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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 FOR THE YEAR ENDED 31 DECEMBER 2023

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 D2 thereto.

Financial Highlights (prepared in accordance with the International Financial Reporting Standards)

Throughout 2023, the consolidated revenue of the Company and subsidiaries is approximately RMB110.43 million, representing a decrease of approximately RMB50.57 million from 2022.

Loss attributable to owners of the Company is RMB5.96 million.

Loss per share attributable to owners of the Company are RMB0.68 cents.

The Board of Directors has resolved not to declare the dividends at the end of 2023.

The Board of Directors (the “**Board**”) and the directors (the “**Directors**”) of Northeast Electric Development Company Limited (the “**Company**”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the year ended 31 December 2022 as follows:

I. Highlights of the Audited Annual Results

Consolidated financial statements and related notes are prepared under the International Financial Reporting Standards (IFRSs)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| Revenue | 3 | 110,430 | 161,003 |
| Cost of sales and services | | (59,196) | (68,784) |
| Gross profit | | 51,234 | 92,219 |
| Other income | 5 | 2,340 | 4,197 |
| Other gains and losses | 6 | 9,047 | 5,834 |
| Distribution and selling expenses | | (44,134) | (84,339) |
| Administrative and other operating expenses | | (25,133) | (40,530) |
| Impairment losses under expected credit loss model, net of reversal | 7 | 1,046 | (2,048) |
| Finance costs | 8 | (397) | (848) |
| Loss before tax | 9 | (5,997) | (25,515) |
| Income tax credit | 10 | - | 246 |
| Loss for the year | | (5,997) | (25,269) |
| Other comprehensive expense for the year | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference on translation of foreign operations | | (199) | (224) |
| Total comprehensive expense for the year | | (6,196) | (25,493) |

| | | 2023 | 2022 |
|--|--------------|-----------------------|-----------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (5,956) | (25,142) |
| Non-controlling interests | | (41) | (127) |
| | | <u>(5,997)</u> | <u>(25,269)</u> |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (6,155) | (25,366) |
| Non-controlling interests | | (41) | (127) |
| | | <u>(6,196)</u> | <u>(25,493)</u> |
| Loss per share | | | |
| | | RMB cents | RMB cents |
| Basic | 12 | (0.68) | (2.88) |
| | | <u>(0.68)</u> | <u>(2.88)</u> |

Consolidated Statement of Financial Position

At 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> (Restated) |
|---|--------------|-------------------------------|--------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 35,678 | 39,129 |
| Right-of-use assets | | 18,196 | 18,459 |
| Interests in associates | 13 | - | - |
| Financial assets at fair value through profit or loss | | 19,084 | 19,084 |
| Equity instruments at fair value through other comprehensive income | | - | - |
| Deferred tax assets | | 1,727 | 1,727 |
| | | <hr/> 74,685 | <hr/> 78,399 |
| Current assets | | | |
| Inventories | | 21,186 | 19,727 |
| Trade and bills receivables | 14 | 40,521 | 55,700 |
| Prepayments, deposits and other receivables | | 19,362 | 13,388 |
| Contract assets | | 4,517 | 865 |
| Pledged bank deposits | | 5,715 | 5,180 |
| Cash and cash equivalents | | 6,444 | 9,949 |
| | | <hr/> 97,745 | <hr/> 104,809 |
| Assets classified as held for sale | 15 | 9,100 | - |
| | | <hr/> 106,845 | <hr/> 104,809 |

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> (Restated) |
|--|--------------|-------------------------------|--------------------------------------|
| Current liabilities | | | |
| Trade payables | 16 | 44,972 | 45,516 |
| Contract liabilities | | 13,001 | 15,090 |
| Other payables and accruals | 17 | 244,274 | 236,199 |
| Bank borrowing | | 1,000 | - |
| Deferred income | | 1,925 | 1,925 |
| Tax payables | | 2,332 | 2,332 |
| Lease liabilities | | 6,910 | 6,909 |
| | | <hr/> | <hr/> |
| | | 314,414 | 307,971 |
| | | <hr/> | <hr/> |
| Net current liabilities | | (207,569) | (203,162) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | (132,884) | (124,763) |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Provisions | | 34,355 | 34,355 |
| Deferred income | | 30,260 | 32,185 |
| Deferred tax liabilities | | 1,727 | 1,727 |
| | | <hr/> | <hr/> |
| | | 66,342 | 68,267 |
| | | <hr/> | <hr/> |
| NET LIABILITIES | | (199,226) | (193,030) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Capital and deficits | | | |
| Share capital | | 873,370 | 873,370 |
| Reserves and accumulated losses | | (1,074,588) | (1,068,433) |
| | | <hr/> | <hr/> |
| Deficits attributable to owners of the Company | | (201,218) | (195,063) |
| | | <hr/> | <hr/> |
| Non-controlling interests | | 1,992 | 2,033 |
| | | <hr/> | <hr/> |
| TOTAL DEFICITS | | (199,226) | (193,030) |
| | | <hr/> <hr/> | <hr/> <hr/> |

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Northeast Electric Development Company Limited (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 of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province and 3503, Building A, Internet Finance Building, No. 3 Guoxing Avenue, Haikou City, Hainan Province, respectively.

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

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

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (“**IASB**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. Management continues to closely monitor the liquidity position of the Group, which includes the sensitivity analysis of forecast bank and cash balances for various factors over the short and medium term to ensure adequate liquidity is maintained.

The Group incurred a loss attributable to the owners of the Company of approximately RMB5,956,000 during the year ended 31 December 2023 and, as at 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately RMB207,569,000 and the Group’s total liabilities exceeded its total assets of approximately RMB199,226,000, while the Group has cash and cash equivalents of approximately RMB6,444,000.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION (Continued)

These conditions, along with other matters as set forth below, indicate that the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company have reviewed the Group's cash flow forecasts which cover a period of not less than twelve months from the date of the end of the reporting period.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operation, existing contractual debt obligation and capital expenditure requirements for at least twelve-month period from the date of the end of the reporting period. Such cash flow forecasts include the following assumptions:

1. On 12 January 2024, the Group has entered into an equity transfer agreement with 泰升房地產(上海)有限公司 Taisheng Real Estate (Shanghai) Co., Ltd. (“**Taisheng**”)*, a related party of the Company, to dispose of its entire equity interest in 重慶海航酒店投資有限公司 Chongqing HNA Hotel Investment Company Limited (“**Chongqing HNA Hotel**”)* at a consideration of RMB9.1 million;
2. The substantial shareholder of the Company, 北京海鴻源投資管理有限公司 Beijing Haihongyuan Investment Management Co., Ltd. (“**Beijing Haihongyuan**”)*, has agreed to provide financial support and adequate funds to enable the Group to meet in full its financial obligations as they fall due for a period of up to twelve months from the end of the reporting period, if required;
3. The Group is currently negotiating with a local bank for a new loan facility amounted to RMB10 million. Such new loan facility is currently undergoing the final internal approval procedures of the local bank, based on the best estimate of the directors of the Company, the approval for the loan facility will be obtained in the near future;
4. Regarding the settlement of compensation for litigation amounted to RMB94,078,000, as set out in Note 17 of this announcement, on 10 March 2023, the First Intermediate People's Court of Hainan Province ruled that the execution procedures cannot be proceeded, due to after the financial due diligence process, the Group has no assets available for execution and the remaining assets are not eligible for disposal and the execution procedures can be resumed only when the conditions for execution are fulfilled. The First Intermediate People's Court of Hainan Province ruled the execution procedures are terminated and the execution procedures can be resumed when the Group has assets available for execution. Based on the best estimate of the directors of the Company, the compensation for litigation is not expected to be repaid within twelve months from the end of the reporting period;

* The English name is for identification purpose only

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(Continued)

5. The Group will 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;
6. The Group will continue to allocate the human resources reasonably, and strengthen cost control. The Group will continue to 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. The Group will continue to optimize its 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;
7. The Group will 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.

Taking into account all assumptions and plans as described above, the directors of the Company are of the opinion that the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group fail to achieve a combination of the abovementioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their realisation amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | <i>Insurance contracts</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12 | <i>International Tax Reform-Pillar Two model Rules</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)(Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related asset.

