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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0042)

ANNUAL RESULTS ANNOUNCEMENT FOR 2017

1. IMPORTANT NOTICE

- 1.1 The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of the Company hereby confirm that there are no false representations, misleading statements or material omissions contained in this report, and they, severally and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

This summary has been extracted from the full text of the annual report of the Company. Investors should carefully read the full text of the annual report which is published at Shenzhen Stock Exchange CNINFO (www.cninfo.com.cn).

- 1.2 Save for the following director, all other directors of the Company attended the Board meeting in person to consider and approve this annual report

| Name of the Director failing to attend in person | Capacity of the Director failing to attend in person | Reason for failure to attend in person | Name of his/her proxy |
|---|---|---|-----------------------|
| Jin Wenhong | Independent director | On business trip | Qian Fengsheng |

- 1.3 The audit committee of the board of directors of the Company has reviewed and confirmed the Company's financial report for 2017.
- 1.4 The Company's annual financial report is prepared under the PRC GAAP and is audited by Ruihua CPAs (special general partner) and it issued a unqualified auditors' report.

- 1.5 The Company's Chairman, Liu Daoqi, Chief Financial Officer, Xiao Xun and Head of Financial Section, Qian Kouming represent: guaranteeing the truthfulness, accurate and integrity of the financial report of the Annual Report.
- 1.6 The forward-looking description involved in the announcement such as the future plan and development strategy does not constitute any substantial commitment of the Company to investors. Wide investors need to be aware of risks attached to investment.
- 1.7 The risks that may be faced and countermeasures to be adopted by the Company are described in "(VII) PROSPECT OF THE COMPANY'S FUTURE DEVELOPMENT" of "5 REPORT OF THE DIRECTORS" in this announcement and can be referenced by wide investors.
- 1.8 The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves, subject to discussion and approval of the 2017 Annual General Meeting.
- 1.9 The consolidated turnover is RMB32,985,857.66, decreasing from 2016 by RMB30,528,566.63.
- 1.10 Profit attributable to equity holders of the Company is RMB-397,057,643.19.
- 1.11 Earnings per share attributable to equity holders of the Company is RMB -0.45.
- 1.12 Unless otherwise stated, Renminbi is the only monetary unit in this report.
- 1.13 This report is published in both Chinese and English. If there are any inconsistencies in content, the Chinese version shall prevail in all aspects.
- 1.14 The announce is made pursuant to the second paragraph of Rule 13.10B, 13.49 (1) and the 45th paragraph of Appendix 16 in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.
- 1.15 Whereas the Company's audited net profits were consecutively negative in the 2016 and 2017 accounting periods and the Company's net assets were also negative at the end of 2017, pursuant to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, Shenzhen Stock Exchange will issue an ST risk admonition to the A share of the Company. The A shares of the Company will be suspended for listing on 30 March 2018 (the first trading day after the release of the 2017 Annual Report). Since the market opening date of 2 April 2018, Shenzhen Stock Exchange will implement an ST risk admonition for the trading in A shares of the Company.

2. Corporate Profile

2.1 Basic information

| | | | |
|-------------------------------|--|------------|--------|
| A-share stock abbreviation | Northeast Electric | Stock code | 000585 |
| Place of listing | Shenzhen Stock Exchange | | |
| H - share stock abbreviation | Northeast Electric | Stock code | 0042 |
| Place of listing | The Stock Exchange of Hong Kong Limited | | |
| Legal Chinese name | 東北電氣發展股份有限公司 | | |
| Chinese abbreviation | 東北電氣 | | |
| Legal English name | Northeast Electric Development Company Limited | | |
| English abbreviation | NEE | | |
| Legal representative | Su Jianghua | | |
| Registered and office address | Floor 23, Building 4, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC | | |
| Postal Code | 213022 | | |
| Correspondence address | Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC | | |
| Postal Code | 213022 | | |
| Website | www.nee.com.cn | | |
| E-mail address | nee@nee.com.cn | | |

2.2 Contact person and address

| | Secretary to the Board of Directors | Representative for securities affairs |
|-----------|--|--|
| Name | Su Weiguo | Zhu Xinguang |
| Address | Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC (Postcode: 213022) | Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC (Postcode: 213022) |
| Telephone | 0519-69818118 | 0519-69818116 |
| Fax | 0519-69818115 | 0519-69818115 |
| Email | nee@nee.com.cn | nemm585@sina.com |

3. Major Financial Data and Changes in Shareholders

(I) Principal accounting data and financial indicators in the past five years prepared under the PRC GAAP

1. Principal accounting data and financial indicators

| | Increase/decrease of the year over | | | | | |
|---|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2017 | 2016 | last year (%) | 2015 | 2014 | 2013 |
| Operating revenues (RMB) | 32,985,857.66 | 63,514,424.29 | -48.07% | 151,740,484.82 | 197,513,503.68 | 195,974,125.82 |
| Net profit attributable to shareholders of listed company (RMB) | -397,057,643.19 | -99,493,754.11 | -299.08% | 4,933,337.50 | 6,169,105.14 | 9,886,802.75 |
| Net profit attributable to shareholders of listed company after extraordinary items (RMB) | -96,660,890.16 | -99,613,423.79 | 2.96% | -775,922.03 | 4,390,358.73 | 3,229,217.03 |
| Net cash flow arising from operating activities (RMB) | 45,961,817.45 | -29,891,482.85 | 253.76% | -18,237,185.20 | 26,805,591.07 | 31,448,167.32 |
| Basic earnings per share (RMB/Share) | -0.45 | -0.11 | -309.09% | 0.0056 | 0.01 | 0.01 |
| Diluted earnings per share (RMB/Share) | -0.45 | -0.11 | -309.09% | 0.0056 | 0.01 | 0.01 |
| Earnings/net assets ratio (%) | Not applicable | -39.40% | Not applicable | 1.68% | 2.18% | 3.60% |

| | Increase/decrease at the end of 2017 | | | | | |
|---|---|--------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|
| | As at the end of 2017 | As at the end of 2016 | over the end of 2016 (%) | As at the end of 2015 | As at the end of 2014 | As at the end of 2013 |
| Total assets (RMB) | 306,236,911.04 | 401,830,329.21 | -23.79% | 483,445,718.25 | 482,595,791.02 | 462,731,004.91 |
| Net assets attributable to shareholders of listed company (Shareholders' fund attributable to shareholders of listed company) (RMB) | -198,631,842.02 | 202,789,879.48 | -197.95% | 296,987,112.46 | 286,188,311.72 | 279,693,302.29 |

2. Differences in figures by domestic and foreign accounting standards

There are no differences in net profits and net assets prepared under international accounting standards and PRC GAAP in the reporting period of the Company.

There are no differences in net profits and net assets prepared under foreign accounting standards and PRC GAAP: None

3. Major financial indicators by quarter

Unit: RMB

| | The first quarter | The second quarter | The third quarter | The fourth quarter |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
| Operating revenues | 5,699,227.63 | 11,913,249.03 | 4,816,273.21 | 10,557,107.79 |
| Net profit attributable to shareholders of listed company | -15,563,758.44 | -4,366,041.56 | -7,950,918.72 | -369,176,924.50 |
| Net profit attributable to shareholders of listed company after extraordinary items | -15,424,679.15 | -4,986,518.42 | -16,579,026.63 | -59,670,665.96 |
| Net cash flow arising from operating activities | 35,078,254.69 | -7,357,401.38 | 450,559.35 | 17,790,404.79 |

4. Extraordinary items and the related amount

Unit: RMB

| Item | 2017 | 2016 | 2015 | Remarks |
|--|-----------------|-------------|--------------|--|
| Profit and loss on disposal of non-current assets (including the part of provision for assets impairment being written off) | -177,333.23 | -291,209.88 | 15,994.18 | Losses on destruction and retirement of fixed assets |
| Government subsidy Included in the current profits and losses (closely related to business of the enterprise, excluding the government subsidy enjoyed fully or quantitatively according to uniform standards of the country) | 50,000.00 | | 106,670.00 | Government subsidies |
| Gains/losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operations | | 367,369.30 | 867,706.84 | |
| Reversal of account receivable provision by single devaluation test | 9,590,990.45 | | 6,310,527.55 | Reversal of provisions for accounts receivable |
| Other non-operating income and expense other than the above items | -309,696,590.44 | 43,510.26 | 21,347.38 | Compensation provision for major litigation cases and anticipated debt |
| Less: Effect of income tax | 163,819.81 | | 1,612,986.42 | |
| Total | -300,396,753.03 | 119,669.68 | 5,709,259.53 | -- |

(II) Shareholdings of the shareholders

Total number of shareholders at the end of the reporting period was 73,256.

Shareholdings of the top ten shareholders

| Name of shareholders | Nature of shareholder | Percentage | Number of shares | Changes in the reporting period | Number of shares subject to trading moratorium | Number of shares not subject to trading moratorium | Shares pledged or frozen | |
|---|---------------------------------------|------------|------------------|---------------------------------|--|--|--------------------------|------------|
| | | | | | | | Status of shares | Number |
| HKSCC Nominees Limited | Overseas legal person | 29.43% | 257,055,899 | | | | | |
| Beijing Haihongyuan Investment Management Co., Ltd | Domestic non-state-owned legal person | 9.33% | 81,494,850 | | | | Pledged | 81,494,850 |
| Yang Qinxu | Domestic natural person | 3.20% | 27,955,752 | | | | | |
| Taida Hongli Funds-CMBC-TEDA Manulife Strategy Rating No. 31 Assets Management Plan | Domestic non-state-owned legal person | 2.55% | 22,314,561 | | | | | |
| Li Zhen | Domestic natural person | 0.55% | 4,824,334 | | | | | |
| Nanjing Fang Kai Enterprise Management Co., Ltd | Domestic non-state-owned legal person | 0.48% | 4,214,500 | | | | | |
| Shi Yubo | Domestic natural person | 0.43% | 3,754,300 | | | | | |
| Shenzhen Zhongda Software Development Ltd | Domestic non-state-owned legal person | 0.41% | 3,550,000 | | 3,550,000 | | | |
| Wu Guolin | Domestic natural person | 0.35% | 3,041,467 | | | | | - |
| Hu Lan | Domestic natural person | 0.32% | 2,834,990 | | | | | |

So far as the company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as required in Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》). Based on the final practicable date before the Annual Report and the publicly

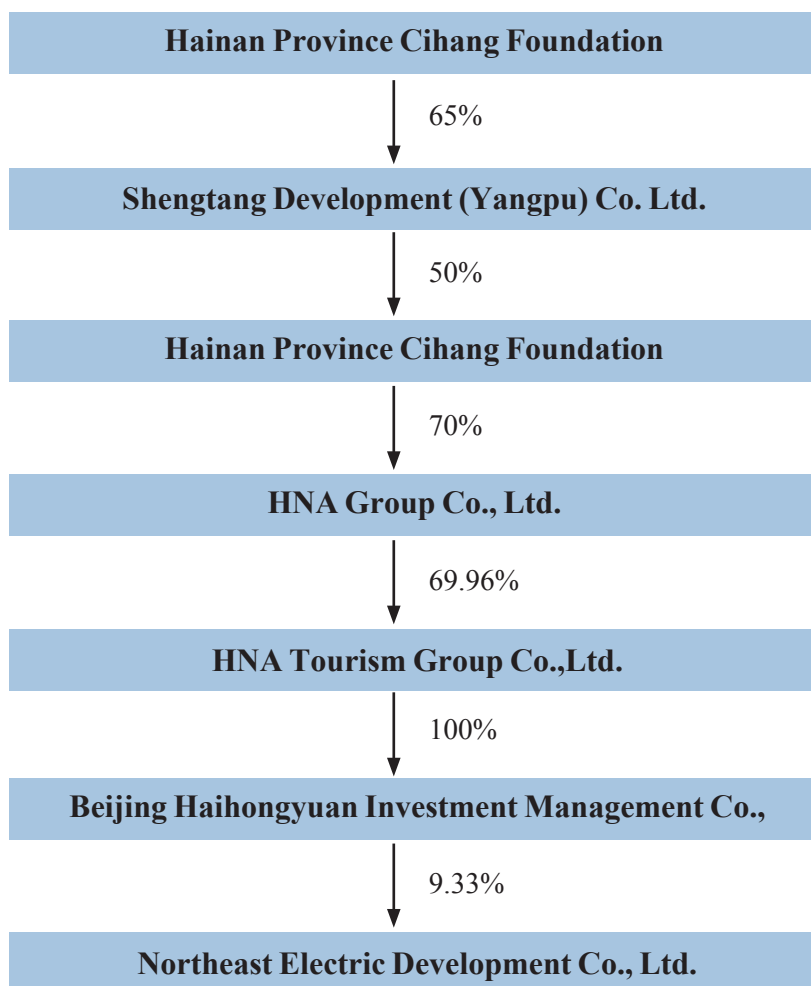
Connections and concerted actions between the above shareholders:

available information of the Company, the Company confirms that the number of public shares is sufficient.

(III) Framework of asset rights and controlling relationship between the Company and the actual controller

1. Change to the actual controller in the reporting period of the Company

On 23 January 2017, Suzhou Tsing Chuang Trading Group Co.,Ltd. (which has been renamed to “Changzhou Tsing Chuang Industrial Investment Group Limited”, hereinafter referred to as “Tsing Chuang Group”) , the largest shareholder of the Company, and Beijing Haihongyuan Investment Management Co., Ltd. (hereinafter referred to as “Beijing Haihongyuan”) signed the Share Transfer Agreement, and Tsing Chuang Group planned to transfer its held 81,494,850 nonrestricted negotiable A-shares (accounting for 9.33% of the total equity of the Company) of the Company to Beijing Haihongyuan through agreement. The two parties completed the share transfer registration formalities on 13 February 2017. The largest shareholder of the Company changed to Beijing Haihongyuan, and the actual controller changed to Hainan Province Cihang Foundation. The block diagram of property rights and control relationships between companies and the actual controller:



4. Business overview of the Company

- (I) **Main businesses engaged in by the company in the reporting period** The Company has been dedicated to R&D, design, production and sales businesses of products related to power transmission and transformation equipment in recent years. Main products offered by the Company include power capacitors, enclosed busbars, etc. Products of the Company apply to the power system field and are used to improve voltage quality of the power system, enhance transmission capacity of the power transmission line and support transmission of the high power electric energy. These devices play an important role in the power system.

