,715.61	3.54%	9,588,337.76	1.90%	1.64%	Increased due to the growth of operating income
Fixed assets	49,802,006.47	10.44%	50,136,802.72	9.93%	0.51%	
Construction in progress	1,675,214.67	0.35%	2,803,418.80	0.56%	-0.56%	
Short-term borrowings	10,500,000.00	2.20%	4,500,000.00	0.89%	1.31%	Increase of floating loans of Fuxin Busbar
Long-term borrowings						

Restricted assets right as at the end of the reporting period

Item	Carrying amount at the end of year	Reasons for restriction
Monetary fund	60,746,536.07	Guarantees
Fixed assets	1,126,691.30	Security for loans
Intangible assets	14,675,394.97	Security for loans
Total	76,548,622.34	

2. Asset and liability at fair value

Applicable Not applicable

Unit: RMB

Item	Gain or loss		Cumulative		Purchases	Sales	Other	Closing
	Opening	for the	changes in	Provision for				
	balance	current period	fair value	impairment	during the	during the	changes	balance
Financial assets								
Other equity								
investments	230,996,496.87						198,078,808.21	
Total	230,996,496.87						198,078,808.21	

Other changes

Whether there were significant changes in the measurement nature of major assets of the Company during the reporting period

Yes No

Description for reasons of significant changes in the measurement nature of major assets of the Company during the reporting period and the influence on operating results and financial position

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

- (1) Of other cash and equivalents as at the end of the year, RMB 5,746,536.07 is the deposits for performance guarantee.
- (2) Overseas deposits represent deposits with banks in Hong Kong, which are not restricted.

(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 Company's asset structure, minimize the impairment loss of assets, and protect the interests of investors, the Board of the Company determined to dispose of the loss-making subsidiary NNE Jinzhou PC on 17 September 2017, which was considered and approved by the Shenzhen Stock Exchange, Hong Kong Stock Exchange, and the second extraordinary general meeting of the Company for 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.

(VII) Analysis of Major Subsidiaries and Investees

√Applicable Not applicable

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

Unit: RMB

Name	Type	Principal business	Registered capital	Total asset	Net asset	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	72,727,820.39	57,419,365.19	0.00	-135,341.53	-135,341.53
Gaocai Technology Co., Ltd. (高才科技有限公司)	Subsidiary	Investment	US\$ 1	85,541,628.60	5,005,095.79	0.00	-7,022.24	-7,022.24
Shenyang Kaiyi Electric Co., Ltd. (沈陽凱毅電氣有限公司)	Subsidiary	Manufacturing of electrical equipment	RMB1 million	51,716,811.52	-54,470,324.23	0.00	-42,967,712.48	-42,968,076.90
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary	Manufacturing of enclosed busbars	US\$8.5 million	114,644,514.00	-35,272,924.10	41,026,340.80	-11,336,195.25	-11,583,074.62
Hainan Garden Lane Flight Hotel Management Co., Ltd. (海南逸唐飛行酒店管理有限公司)	Subsidiary	Hotel business	RMB50 million	371,857,304.42	204,539,422.41	61,314,744.97	5,164,932.16	4,166,642.78
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary	Electric power engineering	RMB10 million	13,307,687.35	6,997,198.48	0.00	-91,407.00	-91,407.00

(VIII) Production and Operation

1.1 Completion of the technical transformation project and expanding after-sales maintenance business

During the reporting period, Fuxin Busbar, a wholly-owned subsidiary of the Company, completed technical transformation and all new plants were put into operation, which significantly enhanced the technological level of our busbar manufacturing, improved our market competitiveness, and radically reversed the trend of shrinking orders due to outdated equipment and declining technologies. Meanwhile, by leveraging on the original power station customers, Fuxin Busbar provided repair, maintenance after-sales services for busbar products to increase service income and profits.

1.2 New hotel business

Remarkable results have been achieved for proactively pushing ahead business transformation by the Company. Garden Lane Hotel, a wholly-owned subsidiary of the Company, entered into lease agreement and hotel entrusted management agreement with hotels controlled by the related party HNA Group. Since February 2019, relevant businesses have been gradually launched. Income from new hotel business throughout 2019 amounted to over RMB 61 million. Relying on the management's extensive management experience and expertise in the hotel industry, a unique and boutique airport hotel will be created, which will inject new vitality into the continuing operation of the listed company and promote transformation from traditional manufacturing to modern service.

1.3 Strengthening the prevention of financial risks

During the reporting period, the Company strengthened internal financial management and monitoring. Specifically, it focused on the follow-up of key projects, and set reasonable targets and laid down concrete measures in a targeted manner, which played a positive role in preventing financial risks and improving operating performance.

1.4 Reinforcing human resource management to enhance human resource quality

During the reporting period, the Company focused on building a stronger human resources team and adjusting its employee structure in combination with the operations of subsidiaries, which observably improved the quality and capabilities of its staff, and provided a more reasonable staffing structure while meeting the Company's management and operating needs.

VI. IMPORTANT MATTERS

(I) Substantial Connected Transactions of the Company for the Year

1. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the substantial connected transaction of the Company for 2019 is as follows:

Nil

2. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the continuing connected transactions of the Company for 2019 are as follows:

(1) Financial Service Agreement with Finance Company

To adapt to the development of the Company, further optimize the financial business process, reduce financial cost, improve the capital utilization efficiency and maximum its benefits, the Company and Finance Company signed the Financial Services Agreement on 17 July 2018 with a term of 3 years starting from 17 July 2018. According to the Financial Services Agreement, Finance Company agrees to provide credit service, deposit service, fund settlement service and other financial services approved by CBRC for the Company and its subsidiaries. As of 31 December 2019, the balance of the deposits the Company and its subsidiaries placed with Finance Company was RMB70,573,997.62.

(2) Lease agreements with the lessors (I)

Garden Lane Hotel (a 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 Resort 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), and the lessors are related parties of the Company. The principal businesses of the lessors include hotel management, consultation and other businesses.

To further expand the hotel business, Garden Lane Hotel entered into the Lease Agreements with the lessors on 17 July 2018 for a term of 3 years, starting from 1 July 2018 to 30 June 2021. According to the Lease Agreements, the lessors agreed to lease the Leased Properties to Garden Lane Hotel. During the reporting period in 2019, Garden Lane Hotel incurred relevant lease expense of RMB12,143,595.93.

(3) Lease agreement with the lessor (II)

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

During the reporting period in 2019, Garden Lane Hotel incurred relevant lease expense of RMB1,047,619.04.

The independent non-executive Directors of the Company unanimously confirmed that the continuing connected transactions of the Group in 2019 were carried out:

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

In respect of the above continuing connected transactions (the “**Transactions**”) specified in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, Mazars CPA Limited has performed the relevant reviews for the Transactions for the year ended 31 December 2019 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 set by the Company.

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

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

(II) Significant Litigations and Arbitrations

1. The litigation on the application made by Fushun Electric Porcelain for adjudicating NEE as a person subject to enforcement

The Company received the Notice of Appearance ((2019) Qiong 96 Min Chu No.381) on adjudicating NEE as a person subject to enforcement, the bill of indictment, and other related litigation materials served by the First Intermediate People’s Court of Hainan Province on 16 July 2019. The lawsuit has not yet been heard, the final judgment of the court has not been reached, and the enforcement procedure has not begun. For more details, please refer to the Announcement on Litigation (announcement No.: 2019-056) dated 23 July 2019.

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

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

(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 “**(III) Appointment**” in “**Directors, Supervisors, Senior Management and Employees**”.

Service contracts of Directors and Supervisors

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

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

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

Directors and Supervisors' interests in arrangements or contracts

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

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

Remuneration policy

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

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

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

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

Auditor

In view of the expiry of the term of Ruihua Certified Public Accountants LLP, the Company’s auditor for the year of 2018, and based on the business development, and the audit supervision needs of the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, the Company engaged Mazars Certified Public Accountants LLP as the domestic auditor for financial statements and internal control of the Company for the year of 2019 and the Mazars CPA Limited as the international auditor for the year of 2019 for a term of one year, and authorized the Board to determine the remuneration, upon consideration and approval at the ninth meeting of the ninth Board held on 20 November 2019 and the second extraordinary general meeting on 23 December 2019. This change in auditor comes into effect from the date of approval at the second general meeting on 23 December 2019.

Mazars Certified Public Accountants LLP was employed as the domestic auditor for the Company's annual financial report in 2019, responsible for auditing the internal control on financial report established by the Company in accordance with the Basic Standard for Enterprise Internal Control and relevant regulations as of 31 December 2019, and issuing audit opinions on its effectiveness. A total of RMB450,000 of annual audit fee was charged. Meanwhile, Mazars CPA Limited charged RMB450,000 of annual audit fee.

Public float

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

Audit Committee

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

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

The ninth session of the Audit Committee of the Company has reviewed the final results and results report of the Group for the year ended 31 December 2019, the accounting policies and practices adopted by the Company, and has discussed on internal control and financial report.

