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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 2020

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 (“**Hong Kong 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 2020.

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, and Chief Accounting Officer and Chief Financial Officer, Wang Kai 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 twentieth meeting of the 9th Board convened on 29 March 2021. The Audit Committee of the Board has reviewed and confirmed the Company’s financial report for 2020.**
- 1.5 The Company’s annual financial report is prepared under the PRC GAAP and the International Financial Reporting Standards (“IFRS”). The Company’s overseas auditor Mazars CPA Limited issued the unqualified audit report with paragraphs regarding material uncertainties on the ability to continue as a going concern. The Company’s domestic auditor Mazars Certified Public Accountants LLP issued the unqualified audit report with paragraphs regarding material uncertainties on the ability to continue as a going concern and the unqualified internal control audit report with explanatory paragraphs.**
- 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 2020 Annual General Meeting.**
- 1.9 The consolidated turnover is RMB79,991,000, decreasing from 2019 by RMB22,350,000.**

1.10 Profit attributable to equity holders of the Company is RMB63,977,000.

1.11 Earnings per share attributable to equity holders of the Company are RMB0.07.

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
Chongqing Hotel	Chongqing HNA Hotel Investment Co., Ltd., an investee of the Company
CSRC	China Securities Regulatory Commission
De facto controller of the Company	Hainan Province Cihang Foundation
Dongguan Yujingwan	Dongguan Yujingwan Hotel (東莞御景灣酒店), a related party of the Company
Fuxin Company, Fuxin Busbar	Fuxin Enclosed Busbar Co., Ltd., a wholly-owned subsidiary of the Company

Garden Lane Hotel, Garden Lane Flight Hotel	Hainan Garden Lane Flight Hotel Management Co., Ltd. (海南逸唐飛行酒店管理有限公司) (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 Finance Company, Finance Company	HNA Group Finance Co., Ltd. (海航集團財務有限公司), a related party of the Company
HNA Group	HNA Group Co., Ltd., a related party of the Company
HNA Hotel Holdings	HNA Hotel Holdings Ltd., a related party 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
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
Lucky Air	Yunnan Lucky Air Co., Ltd., a related party of the Company
Mazars	the Company's domestic auditor Mazars Certified Public Accountants LLP and the overseas auditor Mazars CPA Limited

NEE, the Company, the listed company Northeast Electric Development Company Limited

Stock Exchange The Stock Exchange of Hong Kong

SZSE Shenzhen Stock Exchange

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

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), Wang Yongfan, Bao Zongbao, Su Weiguo, Guo Qianli and Li Guoqing

- (4) Independent non-executive directors: Li Ming, Fang Guangrong and Wang Hongyu
- (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, Ju Meng

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 the Company's first registration: 16 February 1993

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

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

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

Unified social credit code: 91210000243437397T

(11) Domestic auditor: 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, Wan Chai, 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

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

Item	2020	2019	Increase/ decrease of the year over the last year	2018	2017	2016
Operating revenues (RMB'000)	79,991	102,341	-21.84%	32,311	32,986	63,514
Net profit attributable to the equity holders (RMB'000)	63,977	-40,166	-	14,596	-397,058	-99,494
Net profit attributable to the equity holders after extraordinary items (RMB'000)	-144,024	-41,164	-	-38,948	-96,661	-99,613
Net cash flow from operating activities (RMB'000)	-76,154	3,337	-	-4,595.47	4,596.18	-2,989.15
Basic earnings/(loss) per share (RMB/Share)	0.07	-0.046	-	0.02	-0.45	-0.11
Diluted earnings/(loss) per share (RMB/Share)	0.07	-0.046	-	0.02	-0.45	-0.11
Weighted average ROE	-	-	-	-	-	-39.40%

	As at the end of 2020	As at the end of 2019	Increase/ decrease of the end of the year over the end of last year	As at the end of 2018	As at the end of 2017	As at the end of 2016
Total assets (RMB'000)	157,526	477,041	-66.98%	505,113	306,237	401,830
Net assets attributable to shareholders of the listed company (RMB'000)	-187,420	-56,590	-	8,619	-198,632	202,790

1.2 Differences in figures under domestic and foreign accounting standards

There were no differences in net profits and net assets prepared under the International Financial Reporting Standards and PRC GAAP for 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	13,500,704.16	24,338,046.43	22,192,512.06	19,959,624.69
Net profit attributable to the equity holders	-3,802,341.31	-8,016,089.92	175,466,252.54	-99,671,199.52
Net profit attributable to the equity holders after extraordinary items	-3,802,341.31	-9,322,360.40	-3,443,402.34	-127,456,218.20
Net cash flow arising from operating activities	-1,886,868.96	-5,410,431.91	-7,124,713.56	-61,732,082.75

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

Net cash flow arising from operating activities:

1. The guarantee deposits of RMB55 million was adjusted from cash flow from operating activities to cash flow from investing activities;
2. The proceeds from land sale of RMB23.5 million was adjusted from cash flow from operating activities to cash flow from investing activities.

1.4 Extraordinary items and the related amount

Unit: RMB

Item	2020	2019	2018	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for assets impairment being written off)	32,743,426.99		15,785,816.33	Proceeds from disposal of a plant of the subsidiary Fuxin Busbar, included in the current profits
Government subsidy included in the current profits and losses (closely related to business of the enterprise, excluding the government subsidy enjoyed fully or quantitatively according to uniform standards of the country)	1,388,057.40	767,306.37	1,070,676.39	
Non-operating income and expense other than the above items	1,011,291.39	571,715.65	3,358,853.23	
Other non-recurring gains or losses	178,549,569.56		34,695,454.56	Income arising from legal case by Shenyang High Voltage Switchgear Co., Ltd. (“Shenyang HVS”) included
Less: Effect of income tax	5,616,743.58	334,755.51	1,366,600.00	
Impact on minority interests (after tax)	74,657.72	6,008.27		
Total	208,000,944.04	998,258.24	53,544,200.51	--

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

Unit: RMB'000

Items	IFRS		PRC GAAP		
	2020	2019	2018	2017	2016
1. Turnover (RMB'000)	79,797	102,252	32,311	32,985.86	63,514.42
2. Profit/(loss) before taxation (RMB'000)	67,016	(39,682)	15,465	(397,992.15)	(92,316.02)
3. Profit/(loss) attributable to shareholders (RMB'000)	63,977	(40,166)	14,596	(398,155.97)	(92,631.66)
4. Total assets (RMB'000)	157,896	477,387	505,114	306,236.91	401,830.33
5. Total liabilities (RMB'000)	343,125	528,494	482,998	500,877.93	193,951.30
6. Shareholders' fund (RMB'000)	(185,229)	(51,107)	22,116	(194,249.87)	207,879.03
7. Basic earnings/(loss) per share (RMB)	0.07	(0.046)	0.02	(0.450)	(0.114)
8. Net assets per share (RMB)	(0.21)	(0.059)	0.025	(0.22)	0.24
9. Return on net assets (%)	0.00	0.00	0.00	0.00	(47.91%)
10. Shareholders' interest ratio (%)	117.31%	(10.71%)	4.38%	(63.35%)	51.73%
11. Current ratio (%)	36.72%	44.36%	45.76%	40.03%	208.17%
12. Gearing ratio (%)	217.31%	110.71%	95.62%	163.35%	48.27%

IV. REPORT OF THE DIRECTORS

(1) Overview

In 2020, the world economy was in the biggest recession since the end of the World War II, due to the continuous impact of the spreading of COVID-19 which led to the rapid shrinkage of international trade and investments, the severe obstruction in the movement of people and cargos and the impact on global industry and supply chains. Although China became the only major economy with positive economic growth in the world, the economic growth of its mechanical industries was at a slow rate and the recovery in investments in its power sector was slow throughout the year, with a plunge in the demands in such industries as hotel management, catering and accommodation.

The Company has primarily engaged in the R&D, design, production and sales businesses of products related to power transmission and transformation equipment as well as hotel catering and accommodation services in recent years. Main products offered by the Company include enclosed busbars which are applied to the power system field and are used to enhance transmission capacity of power transmission lines and support transmission of the high-power electric energy. These devices play an important role in the power system. Meanwhile, during the reporting period, Hainan Garden Lane Flight Hotel Management Co., Ltd., a holding subsidiary of the Company, proactively developed hotel management, catering and accommodation services.

Since 2020, the hotel industry in which the Company operates has been greatly hit by COVID-19, combined with the impact of macro-economic structural adjustments on the power transmission and distribution equipment industry. As a result, the industry experienced excess production capacity and intense market competition. The Company has therefore faced increasing operational pressure. In the face of such a complex and difficult situation, all personnel of the Company adhered to the overall work plan, worked diligently to fulfill their duties, and strived to achieve breakthroughs. Under the leadership of the Board, the Company, with the support of substantial shareholders, 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, promoted the improvement of production and operation, dissolved previous debt risks, and steadily advanced various work activities.

During the reporting period, the operating income of the Company amounted to approximately RMB79,990,900, representing a decrease of 21.84% as compared with last year or approximately RMB22,350,200 year-on-year; and the net profit attributable to shareholders of the listed company amounted to approximately RMB63,976,600.

(2) Priority Work

The main activities in the reporting period are as follows:

1. Production and operation

(1) Combating the pandemic and recovering production at the same time

In 2020, the Company took multiple measures by preventing and controlling the pandemic on one hand and resuming work and production and developing markets on the other, carrying out special activities like one-hundred days' great effort and new product promotion to achieve the goal of output and revenue increase to the full extent. With the new products from Fuxin Busbar, the Company's revenue rose by nearly RMB8 million. The hotel business, however, saw income drop by 49% year-on-year as the result of continued pandemic spread, travel restriction due to quarantining measures, and the prevalence of online consumption throughout the year.

(2) Focusing on expenditure reduction and efficiency improvement, and controlling various costs and expenses

By controlling material cost, manufacturing cost, travel expense, consulting fee, and other means, the Company improved profitability of main business, and at the same time, significantly reduced labor cost, administrative expenses, and other costs and expenses. Fuxin Busbar, a primary subsidiary, held meetings for cost reduction and efficiency improvement for quite a few times to implement all measures. Through various cost saving initiatives such as design optimization, price comparison before purchase, heating power saving, and consumable use control in workshops, more than RMB one million of costs and expenses were saved. The headquarters of Northeast Electric kept its administrative expenses in the period at 35% of the annual budget, and its labor cost at 59% of the annual budget.

(3) Working on new products, promoting transformation, and capturing new markets in the adverse situation

Adhering to the strategy of developing new high-tech products and applying for high-tech enterprise certification, Fuxin Busbar has kept promoting technological transformation and new product development and innovation by investing no less than 5% of its revenue in R&D every year since 2018. It obtained 15 new utility model patents and made a number of achievements in new product development and innovation. After three years of planning, preparation and proactive application, Fuxin Busbar was successfully certified as one of the first high-tech enterprises in Liaoning Province in 2020, to enjoy the 15% income tax rate vs 25% before.

(4) Improving corporate governance, strengthening risk management, and stimulating team synergy

The Company comprehensively improved its corporate governance, and completed the internal control function and enhanced risk management for the purpose of full compliance. It overcame difficulties revolving around major projects. It united workforce through goals, trained people through tasks, found talents in practice, and motivated team combat effectiveness through strong incentives. It cared about employees, paid more attention to their growth in daily team building, and provided them training opportunities through projects and career development platforms. It emphasized internal and external communication to disseminate positive energy.

2. Risk warning on delisting for A shares of the Company

According to the Audit Report of Northeast Electric Development Co., Ltd. issued by Mazars Certified Public Accountants LLP on 29 April 2020 (Mazars Shen Zi [2020] No. 170018), the Company recorded an operating income of RMB102,341,085.77, a net profit attributable to shareholders of the listed company of RMB-40,165,739.76, and a net asset attributable to shareholders of the listed company of RMB-56,590,261.98 in 2019. Shenzhen Stock Exchange implemented a risk warning on delisting for A shares of the Company from the commencement of trading on 6 May 2020, subject to Rule 13.2.1 of the Listing Rules of Shenzhen Stock Exchange.

3. Discloseable and connected transaction: acquisition of minority interests in Chongqing Hotel

On 26 April 2020, the Proposal on Acquisition of Minority Interests in Chongqing HNA Hotel Investment Co., Ltd. was considered and approved at the thirteenth meeting of the ninth Board of the Company. Therefore, Garden Lane Hotel, a holding subsidiary of the Company, entered into the Equity Transfer Agreement of Chongqing HNA Hotel Investment Co., Ltd. (hereinafter referred to as “**Chongqing Hotel**”) with HNA Hotel Holding Group Company Limited (hereinafter referred to as “**HNA Hotel Holding**”) (for more details, please refer to the Announcement on the Acquisition of Minority Interests in Chongqing HNA Hotel Investment Co., Ltd. and Connected Transaction (announcement No.: 2020-013)). According to the Asset Valuation Report on Market Value of Equities to be Purchased by Hainan Garden Lane Flight Hotel Management Co., Ltd Involving the Entire Equities of Chongqing HNA Hotel Investment Co., Ltd. [ZWZXPZZ (2020) No. 5005-1] issued by Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd., the appraised value of the net assets of Chongqing Hotel was RMB163,338,600 based on the valuation date of 31 December 2019. Garden Lane Hotel paid RMB48.9 million in cash as consideration to acquire 15 million shares from HNA Hotel Holding, accounting for 30% equity interests of Chongqing Hotel. Such transaction was a discloseable and connected transaction.

The proposal was considered and approved at the first Extraordinary General Meeting of the Company of 2020 on 29 June 2020. The change of industrial and commercial registration in relation to the equity transfer was completed on 26 August 2020.

4. Government’s expropriation of the South Plant of the Company’s subsidiary Fuxin Enclosed Busbar Co., Ltd.

After Fuxin Enclosed Busbar Co., Ltd. (hereinafter referred to as “**Fuxin Busbar**”), a subsidiary in which the Company held shares, was relocated to the new plant at No. 369 Yulong Road, Hexi Village, Sihe Township, Xihe District, Fuxin in 2018, its South Plant (including land, industrial properties, structures and supporting facilities) at No. 46 Xinhua Road, Haizhou District, Fuxin City, Liaoning Province falls into the expropriation scope planned and approved by Fuxin People’s Government. For the purposes of active cooperation with the implementation of urban planning and protecting the interests of all shareholders and core assets of the listed company at the same time, Fuxin Busbar entered into the Agreement on Compensation for Land Expropriation (for more details, please refer to the Announcement on the Expropriation of the South Plant of the Subsidiary Fuxin Enclosed Busbar Co., Ltd. by the Government (announcement No.: 2020-014)) with Haizhou House Expropriation Office of Fuxin (hereinafter referred to as “**Expropriation Office**”, a public institution under Haizhou District People’s Government of Fuxin), pursuant to which, the Expropriation Office expropriated the above-mentioned plant owned by Fuxin Busbar. The total compensation for Fuxin Busbar as a result of the expropriation is RMB44 million. The Proposal on the Expropriation of the South Plant of the Subsidiary Fuxin Enclosed Busbar Co., Ltd. by the Government was considered and approved at the thirteenth meeting of the 9th Board of the Company held on 26 April 2020 and the annual general meeting for 2019 held on 29 June 2020, respectively.