The details of the impacts on each financial statement line item arising from the application of the amendments are set out under “**Impacts of application of amendments to IFRSs on the consolidated financial statements**” in this Note. Comparative figures have been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

Impacts of application of amendments to IFRSs on the consolidated financial statements

The effects of the changes in accounting policies as a result of application of amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of financial position at the end of the immediately preceding financial year, i.e. 31 December 2022 and the beginning of the comparative period, i.e. 1 January 2022, are as follows:

| | 31/12/2022 | | 31/12/2022 |
|---|---------------------|-------------|-------------|
| | (Originally stated) | Adjustments | (Restated) |
| | RMB'000 | RMB'000 | RMB'000 |
| Deferred tax assets | – | 1,727 | 1,727 |
| Deferred tax liabilities | – | (1,727) | (1,727) |
| | <hr/> | <hr/> | <hr/> |
| Total effects on net liabilities | – | – | – |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | 1/1/2022 | | 1/1/2022 |
| | (Originally stated) | Adjustments | (Restated) |
| | RMB'000 | RMB'000 | RMB'000 |
| Deferred tax assets | – | 4,941 | 4,941 |
| Deferred tax liabilities | – | (4,941) | (4,941) |
| | <hr/> | <hr/> | <hr/> |
| Total effects on net liabilities | – | – | – |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|----------------------------------|--|
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between and Investor and its Associate or Joint Venture</i> ¹ |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ² |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> ² |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants</i> ² |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> ² |
| Amendments to IAS 21 | <i>Lack of Exchangeability</i> ³ |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Amendments to IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Amendments to IFRSs in issue but not yet effectives (continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”) (Continued)

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

3. REVENUE

(i) Disaggregation of revenue for contracts with customers

| Segments | For the year ended 31 December 2023 | | Total <i>RMB'000</i> |
|---|--|---|-------------------------|
| | 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> | |
| Types of goods and services | | | |
| Sales of enclosed busbars | 51,479 | – | 51,479 |
| Hotel operations | | | |
| – Hotel rooms revenue | – | 28,408 | 28,408 |
| – Catering and other ancillary services | – | 30,543 | 30,543 |
| Total | 51,479 | 58,951 | 110,430 |
| Geographical markets | | | |
| The PRC | 51,479 | 58,951 | 110,430 |
| Timing of revenue recognition | | | |
| At a point in time | 51,479 | 30,543 | 82,022 |
| Over time | – | 28,408 | 28,408 |
| Total | 51,479 | 58,951 | 110,430 |

3. REVENUE (Continued)

(i) Disaggregation of revenue for contracts with customers (Continued)

| Segments | 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> | Total <i>RMB '000</i> |
| Types of goods and services | | | |
| Sales of enclosed busbars | 50,064 | – | 50,064 |
| Hotel operations | | | |
| – Hotel rooms revenue | – | 65,655 | 65,655 |
| – Catering and other ancillary services | – | 45,284 | 45,284 |
| Total | 50,064 | 110,939 | 161,003 |
| Geographical markets | | | |
| The PRC | 50,064 | 110,939 | 161,003 |
| Timing of revenue recognition | | | |
| At a point in time | 50,064 | 45,284 | 95,348 |
| Over time | – | 65,655 | 65,655 |
| Total | 50,064 | 110,939 | 161,003 |

3. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of enclosed busbars

For sales of enclosed busbars, revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the customer's specific location (delivery). Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 5 to 90 days upon delivery.

Hotel operations

For income from hotel rooms revenue, revenue is recognised over time using output method when the service and facilities are provided. The Group allows an average credit period of not more than 30 days to travel agents and corporate customers.

For income from provision of catering and other ancillary services, revenue is recognised when control of the goods has transferred to customers, being at the point the goods are delivered to the customer.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has no remaining (unsatisfied or partially unsatisfied) performance obligations for sales of enclosed busbars as at 31 December 2023 and 2022.

All the hotel operation services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENTS

Information reported to the management, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows:

1. Production and sales of power transmission equipment and related accessories
2. Hotel operations and provision of related catering services
3. Investment holding

Segment revenues and results

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2023

| | Production and sales of power transmission equipment and related accessories | Hotel operations and provision of related catering services | Investment holding | Total |
|---|---|--|-------------------------------|----------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Revenue | 51,479 | 58,951 | - | 110,430 |
| Segment results | (6,295) | (4,035) | (856) | (11,186) |
| Impairment losses reversed on interest in an associate (Note 15) | | | | 9,100 |
| Unallocated corporate expenses | | | | (3,911) |
| Loss before tax | | | | (5,997) |

4. OPERATING SEGMENTS *(Continued)*

Segment revenues and results *(Continued)*

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 |
| Segment results | (6,976) | (13,168) | (87) | (20,231) |
| Unallocated corporate expenses | | | | (5,284) |
| Loss before tax | | | | (25,515) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in the consolidated financial statements. Segment results represents the profit/loss from each segment without allocation of central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| <i>Segment assets</i> | | |
| Production and sales of power transmission equipment and related accessories | 106,320 | 109,633 |
| Hotel operations and provision of related catering services | 45,948 | 52,217 |
| Investment holding | 19,133 | 19,687 |
| | <hr/> | <hr/> |
| Total operating and reportable segment assets | 171,401 | 181,537 |
| Unallocated assets | 10,129 | 1,671 |
| | <hr/> | <hr/> |
| Consolidated assets | 181,530 | 183,208 |
| | <hr/> <hr/> | <hr/> <hr/> |
| <i>Segment liabilities</i> | | |
| Production and sales of power transmission equipment and related accessories | 76,254 | 72,539 |
| Hotel operations and provision of related catering services | 74,219 | 84,392 |
| | <hr/> | <hr/> |
| Total operating and reportable segment liabilities | 150,473 | 156,931 |
| Unallocated liabilities | 230,283 | 219,307 |
| | <hr/> | <hr/> |
| Consolidated liabilities | 380,756 | 376,238 |
| | <hr/> <hr/> | <hr/> <hr/> |

4. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than unallocated corporate assets.
- all liabilities are allocated to operating and reportable segments other than other unallocated corporate liabilities.

Other segment information

For the year ended 31 December 2023

| | 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 | 10 | - | - | - | 10 |
| Impairment losses on trade and bills receivables, contract assets and other receivables reversed (recognised) in profit or loss | 1,338 | (116) | - | (176) | 1,046 |
| Impairment losses reversed on interest in an associate (Note 15) | - | - | - | 9,100 | 9,100 |
| Research and development expenses | (2,218) | - | - | - | (2,218) |
| Short-term leases – office premises | - | - | - | (210) | (210) |
| Depreciation and amortisation of | | | | | |
| - property, plant and equipment | (3,371) | - | (27) | - | (3,398) |
| - right-of-use assets | (264) | (6,909) | - | - | (7,173) |
| Finance costs | (122) | (233) | (42) | - | (397) |

4. OPERATING SEGMENTS (Continued)

Other segment information (Continued)

For the year ended 31 December 2022

| | 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 | 165 | - | - | - | 165 |
| Impairment losses on trade and other receivables recognised in profit or loss | (261) | (1,313) | - | (474) | (2,048) |
| Research and development expenses | (2,761) | - | - | - | (2,761) |
| Short-term leases – office premises | - | - | - | (703) | (703) |
| Depreciation and amortisation of | | | | | |
| - property, plant and equipment | (3,006) | - | (27) | - | (3,033) |
| - right-of-use assets | (264) | (14,605) | - | - | (14,869) |
| Finance costs | (61) | (727) | (60) | - | (848) |
| Income tax credit | - | 246 | - | - | 246 |

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.

4. OPERATING SEGMENTS *(Continued)*

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group during the year is as follow:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------|-----------------------------|-----------------------------|
| Customer I | 15,135 ¹ | N/A ² |
| Customer II | 12,661 ¹ | N/A ² |
| | <u> </u> | <u> </u> |

¹ Revenue from production and sales of power transmission equipment and related accessories.

² Revenue did not contribute over 10% of the total revenue of the Group for the corresponding reporting period.

