



**NEE**

INTERIM REPORT 2008

输送光明和动力的桥梁



**東北電氣發展股份有限公司**  
NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

## CONTENTS

BASIC INFORMATION OF THE COMPANY .....	2
CHANGE IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS.....	5
PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT .....	7
MANAGEMENT DISCUSSION AND ANALYSIS.....	7
SIGNIFICANT EVENTS .....	13
DOCUMENTS AVAILABLE FOR INSPECTION .....	19
FINANCIAL STATEMENT .....	20

1

### IMPORTANT NOTES

The Company's Board of Directors, Supervisory Committee, Directors, Supervisors and senior management 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 report is published in both Chinese and English. If there are any inconsistencies in content, the Chinese version shall prevail.

## BASIC INFORMATION OF THE COMPANY

## 1. Basic information

- |   |   |   |
|---|---|---|
| (1) Legal chinese name of the Company   | : | 東北電氣發展股份有限公司  |
| Legal English name of the Company   | : | Northeast Electric Development Company Limited  |
| Abbreviaton in Chinese name of the Company  | : | 東北電氣  |
| Abbreviaton in English name of the Company  | : | NEE   |
| (2) Place of listings, stock abbreviations, and stock code                                    | : |   |
| H Shares  | : | The Stock Exchange of Hong Kong Limited<br>Stock abbreviation :Northeast Electric<br>Stock Code :0042 |
| A Shares  | : | Shenzhen Stock Exchange<br>Stock abbreviation :Northeast Electric<br>Stock Code :00585                |
| (3) Registered address  | : | No. 78, Hunnan High and New Technology<br>Development Zone, Shenyang, the PRC                         |
| Office address  | : | 14F, Kingdom Hotel, No.189, Taiyuan South Street,<br>Heping District, Shenyang, PRC                   |
| Postal Code   | : | 110001  |
| Company Website   | : | www.nee.com.cn  |
| E-mail  | : | nee@nee.com.cn  |
| (4) Legal representative  | : | Su Weiguo   |
| (5) Secretary to the Board  | : | Zhang Zhaozhong   |
| Joint Company Secretaries and authorized<br>representative for receipt of summons and notices | : | Mak Yee Chuen   |
| Representative for securities affairs   | : | Zhu Xinguang  |
| Contact Address   | : | 14F, Kingdom Hotel, No.189, Taiyuan South Street,<br>Heping District, Shenyang, PRC                   |
| Telephone   | : | (86)24-23501976   |
| Fax   | : | (86)24-23527081   |
| E-mail  | : | nemm585@sina.com  |
| (6) PRC newspapers for information disclosure   | : | “China Securities Daily” “Securities Times”   |
| Website publishing the report and announcement  | : | www.cninfo.com.cn www.hkex.com.hk   |
| Company’s website   | : | www.nee.com.cn www.nee.hk   |
| Place of inspection   | : | Office of the Board of Directors  |
| (7) Date of the Company’s first registration  | : | 16 February 1993  |
| Place of registration   | : | NO. 18, Er Zhong Road, Tiexi District, Shenyang,<br>the PRC   |
| Date of the Company’s most recent change of registration                                      | : | 29 June 2007  |
| Place of registration   | : | No. 78, Hunnan High and New Technology<br>Development Zone, Shenyang, the PRC                         |
| Registered number of the corporate legal person<br>business license                           | : | Qi Gu Liao Shen Zong Zi No. 311001001(1-1)  |
| Registered taxation number  | : | 210132243437397   |

## 2. Major financial indicators and data

## (1) Major financial data and financial indicators prepared in accordance with the PRC Accounting Standards and Regulations

*Unit:RMB*

	As at 30 <sup>th</sup> June 2008	As at 31 <sup>st</sup> December 2007	Increment(%)
Total assets	1,075,885,916.40	1,073,974,339.91	0.18
Shareholders' equity	512,803,400.94	513,191,910.61	-0.08
Net assets per share	0.59	0.59	0
	For the reporting period from Jan to Jun 2008	Same period of last year	Increment(%)
Operating profit	1,101,141.86	-5,188,526.69	-
Total profit	1,238,417.25	-4,934,667.59	-
Net profit attributable to parent company	520,651.63	751,542.66	-30.72
Net profit after Extraordinary items	380,109.96	-13,945,427.80	-
Earnings per share	0.0006	0.0009	-33.33
Diluted earnings per share	0.0006	0.0009	-33.33
Return on net assets (%)	0.10	0.09	Increase by 0.01%
Net cash flow from Operating activities	-7,122,591.09	-96,760,825.86	92.64
Net cash flow per share from operating activities	-0.0082	-0.1108	92.64

**Extraordinary profit and loss items***Unit:RMB*

Net profit effected by non-operating net income and expenses	140,541.67
Total	140,541.67

- (2) The return on net assets and earnings per share prepared in accordance with No.9 of Rules for the Compilation and Submission of information Disclosure by Public Offering Companies issued by China Securities Regulatory Commission are as follows:

Profit during the under review	Return on net assets(%)		Earnings per share(RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Operating profit	0.21	0.21	0.0013	0.0013
Net profit attributable to parent company	0.10	0.10	0.0006	0.0006
Profit after deduction of extraordinary profit and loss	0.07	0.07	0.0004	0.0004

- (3) Condensed consolidated profit and loss statement and consolidated balance sheet prepared in accordance with Hong Kong Accounting Standards

Condensed consolidated profit and loss statement

Unit: RMB'000

	For the Reporting period(Jan-Jun)	For the same period last year
Turnover	272,320	247,455
Profit before taxation	1,239	-4,935
Taxation	-806	-279
Profit after taxation	433	-5,214
Minority interests	-88	-5,965
Profit attributable to shareholders	521	751

Condensed consolidated balance sheet

Unit: RMB'000

	At the end of the reporting period	At the end of the period of last year
Total assets	1,075,713	1,073,800
Total liabilities	558,856	556,467
Shareholders' funds	516,857	517,333

- (4) Differences between Overseas Accounting Standards and the PRC Accounting Standards

During the reporting period, there were no differences between overseas accounting standards and the PRC accounting standards in the calculation of net profit.

## CHANGE IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

### 1. Changes in the share capital of the Company.

During the reporting period, there were no changes in the share capital of the Company.

### 2. Shareholders information

Shareholdings of the top ten shareholders and top ten shareholders of freely transferable shares

*Unit: share*

**Total number of shareholders** As at 30 June 2008, the total number of registered shareholders was 141, 151, of which 141,066 were holders of A shares and 85 were holders of H shares.

#### Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholders	Percentage (%)	Number of shares held	Number of shares subject to sale restrictions	Number of shares pledged or frozen
HKSCC Nominees Limited	Overseas natural person shares	29.31%	256,009,998	0	0
New Northeast Electric Investment Co., Ltd.	Domestic non-state legal person shares	24.28%	212,014,237	212,014,237	0
Shanghai Baoyu Real Estate Investment Consultant Co., Ltd.	Domestic non-state legal person shares	1.64%	14,288,818	5,298,818	0
Shenzhen Zhongda Software Development Co., Ltd.	Domestic non-state legal person shares	0.41%	3,550,000	3,550,000	0
Shi Tiezheng	Nature person	0.18%	1,532,500	0	0
Shanxi Qinjian Science and Technology Investment Co., Ltd.	Domestic non-state legal person shares	0.16%	1,420,000	1,420,000	0
Shanghai Naozhen Biological Technology Co., Ltd.	Domestic non-state legal person shares	0.14%	1,200,000	0	0
Du Shiming	Nature person	0.12%	1,026,300	0	0
Shi Lei	Nature person	0.10%	850,000	0	0
Shanghai Weichen Construction Material Limited Company	Domestic non-state legal person shares	0.10%	850,000	0	0

**Top ten shareholders of freely transferable shares**

<b>Name of shareholders</b>	<b>Numbers of freely transferable shares</b>	<b>Nature of shares</b>
HKSCC Nominees Limited	256,009,998	Overseas listed foreign shares
Shanghai Baoyu Real Estate Investment Consultant Co., Ltd	8,990,000	PRC Listed domestic shares
Shi Tiezheng	1,532,500	PRC Listed domestic shares
Shanghai Naozhen Biological Technology Co., Ltd	1,200,000	PRC Listed domestic shares
Du Shiming	1,026,300	PRC Listed domestic shares
Shi Lei	850,000	PRC Listed domestic shares
Shanghai Weichen Construction Material Limited Company	850,000	PRC Listed domestic shares
Xia Yisu	800,000	PRC Listed domestic shares
Dan Feng	700,003	PRC Listed domestic shares
Dong Yanchun	650,000	PRC Listed domestic shares
Explanation for the connected relationships among the above shareholders not subject to trading moratorium:	There is no connected relationships between New Northeast Electric Investment Co., Ltd. And other shareholders; the Company was not aware of any relationship among the other shareholders or parties acting in concert within the meaning of the Regulation on Disclosure of Information on Changes in shareholding of Listed Companies.	

*Note: On 28 May 2008, New Northeast Electric Investment Co., Ltd withdraw totally 22,827 shares, an advancement for other non-tradable shareholders during the implementation of reform scheme on equity distribution of A shares.*

3. **During the reporting period, no changes were made over the controlling shareholders of the Company.**

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Movements in shareholdings of directors, supervisors and senior management

There was no movement in the number of shares held by the Company's directors, supervisors and senior management during the reporting period.

### 2. Appointment or dismissal of directors, supervisors and senior management during the reporting period

Due to the change of work, Mr. Shi Li resigned as an executive Director, vice general manager and the secretary to the Board on 30 May 2008, which became effective after the approval by the board of directors on 3 June 2008 (Please refer to the announcement dated 3 June 2008 for details).

### 3. Interest of directors, supervisors and senior management

As at 30 June 2008, at no time during the period under review had the Company been notified that any directors, supervisor or member of senior management (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, and rights to subscribe for equity or debt securities of the Company and or associated corporations (within the meaning of the SFO), nor did they have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to Section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

7

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Discussion and analysis on the Company's operating performance in the reporting period

During the reporting period, under the leadership of the Board and the support of shareholders, the Company made great efforts to overcome such difficulties as intensifying competition, shortage of funds, high price in materials and rising costs and keep steady growth in principal operations. The Company has scored RMB 272,380,000 of sales revenue, a year-on-year increase of 9.7%; RMB 1,100,000 of operating profit, a year-on-year increase of RMB 6,290,000.

Under the calculation of the HK GAAP, the turnover was RMB272,320, decreased by 10.05% compared with that of the same period last year; the profit attributable to shareholders after tax and interests of minority shareholders was RMB521, decreased by 30.63% compared with that of the same period last year. The earnings per share amounted to RMB0.0006.

The directors did not declare to pay the interim dividend for the six months ended 30 June 2008.



## 2. Operation of the Company during the reporting period

### (1) Scope of principal business and its operation

#### 1. Scope of principal business and its position

The Company and its subsidiaries are the major bases of manufacturing, research, and export of electrical transmission and transformation equipment in China and the major supplier of electrical transmission and transformation equipment in China. The Company's principal business is the manufacture and sale of system protection and transmission equipment including high-voltage isolated switch, power capacitor and closed busbar.

#### 2. Operational result for the reporting period

- (1) The Company recorded a revenue of RMB 272,380,000, costs of operating of RMB 215,810,000, gross profit margin of 21%, and operation profit of RMB 1,100,000.

Constitution of income and profit from principal operations of the Company by business, product and geographical segment:

#### Table of principal operations by business or product

Unit: RMB'0,000

By business or by product	Income from principal operations	Costs of principal operations	Gross profit margin (%)	Increase/decrease in income from principal operations as compared with last year (%)	Increase/decrease in costs of principal operations as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (percentage point)
<b>1. By business</b>						
Electric transmission and transformation	27,238	21,413	20.87	20.97	15.10	Increased by 4.03
Inventory and logistics	—	—	—	—	—	—
Accommodation and catering	—	—	—	—	—	—
Of which: connected transactions	—	—	—	—	—	—
<b>2. By product</b>						
High Voltage Switch circuit breaker	16,488	14,029	14.91	43.06	42.05	Increased by 0.60
Power capacitor	6,138	4,115	32.96	57.75	27.56	Increased by 15.87
Closed busbar	3,623	2,627	27.49	-43.25	-47.52	Increased by 5.89
Others	989	642	20.84	42.28	29.44	Increased by 7.86
Of which: connected transactions	—	—	—	—	—	—

Note: The Company did not have any income from accommodation and catering during the reporting period, so this period is not comparable with the same period last year in the income and cost of this business.

**Principal operations by geographical segment**

Unit: RMB'0,000

Region	Income from principal operations	Increase/decrease in income from principal operations as compared with last year(%)
Domestics	27,070	14.2
Overseas	168	127

(2) Analysis of financial conditions and operations results during the reporting period

Table of financial conditions and operations results

Unit: RMB

Item	At the end of the reporting period	At the beginning of the reporting period	Increase/decrease (%)
Cash and bank balances	28,761,681.66	65,577,809.55	-56.14
Bills receivable	600,000.00	4,086,000.00	-85.32
Accounts receivable	236,783,663.71	181,309,747.33	30.6
Dividends receivable	2,170,000.00	4,117,670.40	-47.30
Amortization of long-term deferred expenses	441,125.23	1,744,605.25	-74.71
Construction in progress	9,981,708.22	1,000,000.00	898.17
Short-term borrowing	34,850,000.00	50,368,876.60	-30.81
Bills payable	600,000.00	4,406,000.00	-86.38
Employee compensation payable	3,225,732.60	1,807,002.79	78.51

1. Main reasons for the drop of cash and bank balances: payment of bank loan.
2. Main reasons for the drop of bills receivable: the decrease of due bills receivable.
3. Main reasons for the gain of accounts receivable: increase of some subsidiaries in the proportion of credit sale during the current period
4. Main reasons for the drop of dividends receivable: payment of dividends declared for distribution;
5. Main reasons for the drop of amortization of long-term deferred expenses: normal amortization of lease expenses;
6. Main reasons for the gain of construction in progress: new construction of winding machine engineering;
7. Main reasons for the drop of short-term borrowings: repayment of bank loan;
8. Main reasons for the drop of bills payable: bills payable being repaid;
9. Main reasons for the gain of employee compensation payable: gain of unpaid employee's insurance fund and housing fund payable.

Item	Current period	Same period of last year	Increase/decrease (%)
Taxes and surcharges for operation	64,105.28	736,811.94	-91.30
Cost of sales	19,395,044.46	32,174,646.65	-39.72
Loss from asset depreciation	500,000.00	40,651,128.60	-98.77
Investment income	557,252.00	58,782,244.08	-99.05
Income tax expenses	805,592.15	278,801.73	188.95
Minority interest income	-87,826.53	-5,965,011.98	-98.53

1. *Main reasons for the drop of Taxes and surcharges for operation: inconsistency with the consolidation range of the previous period;*
2. *Main reasons for the drop of Cost of sales: inconsistency with the consolidation range of the previous period;*
3. *Main reasons for the drop of Loss from asset depreciation: inconsistency with the consolidation range of the previous period;*
4. *Main reasons for the drop of Investment income: compared with the gain of the same period last year by selling the stock of Jinhualvjian, the drop of this reporting period in investment income due to lack of such kind of business;*
5. *Main reasons for the gain of Income tax expenses: the expiration of exemption period enjoyed by all companies within the scope of consolidated financial statements.*

- (3) Operating of investee companys (applicable to situations that net profit of investee companies with investment income contributing over 10% to the Company's net profit)

Unit: RMB'0,000

Name of Joint Stock Company	New Northeast Electric(Shenyang) High-voltage Switchgears Limited
Contribution of Investment Income in the Period	55.73
Ratio of Net Profit of the Company	107%
Scope of Business	Manufacture of Switchgear Equipment
Net Profit	268

### 3. Investment of the Company

- (1) The use of proceeds during the reporting period

No proceed was used during the reporting period or used during the previous reporting period and subsisted in the reporting period.