5. Termination of non-public issuance of H shares

In view of the fact that the Share Subscription Agreement for the non-public issuance of H shares entered into by the Company and HNA Hotel Group (Hong Kong) Company Limited on 5 April 2017 has been terminated automatically due to the expiration on 30 June 2020, the Company held the 16th meeting of the ninth Board and the 11th meeting of the ninth Supervisory Committee on 14 July 2020 to consider and approve the Resolution on the Termination of Non-public Issuance of H Shares and the Withdrawal of Relevant Application Documents, and determined to terminate the non-public issuance and to apply to the CSRC for withdrawing the application documents for the non-public issuance of H shares. On 27 August 2020, the Company received the Notice of the CSRC on Terminating the Review on Application of Administrative Permission issued by the CSRC, in which the CSRC decided to determine the review on application of administrative permission made by the Company in accordance with relevant provisions of Article 20 of the Regulations of the China Securities Regulatory Commission on the Implementation Procedures of Administrative Permission. (For details, please refer to the Announcement on the Receipt of Notice of the CSRC on Terminating the Review on Application of Administrative Permission (Announcement No.: 2020-044))

6. Progress of material litigations

- (1) Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau vs. the Company for the payment of settlement allowance for staff. The case was tried in the First Intermediate People's Court of Hainan Province (TFIPCHP) on 10 August 2020. TFIPCHP issued the Civil Judgement ((2020) Qiong 96 Min Chu No. 81) on 16 September. TFIPCHP rejected the claim of the plaintiff which requested the defendant NEE to pay RMB28.53 million for arrears, interest and liquidated damages, because the statute of limitation expired and the defendant NEE raised a plead for the expiration of the statute of limitation. TFIPCHP judged as follows: (i) the defendant Shenyang High Voltage Switchgear Co., Ltd. ("Shenyang HVS"). should pay RMB28.53 million as well as the liquidated damages of RMB1.4265 million to Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi SASAB") within fifteen days from the date when the judgement takes effect; and (ii) reject other claims of the plaintiff Tiexi SASAB. The plaintiff Tiexi SASAB appealed to TFIPCHP during the appeal period. At present, the case is still on the docket.
- (2) The court case regarding the offset of RMB178 million against the debt due from Fuxin Enclosed Busbar Co., Ltd. ("Fuxin Busbar"), a subsidiary of the Company. Hainan Higher People's Court accepted the case on 30 November 2018, and delivered the documents such as pleadings to Shenyang HVS on 3 January 2019. The Civil Judgement ((2018) Qiong Min Chu No. 69) issued by Hainan Higher People's Court was received by NEE on 20 May 2019. As no parties concerned appealed within the statutory appeal period, the judgement of the first instance has come into effect since 7 August 2019 and NEE will not bear joint and several liability. Reference is made to the Announcements on Litigation Progress of the Company (Announcement No.: 2020-048) issued by NEE on the designated information disclosure media on 10 September 2020, "pursuant to the Civil Judgement ((2018) Qiong Min Chu No. 69) issued by Hainan Higher People's Court, as of 7 September 2020, the Group (NEE and its subsidiaries) is legally entitled to claim Shenyang HVS' matured debt totaling RMB178,549,569.56, including equity transfer payment, interest, interest on debt during the period of delayed performance. In accordance with Article 99 of the Contract Law of the People's Republic of China and other relevant laws, NEE has notified Shenyang HVS by post on 7 September 2020 that the aforesaid matured debt due from Shenyang HVS of RMB178,549,569.56 would be offset against the Company's matured debt due to Shenyang HVS of the same amount arising from the Civil Ruling (2004) Gao Min Chu Zi No. 802 issued by the Beijing Municipal Higher People's Court and the Civil Ruling (2008) Min Er Zhong Zi No. 23 issued by the Supreme People's Court, namely, the offset amount was RMB178,549,569.56. The Company has published an announcement on Liaoshen Evening News, an influential provincial media in Liaoning where Shenyang HVS is located on 11 September 2020, the debt offset has become effective on 11 September 2020."

(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 in 2021. 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 lasting impact of the globally spread pandemic, such industries as tourism, accommodation and catering in China suffered heavy losses in 2020. Industry insiders predict that the operating revenue will resume growth in the second half of 2021.

2. Development strategy of the Company

In 2021, the first year of the 14th Five-Year Plan period, 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. 2021 operation plan

Faced with the lasting impact of the global public health event and the restructuring risk of its indirect controlling shareholder HNA Group and its related parties under the novel coronavirus pandemic, the listed company and its subsidiaries will proactively overcome the disadvantages. 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 2021, the Company will focus on optimizing the industrial layout and deepening reform to facilitate reform, innovation and improve quality and efficiency. Through the perfection of internal control system, enhancement of internal management, and continuous reinforcement of operating efficiency and key competitive edges, the Company will further strengthen and enhance its business performance. By virtue of seizing opportunities and taking fully use of capital market, the Company will fine tune its principal activities and operating strategy to enhance the profitability and comprehensive power of the listed company on a going concern, and promote the development of the listed company.

4. Key tasks of the Company in 2021

- (1) At the beginning of 2021, Beijing Haihongyuan, a major shareholder of the Group, issued a letter of commitment to provide financial support. Beijing Haihongyuan promised to provide unconditional financial support to the Group within two years from the date of the issuance of the letter of commitment, including assisting the Group in supplementing its working capital by providing funds, guarantees, etc. At present, Shenyang Kaiyi Electric Co., Ltd. (“Shenyang Kaiyi”), a wholly-owned subsidiary of the Company, has signed a loan contract with Beijing Haihongyuan, under which Beijing Haihongyuan will continue to lend Shenyang Kaiyi a loan with a balance of up to RMB50 million in 2021 to support the Company’s production and operation.
- (2) Further improve the listed company’s governance structure, promote the management team to change its thinking, actively explore and innovate and increase income and reduce expenditure, stimulate the vitality, drive and creativity of the management team, and promote business transformation and development and improve product innovation capabilities by opening up new markets and developing new customers.
- (3) Make full use of financing channels of the capital market. Relevant subsidiaries of the Company have good bank credit and financing records as well as financing capabilities, and had paid off bank loans during the reporting period. Therefore, they may apply for bank credit and loan support according to its own business expansion needs in the future. On February 14, 2020, the China Securities Regulatory Commission issued the revised Measures for the Administration of the Issuance of Securities by Listed Companies, relaxing the requirements for non-public issuance of A shares by listed companies. Moreover, as an H-share listed company, Northeast Electric may additionally issue 20% of H shares through the Board of Directors authorized by the annual general meeting. Therefore, despite the current uncertain risk of whether the reorganisation of the indirect controlling shareholder HNA Group and its related parties will succeed, the listed company still can make full use of the financing policies of the capital market platforms of the two places to explore possible financing methods to introduce strategic investors, optimize the equity structure, raise working capital to support business transformation and supplement daily operations, actively expand new business segments, and enhance the Company’s core competitiveness and sustainable development capabilities.

- (4) As the impact of the global pandemic gradually fades, with the help of the advantages of the first year of the “14th Five-Year Plan” period, market demand in all aspects has rebounded significantly year-on-year, which is conducive to the Company’s comprehensive recovery and upgrade of its main business. The Company will actively adjust its business structure according to market changes and needs, accelerate the process of transforming into a modern service industry, optimize the overall layout, develop new customer groups, improve and strengthen the sales system, and expand and strengthen the main business income scale.
- (5) In order to seek new space for development, the Company will continue to use its subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. as a platform to research and explore the development and expansion of business modules; further leverage the market resources, talent advantages and outstanding brand value of major shareholders in the upstream and downstream hotel industries to actively develop hotel business; and actively expand incremental business on the basis of consolidating the scale of existing business to expand the business scope of the listed company and improve its asset portfolio structures, injecting new vitality into the continuous operation of the listed company.
- (6) Actively mobilize and deeply explore its own resources, strengthen comprehensive budget management and cost control, strictly control various expenses, reduce operating costs, and maximize the profitability of main businesses.
- (7) The RMB13.04 million receivable from the Housing Expropriation Office of Haizhou District, Fuxin City is the payment for the land acquisition of the South Plant of Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company, and the full payment is expected to be sought in 2021 to supplement the Group’s liquidity requirements.
- (8) In strict accordance with the standardized operation requirements for listed companies, continuously improve work standards and improve the internal control system, establish and improve corporate operation organizations, continuously improve various internal control systems, strengthen risk control measures, and reduce operating risks in order to make the Company’s internal control system more operable, prevent the occurrence of situations that harm the interests of the listed company and its shareholders and strive to achieve the Company’s business objectives.

The above outlook of the Company does not constitute the Company’s substantial commitment to investors. Investors are advised to pay attention to investment risks.

5. Capital position

In 2021, the Company will effectively use a variety of financing methods, including the capital market, to carry out capital operations and improve business operations, actively expand financing and main business channels to strive for unobstructed funding sources, and further improve the financing structure and reduce financial costs to consolidate the Company's ability to continue as a going concern.

6. The Company's risks and countermeasures

(1) Market risks brought by macroeconomic environment

The Company's industry is closely related to the demand of the power equipment industry, and prosperity of the industry is also directly related to the national economy, which has a large impact on the Company's performance. Therefore, it is necessary to continue to pay attention to the impact of the national macroeconomic and the global economy on the industry. Meanwhile, the pandemic had a significant impact on the hotel management industry where the Company operates in the first quarter of 2021, and the impact is expected to continue for a period of time in the future. The Company will carry out pandemic prevention and control work in strict accordance with the requirements of relevant government departments, and actively apply for the implementation of government support policies.

(2) Market competition risk

Enclosed busbar production and hotel operation are the Company's main businesses. The increasing market competition has adversely affected the average profit level of the industry. The Company will continue to improve technical standards, enhance innovation capabilities, expand production capacity and improve the efficiency of operation and management, curb the situation that the sudden outbreak of the pandemic has brought a decrease in the Company's operating income and the continued decline in the gross profit rate of products and services and in the profitability, and consolidate the Company's ability to continue as a going concern.

(3) Strategic transformation risk

In order to promote the Company's medium- and long-term sustainable development, the Company is implementing a strategic transformation and deploying in the modern hotel service industry. If the Company fails to implement the transformation as soon as possible due to various reasons, it may face the risk of a slowdown or even failure of the strategic transformation process. The Company will actively promote relevant work and at the same time actively seek related businesses and adopt various methods to gradually realize strategic transformation.

7. Analysis of core competitiveness

After years of accumulation in product quality, brand culture, research and development capabilities, process technology, management services and marketing, the Company has certain advantages and industry competitiveness, which is reflected as follows: the development of the Company's industry is closely related to the national macro policy, and the market has a certain degree of relevance to the development of the macro economy; the Company has advanced production equipment and strong manufacturing capabilities in power transmission and transformation related products; the Company has a certain accumulation of technical strength and a high level of professional craftsmanship; the Company has a sound internal control system and standardized corporate governance; and the Company has certain product development capabilities and investment and financing capabilities.

During the reporting period, the Company's core competitiveness did not undergo major changes. Through the introduction of talents and the adjustments and changes to adapt to market demands, the Company's competitiveness in some product markets has improved to some extent, with breakthroughs in some businesses.

(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 was 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 2020, according to the relevant regulations, the Company has no distributable reserve. Pursuant to the resolution approved by the Board on 29 March 2021, the Company proposes not to distribute cash dividend, issue bonus share, or capitalize from capital reserves during the year. The matter is still subject to approval by the general meeting.

Analysis of loans and borrowings

As at the end of the reporting period, the Company's short-term borrowings was RMB0, primarily because the secured loans borrowed from the Bank of China by our subsidiary Fuxin Busbar were settled during the year.

Working capital and financial resources

The net cash used in the Group's operating activities for the year ended 31 December 2020 was approximately RMB-11,469,000 (2019: RMB9,597,000).

As at 31 December 2020, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB12,913,000 (2019: RMB135,275,000) and bank loans of RMB0 (2019: bank loans of RMB10,500,000).

As of 31 December 2020, the Group had current liabilities of RMB230,016,000, non-current liabilities of RMB113,109,000, and shareholders' equity attributable to shareholders of the Company of RMB-187,419,000. 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 2020, the Group's short-term bank borrowings amounted to RMB0, and the cash and cash equivalents were RMB12,913,000 (2019: RMB135,275,000). 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 2020, the Company had fixed asset and net land value of RMB0 for mortgages (2019: fixed assets and net land value with fair value of RMB31.77 million and carrying amount of RMB15.80 million respectively).

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 2020, the Group’s gearing ratio (calculated as total liabilities/total assets) was 217% (2019: 111%).

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 2020, the total amount of purchases from the Group's top five suppliers was RMB28,273,452.55, accounting for 54.64% 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 RMB31,068,802.71, accounting for 38.84% of the Group's total annual sales. Among them, the sales amount to customer accounts of related parties for 5.74% 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 approximately RMB79,990,900, decreasing by approximately RMB22,350,200 or 21.84% as compared to the previous year; and the net profit attributable to shareholders of the listed company was approximately RMB63,976,600.

(II) Revenue and Cost

(1) Composition of operating income

Unit: RMB

Item	2020		2019		Year-on-year increase/ decrease
	Amount	Percentage of operating income	Amount	Percentage of operating income	
Total operating income	79,990,887.34	100%	102,341,085.77	100%	-21.84%
By industries					
Production and sales of enclosed busbars	48,756,932.40	60.95%	41,026,340.80	40.09%	18.84%
Hotel catering and accommodation industry	31,039,468.36	38.80%	61,314,744.97	59.91%	-49.38%
Others	194,486.58	0.25%	0	0	100%
By products					
Enclosed busbars	48,756,932.40	60.95%	41,026,340.80	40.09%	18.84%
Hotel catering and accommodation industry	31,039,468.36	38.80%	61,314,744.97	59.91%	-49.38%
Others	194,486.58	0.25%	0	0	100%
By regions					
Northeast China	4,325,194.77	5.41%	22,185,459.39	21.68%	-80.50%
North China	29,399,016.62	36.75%	14,453,326.87	14.12%	103.41%
Central China	6,156,598.60	7.70%			100.00%
East China	2,886,715.77	3.61%			100.00%
South China	10,144,124.98	12.68%	30,791,069.23	30.09%	-67.05%
Southwest China	19,114,667.89	23.90%	15,274,884.20	14.93%	25.14%
Northwest China			19,636,346.08	19.19%	-100.00%
Others	7,964,568.71	9.96%			100.00%

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

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	48,756,932.40	45,455,526.50	6.77%	18.84%	30.22%	-54.61%
Hotel catering and accommodation industry	31,039,468.36	6,300,877.24	79.70%	-49.38%	-69.92%	21.05%
By products						
Production and sales of enclosed busbars	48,756,932.40	45,455,526.50	6.77%	18.84%	30.22%	-54.61%
Hotel catering and accommodation industry	31,039,468.36	6,300,877.24	79.70%	-49.38%	-69.92%	21.05%
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 products

Unit: RMB

By products	Item	2020		2019		Year-on-year increase/decrease
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Enclosed busbars	Direct material costs	39,525,022.29	76.37%	29,084,761.85	52.07%	35.90%
Enclosed busbars	Direct labour costs	2,239,977.28	4.33%	2,203,620.41	3.95%	1.65%
Enclosed busbars	Manufacturing costs	3,690,526.93	7.13%	3,617,801.04	6.48%	2.01%
Hotel catering and accommodation services	Cost of food materials	6,300,877.24	12.17%	20,943,727.79	37.50%	-69.92%

(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

(8) Major customers and major suppliers

Major customers

Total sales of the top five customers (RMB)	31,068,802.71
Proportion of total sales of the top five customers over total sales for the year	38.84%
Proportion of sales of connected parties in the top five customers over total sales for the year	5.74%

Top five customers

No.	Name	(RMB)	Percentage over Sales the annual total amount of sales
1	Inner Mongolia ** Power Generation Co., Ltd.	8,241,200.00	10.30%
2	Hunan ** Electric Power Construction Group Co., Ltd.	7,350,000.00	9.19%
3	** power generation plant, SPIC Jiangxi Electric Power Co., Ltd.	6,490,256.40	8.11%
4	Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	4,589,346.31	5.74%
5	Shanxi ** Power Generation Co., Ltd. (山西漳澤電力長治發電有限責任公司)	4,398,000.00	5.50%
Total		31,068,802.71	38.84%

Other conditions of the major customers

Applicable Not applicable

Among the above customers, Zijinghua Hotel of Jilin Province Tourism Group Co., Ltd. has connected relationship with the Company (under the same de facto controller, namely Hainan Province Cihang Foundation).

