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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: 00042)

## ANNUAL RESULTS ANNOUNCEMENT

### AS OF 31 DECEMBER 2022

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.

#### **Financial Highlights**

Throughout 2022, the consolidated turnover of the Company and subsidiaries is approximately RMB161.00 million, representing an increase of approximately RMB41.52 million from 2021.

Profit attributable to equity holders of the Company is RMB-25.14 million.

Earnings per share attributable to equity holders of the Company are RMB-2.88 cents.

The Board of Directors has resolved not to declare the dividends at the end of 2022.

The Board of Directors (the “**Board**”) and the directors (the “**Directors**”) of the Northeast Electric Development Company Limited (the “**Company**”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) as of 31 December 2022 prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the year ended 31 December 2021 (“**FY 2021**”).

## I. Highlights of the Audited Annual Results

Accounting statements and related notes are prepared under the International Financial Reporting Standards (IFRS)

### Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	3	<b>161,003</b>	119,485
Cost of sales and services		<b>(68,784)</b>	(50,662)
Gross profit		<b>92,219</b>	68,823
Other income and gain (loss)	4	<b>10,031</b>	42,406
Selling expenses		<b>(84,339)</b>	(50,156)
Administrative and other operating expenses		<b>(40,310)</b>	(46,776)
(Provision) Reversal of loss allowance on			
– trade and rental receivables		<b>(480)</b>	(2,665)
– other receivables		<b>(1,568)</b>	(1,003)
– cash at financial institution		-	18,264
Impairment loss of right-of-use assets		-	(9,628)
Finance costs	6	<b>(1,068)</b>	(1,799)
<b>(Loss) Profit before taxation</b>		<b>(25,515)</b>	17,466
Income tax credit	7	<b>246</b>	133
<b>(Loss) Profit for the year</b>		<b>(25,269)</b>	17,599
<b>Other comprehensive (loss) income</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		<b>(224)</b>	93
<b>Total other comprehensive (loss) income for the year, net of tax</b>		<b>(224)</b>	93
<b>Total comprehensive (loss) income for the year</b>		<b>(25,493)</b>	17,692

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(Loss) Profit for the year attributable to:</b>			
Equity holders of the Company		(25,142)	17,629
Non-controlling interests		(127)	(30)
		<hr/>	<hr/>
<b>(Loss) Profit for the year</b>		<b>(25,269)</b>	17,599
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive (loss) income for the year attributable to:</b>			
Equity holders of the Company		(25,366)	17,722
Non-controlling interests		(127)	(30)
		<hr/>	<hr/>
<b>Total comprehensive (loss) income for the year</b>		<b>(25,493)</b>	17,692
		<hr/> <hr/>	<hr/> <hr/>
<b>(Loss)/Earnings per share</b>		RMB cents	RMB cents
Basic and diluted	8	(2.88)	2.02
		<hr/> <hr/>	<hr/> <hr/>

## Consolidated Statement of Financial Position

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>39,129</b>	42,178
Right-of-use assets		<b>6,909</b>	19,764
Land use right		<b>11,550</b>	11,814
Interest in associates		-	-
Financial assets at fair value through profit or loss		<b>19,084</b>	-
Designated FVOCI		-	-
		<hr/> <b>76,672</b> <hr/>	<hr/> 73,756 <hr/>
<b>Current assets</b>			
Inventories		<b>19,727</b>	14,796
Trade and rental receivables	9	<b>56,565</b>	58,558
Prepayments, deposits and other receivables		<b>13,388</b>	13,581
Cash at a financial institution		-	17,903
Cash at banks and in hand		<b>15,129</b>	18,645
		<hr/> <b>104,809</b> <hr/>	<hr/> 123,483 <hr/>

	<i>Notes</i>	<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Current liabilities</b>			
Trade payables	10	45,516	31,892
Contract liabilities		9,528	6,757
Other payables		225,644	203,726
Employment benefits payables		5,958	8,835
Tax payables		2,332	2,799
Lease liabilities		17,068	40,377
		<hr/>	<hr/>
		<b>306,046</b>	294,386
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(201,237)</b>	(170,903)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>(124,565)</b>	(97,147)
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Provisions		34,355	34,355
Government grants		34,110	36,035
		<hr/>	<hr/>
		<b>68,465</b>	70,390
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		<b>(193,030)</b>	(167,537)
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Share capital		873,370	873,370
Reserves		(1,068,433)	(1,043,067)
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		(195,063)	(169,697)
		<hr/>	<hr/>
Non-controlling interests		2,033	2,160
		<hr/>	<hr/>
<b>TOTAL DEFICITS</b>		<b>(193,030)</b>	(167,537)
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## 1. CORPORATE INFORMATION

Northeast Electric Development Co., Ltd. (the “**Company**”) was formerly known as Northeast Electricity Transmitting & Transformation Machinery Manufacturing Ltd. The Company is a company limited by shares established by directed placement initiated by Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited (“**NET**”), which was approved by the Shenyang Corporate System Reformation Commission under approval: Shen Ti Gai Fa [1992] 81. The Company was officially founded on 18 February 1993.

The Company, a joint stock company incorporated in the People’s Republic of China (the “**PRC**”) with limited liability, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (“**H shares**”).

The addresses of the registered office and the principal place of business of the Company are located at Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No. 266 Nanhai Avenue, Haikou City, Hainan Province and New HNA Building, No. 7 Guoxing Avenue, Meilian District, Haikou City, Hainan Province respectively.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the sale of power transmission equipment and related accessories and hotel operations.

## 2. 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 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 consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 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.