There were no material changes in the principal business of the Company in the reporting period.

- (II) **Material changes in the primary assets**

1. Material changes in the primary assets

| Primary assets | Description of material changes |
|--------------------------|---|
| Equity assets | No material change |
| Fixed assets | No material change |
| Intangible assets | No material change |
| Construction in progress | Fuxin Enclosed Busbars' new plant being constructed in Xihe District, Fuxin City added RMB 36.14 million. |

2. Information on main overseas assets

√ Applicable □ Not applicable

The two wholly-owned subsidiaries within the scope of the consolidation are Northeast Electric Development (Hong Kong) Limited (registered in Hong Kong, China) and Great Talent Technology Limited (registered in British Virgin Islands). For details of operating performance of relevant assets, please refer to the section “(II). (2) Analysis of major controlling company and investee company” under “5. REPORT OF THE DIRECTORS”.

The investee company is GREAT POWER TECHNOLOGY LIMITED (GREAT POWER), which was registered and founded in British Virgin Islands on 3 December 2003, with the total share capital of 12,626 shares. On 5 November 2004, Northeast Electric Development Company Limited, a subsidiary of the Company, subscribed for 20.8% equity in GREAT POWER. GREAT POWER mainly engaged in investment holding and trade and did not conduct operational activities in recent years.

GREAT POWER’s main financial indicators and operational results in recent years

Unit: RMB 10,000

| Items | 31 December 2016 | 31 December 2017 |
|-------------------|-------------------------|-------------------------|
| Total assets | 21,143.41 | 21,950.61 |
| Total liabilities | 91.65 | 2,374.13 |
| Owner's equity | 21,051.76 | 19,576.48 |

| Items | 2016 | 2017 |
|---------------|-------|-------|
| Total revenue | 0.00 | 0.00 |
| Total costs | 3.94 | 4.52 |
| Total profit | -3.94 | -4.52 |

Following the Company's long-term equity investments depreciation reserves of RMB 1,034,434.39 on GREAT POWER, book value amounted to RMB 19,463,641.61.

3. Analysis of core competitiveness

Thanks to long-term accumulation in many aspects such as product quality, brand culture, R&D capability, process technology, management service and marketing, the Company shows some advantages and industrial competitiveness, which can be seen in the close association between industry development of the Company and macroeconomic policies of the State, and large market capacity; diversified and full-range main products and strong supporting capacity; wide application scope and market coverage of the products; advanced production equipment and strong manufacturing capabilities; strong technological strength and leading professional technological level; sound internal control system and standardized corporate governance; certain product development capabilities and investment and financing capabilities.

During the reporting period, there was no material change in the core competitiveness of the Company, but due to personnel turnover and the adjustment and change of the power transmission and transformation market, the Company's competitiveness in some product markets has declined.

5. REPORT OF THE DIRECTORS

(I) MANAGEMENT DISCUSSION AND ANALYSIS

The Company has been dedicated to R&D, design, production and sales businesses of products related to power transmission and transformation equipment in recent years. Main products offered by the Company include power capacitors, enclosed busbars, etc. Products of the Company apply to the power system field and are used to improve voltage quality of the power system, enhance transmission capacity of the power transmission line and support transmission of the high power electric energy. These devices play an important role in the power system.

During the reporting period, the power transmission and distribution equipment industry (in which the Company operates) was affected by macro-economic structural adjustments, leading to excessive industrial capacity and intense market competition. The Company faces increasing operational pressure. In the face of such a complex and difficult situation, all personnel of the Company adhered to the overall work plan, worked diligently to fulfill their duties, and strived to achieve breakthroughs. Under the leadership of the board, the Company properly dealt with various challenges, fully implemented the resolutions passed by the shareholder meeting and board of directors, optimized its industrial distribution, enhanced operation management, and steadily advanced various work activities. The trend of fast operation decline has been preliminarily reined in.

In the reporting period, the operating incomes of Company amounted to RMB32.99 million, with a decrease of RMB30.53 million compared with the same period last year (down by 51.94% year on year); the net profits were RMB-398.16 million, with a year-on-year decrease of RMB298.57 million.

Main work in the reporting period:

1. Share transfer of the largest shareholder and change to the actual controller

On 23 January 2017, Tsing Chuang Group, the largest shareholder of the Company, and Beijing Haihongyuan signed the Share Transfer Agreement, and Tsing Chuang Group planned to transfer its held 81,494,850 nonrestricted negotiable A-shares (accounting for 9.331% of the total equity of the Company) of the Company to Beijing Haihongyuan through agreement. The two parties completed the share transfer registration formalities on 13 February 2017. The first major shareholder of the Company changed to Beijing Haihongyuan, and the actual controller changed to Hainan Province Cihang Foundation. The block diagram of property rights and control relationships between companies and the actual controller:

2. New issue of H shares

In order to raise funds, expand the shareholder base, and enhance the corporate capital strength, on 5 April 2017, HNA Hospitality Group (Hong Kong) (the person acting in concert with Beijing Haihongyuan Investment Management) signed a subscription agreement with the listed company, agreeing to purchase 155,830,000 new H shares that Northeast Electric planned to allocate and issue, at the price of HKD 2.40 per share. Beijing Haihongyuan and its person acting in concert, HNA Hospitality Group (Hong Kong), are both subsidiaries of HNA Group.

During the reporting period, the Company launched two private placements, which were eventually approved by the 2nd Extraordinary General Meeting of 2017, class meeting of A Shareholders, and Class Meeting of H Shareholders and were submitted to domestic and foreign regulators for approval according to procedures. Now the matter is under review by the International Business Division of CSRC. If approved, the subscription will supplement the Company's capital, improve its net assets, and boost corporate business development.

3. Significant assets reorganization

To optimize the corporate asset structure, reduce asset impairment losses, and protect investors' interests, on 17 September 2017, the board of directors decided to dispose of New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd. which had suffered severe losses. This disposal has been approved by Shenzhen Stock Exchange and Hong Kong Stock Exchange, and now Hong Kong Stock Exchange is reviewing the shareholder circular. This disposal will bring over cash revenue of near RMB100 million to the Company and will effectively ease the pressure of working capital demand.

4. Production and operation situation of the Company

4.1 Completion of operating income, product gross margin, period expense, and net profit

- (1) Due to intense competition in the industrial market, the number of fulfilled contracts of high-voltage electric equipment significantly declined, and for some busbar product contracts, the customers decided to postpone goods delivery. Consequently, the operating revenue decreased by RMB30.53 million year on year, down by 48.06%, and profits were down by RMB4.6 million.

- (2) Thanks to the improved quality of parallel capacitor and complete devices and busbar products, the overall gross margin of products increased by 6.21 percentage points year on year, reflected in profit increase of RMB 2.05 million.
- (3) In the reporting period, the three major expenses increased by RMB6 million in total, mainly because the decline in operating revenue caused sales expenses to drop by RMB4.21 million year on year, and management expenses to increase by RMB9.68 million, of which the agency fee for asset reorganization increased by RMB5.36 million and NNE Jinzhou PC's some workshop shutdown losses translated into an increase of RMB3.46 million in management fees.
- (4) In the reporting period, loss on provisions for bad debts, loss on inventory depreciation, loss on available-for-sale financial assets impairment, loss on long-term equity investment impairment, and loss on fixed assets impairment decreased by RMB 13.33 million in total year on year.
- (5) In the reporting period, there was no purchase of banking products, as a result of which the investment income decreased by RMB 430,000 year on year; in the reporting period, there was no income or loss from disposal of assets, leading to a year-on-year increase of RMB360,000. Other incomes increased by RMB50,000 year on year. Due to the increase of land use taxes and house property taxes, the business tax and surcharges increased by RMB200,000 year-on-year. All these added up to a decrease of RMB220,000 in profits.
- (6) The non-operating income increased by RMB1.17 million year on year, mainly because of suppliers' exemption of account payables. The non-operating expense increased by RMB 311.09 million, mainly because of the compensation in a resolved litigation case (the case about China Development Bank) and estimated liabilities regarding staff settlement expenses in an unresolved litigation case (in which Tiexi District branch (Shenyang City) of SASAC demanded payment of staff settlement fees).

- (7) The income tax expense decreased by RMB6.79 million, compared with the same period last year, due to the fact that there was no reversal of deferred income tax assets recognized in the previous year.

Based on the above factors, the net profits of the current year amounted to RMB-398.16 million, including the net profits of RMB-397.06 million attributable to shareholders of the parent company, indicating a year-on-year loss increase of RMB298.57 million in the net profits.

4.2 Accelerating implementation of the technical transformation project

In 2016, the Company launched the new plant construction project of Fuxin Enclosed Busbar Co., Ltd., a wholly owned subsidiary, based on offsite relocation and investment. So far, the overall construction of the new plant has been completed, and relocation is underway in an orderly manner. After this new plant is put into use, it will significantly enhance the technological level of our busbar manufacturing, improve our market competitiveness, and radically reverse the trend of shrinking orders due to outdated equipment and declining technologies.

4.3 Intensifying R&D efforts of new products

In the reporting period, the Company's subsidiary New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd engaged in the development of high-field-intensity, high-voltage power capacitors and the preparation for designing reactive power compensation devices for wind farms, as well as in the trial-production of high-field-intensity, high-voltage power capacitor prototypes. Due to the impact of the sale, the future development of New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd is uncertain, and due to the severe shortage of capital, the aforementioned projects, already rendered unable to continue, have been suspended.

In the reporting period, the company carried out the R&D of micro-positive pressure devices for three-phase shunt control of smart touchscreens for busbar products and also carried out the trial-production of a prototype. The prototype has been successfully applied to the isolated-phase enclosed busbars of Shaowu Power Station. The successful R&D of this project enabled the intelligent control of micro-positive pressure devices on busbar products and enhanced product competitiveness.

4.4 Further strengthening prevention of financial risks

In the reporting period, the Company strengthened internal financial management and monitoring, focused on the follow-up work of key products, and worked out reasonable goals and specific measures pertinently, actively preventing financial risks and improving business performance.

(II) Operation of the Company during the reporting period

1. Scope of principal operations and its operation

(1) The Company has been dedicated to R&D, design, production and sales businesses of products related to power transmission and transformation equipment in recent years. Main products offered by the Company include power capacitors, enclosed busbars, etc. Products of the Company apply to the power system field and are used to improve voltage quality of the power system, enhance transmission capacity of the power transmission line and support transmission of the high power electric energy. These devices play an important role in the power system.

(2) Operational results for the year

The Company recorded operating revenue of RMB32,985,857.66, total profit of RMB-397,992,151.30 and the net profit of RMB-398,155,971.11.

2. Analysis of major controlling company and investee company

Unit: RMB

| name | Type of company | Major products | Registered Capital | Total assets (RMB) | Net assets (RMB) | Operating | | Net profit (RMB) |
|--|-----------------|--|--------------------|--------------------|------------------|----------------|----------------|------------------|
| | | | | | | revenues (RMB) | profit (RMB) | |
| Northeast Electric Development (Hong Kong) Limited | Subsidiary | Trading | USD20,000,000 | 67,960,993.74 | 53,757,001.09 | 0.00 | 22,186,498.43 | 22,186,498.43 |
| Great Talent Technology Limited | Subsidiary | Investments | USD1 | 77,784,774.49 | 2,679,471.94 | 0.00 | -18,896.43 | -18,896.43 |
| Shenyang Kaiyi Electric Co., Ltd. | Subsidiary | Electronic equipment | RMB1,000,000 | 152,194,806.06 | -8,681,183.25 | 0.00 | -5,740,953.44 | 2,286,173.50 |
| Fuxin Enclosed Busbars Co., Ltd. | Subsidiary | Enclosed busbars | USD8,500,000 | 149,738,070.94 | 148,825.46 | 30,082,850.85 | -52,720,975.26 | -53,440,562.68 |
| New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd. | Subsidiary | Power capacitor | USD15,450,000 | 127,547,997.84 | 88,405,009.30 | 3,093,483.00 | -44,447,469.22 | -43,367,742.49 |
| Jinzhou Jimrong Electric Co., Ltd. | Subsidiary | Dry-type capacitor | RMB3,000,000 | 1,694,810.64 | 370,280.74 | 0.00 | -484,007.06 | -484,007.06 |
| Shanghai KaiXin Internet Technology Development Co., Ltd | Subsidiary | Internet technology & investment | RMB10,000,000 | 36,096,695.71 | -102,122.92 | 0.00 | -100,155.60 | -100,155.60 |
| Northeast Electric (Chengdu) Power Engineering Design Co., Ltd | Subsidiary | New-energy engineering design and construction | RMB10,000,000 | 14,785,775.65 | 7,915,947.76 | 0.00 | -1,942,685.27 | -1,942,685.27 |

3. Acquiring and disposing of subsidiaries are not incurred during the reporting period

Applicable Not applicable

(III) Analysis of principal businesses

1. Summary

See “(I) Main businesses engaged in by the company in the reporting period” in “4. Business overview of the Company”.