5. OTHER INCOME

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|-----------------------------|-----------------------------|
| Interest income from banks | 71 | 181 |
| Government grants | 1,925 | 1,925 |
| Income from reorganisation of HNA Group Co., Ltd. | - | 296 |
| Sundry income | 344 | 1,795 |
| | <u> </u> | <u> </u> |
| | <u>2,340</u> | <u>4,197</u> |

6. OTHER GAINS AND LOSSES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Impairment losses reversed on interest in an associate (Note 15) | 9,100 | - |
| Gain on early termination/modification of lease contracts | - | 5,883 |
| Loss on disposal of property, plant and equipment | (53) | (49) |
| | <hr/> | <hr/> |
| | 9,047 | 5,834 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Impairment losses (reversed) recognised on | | |
| – trade receivables | (1,575) | 480 |
| – contract assets | 99 | - |
| – other receivables | 430 | 1,568 |
| | <hr/> | <hr/> |
| | (1,046) | 2,048 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. FINANCE COSTS

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|----------------------|------------------------|------------------------|
| Interest expenses on | | |
| – bank borrowings | 164 | 52 |
| – lease liabilities | 233 | 796 |
| | <hr/> | <hr/> |
| | 397 | 848 |
| | <hr/> <hr/> | <hr/> <hr/> |

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Staff costs, including directors' emoluments | | |
| Salaries and other benefits | 25,044 | 42,088 |
| Contributions to defined contribution retirement schemes | 3,683 | 8,762 |
| | <hr/> | <hr/> |
| Total staff costs | 28,727 | 50,850 |
| | <hr/> | <hr/> |
| Auditor's remuneration | | |
| - Current year | 800 | 700 |
| - Overprovision in prior year | - | (100) |
| Cost of inventories recognised as an expense | 54,378* | 60,076* |
| Depreciation and amortisation of | | |
| - Property, plant and equipment | 3,398 | 3,033 |
| - Right-of-use assets | 7,173 | 14,869 |
| Research and development costs recognised as an expense | 2,218 | 2,761 |
| | <hr/> <hr/> | <hr/> <hr/> |

* Included in cost of inventories recognised as expense were a reversal of impairment on inventories of approximately RMB60,000 (2022: provision of approximately RMB42,000) and no write down of inventories to their net realisable values for the years ended 31 December 2023 and 2022.

10. INCOME TAX CREDIT

| | 2023 | 2022 |
|----------------------------------|-----------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| PRC Enterprise Income Tax | | |
| Overprovision in prior years | - | (246) |
| | <u> </u> | <u> </u> |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. As 阜新封閉母線有限責任公司 Fuxin Enclosed Busbar Co., Ltd* (“**Fuxin Enclosed Busbar**”) has been accredited as a “High and New Technology Enterprise” by the relevant authorities in Shenyang for a term of three years which will be expired in 2026 (2022: 2023), it is entitled to a reduced tax rate of 15%. Accordingly, the PRC EIT is calculated at 15% on the assessable profit of Fuxin Enclosed Busbar for both years.

* The English name is for identification purpose only.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Loss | | |
| Loss attributable to owners of the Company for the purpose of calculation of basic loss per share | <u><u>(5,956)</u></u> | <u><u>(25,142)</u></u> |
| | 2023 '000 | 2022 '000 |
| Number of shares | | |
| Number of ordinary shares for the purpose of calculation of basic loss per share | <u><u>873,370</u></u> | <u><u>873,370</u></u> |

No diluted loss per share for both years were presented as there were no potential ordinary shares in issue during both years.

13. INTERESTS IN ASSOCIATES

| | 2023 | 2022 |
|--|-----------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of investments in associates | 42,847 | 91,747 |
| Share of post-acquisition losses and other comprehensive expense | (42,847) | (91,747) |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |
| | - | - |
| | <u> </u> | <u> </u> |

Subsequent to the end of the reporting period, the Group had entered into Equity Transfer Agreement with Taisheng, a related party, to dispose of its 30% equity interest in Chongqing HNA Hotel, which engaged in hotel-related businesses and property leasing in the PRC. Details are set out in Note 15.

14. TRADE AND BILLS RECEIVABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Trade receivables | 44,061 | 63,006 |
| Less: allowances for expected credit losses | (5,731) | (7,306) |
| | <u>38,330</u> | <u>55,700</u> |
| Bills receivables | <u>2,191</u> | - |
| | <u><u>40,521</u></u> | <u><u>55,700</u></u> |

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB58,558,000.

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

The following is an aged analysis of trade and bills receivables net of allowance for credit losses presented based on the invoice dates.

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--------------|------------------------|------------------------|
| 0-365 days | 17,967 | 37,567 |
| 1-2 years | 16,135 | 11,353 |
| 2-3 years | 5,207 | 5,830 |
| 3-4 years | 1,116 | 864 |
| Over 4 years | <u>96</u> | <u>86</u> |
| | <u><u>40,521</u></u> | <u><u>55,700</u></u> |

15. ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets classified as held for sale are as follow:

| | 2023 | 2022 |
|--|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Assets classified as held for sale: | | |
| Interest in an associate | 9,100 | - |

On 22 November 2023, the directors of the Company resolved to dispose of its 30% equity interest in Chongqing HNA Hotel. Negotiations with several interested parties have subsequently taken place. The Chongqing HNA Hotel, which are expected to be sold within twelve months, have been reclassified as an asset classified as held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amount of the Chongqing HNA Hotel and accordingly, impairment losses reversed on interest in an associate of approximately RMB9,100,000 has been recognised. Subsequently to the end of the reporting period, Chongqing HNA Hotel was sold to a related party at a total consideration of approximately RMB9,100,000 and the disposal was completed on 12 January 2024, on which date the Group no longer hold any equity interest in Chongqing HNA Hotel. The directors of the Company considered the disposal of Chongqing HNA Hotel has no impact to the business operations of the Group.

16. TRADE PAYABLES

| | 2023 | 2022 |
|----------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 44,972 | 45,516 |

The following is an aged analysis of trade payable presented based on the invoice dates at the end of each reporting period.

| | 2023 | 2022 |
|--------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0-365 days | 27,914 | 39,929 |
| 1-2 years | 14,225 | 3,335 |
| 2-3 years | 1,244 | 1,142 |
| Over 3 years | 1,589 | 1,110 |
| | 44,972 | 45,516 |

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

17. OTHER PAYABLES AND ACCRUALS

| | 2023 | 2022 |
|---|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Compensation for litigation | 94,078 | 94,078 |
| Amounts due to former subsidiaries | 49,596 | 49,596 |
| Amounts due to a director | 4 | 4 |
| Amounts due to an associate | 355 | 350 |
| Amounts due to a substantial shareholder, Beijing Haihongyuan | 4,239 | 2,680 |
| Amounts due to related companies | 34,424 | 27,383 |
| Accrued charges and other payables | 53,793 | 53,411 |
| Other tax payable | 2,697 | 2,739 |
| Employment benefits payables | 5,088 | 5,958 |
| | <hr/> | <hr/> |
| | 244,274 | 236,199 |
| | <hr/> <hr/> | <hr/> <hr/> |

II. CORPORATE INFORMATION

- (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: Internet Finance Building, No. 3 Guoxing Avenue, Meilan District, Haikou City, Hainan Province

Postal code of the office address: 570203

Telephone: 0898-65315679

Fax: 0898-65315679

Website: www.nee.com.cn

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

(8) Website containing the annual report: www.neeq.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:

—Hong Kong Stock Exchange

—Stock name: Northeast Electric

—Stock code: 00042

(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: 10 January 2023

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: Zhongxingcai Guanghua Certified Public Accountants LLP

Office address: 24/F, Tower A, Vantone Financial Centre, No.2 Fuchengmenwai Street, Xicheng District, Beijing City

Overseas auditor: Wilson & Partners CPA Limited

Office address: Suite 609, 6/F, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong

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

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

III. HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

1. Summary of financial data in the past five years prepared in accordance with International Financial Reporting Standards (IFRSs)

| Items | IFRSs | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| 1. Revenue (RMB'000) | 110,430 | 161,003 | 119,485 | 79,797 | 102,252 |
| 2. (Loss)/profit before tax (RMB'000) | (5,997) | (25,515) | 17,466 | 67,016 | (39,682) |
| 3. (Loss)/profit attributable to owners of the Company (RMB'000) | (5,956) | (25,142) | 17,629 | 63,977 | (40,166) |
| 4. Total assets (RMB'000) | 181,530 | 181,481 | 197,239 | 157,896 | 477,387 |
| 5. Total liabilities (RMB'000) | 380,756 | 374,511 | 364,776 | 343,125 | 528,494 |
| 6. Total deficits (RMB'000) | (199,226) | (193,030) | (167,537) | (185,229) | (51,107) |
| 7. Basic (loss)/earnings per share (RMB) | (0.01) | (0.03) | 0.02 | 0.07 | (0.046) |
| 8. Net liabilities per share (RMB) | (0.23) | (0.22) | (0.19) | (0.21) | (0.059) |
| 9. Return on net assets (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 10. Shareholders' interest ratio (%) | (109.75%) | (106.36%) | (84.94%) | (117.31%) | (10.71%) |
| 11. Current ratio (%) | (33.98%) | (34.25%) | (41.95%) | (36.72%) | (44.36%) |
| 12. Gearing ratio (%) | (209.75%) | (206.36%) | (184.94%) | (217.31%) | (110.71%) |

2. Primary financial information and financial indicators prepared in accordance with Corporate Accounting Standards (“CAS”)

Unit: RMB’000

| Profitability | Amount for the reporting period | Amount for the same period of last year | Increase/decrease in the reporting period compared with the same period of last year % |
|---|--|--|---|
| Operating income | 110,430 | 138,742 | -20.41% |
| Gross profit rate | 47.25% | 53.43% | Drop of 6.18 percent points |
| Net profit attributable to shareholders of the Company | -15,057 | -25,142 | - |
| Net profit attributable to the Company’s shareholders after deduction of non-recurring gains and losses | -13,691 | -28,156 | - |
| Weighted average return on net assets (calculated in accordance with net profit attributable to shareholders of the Company) (%) | N/A | N/A | - |
| Weighted average return on net assets (calculated in accordance with net profit attributable to the Company’s shareholders after deduction of non-recurring gains and losses) (%) | N/A | N/A | - |
| Basic earnings per share (RMB) | -0.02 | -0.03 | - |

| | | | Increase/decrease in the reporting period compared with the same period of last year % |
|---|--|--|---|
| Insolvency | End of the current period | End of the last year | |
| Total assets | 172,430 | 183,208 | -5.88% |
| Total liabilities | 380,112 | 376,238 | 1.03% |
| Net assets attributable to shareholders of the Company | -209,675 | -195,063 | - |
| Net assets per share attributable to shareholders of the Company | -0.24 | -0.22 | - |
| Gearing ratio (parent company) | 332.30% | 66.62% | - |
| Gearing ratio (consolidated) | 220.44% | 205.36% | - |
| Current ratio (Fen) | 0.31 | 0.34 | - |
| Interest coverage ratio | -36.99 | -33.67 | - |
| | | | Increase/decrease in the reporting period compared with the same period of last year % |
| Operation condition | Amount for the reporting period | Amount for the same period of last year | |
| Net cash flows from operating activities | -4,687 | -5,105 | - |
| Accounts receivables turnover | 2.33 | 2.48 | - |
| Inventory turnover | 2.85 | 3.74 | - |

| Growth condition | Amount for the reporting period | Amount for the same period of last year | Increase/decrease in the reporting period compared with the same period of last year % |
|---------------------------------|--|--|---|
| Growth rate of total assets | -5.88% | -5.78% | - |
| Growth rate of operating income | -20.41% | 65.76% | - |
| Growth rate of net profit | - | - | - |

3. Reasons for the differences in accounting information under domestic and foreign accounting standards

On 12 January 2024, the Group has entered into an equity transfer agreement with Taisheng Real Estate (Shanghai) Co., Ltd. (泰升房地產(上海)有限公司), a related party of the Company, to dispose of its entire equity interest in Chongqing HNA Hotel Investment Company Limited (重慶海航酒店投資有限公司) at the consideration of RMB9.1 million.

In accordance with CAS, this disposal of assets is a non-adjusting post balance sheet event and was only disclosed as a non-adjusting post balance sheet event with no accounting adjustments were made during the reporting period. However, in accordance with IFRSs, the equity interest in the 30% long-term equity investment in Chongqing HNA Hotel Investment Company Limited (the "Associate") was reclassified as assets classified as held for sale and reversed the impairment losses on interest in an associate to its fair value of RMB 9.1 million, resulting in a difference of RMB 9.1 million in both loss for the year and net liabilities in the financial statements disclosed in accordance with domestic and foreign accounting standards for the reporting period.

IV. REPORT OF THE DIRECTORS (Financial information prepared in accordance with CAS)

(1) Overview

Industry overview

Power industry. In 2023, with the economy and society returning to normal operations, the macro-policies have been effective, and the overall performance of the domestic economic showed a stable and growing trend. According to the statistics of the China Electricity Council, the power investment grew rapidly, and the total installed capacity of power generation on a consolidated basis in China reached 2.92 billion kilowatts, representing a year-on-year growth of 13.9%. The power industry is the pillar industry of the national economy, and the power transmission and transformation equipment manufacturing industry in which the Company operates is the foundation of the power industry. Therefore, the state continues to increase power investment, leading to a continuous increase in the demand for power transmission and transformation equipment.

Hotel and tourism industry. In 2023, benefiting from the steady recovery of the industry, the operating performance of domestic hotels recovered significantly. According to the domestic tourism statistics released by the Ministry of Culture and Tourism, the number of domestic trips in 2023 was 4.891 billion, representing an increase of RMB2.361 billion over the same period last year or a year-on-year growth of 93.3%. Domestic tourists spent RMB4.91 trillion, representing an increase of RMB2.87 trillion or a year-on-year growth of 140.7%.

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

2023 was the first year of the full implementation of the gist of the 20th CPC National Congress, and was also the year of the economic growth planned by the “**14th Five-Year Plan**”. With the stable condition of the COVID-19 and the overall recovery of the domestic economy, the Company enhanced business operations, reduced costs while increasing efficiency. Also, the Company seized the opportunities of the national supply-side structural reform and the transformation of the old momentum into the new one, and accelerated the adjustment of product structure for transformation and upgrade, steadily promoted the overall arrangement for new busbar products, focusing on the pumped storage project and the market development for foreign customers to consolidate the market position of busbar products. In the meantime, as for the hotel catering and accommodation business, the continuous release of business travel and leisure travel demand was driven by the steady improvement of the macro economy, and the confidence in the hotel market recovered gradually. On a comparable basis (excluding the adjustment to the hotel business site in 2022), the hotel business also rebounded and ran stably.

During the Reporting Period, the operating income for the whole year was RMB110.43 million, representing a year-on-year drop of RMB28.31 million, mainly due to the adjustment of the Company’s hotel business premise; the net profit attributable to shareholders of the Company was RMB-15.06 million, representing a year-on-year loss reduction of RMB10.08 million; the net profit attributable to the Company’s shareholders after deduction of non-recurring gains and losses was RMB-13.69 million, representing a year-on-year loss reduction of RMB14.46 million.

(2) Priority Work

The main activities in the Reporting Period are as follows:

(I) Production and operation

1. Readjustment of the product mix and remarkable achievements in market expansion

In 2023, the Company seized the critical period of economic recovery and further promoted market expansion. During the Reporting Period, the value of new order contracts for busbar products increased by 80% over the same period last year (as the order cycle of busbar products was long, most of the orders were delivery contracts for the year 2024 and onwards, and there were fewer delivery contracts in this Reporting Period), achieving product diversification. The orders for million KW units and pumped storage increased, and the order structure continued to be optimized, consolidating the market position of busbar products, realizing the smooth production and operation, and providing a guarantee for continuous operation in the future.

2. The hotel business rebounded and ran stably with gross profit increased

The hotel business also rebounded and ran stably. The Company seized the favorable opportunity of the continuous demand release of demands for business travel and leisure tourism and the gradual recovery of hotel market confidence, took marketing measures such as targeted in-depth market cultivation, tourism market expansion, online market development, etc., on a comparable basis (excluding the impact of the adjustment of the hotel premises in 2022), the revenue from hotel catering and accommodation business in 2023 was RMB58.85 million, representing a year-on-year growth of 49.87% , and the gross profit margin of the hotel-related business increased by 0.58%. The hotel business gradually rebounded to normal level and achieved growth.