## 2. BASIS OF PREPARATION *(Continued)*

### **Adoption of New/Revised IFRSs**

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

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

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

### **Going concern**

At 31 December 2022, the current liabilities of the Group exceeded its current assets by approximately RMB201,237,000 and net liabilities of approximately RMB193,030,000. The Group maintained cash at bank and in hand of approximately RMB15,129,000 as at 31 December 2022. 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:

## 2. BASIS OF PREPARATION *(Continued)*

### Going concern *(Continued)*

- (a) By strengthening the collection of receivables and seeking to obtain external financial support, the Group can guarantee its own capital needs. Sources of capital: first, strengthen supply chain management and internal fund management, and strengthen the collection of receivables; second, increase a new growth point. The Group has established a joint venture and explored new business growth points to bring in new impetus for the development of the Group. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, signed a joint venture agreement with Beijing DQH Brand Management Co., Ltd. to jointly invest in and establish NEE Business Travel (Hainan) Information Consulting Co., Ltd (東電商旅(海南)信息諮詢服務有限公司), which provides destination advertising and marketing services and travel information advisory services through online platforms; third, Fuxin Enclosed Busbar Co., Ltd. (“**Fuxin Busbar**”), a subsidiary of the Company, has good bank credit, financing records and financing ability; in the future, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging the new factory, which will be sufficient to support its continuous operation for the next 12 months. Through the above measures, the Group is able to meet its working capital needs and achieve a cash flow balance.
- (b) Make full use of financing channels of the capital market to bring in strategic investors in a two-way manner. In 2023, in addition to maintaining the operation of its enclosed busbar and hotel accommodation and catering businesses, NEE will advance the two-way attraction of strategic investors. On one hand, it will utilize the H share capital market platform to issue new H shares to raise funds and add new businesses; on the other hand, it will utilize Fuxin Busbar’s plant equipment and production technologies and resources to bring in strategic investors, enrich the product structure of transmission and transformation equipment, and improve new economic growth points, thus supporting the continuous operation of the listed company through the two-way attraction of strategic investors.
- (c) Maintain stability in the internal and external operating environments and plan long-term sustainable operation goals. In order to achieve the balance of cash flow, the Group will reasonably plan and adjust the business operation scale, establish sound operational objectives, continue to do a good job in operation management, improve product innovation ability, maintain and strengthen the capacity for continuous operation, and continue to improve the profitability of the Group’s main business.

## 2. BASIS OF PREPARATION *(Continued)*

### Going concern *(Continued)*

- (d) Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters as appropriate according to the scale of operations, reduce the staffing of the headquarters, gradually change to a flat management structure, and effectively reduce operating costs. Optimize asset management, strengthen overall budget management and cost control, strictly control all expenses and expenditures, reduce operating costs, and maximize the profitability of the main business.
- (e) Explore new markets and expand new businesses. In order to reverse the loss trend of the main business, with the development of traditional busbar transmission and transformation equipment products as the core, adjust the product structure, while ensuring the traditional busbar products, the Group will also increase the proportion of transformation projects with high gross margin, insulation tube busbar and other products in the sales revenue, so as to gain time for the future transformation. Meanwhile, promote and implement a new business cooperation, and strive to increase industrial stock and seek for more customers.

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

### 3. 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers within IFRS 15</b>		
Sales of power transmission equipment and related accessories	<b>50,064</b>	41,475
Provision of catering and other ancillary services income	<b>45,284</b>	31,795
	<b>95,348</b>	73,270
<b>Revenue from other sources</b>		
Lease income from operating lease of hotel rooms	<b>65,655</b>	46,215
	<b>161,003</b>	119,485

### 3. REVENUE *(Continued)*

In addition to the information shown in segment disclosures in note 5 to the consolidated financial statements, the revenue from contracts with customers within IFRS 15 is disaggregated as follows:

	<b>Sales of power transmission equipment and related accessories</b>	<b>Provision of catering and other ancillary services</b>	<b>Total</b>
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
<b>Year ended 31 December 2022</b>			
By products:			
– Enclosed busbars	50,064	-	50,064
– Provision of catering and other ancillary services	-	45,284	45,284
	<u>50,064</u>	<u>45,284</u>	<u>95,348</u>
Geographical region:			
– The PRC	<u>50,064</u>	<u>45,284</u>	<u>95,348</u>
Timing of revenue recognition:			
– At a point in time	<u>50,064</u>	<u>45,284</u>	<u>95,348</u>
Type of transaction price:			
– Fixed price	<u>50,064</u>	<u>45,284</u>	<u>95,348</u>

### 3. REVENUE (Continued)

	Sales of power transmission equipment and related accessories <i>RMB'000</i>	Provision of catering and other ancillary services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2021</b>			
By products:			
– Enclosed busbars	41,475	-	41,475
– Provision of catering and other ancillary services	-	31,795	31,795
	<u>41,475</u>	<u>31,795</u>	<u>73,270</u>
	<u><u>41,475</u></u>	<u><u>31,795</u></u>	<u><u>73,270</u></u>
Geographical region:			
– The PRC	41,475	31,795	73,270
	<u>41,475</u>	<u>31,795</u>	<u>73,270</u>
	<u><u>41,475</u></u>	<u><u>31,795</u></u>	<u><u>73,270</u></u>
Timing of revenue recognition:			
– At a point in time	41,475	31,795 <sup>#</sup>	73,270
	<u>41,475</u>	<u>31,795<sup>#</sup></u>	<u>73,270</u>
	<u><u>41,475</u></u>	<u><u>31,795<sup>#</sup></u></u>	<u><u>73,270</u></u>
Type of transaction price:			
– Fixed price	41,475	31,795	73,270
	<u>41,475</u>	<u>31,795</u>	<u>73,270</u>
	<u><u>41,475</u></u>	<u><u>31,795</u></u>	<u><u>73,270</u></u>

# The comparative figures of revenue amounted to approximately RMB31,795,000, representing the revenue of provision of catering and other ancillary services have been reclassified from “**over time**” to “**point in time**” to confirm with the current year’s presentation.