Corporate governance

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

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2019, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Due to the resignation of the former general manager of the Company, Mr. Zhu Jie, the Chairman, is acting as the general manager now.

Changes in accounting policy

On 7 December 2018, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No.21 – Leases (Cai Kuai [2018] No.35), pursuant to the provisions of transitional period in which, A/H dual-listed companies are required to implement the New Leasing Rules since 1 January 2019.

On 30 April 2019, the Ministry of Finance issued the Notice on Revising and Issuing the Format of 2019 Financial Statements for General Enterprises (Cai Kuai [2019] No.6), revising the format of financial statements for general enterprises. Pursuant to the Notice, the Company adjusted the format of its financial statements and implemented the revised format in the 2019 interim financial report.

On 9 May 2019, the Ministry of Finance released the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets (Cai Kuai [2019] No.8), which revises the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets and requires enterprises that adopt the Accounting Standards for Business Enterprises should apply since 10 June 2019.

On 16 May 2019, the Ministry of Finance released the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (Cai Kuai [2019] No.9), which revises the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring and requires enterprises that adopt the Accounting Standards for Business Enterprises should apply since 17 June 2019.

On 19 September 2019, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019) (Cai Kuai [2019] No.16, the “**Revision Notice**”), which revises the format of consolidated financial statements. According to the Revision Notice, all enterprises adopting the new accounting standards in finance shall adjust their consolidated financial statements accordingly in combination with the Revision Notice and it shall be applicable to the consolidated financial statements for 2019 and subsequent periods.

In light of the above amendments to accounting standards, the Company changed its original accounting policies accordingly upon consideration and approval by the Board.

Analysis on reasons for changes in accounting policy and accounting estimate compared with the financial report of last year and the impact thereof

The Ministry of Finance issued the amended IFRS 16 – Leases (the “**New Leasing Rules**”) in 2018 with effect from 1 January 2019. The Group has adopted the New Leasing Rules in the preparation of the financial statements for 2019. As permitted under the transitional provisions in the standard, the Group did not restate comparative figures in 2018 annual report. The reclassifications and adjustments arising from the New Leasing Rules are therefore recognized in the opening balance sheet on 1 January 2019.

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	Capital reserve		Others	Subtotal	Number	Percentage
				Bonus shares	converted to shares				
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

Total number: 59,456

Name of shareholder	Nature of shareholder	Shareholding ratio	Shares held at	Increase or	Number of shares subject to trading moratorium	Number	Shares pledged or frozen	
			the end of the reporting period	decrease during the reporting period		of shares not subject to trading moratorium	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	1.34%	11,663,401	4,311,301		11,663,401		
Fu Lianjun	Domestic natural person	0.57%	4,974,489	2,589,800	0	4,974,489		
Liang Liusheng	Domestic natural person	0.43%	3,818,200	1,104,300	0	3,818,200		
Shi Yubo	Domestic natural person	0.41%	3,560,000	0	0	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	0.36%	3,150,951	271,750	0	3,150,951		
Zhao Rui	Domestic natural person	0.31%	2,735,710	1,142,924	0	2,735,710		
Li Lin	Domestic natural person	0.31%	2,704,187	2,704,187	0	2,704,187		

Notes:

- (1) So far as the Company is aware, there is no connected relationship among the top ten shareholders, nor are they persons acting in concert as required in the Administrative Measures for Information Disclosure of Listed Company.
- (2) Based on the public information as at the latest practicable date prior to the publication of this report and to the knowledge of Directors, the Company confirmed that there was sufficient public float in its shares.

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

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

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

(5) Pre-emptive rights

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

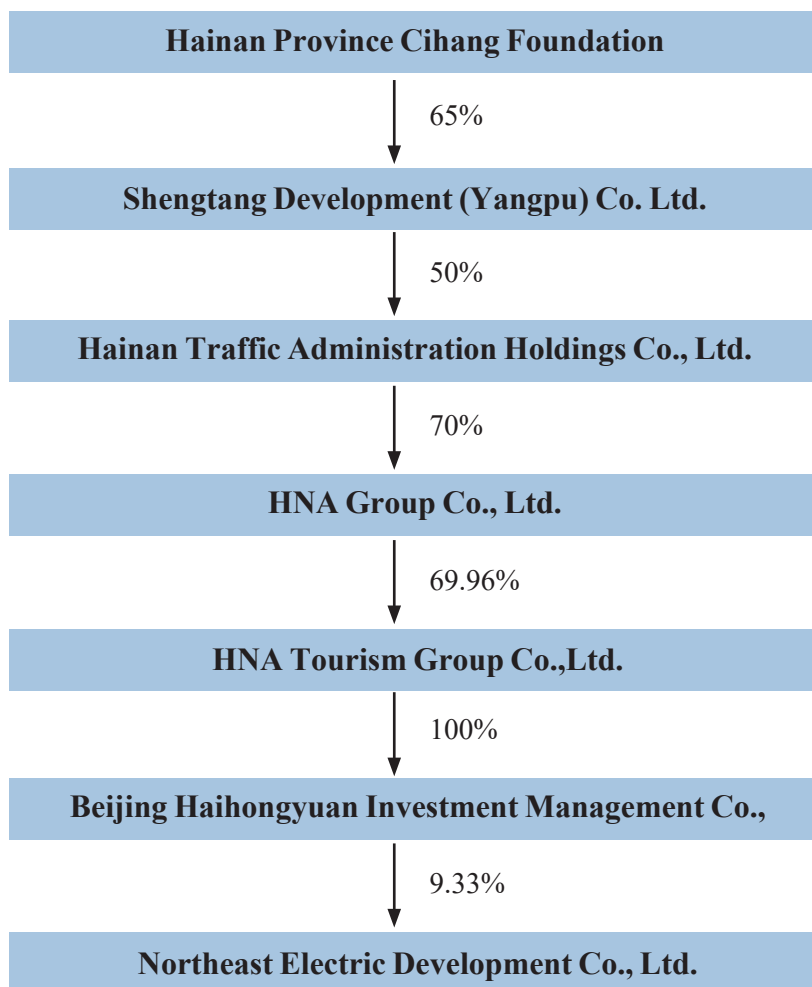
(6) Convertibles, options, warrants or other similar rights

As of 31 December 2019, 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, extending the term to 21 March 2025.

(III) 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 is as follows:



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

VIII. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of	Increase/	Number of	Total pre-tax
							shares held at the beginning of the period (shares)	decrease in shares held the number of shares held period (shares)	shares held at the end of the period (shares)	remuneration from the Company (RMB0'000)
Zhu Jie	Director, Chairman	Incumbent	Male	39	11 March 2019	10 March 2022	0	0	0	0
Li Tie	Former Director, former Chairman	Resigned	Male	44	25 May 2018	21 August 2019	0	0	0	0
Li Rui	Former Director, former Vice Chairman, former general manager	Resigned	Male	43	11 May 2017	10 January 2020	0	0	0	23.2
Ma Yun	Director	Incumbent	Female	39	11 March 2019	10 March 2022	0	0	0	0
Bao Zongbao	Director	Incumbent	Male	37	5 June 2017	10 March 2022	0	0	0	0
Su Weiguo	Director, deputy general manager	Incumbent	Male	58	3 December 2018	10 March 2022	0	0	0	128.7
Liu Huafen	Director	Incumbent	Female	46	23 December 2019	10 March 2022	0	0	0	0
Qin Jianmin	Director	Resigned	Male	69	26 June 2018	10 March 2019	0	0	0	0
Li Ming	Independent director	Incumbent	Male	67	25 May 2018	10 March 2022	0	0	0	12
Fang Guangrong	Independent director	Incumbent	Male	65	11 March 2019	10 March 2022	0	0	0	0
Qian Fengsheng	Independent director	Incumbent	Male	56	11 March 2016	10 March 2022	0	0	0	12
Jin Wenhong	Former independent director	Resigned	Male	70	11 March 2016	10 March 2019	0	0	0	2
Zhou Jinyang	Shareholder representative supervisor	Incumbent	Male	55	29 October 2018	10 March 2022	0	0	0	26.5

Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of			Total pre-tax remuneration from the Company (RMB0'000)
							shares held at the beginning of the period (shares)	Increase/decrease in the number of shares held	Number of shares held at the end of the period (shares)	
Liu Lu	Shareholder representative supervisor	Incumbent	Female	30	23 December 2019	10 March 2022	0	0	0	10.4
Hu Tao	Employee representative supervisor	Incumbent	Male	35	29 August 2019	10 March 2022	0	0	0	32
Lei Xiao	Former shareholder representative supervisor	Resigned	Female	30	29 October 2018	23 December 2019	0	0	0	8.1
Li Wei	Former employee representative supervisor	Resigned	Male	34	29 October 2018	29 August 2019	0	0	0	35
Wang Kai	Deputy general manager, Chief Finance Officer	Incumbent	Male	45	12 March 2019	10 March 2022	0	0	0	65.6
Ding Jishi	Secretary to the Board	Incumbent	Male	35	29 August 2019	10 March 2022	0	0	0	60.4
Xiao Xun	Former deputy general manager, former Chief Finance Officer	Resigned	Male	33	9 March 2018	10 March 2019	0	0	0	11
Zhao Guogang	Former deputy general manager, former risk control director	Resigned	Male	37	9 March 2018	10 March 2019	0	0	0	0
Xiong Haocheng	Former deputy general manager	Resigned	Female	35	9 March 2018	10 March 2019	0	0	0	12
Total:										438.8