Major suppliers

Total purchases attributable to the top five suppliers (RMB)	28,273,452.55
Proportion of total purchases attributable to the top five suppliers over total purchases for the year	54.64%
Proportion of purchases of connected parties in the top five suppliers over total purchases for the year	0.00%

Top five suppliers

No.	Name	Purchase (RMB)	Percentage over the annual total purchase
1	Shenyang ** Copper Co., Ltd.	10,507,176.56	20.30%
2	Shenyang ** Aluminum Co., Ltd.	7,957,649.80	15.38%
3	Shenyang ** Aluminum Co., Ltd.	5,366,631.19	10.37%
4	Guangdong ** Power Technology Co., Ltd. (廣東維傑電力科技有限公司)	3,000,000.00	5.80%
5	Zhejiang Cixi ** Electric Accessories Plant (General Partnership) (浙江慈溪市新興電力配件廠 (普通合夥))	1,441,995.00	2.79%
Total		28,273,452.55	54.64%

Other conditions of the major suppliers

Applicable Not applicable

None of the Directors, close associates of the Directors and shareholders (holders of more than 5% of the total number of shares of the issuer in issue as to the knowledge of the Board) of the Company has any interests in the above suppliers.

3. Expenses

Unit: RMB

	2020	2019	Year-on-year increase/decrease	Explanation of significant changes
Selling expenses	31,784,989.22	39,131,388.70	-18.77%	
Administrative expenses	19,469,719.62	26,843,137.46	-27.47%	
Financial costs	271,600.93	-1,781,696.14	-115.24%	Decrease in interest income on deposits
R&D expenses	2,502,192.76	1,022,056.35	144.82%	Increase in R&D investment in new products

4. R&D investment

Applicable Not applicable

1. The development and trial-production of all-insulated pipe busbar 10kV/8000A were completed;
2. The development and trial-production of all-insulated casting busbar 3kV/5000A were completed;
3. The research and development of intelligent busbars dehumidifying system to improve its performance were completed, and the trial use of the system by the employer proved to be effective.

During the reporting period, the revenue from new busbar products amounted to approximately RMB8 million.

R&D investment of the Company

Item	2020	2019	Changes of Proportion
Number of research personnel	12	12	0.00%
Proportion of research personnel	10.00%	7.40%	2.60%
Amount of R&D investment (RMB)	2,502,192.76	1,000,000.00	150.22%
Proportion of R&D investment to operating incomes	3.13%	0.98%	2.15%
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	2020	2019	Year-on-year increase/decrease
Subtotal of cash inflow from operating activities	90,465,760.84	136,162,823.17	-33.56%
Subtotal of cash outflow from operating activities	166,619,858.02	132,826,002.92	25.44%
Net cash flow from operating activities	-76,154,097.18	3,336,820.25	-2,382.24%
Subtotal of cash inflow from investment activities	78,500,000.00	55,000,000.00	42.73%
Subtotal of cash outflow from investment activities	55,637,280.74	68,342,384.18	-18.59%
Net cash flow from investment activities	22,862,719.26	-13,342,384.18	-271.35%
Subtotal of cash inflow from financing activities	0	10,500,000.00	-100.00%
Subtotal of cash outflow from financing activities	12,674,273.76	10,699,807.27	18.45%
Net cash flow from financing activities	-12,674,273.76	-199,807.27	6,243.25%
Impact of change foreign exchange rates on cash and cash equivalents	-26,206.26	8,800.62	-397.78%
Net increase in cash and cash equivalents	-65,991,857.94	-10,196,570.58	547.20%

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

Applicable Not applicable

1. Cash inflow from operating activities of the hotel catering and accommodation services decreased due to the impact brought by the outbreak of COVID-19. Cash outflow from operating activities increased due to the reclassification of the deposits with HNA Group Finance Company from monetary fund to other receivables .
2. Cash inflow from investment activities increased due to the sale of land assets by the subsidiary Fuxin Busbar.
3. All short-term borrowings were paid off during the year and there were no new borrowings.

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

Applicable Not applicable

1. During this year, for long-term equity investments – 30% equity interests of Chongqing HNA Hotel, the Company recognized in full under the equity method the net investment losses of RMB48,900,000; and for deposits with HNA Group Finance Company, the Company made a provision in full for the credit impairment losses of RMB71,765,302.96.
2. During the year, NEE incorporated the due debts owed by Shenyang HVS and recognized investment income of RMB178,549,569.56.

(III) Analysis of Non-principal Business

□ Applicable √ Not applicable

(IV) Analysis of Assets and Liabilities

1. Significant changes in major assets

Major assets	Notes to significant changes
Equity	30% equity of Chongqing Hotel was acquired in April 2020, for which a net investment loss of RMB48,900,000.00 was recognised under the equity method at the end of the year; 10.5% equity of Tianjin Center was recognised in full as RMB198,078,808.21 in the loss on changes in fair value.
Fixed assets	There were no significant changes.
Intangible assets	The subsidiary Fuxin Busbar disposed of the land assets located in Haizhou District, Fuxin this year.
Construction in progress	There was no construction in progress during the year.
Other receivables	The Company made a provision in full for deposits in HNA Finance Company as a credit impairment loss of RMB71,765,302.96 at the end of the year.

2. Significant changes in assets

The Company started to apply the New Accounting Standards for Business Enterprises (“ASBEs”) on Revenue or the New ASBEs on Leasing in 2020 and adjusted the relevant items in the financial statements at the beginning of the year of adoption: Not applicable

Unit: RMB

Item	As at the end of 2020		As at the end of 2019		Increase/ decrease in percentage	Explanation of significant changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary fund	12,912,725.07	8.20%	135,274,303.72	28.36%	-20.16%	Deposits with HNA Group Finance Company of RMB71,765,302.96 reclassified into other receivables
Receivables	32,293,932.13	20.50%	27,140,493.40	5.69%	14.81%	
Inventory	16,710,311.95	10.61%	16,909,715.61	3.54%	7.07%	
Fixed assets	44,911,967.97	28.51%	49,802,006.47	10.44%	18.07%	
Short-term borrowings	-	-	10,500,000.00	2.20%	-2.20%	Borrowings paid off during the year, without new borrowings

3. Asset and liability at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Gain or loss	Cumulative	Provision for impairment during the current period	Purchases during the current period	Sales during the current period	Other changes	Closing balance
		on changes in fair value for the current period	changes in fair value recorded in equity					
Financial assets								
4. Other equity								
investments	198,078,808.21	-198,078,808.21						0.00
Total	198,078,808.21	-198,078,808.21						0.00
Financial liabilities	0.00							0.00

Note: Loss on changes in fair value of Tianjin Center was recognized during the reporting period.

Other changes

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

Yes No

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

Item	Book value at the end of the year (RMB)	Reasons for restriction
Monetary fund	4,376,815.36	Performance guarantee
Total	4,376,815.36	

(V) Investment

1. Overview

Applicable Not applicable

2. Significant equity investment obtained during the reporting period

Applicable Not applicable

During the reporting period, Garden Lane Flight Hotel, a subsidiary of the Company, acquired 30% equity interests of Chongqing HNA Hotel. For the relevant information, please refer to “(I) Overview” in “V. DISCUSSION AND ANALYSIS OF BUSINESS CONDITION”. For more details, please refer to the Announcement on the Acquisition of Minority Interests in Chongqing HNA Hotel Investment Co., Ltd. and Connected Transaction issued on 26 April 2020.

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

Applicable Not applicable

Please refer to “Government’s expropriation of the South Plant of the Company’s subsidiary Fuxin Enclosed Busbar Co., Ltd. ” as set out in “(1) Overview and (2) Priority Work” in “IV. REPORT OF THE DIRECTORS”.

(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 (type of legal entity)	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 (limited liability company)	Trading	US\$20 million	68,237,777.09	53,885,638.84	0.00	-131,936.21	-131,936.21
Gaocai Technology Co., Ltd. (高才科技有限公司)	Subsidiary (limited liability company)	Investment	US\$ 1	80,311,007.89	4,657,586.62	0.00	-9,525.00	-9,525.00
Shenyang Kaiyi Electric Co., Ltd. (沈陽凱毅電氣有限公司)	Subsidiary (limited liability company)	Manufacturing of electrical equipment	RMB1 million	50,288,931.25	-55,725,610.17	0.00	-1,255,086.10	-1,255,285.94
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary (limited liability company)	Manufacturing of enclosed busbars	US\$8.5 million	128,586,154.98	-15,483,626.02	48,951,418.98	23,320,602.09	19,789,298.08
Hainan Garden Lane Flight Hotel Management Co., Ltd. (海南逸唐飛行酒店管理有限公司)	Subsidiary (limited liability company)	Hotel business	RMB50 million	38,373,833.08	-121,545,652.20	31,042,108.36	-126,301,696.95	-125,376,260.62
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary (limited liability company)	Electric power engineering	RMB10 million	13,276,151.22	6,880,434.14	0.00	-116,764.34	-116,764.34
HNA Tianjin Center Development Co., Ltd.	Investee (limited liability company)	Property leasing and hotel catering	RMB269,887,709	3,793,595,839.25	1,813,480,142.61	71,898,168.82	-3,049,438.70	-3,103,142.70
Chongqing HNA Hotel Investment Company Limited (重慶海航酒店投資有限公司)	Associate (limited liability company)	Property leasing	RMB50 million	310,742,002.97	169,979,566.87	7,224,200.32	6,506,924.51	4,880,193.39

Acquisition and disposal of subsidiaries during the reporting period

□Applicable √Not applicable

(VIII) Cause description of significant changes in production and operation, as well as the profit component, principal business and its structure and profitability during the reporting period as compared to the previous reporting period

Please refer to “(1) Overview and (2) Priority Work” in “IV. REPORT OF THE DIRECTORS”.

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 connected transaction of the Company for 2020 is as follows:

Please refer to “(2) Priority Work” in “IV. REPORT OF THE DIRECTORS” for discloseable connected transactions: the acquisition of minority interests in Chongqing HNA Hotel.

2. Pursuant to the Listing Rules of the Hong Kong Stock Exchange, the continuing connected transactions of the Company for 2020 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 2020, the balance of the deposits the Company and its subsidiaries placed with Finance Company was RMB71,765,302.96.

On 15 March 2021, Hainan Higher People's Court ruled that the claim for reorganisation of Finance Company has been accepted. Despite no specific compensation scheme for the creditors so far, the Company, based on the prudence principle, decided to make a provision in full for credit impairment losses of RMB71,765,302.96.

(2) Lease agreements with the lessors (I)

Garden Lane Flight Hotel (a holding subsidiary of the Company) and the lessors (Dongguan Yujingwan Hotel and Jilin Province Tourism Group Co., Ltd.) are controlled by the same de facto controller (i.e., Hainan Province Cihang Foundation) or other related parties, 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 business of the Company, Garden Lane Flight 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 Flight Hotel. During the reporting period in 2020, Garden Lane Flight Hotel incurred relevant lease expense of RMB6,991,213.72.

(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 Flight Hotel, the Company's subsidiary, and 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 2020, the Company incurred relevant lease expense of RMB3,180,952.36.

The independent non-executive Directors of the Company unanimously confirmed that the continuing connected transactions of the Company in 2020 were carried out:

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

In respect of the above continuing connected transactions (the “**Transactions**”) specified in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, Mazars CPA has performed the relevant reviews for the Transactions for the year ended 31 December 2020 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, nonoperational 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 case has come to trial on Hainan First Intermediate People’s Court on 25 January 2021. On 2 February 2021, Hainan First Intermediate People’s Court issued a civil written order [(2019) Qiong 96 Min Chu No.381]. The Hainan First Intermediate People’s Court held that the application made by the plaintiff for adding Northeast Electric as a person subject to enforcement for the case of [(2015) Fu Zhong Zhi Zi No.00140] is unfounded and lacks legal evidence, and the court will not support it. The plaintiff Fushun Electric Porcelain Co., Ltd. has filed an appeal with Hainan Higher People’s Court during the appeal period. Currently, the case is under trial. For details, please refer to the Announcement on Litigation Progress (announcement No.: 2020-005) dated 7 February 2021.

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

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

(III) Other Major Events

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

The Company recorded net profit attributable to shareholders of the listed company of RMB63,976,621.79 and has no profit distributable for shareholders for the year ended 31 December 2020. The Board of the Company did not recommend paying cash dividends, issuing bonus shares or transferring capital reserve during the reporting period.

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

Nil

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

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

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

Nil

Notes by the Board, the Supervisory Committee and independent Directors on the “non-standard audit report” issued by the accounting firm for the reporting period

The Company engaged Mazars as the auditor of the Company for the year of 2020. Mazars has issued the unqualified audit report with paragraphs regarding material uncertainties on the ability to continue as a going concern for the 2020 financial report of the Company.

Special notes by the Board on matters related to non-standard audit opinions

Matters involved in audit opinions

- (1) Domestic auditor Mazars Certified Public Accountants LLP is of the view that:

Material uncertainties related to going concern: We draw the attention of users of financial statements to the information as set forth in Note 2 to the financial statements that, the Company recorded accumulated net loss of RMB-1,995,343,315.68 and equity attributable to shareholders of the parent of RMB-187,420,368.40 at the end of 2020. As of 31 December 2020, the current liabilities of the Company were RMB145,543,698.50 higher than its current assets. In the meanwhile, the Company faced a compensation amount of RMB94 million for settled lawsuits. Such matters or situations indicate the existence of material uncertainties that could lead to significant doubts about the Company’s ability to continue as a going concern. This matter does not have effects on the issued audit opinions.

- (2) The overseas auditor Mazars CPA Limited is of the view that:

Material uncertainties related to going concern:

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group had net current liabilities and net liabilities of approximately RMB145,543,000 and RMB185,229,000 as at 31 December 2020 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.