#### 4. OTHER INCOME AND GAIN (LOSS)

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from banks	181	-
Gain on early termination/modification of lease contracts	5,883	1,378
Loss on disposal of property, plant and equipment	(49)	-
Government grant	1,925	1,853
Income from reorganisation of HNA Group	296	
Reversal of overprovision of litigation expenses in prior years	-	37,745
Overprovision of salaries and other benefits	-	1,216
Sundry income	1,795	214
	<u>10,031</u>	<u>42,406</u>

#### 5. 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 provision of 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.

## 5. SEGMENT INFORMATION *(Continued)*

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 2022

	Production and sales of power transmission equipment and related accessories <i>RMB'000</i>	Hotel operations and provision of related catering services <i>RMB'000</i>	Investment holding <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	50,064	110,939	-	161,003
<b>Results</b>				
(Loss) Profit for the year before the following items:	(3,609)	2,348	-	(1,261)
Depreciation and amortisation of				
– property, plant and equipment	(3,006)	-	(27)	(3,033)
– right-of-use assets	-	(14,605)	-	(14,605)
– land use right	(264)	-	-	(264)
Finance costs	(97)	(911)	(60)	(1,068)
Segment results	(6,976)	(13,168)	(87)	(20,231)
Unallocated other operating expenses				(5,284)
Loss before taxation				(25,515)
Taxation				246
Loss for the year				(25,269)

## 5. SEGMENT INFORMATION *(Continued)*

### (a) By business segments *(Continued)*

#### Segment assets and liabilities as at 31 December 2022

	Production and sales of power transmission equipment and related accessories <i>RMB'000</i>	Hotel operations and provision of related catering services <i>RMB'000</i>	Investment holding <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Assets</b>				
Assets before following items:	59,557	43,581	-	103,138
Financial assets at fair value through profit or loss	-	-	19,084	19,084
Property, plant and equipment	38,526	-	603	39,129
Right-of-use assets	-	6,909	-	6,909
Land use right	11,550	-	-	11,550
	<hr/>	<hr/>	<hr/>	<hr/>
Segment assets	109,633	50,490	19,687	179,810
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Unallocated assets				1,671
				<hr/>
				181,481
				<hr/> <hr/>
<b>Liabilities</b>				
Segment liabilities	(72,539)	(82,665)	-	(155,204)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Unallocated liabilities				(219,307)
				<hr/>
				(374,511)
				<hr/> <hr/>

## 5. SEGMENT INFORMATION *(Continued)*

### (a) By business segments *(Continued)*

#### Other segment information for the year ended 31 December 2022

	Production and sales of power transmission equipment and related accessories <i>RMB'000</i>	Hotel operations and provision of related catering services <i>RMB'000</i>	Investment holding <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Additions to property, plant and equipment	165	–	–	–	165
Provision of loss allowance on trade, rental and other receivables, net	(261)	(1,313)	–	(474)	(2,048)
Research and development expenses	(2,761)	–	–	–	(2,761)
Short-term leases – office premises	–	–	–	(703)	(703)
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

## 5. SEGMENT INFORMATION *(Continued)*

### (a) By business segments *(Continued)*

#### Segment results for the year ended 31 December 2021

	Production and sales of power transmission equipment and related accessories <i>RMB'000</i>	Hotel operations and provision of related catering services <i>RMB'000</i>	Investment holding <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	41,475	78,010	-	119,485
<b>Results</b>				
(Loss) Profit for the year before the following items:	(3,601)	3,411	18,264	18,074
Depreciation and amortisation of				
– property, plant and equipment	(3,005)	(15)	(187)	(3,207)
– investment properties	-	(2,826)	-	(2,826)
– right-of-use assets	-	(10,531)	-	(10,531)
– land use right	(264)	-	-	(264)
Impairment loss of right-of-use assets	-	(9,628)	-	(9,628)
Finance costs	(34)	(1,708)	(57)	(1,799)
Segment results	(6,904)	(21,297)	18,020	(10,181)
Unallocated other income				37,745
Unallocated other operating expenses				(10,098)
Profit before taxation				17,466
Taxation				133
Profit for the year				17,599

## 5. SEGMENT INFORMATION *(Continued)*

### (a) By business segments *(Continued)*

#### Segment assets and liabilities as at 31 December 2021

	Production and sales of power transmission equipment and related accessories <i>RMB'000</i>	Hotel operations and provision of related catering services <i>RMB'000</i>	Investment holding <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Assets</b>				
Assets before following items:	57,335	46,777	17,903	122,015
Property, plant and equipment	41,367	86	725	42,178
Right-of-use assets	-	19,764	-	19,764
Land use right	11,814	-	-	11,814
	<hr/>	<hr/>	<hr/>	<hr/>
Segment assets	110,516	66,627	18,628	195,771
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Unallocated assets				1,468
				<hr/>
				197,239
				<hr/> <hr/>
<b>Liabilities</b>				
Segment liabilities	(64,975)	(88,434)	-	(153,409)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Unallocated liabilities				(211,367)
				<hr/>
				(364,776)
				<hr/> <hr/>