2. Incomes and Costs

(1) Composition of operating incomes

Unit: RMB

| | 2017 | | 2016 | | Year-on-year increase/decrease (%) |
|--|---------------|--|---------------|--|------------------------------------|
| | Amount | As a percentage of operating costs (%) | Amount | As a percentage of operating costs (%) | |
| Total cost of sales | 32,985,857.66 | 100% | 63,514,424.29 | 100% | -48.07% |
| By industry | | | | | |
| Electrical machinery and equipment manufacturing | 32,382,320.55 | 98.17% | 63,327,513.55 | 99.71% | -48.87% |
| Others | 603,537.11 | 1.83% | 186,910.74 | 0.29% | 222.90% |
| By product | | | | | |
| Enclosed busbars | 30,072,679.91 | 91.17% | 34,193,870.44 | 54.00% | -12.05% |
| Power capacitor | 2,309,640.64 | 7.00% | 28,730,053.36 | 45.37% | -91.96% |
| High-voltage switches | | | 403,589.75 | 0.64% | |
| Others | 603,537.11 | 1.83% | 186,910.74 | 0.29% | 222.90% |
| By regions | | | | | |
| northeast | 1,319,451.60 | 4.00% | 33,324,282.80 | 52.47% | -96.02% |
| Central north | 5,135,379.25 | 15.57% | 8,180,683.59 | 12.88% | -37.23% |
| central | 9,815,797.89 | 29.76% | 8,434,885.87 | 13.28% | 16.37% |
| central east | 701,838.03 | 2.13% | 12,196,554.38 | 19.20% | -94.25% |
| Central south | 1,186,290.66 | 3.60% | 980,599.66 | 1.54% | 20.98% |
| southwest | 9,106,143.07 | 27.61% | 301,241.03 | 0.47% | 2,922.88% |
| northwest | 5,117,420.05 | 15.51% | 96,176.96 | 0.15% | 5,220.84% |
| Others | 603,537.11 | 1.83% | 186,910.74 | 0.29% | 222.90% |

(2) Industries, products, or regions accounting for over 10% of the Company's operating revenue or profits

Unit: RMB

| | cost of sales | Operating cost | Gross margin | Year-on-year increase/decrease of operating revenue | Year-on-year increase/ decrease of operating cost | Year-on-year increase/ decrease of gross margin |
|--|---------------|----------------|--------------|--|--|--|
| By industry | | | | | | |
| Electrical machinery and equipment manufacturing | 32,382,320.55 | 25,570,761.13 | 21.03% | -48.87% | -52.54% | 6.12% |
| Others | 603,537.11 | 398,738.56 | 33.93% | 222.90% | 471.69% | -28.75% |
| By product | | | | | | |
| Enclosed busbars | 30,072,679.91 | 24,009,050.65 | 20.16% | -12.05% | -17.85% | 5.63% |
| Power capacitor | 2,309,640.64 | 1,561,710.48 | 32.38% | -91.96% | -93.57% | 16.96% |
| High-voltage switches | | | | | | |
| Others | 603,537.11 | 398,738.56 | 33.93% | 222.90% | 471.69% | -28.75% |
| By regions | | | | | | |
| northeast | 1,319,451.60 | 724,763.81 | 45.07% | -96.02% | -97.29% | 25.85% |
| Central north | 5,135,379.25 | 5,136,764.88 | -0.03% | -37.23% | -25.37% | -15.88% |
| central | 9,815,797.89 | 6,637,085.92 | 32.38% | 16.37% | -6.50% | 16.54% |
| central east | 701,838.03 | 479,657.27 | 31.66% | -94.25% | -95.73% | 23.77% |
| Central south | 1,186,290.66 | 360,938.08 | 69.57% | 20.98% | -74.76% | 115.43% |
| southwest | 9,106,143.07 | 7,891,359.72 | 13.34% | 2,922.88% | 2,477.54% | 14.97% |
| northwest | 5,117,420.05 | 4,340,191.45 | 15.19% | 5,220.84% | 2,628.33% | 80.59% |
| Others | 603,537.11 | 398,738.56 | 33.93% | 222.90% | 471.69% | -28.75% |

Main business data adjusted for the statistical caliber as of the end of the previous year, with the statistical caliber adjusted during the reporting period

□ Applicable √ Not applicable

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

Yes No

| Industry category | Item | Unit | 2017 | 2016 | Increase/ decrease in the |
|--|------------|---------|------------|--------------|------------------------------|
| | | | | | same period |
| | Sales | meter | 4,045 | 5,671 | -0.29% |
| | Production | meter | 4,319 | 5,731 | -0.25% |
| Enclosed busbar | Stock | meter | 524 | 60 | 773.33% |
| | Sales | kilovar | 107,955 | 1,435,796.59 | -92.48% |
| Power capacitor – high-voltage capacitor | Production | kilovar | 135,800 | 1,132,400 | -88.01% |
| | Stock | kilovar | 336,085.5 | 303,381.5 | 10.78% |
| | Sales | kilovar | 83,442.4 | 604,193.5 | -86.19% |
| Power capacitor – low-voltage capacitor | Production | kilovar | 76,400 | 597,200 | -87.21% |
| | Stock | kilovar | 254,948.88 | 258,137.22 | -1.24% |

Reasons for the change of the relevant data for more than 30% on year-on-year basis:

Applicable Not applicable

① Enclosed busbar

The increase of stock was mainly due to the delayed delivery for two supply contracts according to the requirement of the customer.

② Power capacitor

The key products are high-voltage oil filled power capacitor and low-voltage thin film capacitor. In recent years, due to the structural adjustment of the national macroeconomic policy and the overcapacity of the power industry, the market demand and product price of power capacitors were reduced. In addition, to reduce the cost and funding requirement, the Company actively adjusted the order structure, in order to mitigate the operation pressure. As a result, the contracts were reduced, and the sales and production had a significant decline.

(4) Fulfillment status of the Company's signed significant sales contracts as at the end of the reporting period

Applicable Not applicable

(5) Cost of sales

Unit: RMB

| By product | Items | 2017 | | 2016 | | Year-on-year increase/decrease (%) |
|-----------------------|---------------------|---------------|--|---------------|--|------------------------------------|
| | | Amount | As a percentage of operating costs (%) | Amount | As a percentage of operating costs (%) | |
| | Direct material | | | | | |
| Enclosed busbars | | 20,700,134.43 | 86.22% | 25,776,052.82 | 88.20% | -19.69% |
| Enclosed busbars | Direct labor | 1,631,803.16 | 6.80% | 1,902,518.18 | 6.51% | -14.23% |
| | Manufacture expense | | | | | |
| Enclosed busbars | | 1,677,113.06 | 6.98% | 1,545,978.68 | 5.29% | 8.48% |
| Power capacitor | Direct material | 1,241,247.49 | 79.48% | 19,949,827.75 | 82.10% | -93.78% |
| Power capacitor | Direct labor | 100,261.81 | 6.42% | 855,339.75 | 3.52% | -88.28% |
| | Manufacture expense | | | | | |
| Power capacitor | | 220,201.18 | 14.10% | 3,494,257.28 | 14.38% | -93.70% |
| High-voltage switches | Direct material | 0 | 0 | 292,612.82 | 82.10% | -100.00% |
| High-voltage switches | Direct labor | 0 | 0 | 12,545.64 | 3.52% | -100.00% |
| | Manufacture expense | | | | | |
| High-voltage switches | | 0 | 0 | 51,251.79 | 14.38% | -100.00% |

Remarks:

1. Sales of power capacitors dropped sharply, resulting in a sharp decline in direct materials, direct labor and manufacture expenses;
2. There was no sale of high-voltage switches, therefore no corresponding costs incurred.

(6) Change to the consolidation scope in the reporting period

Applicable Not applicable

(7) Information related to significant changes or adjustment of businesses, products or services of the Company in the reporting period

Applicable Not applicable

Due to structural adjustments in power, chemical, and metallurgical industries, the Company's revenue from power capacitor products decreased from RMB28.73 million in 2016 to RMB2.31 million in 2017, a 92% year-on-year decrease.

Major customers

| | |
|--|---------------|
| Total sales of the top five customers (RMB) | 22,120,940.23 |
| Proportion of total sales of the top five customers over total sales for the year (%) | 67.06% |
| Proportion of sales of connected parties in the top five customers over total sales for the year (%) | 0.00% |

The top five customers

| No. | Name | Sales (RMB) | Percentage over the |
|-------|---|---------------|-------------------------------------|
| | | | annual total amount of sales (%) |
| 1 | China Power (Pu'an) Power Generation Co., Ltd | 7,945,726.54 | 24.09% |
| 2 | Huaneng Luoyuan Power Generation Co., Ltd | 4,670,085.47 | 14.16% |
| 3 | Huaneng Group Ningxia Daba Power Generation Co., Ltd. (Phase IV) | 3,756,410.27 | 11.39% |
| 4 | Shenzhen Energy Baoding Power Co., Ltd | 3,239,316.26 | 9.82% |
| 5 | Harbin Electric Machinery Co., Ltd. | 2,509,401.69 | 7.61% |
| Total | | 22,120,940.23 | 67.06% |

The note of other major customers

Applicable Not applicable

Major suppliers

| | |
|--|---------------|
| Total purchases attributable to the top five suppliers (RMB) | 10,724,560.22 |
| Proportion of total purchases attributable to the top five suppliers over total purchases for the year (%) | 55.66% |
| Proportion of purchases of connected parties in the top five suppliers over total purchases for the year (%) | 0.00% |

The top five suppliers

| No. | Name | Purchase (RMB) | Percentage over the annual total purchase (%) |
|-------|--|----------------|---|
| 1 | Shenyang Taihua Copper Co., Ltd. | 3,478,767.21 | 18.06% |
| 2 | Shenyang Xinhua hao Aluminum Co. Ltd. | 3,343,495.33 | 17.35% |
| 3 | Shenyang Haqingdong Aluminum Co., Ltd. | 2,271,200.40 | 11.79% |
| 4 | Fuxin Xiandao Electric Wire Factory | 1,054,992.48 | 5.48% |
| 5 | Fuxin Hongsheng Steel Sales Co., Ltd. | 576,104.79 | 2.99% |
| Total | | 10,724,560.22 | 55.66% |

The other notes of other major suppliers.

Applicable Not applicable

3. Expenses

Unit: RMB

| | 2017 | 2016 | Changes(%) | Reasons for changes |
|-------------------------|---------------|---------------|------------|---|
| Sales expenses | 5,791,491.04 | 10,002,737.76 | -42.10% | Reduced due to the decrease of income |
| Administrative expenses | 45,174,713.73 | 35,493,767.80 | 27.28% | The sum of the loss due to downtime of some production plants of subsidiaries, the wages of the staff, the agency fee for the planned sale of NNE Jinzhou PC, and due diligence |
| Financial expenses | 1,061,942.38 | 534,886.47 | 98.54% | The loan interests increased. |

4. R&D expenditure

In the reporting period, the Company's subsidiary New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd engaged in the development of high-field-intensity, high-voltage power capacitors and the preparation for designing reactive power compensation devices for wind farms, as well as in the trial-production of high-field-intensity, high-voltage power capacitor prototypes. Due to the impact of the sale, the future development of New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd is uncertain, and due to the severe shortage of capital, the aforementioned projects, already rendered unable to continue, have been suspended.

In the reporting period, the Company carried out the R&D of micro-positive pressure devices for three-phase shunt control of smart touchscreens for busbar products and also carried out the trial-production of a prototype. The prototype has been successfully applied to the isolated-phase enclosed busbars of Shaowu Power Station. The successful R&D of this project enabled the intelligent control of micro-positive pressure devices on busbar products and enhanced the product competitiveness

The R&D expenditure for the year was RMB 230,900.00, representing 0.70% of the audited income of the last period.

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

Applicable Not applicable

The significant decline in operating income during the reporting period resulted in limited R&D funding.

5. Cash flows

Unit: RMB

| Item | 2017 | 2016 | Year-on-year increase/decrease (%) |
|--|----------------|----------------|--|
| Subtotal of cash inflows from operating activities | 145,843,824.75 | 90,893,827.23 | 60.46% |
| Subtotal of cash outflows from operating activities | 99,882,007.30 | 120,785,310.08 | -17.31% |
| Net cash flows from operating activities | 45,961,817.45 | -29,891,482.85 | 253.76% |
| Subtotal of cash inflows from investment activities | 0 | 91,999,287.39 | -100.00% |
| Subtotal of cash outflows from investment activities | 48,749,848.24 | 160,444,587.51 | -69.62% |
| Net cash flows from investment activities | -48,749,848.24 | -68,445,300.12 | -28.78% |
| Subtotal of cash inflows from financing activities | 27,355,984.89 | 29,000,000.00 | -5.67% |
| Subtotal of cash outflows from financing activities | 38,622,195.25 | 9,803,581.43 | 293.96% |
| Net cash flows from financing activities | -11,266,210.36 | 19,196,418.57 | -158.69% |
| Net increase in cash and cash equivalents | -14,080,468.44 | -79,114,095.48 | -82.20% |

Reasons for a year-on-year change for the relevant amounts:

- (1) Accounts receivable of the previous year were collected, and cash inflows from operation activities increased; meanwhile, as sales revenue dropped, purchase expenditure also decreased, leading to decreased operation cash outflows.
- (2) During the reporting period, there was no major investment expenditure other than the investment in the construction of a new plant.
- (3) RMB 29 million of bank loans was repaid.

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

- (1) China Development Bank's compensation of RMB 272 million was recorded into the non-operating expenses, but not paid yet.
- (2) Shenyang High Voltage Switchgear Co., Ltd's compensation of RMB 37.74 million for staff was recorded into non-operating expenses, but not paid yet.