(II) Changes in Directors, Supervisors and Senior Management

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

Name	Position	Type	Date	Reason
Zhu Jie	Chairman	Appointment	29 August 2019	Job demand
Li Tie	Former Director, former Chairman	Resigned	19 August 2019	Work adjustment
Li Rui	Former Director, former Vice Chairman	Resigned	10 January 2020	Work adjustment
Ma Yun	Director	Appointment	11 March 2019	Job demand
Liu Huafen	Director	Appointment	23 December 2019	Job demand
Fang Guangrong	Independent Director	Appointment	11 March 2019	Job demand
Qin Jianmin	Former Director	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Jin Wenhong	Former independent Director	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Qian Fengsheng	Independent Director	Resigned	9 December 2019	Applied for resignation due to personal reason but not yet effective
Lei Xiao	Former shareholder representative supervisor	Resigned	23 December 2019	Work adjustment
Liu Lu	Shareholder representative supervisor	Appointment	23 December 2019	Job demand
Wang Kai	Deputy general manager, Chief Finance Officer	Appointment	12 March 2019	Job demand
Su Weiguo	Deputy general manager	Appointment	29 August 2019	Job demand
Ding Jishi	Secretary to the Board	Appointment	29 August 2019	Job demand
Xiong Haocheng	Former deputy general manager	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Xiao Xun	Former deputy general manager, former financial manager	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Zhao Guogang	Former deputy general manager, former risk control director	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office

(III) Employment

1. Directors of the 9th session of the Board

(1) Non-independent Directors

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 and president of Hainan HNA International Hospitality Management Limited, and a Director and the Chairman 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 Urban Construction 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 Co., Ltd. She currently serves as a director 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 an executive director 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., a Sino-Japanese joint venture. He is currently a Director of the 9th session of the Board and a deputy general manager of the Company, and the chairman of Fuxin Enclosed Busbar Co., Ltd.

Ms. Liu Huafen, born in 1974, with Chinese nationality and without the right of permanent residence abroad, graduated from Netherlands Maastricht School and Hong Kong Polytechnic University and obtained a master degree in business administration and a master degree in Management of Hospitality and Travel. She once served as the general manager of Hainan HNA International Business Hospitality Management Co., Ltd., (海南海航國際商務酒店管理有限公司), the general manager of Hainan HNA Guest House Co., Ltd., (海南海航迎賓館有限公司), and the head of the operation management department of Hainan HNA International Hospitality Management Limited (海南海航國際酒店管理有限公司). She currently serves as a director of Hainan HNA International Hospitality Management Limited.

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

Mr. 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, 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, and the member of the Accounting Basic Theory Special Committee in the Ministry of Finance. He currently serves as an independent Director of the 9th session of the Board of the Company.

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

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

1) Strategic Development Committee

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

2) Nomination Committee

Chairman: Mr. Li Ming

Members: Mr. Fang Guangrong

3) Remuneration Committee

Chairman: Mr. Fang Guangrong

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

4) Investment Management Committee

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

5) Audit Committee

Chairman: Mr. Li Ming

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

2. 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. Liu Lu, born in 1990, with Chinese nationality and without the right of permanent residence abroad, graduated from Liaoning University in finance major with a bachelor's degree in economics. She once served as a senior supervisor of the accounting business department of Hainan HNA Financial Sharing Co., Ltd. (海南海航財務共用服務代理有限公司). She currently serves as the business manager of the financial department of the Company.

(2) Employee representative supervisor

Mr. Hu Tao, born in 1985, with Chinese nationality and without the right of permanent residence abroad, is a Certified Internal Control Professional. He graduated from Jilin University of Finance and Economics with a bachelor's degree in economics and majored in tax. He once served as the business director of risk control department in China Civil Aviation Investment Group Co., Ltd., a deputy general manager of risk control department in Beijing Jinglv Shenghong Investment Management Co., Ltd., a vice section chief of internal audit department of the Company.

3. Members of the senior management

Mr. Su Weiguo, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a senior economist and graduated from Harbin University of Science and Technology with a major in heat treatment and later from Dalian Maritime University with a major in international economic law, and obtained a bachelor's degree in engineering and a master's degree in law. He served as the section chief of the business management department, deputy general manager, secretary to the Board, general manager and chairman of the Company, the section chief of business management department, assistant 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., a Sino-Japanese joint venture. He is currently a Director of the 9th session of the Board and a deputy general manager of the Company, and the chairman of Fuxin Enclosed Busbar Co., Ltd.

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 the Chief Financial Officer and a deputy general manager of the Company.

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

IX. FINANCIAL STATEMENTS

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

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary funds	135,274,303.72	145,725,658.23
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable	27,140,493.40	21,774,633.39
Receivables financing		
Advances to suppliers	1,019,555.51	1,941,493.37
Other receivables	759,602.00	3,063,837.30
Including: Interests receivable		
Dividends receivable		
Inventories	16,909,715.61	9,588,337.76
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	2,751,718.63	1,039,590.89
Total current assets	183,855,388.87	183,133,550.94

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2019	31 December 2018
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		22,484,598.52
Other equity instrument investments	198,078,808.21	230,996,496.87
Other non-current financial assets		
Investment properties		
Fixed assets	49,802,006.47	50,136,802.72
Construction in progress		2,803,418.80
Biological assets held for production		
Oil and gas assets		
Right-of-use assets	25,749,336.93	
Intangible assets	14,675,394.97	15,029,136.13
Development expenditure		
Goodwill		
Long-term deferred charges	40,728.78	529,476.54
Deferred income tax assets		
Other non-current assets	4,839,800.00	
Total non-current assets	293,186,075.36	321,979,929.58
Total asset	477,041,464.23	505,113,480.52

Consolidated Balance Sheet (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2019	31 December 2018
Current liabilities:		
Short-term borrowings	10,500,000.00	4,500,000.00
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	18,436,024.06	12,221,771.06
Advances from customers		2,637,043.59
Contract liabilities	10,233,056.45	
Employment benefits payable	3,275,574.02	1,554,344.98
Taxes and fees payable	1,346,933.20	2,253,284.13
Other payables	362,381,183.75	377,060,369.30
Including: Interests payable	17,363.75	5,712.50
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	8,765,817.72	
Other current liabilities		
Total current liabilities	414,938,589.20	400,226,813.06

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2019	31 December 2018
Non-current liabilities:		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	17,486,748.75	
Long-term payables		
Long-term employee benefits payable		
Provisions	72,099,690.00	72,099,690.00
Deferred income	23,623,291.13	10,670,597.50
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	113,209,729.88	82,770,287.50
Total liabilities	528,148,319.08	482,997,100.56

Consolidated Balance Sheet (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2019	31 December 2018
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,082,848,805.11	1,074,828,788.67
Less: Treasury stock		
Other comprehensive income	-62,076,254.02	-29,012,497.21
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Retained earnings	-2,059,319,937.47	-2,019,154,197.71
Total equity attributable to shareholders of the Parent	-56,590,261.98	8,619,218.15
Minority interests	5,483,407.13	13,497,161.81
Total shareholders' equity	-51,106,854.85	22,116,379.96
Total liabilities and shareholders' equity	477,041,464.23	505,113,480.52

Consolidated Income Statement

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Total operating income	102,341,085.77	32,311,485.10
Including: Revenue from operation	102,341,085.77	32,311,485.10
II. Total operating costs	122,262,685.63	71,205,017.97
Including: Cost for operation	55,849,911.09	26,795,496.70
Taxes and surcharges	1,197,888.17	1,441,374.71
Selling expenses	39,131,388.70	5,146,937.71
Administrative expenses	26,843,137.46	36,877,974.78
Research and development expenses	1,022,056.35	1,243,087.03
Financial costs	-1,781,696.14	-299,852.96
Including: Interest expense	1,277,682.75	508,574.91
Interest income	3,203,171.66	896,055.67
Add: Other income	767,306.37	1,070,676.39
Investment income (loss presented with “-” prefix)		34,685,634.73
Including: Investment income from associates and joint ventures		-9,819.83
Gain on derecognition of financial assets measured at amortised cost		
Net open hedge income (loss presented with “-” prefix)		
Gain from changes in fair value (loss presented with “-” prefix)		
Credit impairment loss (loss presented with “-” prefix)	1,384,647.24	-477,824.54
Asset impairment loss (loss presented with “-” prefix)	-22,484,598.52	-64,818.41
Gain on disposal of assets (loss presented by “-” prefix)		15,804,474.53