## 5. SEGMENT INFORMATION *(Continued)*

### (a) By business segments *(Continued)*

#### Other segment information for the year ended 31 December 2021

	Production and sales of power transmission equipment and related accessories <i>RMB '000</i>	Hotel operations and provision of related catering services <i>RMB '000</i>	Investment holding <i>RMB '000</i>	Unallocated <i>RMB '000</i>	Total <i>RMB '000</i>
Additions to property, plant and equipment	392	87	–	–	479
Additions of right-of-use assets	–	39,189	–	–	39,189
Reversal of (Provision for) loss allowance on					
– trade, rental and other receivables, net	78	(3,746)	–	–	(3,668)
– cash at a financial institution	–	–	18,264	–	18,264
Impairment loss of right-of-use assets	–	(9,628)	–	–	(9,628)
Research and development expenses	(2,496)	–	–	–	(2,496)
Reversal of overprovision of litigation expenses in prior years	–	–	–	37,745	37,745
Short-term leases – office premises	–	–	–	(927)	(927)
Direct operating expenses arising from investment properties that generated rental income	–	(3,295)	–	–	(3,295)

## 5. SEGMENT INFORMATION *(Continued)*

### (a) By geographical information

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

### (b) Information about major customers

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

## 6. (LOSS) PROFIT BEFORE TAXATION

### This is stated after charging:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Staff costs, including directors' emoluments</b>		
Salaries and other benefits	<b>42,088</b>	27,408
Contributions to defined contribution retirement schemes	<b>8,762</b>	6,993
	<hr/>	<hr/>
Total staff costs	<b>50,850</b>	34,401
	<hr/> <hr/>	<hr/> <hr/>

## 6. (LOSS) PROFIT BEFORE TAXATION (Continued)

### This is stated after charging: (Continued)

	2022 RMB'000	2021 RMB'000
<b>Finance costs</b>		
Interest expenses on borrowings	52	49
Interest expenses on lease liabilities	796	1,632
Bank charges	220	118
	<u>1,068</u>	<u>1,799</u>
	<b>2022</b> <b>RMB'000</b>	<b>2021</b> <b>RMB'000</b>
<b>Other items</b>		
Auditor's remuneration		
– Current year	700	1,000
– Overprovision in prior year	(100)	-
Cost of inventories*	60,076	48,828
Depreciation and amortisation		
– Property, plant and equipment	3,033	3,207
– Investment properties	-	2,826
– Right-of-use assets	14,605	10,531
– Land use right, included in administrative and other operating expenses	264	264
Research and development expenses	2,761	2,496
Short-term leases expenses		
– Office premises	703	927
Direct operating expenses arising from investment properties that generated rental income	-	3,295

\* Included in cost of inventories recognised as expense were a provision for impairment on inventories of RMB42,000 (2021: RMB18,000) and write off of inventories of RMBnil (2021: RMB22,000) to their net realisable values.

## 7. TAXATION

For the years ended 31 December 2022 and 2021, Enterprise Income Tax has not been provided as the Group incurred a loss for taxation purpose in the PRC.

For the years ended 31 December 2022 and 2021, Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current tax</b>		
Enterprise Income Tax		
Current year	-	-
Overprovision in prior years	<u>(246)</u>	<u>(133)</u>
Income tax credit	<u><u>(246)</u></u>	<u><u>(133)</u></u>

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basis (loss) earnings per share for the year is based on the consolidated loss for the year attributable to the equity holders of the Company of approximately RMB25,142,000 (2021: profit of approximately RMB17,629,000) and the weighted average number of 873,370,000 (2021: 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 per share is the same as basic (loss) earnings per share for the years presented.

## 9. TRADE AND RENTAL RECEIVABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and rental receivables	63,871	65,926
Loss allowances	(7,306)	(7,368)
	<u>56,565</u>	<u>58,558</u>

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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	19,890	32,434
More than 3 months but less than 12 months	18,542	12,246
1 to 2 years	11,353	10,706
2 to 3 years	5,830	2,887
3 to 4 years	864	285
Over 4 years	86	-
	<u>56,565</u>	<u>58,558</u>

Loss allowance on trade and rental receivables of RMB480,000 (2021:RMB2,665,000) was recognised during the year.

## 10. TRADE PAYABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<b>45,516</b>	31,892

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 365 days	<b>39,929</b>	27,189
1 to 2 years	<b>3,335</b>	3,493
2 to 3 years	<b>1,142</b>	538
Over 3 years	<b>1,110</b>	672
	<b>45,516</b>	31,892

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

## 11. DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the years ended 31 December 2022 and 2021.

## 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: Su Weiguo

- (3) Executive Directors: Su Weiguo (Chairman), Liu Jiangmei, He Wei, Ding Jishi, Mi Hongjie, Zhu Xinguang

- (4) Independent Non-executive Directors: Wang Hongyu, Li Zhengning, and Fang Guangrong

- (5) Supervisors: Fan Siyao (Chairman of the Supervisory Committee), Yang Qing, and Xing Meixia

- (6) Secretary to the Board: Ding Jishi

Representative for securities affairs: Zhu Xinguang

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: Unit B,  
17/F, United Centre 95 Queensway, 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

Office and correspondence address of the Company: HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province

Postal code of the office address: 570203

Telephone: 0898-68876008, 68876046

Fax: 0898-68876033

Website: [www.nee.com.cn](http://www.nee.com.cn)

E-mail address: [dbdqshbgs@hnagroup.com](mailto:dbdqshbgs@hnagroup.com), [nemm585@sina.com](mailto:nemm585@sina.com)

(8) Website containing the annual report: [www.neeq.com.cn](http://www.neeq.com.cn), [www.hkexnews.hk](http://www.hkexnews.hk)