- (2) The circumstances and actual progress for non-fundraising investment project

None of non-fundraising investment project was used during the reporting period or used during the previous reporting period and subsisted in the reporting period.

#### 4. Analysis of the Company's financial status under generally accepted accounting principles in Hong Kong

As at the end of the reporting, the balance of monetary fund was RMB 20,200,000 (the same below).

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

The funds are mainly satisfied by 1) the cash flow from the Company's operation and capital operation and 2) the borrowings from financial institutions.

As at the end of the reporting period, the Company had bank loans amounting to RMB 34,850,000, representing 3.24% of the total assets. These bank loans bear fixed interests.

The Company's asset to liability ratio was 6.80% (asset to liability ratio = total bank loans/ total share capital and reserve \*100%).

As at the end of the reporting period, the Company had net assets of RMB 26,830,000 used as security.

To improve financial management, the Group established a strict internal control system in cash and fund management. The liquidity and solvency of the Group are in good condition.

The Group had no significant investment, acquisition or asset disposal during the reporting period.

Please refer to the part headed 「Operation of the Company during the reporting period」 in this section for the classification of the Group's results.

It is expected that the Group will have no significant investment plan for the second half of 2008.

The Group chose RMB as its functional currency for assets and liabilities, so the exchange rate risk had no obvious effect on the Group. The Group took the following measures to reduce the risk: first, raising the prices of export products to reduce the risk; second, making a risk agreement in advance when an export contract involving more money is signed. The both parties shall jointly the risk if it is beyond the agreement; third, trying to sign contracts related to the forward settlement of exchange with financial institutions so as to focus the exchange rate and avoid the risk.

## 5. Main problems of the Company and countermeasures

**Main problems:** The need for more funds and the increase in product cost are main problems for production and operation. With the implementation of the tight monetary policy this year, contradictions in circulating fund shortage are increasingly conspicuous, thus restricting output, delivery and collection. Accordingly, the transformation projects cannot be effectively implemented on schedule. During the reporting period, a handsome increase in the amount of sales contracts gave rise to an obvious need for more initial funds before the production; continuous rise in the price of raw material not only added to the burden of cost, but also resulted in acute shortage of circulating funds and raw material. Lack of funds has become a serious problem that influenced the production and operation of the Company for the first half of the year.

**Countermeasures:** the Company will effectively address the problem of fund management by making use of various ways to improve the fundraising environment and speed up the collection of payment. In the second half of the year, the Company will make more efforts to collect the accounts receivable and the amount owed for efficient capital turnover and improved operating environment. It will pave the way for effective collection of payment by making reasonable arrangements for production, shortening the production period, enhancing the ratio of supporting products and reducing the use of funds. At the same time, the Company will lay emphasis on widening the channel of financing so as to solve the shortage of funds.

## 6. Outlook for the second half of the year

Under the leadership of the Board and the new management, the Company will overcome difficulties and strive to accomplish the annual economic goal by taking proactive measures, tapping potential, seizing the chance of rapid growth in the power market, giving full play to the effect accumulated in the market exploration, technical transformation, new product research and development in advance, further promoting productive capacity, technology, quality and market share, improving the ability to deal with emergencies, and strengthening the competitiveness.

## 7. Explanation of the management of the Company on the matters related to the audit opinion of the annual report 2007

Shenzhen Pengcheng Certified Public Accountants Co., Ltd, the Company's auditor for the year of 2007, issued an audit report with qualified opinions on the 20.8 % long-term investment income of the Company to the New Northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd (the "New Northeast Electric"). As it was not the appointed auditors to the New Northeast Electric, Shenzhen Pengcheng Certified Public Accountants Co., Ltd failed to obtain full and appropriate auditing evidence through executing necessary auditing process, therefore, it issued qualified opinions for this account.

The Company proposes to take the following measures to avoid the recurrence of this kind.

1. Before the next annual audit, the Company will communicate with the New Northeast Electric in advance and urge it to appoint the Company's auditor or other auditors with specific qualifications in relation to securities and futures for auditing.
2. Before the auditing by the Company's auditor, the Company will communicate with the auditor and determine its annual audit to the New Northeast Electric so as to ensure that the Company can meet the auditor and relevant provisions and requirements of China Securities Regulatory Commission on Rules for Preparation and Presentation of Information Disclosure by Companies of Public Offering (No.15)-General Provisions on Financial Statements (2007 Revision).

## SIGNIFICANT EVENTS

### 1. Personnel changes

Please refer to part 3 “PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”

### 2. Staff of the Company and the remuneration policy

As at 30 June 2007, the number of employees on the payroll of the Company was 1,121.(2007:1,038) The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. The Company has different rates of remuneration for different employee, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

### 3. The Corporate Governance Structure

On the basis of the special activities to enhance the governing of the Listed Company brought about by the China Securities Regulatory Commission in 2007, and in accordance with the requirements of [2008] No. 27 Announcement made by the China Securities Regulatory Commission, the Company, during the reporting period, established and fully fulfilled the remedial measures and work plan by continuing to seek truth from facts, strictly complying with relevant laws and administrative regulations like the Company Law, the Securities Law and the Guideline for the Internal Control of the Listed Company made by Shenzhen Stock Exchange as well as the internal rules and regulations such as the Articles of Association and the Internal Control System, aiming at the problems found during the self-inspection such as further improvement in the establishment of systems, closer relationship with investors, and more professional trainings for new directors. Now, the real corporate governance structure meets the related requirements of the stock supervision authorities.

#### The Overall Appraisal of the Company's Internal Control :

Under the basic principles of internal control, the Company, in accordance with its own real condition, has established the internal control system that covers its entire links, thus ensuring its normal business activities, and then main the safety and integrity of its properties. The following objectives has been made basically in the internal control of the Company:

- (1) The legal person governance structure and internal organizational structure that meet the requirements of modern enterprises have been established and improved basically, and scientific decision making system and effective incentive and supervision mechanisms have been created, thus ensuring the accomplishment of the Company's operational and managed objectives.
- (2) An effective risk control system has been established and improved, thus ensuring the safety and integrity of the Company's properties as well as the successful operation of all business activities.
- (3) The Company's accounting actions has been standardized, thus ensuring the truth and integrity of accounting information, and increasing the quality of accounting information.
- (4) The Company's information disclosure that is timely, true, correct, full and fair has been ensured.
- (5) The Company's internal control system that can be implemented effectively has been ensured.

In general, the Company has made a standardized, strict, full and effective internal control in internal environment, objective setting, matter identification, risk evaluation, risk strategy, control activities, information and communication, as well as examination and supervision, thus meeting the relevant requirements of the Guideline for Internal Control on the whole.

#### 4. Profit appropriation plan and its implementation

During the reporting period, the Company recorded net profit of RMB 520,651.63, all of which was used to cover losses in the previous year. Therefore, no profit appropriation was made nor any reserves were transferred to increase the share capital of the Company during the reporting period.

Interim dividend : No interim dividend was paid during the reporting period. The directors did not declare to pay the interim dividend for the six months ended 30 June 2008.

#### 5. Material litigation and arbitration

##### (1) Litigation lodged by China Development Bank (CDB) for the debt of RMB 150 million

According to the announcement dated 9 January 2008 and the 2007 Annual Result Announcement dated 30 April 2008, CDB lodged litigation against Shenyang High-voltage Switchgears Company Limited (the “Shenyang High-voltage”) on dispute over a loan contract and also against the Company for acceptance of joint compensation. On 7 January 2008, the civil written order ((2004) Gao Min Chu Zi No. 802) dated 19 July 2007 made by Beijing Higher Court was transferred to the Company from its attorney. According to the order, Beijing Higher Court canceled the contract signed by the Company and Shenyang High-voltage in relation to swapping the Company’s creditor’s rights of RMB76,660,000 for the equity of Shenyang High-voltage. Beijing Higher Court ruled out that the Company should return the related equity to Shenyang High-voltage, and if not, the Company should compensate for loss to Shenyang High-voltage within limit of the value of share capital of RMB247,120,000; Shenyang High-voltage should return the creditor’s rights of RMB76,660,000 to the Company, and if not, Shenyang High-voltage should compensate for loss to the Company within limit of RMB76,660,000. On 23 August 2007, CDB filed an appeal to the Supreme Court. Now, the court’s decision is awaited.

##### (2) Progress of debt and equity case brought by Liaoning Trust and Investment Company (“Liaoning Trust”) on US\$ 12 million

According to the announcement dated 13 December 2007 and the announcement dated 12 August 2008, With regard to the case of RMB15, 900,000, recently, the Company received a civil judgment ((2008) Liao Shen Min Zhong Zi No.2) dated 10 April 2008 made by Liaoning Higher Court. The court said that the liquidation team of Liaoning Trust should be a third party to the litigation under the legal proceeding, so the court quashed the civil judgment ((2005) Liao Min Er Zhong Zi No.220) and the civil judgment ((2005) Shen Zhong Min Si He Chu Zi No.13), and remanded the case to Shenyang Intermediate Court for retrial.

As for the case of RMB 60,190,000, recently, the Company received civil judgments ((2006) Liao Min Er Zhong Zi No.214, 215 and 216) dated 14 May, 2008 made by Liaoning Higher Court. The court said that the liquidation team of Liaoning Trust should be a third party to the litigation under the legal proceeding, so the court quashed the civil judgments ((2005) Shen Zhong Min Si He Chu Zi No. 21, 22 and 23), and remanded the case to Shenyang Intermediate Court for retrial.

**(3) Litigation lodged by Jinzhou City Commercial Bank Co., Ltd (the “Jinzhou Commercial Bank”) for the loan guarantee of RMB17 million**

According to the announcement dated 10 September 2007 and the 2007 Annual Result Announcement dated 30 April 2008, on 20 April 2004, Jinzhou Power Capacitors Co., Ltd, the former holding subsidiary of the Company (the “Jinzhou Capacitors”), signed a 12-month contract with Jinzhou Commercial Bank on a loan of RMB17,000,000 by using the new loan to pay the old one, with the Company providing the joint guarantee obligation. Because the payment was overdue, Jinzhou Commercial Bank brought a lawsuit to the Jinzhou Intermediate Court in March 2007, requesting Jinzhou Capacity to repay the loan, and the Company to bear the joint and several liabilities. On 13 June 2007, the Jinzhou Intermediate Court issued a civil written order ((2007) Jin Min San Chu Zi No. 49) and ruled out that the Company should bear the joint guarantee obligation of Jinzhou Capacity’s loan of RMB17,000,000. The Company once filed an appeal to the Liaoning Higher People’s Court, but then applied to withdraw it. On 30 October 2007, the Liaoning Higher People’s Court issued a civil written order ((2007) Liao Min Er Zhong Zi No.305), which allowed the Company to withdraw the lawsuit and maintained the previous judgment.

The order has been effective. The Company has, in accordance with the court’s judgment, translated RMB 19,890,000 into full liabilities in the 2007 Annual Result Announcement.

**(4) Litigation lodged by Industrial And Commercial Bank Of China Limited Jinzhou Branch (the “Jinzhou ICBC”) for the loan guarantee of RMB22.9 million**

According to the announcements dated 26 October 2007, 17 March 2008 and the 2007 Annual Result Announcement dated 30 April 2008, on 30 December 2003, Jinzhou Power Capacitor Co., Ltd (the “Jinzhou Capacitor”), the former holding subsidiary of the Company, signed a one-year contract with the Jinzhou ICBC in relation to the loan of RMB22,900,000, with the Company providing the joint guarantee obligation. Because the payment was overdue, the Jinzhou ICBC brought a lawsuit to the Jinzhou Intermediate Court in December 2006, requesting Jinzhou Capacity to repay the loan, and the Company to bear the joint guarantee obligation. On 18 July 2007, the Jinzhou Intermediate Court issued a civil written order (Jin Min San Chu Zi No.19) and ruled out that the Company the joint liability of Jinzhou Capacity’s loan of RMB22,900,000.

The order has been effective. The Company has, in accordance with the court’s judgment, translated RMB 26,366,578 into full liabilities in the 2007 Annual Result Announcement.

Except the litigations above, the Company and its subsidiary companies, so far as is known to the Directors or chief executive of the Company, have no other significant litigation and claims pending or new.

**6. Acquisition and disposal of assets**

There was no acquisition and disposal of assets during the reporting period.

**7. Connected transaction**

Pursuant to the Listing Rules of Shenzhen Stock Exchange and the Listing Rules of 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.



## 8. Use of capital of the Company's controlling shareholders and their subsidiaries

The Company's controlling shareholders and their subsidiaries did not use any capital of the Company and its affiliated companies during the reporting period.

## 9. Guarantees for the Company's controlling shareholders and their subsidiaries

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

## 10. Significant contracts and their executions

(1) 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.

(2) Foreign guarantees of the Company

As at the end of the reporting period, the foreign guarantee balance of the Company was RMB 328,450,000, including RMB 39,900,000 for Jinzhou Power Capacitors Co., Ltd with assets liabilities over 70%, accounting for 7.71% of the audited net assets of the Company for 2007, which was formed when this company was still a holding subsidiary of the Company; RMB 260,000,000 for New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd.

As at the end of the reporting period, the guarantee of the Company for its holding subsidiaries totaled RMB 26,800,000.

## 11. Change of auditors

On 16 June 2008, the 2007 Annual General Meeting rejected both the Resolution on Reappointment of Shenzhen Pengcheng Certified Public Accountants as the Company's Domestic Auditor and the Resolution on Reappointment of World Link C.P.A. Limited as the Company's International Auditor, and authorized the Board to convene an extraordinary general meeting to consider and discuss the appointment of auditors for the year of 2008 as soon as possible.

## 12. Overseas investment

There was no overseas investment during the reporting period.

### 13. Independent directors' special representation and independent opinion on the fund occupation by connected parties and foreign guarantee of the Company

The independent directors, in accordance with the requirements of the Notice of Certain Issues in relation to the Regulation on Capital Flow between Listed Companies and its Connected Parties and External Guarantee of Listed Companies (Zheng Jian Fa [2003]No. 56), and the Notice of China Securities Regulatory Commission on Avoiding the Rebound of Fund Occupation through Intensifying Continuous Supervision (Listing Division Letter [2008] No. 118), issue the following special representation and independent opinion after investigation and verification to relevant personnel on the Company's funds occupied by controlling shareholders and other connected parties as well as on the Company's foreign guarantees based on the information provided by the Board.