Consolidated Income Statement (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Profit from operation (loss presented with “-” prefix)	-40,254,244.77	12,124,609.83
Add: Non-operating income	848,362.13	3,434,659.42
Less: Non-operating expenses	276,646.48	94,464.39
IV. Total profits (total loss presented with “-” prefix)	-39,682,529.12	15,464,804.86
Less: Income tax expenses	450,648.82	1,366,600.00
V. Net profit (net loss presented with “-” prefix)	-40,133,177.94	14,098,204.86
A. Classified by business continuity		
1. Profit or loss from continued operations (net loss presented with “-” prefix)	-40,133,177.94	14,098,204.86
2. Net profit from discontinued operations (net loss presented with “-” prefix)		
B. Classified by ownership		
1. Net profit attributable to shareholders of the Parent (net loss presented with “-” prefix)	-40,165,739.76	14,596,076.43
2. Profits and losses attributable to minority interests (net loss presented with “-” prefix)	32,561.82	-497,871.57

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
VI. Net after-tax other comprehensive income	-33,090,056.87	817,989.99
A. Net after-tax other comprehensive income attributable to shareholders of the Parent	-33,063,756.81	856,569.54
1. Other comprehensive income not reclassifiable to profit or loss	-32,891,388.60	-2,206,187.28
(1) Remeasurement of changes in defined benefit plans		
(2) Other comprehensive income of non-convertible profit and loss under the equity method		
(3) Changes in fair value of other equity instruments investment	-32,891,388.60	-2,206,187.28
(4) Impairment provision for other equity instruments investment		
(5) Others		
2. Other comprehensive income reclassifiable to profit or loss	-172,368.21	3,062,756.82
(1) Other comprehensive income of convertible profit and loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) The amount of financial assets reclassified into other comprehensive income		
(4) Other debt investment credit impairment provisions		
(5) Cash flow hedge reserve (Effective elements of gain or loss of cash flow hedges)		
(6) Exchange difference on translation of foreign financial statements	-172,368.21	3,062,756.82
(7) Others		
B. Net after-tax other comprehensive income attributable to minority interests	-26,300.06	-38,579.55

Consolidated Income Statement (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
VII. Total comprehensive income	-73,223,234.81	14,916,194.85
A. Total comprehensive income attributable to shareholders of the Parent	-73,229,496.57	15,452,645.97
B. Total comprehensive income attributable to minority interests	6,261.76	-536,451.12
VIII. Earning per share:		
A. Basic earning per share (RMB per share)	-0.05	0.02
B. Diluted earning per share (RMB per share)	-0.05	0.02

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Cash flows from operating activities:		
Cash received for sales of goods and rendering of services	110,060,046.91	43,560,205.08
Tax refund received		
Other cash receipts relating to operating activities	26,102,776.26	59,397,734.09
Cash inflows from operating activities (subtotal)	136,162,823.17	102,957,939.17
Cash payments for purchase of goods and services	64,295,468.91	32,220,644.46
Cash paid to or on behalf of employees	26,143,925.50	21,305,858.85
Taxes and fees paid	4,053,158.08	1,989,145.48
Other cash payments relating to operating activities	38,333,450.43	52,037,756.49
Cash outflows for operating activities (subtotal)	132,826,002.92	107,553,405.28
Net cash flows from operating activities	3,336,820.25	-4,595,466.11
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 and other long-term assets		595,510.00
Net cash received from disposal of subsidiaries and other invested entities		102,987,699.45
Other cash receipts relating to investing activities	55,000,000.00	40,000,000.00
Cash inflows from investing activities (subtotal)	55,000,000.00	143,583,209.45
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets	13,342,384.18	2,331,511.75
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other invested entities		
Other cash payments relating to investing activities	55,000,000.00	65,000,000.00
Cash outflows for investing activities (subtotal)	68,342,384.18	67,331,511.75
Net cash flows from investing activities	-13,342,384.18	76,251,697.70

Consolidated Statement of Cash Flows (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Cash flows from financing activities:		
Cash received from investors		
Including: Cash received from minority shareholders of subsidiaries		
Cash received from loans raised	10,500,000.00	43,100,800.00
Other cash receipts relating to financing activities		154,339.00
Cash inflows from financing activities (subtotal)	10,500,000.00	43,255,139.00
Cash paid for debt repayment	4,500,000.00	38,115,126.90
Cash paid for dividends, profit distribution and interests	229,362.34	495,805.96
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries		
Other cash payments relating to financing activities	5,970,444.93	
Cash outflows for financing activities (subtotal)	10,699,807.27	38,610,932.86
Net cash flows from financing activities	-199,807.27	4,644,206.14
IV. Impact of change of foreign exchange rates on cash and cash equivalents	8,800.62	15,438.73
V. Net increase of cash and cash equivalents	-10,196,570.58	76,315,876.46
Add: cash and cash equivalents opening balance	84,724,338.23	8,408,461.77
VI. Cash and cash equivalents closing balance	74,527,767.65	84,724,338.23

Consolidated Statement of Changes in Shareholders' Equity (31 December 2019)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year											Total shareholders' equity	
	Equity attributable to shareholders of the Parent												
	Other equity instruments				Other								
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Subtotal	Minority interests	
I. Closing balance of the preceding year	87,337,000.00				1,074,828,788.67		-2,902,497.21		106,897,124.40	-2,019,154,197.71	8,609,218.15	13,497,161.81	22,116,379.96
Add: Changes of accounting policies													
Correction of prior period errors													
Business combination under common control													
Others													
II. Opening balance of the current year	87,337,000.00				1,074,828,788.67		-2,902,497.21		106,897,124.40	-2,019,154,197.71	8,609,218.15	13,497,161.81	22,116,379.96
III. Changes for the period (decrease presented by "-" prefix)					8,020,016.44		-33,063,756.81			-40,165,739.76	-65,209,800.13	-8,013,754.68	-73,222,234.81
A. Total comprehensive income							-33,063,756.81			-40,165,739.76	-73,229,496.57	6,361.76	-73,222,234.81
B. Shareholders' contribution and capital decline													
1. Contribution by shareholders of ordinary shares													
2. Contribution by holders of other equity instruments													
3. Share-based payments directly recognised in equity													
4. Others													

Consolidated Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										Total shareholders' equity	
	Equity attributable to shareholders of the Parent											
	Other equity instruments			Less: Treasury stock			Other comprehensive income			Subtotal		
Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Retained earnings		Minority interests	
C. Profit distribution												
1. Recognition of surplus reserves												
2. Recognition of provision for general risks												
3. Distribution to shareholders												
4. Others												
D. Movements within equity												
1. Capital reserves transferred to capital (or share capital)					8,020,016.44				8,020,016.44			-8,020,016.44
2. Surplus reserves transferred to capital (or share capital)												
3. Loss set-off by surplus reserves												
4. Set the benefit plan change amount to carry forward retained earnings												
5. Other comprehensive income carry-over retained earnings												
6. Others					8,020,016.44				8,020,016.44			-8,020,016.44

Consolidated Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year											Total
	Equity attributable to shareholders of the Parent											
	Other equity instruments			Less: Treasury stock			Other comprehensive income			Subtotal		
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Minority interests	equity
E. Designated reserves												
1. Recognition during the current period												
2. Withdrawal during the current period												
F. Others												
IV. Closing balance of the current year	873,370,000.00				1,082,848,805.11		-62,076,254.02		108,597,134.40	-2,059,319,937.47	5,483,407.13	-51,106,854.85

Consolidated Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year												
	Equity attributable to shareholders of the Parent												
	Other equity instruments			Less:		Other			Total				
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Subtotal	Minority interests	shareholders' equity
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	-198,631,842.02	3,990,824.31	-194,641,017.71	
Add: Changes of accounting policies										392,029.45	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	-198,239,812.57	3,989,939.04	-194,249,873.53	
III. Changes for the period (decrease presented by "-") (profits)					191,406,384.75		856,569.54	14,596,076.43	14,596,076.43	206,859,080.72	9,507,222.77	216,366,253.49	
A. Total comprehensive income							856,569.54		14,596,076.43	14,596,076.43	15,452,645.97	-536,451.12	149,161,944.85
B. Shareholders' contribution and capital decline					191,406,384.75						191,406,384.75	10,043,673.89	201,450,058.64
1. Contribution by shareholders of ordinary shares													
2. Contribution by holders of other equity instruments													
3. Share-based payments directly recognised in equity													
4. Others					191,406,384.75						191,406,384.75	10,043,673.89	201,450,058.64

Consolidated Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year										Total shareholders' equity	
	Equity attributable to shareholders of the Parent											
	Share capital	Preferred shares	Sustainable debts	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings		Subtotal
C. Profit distribution												
1.												
2.												
3.												
4.												
D. Movements within equity												
1.												
2.												
3.												
4.												
5.												
6.												