Place for inspection of annual report: Office of the Board



### III. HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

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

*Amount unit: RMB 1,000*

Items	IFRS			PRC GAAP	
	2022	2021	2020	2019	2018
1. Revenue (RMB'000)	161,003	119,485	79,797	102,252	32,311
2. (Loss)/profit before taxation (RMB'000)	(25,515)	17,466	67,016	(39,682)	15,465
3. (Loss)/profit attributable to equity holders (RMB'000)	(25,142)	17,629	63,977	(40,166)	14,596
4. Total assets (RMB'000)	181,481	197,239	157,896	477,387	505,114
5. Total liabilities (RMB'000)	374,511	364,776	343,125	528,494	482,998
6. Shareholders' equity (RMB'000)	(193,030)	(167,537)	(185,229)	(51,107)	22,116
7. Basic (loss)/earnings per share (RMB)	(0.03)	0.02	0.07	(0.046)	0.02
8. Net assets per share (RMB)	(0.22)	(0.19)	(0.21)	(0.059)	0.025
9. Return on net assets (%)	0.00	0.00	0.00	0.00	0.00
10. Shareholders' interest ratio (%)	(106.36%)	(84.94%)	(117.31%)	(10.71%)	4.38%
11. Current ratio (%)	34.25%	41.95%	36.72%	44.36%	45.76%
12. Gearing ratio (%)	206.36%	184.94%	217.31%	110.71%	95.62%

## **IV. REPORT OF THE DIRECTORS (MANAGEMENT DISCUSSION AND ANALYSIS)**

### **(1) Overview**

In 2022, the world economy was continuously impacted by the spreading of COVID-19, which led to the uneven growth of international trade and investments, the severe obstruction in the movement of people and cargos and pound on global industry and supply chains, while trade protectionism was increasingly serious, and the recovery of world economy was subject to limitations, with sluggish continued growth. From the perspective of domestic economic development, China's electricity industry adjusted power structure which led to decreased investment in thermal power; with repeated waves of pandemic, the demands for hotel catering, accommodation and other services were volatile.

### **Main business that the Company engaged in during the Reporting Period**

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. 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, the Company also engaged in hotel catering and accommodation services. There was no material change in the principal business of the Company during the Reporting Period.

### **Business review**

Since 2022, 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.

2022 is another extraordinary year for the development of NEE. Facing multiple challenges such as the HNA Group's restructuring risk due to the delisting of A-shares, the sharp changes in market transactions caused by the delisting of A-shares, the fluctuations in the mood of domestic shareholders, the urgent need to introduce strategic investors in the Company's development, and the difficulties in production and operation under repeated epidemics, all employees of NEE faced them bravely, overcame the difficulties and achieved the whole year's working goals in accordance with the law and regulations, laying a solid foundation for the health development of 2023.

During the Reporting Period, the Group consolidated the enclosed busbar business while operating hotel business. And it has reduced the scale of hotel operations with an operating income of RMB161 million since June according to the trend of COVID-19; the net profits attributed to the shareholders of the parent company amounted to about RMB-25.14 million.

## **(2) Priority Work**

The main activities in the Reporting Period are as follows:

### **(I) Production and operation**

#### **1. Eliminate Adverse Effects and Achieve Stable Operation**

In 2022, while properly handling the delisting of A-shares and accelerating the issuance of H-shares to attract strategic investors, NEE continued to improve production and operation with the goal of increasing revenue and cutting costs. The Company strived to overcome the adverse effects of the continued recurrence of the pandemic in China, the shortage of operating capital and the intensification of market competition by adjusting structure, strengthening marketing approach and expanding sales scale, the Company achieved relatively stable operation with balanced key operating indicators throughout the year. The annual operating income was RMB161 million, representing an increase of RMB41.52 million or 34.75% compared with last year. Gross profit for the year amounted to RMB92.22 million, representing an increase of RMB23.40 million or 34% over RMB68.82 million in previous year.

## **2. Ensure Safety Production**

Continue to implement the safe production principle, with clear division of duties and responsibility, the Company build a strong safety line. Enhance the awareness of safety, strengthen the implementation of responsibility, troubleshoot safety issues exist in such subsidiaries as Fuxin Busbar and Garden Lane Flight Hotel. Overcome the impact of the pandemic, enhance the safety management and intensify the safety production, leading to a zero occurrence of the safety incidents all over the year.

## **3. Innovative R&D to Expand Market**

With various measures taken, promote the labor and production resumption, optimise technology and vigorously reduce costs and losses by focusing on the increasement of renovation orders and engineering contract with installation requirements. In 2022, the subsidiary, Fuxin Busbar took the development of new products as an opportunity to expand the market, increase order number, capture the new market while bucking the trend. As of the end of December 2022, the new contracted amount of the year reached RMB75.26 million, becoming the highest order amount in recent years and providing a guarantee for the operation as a going concern of the Company in the future.

#### **4. Continuously Improve the Company’s Internal Control and Governance System**

In 2022, the Company persisted in performing safety management for production safety and pandemic prevention and control, issued and implemented work plans for the establishment of the Company’s monitoring mechanism, such as Work Plan for the Rectification of the Company’s Style, Work Plan for Credit Reshaping, Work Plan for the Production Safety Month, Work Plan for Fire Safety in Winter and Spring and Work Plan for Pandemic Prevention and Control, offering an effective safeguard to its internal control governance.

#### **(II) Spare No Efforts to Promote the Additional Issuance of H-shares and the Introduction of Strategic Investors**

Strive to promote the introduction of strategic investors through the efforts of all parties all over the year. On 27 July 2022, upon the approval of the Company’s Board of Directors, the Company entered into a subscription agreement for the issue of new H-shares with the W.H.B.D (HK) Technology Limited (referred to as “**WHBD Company**”), a subsidiary of the Zhonghuan Guoxin (Beijing) Investment Fund Co., Ltd.. On 30 December 2022, the agreement was reviewed and approved by the general meeting of the Company. Currently, the Company is promoting the progress of the issuance of H shares with the intermediary agency and striving for early submission of applications to the regulatory authorities for the issue of new H-shares.