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

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

1. In early 2021, Beijing Haihongyuan, the parent of the Group, has issued a letter of commitment in respect to financial support and undertakes to unconditionally provide financial support for the Group, including providing funds, guarantees and otherwise to assist the Group in the replenishment of working capital, within two years from the issue date of the letter of commitment. Currently, Shenyang Kaiyi Electric Co., Ltd. ("Shenyang Kaiyi"), a wholly-owned subsidiary of the Company, has entered into a loan contract with Beijing Haihongyuan. In 2021, Beijing Haihongyuan will continue to lend a loan with a maximum balance of no more than RMB50 million to Shenyang Kaiyi to support the production and operations of the latter.
2. The Company will further optimise the governance structure of the listed company, facilitate the management team to change their mindset and vigorously blaze new trails in a pioneering spirit and raise income and reduce expenditure. Additionally, it will stimulate the vitality, enthusiasm and creativity of the management team, drive business transformation by expanding new markets and developing new customers, and enhance the product innovation capability.
3. Financing channels in the capital market will be fully utilised. Relevant subsidiaries of the Company feature a favorable credit profile in the bank and financing records and have the ability to raise capital. Besides, they had paid loans off in the reporting period. They can apply for bank credits and loans in accordance with their business expansion. Requirements for the non-public offering of A shares by listed companies are loosened, according to the newly revised Administrative Measures for the Issuance of Securities by Listed Companies released by the China Securities Regulatory Commission (CSRC) on 14 February 2020. Meanwhile, the Company, as an H-share listed company, can conduct a seasoned equity offering of 20% of its H shares upon authorisation by the Board at the annual general meeting. Thus, the listed company can still fully utilise financing policies for the capital market to probe into possible financing methods, though whether the restructuring of the indirect controlling shareholder, HNA Group, and its related parties will be successful remains uncertain. It can attract strategic investors, optimise the equity structure, raise working capital to support business transformation and supplement routine operations, actively expand new business segments and reinforce the core competitiveness and sustainability of the Company.

4. Market demands in all aspects significantly recover from the same period of last year, along with the gradual disappearance of the global COVID-19 pandemic and thanks to the opportunities in the first year of the “14th Five-year Plan”, favorable for the Company to fully recover and improve its main businesses. The business structure will be conscientiously adjusted in line with market changes and demands. The Company will accelerate its transformation to the modern service industry and optimise its overall layout. Furthermore, it will develop new customer bases, perfect and consolidate its sales system and build up the income scale of its main businesses.
5. To open up new development space, the Company will continue to regard its subsidiary, Hainan Garden Lane Flight Hotel Management Co., Ltd., as a platform to expand its business segments, further leverage strengths in market resources, talent advantage and outstanding brand value of the substantial shareholder in upstream and downstream hotel industries to actively conduct hotel business. New business will be earnestly developed, while consolidating the existing business scale. Thus, the business scope of the listed company will be expanded. The asset portfolio structure will be improved. New vitality will be injected into the continuing operation of the listed company.
6. The Company will proactively mobilise and tap into its own resources, intensify overall budget management and cost control, strictly control expenditure, reduce operating costs and maximise the profitability of main business.
7. The receivable of RMB13.04 million from the Haizhou House Expropriation Office of Fuxin is the land compensation for the South Plant of Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company. The Company will endeavor to recover the full amount in 2021 to supplement the demand for working capital of the Group.

8. In strict accordance with the Standardised Operation of Listed Companies, the Company will keep upgrading its working standards and improving its internal control system, establish a sound operation organisation across the Group and strengthen internal control policies. Besides, it will develop robust risk control measures to mitigate operating risks and create a more feasible internal control system. It will eradicate the incidents that may damage the interests of the listed company and shareholders and strive to achieve its operating targets.

Through the above measures, the Company's management considers that it is reasonable to prepare the financial statements on a going concern basis. The Board has made a full and detailed assessment of the Group's ability to continue as a going concern, including reviewing the Group's working capital forecast for the next 12 months compiled by the management. It is believed that the Group can obtain sufficient sources of financing to ensure the need for working capital and capital expenditure. The Board recognised the compilation of these financial statements on a going concern basis by the management.

The Board will continue to pay attention to and supervise the management of the Company so that they take proactive and effective measures to improve the Company's ability to continue as a going concern and safeguard the legitimate rights and interests of the Company and investors.

Special notes by the Supervisory Committee on matters related to non-standard audit opinions

The Supervisory Committee of the Company considers that: The above audit opinions truly, accurately and fairly reflect the Company's financial position and operating results in 2020 in all major respects, indicating material uncertainties related to going concern, but without effects on the published audit opinions. The Supervisory Committee agrees with the Special Notes by the Board on Matters Related to Non-standard Audit Opinions for Financial Statements for 2020. The Supervisory Committee will continue to pay attention to and supervise the Board and the management of the Company so that they take proactive and effective measures to improve the Company's ability to continue as a going concern and safeguard the legitimate rights and interests of the Company and investors.

Special notes by independent Directors on matters related to non-standard audit opinions

First, the unqualified audit report issued by Mazars Certified Public Accountants LLP for the Company with paragraphs regarding material uncertainties on the ability to continue as a going concern objectively and truthfully reflects the actual financial position of the Company. We have no objection to the audit report.

Second, we agree with the Special Notes by the Board on Matters Related to Non-standard Audit Opinions for Financial Statements for 2020, and will continue to pay attention to and supervise the Board and the management of the Company so that they take effective measures to improve the Company's ability to continue as a going concern and safeguard the interests of the Company and investors.

The Board's Special notes on unqualified audit report for internal control with explanatory paragraphs

- I. Matters involved in the unqualified non-financial report for internal control with explanatory paragraphs

The Company did not conduct assessment of the investment in a timely manner.

- II. The Board's notes on unqualified non-financial report for internal control with explanatory paragraphs

The Company has established an investment management system including pre-investment and post-investment. However, in 2020, the Company failed to conduct timely investment assessments on schedule, making the investment management unable to play a fully effective role in early-warning and reminder aspects. The Board has noticed defects of such internal control management and has instructed the management to formulate corresponding rectification measures to correct it.

- III. Measures to eliminate the matter adopted by the Board of the Company

The Company will continue to promote the building of internal control systems, and build a regularly recurring investment evaluation management system for investments, including such procedures as verification, evaluation, feedback, problem rectification and reverification. Meanwhile, by leveraging external intermediaries, the Company will improve risk awareness and prejudgment ability, fully evaluating the potential risks in the future, in a bid to timely adopt the corresponding measures to protect the legitimate interests of the Company and its investors in case of abnormalities.

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

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

Matters related to bankruptcy reorganisation

Due to the continuous impact of the global public health emergency on aviation and hotel sectors since 2020, HNA Group Co., Ltd. (the indirect controlling shareholder of the Company, hereinafter referred to as the “HNA Group”) and its related parties are exposed to a relatively high liquidity risk. According to the Company’s announcements dated 30 January 2021, 10 February 2021 and 15 March 2021 respectively, the Hainan Higher People’s Court (the “Court”) has ruled that the claim for reorganisation of HNA Group and its related parties by the relevant creditor has been accepted.

In order to give a true, objective and fair view of the financial position and asset values of the Company and its subsidiaries (collectively, the “Group”) as at 31 December 2020, according to the relevant requirements of the Accounting Standards and the Company’s accounting policies and accounting estimates, the Company makes provision of loss allowance of RMB71,765,302.96 for deposits of HNA Finance Company and recognises net loss from interest in associates of RMB48,900,000.00 on long-term equity investment, which accordingly reduces the net profit and net assets for the current period; in addition, the Company recognises losses of RMB198,078,808.21 on fair value changes in financial assets designated at fair value through other comprehensive income, thus reducing the net assets for the current period.

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.

Names and profiles of Directors, Supervisors and senior management

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

Directors, supervisors and chief executives’ interests in the shares, underlying shares and debentures of the Company

As of 31 December 2020, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Registration and management of persons informed of inside information

The Company has always been in compliance with the Registration and Management System for Persons Informed of Inside Information considered and approved by the Board. During the reporting period, the Company had not been aware of any violation.

Service contracts of Directors and Supervisors

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.

Remuneration of directors and supervisors

Details of the remuneration of the Company's current and resigned directors, supervisors and senior management during the reporting period are set out in "Changes in shareholdings of Directors, Supervisors and senior management and their remuneration" under the section headed "DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES".

According to the Company's remuneration management system and annual performance appraisal, the Remuneration Committee of the Company 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.

Employee pension scheme

The Group's employees participate in the basic pension insurance plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period when the employee serves for the Group, charging to the profit or loss for the current period or the cost of relevant assets. During the year ended 31 December 2020, the Group had contributions to defined contribution pension scheme of RMB704,000. Please refer to the notes to the financial statements for details of the implementation policies of employee remuneration and pension scheme.

Top five people with the highest remuneration

The top five employees with the highest remuneration of the Group for the year 2020 included 2 directors. Detailed remuneration items have been reflected in the aforesaid remuneration of directors, supervisors and senior management.

None of the key management personnel of the Group (including directors and supervisors) had abandoned any remuneration for the year 2020 and 2019.

Remuneration band:	Number of employees for the year 2020	Number of employees for the year 2019
HKD0 – HKD1,000,000	5	4
HKD1,000,001-HKD1,500,000	0	1

During the year, no payment was paid or payable to Directors as an inducement to join or upon joining the Group, and no compensation was paid or payable to Directors or former Directors for the loss of office as a Director or other management positions in any member of the Group.

Remuneration for the Directors and Supervisors of the Company was determined according to the salary management system and approved by the Remuneration Committee of the Board.

Permitted indemnity provisions

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

Additionally, according to the requirement of Rule A.6.5 of the Corporate Governance Code, all directors should 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.

Renewed engagement of auditor

The Company renewed the engagement of Mazars Certified Public Accountants LLP as the domestic auditor for financial statements and internal control of the Company for the year of 2020 and Mazars CPA Limited as the overseas auditor for the year of 2020 for a term of one year, and authorized the Board to determine the remuneration, upon consideration and approval at the 18th meeting of the ninth Board held on 30 October 2020 and the second extraordinary general meeting on 28 December 2020.

Mazars Certified Public Accountants LLP was employed as the domestic auditor for the Company’s annual financial report in 2020, 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 2020, and issuing audit opinions on its effectiveness. An annual audit fee and the other service fees were RMB450,000 and RMB100,000 respectively. Meanwhile, Mazars CPA Limited charged an annual audit fee and non-audit related services fee of RMB450,000 and RMB96,000 respectively.

The remuneration (excluding tax) paid to the auditor for auditing the 2020 annual report was as follows:

(Amount unit: RMB)

Item	Year 2020	Year 2019
Auditor’s remuneration		
-Annual auditing service fees (including internal control auditing service fees)	900,000.00	900,000.00
-Other service fees	196,000.00	183,000.00
Total	1,096,000.00	1,083,000.00

Public float

Based on the public information as at the latest practicable date prior to the publication of this report and to the knowledge of Directors, the Company confirmed that sufficient public float 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. Wang Hongyu, Mr. Li Ming, Mr. Fang Guangrong, and Mr. Bao Zongbao, with Mr. Wang Hongyu serving as the chairman. The Audit Committee complies with Rule 3.21 of the Listing Rules.

The Committee convenes no less than 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 2020, 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 2020, 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.

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	29.54%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	873,370,000	100.00%	0	0	0	0	0	873,370,000	100.00%

(2) Shareholding of Shareholders (Unit: shares)

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

Name of 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	29.44%	257,097,899	60,000	0	257,097,899		
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
Jin Lei	Domestic natural person	0.72%	6,280,010	6,280,010	0	6,280,010		
Zhao Rui	Domestic natural person	0.71%	6,195,810	3,460,100	0	6,195,810		
Huang Tao	Domestic natural person	0.57%	5,005,109	5,005,109	0	5,005,109		
Fu Lianjun	Domestic natural person	0.57%	4,974,489	0	0	4,974,489		
Miao Haonan	Domestic natural person	0.57%	4,428,812	4,428,812	0	4,428,812		
Xu Lirong	Domestic natural person	0.51%	4,025,000	4,025,000	0	4,025,000		
Gao Yan	Domestic natural person	0.44%	3,852,894	3,852,894		3,852,894		
Shi Yubo	Domestic natural person	0.43%	3,794,436	234,436		3,794,436		

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.

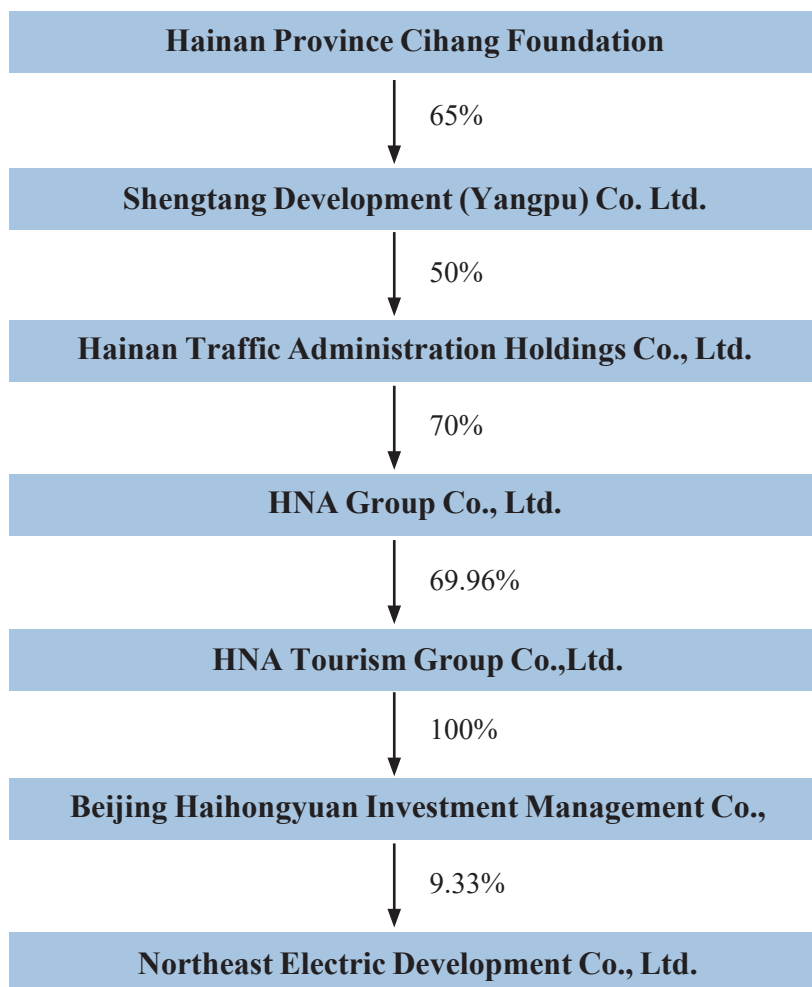
(6) Convertibles, options, warrants or other similar rights

As of 31 December 2020, 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 the number of shares held	shares held at the end of the period (shares)	remuneration from the Company (RMB0'000)
Zhu Jie	Director, Chairman	Incumbent	Male	40	3 December 2018	10 March 2022	0	0	0	66.1
Wang Yongfan	Director	Incumbent	Male	56	29 June 2020	10 March 2022	0	0	0	0
Bao Zongbao	Director	Incumbent	Male	38	5 June 2017	10 March 2022	0	0	0	0
Su Weiguo	Director, deputy general manager	Incumbent	Male	59	3 December 2018	10 March 2022	0	0	0	99
Guo Qianli	Director	Incumbent	Male	59	29 June 2020	10 March 2022	0	0	0	0
Li Guoqing	Director	Incumbent	Male	34	29 June 2020	10 March 2022	0	0	0	0
Li Rui	Former Director, former Vice Chairman, former general manager	Resigned	Male	44	11 May 2017	10 January 2020	0	0	0	0
Ma Yun	Director	Resigned	Female	40	11 March 2019	18 May 2020	0	0	0	0
Liu Huaifen	Director	Resigned	Female	47	23 December 2019	18 May 2020	0	0	0	0
Li Ming	Independent Director	Incumbent	Male	68	25 May 2018	10 March 2022	0	0	0	12
Wang Hongyu	Independent Director	Incumbent	Male	49	29 June 2020	10 March 2022	0	0	0	6
Fang Guangrong	Independent Director	Incumbent	Male	66	11 March 2019	10 March 2022	0	0	0	0
Qian Fengsheng	Independent Director	Resigned	Male	57	11 March 2016	29 June 2020	0	0	0	6
Zhou Jinyang	Shareholder representative supervisor	Incumbent	Male	56	29 October 2018	10 March 2022	0	0	0	11.9
Liu Lu	Shareholder representative supervisor	Incumbent	Female	31	23 December 2019	10 March 2022	0	0	0	6.1
Hu Tao	Employee representative supervisor	Incumbent	Male	36	29 August 2019	10 March 2022	0	0	0	6.2
Wang Kai	Deputy general manager, Chief Finance Officer	Incumbent	Male	46	12 March 2019	10 March 2022				76.7
Ding Jishi	Secretary to the Board	Incumbent	Male	36	29 August 2019	10 March 2022				57.9
Total:										347.9

Name	Emolument (RMB0'000)	Wage and allowance (RMB0'000)	Bonus (RMB0'000)	Housing provident fund and social insurance*	Total pre-tax remuneration (RMB0'000)
				(RMB0'000)	
Zhu Jie		21.3	38	6.8	66.1
Wang Yongfan					0
Bao Zongbao					0
Su Weiguo		54	36	9	99
Guo Qianli					0
Li Guoqing					0
Li Rui					0
Ma Yun					0
Liu Huafen					0
Li Ming	12				12
Wang Hongyu	6				6
Fang Guangrong					0
Qian Fengsheng	6				6
Zhou Jinyang		8.2		3.7	11.9
Liu Lu		4.4		1.7	6.1
Hu Tao		4.4		1.8	6.2
Wang Kai		50	18.8	7.9	76.7
Ding Jishi		36	14	7.9	57.9
Total					347.9

*Note: Social insurance includes medical insurance premium, contribution to endowment insurance plan, unemployment insurance, maternity insurance premium and work-related injury insurance premium.