3. Multiple measures taken in the meantime to ensure the turnover of working capital

In the face of the severe financial situation, the Company overcame numerable uncertainties, strengthened the management of receivables collection, making the recovery of sales outstanding better than that in the previous year, took measures such as reducing the occupation of raw material purchase fund, adjusting the modes of letter of guarantee to reduce capital occupation and to improve cash flow. Meanwhile, the Company strengthened the comprehensive budget management, strictly implemented fund plans, rationally made arrangement for funds to ensure the turnover of working capital, avoid debt risks, and maintain stable operations.

4. Strengthening the basic management and improving the management efficiency

The Company determined production by sales, and achieved the goal of saving expenses through measures such as flattening organization and management, optimizing personnel structure, strengthening performance appraisal, strictly controlling costs, and strengthening budget management, so as to further reduce costs and increase efficiency, thereby improving the overall management level and operational efficiency.

5. Increasing new product R&D efforts to enhance competitiveness

The Company continued to carry out R&D and optimized design. In 2023, the Company completed the in-plant trial production of busbar trough products in terms of new product R&D, declared 10 utility model patents, accelerated and consolidated the improvement of its own technical level, and enhanced the product market competitiveness.

6. Constantly improving the Company’s internal control and governance system to ensure the work safety

In 2023, the Company continuously shored up the production safety management work, issued and implemented the Establishment of the Safety Management Committee, the Safety Management System, the Activity Plan for the Work Safety Month and other work programs, providing an effective guarantee for the Company’s internal control and governance, while continuing to implement the theme of work safety, in-depth implementation of the “**Work Safety Month**” activities. The Company adhered to the combination of the usual inspection and key rectification, insisted on combining training and exercises, comprehensively did well the work safety problem investigation for main subsidiaries, and successfully achieved zero accidents throughout the year for continuous stable safety situation.

(II) Connected transactions

1. Connected transaction on transfer of investment in Chongqing HNA Hotel Investment Co., Ltd. for 30% equity therein

Based on the need to integrate resources, supplement working capital, and promote sustainable operations, after deliberation at the eighth Board meeting of the tenth session of NEE on 12 January 2024, the subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. (“**Garden Lane Hotel**”) and the related party Tysan Land (Shanghai) Limited (“**Tysan Land (Shanghai)**”) were approved to sign the Agreement on Transfer of Equities in Chongqing HNA Hotel Investment Co., Ltd. (“**Chongqing Hotel**”). Garden Lane Hotel transferred its investment in Chongqing Hotel for 30% equities therein to Tysan Land (Shanghai) at RMB9.1 million in cash (as detailed in the announcement dated 12 January 2024). On 8 March 2024, the equity transfer was registered with the administration for industrial and commercial as a change.

2. A supplementary agreement to the lease contract entered into

On 22 January 2024, as required for the continued operation of the hotel business, Garden Lane Hotel (the “**Lessee**”), a non-wholly-owned subsidiary of the Company, entered into a supplementary agreement to the lease contract (the “**Supplementary Agreement**”) with Dalian Changjiang Plaza Co., Ltd. (the “**Lessor**”), a related party. According to the Supplementary Agreement, the relevant provisions of the original lease contract were adjusted to extend the lease period for one year, changing the lease period from the original “**1 September 2021 to 31 December 2023**” to “**1 September 2021 to 31 December 2024**”, and the rent standard for 2024 was still RMB7.5 million. Apart from the terms expressly adjusted in the Supplementary Agreement, the remainder of the original lease contract shall remain in effect (as detailed in the announcement dated 22 January 2024).

(III) Progress of Material Litigations

1. The Company won the litigation on the application made by Fushun Electric Porcelain Manufacturing Co.,Ltd. (the “**Fushun Electric Porcelain**”) for adjudicating NEE as a person subject to enforcement , and the court of final appeal ruled to dismiss the plaintiff’s claim in accordance with the law.

The plaintiff, Fushun Electric Porcelain, and the third party, New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (the “**Insulation Switches Company**”), had a contract dispute, and the Fushun Intermediate People’s Court ruled that Insulation Switches Company should pay Fushun Electric Porcelain the processing fee of RMB11,258,221.34 and interest. Because Insulation Switches Company failed to perform, the plaintiff Fushun Electric Porcelain applied to add its shareholders Shenyang High Voltage Switchgear Co., Ltd. (the “**Shenyang High Voltage Switchgear**”) and Northeast Electric as the persons subject to enforcement. Hainan First Intermediate People’s Court ruled to add Shenyang High Voltage Switchgear. as the person subject to execution, and rejected its request to add Northeast Electric as the person subject to execution.

On 13 July 2022, NEE received an indictment filed by Fushun Electric Porcelain, claiming that “**the shareholder damages the Company’s creditors’ interests and liability disputes**”, requiring Northeast Electric to bear joint and several liability for Shenyang High Voltage Switchgear’s debts. On 30 December 2022, the First Intermediate People’s Court of Hainan Province issued a civil judgment (2022) Qiong 96 Min Chu No. 599. The court found that this case constitutes a duplicate lawsuit and dismissed the plaintiff’s lawsuit in accordance with the law. Fushun Electric Porcelain immediately filed an appeal. On 28 June 2023, the Hainan Provincial High Court issued a civil ruling (2023) Qiongzhong No. 280. The court found that it constituted a duplicate prosecution, and the final ruling rejected the appeal and upheld the original ruling. For details, please refer to the Announcements dated 15 July 2022, 8 February 2023 and 30 June 2023.

(3) Analysis of Financial Status of the Company in Accordance with Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited prepared in accordance with International Financial Reporting Standards (IFRSs)

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 2023, according to the relevant regulations, the Company has no distributable reserve. Pursuant to the resolution approved by the Board on 28 March 2024, 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 meeting of shareholders.

Analysis of loans and borrowings

As at the end of the Reporting Period, the Company's short-term borrowings was RMB1.00 million (2022: RMBNil).

Working capital and financial resources

The net cash used in the Group's operating activities for the year ended 31 December 2023 was approximately RMB3.68 million (2022: RMB2.99 million).

As at 31 December 2023, the Group had cash and cash equivalents (including pledged bank deposits) of approximately RMB12.16 million (2022: RMB15.13 million) and bank borrowing of RMB1.00 million (2022: bank borrowing of RMBNil).

As of 31 December 2023, the Group had current liabilities of RMB314.41 million, non-current liabilities of RMB66.34 million, and deficits attributable to owners of the Company of RMB201.22 million. Details of the capital structure of the Group are set out in the financial report of this 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 2023, the Group's short-term bank borrowings amounted to RMB1.00 million (2022: RMBNil), and the cash and cash equivalents were RMB6.44 million (2022: RMB9.95 million). 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

Connected transaction on transfer of investment in Chongqing HNA Hotel Investment Co., Ltd. for 30% equity therein. Based on the need to integrate resources, supplement working capital, and promote sustainable operations, after deliberation at the eighth Board meeting of the tenth session of NEE convened on 12 January 2024, the subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. (“**Garden Lane Hotel**”) and the related party Tysan Land (Shanghai) Limited (“**Tysan Land (Shanghai)**”) were approved to sign the Agreement on Transfer of Equities in Chongqing HNA Hotel Investment Co., Ltd. (“**Chongqing Hotel**”). Garden Lane Hotel transferred its investment in Chongqing Hotel for 30% equities therein to Tysan Land (Shanghai) at RMB9.1 million in cash. On 8 March 2024, the equity transfer was registered with the administration for industrial and commercial as a change.

Apart from that, the Group did not have any significant investments or material acquisitions of assets, subsidiaries, associates or joint ventures during the Year.

Pledge of Assets

As of 31 December 2023, the Group has no pledge of assets.

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 2023, the Group's gearing ratio (calculated as total liabilities/total assets) was 210% (2022: 206%).

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 2023, the total amount of purchases from the Group's top five suppliers was RMB28.62 million, accounting for 38.02% of the Group's total annual purchases.

None of the top five suppliers had connected relationships with the Company.

The total amount of sales to the top five customers was RMB41.25 million, accounting for 34.19% of the Group's total annual sales. Among them, the sales amount to the biggest sales customer accounted for 12.54% of the total annual sales of the Group.

None of the top five customers had connected relationships with the Company.