(III) Analysis of non-principal business

Applicable Not applicable

(IV) Analysis of Assets and Liability

1. Significant changes in assets

Unit: RMB

| | End of 2017 | | End of 2016 | | Increase/ decrease (%) | Explanation for significant change |
|---------------------------------|---------------|--|----------------|--|------------------------------|---|
| | Amount | As a percentage of total assets (%) | Amount | As a percentage of total assets (%) | | |
| Monetary assets | 45,175,761.77 | 14.75% | 27,600,371.44 | 6.87% | 7.88% | Collection of account receivables payment increased cash. |
| Account receivables | 76,253,768.68 | 24.90% | 136,074,792.34 | 33.86% | -8.96% | The subsidiary New Jin Rong's collection of accounts receivable increased |
| Inventories | 11,533,044.52 | 3.77% | 14,991,583.86 | 3.73% | 0.04% | |
| Long-term equity investments | 19,463,641.61 | 6.36% | 25,000,000.00 | 6.22% | 0.14% | |
| Fixed assets | 35,705,865.32 | 11.66% | 41,844,623.66 | 10.41% | 1.25% | |
| Construction in progress | 42,553,751.05 | 13.90% | 6,415,346.77 | 1.60% | 12.30% | Fuxin Busbars' new plant: RMB 36.14 million |
| Short-term borrowings | | | 29,000,000.00 | 7.22% | -7.22% | Repayment of bank loans |

2. Assets and liabilities accounted by fair value

Applicable Not applicable

1. Assets right limitation status as at the end of the reporting period

Unit: RMB

| Item | Opening Balance | Increase in Current Year | Decrease in Current Year | Closing Balance |
|--|----------------------------|-------------------------------------|-------------------------------------|----------------------------|
| Intangible assets-Land use right | 3,929,209.13 | - | 3,929,209.13 | - |
| Fixed assets-Houses and buildings | 9,721,809.92 | - | 9,721,809.92 | - |
| Monetary funds-Other monetary funds | 2,807,150.00 | 6,971,212.93 | 3,211,062.93 | 6,567,300.00 |
| Monetary funds-Bank deposits | 2,304,291.23 | 200,000.00 | 2,304,291.23 | 200,000.00 |
| Notes receivable | 1,900,000.00 | | 1,900,000.00 | - |
| Fixed assets-Means of transport | 427,637.18 | - | 427,637.18 | - |
| Total | 2,090,097.46 | 7,171,212.93 | 21,494,010.39 | 6,767,300.00 |

Notes:

- (1) At the year end, among other monetary funds, the amount of margin deposit for performance guarantee deposited at designated banks was RMB6,527,300.00, and the amount of banker's acceptance bills deposited at designated banks was RMB 40,000.00.
- (2) Among the bank deposits of the subsidiary NNE Jinzhou PC, RMB 200,000.00 was frozen by the court because the due debt was not repaid in due course,

(V) REASONS ON SIGNIFICANT CHANGE IN PROFIT CONSTITUENTS, PRINCIPAL BUSINESS AND ITS STRUCTURE AND PROFITABILITY OF THE PRINCIPAL BUSINESS COMPARED TO THE PREVIOUS REPORTING PERIOD:

There are no material changes in principal business and its structure and profitability of the principal Business.

(VI) INVESTMENTS DURING THE REPORTING PERIOD

During the reporting period, the Company had neither raised capital nor situation under which the usage of raised capital prior to the reporting period needed to extend to the reporting period.

During the reporting period, an investment of RMB10 million incurred due to the relocation of North Plant of the wholly-owned subsidiary Fuxin Enclosed Busbar Co., Ltd. and New Plant Construction Project and the total investment is RMB60 million.

(VII) PROSPECT OF THE COMPANY'S FUTURE DEVELOPMENT

(I) Industry development trend and competition pattern

Due to impact by the macroeconomic situation, China's economic growth is expected to slow down, and China will continue to deepen structural reforms on the supply side. The focus of power grid construction will shift towards the construction of UHV power transmission cables and smart grids; the proportion of clean energy power generation will go up; thermal power generation units will develop towards large-capacity, high-parameter, and environment-friendly units. In 2018, the macro-economy of China is expected to maintain steady growth, and economic structural adjustments and continued supply-side reforms will have a negative impact on some sectors of the national economy. It is anticipated that domestic economic adjustments will probably have an adverse impact on the power industry, especially the thermal power industry, which will lead to insufficient demand and decreased benefits in the power industry and its downstream industries, thereby further affecting the Company's future performance.

(II) Corporate development strategy

2018 will be a crucial year in the Company's fulfillment of transformative development. The Company will take the initiative to adjust to the new normal of economic development of the country, the new landscape of energy development, and the new trend of innovation development; meanwhile, the company will focus on branding as a priority strategy and utilize its resource integration capability to achieve optimized resource configuration and high-efficient usage. The Company will boost the status of its products in the core competitiveness of market and reinforce the business foundation by centering on quality improvement, led by market development, driven by technological innovation and guaranteed by team building and talent cultivation; energetically promote the Company's asset structure adjustment and rebuild the Company's industrial structure.

(III) Business plan for the new year

The Company will focus on optimizing its industrial distribution and comprehensively deepening reforms as the priorities in an effort to achieve reform, innovation, improved quality, and enhanced efficiency. Additionally, the Company will improve its internal control system and strengthen internal management to enhance its operation efficiency and core competitiveness. These measures are aimed at achieving breakthroughs in operation and reversing the trend of performance declines. We will make great efforts to seize the opportunity, make full use of the capital market platform, adjust and change the main business and business strategy, enhance the sustainable profitability and comprehensive competition strength of listed company, promote development of listed company, and protect the interests of all shareholders, especially minority shareholders, to the maximum extent.

In 2018, the Company will put an emphasis on work in the following aspects:

1. Improve the corporate governance structure further, drive the management team to shift in thinking, make exploration and innovation, broaden sources of income and reduce expenditure actively, stimulate vitality, energy and creativity of the management team, and promote and boost the development and innovation capabilities of the Company
2. Under support of the new major shareholder, the Company will change the business development idea positively, create conditions to adjust the industrial structure gradually, promote industrial upgrade, improve the Company's sustained operation capacity, profitability and asset quality, and strengthen the Company's risk resistance ability and core competitiveness.
3. The Company will constantly improve the working standards and perfect the internal control system according to the standard operation requirements of listed companies, establish a sound enterprise operation organization mechanism, perfect all the internal control systems constantly, reinforce risk control measures, and reduce business risks of the Company. Moreover, the Company will make its internal control systems operable, put an end to situations damaging the interests of listed company and shareholders, and ensure fulfillment of the Company's business objectives.

4. The Company will follow the guidance of China's 13th Five-Year Development Plan to invest in the construction of new plants (in combination with the relocation of Fuxin Enclosed Busbars Co., Ltd), adjust its product mix in a timely manner, increase its R&D efforts of new products, and expand the production and sales of busbar products. By strengthening quality management and upgrading product technologies, the Company will improve product quality dramatically. Meanwhile, the Company will introduce performance assessment incentives to encourage breakthroughs in new areas, improve the profitability, market share, and influence of main products, and improve its corporate image.
5. At present, the costs of upstream components of solar photovoltaic power stations continue dropping, and the country upholds a series of favorable policies that support clean energies and support poverty alleviation through photovoltaic power generation in rural areas. Meanwhile, the photovoltaic power stations operated by the Company have steady cash flow returns, and the market prospect is rosy. By utilizing the 30MW photovoltaic power station construction capability (productivity: RMB 150 million) and product technologies of Northeast Electric (Chengdu) Power Engineering Design Co. (a subsidiary controlled by the Company), the Company will choose proper timing for launching photovoltaic power construction EPC projects based on the future demand of the photovoltaic power generation market to foster new economic growth drivers.
6. To obtain new space for development, the Company, reliant on its wholly-owned subsidiary Shanghai KaiXin Internet Technology Development Co., will research and explore new business sectors, and utilize the existing resources and talent advantages of its substantial shareholders in modern service industries to launch new business and develop new industries, thereby expanding the business scope of the Company, improving its asset portfolio, and bringing fresh energy into its sustained operation. The revenue and profits generated from such new business will help the Company expand from the traditional manufacturing sector to modern service industries.

7. The Company will actively advance the approval process of new privately-issued H shares at securities supervision authorities, adopt equity financing to further optimize its main business, and proactively explore new business sectors to enhance its core competitiveness and sustainable development capability.
8. Based on operation needs, the Company will divest low-efficiency assets, transfer some non-operating business, and transfer shares and non-operating assets of major loss-making subsidiaries in due time, thereby increasing the cash flow and effectively improving the operation condition.

The Company's above outlook for future development does not constitute any substantial commitment of the Company to investors. Wide investors need to be aware of risks attached to investment.

(IV) Financial status

In 2018, The Company will actively expand financing channels to ensure smooth sources of funding, and further improve the financing structure to reduce the financial cost.

(V) Risks in front of the Company and countermeasures

1. Market risks coming along with macroeconomic environment

The Company falls into the electric transmission and transformation equipment manufacturing industry and is closely related to the demand of power equipment industry, and the prosperity degree of product industry is also directly related to the national economy and affects the corporate performance greatly. The Company will continue to pay attention to the impact on the industry by the national macro economy and global economy.

2. Market competition risks

The power capacitors and enclosed busbar products produced by the Company are the main sources of the Company's primary businesses, but the average profit level of the industry is affected adversely due to the growing market competition. As a result, the Company's product gross margin level and profitability were reduced. The Company will continually enhance the technical level, strengthen the innovation capacity, expand the productivity scale, and improve the business management efficiency to stop the aforementioned declines in revenue, gross margins of products, and product profitability.

3. Risk of strategic transformation

To ensure sustainable development of the Company in the medium and long terms, the Company is seeking strategic transformation, and deploying industries showing good prospects for development. If the Company fails to implement countermeasures due to various reasons, the Company may be confronted with the risk of slowdown in the strategic transformation process or even failure. The Company will energetically promote the related work, look for related businesses, and adopt reliable means to realize strategic transformation gradually.

4. Special treatment (ST) risk admonition

Whereas the Company's audited net profits were consecutively negative in the 2016 and 2017 accounting periods and the Company's net assets were also negative at the end of 2017, pursuant to article 13.2.1 of the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, Shenzhen Stock Exchange has the right to issue an ST risk admonition to the A share of the Company. In order to enhance its capabilities of sustainable development and profitability, improve its asset quality, and boost its long-term healthy development, the Company will take comprehensive measures to improve its sustainable operation capability and work hard for the withdrawal of that ST risk admonition.

(VIII) Social responsibilities:

1. Performance of the social responsibility for targeted poverty alleviation

Applicable Not applicable

2. Performance of other social responsibilities

The Company attaches importance to social responsibilities and constantly improves corporate governance. In practice, it pursues harmonious development between the enterprise and the employees, society and nature, pays back the community through concrete actions, and creates a harmonious corporate development environment. The most fundamental social responsibility of the Company is to guarantee the interests of shareholders, especially minority stockholders.

The Company defines the shareholders' meeting convening, holding and voting procedures in strict accordance with provisions and requirements of the Articles of Association and the Rules of Procedure of Shareholders' Meeting, and adopts a legitimate and effective manner to enable more shareholders to attend the shareholders' meeting and to ensure shareholders' information, participation and voting rights regarding major issues of the Company. The Company seriously performs the obligation of information disclosure and treats all the investors in line with the principles of fairness, justice and openness.

The Company reinforces investor relations management in accordance with the Regulations on Information Management, specifying that the board secretary of the Company is the person responsible for investor relations management and shall organize and carry out routine management of investor relations. During the reporting period, the Company strengthens communications with investors by using the interaction platform of investor relations and receiving calls, and promotes sustainable and healthy development of the Company jointly.

3. Information relating to environmental protection

Whether or not the listed company and its subsidiary are among a list major entities discharging pollutants released by environmental protection departments

Following the Company's inspections, the Company and its holding subsidiary were not among a list of major entities discharging pollutants released by environmental protection departments. The Company and its subsidiary strictly implemented environmental protection-related laws and regulations such as "Environmental Protection Law of the People's Republic of China," "Water Pollution Prevention and Control Law of the People's Republic of China," "Atmospheric Pollution Prevention and Control Law of the People's Republic of China," "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution," and "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes." No penalties were imposed due to violations of laws and regulations during the reporting period.

(IX) Analysis of the Company's financial status under the Hong Kong Financial Reporting Standards

The Company's cash liquidity, financial resources, capital structure and assets pledged during the reporting period:

At the end of the year, the balance of monetary fund was RMB45,175,761.77.

There is no obvious seasonal principle in the Company's funding requirements.

The funds are mainly satisfied by: firstly, the cash flow from the Company's inflow of operating cash; secondly, the borrowings from financial institutions.

At the end of the year 2016, the Company had bank loans amounting to RMB0, representing 0% of the total assets. These bank loans bear floating interest rate.

The debt equity ratio of the Company was 0% (debt equity ratio= total bank loan/total share capital reserve * 100%).

At the end of the year 2017, the Company had fixed asset and land with net book value of RMB 0 as security.

Please refer to Notes to the Consolidated Financial Statements for contingencies.

To improve its financial management, the Company and its subsidiaries (collectively as “the Group”) has established a strict system for internal control on cash and fund management. Financial liquidity and debt paying ability of the Group are in the status of continued operations.

Significant investment, acquisition or asset disposal during the reporting period are detailed in “Investment of the Company” of this section.

The classification of the Group’s results was detailed in “Operation of the Company during the reporting period” of this section.

The prediction about the investment plan of the Group for the following year was detailed in “Subsequent Events”.

The effects of exchange rate risk on the Group were less as it chose RMB as its functional currency in assets and liabilities.

The Group took the following measures to reduce the risk of currency fluctuation. First, it raised the prices of export products. Second, when signing export contracts involving more money, it agreed with its partners in advance to jointly bear the exchange risks that were beyond their established limit of currency fluctuation. Third, it made full efforts to sign forward settlement agreement with financial institutions so as to focus the exchange rate and avoid the risk.