(II) Changes in Directors, Supervisors and Senior Management

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

Name	Position	Type	Date	Reason
Li Rui	Former Director, former Vice Chairman, former general manager	Resigned	10 January 2020	Work adjustment
Wang Yongfan	Director	Elected	29 June 2020	Job demand
Guo Qianli	Director	Elected	29 June 2020	Job demand
Li Guoqing	Director	Elected	29 June 2020	Job demand
Wang Hongyu	Independent Director	Elected	29 June 2020	Job demand
Ma Yun	Former Director	Resigned	18 May 2020	Work adjustment
Liu Huafen	Former Director	Resigned	18 May 2020	Work adjustment
Qian Fengsheng	Former independent Director	Resigned	9 December 2019	Applied for resignation due to personal reason and effective on 29 June 2020.
Li Ming	Independent Director	Resigned	22 January 2021	Applied for resignation due to personal reason but not yet effective

(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 Innovation Ventures Co., Ltd., the chairman of HNA Tourism Travel Group(海航旅業旅游投資集團), the chairman of HNA Navigation Investment Group Co., Ltd(海航通航投資集團有限公司), and the venture capital investment president of HNA-Caissa Travel Group Co., Ltd. and the general manager of Hainan HNA International Hotel Management Limited. He currently serves as a Director and the Chairman of the 9th session of the Board of the Company.

Mr. Wang Yongfan, born in 1965, with Chinese nationality and without the right of permanent residence abroad, is a postgraduate from International Hotel Management Institute Switzerland and The University of Manchester with a master's degree. Mr. Wang successively served as the deputy general manager of Hainan Xinglong Hot Spring Kangleyuan Co., Ltd. (海南興隆溫泉康樂園有限公司), the general manager of Shaanxi Huangcheng HNA Hotel Co., Ltd. (陝西皇城海航酒店有限公司), the president of Hainan Island Construction Services Co., Ltd. (海南海島建設服務有限公司), and the chairman of Changchun Nobel Hotel Co., Ltd. (長春名門飯店有限公司). He currently serves as the general manager of Hainan HNA International Hospitality Management Limited and a Director of the 9th session of the Board of the Company.

Mr. Su Weiguo, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a senior economist and graduated from Harbin University of Science and Technology with a major in heat treatment and later from Dalian Maritime University with a major in international economic law, and obtained a bachelor's degree in engineering and a master's degree in law. He served as the section chief of the business management department, deputy general manager, Board secretary, general manager and chairman of the Company, and the section chief of business management department, assistant president and deputy general manager of Northeast Electric Transmission and Transformation Equipment Group, and the general manager of Tieling Copper Industry Co., Ltd., (鐵嶺銅業有限責任公司) and the chairman of Shenyang Furukawa Cable Co., Ltd., a Sino-Japanese joint venture. He is currently 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. 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. (海航旅業酒店投資集團) He currently serves as a Director of the 9th session of the Board of the Company.

Mr. Guo Qianli, born in 1962, with Chinese nationality and without the right of permanent residence abroad, is a junior college graduate from Jiangxi Radio and TV University with a major in Chinese Language and Literature. Mr. Guo once served as the general manager of Shaanxi Chang'an Haihangzhixing Hotel Co., Ltd. (陝西長安海航之星賓館有限公司) and the chairman of Tangla Hotel Tianjin. He currently serves as a Director of the 9th session of the Board of the Company.

Mr. Li Guoqing, born in 1987, with Chinese nationality and without the right of permanent residence abroad, graduated from The Chinese University of Hong Kong with a master's degree in international economic law. Mr. Li once served as the investment director of investment banking department at HNA Tourism Innovation Ventures Co., Ltd. He currently serves as a Director of the 9th session of the Board of the Company.

(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. On 22 January 2021, he applied for resignation from independent Director of the 9th session of the Board of the Company for personal health reasons. The application has not entered into force.

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. Wang Hongyu, born in 1972, with Chinese nationality and without the right of permanent residence abroad, successively graduated from Wuhan University and The Hong Kong University of Science and Technology with a master's degree. Mr. Wang is a senior accountant. He once served as a senior manager at Asia Pacific (Group) Certified Public Accountants, the deputy general manager of Sunshine Holdings Limited (a company listed on the Singapore Exchange) and the general manager of planning and finance department at Zhongyu Gas Holdings Limited (stock code: HK.03633). He currently serves as a co-founder and the chief financial officer of Shenzhen Huadachuan Automation Technology Co., Ltd. (深圳華達川自動化科技有限公司) and an independent Director of 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

Chairman: Mr. Zhu Jie

Members: Mr. Fang Guangrong, Mr. Want Yongfan, Mr. Guo Qianli

2) Nomination Committee

Chairman: Mr. Li Ming

Members: Mr. Zhu Jie, Mr. Fang Guangrong

3) Remuneration Committee

Chairman: Mr. Fang Guangrong

Members: Mr. Zhu Jie, Mr. Li Ming, Mr. Wang Hongyu

4) Investment Management Committee

Chairman: Mr. Zhu Jie

Members: Mr. Fang Guangrong, Mr. Want Yongfan, Mr. Su Weiguo, Mr. Li Guoqing

5) Audit Committee

Chairman: Wang Hongyu

Mr. Li Ming, Mr. Fang Guangrong, Mr. Baozongbao

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. (海南航空食品有限公司), the general manager of Hainan Airlines Beverage Manufacture Co., Ltd. and the deputy general manager of comprehensive management department of E-food 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. (海南海航財務共享服務代理有限公司). She currently serves as the shareholder representative supervisor of the 9th session of Supervisory Committee 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 Limited, 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. He currently serves as the employee representative supervisor of the 9th session of Supervisory Committee 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 Transmission and Transformation Equipment Group, the general manager of Tieling Copper Industry Co., Ltd. (鐵嶺銅業有限責任公司), and the chairman of Shenyang Furukawa Cable Co., Ltd., a Sino-Japanese joint venture. He is currently 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 Financial Sharing Co., Ltd. (海南海航財務共享服務代理有限公司). 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.

(IV) Staff of the Company (number of employees, occupational structure and education level)

Number (person) of employees on the payroll of the parent company	13
Number (person) of employees on the payroll of the main subsidiaries	137
Total number (person) of employees on the payroll	150
Total number (person) of employees receiving remuneration in the current period	147
Number (person) of retired employees for whom the parent company and main subsidiaries need to pay expenses	0

Occupational structure

Occupational structure category	Population of occupational structure
Production staff	80
Salesman	14
Technical staff	12
Financial staff	9
Administrative staff	35
Total	150

Education level

Education level category	Number (person)
Bachelor degree and above	32
College	32
Senior high school and below	86
Total	150

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 2020	31 December 2019
Current assets:		
Monetary funds	12,912,725.07	135,274,303.72
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable	32,293,932.13	27,140,493.40
Receivables financing		
Advances to suppliers	997,454.96	1,019,555.51
Other receivables	19,230,044.90	759,602.00
Including: Interests receivable		
Dividends receivable		
Inventories	16,710,311.95	16,909,715.61
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,958,726.08	2,751,718.63
Total current assets	84,103,195.09	183,855,388.87

Consolidated Balance Sheet (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2020	31 December 2019
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other equity instrument investments		198,078,808.21
Other non-current financial assets		
Investment properties		
Fixed assets	44,911,967.97	49,802,006.47
Construction in progress		
Biological assets held for production		
Oil and gas assets		
Right-of-use assets	16,432,367.74	25,749,336.93
Intangible assets	12,078,277.99	14,675,394.97
Development expenditure		
Goodwill		
Long-term deferred charges		40,728.78
Deferred income tax assets		
Other non-current assets		4,839,800.00
Total non-current assets	73,422,613.70	293,186,075.36
Total asset	157,525,808.79	477,041,464.23

Consolidated Balance Sheet (31 December 2020) (Continued)
For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2020	31 December 2019
Current liabilities:		
Short-term borrowings		10,500,000.00
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	21,344,941.14	18,436,024.06
Advances from customers		
Contract liabilities	6,624,272.90	10,233,056.45
Employment benefits payable	4,753,756.28	3,275,574.02
Taxes and fees payable	4,744,439.95	1,346,933.20
Other payables	181,225,923.07	362,381,183.75
Including: Interests payable		17,363.75
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	10,953,560.25	8,765,817.72
Other current liabilities		
Total current liabilities	229,646,893.59	414,938,589.20

Consolidated Balance Sheet (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2020	31 December 2019
Non-current liabilities:		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	11,582,700.60	17,486,748.75
Long-term payables		
Long-term employee benefits payable		
Provisions	72,099,690.00	72,099,690.00
Deferred income	29,425,846.58	23,623,291.13
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	113,108,237.18	113,209,729.88
Total liabilities	342,755,130.77	528,148,319.08

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	31 December 2020	31 December 2019
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,083,997,337.88	1,082,848,805.11
Less: Treasury stock		
Other comprehensive income	-258,031,515.00	-62,076,254.02
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Retained earnings	-1,995,343,315.68	-2,059,319,937.47
Total equity attributable to shareholders of the Parent	-187,420,368.40	-56,590,261.98
Minority interests	2,191,046.42	5,483,407.13
Total shareholders' equity	-185,229,321.98	-51,106,854.85
Total liabilities and shareholders' equity	157,525,808.79	477,041,464.23

Legal representative: Zhu Jie Chief Financial Officer: Wang Kai Chief Accounting Officer: Wang Kai

Consolidated Income Statement (31 December 2020)

For the year ended 31 December 2020 (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	79,990,887.34	102,341,085.77
Including: Revenue from operation	79,990,887.34	102,341,085.77
II. Total operating costs	106,615,419.76	122,262,685.63
Including: Cost for operation	51,756,403.74	55,849,911.09
Taxes and surcharges	830,513.49	1,197,888.17
Selling expenses	31,784,989.22	39,131,388.70
Administrative expenses	19,469,719.62	26,843,137.46
Research and development expenses	2,502,192.76	1,022,056.35
Financial costs	271,600.93	-1,781,696.14
Including: Interest expense	1,684,723.80	1,277,682.75
Interest income	1,487,871.78	3,203,171.66
Add: Other income	1,883,241.62	767,306.37
Investment income (loss presented with “-” prefix)	129,649,569.56	
Including: Investment income from associates and joint ventures	-48,900,000.00	
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)	-71,646,732.73	1,384,647.24
Asset impairment loss (loss presented with “-” prefix)		-22,484,598.52
Gain on disposal of assets (loss presented by “-” prefix)	32,743,426.99	

Consolidated Income Statement (31 December 2020) (Continued)
For the year ended 31 December 2020 (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)	66,004,973.02	-40,254,244.77
Add: Non-operating income	1,032,327.02	848,362.13
Less: Non-operating expenses	21,035.63	276,646.48
IV. Total profits (total loss presented with “-” prefix)	67,016,264.41	-39,682,529.12
Less: Income tax expenses	4,351,215.25	450,648.82
V. Net profit (net loss presented with “-” prefix)	62,665,049.16	-40,133,177.94
A. Classified by business continuity		
1. Profit or loss from continued operations (net loss presented with “-” prefix)	62,665,049.16	-40,133,177.94
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)	63,976,621.79	-40,165,739.76
2. Profits and losses attributable to minority interests (net loss presented with “-” prefix)	-1,311,572.63	32,561.82

Consolidated Income Statement (31 December 2020) (Continued)

For the year ended 31 December 2020 (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
VI. Net after-tax other comprehensive income	-197,936,049.06	-33,090,056.87
A. Net after-tax other comprehensive income attributable to shareholders of the Parent	-195,955,260.98	-33,063,756.81
1. Other comprehensive income not reclassifiable to profit or loss	-196,098,020.13	-32,891,388.60
(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	-196,098,020.13	-32,891,388.60
(4) Changes in the fair value of the company's own credit risk		
(5) Others		
2. Other comprehensive income reclassifiable to profit or loss	142,759.15	-172,368.21
(1) Other comprehensive income of convertible profit and loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) The amount of financial assets reclassified into other comprehensive income		
(4) Other debt investment credit impairment provisions		
(5) Cash flow hedge reserve		
(6) Exchange difference on translation of foreign financial statements	142,759.15	-172,368.21
(7) Others		
B. Net after-tax other comprehensive income attributable to minority interests	-1,980,788.08	-26,300.06

Consolidated Income Statement (31 December 2020) (Continued)
For the year ended 31 December 2020 (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	-135,270,999.90	-73,223,234.81
A. Total comprehensive income attributable to shareholders of the Parent	-131,978,639.19	-73,229,496.57
B. Total comprehensive income attributable to minority interests	-3,292,360.71	6,261.76
VIII. Earning per share:		
A. Basic earning per share (RMB per share)	0.07	-0.05
B. Diluted earning per share (RMB per share)	0.07	-0.05

Legal representative: Zhu Jie Chief Financial Officer: Wang Kai Chief Accounting Officer: Wang Kai

Consolidated Statement of Cash Flows (31 December 2020)