(4) Prospect of Future Development

1. Industry development trend and competition outlook

Power industry: According to data released by the China Electricity Council, China's macro economy and electricity consumption will maintain steady growth in 2024. It is expected that the electricity consumption of the whole society will reach 9.8 trillion KWH, representing an increase of about 6% over 2023. The country's electricity supply and demand are generally balanced. Driven by the continuous and rapid development of new energy power generation, it is expected that the installed capacity of new power generation in 2024 will once again exceed 300 million kilowatts, and the new scale will be basically the same as that in 2023. By the end of 2024, China's installed power generation capacity is expected to reach 3.25 billion kilowatts, representing a year-on-year growth of about 12%. Thermal power will reach 1.46 billion kilowatts, of which coal power will be about 1.2 billion kilowatts, accounting for 37% of the total installed capacity. The installed capacity of non-fossil energy power generation totaled 1.86 billion kilowatts, accounting for about 57% of the total installed capacity. Among them, grid-connected wind power will reach 530 million kilowatts, and grid-connected solar power will reach 780 million kilowatts, and the combined installed capacity of grid-connected wind power and solar power will exceed installed-capacity of coal-fired plants, accounting for about 40% of the total installed capacity.

In recent years, driven by the rapid growth of various types of power generation, power consumption and transmission terminals, the power transmission and transformation equipment industry in which the Company operates has also ushered in a period of rapid development. Due to the long-term driving effect of China's strategic goals of carbon peaking and carbon neutrality, it is expected that the intensity of various policies will not be easily weakened in the future, and the high growth of the power transmission and transformation equipment industry is still sustainable.

Hotel and tourism industry: With the continuous recovery of the economy and the implementation of national policies to expand domestic demands and to promote consumption, China's tourism industry has entered a rapid recovery process, and the hotel industry will also usher in comprehensive growth.

2. Development strategy of the Company

In 2024, the domestic economy will continue to recover steadily, and the Company will seize the opportunity of an improving market situation, 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 vigorously promote the introduction of strategic investors to issue 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. 2024 operation plan and key tasks

In 2024, facing the negative factors of its own difficulties and external competition, the Company will actively exert its subjective initiative by strengthening the recovery of receivables, seeking financial support, using the capital market to introduce strategic investors, and strictly controlling costs, etc., to improve the assets quality, strengthen the continuous operation capacity of its main business, strive to maintain stability in the internal and external operating environments, and plan the injection into the future new business and the industrial development direction.

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 and increase a new business growth point, the Company will improve its ability to continue as a going concern by the following measures:

- (1) 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, we 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. On the basis of the growth of the Company's existing primary business on a comparable basis in 2023, it is expected that there will still be a certain increase in 2024.
- (2) Allocate human resources reasonably, and strengthen cost control. Now NEE has had a flat organizational structure for management, effectively reducing operating costs. In the meantime, NEE strengthens overall budget management and cost control, strictly controls all expenses and expenditures, reduces operating costs, and maximizes the profitability of the main business.
- (3) Research and develop new products and enhance the gross profit margin. 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.

- (4) 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.
- (5) 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, for the primary business, the Group intends to improve its cash flows by strengthening supply chain management and internal fund management, reducing the use of funds, accelerating the recovery of goods, increasing the line of credit purchase of materials, striving for bank loans, etc.; second, the Group will seek the support of major shareholders. In addition to the expected RMB9.1 million from transfer of 30% equities in Chongqing HNA Hotel Investment Co., Ltd., the necessary financial support will be provided to the Group through the financial support of major shareholders; third, none of NEE and its subsidiaries has loans or borrowings from financial institutions or non-related external entities. 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.
- (6) Leverage financing channels of the capital market to bring in strategic investors in a two-way manner. Although the subscription agreement for the issuance of H shares by NEE in 2023 for the introduction of strategic investors has been terminated upon expiry, the introduction of strategic investors will still be the core task of NEE in 2024. 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 Company through the two-way attraction of strategic investors.

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. In addition, investors are advised to carefully read the analysis on the Company's internal and external significant risk factors during the Reporting Period in the **"5. The Company's risks and countermeasures"** in this chapter.

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 power transmission and transformation equipment manufacturing industry in which the Company operates has an important impact on the long-term development of the economy and society, and is closely related to macroeconomic policies, industrial policies and national power planning. Any of increasingly complex global economic environment, intensified macroeconomic risks, energy development strategy, industrial structure, market structure adjustment, industry resource integration, changes in market supply and demand and other factors may have an impact on the Company's operation and development.

The hotel industry is in the midst of a tourism recovery. Any of complex domestic and international situations, macroeconomic fluctuations, major natural disasters and other systemic risks; worse-than-expected economic recovery, and worse-than-expected demand for consumption upgrade will have a greater impact on the Company's performance

Countermeasures: The Company will pay close attention to the macroeconomic situation at home and abroad, and always be market-oriented, establish an operation management and control model to meet market needs, and pay attention to improving its market position; keep increasing market development efforts, consolidate the market share of traditional busbar, make in-depth exploration of new product market space, strengthen the Company's ability to cope with risks; enhance the market response sensitivity, accurately grasp the market demands, expand the market space, and explore new business growth points.

(2) Market competition risk

Affected by the macro-economy, the busbar industry in which the Company operates is facing increasingly fierce competition, and the Company will face greater competitive pressure.

The hotel industry is a fully competitive industry, and the industry competition is fierce and white-hot.

Countermeasures: We will enhance the market response sensitivity, accurately grasp the market demand, expand the market space of new products, and explore new business growth points. In order to cope with the current fierce market competition, the Company has taken a variety of effective measures to enhance brand influence and professional operation capabilities.

(3) Operating cost fluctuation risk

The Company's busbar products have typical characteristics of **“more emphasis on materials and light industry”**, the main raw materials represented by copper and aluminum have high value, and their prices fluctuate significantly with the complex and changing international trade environment, supply and demand relations, macroeconomic situation and other factors, requiring a large amount of capital, and their price fluctuations will directly affect the Company's production cost, and then affect the product profitability. Such fluctuations may even adversely affect the stable operation of the company.

Meanwhile, with the pressure of economic inflation, the operating costs of hotel rooms and catering of the Company continue to rise, and the costs of hotel materials, raw materials, equipment renewal, energy consumption and labor are increasing year by year. Correspondingly, if the room rate, occupancy rate, per capita consumption level and consumer number cannot be improved, the gross profit of the Company's rooms and catering will be squeezed, and we need to improve the profitability through market research and management efficiency enhancement.

Countermeasures: To this end, the Company will study and judge the changes in the relationship between supply and demand of raw material market in a timely manner, strengthen the strategic cooperation with customers and suppliers in depth, and reduce the impact of raw material price fluctuations on the Company, while strengthening scientific and technological innovation and product innovation, reinforcing the enterprise cost control management, and improving the product profitability.

(4) Risk of account receivable

Due to the long payment cycle of busbar products, high concentration of users, weak bargaining power of manufacturers, long quality guarantee deposit period and other reasons, the amounts of accounts receivable and inventory at the end of the period are large, affecting the operating efficiency to a certain extent, increasing the Company's capital turnover pressure, operating costs and risks.

Countermeasures: On the one hand, the Company will focus on developing high-quality customers and strengthening customer credit ratings. And on the other hand, the Company will continuously monitor the age of accounts receivable, strengthen collection efforts, and reduce the impairment risk of accounts receivable, in order to effectively prevent financial risks.

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. DISCUSSION AND ANALYSIS OF BUSINESS CONDITION (Financial information prepared in accordance with CAS)

(1) Overview

During the Reporting Period, the operating income for the whole year was RMB110.43 million, representing a year-on-year drop of RMB28.31 million, mainly due to the adjustment of the Company's hotel business premise; the net profit attributable to shareholders of the Company was RMB-15.06 million, representing a year-on-year loss reduction of RMB10.08 million; the net profit attributable to the Company's shareholders after deduction of non-recurring gains and losses was RMB-13.69 million, representing a year-on-year loss reduction of RMB14.46 million.