- (I) The Company complied with the provisions of relevant laws and regulations, and its controlling shareholders and other connected parties did not occupy the Company's funds during the reporting period.
- (II) As at the end of the reporting period, the foreign guarantee amount of the company amounted to RMB 328,450,000, and the guarantee amount for its holding subsidiary RMB 26,800,000. The total guarantee amount took up 68.65% of the audited net assets of the Company for 2007.

The Company has established frozen fund policy for the fund occupation by controlling shareholders, which could effectively avoid the funds of listed companies occupied by controlling shareholders and connected parties so as to earnestly protect the interests of small and medium shareholders. During the reporting period, the Company cautiously treated and handled the foreign guarantee matters and made complete information disclosure in accordance with relevant provisions of supervision departments, thus making full disclosure and effective control of foreign guarantee. It hasn't made any guarantee for its shareholders, effective controller as well as the parties concerned. From now on, the Company will continue to strictly execute the provisions of the Articles of Association to enhance management on external guarantee and to properly solve the problems of the guarantees provided.

*Independent Directors: Mr. Wu Qicheng, Mr. Lin Wenbin, Mr. Xiang Yongchun, Ms. Liang Jie and Mr. Liu Hongguang*

### 14. Purchase, sale and redemption of shares

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

### 15. Corporate governance

- (1) Corporate Governance Practice Code

The Company's directors confirm that the Company has fully complied with the provisions of Code of Corporation Governance Practices within six months as at the end of 30 June 2008, 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").

By the end of the reporting period, the Company has not employed a qualified accountant with the specific qualifications set out in Rule 3.24 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company will give prompt notice to shareholders in relation to the progress of the appointment of the qualified accountant.

(2) Audit Committee

The Company has established the Audit Committee in accordance with Rules 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 have studied matters in relation to auditing, internal control, and financial reporting, including the financial accounting principles, standards and methods adopted in preparing the unaudited accounts for the six months ended 30 June 2008.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for preparing the unaudited accounts for the six months ended 30 June 2008.

The audit committee held a meeting on 20 August 2008, reviewing and approving the financial statements and the interim report for the six months ended 30 June 2008.

(3) Independent non-executive directors

The Company has complied with the requirement of Rule 3.10 ( 1 ) and 3.10 ( 2 ) of the Listing Rules regarding the appointment of adequate number of independent non-executive director, and at least one independent non-executive director has the necessary suitable professional qualification or has suitable accounting or relevant financial management expertise. The Company has appointed five independent non-executive directors, of which one independent non-executive director has the expertise of financial management.

(4) Model Code for the Securities Transaction carried out by Directors of Listed Company (“Model Code”)

During the reporting period, the Company has adopted a set of behavioral code not lower than such standard set out in the Model Code. Having made specific enquires, no directors and supervisors of the Company were in breach of the standard of requirement in securities transaction of directors set out in the Model Code of appendix 10 of the Listing Rules.

## 16. Taxation

The Company is subject to income tax at the statutory rate of 25%, and the Company had no taxable profit in Hong Kong during the reporting period. Please refer to notes to the financial statement “6. Taxation”.

17. During the reporting period, the Company, the Board of Directors and the Directors have not been investigated, under administrative penalty, criticized by notice by the China Securities Regulatory Commission, and openly reprimanded by the stock exchange. The Company's directors and supervisors were not subject to any compulsory procedures.

18. Subsequent events

(1) Foreign guarantee

At the board meeting on 6 July 2008, the Company agreed to provide a guarantee against a comprehensive credit line of RMB60, 000,000 in the Kingdom Branch of Huaxia Bank Limited Company for New Northeast Electric (Shenyang) High-voltage Switchgears Limited (Please refer to the announcement dated 7 July 2008 for details.)

(2) Personnel Changes

Upon the approval by the Board on 2 July 2008, the Board admitted the resignation of Mr. Sun Zhen as the chairman and legal representative, and the resignation of Mr. Zhang Bin as the vice chairman and general manager. (Please refer to the announcement dated 2 July 2008 for details.)

Upon the approval by the Board on 6 July 2008, the Board elected Mr. Su Weiguo, executive director of the Company, as chairman and legal representative of the Company; appointed Mr. Zhang Zhaozhong as the candidate of executive director of the fifth board of directors of the Company; dismissed Mr. Bi Jianzhong from his position as deputy general manager and chief accountant of the Company and appointed him as general manager of the Company; appointed Mr. Zhang Zhaozhong as deputy general manager of the Company; and admitted the resignation of Mr. Sun Zhen and Mr. Zhang Bin as the executive directors of the Company (Please refer to the announcement dated 7 July 2008 for details).

**DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the office of the Board of Directors of the Company:

1. The interim report as signed by the Chairman;
2. The financial report as signed and sealed by legal representative, the person in-charge of finance and the head of the financial department;
3. The originals of all of the documents and announcements of the Company which have been disclosed in prescribed newspapers during the reporting period.

## FINANCIAL STATEMENT

(PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING RULES AND REGULATIONS, UNAUDITED)

## Balance Sheets Statement

at 30 June 2008

Unit: RMB

Assets	Balance at the end of period		Balance at the beginning of the period	
	Group	Parent company	Group	Parent company
Current assets :				
Cash and bank balances	28,761,681.66	2,326,791.96	65,577,809.55	4,035,757.56
Trading financial assets	0.00	0.00	0.00	0.00
Bill receivable	600,000.00	0.00	4,086,000.00	0.00
Account receivable	236,783,663.71	31,581,505.00	181,309,747.33	40,823,844.60
Prepayment	27,597,768.33	3,175,980.00	28,599,777.91	502,460.00
Interests receivable	0.00	0.00	0.00	0.00
Dividend receivable	2,170,000.00	0.00	4,117,670.40	0.00
Other receivables	147,459,460.34	654,817,541.64	149,042,934.98	657,401,032.41
Inventories	75,226,176.32	9,264,625.66	92,782,582.17	4,736,964.10
Non-current assets due within one year	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00
Total current assets	518,598,750.36	701,166,444.26	525,516,522.34	707,500,058.67
Non-current assets :	0.00	0.00	0.00	0.00
Available-for-sale financial assets	0.00	0.00	0.00	0.00
Held-to-maturity investment	0.00	0.00	0.00	0.00
Long-term receivable	0.00	0.00	0.00	0.00
Long-term equity investment	322,384,596.66	167,637,418.63	321,827,344.66	167,637,418.63
Investment real property	0.00	0.00	0.00	0.00
Fixed assets	110,143,484.37	1,682,293.14	109,246,361.88	1,785,095.22
Construction in progress	9,981,708.22	0.00	1,000,000.00	0.00
Construction in progress	0.00	0.00	0.00	0.00
Liquidation of fixed assets	0.00	0.00	0.00	0.00
Biological assets	0.00	0.00	0.00	0.00
Petroleum and Nature gas assets	0.00	0.00	0.00	0.00
Intangible assets	14,403,468.26	0.00	14,706,722.48	0.00
Development expenditure	0.00	0.00	0.00	0.00
Goodwill	94,643,933.80	0.00	94,643,933.80	0.00
Long-term amortization	441,125.23	0.00	1,744,605.25	0.00
deferred income tax assets	5,288,849.50	0.00	5,288,849.50	0.00
Other intangible assets	0.00	0.00	0.00	0.00
Total non-current assets	557,287,166.04	169,319,711.77	548,457,817.57	169,422,513.85
Total assets :	1,075,885,916.40	870,486,156.03	1,073,974,339.91	876,922,572.52

Legal representative : Su WeiguoChief Financial Officer : Bi JianzhongChief Accounting Officer : Wang Hongling

NEE

**Balance Sheet Statement (continued)**

At 30 June 2008

Unit: RMB

Liabilities and owners equity	Balance at the end of period		Balance at beginning of the year	
	Group	Parent company	Group	Parent company
Current liabilities:				
Short-term loans	34,850,000.00	0.00	50,368,876.60	0.00
Trading financial liabilities	0.00	0.00	0.00	0.00
Bills payable	600,000.00	0.00	4,406,000.00	0.00
Accounts payable	138,105,109.44	22,884,161.60	126,038,398.43	24,727,967.96
Advances from customers	81,095,744.58	1,325,000.00	91,848,322.95	3,765,536.00
Accrued payroll	3,225,732.60	15,044.03	1,807,002.79	89,692.26
Taxes payable	6,396,777.76	-914,105.61	4,579,843.56	-40,968.82
Accrued interests	0.00	0.00	0.00	0.00
Accrued dividends	40,017.86	0.00	40,017.86	0.00
Other payables	169,573,515.95	256,606,626.85	152,410,523.33	256,233,985.80
Long-term liabilities due within one year		0.00	0.00	0.00
Other current liabilities		0.00	0.00	0.00
Total current liabilities	433,886,898.19	279,916,726.87	431,498,985.52	284,776,213.20
Non current liabilities :	0.00	0.00	0.00	0.00
Long-term loan	0.00	0.00	0.00	0.00
Bonds payable	0.00	0.00	0.00	0.00
Long-term account payable	0.00	0.00	0.00	0.00
Payables on specific accounts	0.00	0.00	0.00	0.00
Estimated liabilities	124,967,867.25	124,967,867.25	124,967,867.25	124,967,867.25
Deferred income taxes liabilities	0.00	0.00	0.00	0.00
Other non current liabilities	0.00	0.00	0.00	0.00
Total non current liabilities	124,967,867.25	124,967,867.25	124,967,867.25	124,967,867.25
Total liabilities	558,854,765.44	404,884,594.12	556,466,852.77	409,744,080.45
Owners' equity (or shareholders' equity) :	0.00	0.00	0.00	0.00
Paid-up capital (share)	873,370,000.00	873,370,000.00	873,370,000.00	873,370,000.00
Capital reserve	978,066,337.72	979,214,788.45	978,066,337.72	979,214,788.45
Less: treasury share	0.00	0.00	0.00	0.00
Surplus reserve	108,587,124.40	108,587,124.40	108,587,124.40	108,587,124.40
Undistributed profit	-1,438,002,944.04	-1,495,570,350.94	-1,438,523,595.67	-1,493,993,420.78
Margins on exchanges	-9,217,117.14	0.00	-8,307,955.84	0.00
Minority shareholders' equity	4,227,750.02	0.00	4,315,576.53	0.00
Total owners' equity (or shareholders' equity)	517,031,150.96	465,601,561.91	517,507,487.14	467,178,492.07
Total liabilities and owners' equity (or shareholders' equity)	1,075,885,916.40	870,486,156.03	1,073,974,339.91	876,922,572.52

**Profit and Loss Statement**

For the period from January to June 2008

Unit: RMB

Items	Amount in the period		Same period last year	
	Group	Parent company	Group	Parent company
1. Revenues from operations	272,384,538.16	60,913,570.72	248,192,028.48	59,268,919.04
2. Costs of operations	215,807,245.07	55,807,411.32	199,192,577.54	55,045,025.41
Taxes and surcharges for operations	64,105.28	0.00	736,811.94	0.00
Costs of sales	19,395,044.46	1,742,296.00	32,174,646.65	1,253,860.00
General and administrative expenses	28,794,449.63	4,949,907.00	33,992,325.92	6,474,950.18
Finance costs	7,279,803.86	-10,613.44	5,415,308.60	-37,191.56
Losses on assets depreciation	500,000.00	0.00	40,651,128.60	0.00
Add: incomes from changes of fair value	0.00	0.00	0.00	0.00
(“-”refers to loss)				
Incomes from investment (“-”refers to loss)	557,252.00	0.00	58,782,244.08	0.00
In which: investment income from associates and joint venture companies	0.00	0.00	0.00	0.00
3. Operating profit (“-” refer to loss)	1,101,141.86	-1,575,430.16	-5,188,526.69	-3,467,724.99
Add: non-operating incomes	387,684.33	0.00	358,579.95	0.00
Less: non-operating expenses	250,408.94	1,500.00	104,720.85	6,148.00
In which: losses on disposal of non-current assets	0.00	0.00	0.00	0.00
4. Total profit (“-” refer to loss)	1,238,417.25	-1,576,930.16	-4,934,667.59	-3,473,872.99
Less: Income tax	805,592.15	0.00	278,801.73	0.00
5. Net profit	432,825.10	-1,576,930.16	-5,213,469.32	-3,473,872.99
Owner’s net profit attributable to the parent company	520,651.63	-1,576,930.16	751,542.66	-3,473,872.99
Minority equity	-87,826.53	-	-5,965,011.98	-
6. Earnings per share	-	-	-	-
(1)Basic earnings per share	0.0006	0.00	0.0009	0.00
(2) Diluted earnings per share	0.0006	0.00	0.0009	0.00

**Cash Flow Statement**

For the period from January to June 2008

Unit: RMB

Items	Group		Parent company	
	Current period	Same period last year	Current period	Same period last year
1. Cash flow from operating activities :				
Cash received from sales of goods or rendering services	255,949,414.90	295,476,003.17	78,070,681.34	56,712,155.68
Refund of taxes	0.00	0.00	0.00	0.00
Other cash received relating to operating activities	22,000,247.83	25,481,951.13	2,850,970.34	10,989,069.89
Sub-total of cash inflows	277,949,662.73	320,957,954.30	80,921,651.68	67,701,225.57
Cash paid for goods and services	225,675,350.28	269,217,365.85	73,700,659.16	58,960,704.84
Cash paid to and on behalf of employees	12,675,478.94	17,096,880.69	1,331,616.46	1,622,753.83
Tax payments	12,326,621.58	15,735,817.73	500,189.44	2,928,359.05
Other cash paid relating to operating activities	34,394,803.02	115,668,715.89	7,098,152.22	14,977,111.95
Sub-total of cash outflows	285,072,253.82	417,718,780.16	82,630,617.28	78,488,929.67
Net cash lows form operating activities	-7,122,591.09	-96,760,825.86	-1,708,965.60	-10,787,704.10
2. Cash flows from investing activities :				
Cash received from disposal of investment	0.00	24,808,223.82	0.00	0.00
Cash received from disinvestment	1,947,670.00	54,443,111.36	0.00	0.00
Net cash receipts from disposal of fixed assets, intangible assets from acquisition of subsidiaries	539,106.71	161,452.07	0.00	0.00
Net cash receipts from acquisition of subsidiaries	0.00	0.00	0.00	0.00
Other cash received from investing activities	0.00	0.00	0.00	0.00
Sub-total of cash inflows of investing activities	2,486,776.71	79,412,787.25	0.00	0.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	14,668,601.61	12,480,834.30	0.00	4,550.00
Cash payments for investments	0.00	0.00	0.00	0.00
Net cash incurred in disposal of subsidiaries and other operating units	0.00	0.00	0.00	0.00
Cash paid to other investment activities	0.00	0.00	0.00	0.00
Sub-total of cash outflows of investment activities	14,668,601.61	12,480,834.30	0.00	4,550.00
Net cash flows from investment activities	-12,181,824.90	66,931,952.95	0.00	-4,550.00
3. Cash flows from financing activities :				
Cash received from investment	0.00	0.00	0.00	0.00
Cash received from borrowings	30,868,978.85	24,800,000.00	0.00	0.00
Other cash receipts relating to financing activities	0.00	24,580.09	0.00	0.00
Sub-total of cash inflows	30,868,978.85	24,824,580.09	0.00	0.00
Repayments of borrowings	46,387,855.45	16,650,000.00	0.00	0.00
Dividends paid, profit distributed or interest paid	1,992,835.30	1,875,767.08	0.00	0.00
Other cash payments relating to financing activities	0.00	60,885.09	0.00	0.00
Sub-total of cash outflows	48,380,690.75	18,586,652.17	0.00	0.00
Net cash flows from financing activities	-17,511,711.90	6,237,927.92	0.00	0.00
4. Effect of foreign exchange rate changes on cash				
5. Net increase in cash and cash equivalents	-36,816,127.89	-23,590,944.99	-1,708,965.60	-10,792,254.10
Add: Balance of cash and cash equivalents at the beginning of period	65,577,809.55	41,123,600.99	4,035,757.56	14,066,308.79
6. Balance of cash and cash equivalents at the end of period	28,761,681.66	17,532,656.00	2,326,791.96	3,274,054.69