For the year ended 31 December 2020 (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. Cash flows from operating activities:		
Cash received for sales of goods and rendering of services	74,336,570.13	110,060,046.91
Tax refund received		
Other cash receipts relating to operating activities	16,129,190.71	26,102,776.26
Cash inflows from operating activities (subtotal)	90,465,760.84	136,162,823.17
Cash payments for purchase of goods and services	50,924,667.95	64,295,468.91
Cash paid to or on behalf of employees	23,743,773.33	26,143,925.50
Taxes and fees paid	2,018,612.63	4,053,158.08
Other cash payments relating to operating activities	89,932,804.11	38,333,450.43
Cash outflows for operating activities (subtotal)	166,619,858.02	132,826,002.92
Net cash flows from operating activities	-76,154,097.18	3,336,820.25
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	23,500,000.00	
Net cash received from disposal of subsidiaries and other invested entities		
Other cash receipts relating to investing activities	55,000,000.00	55,000,000.00
Cash inflows from investing activities (subtotal)	78,500,000.00	55,000,000.00
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets	7,201,561.40	13,342,384.18
Cash paid for investment	48,435,719.34	
Net cash paid for acquisition of subsidiaries and other invested entities		
Other cash payments relating to investing activities		55,000,000.00
Cash outflows for investing activities (subtotal)	55,637,280.74	68,342,384.18
Net cash flows from investing activities	22,862,719.26	-13,342,384.18

Consolidated Statement of Cash Flows (31 December 2020) (Continued)

For the year ended 31 December 2020 (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
Other cash receipts relating to financing activities		
Cash inflows from financing activities (subtotal)		10,500,000.00
Cash paid for debt repayment	10,500,000.00	4,500,000.00
Cash paid for dividends, profit distribution and interests	269,932.01	229,362.34
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries		
Other cash payments relating to financing activities	1,904,341.75	5,970,444.93
Cash outflows for financing activities (subtotal)	12,674,273.76	10,699,807.27
Net cash flows from financing activities	-12,674,273.76	-199,807.27
IV. Impact of change of foreign exchange rates on cash and cash equivalents	-26,206.26	8,800.62
V. Net increase of cash and cash equivalents	-65,991,857.94	-10,196,570.58
Add: cash and cash equivalents opening balance	74,527,767.65	84,724,338.23
VI. Cash and cash equivalents closing balance	8,535,909.71	74,527,767.65

Legal representative: Zhu Jie Chief Financial Officer: Wang Kai Chief Accounting Officer: Wang Kai

Consolidated Statement of Changes in Shareholders' Equity (31 December 2020)

For the year ended 31 December 2020 (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													
	Share capital	Preferred shares	Sustainable debits	Other equity instruments	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Provision for general risks		Retained earnings	Subtotal
I. Closing balance of the preceding year	873,370,000.00					1,082,848,805.11		-62,076,254.02	108,587,124.40		-2,059,319,937.47	-56,590,261.98	5,483,407.13	-51,106,854.85
Add: Changes of accounting policies														
Correction of prior period errors														
Business combination under common control														
Others														
II. Opening balance of the current year	873,370,000.00					1,082,848,805.11		-62,076,254.02	108,587,124.40		-2,059,319,937.47	-56,590,261.98	5,483,407.13	-51,106,854.85
III. Changes for the period (decrease presented by "-" prefix)						1,148,532.77	-195,955,260.98	-195,955,260.98			63,976,621.79	-130,830,106.42	-3,292,360.71	-134,122,467.13
A. Total comprehensive income								-195,955,260.98			63,976,621.79	-131,978,639.19	-3,292,360.71	-135,770,999.90
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 2020) (Continued)

For the year ended 31 December 2020 (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											Minority interests	
	Share capital	Preferred shares	Sustainable debts	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks			Retained earnings
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)													
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													

Consolidated Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (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			Other			Shareholders' equity							
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Treasury stock	Less: comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	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				1,083,997,237.88		-258,015,155.00		108,587,124.40		-1,995,343,315.68	-187,420,368.40	2,191,046,642	-188,229,321.98
					1,148,532.77							1,148,532.77		1,148,532.77

Consolidated Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (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										Minority interests						
	Share capital	Preferred shares	Sustainable debts	Other equity instruments	Less:	Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks			Retained earnings	Others	Subtotal		
I. Closing balance of the preceding year	873,370,000.00						1,074,828,788.67								8,619,218.15	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	873,370,000.00						1,074,828,788.67								8,619,218.15	13,497,161.81	22,116,379.96
III. Changes for the period (decrease presented by "-"; profits)																	
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																	

Consolidated Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (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	Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings		Others	Subtotal	Minority interest	
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)					80,020,016.44										80,020,016.44	
2. 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					80,020,016.44										80,020,016.44	

Consolidated Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for last year											Total								
	Equity attributable to shareholders of the Parent																			
	Other equity instruments		Less:		Other		Designated		Surplus		Provision for		Retained	Subtotal	Minority	shareholders'	interest	equity		
Preferred	Sustainable	Capital	Treasury	comprehensive	reserves	reserves	reserves	reserves	general risks	earnings	Others									
Share capital	shares	debt	reserves	stock	income	reserves	reserves	reserves	reserves	earnings	Others	earnings	Others	Subtotal	interest	shareholders'	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	108,587,124.40				-2,059,319,937.47				-56,590,261.98	5,483,407.13					-51,106,854.85

Legal representative: Zhu Jie

Chief Financial Officer: Wang Kai

Chief Accounting Officer: Wang Kai

Balance Sheet (31 December 2020)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2020	31 December 2019
Current assets:		
Monetary funds	1,683.02	893.51
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Advances to suppliers		
Other receivables	251,656,394.15	258,324,138.60
Including: Interests receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	581,337.61	566,304.82
Total current assets	252,239,414.78	258,891,336.93

Balance Sheet (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2020	31 December 2019
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	22,737.04	25,826.92
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
Deferred income tax assets		
Other non-current assets		
Total non-current assets	56,459,210.07	56,503,028.73
Total asset	308,698,624.85	315,394,365.66

Balance Sheet (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2020	31 December 2019
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers		
Contract liabilities	581,743.59	581,743.59
Employment benefits payable	1,860,964.74	1,059,047.18
Taxes and fees payable	219,991.85	339,467.85
Other payables	158,816,321.38	337,074,394.71
Including: Interests payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	161,479,021.56	339,054,653.33

Balance Sheet (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2020	31 December 2019
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	233,578,711.56	411,154,343.33

Balance Sheet (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd

Unit: RMB

Item	31 December 2020	31 December 2019
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Sustainable debts		
Capital reserves	996,869,700.23	995,721,167.46
Less: Treasury stock		
Other comprehensive income		
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Retained earnings	-1,903,706,911.34	-2,073,438,269.53
Total shareholders' equity	75,119,913.29	-95,759,977.67
Total liabilities and shareholders' equity	308,698,624.85	315,394,365.66

Legal representative: Zhu Jie Chief Financial Officer: Wang Kai Chief Accounting Officer: Wang Kai

Income Statement (31 December 2020)

For the year ended 31 December 2020 (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	2,970,297.03	3,773,584.91
Less: Cost for operation		
Taxes and surcharges	1,782.17	
Selling expenses		
Administrative expenses	8,816,324.27	14,292,247.02
Research and development expenses		
Financial costs	7,131.44	8,237.75
Including: Interest expense		
Interest income	110.59	706.47
Add: Other income		
Investment income (loss presented with “-” prefix)	175,549,569.56	
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)	-91.14	
Asset impairment loss (loss presented with “-” prefix)		
Gain on disposal of assets (loss presented by “-” prefix)		
II. Profit from operation (loss presented with “-” prefix)	169,694,537.57	-10,526,899.86
Add: Non-operating income	36,890.69	
Less: Non-operating expenses	70.07	

Income Statement (31 December 2020) (Continued)

For the year ended 31 December 2020 (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. Total profits (total loss presented with “-” prefix)	169,731,358.19	-10,526,899.86
Less: Income tax expenses		
IV. Net profit (net loss presented with “-” prefix)	169,731,358.19	-10,526,899.86
A. Net profit from continued operations (net loss presented with “-” prefix)		
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 2020) (Continued)

For the year ended 31 December 2020 (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		
6. Exchange difference on translation of foreign financial statements		
7. Others		
VI. Total comprehensive income	169,731,358.19	-10,526,899.86

Legal representative: Zhu Jie Chief Financial Officer: Wang Kai Chief Accounting Officer: Wang Kai

Statement of Cash Flows (31 December 2020)

For the year ended 31 December 2020 (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. 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	6,712,965.27	10,950,575.85
Cash inflows from operating activities (subtotal)	6,712,965.27	10,950,575.85
Cash payments for purchase of goods and services		
Cash paid to or on behalf of employees	4,656,088.96	6,807,253.98
Taxes and fees paid	2,138.74	201,843.89
Other cash payments relating to operating activities	2,053,948.06	4,071,734.68
Cash outflows for operating activities (subtotal)	6,712,175.76	11,080,832.55
Net cash flows from operating activities	789.51	-130,256.70
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		
Net cash received from disposal of subsidiaries and other invested entities		
Other cash receipts relating to investing activities		
Cash inflows from investing activities (subtotal)		
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets		
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other invested entities		
Other cash payments relating to investing activities		
Cash outflows for investing activities (subtotal)		
Net cash flows from investing activities		

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		
V. Net increase of cash and cash equivalents	789.51	-130,256.70
Add: cash and cash equivalents opening balance	893.51	131,150.21
VI. Cash and cash equivalents closing balance	1,683.02	893.51

Legal representative: Zhu Jie Chief Financial Officer: Wang Kai Chief Accounting Officer: Wang Kai

Statement of Changes in Shareholders' Equity (31 December 2020)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										Total shareholders' equity
	Other equity instruments			Other				Less:			
	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	-2,073,438,269.53	-95,759,977.67
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	-2,073,438,269.53	-95,759,977.67
III. Changes for the period (decrease presented by "-") prefix					1,146,532.77					169,731,358.19	170,879,890.96
A. Total comprehensive income										169,731,358.19	169,731,358.19
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. Distribution to shareholders											
3. Others											

Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with the PRC GAAP)

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Amount for current year										Total shareholders' equity	
	Other equity instruments					Other						
	Share capital	Preferred shares	Sustainable debits	Others	Capital reserves	Less: Treasury stock	Other 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				996,869,700.23			108,587,124.40	-1,903,706,911.34		1,146,532.77	75,119,913.29

Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (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		
I. Closing balance of the preceding year	873,371,000.00				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	873,371,000.00				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. Distribution to shareholders												
3. Others												

Statement of Changes in Shareholders' Equity (31 December 2020) (Continued)

For the year ended 31 December 2020 (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
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	-2,073,438,269.53	-95,759,977.67

Legal representative: Zhu Jie

Chief Financial Officer: Wang Kai

Chief Accounting Officer: Wang Kai

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 Company Limited (the “Company”) herein announces the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020, together with comparative figures for 2019, as set out below.

		2020	2019
	Notes	RMB'000	RMB'000
Revenue	2	79,797	102,252
Cost of sales and services		(51,752)	(59,647)
Gross profit		28,045	42,605
Other revenue and other income	3	183,180	5,348
Selling expenses		(31,769)	(35,454)
Administrative and other operating expenses		(22,903)	(29,660)
Gain on disposal of a South Plant (as defined in note 1)	4(a)(i)	32,743	-
Reversal (Provision) of loss allowance on			
– trade and rental receivables		220	439
– other receivables		(76)	946
– cash at a financial institution		(71,765)	-
Finance costs	5	(1,759)	(1,421)
Loss from interest in associates, net		(48,900)	(22,485)
Profit (Loss) before taxation	5	67,016	(39,682)
Income tax expenses	6	(4,351)	(451)
Profit (Loss) for the year		62,665	(40,133)

Consolidated Statement of Comprehensive Income (31 December 2020) (Continued)

For the year ended 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

		2020	2019
	Notes	RMB'000	RMB'000
Other comprehensive (loss) income			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of financial assets designated at fair value through other comprehensive income (“Designated FVOCI”)	10	(198,079)	(32,917)
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operations		(940)	218
Exchange difference on translation of share of other comprehensive income of an associate		1,083	(391)
Other comprehensive loss for the year, net of tax		<u>(197,936)</u>	<u>(33,090)</u>
Total comprehensive loss for the year		<u><u>(135,271)</u></u>	<u><u>(73,223)</u></u>
Profit (Loss) for the year attributable to:			
Equity holders of the Company		63,977	(40,166)
Non-controlling interests		(1,312)	33
Profit (Loss) for the year		<u><u>62,665</u></u>	<u><u>(40,133)</u></u>
Total comprehensive (loss) income for the year attributable to:			
Equity holders of the Company		(131,978)	(73,229)
Non-controlling interests		(3,293)	6
Total comprehensive loss for the year		<u><u>(135,271)</u></u>	<u><u>(73,223)</u></u>
Earnings (Loss) per share			
		RMB cents	RMB cents
Basic and diluted	7	<u><u>7.33</u></u>	<u><u>(4.60)</u></u>

Consolidated Statement of Financial Position (31 December 2020)

As at 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

		2020	2019
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		44,912	49,843
Investment properties	8	13,187	16,012
Right-of-use assets	8	3,246	9,737
Land use right	9	12,078	14,675
Intangible assets	9	-	-
Goodwill		-	-
Interest in associates	4(a)(ii)	-	-
Designated FVOCI	10	-	198,079
Deposits		-	4,840
		73,423	293,186
Current assets			
Inventories		16,710	16,910
Trade and rental receivables	11	32,294	27,113
Prepayments, deposits and other receivables		22,556	4,774
Tax recoverable		-	129
Cash at a financial institution	4(a)(iii)	-	70,574
Cash at banks and in hand		12,913	64,701
		84,473	184,201
Current liabilities			
Trade payables	12	21,819	17,926
Contract liabilities		6,624	10,241
Other payables	13	181,951	362,786
Employment benefits payables	13	4,754	3,276
Tax payables		3,914	742
Interest-bearing borrowings		-	10,500
Lease liabilities	14	10,954	9,813
		230,016	415,284
Net current liabilities		(145,543)	(231,083)
Total assets less current liabilities		(72,120)	62,103

Consolidated Statement of Financial Position (31 December 2020) (Continued)

As at 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

		2020	2019
	Notes	RMB'000	RMB'000
Non-current liabilities			
Provisions		72,100	72,100
Government grants		29,426	23,623
Lease liabilities	14	11,583	17,487
		<u>113,109</u>	<u>113,210</u>
NET LIABILITIES		<u>(185,229)</u>	<u>(51,107)</u>
Capital and reserves			
Share capital		873,370	873,370
Reserves		(1,060,789)	(929,960)
Equity attributable to equity holders of the Company		(187,419)	(56,590)
Non-controlling interests		2,190	5,483
TOTAL DEFICITS		<u>(185,229)</u>	<u>(51,107)</u>

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the 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.

The measurement basis used in the preparation of the consolidated financial statement is historical cost, except for Designated FVOCI, which are measured at fair values.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidation financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year.

Adoption of New / Revised IFRSs

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

Amendments to IASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across IFRSs.

The adoption of the amendments do not have significant impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments do not have significant impact on the consolidated financial statements.

Reconciliation of Accounting Standards for Business Enterprises (PRC GAAP) to IFRSs

Except for the classification of accounts, the adoption of the PRC GAAP and the IFRSs for the preparation of consolidated financial statements has no material impact.