6. Accounting statements prepared according to Chinese Accounting Standards for Business Enterprises

(I) Financial report

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|--|-----------------------|-----------------------|
| Current assets | | |
| Monetary funds | 45,175,761.77 | 27,600,371.44 |
| Financial assets measured by fair value with changes in fair value recognised in profit or loss | | |
| Derivative financial assets | | |
| Notes receivable | 15,878,744.00 | 2,618,650.00 |
| Accounts receivable | 76,253,768.68 | 136,074,792.34 |
| Advances to suppliers | 1,878,311.93 | 543,352.21 |
| Interests receivable | | |
| Dividends receivable | | |
| Other receivables | 3,123,072.43 | 71,024,930.24 |
| Inventories | 11,533,044.52 | 14,991,583.86 |
| Held-for-sale assets | | |
| Non-current assets due within one year | | |
| Other current assets | 3,696,251.15 | 2,410,131.45 |
| Total current assets | 157,538,954.48 | 255,263,811.54 |

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|---------------------------------------|-----------------------|-----------------------|
| Non-current assets | | |
| Available-for-sale financial assets | 31,760,858.70 | 55,074,754.24 |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 19,463,641.61 | 25,000,000.00 |
| Investment properties | | |
| Fixed assets | 35,705,865.32 | 41,844,623.66 |
| Construction in progress | 42,553,751.05 | 6,415,346.77 |
| Materials held for construction | | |
| Disposal of fixed assets | 629,668.46 | 629,668.46 |
| Biological assets held for production | | |
| Oil and gas assets | | |
| Intangible assets | 16,664,015.40 | 17,063,511.60 |
| Development expenditure | | |
| Goodwill | 72,097.15 | 72,097.15 |
| Deferred charges | 1,545,177.16 | 466,515.79 |
| Deferred tax assets | | |
| Other non-current assets | 302,881.71 | |
| Total non-current assets | 148,697,956.56 | 146,566,517.67 |
| Total asset | 306,236,911.04 | 401,830,329.21 |

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|--|-------------------------|-------------------------|
| Current liabilities | | |
| Short-term borrowings | | 29,000,000.00 |
| Financial liabilities measured by fair value with changes in fair value recognised in profit or loss | | |
| Derivative financial liabilities | | |
| Notes payable | 40,000.00 | 1,845,000.00 |
| Accounts payable | 21,501,715.83 | 34,672,564.45 |
| Advances from customers | 4,185,139.12 | 7,654,564.12 |
| Employment benefits payable | 3,022,542.03 | 3,199,858.76 |
| Taxes and fees payable | 341,620.35 | 794,793.64 |
| Interests payable | | 42,777.77 |
| Dividends payable | 40,017.86 | 40,017.86 |
| Other payables | 365,420,737.42 | 45,371,142.65 |
| Held-for-sale liabilities | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | | |
| Total current liabilities | 394,551,772.61 | 122,620,719.25 |
| Non-current liabilities | | |
| Long-term borrowings | | |
| Debt instruments payable | | |
| Including: Preferred shares | | |
| Sustainable debts | | |
| Long-term payables | | |
| Long-term employee benefits payable | | |
| Designated payables | 30,965,484.89 | 10,609,500.00 |
| Provisions | 75,360,671.25 | 60,721,078.25 |

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|---|------------------------|-----------------------|
| Deferred income | | |
| Deferred tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 106,326,156.14 | 71,330,578.25 |
| Total liabilities | 500,877,928.75 | 193,951,297.50 |
| Shareholders' equity | | |
| Share capital | 873,370,000.00 | 873,370,000.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Sustainable debts | | |
| Capital reserves | 883,422,403.92 | 883,422,403.92 |
| Less: Treasury shares | | |
| Other comprehensive income | -29,869,066.75 | -25,504,988.44 |
| Designated reserves | | |
| Surplus reserves | 108,587,124.40 | 108,587,124.40 |
| Provision for General risks | | |
| Retained earnings | -2,034,142,303.59 | -1,637,084,660.40 |
| Equity attributable to shareholders of the Parent | -198,631,842.02 | 202,789,879.48 |
| Minority interests | 3,990,824.31 | 5,089,152.23 |
| Total shareholders' equity | -194,641,017.71 | 207,879,031.71 |
| Total liabilities and shareholders' equity | 306,236,911.04 | 401,830,329.21 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao XunChief Accounting Officer: Qian Kouming

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|---|------------------------|-----------------------|
| Total revenue | 32,985,857.66 | 63,514,424.29 |
| Including: Revenue from operation | 32,985,857.66 | 63,514,424.29 |
| Total operating costs | 121,144,688.70 | 156,257,563.75 |
| Including: Cost for operation | 25,969,499.69 | 53,950,131.49 |
| Taxes and surcharges | 1,335,946.97 | 1,132,929.81 |
| Selling expenses | 5,791,491.04 | 10,002,737.76 |
| Administrative expenses | 45,174,713.73 | 35,493,767.80 |
| Financial costs | 1,061,942.38 | 534,886.47 |
| Loss on asset impairment | 41,811,094.89 | 55,143,110.42 |
| Add: Gain from changes in fair value (loss presented with "-" prefix) | | |
| Investment income (loss presented with "-" prefix) | -9,396.59 | 427,114.97 |
| Including: Investment income from associates and joint ventures | -9,396.59 | -8,186.51 |
| Gain on disposal of non-current assets (loss presented by "-" prefix) | | -356,126.50 |
| Other income and gain | 50,000.00 | |
| Profit from operation (loss presented with "-" prefix) | -88,118,227.63 | -92,672,150.99 |
| Add: Non-operating income | 1,218,806.22 | 44,931.23 |
| Including: Gain on scrapping of non-current assets | | |
| Less: Non-operating expenses | 311,092,729.89 | 4,436.53 |
| Including: Loss on scrapping of non-current assets | 177,333.23 | 3,015.56 |
| Profit before taxation (loss presented with "-" prefix) | -397,992,151.30 | -92,631,656.29 |
| Less: Income tax expenses | 163,819.81 | 6,956,896.84 |
| Net profit (loss presented with "-" prefix) | -398,155,971.11 | -99,588,553.13 |

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|--|----------------------|---------------------|
| A. Classified by business continuity | | |
| 1. Net profit from continued operations (loss presented with "-" prefix) | -398,155,971.11 | -99,588,553.13 |
| 2. Net profit from discontinued operations (loss presented with "-" prefix) | | |
| B. Classified by ownership | | |
| 1. Net profit attributable to minority interests (loss presented with "-" prefix) | -1,098,327.92 | -94,799.02 |
| 2. Net profit attributable to shareholders of the Parent (loss presented with "-" prefix) | -397,057,643.19 | -99,493,754.11 |
| After-tax other comprehensive income | -4,364,078.31 | 5,296,521.13 |
| After-tax other comprehensive income attributable to shareholders of the parent | -4,364,078.31 | 5,296,521.13 |
| A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods | | |
| 1. Remeasurement of net assets or net liabilities of defined benefit plans | | |
| 2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss | | |
| B. Other comprehensive income reclassifiable to profit or loss in subsequent periods | -4,364,078.31 | 5,296,521.13 |
| 1. Share of other comprehensive income of investees measured by the equity method reclassifiable to profit or loss | | |
| 2. Gain or loss on changes in fair value of financial assets available for sale | | |

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|--|------------------------|-----------------------|
| 3. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale | | |
| 4. Effective elements of gain or loss of cash flow hedges | | |
| 5. Exchange difference on translation of foreign financial statements | -4,364,078.31 | 5,296,521.13 |
| 6. Others | | |
| After-tax other comprehensive income attributable to minority interests | | |
| Total comprehensive income | -402,520,049.42 | -94,292,032.00 |
| Total comprehensive income attributable to shareholders of the Parent | -401,421,721.50 | -94,197,232.98 |
| Total comprehensive income attributable to minority interests | -1,098,327.92 | -94,799.02 |
| Earning per share | | |
| A. Basic earning per share | -0.45 | -0.11 |
| B. Diluted earning per share | -0.45 | -0.11 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao XunChief Accounting Officer: Qian Kouming

Consolidated Statement of Cash Flows (2017)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Cash received for sales of goods and rendering of services | 67,838,754.27 | 59,920,025.54 |
| Tax refund received | | |
| Other cash receipts relating to operating activities | 78,005,070.48 | 30,973,801.69 |
| Cash inflows from operating activities | 145,843,824.75 | 90,893,827.23 |
| Cash payments for purchase of goods and services | 34,077,326.85 | 41,045,693.61 |
| Cash paid to or on behalf of employees | 25,376,336.83 | 27,359,908.32 |
| Taxes and fees paid | 2,496,257.11 | 8,132,380.21 |
| Other cash payments relating to operating activities | 37,932,086.51 | 44,247,327.94 |
| Cash outflows for operating activities | 99,882,007.30 | 120,785,310.08 |
| Net cash flows from operating activities | 45,961,817.45 | -29,891,482.85 |
| Cash flows from investing activities | | |
| Cash received from investment withdrawal | – | 90,800,000.00 |
| Cash investment income received | – | 367,369.30 |
| Net cash received from disposal of fixed assets, intangible assets or other non-current assets | – | 831,918.09 |
| Net cash received from disposal of subsidiaries or other invested entities | – | |
| Other cash receipts relating to investing activities | | |
| Cash inflows from investing activities | – | 91,999,287.39 |
| Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets | 17,344,848.24 | 13,472,160.24 |
| Cash paid for investment | | 90,800,000.00 |
| Net cash paid for acquisition of subsidiaries and other invested entities | | 2,450,917.47 |
| Other cash payments relating to investing activities | 31,405,000.00 | 53,721,509.80 |
| Cash outflows for investing activities | 48,749,848.24 | 160,444,587.51 |

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Net cash flows from investing activities | -48,749,848.24 | -68,445,300.12 |
| Cash flows from financing activities | | |
| Cash received from investors | | |
| Including: Cash received from minority shareholders of subsidiaries | | |
| Cash received from loans raised | 7,000,000.00 | 29,000,000.00 |
| Cash received from debt instruments issued | | |
| Other cash receipts relating to financing activities | 20,355,984.89 | |
| Cash inflows from financing activities | 27,355,984.89 | 29,000,000.00 |
| Cash paid for debt repayment | 36,000,000.00 | 9,000,000.00 |
| Cash paid for dividends, profit distribution and interests | 849,695.25 | 803,581.43 |
| Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries | | |
| Other cash payments relating to financing activities | 1,772,500.00 | |
| Cash outflows for financing activities | 38,622,195.25 | 9,803,581.43 |
| Net cash flows from financing activities | -11,266,210.36 | 19,196,418.57 |
| Impact of change of foreign exchange rates on cash and cash equivalents | -26,227.29 | 26,268.92 |
| Net increase of cash and cash equivalents | -14,080,468.44 | -79,114,095.48 |
| Add: cash and cash equivalents brought forward | 22,488,930.21 | 101,603,025.69 |
| Cash and cash equivalents carried forward | 8,408,461.77 | 22,488,930.21 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun

Chief Accounting Officer: Qian Kouming

Consolidated Statement of Changes in Shareholders' Equity (2017)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | Equity attributable to shareholders of the Parent | | | | | | | | | | Total interest shareholders' equity |
|--|---|------------------|-------------------|--------------------------|----------------------------|---------------------|------------------|-----------------------------|-------------------|---------------|-------------------------------------|
| | Share capital | Preferred shares | Sustainable debts | Other equity instruments | Other comprehensive income | Designated reserves | Surplus reserves | Provision for general risks | Retained earnings | Minority | |
| Balance brought forward | 873,370,000.00 | - | - | - | -25,504,988.44 | - | 108,587,124.40 | - | -1,637,084,660.40 | 5,089,152.23 | 207,879,031.71 |
| Add: Changes of accounting policies | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| Balance as at 1 January | 873,370,000.00 | | | | -25,504,988.44 | | 108,587,124.40 | | -1,637,084,660.40 | 5,089,152.23 | 207,879,031.71 |
| Changes for the period (decrease presented by "-" prefix) | | | | | | | | | | | |
| 1. Total comprehensive income | | | | | -4,364,078.31 | | | | -397,057,643.19 | -1,098,327.92 | -402,520,049.42 |
| 2. Changes in shareholders' contribution | | | | | | | | | | | |
| a. Capital contributed | | | | | | | | | | | |
| b. Contribution by holders of other equity instruments | | | | | | | | | | | |
| c. Share-based payments directly recognised in equity | | | | | | | | | | | |
| d. Others | | | | | | | | | | | |

Consolidated Statement of Changes in Shareholders' Equity (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | Equity attributable to shareholders of the Parent | | | | | | | | | | Minority interest shareholders' equity | Total | | | | | |
|--|---|------------------|-------------------|--------|------------------|----------------|----------------------------|----------------|---------------------|------------------|--|-------------------|-----------------------------|-------------------|--|-----------------|--|
| | Share capital | Preferred shares | Sustainable debts | Others | Capital reserves | Treasury stock | Less: comprehensive income | Other | Designated reserves | Surplus reserves | | | Provision for general risks | Retained earnings | | | |
| 3. Profit distribution | | | | | | | | | | | | | | | | | |
| a. Recognition of surplus reserves | | | | | | | | | | | | | | | | | |
| b. Recognition of provision for general risks | | | | | | | | | | | | | | | | | |
| c. Distribution to shareholders | | | | | | | | | | | | | | | | | |
| d. Others | | | | | | | | | | | | | | | | | |
| 4. Movements within equity | | | | | | | | | | | | | | | | | |
| a. Capital reserves transferred to share capital | | | | | | | | | | | | | | | | | |
| b. Surplus reserves transferred to share capital | | | | | | | | | | | | | | | | | |
| c. Loss set-off by surplus reserves | | | | | | | | | | | | | | | | | |
| d. Others | | | | | | | | | | | | | | | | | |
| 5. Designated reserves | | | | | | | | | | | | | | | | | |
| a. Recognition during the current period | | | | | | | | | | | | | | | | | |
| b. Withdrawal during the current period | | | | | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | | | | | |
| Balance carried forward | 87,337,000.00 | | | | 883,422,403.92 | | | -29,869,066.75 | | 108,597,124.40 | | -2,034,142,303.59 | | 3,990,824.31 | | -194,641,017.71 | |