Consolidated Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year											Total shareholders' equity				
	Equity attributable to shareholders of the Parent															
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Subtotal		Minority interests			
E. Designated reserves																
1. Recognition during the current period																
2. Withdrawal during the current period																
F. Others																
IV. Closing balance of the current year	873,370,000.00				1,074,828,788.67		-2,002,497.21		108,897,134.40	-2,019,154,197.71	8,619,218.15	13,497,161.81		22,116,379.96		

Balance Sheet (31 December 2019)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary funds	893.51	131,150.21
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Advances to suppliers		1,668,168.36
Other receivables	258,324,138.60	265,704,605.00
Including: Interests receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	566,304.82	718,327.52
Total current assets	258,891,336.93	268,222,251.09

Balance Sheet (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2019	31 December 2018
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	56,436,473.03	56,436,473.03
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	25,826.92	32,630.16
Construction in progress		
Biological assets held for production		
Oil and gas assets		
Right-of-use assets		
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred charges	40,728.78	529,476.54
Deferred income tax assets		
Other non-current assets		
Total non-current assets	56,503,028.73	56,998,579.73
Total asset	315,394,365.66	325,220,830.82

Balance Sheet (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2019	31 December 2018
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers		581,743.59
Contract liabilities	581,743.59	
Employment benefits payable	1,059,047.18	472,797.28
Taxes and fees payable	339,467.85	243,342.01
Other payables	337,074,394.71	337,056,335.75
Including: Interests payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	339,054,653.33	338,354,218.63

Balance Sheet (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2019	31 December 2018
Non-current liabilities:		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	72,099,690.00	72,099,690.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	72,099,690.00	72,099,690.00
Total liabilities	411,154,343.33	410,453,908.63

Balance Sheet (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2019	31 December 2018
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 stock		
Other comprehensive income		
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Retained earnings	-2,073,438,269.53	-2,062,911,369.67
Total shareholders' equity	-95,759,977.67	-85,233,077.81
Total liabilities and shareholders' equity	315,394,365.66	325,220,830.82

Income Statement (31 December 2019)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Income from operation	3,773,584.91	
Less: Cost for operation		
Taxes and surcharges		15.00
Selling expenses		
Administrative expenses	14,292,247.02	12,531,574.35
Research and development expenses		
Financial costs	8,237.75	-72,008.92
Including: Interest expense		
Interest income	706.47	75,987.48
Add: Other income		
Investment income (loss presented with “-” prefix)		
Including: Investment income from associates and joint ventures		
Gain on derecognition of financial assets measured at amortised cost		
Net open hedge income (loss presented with “-” prefix)		
Gain from changes in fair value (loss presented with “-” prefix)		
Credit impairment loss (loss presented with “-” prefix)		-574,087.73
Asset impairment loss (loss presented with “-” prefix)		
Gain on disposal of assets (loss presented by “-” prefix)		
II. Profit from operation (loss presented with “-” prefix)	-10,526,899.86	-13,033,668.16
Add: Non-operating income		3,260,981.25
Less: Non-operating expenses		

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Total profits (total loss presented with “-” prefix)	-10,526,899.86	-9,772,686.91
Less: Income tax expenses		
IV. Net profit (loss presented with “-” prefix)	-10,526,899.86	-9,772,686.91
A. Net profit from continued operations (net loss presented with “-” prefix)	-10,526,899.86	-9,772,686.91
B. Net profit from discontinued operations (net loss presented with “-” prefix)		
V. After-tax other comprehensive income		
A. Other comprehensive income not reclassifiable to profit or loss		
1. Remeasurement of changes in defined benefit plans		
2. Other comprehensive income of non-convertible profit and loss under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Changes in the fair value of the company’s own credit risk		
5. Others		

Income Statement (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
B. Other comprehensive income reclassifiable to profit or loss		
1. Other comprehensive income of convertible profit and loss under the equity method		
2. Changes in fair value of other debt investments		
3. The amount of financial assets reclassified into other comprehensive income		
4. Provisions for other debt investment credit impairment		
5. Cash flow hedge reserve (Effective elements of gain or loss of cash flow hedges)		
6. Exchange difference on translation of foreign financial statements		
7. Others		
VI. Total comprehensive income	-10,526,899.86	-9,772,686.91

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
I. Cash flows from operating activities:		
Cash received for sales of goods and rendering of services		
Tax refund received		
Other cash receipts relating to operating activities	10,950,575.85	146,086,925.93
Cash inflows from operating activities (subtotal)	10,950,575.85	146,086,925.93
Cash payments for purchase of goods and services		
Cash paid to or on behalf of employees	6,807,253.98	6,286,418.89
Taxes and fees paid	201,843.89	1,677.30
Other cash payments relating to operating activities	4,071,734.68	139,690,902.26
Cash outflows for operating activities (subtotal)	11,080,832.55	145,978,998.45
Net cash flows from operating activities	-130,256.70	107,927.48
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 and other long-term 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 and other long-term assets		
Cash paid for investment		
Other cash payments relating to investing activities		
Cash outflows for investing activities (subtotal)		
Net cash flows from investing activities		

Statement of Cash Flows (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year	Amount for last year
III. Cash flows from financing activities:		
Cash received from investors		
Cash received from loans raised		
Other cash receipts relating to financing activities		
Cash inflows from financing activities (subtotal)		
Cash paid for debt repayment		
Cash paid for dividends, profit distribution and interests		
Other cash payments relating to financing activities		
Cash outflows for financing activities (subtotal)		
Net cash flows from financing activities		
IV. Impact of change of foreign exchange rates on cash and cash equivalents		3,103.15
V. Net increase of cash and cash equivalents	-130,256.70	111,030.63
Add: cash and cash equivalents opening balance	131,150.21	20,119.58
VI. Cash and cash equivalents closing balance	893.51	131,150.21

Statement of Changes in Shareholders' Equity (31 December 2019)
For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										Total shareholders' equity	
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Retained earnings		
I. Closing balance of the preceding year	873,370,000.00				995,721,167.46				108,587,124.40	-2,062,911,369.67		-85,233,077.81
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
II. Opening balance of the current year	873,370,000.00				995,721,167.46				108,587,124.40	-2,062,911,369.67		-85,233,077.81
III. Changes for the period (decrease presented by "-") prefix)												
A. Total comprehensive income												
B. Shareholders' contribution and capital decline												
1. Contribution by shareholders of ordinary shares												
2. Contribution by holders of other equity instruments												
3. Share-based payments directly recognised in equity												
4. Others												
C. Profit distribution												
1. Recognition of surplus reserves												
2. Recognition of provision for general risks												
3. Distribution to shareholders												
4. Others												

Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										Total shareholders' equity	
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Retained earnings		
D. Movements within equity												
1. Capital reserves transferred to capital (or share capital)												
2. Surplus reserves transferred to capital (or share capital)												
3. Loss set-off by surplus reserves												
4. Set the benefit plan change amount to carry forward retained earnings												
5. Other comprehensive income carry-over retained earnings												
6. Others												
E. Designated reserves												
1. Recognition during the current period												
2. Withdrawal during the current period												
F. Others												
IV. Closing balance of the current year	873,370,000.00				995,721,167.46			108,587,124.40		-2,073,438,269.53		-95,759,977.67

Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year										Total shareholders' equity	
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings		
I. Closing balance of the preceding year	873,370,000.00				995,721,167.46				108,887,124.40	-2,053,148,900.56		-75,470,608.70
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				108,887,124.40	-2,053,138,682.76		-75,460,390.90
III. Changes for the period (decrease presented by "-", prefix)												
A. Total comprehensive income												
B. Shareholders' contribution and capital decline												
1. Contribution by shareholders of ordinary shares												
2. Contribution by holders of other equity instruments												
3. Share-based payments directly recognised in equity												
4. Others												
C. Profit distribution												
1. Recognition of surplus reserves												
2. Recognition of provision for general risks												
3. Distribution to shareholders												
4. Others												

Statement of Changes in Shareholders' Equity (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year										Total shareholders' equity	
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings		
D. Movements within equity												
1. Capital reserves transferred to capital (or share capital)												
3. Surplus reserves transferred to (or share capital)												
3. Loss set-off by surplus reserves												
4. Set the benefit plan change amount to carry forward retained earnings												
5. Other comprehensive income to carry forward retained earnings												
6. Others												
E. Designated reserves												
1. Recognition during the current period												
2. Withdrawal during the current period												
F. Others												
IV. Closing balance of the current year	873,370,000.00				995,721,167.46				108,587,124.40	-2,062,911,369.67		-85,233,077.81

IX. FINANCIAL STATEMENTS**(II) Accounting statement prepared in accordance with International Financial Reporting Standards (IFRS)****RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Northeast Electric Development Co., Ltd. (the “**Company**”) herein announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019, together with comparative figures for 2018, as set out below.