Going concern

At 31 December 2020, the current liabilities of the Group exceeded its current assets by approximately RMB145,543,000 and net liabilities of approximately RMB185,229,000. The Group maintained cash in bank and financial institution of approximately RMB12,913,000 as at 31 December 2020. 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) The Group will further improve the corporate governance structure and encourage the management to change its business mindset to actively explore innovation ideas, broaden the source of income and reduce the expenditure. The Group will stimulate the vitality, enthusiasm and creativity of the management team, and promote and enhance the Group's development and innovation capabilities by opening up new markets and new customers;
- (b) Beijing Haihongyuan Investment Management Co., Ltd. ("Beijing Haihongyuan"), a major shareholder of the Company, 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. The event after reporting period related to Beijing Haihongyuan is set out in note 16(b) to this announcement;

- (c) By reference of the financing capabilities, good bank credit rating and financing records and actual loan repayment history of the subsidiaries of the Company, the Group can make use of the financing channels in the capital market and apply for loan facilities from banks in order to meet the business expansion in future. On 14 February 2020, The China Securities Regulatory Commission (CSRC) published the newly revised “Administrative Measures for the Issuance of Securities by Listed Companies”, which relaxed the requirements for non-public issuance of A shares by listed companies. While the Group, as an H-share listed company, can authorise the board of the directors to issue 20% of H shares through the annual general meeting. Despite of the uncertainty arising from bankruptcy reorganisation plan of HNA Group Co., Ltd. (“HNA Group”), the Group can still follow the financing policies from both capital markets to explore financing and attract more strategic investors. Through optimising the equity structure, the Group is able to raise funds which to supports the business transformation and supplements the working capital needed for daily operations. It will also 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;
- (d) Along with the “Fourteenth Five-Year Plan” issued by the People’s Republic of China (the “the PRC”) government and the improving world-wide situation under Coronavirus Disease 2019 (“COVID-19”), it will be beneficial to the Company to completely recover its operation and increase revenue. Coping with the market changes and demands, the Group will actively adjust the business structure and accelerate the process of transformation to a modern service industry. Through exploring new customer groups and improving the sales cycle, it can expand and strengthen the income scale of the main business. The Group will also 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;

- (e) With its wholly-owned subsidiary, Hainan Garden Lane Freight Hotel Management Co., Ltd. (“Hainan Garden”) 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;
- (f) 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;
- (g) 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;
- (h) In April 2020, Fuxin Enclosed Busbar Co., Ltd. (“Fuxin Enclosed Busbar”), a wholly-owned subsidiary of the Company, has entered into the compensation agreement with Land Expropriation of Haizhou House Expropriation Office of Fuxin (“Expropriation Office”), a public institution under Haizhou District People’s Government, Fuxin, Liaoning Province, for expropriation its South Plant (the “South Plant”) located at No. 46 Xinhua Road, Haizhou District, Fuxin, Liaoning Province at an aggregate expropriation compensation of RMB44,000,000. The transaction was approved in 2020 Annual General Meeting on 29 June 2020. Management expects that the remaining balance of the expropriation compensation of RMB13,040,000 will be received from Expropriation Office in the second half of 2021; and
- (i) In strict accordance with the internal control system requirements of the Shenzhen Stock Exchange and Hong Kong Stock Exchange, 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:

	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within IFRS 15		
Sales of power transmission equipment and related accessories	48,757	40,937
Provision of catering services income	17,192	53,299
Management fee income	638	1,140
	66,587	95,376
Revenue from other sources		
Lease income from operating lease of hotel rooms	13,210	6,876
	79,797	102,252

In addition to the information shown in segment disclosures in note 4, 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 2020			
<i>By products:</i>			
- Enclosed busbars	48,757	-	48,757
- Provision of catering services	-	17,192	17,192
- Management fee	-	638	638
	<u>48,757</u>	<u>17,830</u>	<u>66,587</u>
<i>Geographical region:</i>			
- The PRC	<u>48,757</u>	<u>17,830</u>	<u>66,587</u>
<i>Timing of revenue recognition:</i>			
- at a point in time	48,757	-	48,757
- over time	-	17,830	17,830
	<u>48,757</u>	<u>17,830</u>	<u>66,587</u>
<i>Type of transaction price:</i>			
- fixed price	<u>48,757</u>	<u>17,830</u>	<u>66,587</u>

Notes (Continued)

For the year ended 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

	Production and sales of power transmission equipment and related accessories RMB'000	Provision of catering services RMB'000	Total 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
	<u>40,937</u>	<u>54,439</u>	<u>95,376</u>
<i>Geographical region:</i>			
- The PRC	<u>40,937</u>	<u>54,439</u>	<u>95,376</u>
<i>Timing of revenue recognition:</i>			
- at a point in time	40,937	-	40,937
- over time	-	54,439	54,439
	<u>40,937</u>	<u>54,439</u>	<u>95,376</u>
<i>Type of transaction price:</i>			
- fixed price	<u>40,937</u>	<u>54,439</u>	<u>95,376</u>

3. OTHER REVENUE AND OTHER INCOME

	2020	2019
	RMB'000	RMB'000
Interest income from banks and a financial institution	1,488	3,203
Government grant	1,388	767
Compensation on contracts termination	938	813
Income arising from legal claims (note 13(a))	178,550	-
Sundry income	816	565
	183,180	5,348

4. 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 are the Group's major operating segments.

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

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

(a) By business segments**Segment results for the year ended 31 December 2020**

	Production and sales of power transmission equipment and related accessories RMB'000	Hotel operations and provision of related catering services RMB'000	Investment holding RMB'000	Total RMB'000
Revenue	48,757	31,040	-	79,797
Results				
Profit (Loss) for the year before the following items:	(5,724)	6,930	(71,765)	(70,559)
Depreciation of property, plants and equipment	(3,137)	(4)	(255)	(3,396)
Amortisation of investment properties	-	(6,491)	-	(6,491)
Depreciation of right-of-use assets	-	(2,825)	-	(2,825)
Amortisation of land use right	(309)	-	-	(309)
Gain on disposal of South Plant (note (i))	32,743	-	-	32,743
Finance costs	(285)	(1,443)	(31)	(1,759)
Loss from interest in associates, net (note (ii))	-	(48,900)	-	(48,900)
Segment results	23,288	(52,733)	(72,051)	(101,496)
Unallocated other income				178,550
Unallocated other operating expenses				(10,038)
Profit before taxation				67,016
Taxation				(4,351)
Profit for the year				62,665

Segment assets and liabilities as at 31 December 2020

	Production and sales of power transmission equipment and related accessories RMB'000	Hotel operations and provision of related catering services RMB'000	Investment holding RMB'000	Total RMB'000
Assets				
Assets before following items:	66,641	16,364	-	83,005
Property, plant and equipment	43,980	13	919	44,912
Investment properties	-	13,187	-	13,187
Right-of-use assets	-	3,246	-	3,246
Land use right	12,078	-	-	12,078
Segment assets	<u>122,699</u>	<u>32,810</u>	<u>919</u>	<u>156,428</u>
Unallocated assets				<u>1,468</u>
				<u>157,896</u>
Liabilities				
Segment liabilities	<u>(69,166)</u>	<u>(33,596)</u>	<u>-</u>	<u>(102,762)</u>
Unallocated liabilities				<u>(240,363)</u>
				<u>(343,125)</u>

Other segment information for the year ended 31 December 2020

	Production and sales of power transmission equipment and related accessories	Hotel operations and provision of related catering services	Investment holding	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	11	-	-	-	11
Reversal of loss allowance on trade, rental and other receivables, net	92	26	-	26	144
Provision of loss allowance on cash at a financial institution (note (iii))	-	-	(71,765)	-	(71,765)
Reversal of provision for impairment on inventories	8	-	-	-	8
Research and development expenses	(2,539)	-	-	-	(2,539)
Short-term leases - premises	-	-	-	(788)	(788)
- motor vehicle	-	(32)	-	-	(32)
Write-off of property, plant and equipment	(19)	-	-	-	(19)
	<u>11</u>	<u>26</u>	<u>(71,765)</u>	<u>(788)</u>	<u>(71,765)</u>

Notes:

- (i) In April 2020, Fuxin Enclosed Busbar, a wholly-owned subsidiary of the Company, has entered into the compensation agreement with the Expropriation Office, a public institution under Haizhou District People's Government, Fuxin, Liaoning Province, for expropriation its South Plant located at No. 46 Xinhua Road, Haizhou District, Fuxin, Liaoning Province. The properties, plant and equipment and land use rights with carrying amount of RMB1,508,000 and RMB2,288,000 respectively were written-off and compensated by an aggregate expropriation compensation of RMB44,000,000. RMB7,461,000 out of the total expropriation compensation were the compensation to employees who were retired after the land expropriation and demolition. As a result of the land expropriation and demolition, the properties, plant and equipment and land use right in aggregated of RMB3,796,000 were disposed of with a gain on disposal of RMB32,743,000 was recognised during the year.

Included in prepayments, deposits and other receivables as at 31 December 2020 was compensation receivable from Expropriation Office of approximately RMB13,040,000 (2019:RMBnil) for the compensation of the expropriation of the South Plant.

- (ii) The Group recognised a gain on bargain purchase of approximately RMB1,280,000 in profit or loss for the year as a result of measuring the fair value of its 30% equity interest in Chongqing HNA Hotel Investment Company Limited (“Chongqing HNA Hotel”) of RMB50,180,000 as at the date of the acquisition by the directors of the Company with reference to its financial information.

In addition, the Group recognised loss from interest in associates of RMB50,180,000 in profit or loss for the year. Included in non-current assets of Chongqing HNA Hotel as at 31 December 2020 and loss for the year then ended were pledged investment properties with carrying amount of RMB246,114,000 for the borrowings and facilities granted to the entities of HNA Group, which was adjusted to zero in view of the fact that the default of loans repayment by the entities of HNA Group and the acceptance of bankruptcy reorganisation of entities of HNA Group by Hainan Higher People’s Court (the “Court”) in the PRC. In the opinion of the directors, the recoverable amount of investment properties is minimal.

- (iii) At the end of the reporting period, the financial institution has recorded net liabilities and the acceptance of bankruptcy reorganisation of entities of HNA Group by the Court in the PRC. The directors are of the view of that the financial position of the financial institution has been significantly deteriorated and is entering into financial reorganisation that the financial institution is unlikely able to repay the deposits of RMB71,765,000. The cash at a financial institution is considered as credited-impaired. As the probability of recovery of the deposit is remote, full amount of loss allowance on cash at a financial institution of RMB \$71,765,000 was recognised during the year.

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)
Amortisation of investment properties	-	(5,547)	-	(5,547)
Depreciation of right-of-use assets	-	(942)	-	(942)
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 RMB'000	Hotel operations and provision of related catering services RMB'000	Investment holding RMB'000	Total 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
Designated FVOCI	-	-	198,079	198,079
Cash at a financial institution	-	-	70,574	70,574
Segment assets	<u>110,854</u>	<u>94,100</u>	<u>269,844</u>	474,798
Unallocated assets				2,589
				<u>477,387</u>
Liabilities				
Segment liabilities	<u>(74,247)</u>	<u>(37,301)</u>	<u>-</u>	(111,548)
Unallocated liabilities				(416,946)
				<u>(528,494)</u>

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)
	<u>182</u>	<u>(364)</u>	<u>(244)</u>	<u>(436)</u>

(b) By geographical information

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

(c) Information about major customers

Revenue from external customers contributing 10% or more of the revenue of the Group for the years ended 31 December 2020 and 2019.

	Hotel operations and provision of related catering services 2020 RMB'000	Hotel operations and provision of related catering services 2019 RMB'000
Customer A	10,489	32,811

5. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

	2020 RMB'000	2019 RMB'000
Staff costs, including directors' emoluments		
Salaries and other benefits	18,553	18,808
Contribution to defined contribution retirement schemes	704 [#]	4,929
Termination benefits	-*	-
Total staff costs	<u>19,257</u>	<u>23,737</u>
Finance costs		
Loan interest expenses	270	241
Interest expenses on lease liabilities	1,407	1,036
Bank charges, net	81	142
Exchange loss, net	<u>1</u>	<u>2</u>
	<u>1,759</u>	<u>1,421</u>

Notes (Continued)

For the year ended 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

* Included in the total sum of the expropriation compensation of RMB44,000,000 was a compensation of RMB7,461,000 for the payments to retired employees for expropriation of South Plant, which was net-off with the termination benefits expenses.

The decrement of contribution to defined contribution retirement schemes was mainly attributable to the exemption of social security insurances contributions in the PRC since February 2020.

	2020	2019
	RMB'000	RMB'000
Other items		
Auditor's remuneration	1,096	1,083
Cost of inventories	45,451*	34,766
Depreciation and amortisation		
- Property, plant and equipment	3,396	3,838
- Investment properties	6,491	5,547
- Right-of-use assets	2,825	942
- Land use right	309	354
Research and development expenses	2,539	896
Legal and professional fees	1,370	4,025
Write-off of property, plant and equipment	19	-
Short-term leases expenses		
- Office premises	788	275
- Restaurants	-	4,249
- Motor vehicle	32	-
Direct operating expenses arising from investment properties that generated rental income	8,719	3,475
	<u>8,719</u>	<u>3,475</u>

* Included in cost of inventories recognised as expense was reversal of provision for impairment on inventories of approximately RMB8,000 (2019: RMBnil).

6. TAXATION

For the year ended 31 December 2020, Enterprise Income Tax for New and High Technology Enterprise has been provided at the rate of 15% on the estimated assessable profits arising from the PRC. Other than New and High Technology Enterprise, Enterprise Income Tax has been provided at the rate of 25% on the estimated assessable profits arising from the PRC. For the year ended 31 December 2019, Enterprise Income Tax had been provided at the rate of 25% on the estimated assessable profits arising from the PRC.

For the years ended 31 December 2020 and 2019, Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong for both years.

	2020	2019
	RMB'000	RMB'000
Current tax		
Enterprise Income Tax		
Current year	3,868	1,818
Under (Over) provision in prior year	483	(1,367)
Total income tax expenses	<u>4,351</u>	<u>451</u>

7. EARNINGS (LOSS) PER SHARE

The calculation of the earnings (2019: loss) per share for the year is based on the consolidated profit for the year attributable to the equity holders of the Company of approximately RMB63,977,000 (2019: loss for the year of approximately RMB40,166,000) and the weighted average number of 873,370,000 (2019: 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 earnings (2019: loss) per share is the same as basic earnings (2019: loss) 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 right-of-use assets 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
Amortisation	(942)	(5,547)
At the end of the reporting period	<u>16,012</u>	<u>9,737</u>
Reconciliation of carrying amount – year ended 31 December 2020		
At beginning of the reporting period	16,012	9,737
Amortisation	(2,825)	(6,491)
At the end of the reporting period	<u>13,187</u>	<u>3,246</u>

Right-of-use assets

	Leases of hotel presented as investment properties RMB'000	Leases of restaurants presented as right-of-use assets RMB'000
At 1 January 2020		
Cost	16,954	15,284
Accumulated amortisation	(942)	(5,547)
Net carrying amount	<u>16,012</u>	<u>9,737</u>
At 31 December 2020		
Cost	16,954	15,284
Accumulated amortisation	(3,767)	(12,038)
Net carrying amount	<u>13,187</u>	<u>3,246</u>

The Group leases hotels and restaurants from the companies controlled by the same de facto controller of the Company for its daily operations. The right-of-use assets in respect of the hotel has been classified under investment properties rather than owner-occupied properties as the provision of ancillary services are insignificant. Lease terms range from 3 to 6 years, with an option to renew the lease when all terms are renegotiated. The interest expenses on lease liabilities are set out in note 5.

The Group's investment properties at the end of the reporting period 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 directors, the fair value of investment properties approximately its carrying amount at the end of the reporting period.