**Consolidated Statement of Changes in equity (1)**

At June 30 2008

Made by: Northeast Electric Development Company Limited

Unit: RMB

Item	Share capital (or share)	Amount of this year					Minority interest	Total shareholders' equity	
		Owner's equity attributable to the parent company	Undistributed profit	Others	Minority interest	Total shareholders' equity			
	Share capital (or share)	Capital reserve	Less: Treasury share	Surplus reserve	Ordinary risk reserve	Undistributed profit	Others	Minority interest	Total shareholders' equity
I. Ending balance of last year	873,370,000.00	978,066,337.72	108,587,124.40	108,587,124.40	-1,438,523,595.67	-8,307,955.84	4,315,576.53	517,507,487.14	
Add: changes in accounting policies									
Adjustment to prior accounting errors									
II. Balance at beginning of this year	873,370,000.00	978,066,337.72	108,587,124.40	108,587,124.40	-1,438,523,595.67	-8,307,955.84	4,315,576.53	517,507,487.14	
III. Changes during the period ("-" refers to decrease)									
(1) Net profit	0.00	0.00	0.00	0.00	520,651.63	0.00	0.00	520,651.63	
(2) Profit and losses directly recorded in owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1. Net changes in fair value of available-for-sale financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2. Influence of changes in other owner's equity of investees under equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3. Impact of income tax in relation to translation into the item of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4. Others	0.00	0.00	0.00	0.00	0.00	-909,161.30	-87,826.51	-996,987.81	

## Consolidated Statement of Changes in equity (1) (continued)

Unit: RMB

Item	Amount of this year							Minority interest	Total shareholders' equity
	Share capital (or share)	Capital reserve	Less: Treasury share	Surplus reserve	Ordinary risk reserve	Undistributed profit	Others		
Sub-total of (1) and (2)	0.00	0.00	0.00	0.00	0.00	520,651.63	-909,161.30	-87,826.51	-476,336.18
(3) Addition and reduction of shareholder's capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Addition of shareholder's capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Amount of shares payment translated into owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(4) Distribution of profit									
1. Withdraw surplus reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Appropriation of general risk provision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Distribution to shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(5) Transfer within shareholders' equity									
1. Conversion of capital reserve into capital (or share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Conversion of surplus reserve into capital (or share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Surplus reserve to make up losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Balance at the end of the period	873,370,000.00	978,066,337.72	108,587,124.40	-1,438,002,944.04	-9,217,117.14	4,227,750.02	517,031,150.96		

## Consolidated Statement of Changes in equity (2)

At June 30 2007

Made by: Northeast Electric Development Company Limited

Unit: RMB

Item	Amount of this year										Total shareholders' equity
	Share capital (or share)	Capital reserve	Less: Treasury share	Surplus reserve	Ordinary risk reserve	Undistributed profit	Others	Minority interest			
I. Ending balance of last year	873,370,000.00	975,304,036.72		110,190,073.98	281,981,434	-1,129,986,958.36	281,981,434				829,159,133.77
Add: changes in accounting policies	0.00	14,121,782.86		0.00	0.00	2,485,728.03	0.00	114,403,754.65			131,011,265.54
Adjustment to prior accounting errors	0.00	0.00		0.00	0.00	0.00	0.00	0.00			0.00
II. Balance at beginning of this year	873,370,000.00	989,425,819.58		110,190,073.98	281,981,433	-1,127,501,230.33	281,981,433	114,403,754.65			960,170,399.31
III. Changes during the period ("-" refers to decrease)											
(1) Net profit	0.00	0.00		0.00	0.00	751,542.66	0.00	-5,965,011.98			-5,213,469.32
(2) Profit and losses directly recorded in owner's equity	0.00	0.00		0.00	0.00	0.00	0.00	0.00			0.00
1. Net changes in fair value of available-for-sale financial assets	0.00	0.00		0.00	0.00	0.00	0.00	0.00			0.00
2. Influence of changes in other owner's equity of investees under equity method	0.00	0.00		0.00	0.00	0.00	0.00	0.00			0.00
3. Impact of income tax in relation to translation into the item of owner's equity	0.00	0.00		0.00	0.00	0.00	0.00	0.00			0.00
4. Others	0.00	-14,871,171.74		-0.40	-100,221.20	0.00	-100,221.20	429,030.76			-14,542,362.58

## Consolidated Statement of Changes in equity (2) (continued)

Unit: RMB

Item	Amount of this year										Total shareholders' equity
	Share capital (or share)	Capital reserve	Less: Treasury share	Surplus reserve	Ordinary risk reserve	Undistributed profit	Others	Minority interest	Owner's equity attributable to the parent company		
Sub-total of (1) and (2)	0.00	-14,871,171.74		-0.40		751,542.66	-100,221.20		-5,535,981.22		-19,755,831.90
(3) Addition and reduction of shareholder's capital	0.00	0.00		0.00		0.00	0.00		0.00		0.00
1. Addition of shareholder's capital	0.00	0.00		0.00		0.00	0.00		0.00		0.00
2. Amount of shares payment translated into owner's equity	0.00	0.00		0.00		0.00	0.00		0.00		0.00
3. Others	0.00	0.00		0.00		0.00	0.00		0.00		0.00
(4) Distribution of profit											
1. Withdraw surplus reserve	0.00	0.00		0.00		0.00	0.00		0.00		0.00
2. Appropriation of general risk provision	0.00	0.00		0.00		0.00	0.00		0.00		0.00
3. Distribution to shareholders	0.00	0.00		0.00		0.00	0.00		0.00		0.00
4. Others	0.00	0.00		0.00		0.00	0.00		0.00		0.00
(5) Transfer within shareholders' equity											
1. Conversion of capital reserve into capital (or share)	0.00	0.00		0.00		0.00	0.00		0.00		0.00
2. Conversion of surplus reserve into capital (or share)	0.00	0.00		0.00		0.00	0.00		0.00		0.00
3. Surplus reserve to make up losses	0.00	0.00		0.00		0.00	0.00		0.00		0.00
4. Others	0.00	0.00		0.00		0.00	0.00		0.00		0.00
IV. Balance at the end of the period	873,370,000.00	974,554,647.84		110,190,073.58		-1,123,749,687.67	181,760.23		108,867,773.43		940,414,567.41

**NOTES TO THE FINANCIAL REPORTS**

As at Jun. 30, 2008

*(Currency: Renminbi unless otherwise specified)***I. Basic information of the Company**

1. Location of Registration: No.78 Hun Nan High and New Technology Development Zone, Shenyang, Liaoning Province, P.R.China, with Headquarters situated at: 14/F., Kingdom Hotel, 189 South Taiyuan Street, He Ping District, Shenyang, Liaoning Province, P.R.China. Legal Representative: Su Weiguo.
2. The company is engaged in producing electricity transmitting and transforming equipments, corollary equipments and relative services. Registered Capital of the Company is RMB873,370,000.00.
3. Parent company of the Company is New Northeast Electric Investment Co., Ltd, which is also the ultimate holding company of the Group.
4. History of the Company

Northeast Electric Development Co., Ltd. (formerly: Northeast Electricity Transmitting & Transformation Machinery Manufacturing Ltd.) (hereinafter referred as “the Company” or “company”) is a share-holding limited company in a directional collection way initiated mainly by the Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited ("NET"), and approved by the Shenyang Corporate System Reformation Committee (approval: Shen Xi Gai Fa(1992)81). The Company officially came into being on Feb. 18, 1993, with 824.54 million shares which adjusted to 585.42 million shares. The Company issued 257.95 million H-shares in Hong Kong in 1995, and on Jul. 6 was listed on the Hong Kong Exchanges and Clearing Ltd. In that same year the Company issued 30 million A-shares which listed on the Shenzhen Stock Exchange on Dec. 13, 1995.

5. The financial reports are approved and presented by the Fifth Session 13<sup>th</sup> Board of Directors, the financial reports are approved to issue on Aug. 29, 2008.

**II. Groundwork for working out of the financial reports**

Having long-term development in view, the Company has worked out the financial reports by the guidelines and rules of <Enterprise Accounting Standards – Basic Standards> and other relative principals, and based on the actual transactions and events.

**III. Declaration of Abiding by the <Enterprise Accounting Standards>**

The financial report of the Company has given a true and fair view of the financial position of the Company, and of the results of its operations and its cash flows for the year in accordance with <Enterprise Accounting Standards>.

#### IV. Major accounting policies, methods of evaluation and method of making financial statement of the Company and subsidiaries

##### 1. *Accounting Principals*

By the guidelines of <Enterprise Accounting Standards> of PRC.

##### 2. *Accounting Period*

Each accounting year starts from Jan. 1 and ends on Dec. 31 of a calendar year.

##### 3. *Standard money of book-keeping*

Ren Min Bi (i.e. RMB) is the standard money of our book-keeping.

##### 4. *Basis for computation*

The reporting is based on accrual system, assets are recorded at their historical costs unless otherwise stipulated.

##### 5. *Foreign currency businesses accounting*

Foreign currency businesses are changed to standard money at the relative exchange rate on demand, which is the exchange rate at beginning of the month when transactions occur.

On each balance sheet date, foreign-currency monetary items and non-monetary items are managed by the following rules:

- (1) Foreign-currency monetary items are changed to standard money using exchange rate on demand of the balance sheet date. Exchange differences arising from differences between such exchange rate and that of initial computation, are taken into profit and loss.
- (2) Foreign-currency non-monetary items which are calculated by historical cost principal, are changed to standard money using exchange rate on demand of the actual transaction dates, while the relative amount in standard money remain the same.
- (3) Foreign-currency non-monetary items computing at fair value, are changed to standard money at exchange rate on demand on the date of fair value recognition, differences of amounts of standard money after exchange are taken into the profit and loss as fair value.

##### 6. *Translation of foreign currencies financial reports*

Offshore businesses are accounted according to the following rules:

- (1) Assets and liabilities in the Balance Sheet are changed to standard money at the exchange rate on demand of the balance sheet date. All items of shareholders equity interests are changed to standard money using exchange rate on demand of their transaction date, except for “retained profit”.

- (2) Items of incomes and expenses are changed to standard money at exchange rate on demand of their transaction dates.

Differences arising from exchanges according to the above-mentioned rules of (1),(2), are displayed separately in the balance sheet under item of shareholders' equity interests.

7. *Cash equivalents recognition*

Taking cash in store, bank deposits for paying in any time not limited to impawn or frozen and other capitals in monetary as cash; Short-term、highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value are reported as cash equivalents.

8. *Computation of financial assets*

Classification of financial assets

Financial assets are classified into four categories: those that are recognized by fair value and differences are taken into profit and loss of the relative accounting period (including transactional financial assets, and financial assets that are set by fair value and differences are taken into profit and loss of the relative accounting period)、investments held till due、accounts receivables and saleable financial assets.

Computation of financial assets

- a. Initial recognition of financial assets are by their fair value. For those that are recognized by fair value and differences are taken into profit and loss of the relative accounting period, relative expenses should be taken into profit and loss; for other financial assets, expenses should be added to initial recognition amount.
- b. Followthrough computation of financial assets are by fair value principal, without deducting possible transaction expenses while disposing, but with the following exceptions:
  - (1) investments to be held till due and accounts receivable are measured at amortized costs using rules of real interest;
  - (2) Equity investments that are not quoted in active markets while their fair value can not be measured credibly, and financial derivatives that are linked with such investments and must be settled by delivery of those investments, are accounted by their costs.

Recognition of fair value of financial assets

- a. Financial assets in active markets, quotation by such markets are taken as fair value;
- b. Financial assets without active markets, valuation method are taken to account their fair value. Such result reflect possible transaction price in fair trade on valuation date.

Financial assets diminution

All financial assets except for those that are recognized by fair value and differences are taken into profit and loss of the relative accounting period should be examined on balance sheet date. Diminution provision are set aside when evidence show that such financial assets is depreciating. Evidences includes:

- a. Serious financial problems occur for the issuers or the debtors;
- b. Breach of contracts by the debtors, such as default in repaying principal or interest;
- c. Compromises by the Company to debtors in financial problems, out of economic or legal concerns;
- d. Possible bankruptcies or other financial reorganizations of the debtors;
- e. Such financial asset are not tradable in active markets due to major serious financial problems of the issuers;
- f. The Company are not able to recover investment cost due to major adverse variances occur in the debtors' technology, markets, economies and legal environments;
- g. Serious or non-temporary declines of the fair value of equity instruments;
- h. Other solid evidence showing financial assets are depreciating.

Computation of financial assets depreciation loss

- a. No depreciation tests are exercised for financial assets that are recognized by fair value and differences are taken into profit and loss of the relative accounting period;
- b. For financial assets that are held till due, diminution provision are set at difference between prediction of future cash value and current book value;
- c. Account receivables loss: the Company set aside bad debts provisions after exercising diminution tests on account receivables on balance sheet date. Separate test is exercised for receivables of large amounts (i.e. 1 million or over), diminution provision are set at difference between prediction of future cash value and current book value if evidences showing depreciation; if not, no diminution loss is recognized, no bad debt provision is set.

For account receivables of non-large amounts, and those of large amounts but no solid evidence showing depreciation after separate test, bad debt provisions are set by the age of account analysis method. Ratios of provision are shown below:



<b>Age of Accounts</b>	<b>Ratio of provision</b>
Within 2 years	Nil
2-3 years	40%
3-4 years	60%
Over 4 year	100%

- d. Base of judgments of saleable financial assets: if fair value of such financial asset continues to decline, and such decline is non-temporary, then depreciation of such financial asset is recognized.

9. *Classification of inventories and their computation*

Classification of inventories

Inventories are products or merchandise ready to sell held by the Company, or goods in the process, or materials consumed in the process of production or service. They include raw material(including auxiliary material)、 work in progress、 finished goods、 low value articles.

Inventory valuation

Method of perpetual inventory is adopted for reporting. Purchased and self-produced inventories are carried at real costs, goods-in-delivery are calculated using the weighted average cost formula, inventories of low value articles are amortized at the time of consumption

Standard for market price decline and method of provision

Inventories are carried using the Lower-of-Cost-or-Realizable Net Worth method by end of report date. Provisions for inventories depreciation are appropriated from the differences of cost over realizable net worth., the estimated loss of inventories depreciation are recognized as expenses.