(2) Analysis of incomes and costs

1. Operating incomes and costs

(1) Profit components

Unit: RMB'000

| Item | Amount for the reporting period | | Amount for the same period of last year | | Increase/decrease in the reporting period compared with the same period of last year % |
|-------------------|---------------------------------|--|---|--|--|
| | Amount | As a percentage of operating incomes % | Amount | As a percentage of operating incomes % | |
| Operating income | 110,430 | - | 138,742 | - | -20.41% |
| Operating cost | 58,252 | 52.75% | 64,617 | 46.57% | -9.85% |
| Gross profit rate | 47.25% | - | 53.43% | - | Drop of 6.18 percentage |
| Selling expense | 44,134 | 39.97% | 67,881 | 48.93% | -34.98% |
| Overhead expense | 20,868 | 18.98% | 29,545 | 21.29% | -29.37% |
| R&D expense | 2,218 | 2.01% | 2,761 | 2.00% | -19.67% |

| Item | Amount for the reporting period | | Amount for the same period of last year | | Increase/decrease in the reporting period compared with the same period of last year % |
|----------------------------|---------------------------------|--|---|--|--|
| | Amount | As a percentage of operating incomes % | Amount | As a percentage of operating incomes % | |
| Finance expense | 1,005 | 0.91% | 819 | 0.59% | 22.71% |
| Credit impairment loss | 1,145 | 1.04% | -1,599 | - | - |
| Assets impairment loss | -99 | - | -42 | - | - |
| Other income | 2,270 | 2.06% | 2,892 | 2.08% | -21.51% |
| Investment gain | - | - | 402 | 0.29% | - |
| Gain on fair value change | - | - | - | - | - |
| Loss on disposal of assets | -53 | - | -5 | - | - |
| Exchange gain | - | - | - | - | - |
| Operating profit | -13,729 | - | -26,073 | - | - |
| Non-operating income | 1,641 | 1.49% | 828 | 0.60% | 98.19% |
| Non-operating expense | 3,009 | 2.72% | 270 | 0.19% | 1014.44% |
| Net profit | -15,098 | - | -25,269 | - | - |

Reasons for major changes in the item:

Selling expense: Mainly due to the adjustment of the Company's hotel business operation premise, resulting in a significant decline in employee compensation, depreciation of assets for use, and labor outsourcing fee, etc.

Credit impairment loss: Mainly due to the significant year-on-year drop of accounts receivable and reversal of impairment, resulting from Company's increased efforts to collect accounts receivable.

Assets impairment loss: Mainly due to an increase in provision for impairment on contractual assets and a decrease in provision for impairment on inventories.

Investment gain: Mainly due to the absence of gain on debt restructuring and cost of discount of notes receivable during the current year.

Gain on disposal of assets: Mainly due to the gain or loss on disposal of fixed assets.

Operating profit: A year-on-year loss reduction of RMB12.34 million, mainly due to the adjustment of the Company's hotel business operation premise in the previous year and the gradual recovery of the existing hotel business and busbar business operations, as well as the strengthening of internal budget management and the strict control of costs to further achieve cost reduction and benefit increase.

Non-operating income: Mainly due to the elimination of the current accounts.

Non-operating expense: Mainly due to the elimination of the current accounts.

Net profit: A year-on-year loss reduction of RMB10.17 million, mainly due to the adjustment of the Company's hotel business operation premise in the previous year and the gradual recovery of the existing hotel business and busbar business operations, as well as the strengthening of internal budget management and the strict control of costs to further achieve cost reduction and benefit increase.

(2) Income components

Unit: RMB'000

| Item | Amount for the current period | Amount for the previous period | Increase/decrease in the reporting period compared with the same period of last year % |
|-------------------------------|-------------------------------|--------------------------------|--|
| | | | |
| Incomes from primary business | 107,746 | 129,159 | -16.58% |
| Income from other business | 2,685 | 9,583 | -71.99% |
| Cost of primary business | 58,252 | 64,617 | -9.85% |
| Cost of other business | -0 | -0 | -0% |

Analysis by product category:

Unit: RMB'000

| Category/item | Operating | | | Increase/decrease in the operating income compared with that in the same period of last year % | Increase/decrease in the operating cost compared with that in the same period of last year % | Percentage point(s) of increase/decrease in the gross margin compared with that in the same period of last year |
|---------------------------------------|-----------|----------------|----------------|--|--|---|
| | income | Operating cost | Gross margin % | | | |
| Sales of enclosed busbar products | 51,471 | 47,587 | 7.55% | 2.83% | 2.88% | Drop of 0.04 percentage points |
| Hotel catering accommodation industry | 56,171 | 10,564 | 81.19% | -28.99% | -42.47% | Rise of 4.40 percentage points |
| Information Service | 104 | 101 | 2.88% | -0% | -0% | -0% |

Reason for changes in income compositions:

Revenue from other business: Mainly due to the adjustment of the hotel premises.

(3) Major customers

Unit: RMB'000

| No. | Customer | Sales amount | Percentage of annual sales % | Related party or not |
|------------|---|---------------------|-------------------------------------|-----------------------------|
| 1 | Shenmu XX Thermoelectricity Co., Ltd. | 15,135 | 12.54% | No |
| 2 | Zhongye South City XX Engineering Technology Co., Ltd. | 12,661 | 10.49% | No |
| 3 | Jingneng XX Energy Co., Ltd. | 4,740 | 3.93% | No |
| 4 | Huadian XX Power Generation Co., Ltd. | 4,370 | 3.62% | No |
| 5 | China Electric Power Engineering Group XX Electric Power Design Institute Co., Ltd. | 4,349 | 3.60% | No |
| Total | | 41,255 | 34.19% | - |

(4) Major suppliers

Unit: RMB'000

| No. | Supplier | Purchase amount | Percentage of annual purchase % | Related party or not |
|-------|--|-----------------|---------------------------------|----------------------|
| 1 | Shenyang XX Copper Co., Ltd. | 11,756 | 15.62% | No |
| 2 | Xuzhou XX Aluminium Co., Ltd. | 6,400 | 8.50% | No |
| 3 | Shenyang XXX Aluminium Co., Ltd. | 5,711 | 7.59% | No |
| 4 | Liaoning XX Electric Power Equipment Manufacturing Co., Ltd. | 3,065 | 4.07% | No |
| 5 | Guangdong XX Electric Power Science & Technology Co., Ltd. | 1,691 | 2.25% | No |
| Total | | 28,623 | 38.02% | – |

2. Cash flows

Unit: RMB'000

| Item | Amount for the current period | Amount for the previous period | Increase/decrease in the reporting period compared with the same period of last year % |
|--|----------------------------------|-----------------------------------|--|
| | | | |
| Net cash flows from operating activities | -4,687 | -5,105 | - |
| Net cash flows from investing activities | -1 | 7,365 | - |
| Net cash flows from financing activities | 2,459 | -9,403 | - |

Analysis of cash flows:

Net cash flow from investment activities: Mainly due to the policy compensation received for the relocation of the new factory of the subsidiary Fuxin Busbar in the previous year, and the absence of cash flow from the relevant business in the current year.

Net cash flows from financing activities: Mainly due to the year-on-year decrease in the amount of funds borrowed in the current year, and the significant decrease in rental paid for the leased place as a result of the adjustment of the hotel business operation premise of the subsidiary Garden Lane Flight Hotel in the previous year.

3. R&D investment

R&D personnel of the Company

| | 2023 | 2022 | Changes of Proportion |
|-----------------------------|------|------|------------------------------|
| Number of R&D personnel | 10 | 10 | -0% |
| Proportion of R&D personnel | 3.1% | 2.6% | Rise of 0.5 percent point |

R&D investment of the Company

| | 2023 | 2022 | Changes of Proportion |
|---|-------|-------|-------------------------------|
| Amount of R&D investment (RMB'000) | 2,218 | 2,761 | -19.65% |
| Proportion of R&D investment to operating incomes | 2.01% | 1.99% | Rise of 0.02 percent point |
| Capitalization of R&D investment (RMB'000) | -0 | -0 | -0 |
| Proportion of capitalization of R&D investment to total R&D investment | -0 | -0 | -0 |

Reasons for significant changes in the composition of the Company's R&D personnel and effects

Applicable Not applicable

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

(3) Structural analysis of assets and liabilities

Unit: RMB'000

| Item | End of the current period | | End of the last year | | Increase/ decrease in the reporting period compared with the same period of last year % |
|---------------------------------------|---------------------------|---------------------------------|----------------------|---------------------------------|--|
| | Amount | Percentage of total assets % | Amount | Percentage of total assets % | |
| Monetary fund | 12,159 | 7.05% | 15,129 | 8.26% | -19.63% |
| Notes receivable | 2,191 | 1.27% | - | - | -0% |
| Accounts receivable | 38,330 | 22.23% | 56,565 | 30.87% | -32.24% |
| Inventory | 21,186 | 12.29% | 19,728 | 10.77% | 7.39% |
| Fixed assets | 35,678 | 20.69% | 39,129 | 21.36% | -8.82% |
| Construction in progress | | | | | |
| Intangible assets | 11,286 | 6.55% | 11,550 | 6.30% | -2.29% |
| Other receivables | 13,550 | 7.86% | 9,440 | 5.15% | 43.54% |
| Other non-current financial assets | 19,084 | 11.07% | 19,084 | 10.42% | - |
| Right-of-use assets | 6,910 | 4.01% | 6,910 | 3.77% | - |

Reasons for significant changes of items

Accounts receivable: Mainly attributable to the Company's great efforts on collection of accounts receivables, resulting in better sales returns than last year.