### (III) Progress of Material Litigations

1. Joint and Several Liability Dispute Cases between NEE and Fushun Electric Porcelain Co., Ltd. (hereinafter refer to as “**Fushun Electric Porcelain**”)

The claim case as Fushun Electric Porcelain requested to add Northeast Electric as a person subject to enforcement, since Hainan First Intermediate People’s Court rejected its request in February 2021, Fushun Fushun Electric Porcelain filed a lawsuit again on 4 July 2022, in which NEE and Shenyang High-volt were considered to constitute a confusion of personality and evade the liability maliciously, so NEE was requested to bear the joint and several responsibilities for Shenyang High-volt. On 30 December 2022, Hainan First Intermediate People’s Court issued Civil Ruling (2022) Qiong 96 Min Chu No. 599. The court thought that the case constituted a repeated appealing, so the appealing by the plaintiff was rejected by law. Fushun Electric Porcelain has proposed an appealing on 11 February 2023. As of the disclosure date of the Report, the second-instance trial has not held by the court.

For details, please refer to the relevant announcements released by the Company on the designated information disclosure platform: The Announcement on Litigations (announcement No.: 2022-044) dated 15 July 2022, and the Announcement on Litigation Progress (announcement No.: 2023-006) dated 7 February 2023.

## **(IV) Properly Handle the Delisting of A-shares**

As the Company's audited financial data in two consecutive fiscal years of 2020 and 2021 touched the financial compulsory delisting situation stipulated in Article 9.3.11 of the Rules Governing the Listing of Stocks (2022 Revision) of the Shenzhen Stock Exchange, on 20 April 2022, Shenzhen Stock Exchange decided to terminate the listing of NEE's A-shares. The Company set up a special working group for A-share delisting, formulated and implemented the NEE A-shares Delisting Overall Work Plan and its supporting plans, and ensured the implementation of A-share delisting and board transferring process in accordance with the laws and regulations, properly handled the delisting of A-shares. Since 13 July 2022, the delisted A shares were transferred to the delisting section of the NEEQ for listing and trading.

### **(3) 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 no change in the share capital of the Company.

#### **Reserve**

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

#### **Distributable reserve**

As at 31 December 2022, according to the relevant regulations, the Company has no distributable reserve. Pursuant to the resolution approved by the Board on 31 March 2023, 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.

## **Working capital and financial resources**

The net cash generated from the Group's operating activities for the year ended 31 December 2022 was approximately RMB6,207,000 (2021: RMB11,332,000).

As at 31 December 2022, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB15,129,000 (2021: RMB18,645,000) and bank loans of RMB[0] (2021: bank loans of RMB0)

As of 31 December 2022, the Group had current liabilities of RMB306,046,000, non-current liabilities of RMB68,465,000, and shareholders' equity attributable to shareholders of the Company of RMB-195,063,000. 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 from substantial shareholders. As at 31 December 2022, the Group's short-term bank borrowings amounted to RMB0, and the cash and cash equivalents were RMB15,129,000 (2022: RMB18,645,000). 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, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

The Group did not have any significant investments, material acquisitions and disposals of assets, subsidiaries, associates or joint ventures during the Year.

## **Assets pledge**

As of 31 December 2022, the Company had fixed asset and net land value of RMB0 for mortgages.

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

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

## **Gearing ratio**

As of 31 December 2022, the Group's gearing ratio (calculated as total liabilities/total assets) was 206% (2021: 185%)

## **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 2022, the total amount of purchases from the Group's top five suppliers was RMB32,571,000, accounting for 50% of the Group's total annual purchases.

The top five suppliers had no connected relationships with the Company.

The total amount of sales to the top five customers was RMB32,085,000, accounting for 23% of the Group's total annual sales. Among them, the sales amount to the biggest sales customer accounted for 6.8% of the total annual sales of the Group.

All of the top five customers had no connected relationships with 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 focus 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, affected by intensified downside risk of the world's economy, and significantly increased instabilities and uncertainties, macro-economy in China is still expected to face new difficulties and challenges in 2023. Meanwhile, the adjustment of economic structure, the continued implementation of supply-side reform, and environmental indicators related to energy saving and emission reduction will have a negative impact over some infrastructure industries of the national economy for the short term. It is of high probability that economic structuring of the country will continue to have adverse impact on the traditional 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, getting rid of the impact of the post-pandemic era, it is expected that the operating revenue of such industries as tourism, accommodation and catering in China will resume growth.

## **(2) Development strategy of the Company**

In 2023, 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, catch the historic opportunity of Hainan free trade port construction, 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. It will speed up the issuance of H shares. Centering on improving the quality and efficiency of development, the Company will increase industrial stock and seek for more customers, and foster new driving force and new source of economic growth by upgrading industrial structure and orienting new business and market expansion, in an effort to form a new synergistic pattern, and reshape the industry structure of the Company.

## **(3) 2023 Operation Plan**

In 2023, facing the negative factors of its own difficulties and external competition, Northeast Electric and its subsidiaries (collectively, “**the Group**”) will focus on the stable development of its main businesses and the achievement of the directional private placement and strategic investor introduction,, actively strengthen existing business advantages, utilize the H share listing status to actively bring in strategic investors to raise funds, then with the guidance of the strategic investments as well as support from the substantial shareholders, the Company is committed improving the assets quality, strengthen the continuous operation capacity of its main business, strive to maintain stability in the internal and external operating environments. All of these actions founded a solid foundation for the sustainability of healthy development.