10. *Accounting Method of long-term equity investments*

(1) Calculation of long-term investments in equity

- A. Long-term equity investments are consolidatedly reported, and their initial investment costs are recognized by the following rules:

- a. Considerations are consolidated by the reporting party in ways of cash, non-cash transfer, or assuming liabilities within companies under the same controlling party, initial investment costs are recognized by the book value of shareholder equity interests on the date of consolidation. Differences between initial investment costs and cash, non-cash transferred, or liabilities assumed are adjusted to capital reserve. If the difference should surpass capital reserve, retained profit is accordingly adjusted.

For long-term investment that consideration is taken in way of issuing equity bonds by the consolidating party, their initial investment cost is recognized shares of the consolidated party of the book value of shareholders' equity interests on the consolidating date. Total face values of issuance are taken as capital. Capital reserve is adjusted by the difference between initial investment costs and total face value of issuance, then retained profit is adjusted accordingly if the difference is over capital reserve.

- b. For companies not under the same controlling party, initial investment costs are recognized by the following consolidated costs:
  - 1/ Combination of companies by one time trade-over, their consolidating costs are assets paid to gain control over the consolidated party on the purchase day, or liabilities assumed or occurred, or fair value of equity bonds issued.
  - 2/ Every single transaction cost is added up to be the total costs for consolidation of many transactions.
  - 3/ Each direct expense is taken into consolidation cost by the consolidating party in purchasing.
  - 4/ The consolidating party should take any future events in the consolidation agreements that are possibly affective to the reliable computation of consolidation costs into consolidation costs.
- B. Long-term equity investments other than consolidation are measured by the following for their initial investment costs:
  - a. Those that are taken by cash, actual payment are taken as initial investment cost, which includes direct expenses, taxes and other necessary expenses.
  - b. Those that are taken by issuing equity bonds, their fair value are taken as initial investment costs.
  - c. Those that are invested by the investors, value agreed in the investment contracts or agreement are taken as initial investment costs, except for those agreed not by fair value.
  - d. Those by transactions of non-monetary assets, if such transactions are commercial, then fair value and relative taxes and expenses are taken for initial investment costs; if non-commercial, book value of trade-out assets and relative taxes and expenses are taken as initial investment costs.
  - e. Those by liabilities reorganization, fair value and relative taxes and expenses payable are set for their initial investment costs.

(2) Recognition method of Income

Long-term investments which the Company impose controlling power over the Company invested, and investments that impose no significant impact, and there are no quotation in the active markets, their fair value can not be reliably measured are recognized using Cost method; Long-term investments that the Company impose significant power over the Company invested are calculated by Equity method.

Investment income are recognized when the Company invested declare cash dividends for investments using Cost method, which income is limited to the appropriation of accumulated profit after the investment completed. Amount of the investment income that exceeds the above-mentioned declared cash dividends are to write-off initial investment cost on the book. Investments income are recognized by shares of net profit or loss realized by the Company invested at end of each accounting period based on the net profit/loss of the Company invested after equity acquisition, and long-term investments in equity are adjusted accordingly. Difference between book value of the investment and the real income are recognized as investment income of the period when disposal of investment in equity occur.

11. *Real estate invested*

Real estate invested of the Company are those held for renting income or increment of capital, or both including:

- (1) land use rights rented;
- (2) land use rights that are to sell after appreciation;
- (3) houses and buildings rented.

Real estate invested are calculated by Cost Method.

Costs of real estate invested are taken into profit and loss of the reporting period after deducting diminution and salvage value, and depreciated at Direct Line Method.

One balance sheet date, real estate invested are measured at costs or recoverable amount, whichever is lower. If the latter is lower, diminution provision are set according to the difference between the two.

12. *Fixed Assets and Depreciation*

Fixed assets refer to buildings of over 1 year service life, construction, machinery, equipment, motor vehicles for products manufacture, personal services, rent or operation administration, and other equipments, utensils and instruments that related to production or operations.

Fixed assets are depreciated by Direct Line Method, ratios of depreciation are set by their types, estimated service life or estimated salvage life (3% of cost):

<b>Types</b>	<b>Service life (year)</b>	<b>Annual depreciation rate%</b>
Buildings	20-40	2.43-4.85
Machinery and equipment	8-20	4.85-12.13
Motor vehicles and others	6-17	5.71-16.17

### 13. *Reporting of Construction in Progress*

Construction in Progress referred to plants, equipments and other fixed assets that are being constructed, which are recognized at real costs, including direct construction and installation costs, borrowings interests and gains or loss of foreign exchange during such period. Fixed assets are recognized when construction in progress comes into use, and relative interests capitalization are closed.

### 14. *Intangible assets*

Intangible assets are calculated at real costs of acquisitions. Their service life are analyzed at acquisition. Those with limited life are amortized within their life. Details as follows:

<b>Types</b>	<b>Years of amortizing</b>
Land use rights	Service life
Patents	10 years
software	Service life

### 15. *Other assets*

Other assets are calculated at real costs. Long term expenses payable are amortized within period of benefit.

### 16. *Diminution provisions of long term equity investment, fixed assets, work in progress, intangible assets*

- (1) By end of reporting period, book value of long term equity investment, fixed assets, work in progress and intangible assets are inspected by the Company. If any sign of diminution, recoverable amounts are estimated by fair value of relative assets minus disposing expenses and estimated future cash flow whichever is higher. If recoverable amount is lower than book value, then book value is reduced to recoverable amount. Reduction amount is recognized as loss and is taken into profit and loss. Loss will not be recovered in the future accounting periods once it's recognized.
- (2) The Company normally estimate recoverable amount based on a single asset if any sign shows diminution of it. Then the asset group the diminishing asset belongs is used as base to estimate recoverable amount if estimation can not be carried out based on the asset itself. Whether the principal cash flow generated by the assets group is separate from other cash flow by other assets or assets group is the foundation of recognizing an asset group, with ways of operating of the Company and the continuous usage of assets or ways of disposal in view. But in any way any asset group should not exceed those that are set as reporting division.

17. *Borrowing Expenses*

- (1) Borrowing interests, discounts or amortization of premium or difference of exchange occurred when purchasing a fixed asset are calculated as such asset's cost, within its period of capitalization and under conditions of capitalization amount; other borrowing interests, discounts or amortization of premium or difference of exchange are recognized as expenses during transactions period. Auxiliary expenses due to special borrowing are capitalized when transaction if before the relative fixed asset comes into usage. Auxiliary expenses are recognized as expenses when transaction if amounts are small; other auxiliary expenses are recognized as expenses during period of transaction.
  
- (2) Period of capitalization of borrowing expenses
  - 1/ Initial capitalization: borrowing expenses are capitalized for interests, amortization and exchange differences due to special borrowings if under the following circumstances at the same time:
    - a. capital expenses have occurred;
    - b. borrowing expenses have occurred;
    - c. purchases or Construction to render assets usable have started.
  
  - 2/ Suspension of capitalization: Borrowing expenses capitalization are halted when activities of purchase or construction of fixed assets are stopped under abnormal conditions, and stoppage has lasted for over three months. Under such circumstances expenses are recognized until the purchase or construction of fixed assets restarted.
  
  - 3/ Capitalization Cut-off: Borrowing expenses capitalization are cutoff when fixed assets purchased or constructed reach to the condition of usefulness. Borrowing expenses occur later on are recognized as expenses of the period.
  
- (3) Recognition of capitalization amounts

Capitalization amount are recognized by deducing interest income of the borrowing principal not yet used, or return of temporary investment from the borrowing interest expenses in each capitalization accounting period.

Amounts of interest capitalization equals to accumulated average weighted expenses times capitalization rates, when normal borrowing are taken up for use of purchasing or producing assets in accordance of capitalization.

18. *Principals of income recognition*Sales of goods

Sales of goods are recognized when major risks and return of ownership are transferred to the buyers, the Company no longer holds rights of administration or control, the relative income can be rewarded, costs concerning such goods can be measured in amount certainly.

Use of rights of alienated assets

Use of rights of alienated assets are recognized as income when relative return belong possibly to the Company, and amount of income can be reliably counted.

19. *Subsidy by the Government*

Subsidy by the Government includes fiscal allocation, fiscal discount, return of taxes and allocation of non-monetary asset with no consideration. Subsidy by the Government received by the Company are recognized as deferred income, and is averaged into profit and loss with its life beginning from the relative coming to use. Deferred income will be taken into profit and loss of accounting period of disposal when relative asset are sold, transferred, discarded or ruined. Subsidy related to income that are used to redeem later expenses or losses, are recognized as deferred income, and are taken into profit and loss of the period; those that are used to redeem expenses and losses already occur, are taken into profit and loss directly.

20. *Accounting of income taxes*

Income taxes are calculated using method of Liability of Balance Sheet.

## (1) Recognition of taxable incom of deferred tax asset

- 1/ The Company recognized deferred tax asset arise from offsettable temporary difference, limited which amount by taxable income possibly used to offset offsettable temporary difference. With exception of those with the following characteristics at the same time:
  - a. Such transactions are not due to corporate consolidation;
  - b. Neither profit nor taxable income (or offsettable loss) will not be affected when transactions occur.
- 2/ Offsettable temporary difference related to investments of the Company to subsidiary companies, related companies are recognized as deferred tax assets are recognized if the following conditions are satisfied at the same time:

- a. Temporary difference can be reversed in the predictable future;
- b. Taxable income possibly used to offset offsettable temporary difference.

3/ Deferred tax assets are recognized for offsettable losses and tax offset reduction, limited to the amount of future taxable income possibly used to offset future losses or taxes.

(2) Recognition of deferred income tax liability

All deferred income tax liability arise from taxable temporary difference are recognized except for the following situations:

1/ Initial recognition of goodwill;

2/ Initial recognition of assets or liabilities satisfying both the below conditions:

- a. Such transactions are not due to corporate consolidation;
- b. Neither profit nor taxable income (or offsettable loss) will not be affected when transactions occur.

3/ Offsettable temporary difference related to investments of the Company to subsidiary companies, related companies are recognized if the following conditions are satisfied at the same time:

- a. the investing company can control time of reverse of temporary difference;
- b. such temporary difference are probably not to be reversed in the predictable future.

(3) Calculation of income tax expenses

The Company takes income taxes and deferred taxes as income tax expenses or income into profit and loss, excepting below:

- a. Corporate consolidation;
- b. Transactions or events directly recognized in shareholders' equity interests.

21. *Planning of Consolidated Financial Report*

Principles of Consolidated Financial Reporting

The scope of consolidation is based on control.

Method of Planning

Reports of parent company and its subsidiaries within the consolidation scope are basis of the consolidated financial report. Important investments, intra-group transactions, purchases and sales of inventories, and profit-to-realize are consolidated after write-off, and minority interests are calculated. Parent company are responsible for consolidated reports.

**V. Impact of Accounting Policy, Change of Accounting Valuation, Correction of Accounting Errors and Change of Scope of Consolidated Report**

1. There is no accounting policy, change of accounting valuation and correction of accounting errors at the end of the period.
2. There is no change of scope of consolidated report of this period

**VI. Taxes**

<b>Taxes</b>	<b>Tax base</b>	<b>Taxable rate(%)</b>
Value-added tax	Sales tax less deductible purchase sale	17
Sales tax	Income subject to tax	5-20
Maintainence &Construction of the city tax	Amount subject to Value-added tax and Sales tax	4
Income tax	Amount subject to income tax	Note.1

*Note:*

- (1) *25% of tax ratio should be implemented in group scope of the companies except for overseas Northeast Electric (HK) Co., Ltd. and Gaocai Technology Co., Ltd.*
- (2) *Northeast Electric (HK) Co., Ltd. is a wholly owned subsidiary of the company registered in HKSAR of P. R. China, its income rate is 17.5%.*
- (3) *Gaocai Technology Co., Ltd.(referred to as Gaocai Tec) is a company wholly owned by the company's subsidiary – Northeast Electric (HK) Co., Ltd., and was registered in the British Virgin Islands. No income tax is imposed on it.*



## VII. Scope of consolidation of the Company and recognition of the scope

### 1. Scope of Consolidation

Name of company	Registration place	Registered capital	Shares owned		Amount invested	Principal Operation	Y/N Cons.
			Directly	Indirectly			
Northeast Electric (Hong Kong) Company Limited	HK	USD20 m	100%	-	USD20 m	investment	Y
Great Talent Technology Limited	B.V. I.	USD1	-	100%	USD1	investment	Y
Fuxin Closed Busbars Company Limited	Fuxin	USD2.8 m	-	100%	USD2.8 m	IPB production	Y
Jinzhou Jinrong Electric Equipment Company Limited	Jinzhou	RMB3 m	-	69.75%	RMB 2, 0925 m	Dry high-voltage Capacitors	Y
New Northeast Electric (Shenyang) High-voltage Isolated Switchgears Co., Ltd	Shenyang	USD21.50 m	-	100%	USD21.50 m	Switches, short-circuit platesand insulate switche	Y
Shenyang Gaodongjia Desiccation Company Limited	Shenyang	USD 0.7785 m	70%	-	USD 0.54495m	Metal box and desiccation equipment	Y
Shenyang Jiatai Machinery Equipment Co., Ltd.	Shenyang	RMB5 m	-	100%	RMB5 m	Manufacturing of machineries	Y
Shenyang Kaiyi Electric Co., Ltd.	Shenyang	RMB1 m	10%	90%	RMB1 m	Production of High-voltage electric equipment, switches, electric capacitors	Y
Northeast Electric (Beijing) Co., Ltd.	Beijing	RMB2 m	-	100%	RMB2 m	Sales of machineries, electric equipment	Y
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Jinzhou	USD10 m	-	100%	USD10 m	Capacitor, CVC	Y

*Note1: The Company will take method of cost for aforesaid holding companies which have been brought to consolidated financial statement, and there is no unincorporated subsidiary.*

*Note2: Shenyang Kingdom Hotel has not been brought to the consolidated scope of our company compared to same period of last year.*

### 2. Associates

Name of company	Register place	Legal person representative	Registered capital	Paid-up investment	Proportion of ownership	Major operation
New Northeast Electric (Shenyang) High-voltage Switchgears Co.,Ltd.	Shenyang	Zhou Ye	USD168Million	USD34.944Million	20.8%	Production of equipmentsof switch control
Great Power Technology Limited	Hong Kong	Lo Yuet	USD126.26	USD2,626	20.8%	Share-holding

## VIII. Notes to Major items in consolidated financial reports

## 1. Cash and bank balance

items	currency	Jun. 30, 2008		Dec. 31, 2007	
		Currency of transaction	Translation into RMB	Currency of transaction	Translation into RMB
cash	RMB	114,255.86	114,255.86	29,684.38	29,684.38
	USD	1,162.34	8,490.43	1,162.34	8,490.43
Sub-total			122,746.29		38,174.81
Bank deposits	RMB	19,533,065.15	19,533,065.15	34,738,912.31	34,738,912.31
	EUR			31,387.84	308,604.89
	YEN			8,298,890.00	505,109.46
	CHF			26,101.33	158,864.96
	HKD	10,356,121.13	9,105,841.29	861,269.30	806,475.71
	USD	3.96	28.93	3,905,064.21	28,521,667.41
Sub-total			28,638,935.37		65,039,634.74
Other cash equivalents	RMB				500,000.00
Sub-total					500,000.00
Total			28,761,681.66		65,577,809.55

Note: Balance of this item at end of reporting period is decreased 56% of RMB36,816,127.89, mainly due to repayment of bank loan.