Legal Representative: Su Jianguhua Chief Financial Officer: Xiao Xun Chief Accounting Officer: Qian Kouming

Consolidated Statement of Changes in Shareholders' Equity (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2016 | | Equity attributable to shareholders of the Parent | | | | | | Total shareholders' equity | | | | |
|---|----------------|------------------|---|--------|------------------|----------------|----------------------------|----------------------------|----------------------------|---------------------|-----------------------------|-------------------|-------------------|
| | Share capital | Preferred shares | Sustainable debts | Others | Capital reserves | Treasury stock | Less: comprehensive income | Other comprehensive income | | Designated reserves | Provision for general risks | Retained earnings | Minority interest |
| Balance brought forward | 873,370,000.00 | | | | 883,422,403.92 | | | -30,801,509.57 | | 108,597,124.40 | -1,537,590,906.29 | 353,221.07 | 297,340,333.53 |
| Add: Changes of accounting policies | | | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| Balance as at 1 January | 873,370,000.00 | | | | 883,422,403.92 | | | -30,801,509.57 | | 108,597,124.40 | -1,537,590,906.29 | 353,221.07 | 297,340,333.53 |
| Changes for the period (decrease presented by "-", prefix) | | | | | | | | | | | | | |
| 1. Total comprehensive income | | | | | | | | 5,296,521.13 | | | -99,493,754.11 | 4,735,931.16 | -89,461,301.82 |
| 2. Changes in shareholders' contribution | | | | | | | | 5,296,521.13 | | | -99,493,754.11 | -94,799.02 | -94,292,032.00 |
| a. Capital contributed | | | | | | | | | | | | 4,830,730.18 | 4,830,730.18 |
| b. Contribution by holders of other equity instruments | | | | | | | | | | | | | |
| c. Share-based payments directly recognised in equity | | | | | | | | | | | | | |
| d. Others | | | | | | | | | | | | | 4,830,730.18 |

Consolidated Statement of Changes in Shareholders' Equity (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2016 | | | | | | | | | | Total shareholders' equity | |
|--|---|------------------|--------------------------|------------------|----------------|----------------------------|----------------|-------------------|-------------------|----------------------------|----------------------------|-----------------------------|
| | Equity attributable to shareholders of the Parent | | | Other | | | | Retained earnings | Minority interest | Total shareholders' equity | | |
| | Share capital | Preferred shares | Other equity instruments | Capital reserves | Treasury stock | Less: comprehensive income | Other | | | | Surplus reserves | Provision for general risks |
| 3. Profit distribution | | | | | | | | | | | | |
| a. Recognition of surplus reserves | | | | | | | | | | | | |
| b. Recognition of provision for general risks | | | | | | | | | | | | |
| c. Distribution to shareholders | | | | | | | | | | | | |
| d. Others | | | | | | | | | | | | |
| 4. Movements within equity | | | | | | | | | | | | |
| a. Capital reserves transferred to share capital | | | | | | | | | | | | |
| b. Surplus reserves transferred to share capital | | | | | | | | | | | | |
| c. Loss set-off by surplus reserves | | | | | | | | | | | | |
| d. Others | | | | | | | | | | | | |
| 5. Designated reserves | | | | | | | | | | | | |
| a. Recognition during the current period | | | | | | | | | | | | |
| b. Withdrawal during the current period | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | |
| Balance carried forward | 873,370,000.00 | | | 883,422,403.92 | | -25,504,988.44 | 108,587,124.40 | -1,637,084,660.40 | 5,089,152.23 | | | 207,879,031.71 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun Chief Accounting Officer: Qian Kouming

Statement of Financial Position (2017)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|--|-------------------------|-------------------------|
| Current assets | | |
| Monetary funds | 20,119.58 | 49,760.27 |
| Financial assets measured by fair value with changes in fair value recognised in profit or loss | | |
| Derivative financial assets | | |
| Notes receivable | | |
| Accounts receivable | 497,804.72 | 746,707.07 |
| Advances to suppliers | 1,668,168.36 | |
| Interests receivable | | |
| Dividends receivable | | |
| Other receivables | 270,790,205.23 | 307,399,040.24 |
| Inventories | | |
| Held-for-sale assets | | |
| Non-current assets due within one year | | |
| Other current assets | 363,531.99 | 94,711.67 |
| Total current assets | 273,339,829.88 | 308,290,219.25 |

Statement of Financial Position (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|---------------------------------------|-----------------------|-----------------------|
| Non-current assets | | |
| Available-for-sale financial assets | | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 56,436,473.03 | 106,919,936.99 |
| Investment properties | | |
| Fixed assets | 46,373.60 | 47,828.87 |
| Construction in progress | | |
| Materials held for construction | | |
| Disposal of fixed assets | | |
| Biological assets held for production | | |
| Oil and gas assets | | |
| Intangible assets | | |
| Development expenditure | | |
| Goodwill | | |
| Deferred charges | 1,018,224.11 | |
| Deferred tax assets | | |
| Other non-current assets | | |
| Total non-current assets | 57,501,070.74 | 106,967,765.86 |
| Total asset | 330,840,900.62 | 415,257,985.11 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun

Chief Accounting Officer: Qian Kouming

Statement of Financial Position (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|--|-----------------------|----------------------|
| Current liabilities | | |
| Short-term borrowings | | 20,000,000.00 |
| Financial liabilities measured by fair value with changes in fair value recognised in profit or loss | | |
| Derivative financial liabilities | | |
| Notes payable | | |
| Accounts payable | | |
| Advances from customers | 581,743.59 | 581,743.59 |
| Employment benefits payable | 908,719.52 | 161,013.22 |
| Taxes and fees payable | 27,037.06 | 97,119.68 |
| Interests payable | | 42,777.77 |
| Dividends payable | | |
| Other payables | 329,433,337.90 | 31,978,918.05 |
| Held-for-sale liabilities | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | | |
| Total current liabilities | 330,950,838.07 | 52,861,572.31 |
| Non-current liabilities | | |
| Long-term borrowings | | |
| Debt instruments payable | | |
| Including: Preferred shares | | |
| Sustainable debts | | |
| Long-term payables | | |
| Long-term employee benefits payable | | |
| Designated payables | | |
| Provisions | 75,360,671.25 | 60,721,078.25 |

Statement of Financial Position (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

as of 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 31 December 2017 | 31 December 2016 |
|---|-----------------------|-----------------------|
| Deferred income | | |
| Deferred tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 75,360,671.25 | 60,721,078.25 |
| Total liabilities | 406,311,509.32 | 113,582,650.56 |
| Shareholders' equity | | |
| Share capital | 873,370,000.00 | 873,370,000.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Sustainable debts | | |
| Capital reserves | 995,721,167.46 | 995,721,167.46 |
| Less: Treasury shares | | |
| Other comprehensive income | | |
| Designated reserves | | |
| Surplus reserves | 108,587,124.40 | 108,587,124.40 |
| Provision for General risks | | |
| Retained earnings | -2,053,148,900.56 | -1,676,002,957.31 |
| Total shareholders' equity | -75,470,608.70 | 301,675,334.55 |
| Total liabilities and shareholders' equity | 330,840,900.62 | 415,257,985.11 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun

Chief Accounting Officer: Qian Kouming

Statement of Comprehensive Income (2017)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|---|------------------------|----------------------|
| Revenue from operation | | |
| Less: Cost for operation | | |
| Taxes and surcharges | 1,662.30 | 8,538.42 |
| Selling expenses | | |
| Administrative expenses | 15,375,551.17 | 8,284,388.22 |
| Financial costs | 655,240.86 | 319,840.71 |
| Loss on asset impairment | 50,740,598.92 | 515,469.93 |
| Add: Gain from changes in fair value (loss presented with "-" prefix) | | |
| Investment income (loss presented with "-" prefix) | | |
| Including: Investment income from associates and joint ventures | | |
| Gain on disposal of non-current assets (loss presented by "-" prefix) | | |
| Other income and gain | | |
| Profit from operation (loss presented with "-" prefix) | -66,773,053.25 | -9,128,237.28 |
| Add: Non-operating income | | |
| Including: Gain on scrapping of non-current assets | | |
| Less: Non-operating expenses | 310,372,890.00 | 3,015.56 |
| Including: Loss on scrapping of non-current assets | | 3,015.56 |
| Profit before taxation (loss presented with "-" prefix) | -377,145,943.25 | -9,131,252.84 |

Statement of Comprehensive Income (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|--|------------------------|----------------------|
| Less: Income tax expenses | | |
| Net profit (loss presented with "-" prefix) | -377,145,943.25 | -9,131,252.84 |
| A. Net profit from continued operations (loss presented with "-" prefix) | -377,145,943.25 | -9,131,252.84 |
| B. Net profit from discontinued operations (loss presented with "-" prefix) | | |
| After-tax other comprehensive income | | |
| A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods | | |
| 1. Remeasurement of net assets or net liabilities of defined benefit plans | | |
| 2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss | | |
| B. Other comprehensive income reclassifiable to profit or loss in subsequent periods | | |
| 1. Share of other comprehensive income of investees measured by the equity method reclassifiable to profit or loss | | |
| 2. Gain or loss on changes in fair value of financial assets available for sale | | |
| 3. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale | | |
| 4. Effective elements of gain or loss of cash flow hedges | | |
| 5. Exchange difference on translation of foreign financial statements | | |
| 6. Others | | |
| Total comprehensive income | -377,145,943.25 | -9,131,252.84 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun

Chief Accounting Officer: Qian Kouming

Statement of Cash Flows (2017)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Cash received for sales of goods and rendering of services | | |
| Tax refund received | | |
| Other cash receipts relating to operating activities | 148,908,008.13 | 6,942,164.33 |
| Cash inflows from operating activities | 148,908,008.13 | 6,942,164.33 |
| Cash payments for purchase of goods and services | | |
| Cash paid to or on behalf of employees | 4,198,407.96 | 4,221,651.58 |
| Taxes and fees paid | 7,350.90 | 17,178.97 |
| Other cash payments relating to operating activities | 119,559,906.85 | 17,234,381.38 |
| Cash outflows for operating activities | 123,765,665.71 | 21,473,211.93 |
| Net cash flows from operating activities | 25,142,342.42 | -14,531,047.60 |
| Cash flows from investing activities | | |
| Cash received from investment withdrawal | | |
| Cash investment income received | | |
| Net cash received from disposal of fixed assets, intangible assets or other non-current assets | | |
| Other cash receipts relating to investing activities | | |
| Cash inflows from investing activities | | |
| Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets | 1,525,872.00 | 48,016.94 |
| Cash paid for investment | | 5,100,000.00 |
| Other cash payments relating to investing activities | | |
| Cash outflows for investing activities | 2,930,872.00 | 5,148,016.94 |
| Net cash flows from investing activities | -2,930,872.00 | -5,148,016.94 |

Statement of Cash Flows (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | 2016 |
|--|-----------------------|----------------------|
| Cash flows from financing activities | | |
| Cash received from investors | | |
| Cash received from loans raised | | 20,000,000.00 |
| Cash received from debt instruments issued | | |
| Other cash receipts relating to financing activities | | |
| Cash inflows from financing activities | | 20,000,000.00 |
| Cash paid for debt repayment | 20,000,000.00 | |
| Cash paid for dividends, profit distribution and interests | 468,611.11 | 273,833.66 |
| Other cash payments relating to financing activities | 1,772,500.00 | |
| Cash outflows for financing activities | 22,241,111.11 | 273,833.66 |
| Net cash flows from financing activities | -22,241,111.11 | 19,726,166.34 |
| Impact of change of foreign exchange rates on cash and cash equivalents | | |
| Net increase of cash and cash equivalents | -29,640.69 | 47,101.80 |
| Add: cash and cash equivalents brought forward | 49,760.27 | 2,658.47 |
| Cash and cash equivalents carried forward | 20,119.58 | 49,760.27 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun

Chief Accounting Officer: Qian Kouming

Statement of Changes in Shareholders' Equity (2017)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | | | | Less: Treasury stock | Other comprehensive income | Designated reserves | Surplus reserves | Provision for general risks | Retained earnings | Total shareholders' equity |
|---|----------------|------------------|-------------------|----------------|----------------------|----------------------------|---------------------|------------------|-----------------------------|-------------------|----------------------------|
| | Share capital | Preferred shares | Sustainable debts | Others | | | | | | | |
| Balance brought forward | 873,370,000.00 | | | 995,721,167.46 | | | 108,587,124.40 | | | -1,676,002,957.31 | 301,675,334.55 |
| Add: Changes of accounting policies | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| Balance as at 1 January | 873,370,000.00 | | | 995,721,167.46 | | | 108,587,124.40 | | | -1,676,002,957.31 | 301,675,334.55 |
| Changes for the period (decrease presented by "-") prefix) | | | | | | | | | | | |
| 1. Total comprehensive income | | | | | | | | | | | |
| 2. Changes in shareholders' contribution | | | | | | | | | | | |
| a. Capital contributed | | | | | | | | | | | |
| b. Contribution by holders of other equity instruments | | | | | | | | | | | |
| c. Share-based payments directly recognised in equity | | | | | | | | | | | |
| d. Others | | | | | | | | | | | |