		2019	2018
	Notes	RMB'000	RMB'000
Revenue	2	102,252	32,311
Cost of sales and services		(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 rental receivables		439	70
- other receivables		946	(548)
Finance costs	5	(1,421)	(599)
Share of results of an associate		(22,485)	(10)
(Loss) Profit before taxation	5	(39,682)	15,465
Income tax expenses	6	(451)	(1,367)
(Loss) Profit for the year		(40,133)	14,098

Consolidated Statement of Comprehensive Income (31 December 2019) (Continued)

For the year ended 31 December 2019 (Prepared in accordance with International Financial Reporting Standards (IFRS))

	Notes	2019 RMB'000	2018 RMB'000
Other comprehensive (loss) income			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of designated fair value through other comprehensive income (“Designated FVOCI”)		(32,917)	(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
Other comprehensive (loss) income for the year, net of tax		(33,090)	818
Total comprehensive (loss) income for the year		(73,223)	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		(73,229)	15,453
Non-controlling interests		6	(537)
Total comprehensive (loss) income for the year		(73,223)	14,916
(Loss) Earnings per share		RMB cents	RMB cents
Basic and diluted	7	(4.60)	1.67

Consolidated Statement of Financial Position (31 December 2019)

As at 31 December 2019 (Prepared in accordance with International Financial Reporting Standards (IFRS))

		2019	2018
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		49,843	53,470
Investment properties	8	16,012	-
Right-of-use assets	8	9,737	-
Land use right	9	14,675	15,029
Intangible assets	9	-	-
Goodwill		-	-
Interest in an associate		-	22,485
Designated FVOCI	10	198,079	230,996
Deposits		4,840	-
		293,186	321,980
Current assets			
Inventories		16,910	9,588
Trade and rental receivables	11	27,113	21,775
Prepayment, deposits and other receivables		4,774	6,046
Tax recoverable		129	-
Cash at a financial institution		70,574	70,206
Cash at banks and in hand		64,701	75,519
		184,201	183,134
Current liabilities			
Trade payables	12	17,926	12,222
Contract liabilities		10,241	2,637
Other payables	13	362,786	377,892
Employment benefits payables	13	3,276	1,554
Tax payables		742	1,422
Interest-bearing borrowings		10,500	4,500
Lease liabilities	14	9,813	-
		415,284	400,227
Net current liabilities		(231,083)	(217,093)
Total assets less current liabilities		62,103	104,887

Consolidated Statement of Financial Position (31 December 2019) (Continued)

As at 31 December 2019 (Prepared in accordance with International Financial Reporting Standards (IFRS))

		2019	2018
	Notes	RMB'000	RMB'000
Non-current liabilities			
Provisions		72,100	72,100
Government grants		23,623	10,671
Lease liabilities	14	17,487	-
		113,210	82,771
NET (LIABILITIES) ASSETS		(51,107)	22,116
Capital and reserves			
Share capital		873,370	873,370
Reserves		(929,960)	(864,751)
Equity attributable to equity holders of the Company		(56,590)	8,619
Non-controlling interests		5,483	13,497
TOTAL (DEFICITS) EQUITY		(51,107)	22,116

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the “HKCO”) and the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Transition from previous PRC GAAP to IFRSs – first application of IFRSs

The consolidated financial statements of the Group for the year ended 31 December 2018 are prepared in accordance with Accounting Standards for Business Enterprises (“the PRC GAAP”). These financial statements for the financial year ended 31 December 2019 are the first financial statements of the Company that has been prepared in accordance with IFRSs.

The Company’s financial statements for the year ended 31 December 2019 are its first annual financial statements prepared under IFRSs. The adoption of IFRSs does not have any significant impact on the amounts recognised and no adjustment has been made for the transition from the previously adopted accounting standards, which are the PRC GAAP, to IFRSs.

In order to increase the international images of the Company to raise funds, expand the shareholder base and enhance the corporate capital strength, having considered the regulatory requirements of the Shenzhen Stock Exchange (the “SZSE”) and the Hong Kong Stock Exchange (the “HKEX”), a supplement of the amendments to Articles of Association of the Company has been approved at the tenth meeting of the ninth board of directors and the eighth meeting of the ninth supervisory committee on 6 December 2019 that the provisions of the consolidated financial statements of the Company prepared under the PRC GAAP and the IFRSs are adopted and applicable. The Company adopted the PRC GAAP and the IFRSs to prepare its consolidated financial statements, starting from the fiscal period commencing on or after 1 January 2019 and onward, for A shares and H shares respectively.

The adoption of the PRC GAAP and the IFRSs for the preparation of consolidated financial statements has no material impact.

Adoption of IFRS 16: Leases

IFRS 16 replaces IAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under IAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied IFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied IFRS 16 only to contracts that were previously identified as leases applying IAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying IFRS 16.

As lessee

Before the adoption of IFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of IFRS 16, the Group accounted for the leases in accordance with the transition provisions of IFRS 16 and the Group’s accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying IAS 37, as an alternative to performing an impairment review at the DIA.
- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either:

- (a) their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Reconciliation of operating lease commitments disclosed applying IAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	RMB'000
Operating lease commitments at 31 December 2018	275
Less:	
Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(275)
Lease liabilities at 1 January 2019	–

As lessee – leases previously classified as finance leases

The Group measures the carrying amount of the land use right and building at the DIA at the carrying amount of the lease assets immediately before that date measured applying IAS 17. The Group accounts for those leases applying IFRS 16 from the DIA.

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor, except for the change of classification of subleases. Under IFRS 16, the classification of a sublease is determined by reference to the right-of-use asset arising from the head lease, rather than the underlying asset. At the DIA, the Group reassessed subleases that were previously classified as operating leases applying IAS 17 and determined the classification on the basis of the remaining contractual terms and conditions of the head leases and subleases at that date by applying IFRS 16. As a result of this assessment, the Group reclassified certain operating subleases as finance subleases and accounted for them as new finance subleases entered into at the DIA.

Going concern

The Group incurred a net loss of approximately RMB40,133,000 for the year ended 31 December 2019. As at 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately RMB231,083,000. The Group maintained cash in bank and financial institution of approximately RMB135,275,000 as at 31 December 2019. These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group is taking the following steps to ensure continuous operations of the Group:

- (a) Beijing Haihongyuan Investment Management Co., Ltd., a major shareholder of the Group, has issued letter of commitment, undertaking to provide financial support including funds and guarantees to help to meet its operating and financial needs for the twelve months since issuance date of the letter;
- (b) The Group will continue to expedite the approval of securities regulatory authorities for new non-public offering of H shares, further optimise principal business through equity financing, actively seek opportunities for expanding new business segments, and enhance the Group's core competitiveness and sustainable development capabilities;
- (c) Coping with the market changes and demands, proactively adjust product structure and industrial upgrading, and accelerate the transformation to a modern service provider, and optimise overall industrial distribution; develop new client bases, improve and strengthen sales system, and enhance the profitability of main business;
- (d) With its wholly-owned subsidiary, Hainan Tangyuan Technology Co., Ltd. ("Hainan Tangyuan") as a platform, the Group will research and explore new business sectors, and utilise the existing resources and talent advantages of the Group's substantial shareholders in modern service industries to launch new businesses and develop new industries, thereby expanding the business scope of the Group, improving its asset portfolio, and bringing fresh energy into its sustained operation;
- (e) In line with the operation strategies, divest low-efficiency capital and equity investments and other nonoperational assets with less frequent transactions, increase cash flow, and improve shareholding structure of the Group;

- (f) Enhance overall budget management and cost control, exert strict control over various expenditures and expenses, lower the operation costs, and maximise the profitability of principal business; and
- (g) In strict accordance with the internal control system requirements of the SZSE and HKEX, the Group continuously improves working standards and perfects the internal control system, establishes and improves the operation organisation of the enterprise, continuously improves various internal control systems, strengthens risk control measures, and reduces the Group's operational risks. The Group's internal control system is more operable, to prevent damage to the interests of listed companies and shareholders, and to ensure the realisation of the Group's business objectives.