## 2. Bills receivable

Types	Jun. 30, 2008	Dec. 31, 2007
Bank accepted bills of exchange	600,000.00	4,086,000.00

Note 1: Balance of this item at end of reporting period is decreased 85% of RMB3,486,000.00, mainly due to exchange decreased for bills due.

Note 2: There's no owing payment from company holding 5% or over shares of the Company in balance of bills receivable at the end of reporting period.

## 3. Account Receivables

## (1) Risk Analysis of Account Receivables:

Types	Jun. 30, 2008			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivable	68,281,028.63	27.28%	2,181,540.71	68,281,028.63
Other receivables with higher risks after risk reorganization though with small amount	6,261,678.62	2.50%	1,320,280.06	4,941,398.56
Other insignificant amount account receivables	175,755,326.41	70.22%	12,194,089.89	163,561,236.52
<b>Total</b>	<b>250,298,033.66</b>	<b>100.00%</b>	<b>13,514,369.95</b>	<b>236,783,663.71</b>

Types	Dec. 31, 2007			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivable	131,139,190.53	67.31%	2,181,540.71	128,957,649.82
Other receivables with higher risks after risk reorganization though with small amount	8,479,750.76	4.35%	8,479,750.76	-
Other insignificant amount account receivables	55,205,175.99	28.34%	2,853,078.48	52,352,097.51
<b>Total</b>	<b>194,824,117.28</b>	<b>100.00%</b>	<b>13,514,369.95</b>	<b>181,309,747.33</b>

Note1: The Company has set the criteria for single large amount account receivable as RMB1 million, according to the scale of operation, character of the operation and state of customers' settlement.

Note2: Foundation of judgment of any single account receivables with higher risks after risk reorganization though with insignificant amount, is there're unrecoverable signs showing, or age exceed 4 years.

(2) Age Analysis of Account Receivables

<b>Jun. 30, 2008</b>				
<b>Types</b>	<b>Amount</b>	<b>proportion</b>	<b>Provisions for bad debts</b>	<b>Net amount</b>
Within 1 year	194,962,697.70	77.89%		194,962,697.70
1-2 years	30,378,229.22	12.14%		30,378,229.22
2-3 years	12,177,961.30	4.87%	3,000,389.96	9,177,571.34
3-4 years	3,230,790.95	1.29%	1,019,083.06	2,211,707.89
Over 4 years	9,548,354.49	3.81%	9,494,896.93	53,457.56
<b>Total</b>	<b>250,298,033.66</b>	<b>100%</b>	<b>13,514,369.95</b>	<b>236,783,663.71</b>

<b>Dec. 31, 2007</b>				
<b>Types</b>	<b>Amount</b>	<b>proportion</b>	<b>Provisions for bad debts</b>	<b>Net amount</b>
Within 1 year	148,519,370.03	76.23%	-	148,519,370.03
1-2 years	28,276,963.65	14.51%	-	28,276,963.65
2-3 years	7,648,474.91	3.93%	3,417,089.96	4,231,384.95
3-4 years	1,559,321.76	0.80%	1,277,293.06	282,028.70
Over 4 years	8,819,986.93	4.53%	8,819,986.93	-
<b>Total</b>	<b>194,824,117.28</b>	<b>100%</b>	<b>13,514,369.95</b>	<b>181,309,747.33</b>

(3) In the period of report, bad debt receivable does not need to be withdrawn independently

4. Other Receivables

(1) Risk Analysis of other account receivables:

Types	Jun. 30, 2008			Net amount
	Amount	proportion	Provisions for bad debts	
Single large amount other receivables	159,091,886.49	68.31%	83,134,771.51	75,957,114.98
Other receivables with higher risks after risk reorganization though with small amount	189,646.33	0.08%	189,646.33	0
Other insignificant amount other receivables	73,624,795.56	31.61%	2,122,450.20	71,502,345.36
<b>Total</b>	<b>232,906,328.38</b>	<b>100.00%</b>	<b>85,446,868.04</b>	<b>147,459,460.34</b>

Types	Dec. 31, 2007			Net amount
	Amount	proportion	Provisions for bad debts	
Single large amount other receivables	187,773,431.49	80.25%	82,751,074.05	105,022,357.44
Other receivables with higher risks after risk reorganization though with small amount	1,980,008.79	0.85%	1,770,764.01	209,244.78
Other insignificant amount other receivables	44,236,362.74	18.91%	425,029.98	43,811,332.76
<b>Total</b>	<b>233,989,803.02</b>	<b>100.00%</b>	<b>84,946,868.04</b>	<b>149,042,934.98</b>

*Note1: The Company has set the criteria for single large amount other receivable as RMB1 million, according to the scale of operation, character of the operation and state of customers' settlement.*

*Note2: Foundation of judgment of any single other receivables with higher risks after risk reorganization though with insignificant amount, is there're unrecoverable signs showing, or age exceed 4 years.*

*Note 3: Other payments receivable at end of the year include creditor's rights principal of RMB 76,090,000.00 of Benxi Iron & Steel (Group) Co., Ltd. ("Bengang"), the debts are only be considered as the principal RMB 76,090,000.00 and corresponding interests should be paid to Liaoning Trust and Investment Company ("Liaoning Trust") by Bengang in accordance with approval of relevant departments of the People's Government of Liaoning Province, to repay partial deposits RMB 74,424,671.45 placed in Liaoning Trust in May and September of year 2005 respectively. As for creditor's rights receivable of Bengang, the Company will rekon in other payments receivable and put the exceeding money from repayment of Liaoning Trust into bad debt provisions. On Dec. 16, 2005, Higher People's Court of Liaoning Province made a final judgment ((2005) Liao Min Er Zhong Zi No. 220) and required Bengang to repay owing principal RMB 15,900,000.00 and corresponding interests to the Company. The Company had applied to court for enforcement. Shenyang Intermediate Court had filed the case and delivered the Notice on Enforcement to Bengang on Mar. 10, 2006. On Mar. 30, 2006, Shenyang Intermediate Court made a civil judgment ((2005) Shen Zhong Min Si He Chu Zi No. 21, 22 and 23) of first instance for surplus creditor's rights principal RMB 60,190,000.00 and required Bengang to pay owing principal RMB 60,190,000.00 and corresponding interests. On Apr. 30, 2006, Bengang lodged an appeal with Higher People's Court of Liaoning Province.*

*On Jun. 20, 2007, Higher People's Court of Liaoning Province made a civil judgment ((2007) Liao Li Min Jian Zi No. 56) on aforesaid civil judgment ((2005) Liao Min Er Zhong Zi No. 220) (involved in original judgment principal RMB 15, 900, 000. 00 and corresponding interests), according to the judgment, the court will form a new collegial panel for the retrial of the case, and the execution of the original judgment will be suspended during the retrial. As for the case of RMB 15, 900, 000. 00, recently the Company received a civil judgment ((2008) Liao Shen Min Zai Zi No. 2) made by Higher People's Court of Liaoning Province on Apr. 10, 2008, the court considered liquidation group of Liaoning Trust as the third party to attend in the litigation in accordance with procedure and ruled: repeal civil judgment ((2005) Liao Min Er Zhong Zi No. 220) and civil judgment ((2005) Shen Zhong Min Si He Chu Zi No. 13) which will be remanded to Shenyang Intermediate Court for retrial.*

*Additionally, another three cases of Bengang totaled to RMB 60, 190, 000. 00, the Company had won over the first instance, the second instance was on the trial. As for case of RMB 60, 190, 000. 00, recently the Company received a civil judgment ((2006) Liao Min Er Zhong Zi No. 214, 215 and 216) made by Higher People's Court of Liaoning Province on May 14, 2008, the court considered liquidation group of Liaoning Trust as the third party to attend in the litigation in accordance with procedure and ruled: civil judgment ((2005) Shen Zhong Min Si He Chu Zi No. 21, 22 and 23) will be repealed and remanded to Shenyang Intermediate Court for retrial.*

*For the duration of payments receivable has exceeded 4 years, the Company has withdrawn full amount for bad debt provisions in year of 2007.*

(2) Age analysis of other receivables:

<b>Jun. 30, 2008</b>				
<b>Age</b>	<b>Amount</b>	<b>proportion</b>	<b>Provisions for bad debts</b>	<b>Net amount</b>
Within 1 year	113,553,041.00	48.75%	3,960,751.54	109,592,289.46
1-2 years	37,092,506.44	15.93%	2,909,350.34	34,183,156.10
2-3 years	3,988,215.47	1.71%	329,602.66	3,658,612.81
3-4 years	1,027,765.18	0.44%	1,002,363.21	25,401.97
Over 4 years	77,244,800.29	33.17%	77,244,800.29	0.00
<b>Total</b>	<b>232,906,328.38</b>	<b>100%</b>	<b>85,446,868.04</b>	<b>147,459,460.34</b>

<b>Dec. 31, 2007</b>				
<b>Age</b>	<b>Amount</b>	<b>proportion</b>	<b>Provisions for bad debts</b>	<b>Net amount</b>
Within 1 year	115,515,915.64	49.37%	6,560,583.35	108,955,332.29
1-2 years	39,710,069.85	16.97%	11,920.00	39,698,149.85
2-3 years	905,473.85	0.39%	519,248.99	386,224.86
3-4 years	815,944.86	0.35%	812,716.88	3,227.98
Over 4 years	77,042,398.82	32.93%	77,042,398.82	-
<b>Total</b>	<b>233,989,803.02</b>	<b>100.00%</b>	<b>84,946,868.04</b>	<b>149,042,934.98</b>

(3) In the period of report, bad debt receivable does not need to be withdrawn independently

*Note : There's no other receivables from company holding 5% or over shares of the Company.*

5. Prepayment

<b>Types</b>	<b>Jun. 2008</b>		<b>Dec. 31, 2007</b>	
	<b>Amount</b>	<b>Proportion Rate</b>	<b>Amount</b>	<b>Proportion Rate</b>
Within 1 year	26,089,501.05	94.53%	27,957,511.50	97.75%
1-2 years	1,508,267.28	5.47%	642,266.41	2.25%
<b>Total</b>	<b>27,597,768.33</b>	<b>100%</b>	<b>28,599,777.91</b>	<b>100%</b>

*Note : There's no prepayment from company holding 5% or over shares of the Company.*

6. *Inventories and Provisions for Depreciation of Inventories*

items	Jun. 30, 2008			Dec. 31, 2007		
	Amount	Provisions for Depreciation	Net amount	Amount	Provisions for Depreciation	Net amount
Raw material	28,329,740.25	1,811,876.61	26,517,863.64	30,919,509.69	1,811,876.61	29,107,633.08
Work in progress	12,573,407.93	124,245.33	12,449,162.60	8,864,955.02	124,245.33	8,740,709.69
Goods in store	35,850,937.29	-	35,850,937.29	54,934,239.40	-	54,934,239.40
Low-value consumption						
goods	408,212.79	-	408,212.79	-	-	-
<b>Total</b>	<b>77,162,298.26</b>	<b>1,936,121.94</b>	<b>75,226,176.32</b>	<b>94,718,704.11</b>	<b>1,936,121.94</b>	<b>92,782,582.17</b>

Provisions for Depreciation of Inventories:

Items	Dec. 31, 2007	Increase during the period	return during the period	Jun. 30, 2008
Raw material	1,811,876.61	-	-	1,811,876.61
Work in progress	124,245.33	-	-	124,245.33
Goods in store	-	-	-	-
<b>Total</b>	<b>1,936,121.94</b>	<b>-</b>	<b>-</b>	<b>1,936,121.94</b>

7. *Long term equity investment*

(1) Long term equity investment of the Company are as follows:

items	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
Long term equity investment:	324,364,365.34	557,252	-	324,921,617.34
Minus: diminution provision	2,537,020.68	-	-	2,537,020.68
Net worth of Long Term Equity Investment	<b>321,827,344.66</b>	<b>557,252</b>	<b>-</b>	<b>322,384,596.66</b>



(2) Other equity investment

Company invested	Time invested	Proportion of shares	Initial amount of investment	Dec. 31, 2007	Adjustment of profit and loss in the period	Increase/decrease in the period	Jun. 30, 2008
1. Company of accounting profit and loss							
New Northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd.	long-term	20.80%	228,131,039.38	252,430,228.40	557,252		252,987,480.40
Great Power Technology Limited	long-term	20.80%	67,322,731.52	59,397,116.26			59,397,116.26
sub-total				<u>311,827,344.66</u>	<u>557,252</u>	<u>-</u>	<u>312,384,596.66</u>
2. Company of accounting cost							
Jinzhou City Commercial Bank Co., Ltd.	Long-term	3.55%	11,787,000.00	10,000,000	-	-	10,000,000
sub-total				<u>- 10,000,000</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>
Total				<u>- 321,827,344.66</u>	<u>557,252</u>	<u>-</u>	<u>322,384,596.66</u>

8. There is not major difference of accounting policies between invested company and the company, cash and income of the investment have no major restriction.

Types	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
Fixed Assets - Cost				
Buildings	99,020,901.13	2,197,122.62	-	101,218,023.75
Machinery	51,883,680.28	2,122,907.43	2,010,563.05	51,996,024.66
Motor Vehicles and others	24,291,647.57	1,366,863.34	976,586.55	24,681,924.36
Total	<u>175,196,228.98</u>	<u>5,686,893.39</u>	<u>2,987,149.60</u>	<u>177,895,972.77</u>
Accumulated depreciation:				
Buildings	35,602,567.12	1,408,459.25	-	37,011,026.37
Machinery	22,011,539.65	1,357,773.32	1,656,275.21	21,713,037.76
Motor Vehicles and others	6,216,973.11	940,909.09	248,245.15	6,909,637.05
Total	<u>63,831,079.88</u>	<u>- 3,707,141.66</u>	<u>1,904,520.36</u>	<u>65,633,701.18</u>
Net amount	<u>111,365,149.10</u>			<u>112,262,271.59</u>

Note: refers to Note XIII for related fixed assets mortgage.

9. Provisions for Fixed Assets Depreciation

Type	Dec. 31, 2007	Increase during in the period	Return during in the period	Jun. 30, 2008
Buildings	336,763.44	-	-	336,763.44
Motor Vehicles and others	1,617,980.91	-	-	1,617,980.91
Machinery	164,042.87	-	-	164,042.87
Total	<u>2,118,787.22</u>	<u>-</u>	<u>-</u>	<u>2,118,787.22</u>

10. Project in Progress

Name of Project	Construction price	Actual Payment				Jun. 30, 2008	Resources of capital	Item Speed
		Dec. 31, 2007	Increase during in the period	Fixed assets transferred in during the period	Other decrease			
Germany Can Project Straight Seam	€14,660,000	1,000,000	501,358.87	-	-	1,501,358.87	Self-owned	10%
Welder Project	RMB 450,000.00		20,660	-	-	20,660	Self-owned	5%
Involution Machine Project	\$ 10,860,000		8,459,689.35	-	-	8,459,689.35	Self-owned	95%
Total		<u>1,000,000</u>	<u>8,981,708.22</u>	<u>-</u>	<u>-</u>	<u>9,981,708.22</u>		

Note: Balance of this item at end of reporting period is increased 898% of RMB8,981,708.22, by new involution machine.