Statement of Changes in Shareholders' Equity (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2017 | | | | Total shareholders' equity | | | | | | |
|--|-----------------------|------------------|-------------------|--------------------------|----------------------------|----------------------------|---------------------|-----------------------|-----------------------------|--------------------------|-----------------------|
| | Share capital | Preferred shares | Sustainable debts | Other equity instruments | | | | | | | |
| | | | Others | Capital reserves | Treasury stock | Less: comprehensive income | Designated reserves | Surplus reserves | Provision for general risks | Retained earnings | |
| 3. Profit distribution | | | | | | | | | | | |
| a. Recognition of surplus reserves | | | | | | | | | | | |
| b. Recognition of provision for general risks | | | | | | | | | | | |
| c. Distribution to shareholders | | | | | | | | | | | |
| d. Others | | | | | | | | | | | |
| 4. Movements within equity | | | | | | | | | | | |
| a. Capital reserves transferred to share capital | | | | | | | | | | | |
| b. Surplus reserves transferred to share capital | | | | | | | | | | | |
| c. Loss set-off by surplus reserves | | | | | | | | | | | |
| d. Others | | | | | | | | | | | |
| 5. Designated reserves | | | | | | | | | | | |
| a. Recognition during the current period | | | | | | | | | | | |
| b. Withdrawal during the current period | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | |
| Balance carried forward | 873,370,000.00 | | | | 995,721,167.46 | | | 108,587,124.40 | | -2,053,148,900.56 | -75,470,608.70 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun Chief Accounting Officer: Qian Kouming

Statement of Changes in Shareholders' Equity (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2016 | | | | | | | Total shareholders' equity | | | | | |
|---|----------------|------------------|-------------------|--------|------------------|----------------|----------------------------|----------------------------|--------------|---------------------|------------------|-----------------------------|-------------------|
| | Share capital | Preferred shares | Sustainable debts | Others | Capital reserves | Treasury stock | Less: comprehensive income | | Other income | Designated reserves | Surplus reserves | Provision for general risks | Retained earnings |
| Balance brought forward | 873,370,000.00 | | | | 979,214,788.45 | | | | | 108,587,124.40 | | -1,666,871,704.47 | 294,300,208.38 |
| Add: Changes of accounting policies | | | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| Balance as at 1 January | 873,370,000.00 | | | | 979,214,788.45 | | | | | 108,587,124.40 | | -1,666,871,704.47 | 294,300,208.38 |
| Changes for the period (decrease presented by "-") prefix) | | | | | | | | | | | | | |
| 1. Total comprehensive income | | | | | 16,506,379.01 | | | | | | | -9,131,252.84 | 7,375,126.17 |
| 2. Changes in shareholders' contribution | | | | | | | | | | | | | |
| a. Capital contributed | | | | | | | | | | | | | |
| b. Contribution by holders of other equity instruments | | | | | | | | | | | | | |
| c. Share-based payments directly recognised in equity | | | | | | | | | | | | | |
| d. Others | | | | | | | | | | | | | |

Statement of Changes in Shareholders' Equity (2017) (Continued)

For the year ended 31 December 2017 (Prepared in accordance with P.R.C. Accounting Rules and Regulations)

for the Year ended 31 December 2017

Prepared by: Northeast Electric Development Co., Ltd.

Currency: CNY

| Item | 2016 | | | | | | | Total shareholders' equity |
|--|----------------|------------------|-------------------|--------------------------|----------------------|----------------------------|------------------------------------|----------------------------|
| | Share capital | Preferred shares | Sustainable debts | Other equity instruments | Less: Treasury stock | Other comprehensive income | Designated reserves | |
| | | | | Others | Capital reserves | Surplus reserves | Surplus reserves for general risks | Retained earnings |
| 3. Profit distribution | | | | | | | | |
| a. Recognition of surplus reserves | | | | | | | | |
| b. Recognition of provision for general risks | | | | | | | | |
| c. Distribution to shareholders | | | | | | | | |
| d. Others | | | | | | | | |
| 4. Movements within equity | | | | | | | | |
| a. Capital reserves transferred to share capital | | | | | | | | |
| b. Surplus reserves transferred to share capital | | | | | | | | |
| c. Loss set-off by surplus reserves | | | | | | | | |
| d. Others | | | | | | | | |
| 5. Designated reserves | | | | | | | | |
| a. Recognition during the current period | | | | | | | | |
| b. Withdrawal during the current period | | | | | | | | |
| 6. Others | | | | | | | | |
| Balance carried forward | 873,370,000.00 | | | | 995,721,167.46 | 108,587,124.40 | -1,676,002,957.31 | 301,675,334.55 |
| | | | | | 16,506,379.01 | | | 16,506,379.01 |

Legal Representative: Su Jianghua Chief Financial Officer: Xiao Xun Chief Accounting Officer: Qian Kouming

(II) Events regarding the financial report

1. Description of changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year

applicable not applicable

(I) Change of accounting policies

1. Change of accounting policies due to the implementation of new accounting standards for business enterprises

On 28 April 2017, Ministry of Finance promulgated through Cai Kuai [2017] No.13 the Accounting Standards for Business Enterprises No.42 – Non-current assets Held for Sale, Disposal Group and Discontinued Operation, which was implemented on 28 May 2017. On 10 May 2017, Ministry of Finance promulgated through Cai Kuai [2017] No.15 the Accounting Standards for Business Enterprises No.16 – Government Subsidy (Revision 2017), which was implemented on 12 June 2017. The Company began to implement the aforesaid two accounting standards at the specific time required by Ministry of Finance.

The Accounting Standards for Business Enterprises No.42 – Non-current assets Held for Sale, Disposal Group and Discontinued Operation regulates the classification, measurement and presentation of the non-current assets held for sale or disposal group and the presentation of discontinued operation.

Before the implementation of the Accounting Standards for Business Enterprises No.16 – Government Subsidy (Revision 2017), the Company recorded the government subsidy it received into the non-operating income and recognized the asset-related government subsidy as the deferred income, which will be amortized evenly in the service life of the asset and recorded into profit and loss for the current period. After the implementation of the Accounting Standards for Business Enterprises No.16 – Government Subsidy (Revision 2017), the government subsidy related to daily activities and incurred after 1 January 2017 was recorded into other income, and the government subsidy unrelated to the daily activities was recorded into non-operating income and expenditure.

The implementation of the new Accounting Standards for Business Enterprises belonged to the change of accounting policies and was treated with the prospective application approach.

2. Other changes of accounting policies

The Company began to implement the relevant provisions of the Notice on Revising and Distributing Common Financial Statement Formats issued by Ministry of Finance (Cai Kuai (2017) No.30), and changed the presentation of the non-current asset disposal profit and loss from under “non-operating income” and “non-operating expenditure” to under “asset disposal income”. The retroactive adjustment approach is applied to this change in accounting policies.

In RMB

| SN | Contents and reasons for change of accounting policies | Approval procedure | Name of the affected statement item and amount |
|----|---|--------------------|---|
| | Retroactive adjustment approach | | |
| 1 | The Notice on Revising and Distributing Common Financial Statement Formats issued by Ministry of Finance (Cai Kuai (2017) No.30) | | In the previous year, the non-operating expenditure was reduced by RMB754,702.66, the non-operating income was reduced by RMB398,576.16, the amount of RMB-356,126.50 was reclassified to asset disposal income |
| 1 | Prospective application approach the Accounting Standards for Business Enterprises No.42 – Non-current assets Held for Sale, Disposal Group and Discontinued Operation (Cai Kuai [2017] No.13) | | - |
| 2 | the Accounting Standards for Business Enterprises No.16 – Government Subsidy (Revision 2017) (Revision [2017] No.15) | | - |

(II) Change of accounting estimates

The Company did not have any change of accounting estimates for the current year.

2. **Description of retrospective restatement of major accounting errors in the reporting period:**
Nil
3. **Description of changes in the consolidated statements as compared to the financial report for the previous year:** Nil.
4. **The board of directors and supervisory committee’s explanation to the “ modified audit report ” issued by CPAs for the reporting period:** Nil
5. **Preplan for distributing profits and converting capital reserve into share capital during this reporting period:**

In 2017, the Company realized a net profit attributable to shareholders of the listed company of RMB-397,057,643.19, and the profit available for distribution to shareholders at the end of the year was RMB -2,034,142,303.59. Therefore, the Board of Directors recommended not making distribution or converting the capital reserve into the share capital in the reporting period.

(III) Other explanations

1. **TURNOVER**

Turnover represents the sales value of goods sold less returns, discounts, rebates, value added taxes and other sales taxes, which may be analysed as follows:

| | 2017 | 2016 |
|---|----------------|----------------|
| Income from Sales of transmission machinery | RMB 32,985,000 | RMB 63,514,000 |

The Company recorded operating revenue of RMB32,985,857.66, including the income from principal operations of RMB32,985,857.66.

2. INCOME TAX

The Company is subject to income tax at the applicable rate of 25%. It had no assessable profits in Hong Kong during the reporting period.

3. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit attributable to equity holders of the Company of RMB -0.45 (2017: a profit of RMB-396,408,710.60) and 873,370,000 (2017: 873,370,000) shares in issue during the year.

No diluted earnings per share are calculated as there are no dilutive potential shares for the two years ended 31 December 2015 and 31 December 2017.

4. DIVIDENDS

No dividends was paid or proposed for the year ended 31 December 2017, no reserve funds were converted into capital (2016: No dividend was made).

5. Material litigation and arbitration

- (1) The litigation where the Tiexi District branch (Shenyang City) of the State-owned Assets Supervision and Administration Commission (“SASAC”) sued the Company, Shenyang High-voltage Switchgear Co., Ltd and New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd for the payment of allowance for staff.

According to the announcement made on 7 July 2017, the Tiexi District branch (Shenyang City) of State-owned Assets Supervision and Administration Commission (“SASAC”) brought litigation at Shenyang intermediate people’s court against Northeast Electric Development Co., Ltd, Shenyang High-voltage Switchgear Co., Ltd and New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd for the payment of allowance for staff, asking the court to order the defendant to pay the plaintiff the debt of RMB28.53 million plus the interest of RMB7,788,690 and the liquidated damages of RMB1,426,500, totally RMB37,745,190. This case is still under hearing, and the court has not reached judgment.

According to the lawyer for the case, although there exist disputes in terms of the nature, time limit and agreement validity of the case, because the case involves people's livelihood (allowance for staff), it is probable that the court would order the Company to assume all the liabilities for paying the remaining allowance for the employees of Shenyang High-voltage Switchgear Co., Ltd and the relevant expenses. According to the legal opinion issued by the lawyer, and based on the principle of prudence, the Company recorded a liability of RMB37,745,190.00 for the amount involved in the case.

(2) Progress in the enforcement of litigation brought by China Development Bank

According to the announcement made by the Company on 19 October, 2017, the Supreme People's Court issued an enforcement order ((2017) SPC Enforcement Reply No.27) in August 2017 to reject the reconsideration request made by Northeast Electric and affirm the enforcement order of NHC (2015) Gao Zhi Yi Zi No.52. The enforcement order was final. According to the civil judgment that has taken effect, China Development Bank, the execution applicant, asked the court to order the relevant parties subject to enforcement, including Northeast Electric, to perform the obligations specified in the effective civil judgment.

In the opinion of the lawyer, the Company should assume the compensation liability of RMB272,627,700 according to the final ruling of the Supreme People's Court. Based on the principle of prudence, the Company has charged the compensation liability payable according to the final ruling into the profit and loss for the current period.

Except for the above cases, to the best of the directors' knowledge, the Company did not have any pending or threatened material litigation or claim.

6. Questioning by the media

The Company was not involved in any matter commonly questioned by the media during this reporting period.

7. Use of non-business capital occupied by controlling shareholders and their connected parties

- (1) As of the end of the reporting period, the controlling shareholder and its affiliates did not occupy any non-business capital of the listed company, nor were they found to use any fund of the listed company.
- (2) As of the end of 2017, the non-business capital flow of RMB14.49 million should be payable from Dison Silink New Energy Investment Co., Ltd (“Dison Silink”), an affiliate.

Details: Dison Silink signed a Cooperation Framework Agreement with Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd, (“NEE Chengdu”) subsidiary of the Company, on 30 December 2016 to jointly undertake the contracting construction of the 20MW PV power generation project in Shannan Longzi County, Tibet. They paid a total construction cost of RMB14.6 million from December 2016 to January 2017. As the project was won by the third party, the two parties did not participate in the project construction later, and they were not affiliated in the process.

The affiliation between Dison Silink and the Company was formed on 27 November 2017. ZeaLink Electric Technology Co., Ltd (“ZeaLink”) held 39% equity in NEE Chengdu through equity transfer. Dison Silink and ZeaLink were controlled by the same controller. As a result, Dison Silink and ZeaLink became the affiliates of the Company according to the Accounting Standards for Business Enterprises – Disclosure of Affiliates and Transactions issued by the Ministry of Finance. This capital transaction constituted the non-business capital transaction among other affiliates.

To sum up, in December 2016 when the capital transaction was made, it was a business transaction and became a non-business capital transaction upon the termination of the project. However, when the affiliation was established on 27 November 2017, it became a non-business capital transaction among other affiliates passively. The management of the Company has developed a comprehensive plan and is taking active measures to recover the amount.

8. Matters relating to bankruptcy and reorganization

No matter relating to bankruptcy and reorganization occurred during this reporting period.

9. Acquisition and disposal of assets

(1) Acquisition of assets in the reporting period: Nil

(2) Disposal of assets in the reporting period

The Company held the 16th meeting of the eighth board of directors on 17 September 2017 and approved the substantial asset disposal scheme of the Company, based on which the two wholly-owned subsidiaries of the Company, Gaocai Technology Co. Ltd and Shenyang Kaiyi Electric Co., Ltd intended to dispose of 100.00% equity in New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd (“NNE Jinzhou PC”) they held to Jiangsu Ankao Solar Thermal Power Generation System Technology Co., Ltd. This substantial asset disposal is subject to consideration and approval at the general meeting (for details, please refer to the announcement made by the Company on 17 September 2017). To plan for the substantial asset reorganization, the Company submitted an application to Shenzhen Stock Exchange to suspend the trading in the shares of the Company since the morning session of 29 August 2017. The suspension lasted till 15 January 2018 when the Company made the announcement of the Substantial Asset Disposal Report (Revised), and the trading was resumed in the morning session of 16 January 2018. This substantial asset disposal is still under progress.