Other receivables: Mainly attributable to the substantial increase in the sales contract of busbar products in the current year, resulting in a corresponding increase in bid security and an increase in the current accounts.

(4) Investment analysis

1. Major subsidiaries and investees

√Applicable □Not applicable

| Name | Type | Principal business | Registered capital RMB | Total assets RMB | Net asset RMB | Operating income | Net profit |
|--|------------|---------------------------------------|---------------------------|---------------------|------------------|------------------|---------------|
| Northeast Electric Development (HK) Company Limited | Subsidiary | Trading | \$20,000,000.00 | 73,250,760.07 | 57,616,299.66 | -0.00 | -54,321.97 |
| Gaocai Technology Co., Ltd. | Subsidiary | Investment | \$1 | 87,464,548.68 | 5,951,502.36 | -0.00 | -12,703.45 |
| Shenyang Kaiyi Electric Co., Ltd. | Subsidiary | Manufacturing of electrical equipment | 1,000,000.00 | 50,292,487.89 | -58,878,565.33 | -0.00 | -842,769.84 |
| Fuxin Enclosed Busbar Co., Ltd. | Subsidiary | Manufacturing of enclosed busbars | \$8,500,000.00 | 108,694,659.92 | -37,985,849.71 | 51,478,988.60 | -6,287,665.14 |
| Hainan Garden Lane Flight Hotel Management Co., Ltd. | Subsidiary | Hotel business | 50,000,000.00 | 72,884,242.81 | -141,239,118.21 | 58,847,356.01 | -4,035,580.27 |
| Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd. | Subsidiary | Electric power engineering | 10,000,000.00 | 13,263,609.22 | 6,877,872.15 | -0.00 | -418.55 |
| NEE Business Travel (Hainan) Information Consulting Co., Ltd. | Subsidiary | Information Consulting Service | 1,500,000.00 | 2,579.15 | -420.85 | 103,773.58 | -420.85 |
| HNA Tianjin Center Development Co., Ltd. | Investee | Property leasing and hotel catering | 269,887,709.00 | 3,089,417,685.63 | 406,666,085.3 | 92,009,986.24 | -1,433,602.01 |
| Chongqing HNA Hotel Investment Company Limited | Investee | Property leasing and hotel catering | 50,000,000.00 | 134,647,175.15 | 34,826,528.00 | 8,136,450.00 | -1,817,895.99 |

Analysis of business of main investees

√Applicable □Notapplicable

| Company name | Relevance to the Company's business | Purpose of investment |
|--|-------------------------------------|-----------------------|
| Chongqing HNA Hotel Investment Co., Ltd. | Property leasing and hotel catering | Investment |
| HNA Tianjin Center Development Co., Ltd. | Property leasing and hotel catering | Investment |

Significant assets and equity disposal

√Applicable □ Not applicable

Connected transaction on transfer of investment in Chongqing HNA Hotel Investment Co., Ltd. for 30% equity therein. Based on the need to integrate resources, supplement working capital, and promote sustainable operations, after deliberation at the eighth Board meeting of the tenth session of NEE on 12 January 2024, the subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. (“**Garden Lane Hotel**”) and the related party Tysan Land (Shanghai) Limited (“**Tysan Land (Shanghai)**”) were approved to sign the Agreement on Transfer of Equities in Chongqing HNA Hotel Investment Co., Ltd. (“**Chongqing Hotel**”). Garden Lane Hotel transferred its investment in Chongqing Hotel for 30% equities therein to Tysan Land (Shanghai) at RMB9.1 million in cash (as detailed in the announcement dated 12 January 2024). On 8 March 2024, the equity transfer was registered with the administration for industry and commerce as a change.

(7) 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. Other Events

External Guarantee

In 2023, 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 2023, 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 2023).

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 2023, the Group had 318 employees (31 December 2022: 384 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB28.73 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 does not involve 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 environmentally-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 C2 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 C1 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 2023, 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 changed its legal person in a timely manner, and paid attention to the introduction of directors and professional managers 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 is 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 C3 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.

AUDIT OPINION

The consolidated financial statements have been audited by the Group’s auditor, Wilson & Partners CPA Limited. The independent auditor has issued an unmodified audit opinion with a Material Uncertainty Related to Going Concern section in the auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2023. An extract of the independent auditor’s report is set out in the section headed “**EXTRACT OF THE AUDITOR’S REPORT**” below.

EXTRACT OF THE AUDITOR’S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**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 3.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB5,956,000 during the year ended 31 December 2023 and, as at 31 December 2023, the Group’s current liabilities exceeded its current assets by RMB207,569,000 and the Group’s total liabilities exceeded its total assets by RMB199,226,000, while the Group had cash and cash equivalents of approximately RMB6,444,000. These conditions, along with other matters as set forth in Note 3.1 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. Our opinion is not modified in respect of this matter.

The aforesaid “**Note 3.1 to the consolidated financial statements**” in the extract from the Auditor’s Report is disclosed as Note 1 to this announcement.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the current year (2022: 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

Subsequent to the end of the reporting period, the Group had entered into Equity Transfer Agreement with Taisheng, a related party, to dispose of its 30% equity interest in Chongqing HNA Hotel, which engaged in hotel-related businesses and property leasing in the PRC at a total cash consideration of approximately RMB9,100,000. The disposal was completed on 12 January 2024, on which date the Group no longer hold any equity interest in the Chongqing HNA Hotel.

On 22 January 2024, as required for the continued operation of the hotel business, Garden Lane Hotel (the “**Lessee**”), a non-wholly-owned subsidiary of the Company, entered into a supplementary agreement to the lease contract (the “**Supplementary Agreement**”) with Dalian Changjiang Plaza Co., Ltd. (the “**Lessor**”), a related party. According to the Supplementary Agreement, the relevant provisions of the original lease contract were adjusted to extend the lease period for one year, changing the lease period from the original “**1 September 2021 to 31 December 2023**” to “**1 September 2021 to 31 December 2024**”, and the rent standard for 2024 was still RMB7.5 million. Apart from the terms expressly adjusted in the Supplementary Agreement, the remainder of the original lease contract shall remain in effect (as detailed in the announcement dated 22 January 2024).

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 D2 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 Trust Management | Hainan HNA No. 2 Trust Management Service Co., Ltd., a related party of the Company |
| NEE, the Company | Northeast Electric Development Company Limited |
| NEEQ | The National Equities Exchange and Quotations |
| Stock Exchange | The Stock Exchange of Hong Kong |
| Chongqing Hotel | Chongqing HNA Hotel Investment Co., Ltd., an investee of the Company |
| Tianjin Center | HNA Tianjin Center Development Co., Ltd. (海航天津中心發展有限公司), an investee of the Company |

| | |
|--|---|
| Dalian Changjiang Plaza | Dalian Changjiang Plaza Co., Ltd., a related party of the Company |
| Hainan First Intermediate People's Court | The First Intermediate People's Court of Hainan Province |
| Hainan Higher People's Court | Hainan Provincial Higher People's Court |
| Fushun Electric Porcelain | Fushun Electric Porcelain Manufacturing Co., Ltd. |

By order of the Board
Northeast Electric Development Company Limited
Su Weiguo
Chairman

Haikou, Hainan Province, the PRC
28 March 2024

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.