11. Intangible Assets

items	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
A. Total original prices	20,970,203.91			20,970,203.91
1.Land user rights	20,313,203.91			20,313,203.91
2. ERP software	105,000			105,000
3. CAXA Graphics and Documents Software	102,000			102,000
4.Patent	450,000			450,000
B.Total accumulated amortization	6,263,481.43	303,254.22		6,566,735.65
1.Land user rights	5,818,897.96	246,254.34		6,065,152.30
2. ERP software	72,916.75	16,999.98		89,916.73
3.CAXA Graphics and Documents Software	56,666.60	17,500.02		74,166.62
4.Patent	315,000.12	22,499.88		337,500
C.Total accumulated impairment reserve of intangible assets	-	-		-
D. Total book value of intangible assets	14,706,722.48	-303,254.22		14,403,468.26
1.Land user rights	14,494,305.95	-246,254.34		14,248,051.61
2. ERP software	32,083.25	-16,999.98		15,083.27
3.CAXA Graphics and Documents Software	45,333.40	-17,500.02		27,833.38
4.Patent	134,999.88	22,499.88		112,500
Total	14,706,722.48	-303,254.22		14,403,468.26

Please refer to Note XIII for related intangible assets mortgage.

12. Goodwill

Way of being	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
Shares swap	94,643,933.80	-	-	94,643,933.80

Note: Refer to V.(IV).1 in Annual Report 2007 for concrete reason

13. Long-term deferred Expenses

Items	Dec. 31, 2007	Increase in the period	Amortization in the period	Jun. 30, 2008	Terms of amortization (month)
Expenses of leasing	1,744,605.25		1,303,480.02	441,125.23	Six months

14. Deferred income tax asset

Items	Jun. 30, 2008	Dec. 1, 2007
Offsettable temporary difference arising from bad debt provisions	4,103,709.27	4,103,709.27
Offsettable temporary difference arising from accumulated depreciation	84,373.92	84,373.92
Offsettable temporary difference arising from amortization of intangible assets	22,677.09	22,677.09
Offsettable temporary difference arising from expenses payable	105,737.50	105,737.50
Offsettable temporary difference arising from diminution provision of inventories	484,030.48	484,030.48
Offsettable temporary difference arising from diminution provision of fixed assets	488,321.24	488,321.24
Total	5,288,849.50	5,288,849.50

15. Short term bank loans

Types of borrowings	Jun. 30, 2008		Dec. 31, 2007	
	Currency of the transaction	Translation into RMB	Currency of the transaction	Translation into RMB
Bank Loan				
Inclu : Collateral	8,000,000.00	8,000,000.00	5,000,000.00	5,000,000.00
Guaranteed	26,850,000.00	26,850,000.00	37,368,876.60	37,368,876.60
Impawn			8,000,000.00	8,000,000.00
Total	34,850,000.00	34,850,000.00	50,368,876.60	50,368,876.60

16. *Bills payable*

<b>Items</b>	<b>Jun. 30, 2008</b>	<b>Dec. 31, 2007</b>
Bank accepted bills of exchange	600,000.00	4,406,000.00
<b>Total</b>	<b>600,000.00</b>	<b>4,406,000.00</b>

*Note 1: Balance of this item at end of reporting period is decreased 86.38% of RMB3, 806, 000.00, by bills payable received.*

*Note 2: There's no owing payment from company holding 5% or over shares of the Company in balance of bills payable at the end of reporting period.*

17. *Accounts payable*

<b>Age</b>	<b>Jun. 30, 2008</b>	<b>Dec. 31, 2007</b>
Within 1 year	118,275,749.73	109,789,392.92
1-2 years	17,708,801.90	6,406,090.96
2-3 years	657,001.88	906,663.03
Over 3 years	1,463,555.93	8,936,251.52
<b>Total</b>	<b>138,105,109.44</b>	<b>126,038,398.43</b>

*Note: There's no account payable from shareholders that owned 5% or over voting shares of the Company.*

18. *Advances*

<b>Age</b>	<b>Jun. 30, 2008</b>	<b>Dec. 31, 2007</b>
Within 1 year	18,609,991.69	88,724,781.96
1-2 years	61,237,196.04	1,874,984.14
2-3 years	11,234.00	11,234.00
Over 3 years	1,237,322.85	1,237,322.85
<b>Total</b>	<b>81,095,744.58</b>	<b>91,848,322.95</b>

*Note: There's no account payable from shareholders that owned 5% or over voting shares of the Company.*

19. *Salaries and benefits payable to employees*

Items	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
1. Staff salary, bonus, allowance and subsidies		6,910,863.04	6,910,863.04	
2. Welfare provision	62,636.11	160,312.04	222,948.15	
3. Social insurance	734,545.99	4,183,598.28	3,279,586.82	1,638,557.45
4. Housing reserve fund	846,334.53	956,463.40	397,439.22	1,405,358.71
5. Labor union expenditures and staff education expenditures	163,486.16	340,396.72	322,066.44	181,816.44
6. Non-currency benefit				
7. Compensation paid for the termination of employment contracts with employees				
8. Others		1,189.20	1,189.20	
Include: share payable in cash				
<b>Total</b>	<b>1,807,002.79</b>	<b>12,552,822.68</b>	<b>11,134,092.87</b>	<b>3,225,732.60</b>

20. *Tax payable*

Type of taxes	Jun. 30, 2008	Dec. 31, 2007
Value-added tax	1,738,827.06	3,945,731.33
Tax of maintenance and construction of the city	7,263.60	22,609.98
Income tax -enterprise	4,626,968.32	123,906.75
Income tax - person	16,965.84	173,883.08
Tax on land use rights	12,751.50	107,580.00
Tax on buildings' ownership	42,597.88	52,154.19
Tax on added-value of lands		84,485.50
Education	6,920.82	12,666.21
Others	-55,517.26	56,826.52
Stamp tax		
<b>Total</b>	<b>6,396,777.76</b>	<b>4,579,843.56</b>

21. Other payables

Age	Percentage	Jun. 30, 2008	Percentage	Dec. 31, 2007
within 1 years	73.11%	123,974,805.55	35.50%	129,767,865.26
1-2 years	14.16%	24,016,333.97	43.57%	21,025,467.11
2-3 years	11.93%	20,236,143.05	4.56%	1,617,190.96
over 3 years	0.80%	1,346,233.28		
Total	100%	<u>169,573,515.95</u>	100%	<u>152,410,523.33</u>

Note : There's no payable from shareholders owned 5% or over voting shares of the Company.

22. Estimated Liabilities

Items	Jun. 30, 2008	Dec. 31, 2007
Guarantees for loans	124,967,867.25	124,967,867.25

Note 1: The Company has provided guarantee for the loan agreement between Electricity Transmission and Transformation Group (former shareholder of the Company) and China Ever Bright Bank Co., Ltd., principal of which loan is RMB30,000,000.00, and the Company will therefore undertake obligation of joint guarantee. In 2001 China Ever Bright Bank Co., Ltd has filed a lawsuit against the NET to the 1<sup>st</sup> Intermediate Court of Beijing City, and requesting the debtor to repay principal of RMB26,402,000.00 and overdue interests of RMB4,591,929.00, and for the Company to undertake joint obligation to repay. The Court has ruled on Apr. 19, 2002 that the Company should undertake joint obligation of repayment of the above-mentioned principal in overdue interest. The Company has appealed to the Higher People's Court of Beijing City on Aug. 15, 2002. On May 13, 2003, the High Court of Beijing City has made final judgment the 1<sup>st</sup> sentence should be carried on. The Company has estimated liabilities of RMB30,993,929.00. Up till the reporting date, the Company has not paid the above mentioned liability.

Note 2: The Company has provided guarantee for the bank loan of RMB 13,000,000.00 between Bank of China Jinzhou Branch and the Company's subsidiary - Jinrong, and thus undertake obligation of joint guarantee. Bank of China Jinzhou Branch has filed a lawsuit in Feb. 2005 to the Intermediate Court of Jinzhou City Liaoning Province, asking for Jinrong's repayment of RMB13,000,000.00 and the relative interests, along with request that the Company undertake joint obligation of repayment. The subject Intermediate Court has ruled in May 2005 that the Company should undertake the joint obligation of repayment of the captioned loan principal and interests. The Company has not filed for appeal, the judgment has taken effect and the Intermediate Court of Jinzhou City Liaoning Province issued execution notice (2005) Jin Zhi Zi No. 89 in Sep. 2005. The Company and has accordingly estimated liabilities of RMB14,464,500.00. Up till the reporting date, the Company has not paid the above mentioned liability.

- Note 3: The formerly subsidiary of the Company - Shenyang High-voltage has disputes over goods payment with its supplier Xi'an Shuangjia High-voltage Insulators Electric Co., Ltd. (referred to as Xi'an Shuangjia), later in 2004 Xi'an Shuangjia sued Shenyang High-voltage to the Intermediate Court of Xi'an City Shanxi Province, asking for Shenyang High-voltage to repay RMB14,280,007.35, and along with request that the Company as the former shareholder of Shenyang High-voltage to undertake joint obligation of repayment using 8 units of houses bought from the Shenyang High-voltage. The Intermediate Court of Xi'an City Shanxi Province has ruled on May 30, 2005, that the Company should use the subject houses to undertake joint obligation of repayment for the abovementioned debts. The Company has filed appeal on Jun. 15, 2005 to the Higher People's Court of Shanxi Province. On Oct. 18, 2005, the Higher Court has made its final judgment that the 1st sentence should be carried on. The Company has estimated liabilities of RMB9, 252,860.00 according to the value of the subject houses.*
- Note 4: The Company has provided guarantee for loans of RMB17,000,000.00 between Jinzhou Power Capacitor Co., Ltd. (later referred as "Jin Cap") and Jinzhou City Commercial Bank. The bank has launched lawsuit to the Intermediate Court of Jinzhou City in March 2007 against Jin Cap for repayment of principal of RMB17,000,000.00 and relative interests RMB 2, 890, 000. 00, and asking for the Company to assume repayment. The court has sentenced the Company to assume joint liability for repaying RMB17,000,000.00 and relative interests RMB 2, 890, 000.00 by Ruling no. (2007)Jin Min San Chu Zi Di 00049 in Jun. 2007, which has come into effectiveness for the Company has not appealed and judgment has taken effect. The Company therefore estimate liability of RMB19,890,000.00 and relative interests. Up till the reporting date, the Company has not paid the above mentioned liability.*
- Note 5: The Company has provided guarantee for Shenyang Kingdom Hotel Co.,Ltd for loans of RMB24,000,000.00 from ICBC Shenyang City Yinxin Sub-branch, assuming joint liability. As the loan is overdue, the bank has sued Shenyang Kingdom Hotel to the Intermediate Court of Shenyang City for repayment of loan principal of RMB24,000,000.00 and relative interests, and for the Company to assume joint obligation to repay. Ruling No.(2003)Shen Zhong Min(3)Chu Zi Di 94 by the Court has ruled the Company to take up joint obligation of repaying RMB24,000,000.00 and relative interests. The Higher Court of Shenyang City Liaoning Province has maintained the above first ruling by its Ruling No.(2003)Liao Min Er He Zhong Zi Di 160. As Shenyang Kingdom Hotel is not included in the scope of consolidation this year, the Company has estimated liability of RMB24,000,000.00 according to the Rulings. Up till the reporting date, the Company has not paid the above mentioned liability.*
- Note 6: The Company provide guarantee and assume joint liability for loans of RMB22,900,000.00 from ICBC Jinzhou City Sub-branch to Jin Power Cap., which loan agreement amount is RMB42,900, 000.00. ICBC Jinzhou City Sub-branch has sued against Jin Cap in Dec. 2006 to the Intermediate Court of Jinzhou City, for the borrower to repay loan principal of RMB22, 900, 000.00 and relative interest RMB 3, 466, 578, 25.00, and for the Company to assume joint repayment. The Court has sentenced by Ruling No. (2007) Jin Min San Chu Zi 00019 on Jul. 18, 2007 that the Company should take up joint obligation to repay RMB22, 900, 000.00 and relative interests RMB3, 466, 578, 25.00. Therefore the Company has estimated liability of RMB26, 366, 578.25. Up till the reporting date, the Company has not paid the above mentioned liability.*



23. Capital

Items	Dec. 31, 2007	Changes during the period (+, -)					Jun. 30, 2008
		Rights offering	Complimentary shares	Capitalization on reserve	Others	Sub-total	
I. shares with limited selling conditions							
1. state shares		-	-	-	-		-
2. Domestic non-state owned shares	223,970,228	-	-	-	-		223,970,228
Total:	223,970,228	-	-	-	-		223,970,228
II. shares with unlimited selling conditions							
1. common RMB shares(A share)	391,449,772	-	-	-	-		391,449,772
2. foreign shares listed abroad (H share)	257,950,000	-	-	-	-		257,950,000
Total:	649,399,772	-	-	-	-		649,399,772
III. Total shares	873,370,000	-	-	-	-	2	873,370,000

24. Capital Reserve

Items	Jun. 31, 2007	Increase in the year	Decrease in the year	Jun. 30, 2008
Share premium	115,431,040.00	-	-	115,431,040.00
Others	862,635,297.72	-	-	862,635,297.72
Total	978,066,337.72	-	-	978,066,337.72

25. Reserve

Items	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
Legal reserve	80,028,220.48			80,028,220.48
Co reserve	28,558,903.92			28,558,903.92
Total	108,587,124.40			108,587,124.40

26. Retained profit

Items	Dec. 31, 2007	Increase during the period	Decrease during the period	Jun. 30, 2008
Retained profit	-1,438,523,595.67	520,651.63		-1,438,002,944.04

27. *Income and costs of sales*

Types	Income of sales		Cost of sales	
	Amount during the period	Same period last year	Amount during the period	Same period last year
High-Voltage switch gears	164,884,985.53	115,254,287.18	140,287,010.49	98,755,168.61
Electric Capacitor	61,380,088.79	38,906,373.77	41,149,624.45	32,258,529.54
Enclosed Busbar	36,232,593.97	63,839,263.23	26,268,132.37	50,045,123.09
Accommodation and catering	0	13,930,982.10	0	2,774,260.49
Transformer	0	577,162.41	0	466,890.58
Materials Sales	1,774,925.51	8,351,058.15	1,694,918.58	8,256,624.17
Others	8,111,944.36	7,332,901.64	6,423,935.88	6,635,981.06
Total	<u>272,384,538.16</u>	<u>248,192,028.48</u>	<u>215,807,245.07</u>	<u>199,192,577.54</u>

28. *Sales tax and surtax*

Types	Ratio of taxes	Amount during the period	Same period last year
Sales tax	5%—20%		705,039.93
Tax on City maintenance and construction	7%	41,208.7	20,345.84
Education surtax	4%	22,896.58	11,426.17
Total		<u>64,105.28</u>	<u>736,811.94</u>