With the aforesaid measures, the Board deems it reasonable to prepare the consolidated financial statements on the assumption of continuous operations. The Board has conducted thorough evaluation of the Group's continuous operation ability by reviewing working capital forecasts for the coming twelve months, and has reached the conclusion that the Group will be able to acquire enough funding to ensure working capital and expensing needs, therefore agreed with preparation of the consolidated financial statements on the basis of continuous operations. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities to current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. REVENUE

Revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with IFRS 15 and rental revenue derived from the hotel rooms, which is recognised under the scope of IFRS 16. The amount of each significant category of revenue recognised during the year is as follows:

	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within IFRS 15		
Sales of power transmission equipment and related accessories	40,937	32,075
Provision of catering services income	53,299	-
Management fee income	1,140	-
Others	-	236
	95,376	32,311
Revenue from other sources		
Lease income from operating lease of hotel rooms	6,876	-
	102,252	32,311

In addition to the information shown in segment disclosures in note 3, the revenue from contracts with customers within IFRS 15 is disaggregated as follows:

	Production and sales of power transmission equipment and related accessories	Provision of catering services	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019			
<i>By products:</i>			
- Enclosed busbars	40,937	-	40,937
- Provision of catering services	-	53,299	53,299
- Management fee	-	1,140	1,140
	40,937	54,439	95,376
<i>Geographical region:</i>			
- The People's Republic of China ("PRC")	40,937	54,439	95,376
<i>Timing of revenue recognition:</i>			
- at a point in time	40,937	-	40,937
- over time	-	54,439	54,439
	40,937	54,439	95,376
<i>Type of transaction price:</i>			
- fixed price	40,937	54,439	95,376

	Production and sales of power transmission equipment and related accessories RMB'000	Others RMB'000	Total RMB'000
<u>Year ended 31 December 2018</u>			
<i>By products:</i>			
- Enclosed busbars	30,856	-	30,856
- Power capacitors	1,219	-	1,219
- Others	-	236	236
	32,075	236	32,311
<i>Geographical region:</i>			
- The PRC	32,075	236	32,311
<i>Timing of revenue recognition:</i>			
- at a point in time	32,075	236	32,311
<i>Type of transaction price:</i>			
- fixed price	32,075	236	32,311

3. SEGMENT INFORMATION

The management has been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments based on the Group's internal reporting in respect of these segments. The management considers production and sale of power transmission equipment and related accessories, hotel operations and related catering services and investment holding (2018: *production and sales of power transmission equipment and investment holding*) are the Group's major operating segments.

Segment results represent the results before taxation earned by each segment. All assets are allocated to reportable segments other than unallocated assets which are mainly cash at banks and on hand. All liabilities are allocated to reportable segments other than corporate liabilities including accrued charges and other payables, provision and government grants.

Analyses of the Group's segmental information by business and geographical segments during the year are set out below.

(a) By business segments

Segment results for the year ended 31 December 2019

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	40,937	61,315	-	102,252
Results				
Profit (Loss) for the year before the following items:	(4,209)	13,603	-	9,394
Depreciation of property, plants and equipment	(3,058)	(1)	(779)	(3,838)
Depreciation of right-of-use assets	-	(942)	-	(942)
Amortisation of investment properties	-	(5,547)	-	(5,547)
Amortisation of land use right	(354)	-	-	(354)
Finance costs	(277)	(1,070)	(10)	(1,357)
Share of results of an associate	-	-	(22,485)	(22,485)
Segment results	(7,898)	6,043	(23,274)	(25,129)
Unallocated other operating expenses				(14,553)
Loss before taxation				(39,682)
Taxation				(451)
Loss for the year				(40,133)

Segment assets and liabilities as at 31 December 2019

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Assets before following items:	47,545	68,333	-	115,878
Property, plant and equipment	48,634	18	1,191	49,843
Investment properties	-	16,012	-	16,012
Right-of-use assets	-	9,737	-	9,737
Land use right	14,675	-	-	14,675
Interests in an associate	-	-	-	-
Designated FVOCI	-	-	198,079	198,079
Cash at a financial institution	-	-	70,574	70,574
Segment assets	110,854	94,100	269,844	474,798
Unallocated assets				2,589
				477,387
Liabilities				
Segment liabilities	(74,247)	(37,301)	-	(111,548)
Unallocated liabilities				(416,946)
				(528,494)

Other segment information for the year ended 31 December 2019

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	182	20	-	202
Additions of right-of-use assets	-	32,238	-	32,238
Reversal (Provision) of loss allowance on trade, rental and other receivables, net	938	(384)	831	1,385
Research and development expenses	896	-	-	896
Operating lease expenses on premises	-	(4,249)	(275)	(4,524)

Segment results for the year ended 31 December 2018

	Production and sales of power transmission equipment and related accessories RMB'000	Investment holding RMB'000	Total RMB'000
Revenue	32,075	236	32,311
Results			
Profit (Loss) for the year before the following items:	(2,695)	830	(1,865)
Depreciation of property, plant and equipment	(4,864)	(804)	(5,668)
Gain on disposal of a plant	15,810	-	15,810
Finance costs	(7)	(502)	(509)
Share of results of an associate	-	(10)	(10)
Segment results	8,244	(486)	7,758
Unallocated other operating expenses			7,707
Profit before taxation			15,465
Taxation			(1,367)
Profit for the year			14,098

Segment assets and liabilities as at 31 December 2018

	Production and sales of power transmission equipment and related accessories RMB'000	Investment holding RMB'000	Total RMB'000
Assets			
Assets before following items:	43,542	-	43,542
Property, plant and equipment	51,510	1,960	53,470
Land use right	15,029	-	15,029
Interests in associates	-	22,485	22,485
Designated FVOCI	30,288	200,708	230,996
Cash at a financial institution	-	70,206	70,206
Segment assets	140,369	295,359	435,728
Unallocated assets			69,386
			505,114
Liabilities			
Segment liabilities	(65,076)	-	(65,076)
Unallocated liabilities			(417,922)
			(482,998)

Other segment information for the year ended 31 December 2018

	Production and sales of power transmission equipment and related accessories	Unallocated	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	7,765	28	7,793
Amortisation of intangible asset	(380)	-	(380)
Impairment loss on goodwill	-	(72)	(72)
Gain on disposal of subsidiaries	34,695	-	34,695
Loss on disposal of property, plant and equipment	-	(6)	(6)
Reversal (Provision) of loss allowance on trade, rental and other receivables, net	1,823	(2,301)	(478)
Reversal of provision for inventories	7	-	7
Research and development expenses	1,243	-	1,243
Operating lease expenses on premises	-	(1,593)	(1,593)

(a) By geographical information

Geographical information is not presented since the Group's operations are principally located in the PRC that all the Group's revenue from external customers is generated in the PRC and over 99% of the non-current assets, excluding financial instruments, of the Group are located in the PRC. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these consolidated financial statements.

(b) Information about major customers

Revenue from external customers contributing 10% or more of the revenue of the Group for the years ended 31 December 2019 and 2018.

	2019	2018
	Hotel operations and provision of related catering services RMB'000	Production and sales of power transmission equipment and related accessories RMB'000
Customer A	21,410	n/a
Customer B	n/a	4,365

4. OTHER REVENUE AND OTHER INCOME

	2019	2018
	RMB'000	RMB'000
Interest income from banks and a financial institution	3,203	896
Government grant	767	273
Compensation on contracts termination	813	-
Compensation on the demolition cost of a plant	-	643
Waive of interest expenses	-	3,261
Exchange gain, net	-	3
Reversal of provision for inventories	-	7
Sundry income	565	234
	5,348	5,317

5. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2019	2018
	RMB'000	RMB'000
Staff costs, including directors' emoluments		
Salaries and other benefits	18,808	13,420
Contribution to defined contribution retirement schemes	4,929	5,454
Total staff costs	23,737	18,874
Finance costs		
Loan interest expenses	241	509
Exchange loss, net	2	-
Bank charges, net	142	90
Interest expenses on lease liabilities	1,036	-
	1,421	599
Other items		
Auditor's remuneration	1,083	1,940
Cost of inventories	34,766	25,752
Depreciation and amortisation		
- Property, plant and equipment	3,838	5,668
- Investment properties	5,547	-
- Right of use assets	942	-
- Land use right	354	380
Research and development expenses	896	1,243
Legal and professional fees	4,025	1,736
Impairment loss on goodwill	-	72
Loss on disposal of property, plant and equipment	-	6
Short term leases expenses		
- Office premises	275	-
- Restaurants	4,249	-
Operating lease expenses on office premises	-	1,593
Direct operating expenses arising from investment properties that generated rental income	7,376	-

6. TAXATION

Enterprise Income Tax has been provided at the rate of 25% on the estimated assessable profits arising from the PRC.

Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong for both years.

	2019	2018
	RMB'000	RMB'000
Current tax		
Enterprise Income Tax		
Current year	1,818	1,367
Over-provision from prior year	(1,367)	-
Total tax expenses	451	1,367

7. (LOSS) EARNINGS PER SHARE

The calculation of the loss (2018: *earnings*) per share for the year is based on the consolidated loss for the year attributable to the equity holders of the Company of approximately RMB40,166,000 (2018: *profit of approximately RMB14,596,000*) and the weighted average number of 873,370,000 (2018: *873,370,000*) shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted loss (2018: *earnings*) per share is the same as basic loss (2018: *earnings*) per share for the years presented.

8. LEASES

Right-of-use assets	Leases of hotel presented as investment properties RMB'000	Leases of restaurants presented as property, plant and equipment RMB'000
Reconciliation of carrying amount – year ended 31 December 2019		
At beginning of the reporting period – upon adoption of IFRS 16	-	-
Additions	16,954	15,284
Depreciation/Amortisation	(942)	(5,547)
At the end of the reporting period	16,012	9,737
At 31 December 2019		
Cost	16,954	15,284
Accumulated depreciation/amortisation	(942)	(5,547)
Net carrying amount	16,012	9,737

The Group leases hotels and restaurants for its daily operations. Lease terms range from 3 to 6 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect current market rentals. The interest expenses on lease liabilities are set out in note 6 to the consolidated financial statements.