The Company has taken into account future liquidity and its sources of available funds in assessing whether the Group has sufficient financial resources to continue operations as a going concern. In order to enhance sustainable development ability and profitability, improve asset quality, promote healthy development, increase a new business growth point and overcome the negative impact of the delisting from the A-shares main board, the Company will improve the its ability to continue as a going concern by the following measures:

1. By strengthening the collection of receivables and seeking to obtain external financial support, the Group can guarantee its own capital needs. Sources of capital: first, strengthen supply chain management and internal fund management, and strengthen the collection of receivables; second, increase a new growth point. The Group has established a joint venture and explored new business growth points to bring in new impetus for the development of the Group. Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company, signed a joint venture agreement with Beijing DQH Brand Management Co., Ltd. to jointly invest in and establish NEE Business Travel (Hainan) Information Consulting Co., Ltd (東電商旅(海南)信息諮詢服務有限公司), which provides destination advertising and marketing services and travel information advisory services through online platforms; third, Fuxin Enclosed Busbar Co., Ltd. (“**Fuxin Busbar**”), a subsidiary of the Company, has good bank credit, financing records and financing ability; in the future, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging the new factory, which will be sufficient to support its continuous operation for the next 12 months. Through the above measures, the Group is able to meet its working capital needs and achieve a cash flow balance.
2. Make full use of financing channels of the capital market to bring in strategic investors in a two-way manner. In 2023, in addition to maintaining the operation of its enclosed busbar and hotel accommodation and catering businesses, NEE will advance the two-way attraction of strategic investors. On one hand, it will utilize the H share capital market platform to issue new H shares to raise funds and add new businesses; on the other hand, it will utilize Fuxin Busbar’s plant equipment and production technologies and resources to bring in strategic investors, enrich the product structure of transmission and transformation equipment, and improve new economic growth points, thus supporting the continuous operation of the listed company through the two-way attraction of strategic investors.
3. Maintain stability in the internal and external operating environments and plan long-term sustainable operation goals. In order to achieve the balance of cash flow, the Group will reasonably plan and adjust the business operation scale, establish sound operational objectives, continue to do a good job in operation management, improve product innovation ability, maintain and strengthen the capacity for continuous operation, and continue to improve the profitability of the Group’s main business.

4. Allocate human resources reasonably, and strengthen cost control. Adjust the organizational structure of the headquarters as appropriate according to the scale of operations, reduce the staffing of the headquarters, gradually change to a flat management structure, and effectively reduce operating costs. Optimize asset management, strengthen overall budget management and cost control, strictly control all expenses and expenditures, reduce operating costs, and maximize the profitability of the main business.
5. Ensure safety production. Enhance the organizational leadership, strictly implement the main body's responsibilities and each responsibility measure to ensure the safe and steady production. By refining the emergency plan and improving emergency handling abilities, we practically implement the safe prevention work with the highest working standards, strictest working requirements, strongest responsibilities, thereby creating a sound and safe environment for the stable and orderly operation of and development and reform of enterprise safety production.
6. Explore new markets and expand new businesses. In order to reverse the loss trend of the main business, with the development of traditional busbar transmission and transformation equipment products as the core, adjust the product structure, while ensuring the traditional busbar products, the Company will also increase the proportion of transformation projects with high gross margin, insulation tube busbar and other products in the sales revenue, so as to gain time for the future transformation. Meanwhile, promote and implement a new business cooperation, and strive to increase industrial stock and seek for more customers.

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.

#### **(4) Capital position**

The Company has taken into account future liquidity and its sources of available funds in assessing whether the Group has sufficient financial resources to continue operations as a going concern. In order to enhance sustainable development ability and profitability, improve asset quality, promote long-term and healthy development, and overcome the negative impact of the delisting from the A-shares main board, in 2023, 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.

#### **(5) 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 hotel industry in which the Company operates is still under gradual recovery and has not yet reached the pre-epidemic revenue scale.

##### **2. Market competition risk**

Enclosed busbar production and hotel operation are the Company's main businesses. The increasing market competition has adversely affected the average profit level of the industry. The Company 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, such as a decrease in the Company's operating income and the continued decline in the gross profit rate of products and services and in the profitability, and consolidate the Company's ability to continue as a going concern.

### **3. Strategic transformation risk**

In order to overcome the negative impact of the delisting from the A-shares main board, get rid of the existential crisis, and boost the sustainable development of the Company for the medium and long terms, the Company is implementing a strategic transformation and actively attracting strategic investors to raise funds and add new businesses. If the Company fails to implement the transformation as soon as possible due to various reasons, it may face the risk of a slowdown or even failure of the strategic transformation process.

### **(6) 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, there is no major change to the Company's core competitiveness. By developing new products and adapting to the adjustment and changes of market demand, the Company's competitiveness in some product markets was improved with some businesses even witnessed breakthroughs.

### **(5) Profit distribution and dividend declaration**

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

## **V. Miscellaneous**

### **Guarantee**

In 2022, the Company neither increased the external guarantee amount nor provided guarantee for any of its shareholders, de facto controller or related parties; as at 31 December 2022, the balance of the actual external guarantees provided by the Company was RMB30 million (all of which were provided before 2004, with no new guarantee amount provided in 2022).

### **Purchase, Sale or Redemption of The Company's Listed Securities**

During the year, the Company did not redeem any listed securities nor did the Company and any of its subsidiaries repurchase or sell any of the Company's listed securities.