10. Merger

Merger did not occur during this reporting period.

11. Implementation status and influence of the Company’s equity incentive

The Company did not have any equity incentive plan or its implementation information during this reporting period.

12. Connected transactions

Pursuant to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and the Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in relation to the relationship of connected parties, there were no connected transactions nor claims and debts between the Company and the connected parties during the reporting period.

- (1) Connected transaction relating to day-to-day operation.

Connected transaction relating to day-to-day operation of the Company did not occur during this reporting period.

- (2) Connected transaction relating to asset acquisition or sales

Connected transaction relating to asset acquisition or sales of the Company did not occur during this reporting period.

- (3) Connected transaction relating to joint investment

Connected transaction relating to joint investment of the Company did not occur during this reporting period.

- (4) Current associated rights of credit and liabilities

Current associated rights of credit and liabilities of the Company did not occur during this reporting period.

- (5) Other connected transactions

The Company did not have any other connected transaction during this reporting period.

13. Guarantees for the controlling shareholders and connected parties of the Company

The Company and its subsidiaries did not offer any guarantee for the Company's controlling shareholders and their connected parties during the reporting period.

14. Significant contracts and their executions

(I) During the reporting period, the Company did not enter into any trust, contractual or lease arrangement in respect of the assets of other companies nor did other companies enter into any trust, contractual or lease arrangement in respect of the assets of the Company nor have any fund management on trust or designated loan.

(II) Guarantees

During the reporting period, the Company had no new external guarantees.

As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totaled RMB53,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB53,050,000, accounting for 27.26% of the audited net assets of the Company for 2017.

(1) External guarantees of the Company

As at the end of the reporting period, the Company had provided guarantee of RMB 52,900,000.00 for the loans granted to Jinzhou Power Capacitors Co., Ltd. RMB 150,000 for the loans granted to Shenyang Kingdom Hotel.

(2) Guarantees for the holding subsidiaries of the Company: Nil.

(3) Guarantee of the Company for the guaranteed company with debt to assets ratio over 70% As at the end of the reporting period, the guarantee of the Company for Jinzhou Power Capacitors Co., Ltd with debt to assets ratio over 70% was RMB52,900,000, accounting for 27.18% of the audited net assets of the Company for 2017, which was translated into liabilities in total in 2007.

(4) The Company did not have any other guarantees for its shareholder, actual controller and other parties concerned.

15. PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries did not purchase, sell or redeem any shares of the Company during the reporting period.

16. Report of corporate governance

(I) Code of Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code of Corporation Governance Practices within twelve months as at the end of 31 December 2017, and disclosed result report in accordance with these provisions. The Code of Corporation Governance Practices includes the clauses set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(II) Audit Committee

The Company has established the audit committee in accordance with the Rule 3.21 of the Listing Rules.

The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the audited annual accounts for the period of twelve months ended 31 December 2017.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the audited annual records for the period of twelve months as at the end of 31 December 2017.

At the meeting held on 29 March 2018, the audit committee reviewed and approved the 2017 annual financial records and results announcement.

(III) Independent non-executive directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and at least an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. During the reporting period, the Company appointed three independent non-executive directors including one with financial management expertise.

(IV) Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”)

During the reporting period, the Company adopted a code of behavior on terms no less exacting than the required standard set out in the “Model Code” in connection with rules governing securities transactions of directors and supervisors. It was confirmed, upon specific enquires, that no director or superior of the Company had breached the standards as required by the “Model Code” as stated in Appendix 10 to the Listing Rules in relation to securities transactions by directors.

The Board of Directors has formulated a written guideline for transactions of securities of listed companies by “directors and related employees”. The Board of Directors has given written notices in advance to insiders (including the Company’s directors, supervisors, senior management and controlling shareholders, actual controllers as well as connected parties, as defined in the Listing Rules) stating that purchase and sales of shares of the Company shall comply with relevant regulations and forbidding the insider purchase or sales of shares with inside information: no transactions of the company securities shall be carried out during the price-sensitive time within sixty days prior to results announcement (the lock-up period is from 29 January 2018 to 29 March 2018).

All directors have confirmed that they and the connected persons did not carry out transactions of company securities during reporting period and have complied with the guidelines.

(V) Directors' liability insurance

The requirement of “the issuer shall cover appropriate director liability insurance for directors” in Rule A.1.8 of Corporate Governance Code is changed from “the recommended best practice” to “Articles of the Code”. The Company is keeping a close eye on markets and will assess feasible operation plans.

17. Remunerations of Auditors

Considered and approved through the first extraordinary general meeting of 2018 convened on 20 March, 2018, the Company renewed the appointment of Ruihua CPAs (special general partner) as the auditor of the Company for the year 2017, with total remuneration of RMB900,000. The Company also appointed Ruihua CPAs (special general partner) as the internal control auditing firm with the service fee of RMB200 thousand (which has been included into the remuneration for domestic CPAs).

This year, due to the substantial asset reorganization, the Company employed Haitong Securities Co., Ltd as the independent financial advisor with the service fee of RMB1.6 million. As the substantial asset reorganization has not been completed, the financial advisor service fee was not paid in the reporting period.

18. Going Concern Ability

(I) Statements by the Board of Directors on the Capabilities of the Company as an On-going Concern

The Company engages Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year of 2017. The audit report issued by Ruihua Certified Public Accountants (Special General Partnership) truthfully, accurately and fairly reflects in all material aspects the financial conditions and operation results of the Company in the year of 2017, and indicates the major uncertainties regarding the Company as an on-going concern, however without any effect the published audit opinions.

In order to enhance the ability of the Company as an on-going concern and its profitability, improve the quality of corporate assets, and promote the long-term and healthy development of the Company, the Company proposes to take the following actions to enhance the ability of the Company as an on-going concern, and exert its best endeavors to remove the delisting risk warnings:

- (1) The parent company of the Company, Beijing Haihong Investment Management Co., Ltd has issued a letter of undertaking on financial funding, under which it undertakes, during one year after the issuance of such letter, to provide unconditional financial support to the Company, including in the forms of provision of funds, security and otherwise to provide operation funds for the Company.
- (2) Accelerate the process of private placement of H shares, improve the capital structure, based on which to accelerate the transformation to modern service provider, and enhance the operation capabilities, profitability and risk resistance capacity.
- (3) In line with the operation strategies, divest low-efficiency capital and equity investments and other non-operational assets with less frequent transactions, increase the cash flow, and improve the shareholding structure of the Company, and for the present the Company is now advancing the sales of shares of New Northeast Electric (Jinzhou) power capacitor Co., Ltd.
- (4) Based on the evaluation of the construction capabilities of 30MW Photovoltaic power stations (with the production capacity of RMB 150 million) and products technical level of the controlled subsidiary, Northeast Electric (Chengdu) Electric Power Engineering Design Co. Ltd and the future market demand level of the photovoltaic power generating market, the Company will commence the construction of photovoltaic power station, when appropriate, to foster a new business growth area.
- (5) Consistent with the market changes and demands, proactively adjust the product structure and industrial upgrading, and accelerate the transformation to a modern service provider, and optimize the overall industrial distribution; develop new client bases, improve and strengthen sales system, and enhance the profitability of main business.

- (6) Expand business operation and operate in a cost-effective manner, exert the strict control over various expenditures and expenses, lower the operation costs, enhance the profitability of main business to the maximum extent possible.

Based on the evaluation of the above measures, the management of the Company believes that the preparation of these financial statements based on the on-going concern basis is reasonable, and the Board of Directors has conducted sufficient and detailed evaluation of the capability of the Company as an on-going concern, including the review of the operation fund forecast for the Company for the future twelve months prepared by the management of the Company, and believes that the Company can have access to sufficient financing sources to meet the needs for operation funds and capital expenditures, and approve the preparation of these financial statements by the management on the on-going concern basis.

The Board of Directors will continue to pay attention to and will procure the management of the Company to take effective actions to promote the capabilities of the Company as an on-going concern and protect the Company and all investors.

- (II) The Audit Opinions on the Statements by the Board of Directors on the Capabilities of the Company as an On-going Concern

The Supervisory Board of the Company believes that: The Company engages Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year of 2017. The audit report issued by Ruihua Certified Public Accountants (Special General Partnership) truthfully, accurately and fairly reflects in all material aspects the financial conditions and operation results of the Company in the year of 2017, and indicates the major uncertainties regarding the Company as an on-going concern, however without any effect the published audit opinions. The Supervisory Board agrees to the Statement by the Board of Directors on the Going Concern Ability, and the Supervisory Board will continue to pay attention to and procure the Board of Directors and the management to take effective actions to promote the capabilities of the Company as an on-going concern and protect the Company and all investors.

(III) The Opinions of Independent Directors after the Review of the Statements by the Board of Directors on the Capabilities of the Company as an On-going Concern

Independent directors believe that, The Company engages Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year of 2017. The audit report issued by Ruihua Certified Public Accountants (Special General Partnership) truthfully, accurately and fairly reflects in all material aspects the financial conditions and operation results of the Company in the year of 2017, and indicates the major uncertainties regarding the Company as an on-going concern, however without any effect the published audit opinions. The independent directors agree to the Statement by the Board of Directors on the Going Concern Ability, and the independent directors will continue to pay attention to and procure the Board of Directors and the management to take effective actions to promote the capabilities of the Company as an on-going concern and protect the Company and all investors.

19. Significant events involving subsidiaries of the Company

- (1) Progress of relocation compensation of Fuxi Enclosed Busbar Co., Ltd (“FEB”), wholly-owned subsidiary of the Company On 12 January 2016, FEB, a wholly-owned subsidiary of the Company, signed an Investment Promotion Agreement with Xihe District Government, based on which the two parties reached an agreement for the investment in the construction of the new plant with an annual output of 20 million KW enclosed busbar and the relocation of the old plant. According to the agreement, FEB will exchange the land of 15,174sqm, property of 4,500sqm and the attached real estate facilities in the north plant area (No.77, Dongfeng Road) for the land of 40,000sqm, property of 17,831sqm and the attached real estate facilities in Xihe town industry base in Xihe District, Fuxin city, in order to make investment in the construction of the new plant with annual output of 20 million KW enclosed busbar (“new plant project”). The estimated investment in the construction of the new plant project was RMB50 million, including RMB12 million for land, and RMB 38 million for the production and office building, the attached real estate facilities and other facilities. The fund for the new plant was derived from the expropriation compensation of the north plant area at No.77 Dongfeng Road, with the rest covered by Xihe district government using the enterprise development fund. The final construction cost will be settled according to the final price and equipment purchase price.

As of 31 December 2017, FEB had received the relocation compensation of 30.9654 million, and the construction of the new plant was nearly completed.

- (2) As of the end of 2017, the non-business capital flow of RMB14.49 million should be payable from Dison Silink New Energy Investment Co., Ltd (“Dison Silink”), an affiliate.

Details: Dison Silink signed a Cooperation Framework Agreement with Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd (“NEE Chengdu”) subsidiary of the Company, on 30 December 2016 to jointly undertake the contracting construction of the 20MW PV power generation project in Shannan Longzi County, Tibet. They paid a total construction cost of RMB14.6 million from December 2016 to January 2017. As the project was won by the third party, the two parties did not participate into the project construction later, and they were not affiliated in the process.

The affiliation between Dison Silink and the Company was formed on 27 November 2017. ZeaLink Electric Technology Co., Ltd (“ZeaLink”) held 39% equity in NEE Chengdu through equity transfer. Dison Silink and ZeaLink were controlled by the same controller. As a result, Dison Silink and ZeaLink became the affiliate of the Company according to the Accounting Standards for Business Enterprises – Related Party Disclosures issued by the Ministry of Finance. This capital transaction constituted the non-business capital transaction among other affiliates in a negative manner.

To sum up, in December 2016 when the capital transaction was made, it was a business transaction and became a non-business capital transaction upon the termination of the project. However, when the affiliation was established on 27 November 2017, it became a non-business capital transaction among other affiliates. The management of the Company has developed a comprehensive plan and is taking active measures to recover the amount.

20. Subsequent events:

1. New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd (“NNE Jinzhou PC”) obtained financing for factoring business.

To liquidize the book assets, recover the liquidities in a timely manner, enhance the turnover of capital, and improve the cash flow, the Proposal of Wholly-owned Subsidiary’s Application for Factoring Business was considered and approved by the Company in the 19th meeting of the 8th Board of Directors convened on 9 March 2018. The Company agreed and delegated power to the management of the Company to handle the related issues of the application. NNE Jinzhou PC and Tianjin Huayi Fuyin Commercial Factoring Co., Ltd signed the Domestic Commercial Factoring Agreement (without recourse) on 20 March 2018. The net book value of the receivable accounts to be transferred by NNE Jinzhou PC amounts to RMB (same as below) 50,418,052.08 (the creditor’s right on receivables amounts to RMB68,409,135.13, with the provision for diminution in value being RMB17,991,083.05). The proceeds raised from factoring financing was RMB48,000,000.

21. PUBLICATION OF ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

All information about the annual report as required by Appendix 16 to the Listing Rules will be published on the Hong Kong Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.nee.com.cn>) in due course.

By order of the Board
Liu Daoqi
Chairman

Changzhou, Jiangsu Province, the PRC
29 March 2018

As at the date of the Statement, the Board of Directors comprises of five directors, namely Mr. Liu Daoqi, Mr. Bai Haibo, Mr. Li Rui, Mr. Song Xiang and Mr. Bao Zongbao; and three independent directors, namely Mr. Zhang Luyang, Mr. Jin Wenhong and Mr. Qian Fengsheng.