Leasing arrangements – As lessee

Hotel

At the end of the reporting period, the investment properties of RMB13,187,000 (2019: RMB16,012,000) are held under head leases with the remaining lease term of 4.7 years (2019: 5.7 years) 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, lease of restaurants classified as property, plant and equipment and presented as right-of-use assets of RMB3,246,000 (2019: RMB9,737,000) are held under head leases with the remaining lease term of 0.5 year (2019: 1.5 years) with an option to renew the lease when all terms are renegotiated.

The Group has recognised the following amounts for the year.

	2020	2019
	RMB'000	RMB'000
Lease payments:		
Short-term leases	820	4,524
Expenses recognised in profit or loss	820	4,524
Total cash outflow for leases	2,247	10,128

Commitments under leases

As at 31 December 2020 and 2019, the Group has no commitment for short-term leases.

Resulting from the impact of COVID-19 and lockdown in the PRC during the year, the segment of hotel operations and provision of related catering services incurred operating loss during the year. Since more unlocked and international activities will be held in the PRC, the business of hotel operations and provision of related catering services will rebound in 2021. In the opinion of directors, there is no indication that the right-of-use assets with carrying amounts of RMB16,433,000 are impaired.

9. LAND USE RIGHT AND INTANGIBLE ASSETS

	Land use right classified as right-of-use assets RMB'000	Intangible asset—software RMB'000	Total RMB'000
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	<u>14,675</u>	<u>-</u>	<u>14,675</u>
Reconciliation of carrying amount – year ended 31 December 2020			
At the beginning of the reporting period	14,675	-	14,675
Amortisation	(309)	-	(309)
Disposals	(2,288)	-	(2,288)
At the end of the reporting period	<u>12,078</u>	<u>-</u>	<u>12,078</u>

Notes (Continued)

For the year ended 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

	Land use right classified as right-of-use assets RMB'000	Intangible asset – software RMB'000	Total RMB'000
At 1 January 2020			
Cost	17,687	207	17,894
Accumulated amortisation	(3,012)	(207)	(3,219)
Net carrying amount	<u>14,675</u>	<u>-</u>	<u>14,675</u>
At 31 December 2020			
Cost	13,200	207	13,407
Accumulated amortisation	(1,122)	(207)	(1,329)
Net carrying amount	<u>12,078</u>	<u>-</u>	<u>12,078</u>

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. At the end of the reporting period, the remaining useful life is 47 years (2019: 27 years to 48 years).

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

		2020	2019
	Notes	RMB'000	RMB'000
Unlisted equity securities, at fair value			
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.			
("Shenyang Zhaoli")	(a)	-	-
HNA Tianjin Center Development Co., Ltd. ("Tianjin Center")			
	(b)	-	198,079
		-	198,079
		<u> </u>	<u> </u>

Name of investee company	Place of incorporation/ kind of legal entity	Class of shares held	Proportion of value of registered capital held indirectly by the Company		Principal activities
			2020	2019	
Shenyang Zhaoli	The PRC/ limited liability company	Registered capital	6.9%	6.9%	Production and sales of high-voltage electrical equipment and other accessories
Tianjin Center	The PRC/ limited liability company	Registered capital	10.5%	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 based on the net asset value of Tianjin Center. As at 31 December 2020, the net asset value of Tianjin Center was RMB1,813,480,000, however, the investment properties and property, plant and equipment with carrying amount of RMB2,666,459,000 and RMB305,836,000 were pledged for the borrowings and facilities granted to the entities of HNA Group. As a result of the default of loans repayment by the entities of HNA Group and the acceptance of bankruptcy reorganisation of entities HNA Group by the Court in the PRC. In the opinion of directors, the pledged assets are considered to be confiscated for settlement of borrowings, fair value loss of RMB198,079,000 were made and the recoverable amounts of investment properties and property, plant and equipment are considered to be minimal.

11. TRADE AND RENTAL RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables		
From third parties	30,551	27,570
From companies controlled by the same de facto controller of the Company	*1,374	*1,448
	<u>31,925</u>	<u>29,018</u>
Loss allowances	(4,478)	(6,593)
	<u>27,447</u>	<u>22,425</u>
Rental receivables		
From third parties	4,452	2,940
From companies controlled by the same de facto controller of the Company	650	1,995
	<u>5,102</u>	<u>4,935</u>
Loss allowances	(255)	(247)
	<u>4,847</u>	<u>4,688</u>
	<u>32,294</u>	<u>27,113</u>

Notes (Continued)

For the year ended 31 December 2020 (Prepared in accordance with International Financial Reporting Standards (IFRS))

- * At the end of the reporting period, trade receivables due from a company controlled by the same de facto controller of the Company of RMB472,000 (2019: RMB483,000) were continuing connected transaction.

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:

	2020	2019
	RMB'000	RMB'000
Within 3 months	9,785	11,843
More than 3 months but less than 12 months	14,681	7,229
1 to 2 years	6,609	3,070
2 to 3 years	1,080	3,211
3 to 4 years	87	1,005
Over 4 years	52	755
	32,294	27,113
	32,294	27,113

Reversal of loss allowance on trade and rental receivables of RMB220,000 (2019: RMB439,000) was recognised during the year.

12. TRADE PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables		
To third parties	21,819	17,263
To companies controlled by the same de facto controller of the Company	-	663
	21,819	17,926
	21,819	17,926

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

	2020	2019
	RMB'000	RMB'000
Within 365 days	18,420	15,553
1 to 2 years	2,253	1,078
2 to 3 years	479	707
Over 3 years	667	588
	<u>21,819</u>	<u>17,926</u>

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

		2020	2019
	Notes	RMB'000	RMB'000
Other payables			
Compensation for litigation	(a)	94,078	272,628
Accrued charges and other payables		24,504	23,312
Construction cost payables		7,798	14,493
Due to former subsidiaries	(b)	49,596	49,596
Due to a director	(c)	27	4
Due to an associate	(c)	330	352
Due to companies controlled by the same de facto controller of the Company	(c)	2,759	1,332
Due to a major shareholder, Beijing Haihongyuan	(d)	1,647	70
Other tax payable		1,212	999
		<u>181,951</u>	<u>362,786</u>
Employment benefits payables		4,754	3,276
		<u>186,705</u>	<u>366,062</u>

Notes:

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

The case went through trial by Beijing Higher Court and the Supreme People’s Court. Eventually, the Supreme People’s Court ruled in September 2008 with Ruling (2008) Min Er Zhong Zi No. 23, that

- (i) Cancel the agreement by which the Company swapped 95% of Beifu Machinery shares and 95% of Dongli Logistics shares held by Shenyang High-volt with obligation of RMB76,660,000 and interest incurred of Northeast Electric Power Transmission and Transformation Equipment Group Co., Ltd. (hereafter “Northeast Electric PT&T”) held by the Company. The Company should return the aforesaid shares to Shenyang High-volt within 10 days of the Ruling, or should compensate Shenyang High-volt within the limit of RMB247,117,000 if unable to return those shares; Shenyang High-volt should return the obligation of RMB76,660,000 of Northeast Electric PT&T and interest incurred to the Company within 10 days of the Ruling, or should compensate the Company within the limit of RMB76,660,000 if unable to return;

- (ii) Cancel the share swap agreement between Shenyang High-volt and the Company for 74.4% of New Northeast Insulation shares held by Shenyang High-volt and 98.5% of Shenyang Taisheng Industry & Trade Co., Ltd. (formerly Shenyang Tiansheng Communication Equipment Co., Ltd., hereafter “Taisheng Industry & Trade”) shares held by the Company. Shenyang High-volt should return 98.5% of Taisheng Industry & Trade shares to the Company within 10 days of the Ruling and the Company should return 74.4% of New Northeast Insulation shares to Shenyang High-volt within 10 days of the Ruling.

The Company should compensate Shenyang High-volt within the limit of RMB130,000,000 after deducting RMB27,879,000 if shares return is not possible.

The Company carried out the Ruling in 2007 and 2008. However, CDB filed with Beijing Higher Court for execution in 2009 by the Ruling (2008) Min Er Zhong Zi No. 23, and consequently, the Court froze 10% of Shenyang Kaiyi Electric (a wholly owned subsidiary of the Company) shares held by the Company according to law. The Company appealed against such execution and the Beijing Higher Court dismissed the appeal in October 2013 with Ruling (2013) Gao Zhi Yi Zi No. 142. Then the Company filed for retrial with the Supreme People’s Court, for which the Court dismissed Beijing Higher Court’s ruling with Ruling (2013) Gao Zhi Yi Zi No. 142 and ruled for retrial with Ruling (2014) Zhi Fu Zi No. 9 in March 2015. Beijing Higher Court issued Ruling (2015) Gao Zhi Yi Zi No. 52 in December 2016, ruled the Company’s appeal was lack of evidence, did not sustain the claim of shares return already carried out, and held that the Company should carry out compensation. The Company again appealed to the Supreme People’s Court, and the Supreme People’s Court made final Ruling (2017) Zui Gao Fa Zhi Fu No. 27 in August 2017 to dismiss the Company’s appeal and sustain Beijing Higher Court’s Ruling (2015) Gao Zhi Yi Zi No. 52. The Company accordingly recognised liabilities of RMB272,628,000 in 2017 as the Group claimed back RMB104,489,000 from Shenyang High-volt. Consequently, the Company recognised the obligations due to Shenyang High-volt in aggregate of RMB377,167,000, after netting off the compensation due from Shenyang High-volt of RMB104,539,000, total liabilities for the compensation of this litigation of RMB272,628,000 were recognised since 2017.

In another legal proceeding involving this subsidiary, Fuxin Enclosed Busbar, held 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. (formerly known as Shenyang Suntime High Voltage Electric Co., Ltd.) (the “Underlying Equity”) prior to 22 September 2008. Due to the enforcement of the final judgment ((2008) Min Er Zhong Zi No. 23) made by the Supreme People’s Court on 5 September 2008 for the case of China Development Bank and under the coordination, Fuxin Enclosed Busbar returned the Underlying Equity to Shenyang High-volt for free of charge, and completed the change of equity registration on 22 September 2008 as required by the local industrial and commercial administration. Therefore, the Underlying Equity held by Fuxin Enclosed Busbar was returned to Shenyang High-volt free of charge. However, according to the enforcement ruling issued by the Supreme People’s Court on 31 August 2017 ((2017) Zui Gao Fa Zhi Fu No. 27), the fact that the return of the Underlying Equity for free of charge under the coordination of the Company cannot be ascertained. Given the failure of Shenyang High-volt to pay the outstanding consideration of USD16,000,000 for equity transfer constituted a breach of contract, the plaintiff, Fuxin Enclosed Busbar, in order to protect its interests, raised litigation against the above two defendants, namely, Shenyang High-volt and the Company (collectively referred to “Defendants”), claiming for the return of the consideration for the transfer of the Underlying Equity.

The Higher People’s Court of Hainan Province accepted the case in November 2018 with Civil Ruling (2018) Qiong Min Chu No. 69, and delivered the documents such as pleadings to Shenyang High-volt in January 2019. The case was tried in March 2019 and the written judgment of the first instance was received in May 2019. As the Defendants did not appeal within the announcement period, the judgment of the first instance has come into effect since August 2019 and the Company will not bear joint and several liability.

With reference to the announcements on litigation progress of the Company dated 10 September 2020, pursuant to the Civil Ruling (2018) Qiong Min Chu No.69 issued by the Hainan Provincial Higher People’s Court, as of 7 September 2020, the Group is legally entitled to claim Shenyang High-volt’s matured debt totalling RMB178,550,000, including equity transfer payment and interest on debt during the period of delayed performance. In accordance with Article 99 of the Contract Law of the People’s Republic of China and other relevant laws, the Company has notified Shenyang High-volt by post on 7 September 2020 that the aforesaid matured debt due from Shenyang High-volt of RMB178,550,000 would be offset against the Company’s matured debt due to Shenyang High-volt of the same amount arising from the Civil Ruling (2004) Gao Min Chu Zi No.802 issued by the Beijing Municipal Higher People’s Court and the Civil Ruling (2008) Min Er Zhong Zi No.23 issued by the Supreme People’s Court, namely, the offset amount was RMB178,550,000. Upon the Company has published an announcement in an influential newspaper in Liaoning Province on 11 September 2020, the debt offset has become effective on 11 September 2020.

Consequently, the obligation due to Shenyang High-volt was amounted to RMB94,078,000 as at 31 December 2020, and the claim to Shenyang High-volt of RMB178,550,000 (2019: RMBnil) was recognised as other income in profit or loss during the year.

- (b) Included in other payables as at 31 December 2020 and 2019 was the amount due to a former subsidiary of the Group, New Northeast Electric (Jinzhou) Power Capacitor Company Limited (“NNE (Jinzhou)”) which was arising from the receipt of RMB22,900,000 in 2018 (2019: RMB22,900,000) from NNE (Jinzhou).

Included in other payables as at 31 December 2020 and 2019 was the amount due to another former subsidiary of RMB26,696,000. The amount was unsecured, interest-free and no fixed repayment terms.

- (c) The amounts are unsecured, interest-free and no fixed repayment terms.
- (d) The amounts are unsecured, interest-bearing at interest rate ranged from 4.35% per annum and repayable in December 2021 (2019: interest-bearing at 4.35% per annum and repayable in December 2020).

14. LEASE LIABILITIES

	2020	2019
	RMB'000	RMB'000
Current portion	10,954	9,813
Non-current portion	11,583	17,487
	<u>22,537</u>	<u>27,300</u>

As the end of the reporting period, lease liabilities are carried at weighted average incremental borrowing rate ranging from 6.18% to 6.37% (2019: ranging from 6.18% to 6.37%) per annum and repayable in one to five years (2019: two to six years).

15. DIVIDENDS

The Board does not recommend the payment of a dividend for the years ended 31 December 2020 and 2019.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

In addition to disclosure elsewhere in this results announcement, the Group has the following events after the reporting period.

(a) Impact of COVID-19 to hotel industries

In view of the outbreak of COVID-19 since January 2020, the governments of different countries have taken their own nation-wide prevention and control measures. The COVID-19 has certain impacts on the hotel operations and provision of related catering services business of the Group. 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 this results announcement, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19 in the future.

(b) Bankruptcy reorganisation of HNA Group including the Company's major shareholder, Beijing Haihongyuan by relevant creditors

In March 2021, the Company received a notice from Beijing Haihongyuan in relation to the bankruptcy reorganisation of HNA Group by the relevant creditors was accepted by the Court. In the opinion of the directors, the court ruling may have an influence on the shareholding structure of the Company and it is uncertain whether the bankruptcy reorganisation of Beijing Haihongyuan will be successfully completed. However, the bankruptcy reorganisation of Beijing Haihongyuan will not materially or adversely affect the daily production and operations of the Group. Details of the transaction were set out in the Company's announcement dated 15 March 2021.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2020.

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 2020 in accordance with International Standards in Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IASB"). The final results contained in the Announcement remain unchanged.

The figures contained in this result announcement 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 2020 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 2020. The report includes particulars of the material uncertainty related to going concern without modifying the opinions.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with IFRSs issued by the IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group had net current liabilities and net liabilities of RMB145,543,000 and RMB185,229,000 as at 31 December 2020 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 March 2021

As at the date of this announcement, the Board consists of six executive Directors: Mr. Zhu Jie, Mr. Wang Yongfan, Mr. Bao Zongbao, Mr. Su Weiguo, Mr. Guo Qianli and Mr. Li Guoqing; three independent non-executive Directors: Mr. Li Ming, Mr. Fang Guangrong and Mr. Wang Hongyu.