### **Employee and Remuneration Policies**

As at 31 December 2022, the Group had 384 employees (31 December 2021: 651 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB50.85 million, and the number of retired employees for whom the Company bore expenses was nil. The remuneration policy for the Directors and the senior management focuses on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the performance of the Directors and individual senior management. The Group provides and arranges on-the-job training for the employees.

The Remuneration Committee of the Board reviews the remuneration and compensation packages of the Directors and the senior management with reference to the salaries paid by comparable companies in the market, time commitment, responsibilities of the Directors and the senior management as well as the Group's financial performance and make recommendations to the Board for consideration and approval.

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.

In order to improve employees' sense of identity and belonging, the Company and its subsidiary also actively provide multiple benefits for employees, including annual physical examination, holiday allowance, high temperature allowance etc., enabling each staff to be respected and cared as much as possible, thus enhancing the corporate cohesiveness, and stimulate employees' enthusiasm and creativity.

The Company strictly forbids any unethical employment approaches, including child labour and forced labour in the workplace, ensures employees to enjoy labour rights and perform their obligations in accordance with laws, and earnestly fulfills social responsibilities. During the year, the Company is not aware of any material violations of laws and regulations relating to employment and labour practices.

## **Environmental Management**

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental-friendly and sustainable development by abiding by relevant laws and regulations (including the “**Environmental Protection Law of the People's Republic of China**” and the regulations implemented by the environmental protection bureaus of the relevant PRC local governments) during its daily operation. An environmental, social and governance report (“**ESG Report**”) of the Group will be issued in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Listing Rules.

## Corporate governance practices

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 all business operations comply 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 2022, except for the following deviation:

Pursuant to Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. In addition, as all major decisions are made in consultation with the members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure from time to time to ensure that appropriate action is being taken as and when appropriate.

Pursuant to Code Provision E.1.2 of the Corporate Governance Code, the chairman and the directors should have the right to attend the annual general meetings of the Company.

To protect the interests of the Group and the shareholders while enhancing the corporate value, the Group has been adopting a sound structure, good practices and proper procedures of corporate governance. The Board of Directors, now comprised of six non-independent Directors and three independent non-executive Directors, is the highest governing body of our Group. During the Reporting Period, the Company completed the re-election of the tenth session of Board of Directors, Board of Supervisors and senior management, changed its legal person in a timely manner, and paid attention to the introduction of directors with financial knowledge and resources, which is conducive to creating a governance environment featured with diverse board members and gender diversity, so that the Company's corporate governance are more in line with best practices.

### **Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the securities transactions by the Directors and the Supervisors of the Company on terms no less exacting than the required standard as set out in the Model Code. Following a specific enquiry made by the Company with each of the Directors and the Supervisors, all the Directors and the Supervisors have confirmed that they had complied with the Model Code during the year.

### **Review by the Audit Committee**

The Audit Committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors and a non-independent Director, namely Mr. Fang Guangrong, Mr. Wang Hongyu, Mr. Li Zhengning and Mr. Mi Hongjie. Mr. Wang Hongyu who has the appropriate professional qualifications as required by the Listing Rules is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the internal control and financial reporting matters for the Year. The Audit Committee has also reviewed the annual results of the Group for the year.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The Board of the Company is pleased to announce that the Company’s auditor, Ting Ho Kwan & Chan (“**Ting Ho Kwan & Chan**”), has completed its audit of the consolidated financial statements of the Group for the year ended 31 December 2022 in accordance with International Standards in Auditing (“**ISAs**”) issued by the International Auditing and Assurance Standards Board. 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 2022 as set out in the Announcement have been agreed by Ting Ho Kwan & Chan to the amounts set out in the Group’s audited consolidated financial statements for the year.

The work performed by Ting Ho Kwan & Chan 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 Ting Ho Kwan & Chan on the Announcement.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report (the “**Report**”) on the Group’s consolidated financial statements for the year ended 31 December 2022. The Report will be contained in the annual report of the Company for the year ended 31 December 2022. The Report includes particulars of the material uncertainty related to going concern without qualified 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 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the 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 RMB201,237,000 and RMB193,030,000 as at 31 December 2022 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.”*

#### **Final Dividend**

The Board has resolved not to recommend the payment of a final dividend for the current year (2021: Nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

#### **Events after the Reporting Period**

None

#### **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 to Listing Rules will be published on 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>.

## Definitions

Beijing Haihongyuan	Beijing Haihongyuan Investment Management Co., Ltd. (北京海鴻源投資管理有限公司), a substantial shareholder of the Company
CSRC	China Securities Regulatory Commission
De facto controller of the Company	None
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), a subsidiary of the Company
HNA Group	HNA Group Co., Ltd., a related party of the Company
HNA Trust Management	Hainan HNA No. 2 Trust Management Service Co., Ltd., an indirect controlling shareholder of the Company

NEE, the Company, the listed company	Northeast Electric Development Company Limited
SZSE	Shenzhen Stock Exchange
NEEQ	The National Equities Exchange and Quotations
Stock Exchange	The Stock Exchange of Hong Kong
Hainan First Intermediate People's Court	The First Intermediate People's Court of Hainan Province
Fushun Electric Porcelain	Fushun Electric Porcelain Manufacturing Co., Ltd.

By order of the Board  
**Northeast Electric Development Co., Ltd**  
**Su Weiguo**  
*Chairman*

Haikou, Hainan Province, the PRC  
31 March 2023

*As at the date of this Announcement, the Board comprises six executive Directors, namely Mr. Su Weiguo, Miss Liu Jiangmei, Miss He Wei, Mr. Ding Jishi, Mr. Mi Hongjie and Mr. Zhu Xinguang; and three independent non-executive Directors, namely Mr. Fang Guangrong, Mr. Wang Hongyu and Mr. Li Zhengning.*