The Group's investment properties as at 31 December 2019 represent a hotel for generating hotel rental income. Investment properties held by the Group under leases are accounted in the same way as other right-of-use assets. Depreciation is recognised for those investment properties over a period of 6 years. In the opinion of the director, the fair value of investment properties approximately its carrying amount at the end of the reporting period (2018: n/a).

Leasing arrangements – As lessee

Hotel

At the end of the reporting period, the investment properties of RMB16,012,000 (2018: Nil) are held under head leases with the remaining lease term of 5.7 years (2018: n/a) with an option to renew the lease for another 6 years. The lease contract does not impose any covenants on the Group.

Restaurants

At the end of the reporting period, property, plant and equipment of RMB9,737,000 (2018: Nil) are held under head leases with the remaining lease term of 1.5 years (2018: n/a) with an option to renew the lease when all terms are renegotiated.

The Group has recognised the following amounts for the year.

	2019	2018
	RMB'000	RMB'000
Lease payments:		
Short-term leases	4,524	-
Operating lease payments	-	1,593
Expenses recognised in profit or loss	4,524	1,593
Total cash outflow for leases	10,128	1,593

Commitments under leases

As at 31 December 2019, the Group has no commitment for short-term leases.

As at 31 December 2018, the Company had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	RMB'000
Within one year	275

9. LAND USE RIGHT AND INTANGIBLE ASSETS

	Land use right RMB'000	Intangible asset – software RMB'000	Total RMB'000
Reconciliation of carrying amount			
– year ended 31 December 2018			
At the beginning of the reporting period	16,664	-	16,664
Amortisation	(380)	-	(380)
Disposals/Write-off	(1,255)	-	(1,255)
At the end of the reporting period	15,029	-	15,029
Reconciliation of carrying amount			
– year ended 31 December 2019			
At the beginning of the reporting period	15,029	-	15,029
Amortisation	(354)	-	(354)
At the end of the reporting period	14,675	-	14,675
At 1 January 2019			
Cost	17,687	207	17,894
Accumulated amortisation	(2,658)	(207)	(2,865)
Net carrying amount	15,029	-	15,029
At 31 December 2019			
Cost	17,687	207	17,894
Accumulated amortisation	(3,012)	(207)	(3,219)
Net carrying amount	14,675	-	14,675

Land use right represents the prepaid lease payment of land located in Fuxin, the PRC. The land use right has a finite useful life and is depreciated on a straight-line basis over 50 years. The remaining useful life is ranged from 27 years to 48 years as at 31 December 2019.

Software represents the commercial software system used for administrative purpose. The software has a finite useful life and is amortised on a straight-line basis over 3 years. The cost of software was fully amortised at the end of the reporting period.

10. DESIGNATED FVOCI

	Notes	2019 RMB'000	2018 RMB'000
Unlisted equity securities, at fair value			
Shenyang Zhaoli	(a)	-	30,287
Tianjin Center	(b)	198,079	200,709
		198,079	230,996

Name of investee company	Place of incorporation/ operation	Class of shares held	Proportion of value of registered capital held indirectly by the Company	Principal activities
Shenyang Zhaoli High-voltage electric Equipment Co., Ltd. ("Shenyang Zhaoli")	The PRC	Registered capital	6.9%	Production and sales of high-voltage electrical equipment and other accessories
HNA Tianjin Center Development Co., Ltd. ("Tianjin Center")	The PRC	Registered capital	10.5%	Properties investments

Notes:

- (a) The fair value of the unlisted equity securities is determined by the management based on the net asset value of Shenyang Zhaoli.
- (b) The fair value of the unlisted equity securities is determined by the management with reference to a valuation report issued by an independent qualified professional valuer.

11. TRADE AND RENTAL RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables		
From third parties	27,570	29,054
From companies controlled by the same de facto controller of the Company	1,448	-
	29,018	29,054
Loss allowance	(6,593)	(7,279)
	22,425	21,775
Rental receivables		
From third parties	2,940	-
From companies controlled by the same de facto controller of the Company	1,995	-
	4,935	-
Loss allowance	(247)	-
	4,688	-
	27,113	21,775

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

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

	2019	2018
	RMB'000	RMB'000
Within 1 year	19,072	10,974
1 to 2 years	3,070	5,712
2 to 3 years	3,211	3,368
3 to 4 years	1,005	596
Over 4 years	755	1,125
	27,113	21,775

Reversal of loss allowance on trade and rental receivables of RMB439,000 (2018: provision of loss allowance of RMB70,000) was recognised during the year.

12. TRADE PAYABLES

	2019	2018
	RMB'000	RMB'000
Trade payables		
To third parties	17,263	12,222
To companies controlled by the same de facto controller of the Company	663	-
	17,926	12,222

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

	2019	2018
	RMB'000	RMB'000
Within 365 days	15,553	7,837
1 to 2 years	1,078	2,053
2 to 3 years	707	837
Over 3 years	588	1,495
	17,926	12,222

The average credit period is 15 days to 120 days and certain suppliers grant longer credit period on a case-by-case basis.

13. OTHER PAYABLES

	2019	2018
	RMB'000	RMB'000
Other payables		
Compensation for litigation	272,628	272,628
Accrued charges and other payables	23,382	25,811
Construction cost payables	14,493	27,539
Due to former subsidiaries	49,596	49,596
Due to a director	4	-
Due to an associate	352	344
Due to companies controlled by the same de facto controller of the Company	1,332	1,087
Other tax payable	999	887
	362,786	377,892
Employment benefits payables	3,276	1,554
	366,062	379,446

14. LEASE LIABILITIES

	2019	2018
	RMB'000	RMB'000
Current portion	9,813	-
Non-current portion	17,487	-
	27,300	-

As at 31 December 2019, lease liabilities are carried at weighted average incremental borrowing rate ranging from 6.18% to 6.37% per annum and repayable in two to six years.

15. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

As at the date of authorisation of these consolidated financial statements, in addition to disclosure elsewhere in these consolidated financial statements, there is no significant subsequent event of the Group after the reporting period.

(a) Impact of Coronavirus Disease 2019 (“COVID-19”)

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

- (b) In April 2020, Hainan Lane Hotel entered into the equity transfer agreement with HNA Hotel Holding Group Company Limited (the “Vendor”), a company established in the PRC with limited liability, a direct non-wholly owned subsidiary of Beijing Haihongyuan to acquire the equity interests of Chongqing HNA Hotel Investment Company Limited* (重慶海航酒店投資有限公司) (“Chongqing HNA Hotel”), a company established in the PRC with limited liability at a cash consideration of RMB48,9000,000. Chongqing HNA Hotel is principally engaged in hotel-related businesses and property leasing. The transaction is expected to be completed in May 2020. Details of the transaction were set out in the Company’s announcement dated 26 April 2020.

* For identification purpose only

- (c) In April 2020, the Company authorised that Fuxin Enclosed Busbar Co., Ltd. (“Fuxin Busbar”), a wholly-owned subsidiary of the Company), to enter into the compensation agreement with Land Expropriation of Haizhou House Expropriation Office of Fuxin, a public institution under Haizhou District People’s Government, Fuxin, Liaoning Province, for expropriation the South Plant (the “South Plant”, including land, industrial properties, structures and supporting facilities) owned by Fuxin Busbar, at No. 46 Xinhua Road, Haizhou District, Fuxin, Liaoning Province. The aggregate expropriation compensation is expected to be around RMB44,000,000. Details of the transaction were set out in the Company’s announcement dated 26 April 2020.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Li Ming, Mr. Fang Guangrong, Mr. Qian Fengsheng, and Mr. Bao Zongbao, with Mr. Li Ming serving as the chairman.

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2019.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The Board of the Company is pleased to announce that the Company’s auditor, Mazars CPA Limited (“Mazars”), has completed its audit of the consolidated financial statements of the Group for the year ended 31 December 2019 in accordance with ISAs issued by the IASB. The final results contained in the Announcement remain unchanged.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the Announcement have been agreed by Mazars to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with ISAs, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars on the Announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Company independent auditor's report from Mazars CPA Limited, the external auditor of the Group, on the Group's consolidated financial statements for the year ended 31 December 2019. The report includes particulars of the material uncertainty related to going concern without modifying the opinions.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of RMB40,133,000 for the year ended 31 December 2019 and had net current liabilities and net liabilities of RMB231,083,000 and RMB51,107,000 as at 31 December 2019 respectively. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

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 website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at <http://www.nee.com.cn>.

By order of the Board

Zhu Jie

Chairman

Haikou, Hainan Province, PRC

29 April 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.