29. *Sales expenses*

Types	Amount during the period	Same period last year
Sales expenses	<u>19,395,044.46</u>	<u>32,174,646.65</u>

*Note: Costs of sales increased RMB 12,779,602.19 by 39.72% compared to the same period of last year, mainly due to the decrease from sales agent expenses.*

30. *Administrative expenses*

Types	Amount during the period	Same period last year
Administrative expenses	<u>28,794,449.63</u>	<u>33,992,325.92</u>

## 31. Financial expenses

<b>Types</b>	<b>Amount during the period</b>	<b>Same period last year</b>
Interest expenses	1,975,789.06	1,974,551.40
Minus: income of interest	533,210.99	104,661.87
loss of exchange	6,128,658.25	3,370,672.57
Minus : Gain of exchange	320,002.46	21,985.67
Others	28,570.00	196,732.17
<b>Total</b>	<b>7,279,803.86</b>	<b>5,415,308.60</b>

*Note : Financial expenses increased RMB1,846,495.26 by 34.43 % compared to the same period of last year, mainly due to loss on exchange increase.*

## 32 Return on investments

<b>Items</b>	<b>Amount during the period</b>	<b>Same period last year</b>
Profit from shares investment		54,443,111.36
Investment income by equity method	557,252.00	4,339,132.72
<b>Total</b>	<b>557,252.00</b>	<b>58,782,244.08</b>

*Note: Investment income decreased RMB58,224,992.08 by 99% compared to the same period of last year, mainly due to gain from selling holding stock with Jinhua Chlor-alkail.*

## 33. Non-operating revenue

<b>Items</b>	<b>Amount during in the period</b>	<b>Same period last year</b>
Income of disposal of fixed assets		38,984.17
Waste income	232,083.53	
Income of fines	10,690.00	7,639.40
Others	144,910.80	311,956.38
<b>Total</b>	<b>387,684.33</b>	<b>358,579.95</b>

34. *Non-operating expenses*

<b>Items</b>	<b>Amount during the period</b>	<b>Same period last year</b>
Expenses of fines	35,147.65	48,084.12
Others	215,261.29	56,636.73
<b>Total</b>	<b>250,408.94</b>	<b>104,720.85</b>

35. *Income tax expenses*

<b>Items</b>	<b>Amount during the period</b>	<b>Same period last year</b>
Current income tax	805,592.15	270,096.58
Deferred income tax		8,705.15
<b>Total</b>	<b>805,592.15</b>	<b>278,801.73</b>

36. *Cash received from operation-related activities*

Cash received related to other operating activities of this term is RMB 22,000,247.83, mainly due to intercompany accounts received.

37. *Cash paid to other operation-related activities*

<b>Contents</b>	<b>January to June 2008</b>	<b>January to June 2007</b>
Intercompany accounts	5,276,924.06	63,832,503.65
Travelling	1,883,081.35	2,612,303.23
Insurance	2,505,302.16	3,579,056.29
Intermediary agents fees like auditing charges	718,141.11	2,860,871.51
Transportation	5,705,100.16	7,942,299.50
Sales	5,723,786.88	5,649,995.60
Consultancy	788,500.00	3,008,119.00
Entertainment	3,069,401.06	1,621,318.66
Office expenses	1,345,944.04	1,414,105.14
Fuel	800,741.50	1,539,424.50
Others	29,077,880.70	21,608,718.81
<b>Total</b>	<b>34,394,803.02</b>	<b>115,668,715.89</b>

38. Supplementary Information of Cash Flow Statements

Supplementary information	Amount during the period (Group)	Same period of last year (Group)	Amount during the period (Parent company)	Same period of last year (Parent company)
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	520,615.63	751,542.66	-1,576,930.16	-3,473,872.99
Add: provisions of assets devaluation	500,000.00	40,651,128.60	0.00	0.00
Minority shareholders' equity	-87,826.53	-5,965,011.98	0.00	0.00
Depreciation of fixed assets, loss of oil assets, fixed assets depreciation of biological productivity	897,122.49	7,476,719.05	124,390.08	293,453.99
Amortization of intangible assets	303,254.34	710,237.00	0.00	0.00
Amortization of long-term deferred and prepaid expenses	1,303,480.02	1,277,680.02	0.00	0.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-"refers to earnings)	-539,106.71	-38,984.17	0.00	0.00
Loss from scrapped asset ("-"refers to earnings)	0.00	0.00	0.00	0.00
Losses on changes of fair value ("-"refers to earnings)	0.00	0.00	0.00	0.00
Financial expenses("-"refers to earnings)	7,279,803.86	5,415,308.60	-10,613.44	-37,191.56
Losses of investment("-"refers to earnings)	-557,252.00	-58,782,244.08	0.00	0.00
Decrease in assets of deferred income taxes ("-"refers to increase)	0.00	0.00	0.00	0.00
Increase in liabilities of deferred income taxes ("-"refers to decrease)	0.00	0.00	0.00	0.00
Decrease in inventories ("-"refers to increase)	17,556,405.85	-41,027,823.37	-4,527,661.56	173,255.79
Decrease in operating receivables ("-"refers to increase)	-49,402,432.15	-55,168,206.20	10,058,789.94	-24,817,985.54
Increase in operating receivables ("-"refers to decrease)	17,906,789.27	3,817,751.70	-5,765,965.90	17,074,636.21
Others	-2,803,445.16	4,121,076.31	-10,974.56	0.00
Net cash flows from operating activities	-7,122,591.09	-96,760,825.86	-1,708,965.60	-10,787,704.10
2. Investment and financing activities that do not involve in cash receipts and payments				
Capital transferred by debts				
Transferable company bonds due in 1 year				
Financial leasing of fixed assets				
3. Increase in cash and cash equivalents				
Cash at the end of the period	28,761,681.66	17,532,656.00	2,326,791.96	3,274,054.69
Less: cash at the beginning of the period	65,577,809.55	41,123,600.99	4,035,757.56	14,066,308.79
Add: cash equivalents at the end of the period	0.00	0.00	0.00	0.00
Less: cash equivalents at the beginning of the period	0.00	0.00	0.00	0.00
Net increase of cash and cash equivalents	-36,816,127.89	-23,590,944.99	-1,708,965.60	-10,792,254.10

## 39. Details of non-current profit and loss items

Detailed items	From January to June 2008	From January to June 2007
1. Gain/loss of disposal of non-current assets		54,443,111.36
2. Return, deduction or exemption of tax with approval exceeding authority or without official approval	-	-
3. Government subsidy taken into profit and loss of the period	-	-
4. Pre-empting funds expenses taken into profit and loss	-	-
5. Gain/loss due to consolidated costs are less than those of fair value of recognizable net asset of the company consolidated	-	-
6. Gain/loss of non-monetary assets trades	-	-
7. Gain/loss of investments in trust	-	-
8. Assets diminution provision due to force majeure, such as natural disasters	-	-
9. Gain/loss of debts reorganization	-	-
10. Expenses of corporate reorganization	-	-
11. Gain/loss of transactions exceeding fair value	-	-
12. Net gain/loss of subsidiaries under the same controlling party from beginning of period till end	-	-
13. Estimated gain/loss unrelated with major operations of the company		
14. Net amount of gain/loss of non-operation besides the above mentioned items	137,275.39	253,859.10
15. Others		-40,000,000.00
Total	<u>137,275.39</u>	<u>14,696,970.46</u>
Less: income tax of non-recurrent gain/loss	6,775.21	
Less: proportion due minority shareholders	-10,041.49	
Net profit under effect of gain/loss of non-recurrent	140,541.67	14,696,970.46
Reporting net profit	432,825.10	-5,213,469.32
Less: gain/loss of minority interests	-87,826.53	-5,965,011.98
Net profit belong to parent company's shareholders	520,651.63	751,542.66
Non-recurrent gain/loss to net profit belong to parent company's shareholders	<u>26.99%</u>	<u>1955.57%</u>
Net profit belong to parent company's shareholders after deduction of non-recurrent gain/loss	<u>380,109.96</u>	<u>-13,945,427.80</u>

#### VIV. Notes to major items in parent company's financial reports

##### 1. Account receivables

###### (1) Risk Analysis of account receivables:

Types	Jun. 30, 2008			
	Amount	proportion	Provisions for baddebts	Net amount
Single large amount account receivables	27,789,625.00	87.42%	-	27,789,625.00
Account receivables with higher risks after risk reorganization though with small amount	-	-	-	-
Other insignificant amount account receivables	3,999,876.00	12.58%	207,996.00	3,791,880.00
<b>Total</b>	<b>31,789,501.00</b>	<b>100.00%</b>	<b>207,996.00</b>	<b>31,581,505.00</b>

Types	Dec. 31, 2007			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivables	38,597,833.00	92.18%	-	38,597,833.00
Account receivables with higher risks after risk reorganization though with small amount	-	-	-	-
Other insignificant amount account receivables	2,434,007.60	7.82%	207,996.00	2,226,011.60
<b>Total</b>	<b>41,031,840.60</b>	<b>100.00%</b>	<b>207,996.00</b>	<b>40,823,844.60</b>

Note 1: The Company has set the criteria for single large amount account receivable as RMB1 million, according to the scale of operation, character of the operation and state of customers' settlement.

Note 2: Foundation of judgment of any single account receivables with higher risks after risk reorganization though with insignificant amount, is there're unrecoverable signs showing, or age exceed 4 years.

(2) Age analysis of Account

<b>Jun. 30, 2008</b>				
<b>Age</b>	<b>Amount</b>	<b>Percentage</b>	<b>Bad debt provision</b>	<b>Net amount</b>
Within 1 year	25,921,829.00	81.54%	-	25,921,829.00
1-2 years	975,516.00	3.07%		975,516.00
2-3 years	3,356,500.00	10.56%		3,356,500.00
3-4 years	1,535,656.00	4.83%	207,996.00	1,327,660.00
<b>Total</b>	<b>31,789,501.00</b>	<b>100%</b>	<b>207,996.00</b>	<b>31,581,505.00</b>

  

<b>Dec. 31, 2007</b>				
<b>Age</b>	<b>Amount</b>	<b>Percentage</b>	<b>Bad debt provision</b>	<b>Net amount</b>
Within 1 year	33,626,333.00	81.95%	-	33,626,333.00
1-2 years	5,898,447.60	14.38%		5,898,447.60
2-3 years				
3-4 年 3-4 years	1,507,060.00	3.67%	207,996.00	1,299,064.00
<b>Total</b>	<b>41,031,840.60</b>	<b>100%</b>	<b>207,996.00</b>	<b>40,823,844.60</b>

(3) In the period of report, bad debt receivable does not need to be withdrawn independently

2. *Other receivables*

(1) Risk Analysis of other receivables:

<b>Jun. 30, 2008</b>				
<b>Age</b>	<b>Amount</b>	<b>percentage</b>	<b>Bad debt provision</b>	<b>Net amount</b>
Single large amount other receivables	729,495,901.11	99.71%	76,090,000.00	653,405,901.11
Other receivables with higher risks after risk reorganization though with small amount	195,211.75	0.03%	195,211.75	
Other insignificant amount other receivables	1,900,616.94	0.26%	488,976.41	1,411,640.53
<b>Total</b>	<b>731,591,729.80</b>	<b>100%</b>	<b>76,774,188.16</b>	<b>654,817,541.64</b>



Dec. 31, 2007

Age	Amount	percentage	Bad debt provision	Net amount
Single large amount other receivables	729,496,853.11	99.36%	76,090,000.00	653,406,853.11
Other receivables with higher risks after risk reorganization though with small amount	195,969.53	0.03%	195,969.53	-
Other insignificant amount other receivables	4,482,397.93	0.61%	488,218.63	3,994,179.30
<b>Total</b>	<b>734,175,220.57</b>	<b>100.00%</b>	<b>76,774,188.16</b>	<b>657,401,032.41</b>

Note 1: The Company has set the criteria for single large amount other receivable as RMB1 million, according to the scale of operation, character of the operation and state of customers' settlement.

Note 2: Foundation of judgment of any single other receivables with higher risks after risk reorganization though with insignificant amount, is there're unrecoverable signs showing, or age exceed 4 years.

(2) Age analysis of other receivables:

Jun. 30, 2008

Age	Amount	percentage	Bad debt provision	Net amount
Within 1 year	622,848,358.69	85.14%	-	622,848,358.69
1-2 years	31,617,345.91	4.32%	11,920.00	31,605,425.91
2-3 years	644,843.92	0.09%	281,086.88	363,757.04
3-4 years	195,211.75	0.03%	195,211.75	-
Over 4 years	76,285,969.53	10.42%	76,285,969.53	-
<b>Total</b>	<b>731,591,729.80</b>	<b>100.00%</b>	<b>76,774,188.16</b>	<b>654,817,541.64</b>

Dec. 31, 2007

Age	Amount	percentage	Bad debt provision	Net amount
Within 1 year	624,325,013.50	85.04%	-	624,325,013.50
1-2 years	32,722,796.91	4.46%	11,920.00	32,710,876.91
2-3 years	646,228.88	0.09%	281,086.88	365,142.00
3-4 years	195,211.75	0.02%	195,211.75	-
Over 4 years	76,285,969.53	10.39%	76,285,969.53	-
<b>Total</b>	<b>734,175,220.57</b>	<b>100.00%</b>	<b>76,774,188.16</b>	<b>657,401,032.41</b>

- (3) In the period of report, the other bad debt receivable does not need to be withdrawn independently

3. Long term investment

- (1) Long term investment are disclosed as follows:

Items	Dec. 31.2007	Increase during the period	Decrease during the period	Jun. 30.2007
Long term equity investment	170,174,439.31			170,174,439.31
Minus:diminution provision	2,537,020.68			2,537,020.68
Net worth of long term equity investment	167,637,418.63			167,637,418.63

- (2) Details of long term equity investment:

Other equity investment:

Company invested	Term of investment	Percentage of investment	Dec. 31.2007	Increase during the period	Decrease during the period	Jun. 30.2007
1. Company of accounting cost:						
Northeast Electric (Hong Kong) Company Limited	Long-term	100%	156,699,451.63			156,699,451.63
Shenyang Gaodongjia Desiccation Co., Ltd.	Long-term	70%	837,967.00			837,967.00
Shenyang Kaiyi Electric Co., Ltd.	Long-term	10%	100,000.00			100,000.00
Jinzhou City Commercial Co.,Ltd	Long-term	3.55%	10,000,000.00			10,000,000.00
Total			167,637,418.63			167,637,418.63

4. Incomes and costs of major operation

Types	Income of major operation		Costs of major operations		Gross profit from major operations	
	This reporting period	Same period of last year	This reporting period	Same period of last year	This reporting period	Same period of last year
High-Voltage switch gears	60,913,570.72	59,268,919.04	55,807,411.32	55,045,025.41	5,106,159.40	4,223,893.63

**X. Relationship and transaction between related parties**

*(I) Introduction of related parties*

1. Related parties include: related companies with controlling relationship listed in Note VII.1 and shareholders with or without controlling relationship of the Company.

shareholders of the Company with controlling relationship

Name of company	Location of registration	Registered capital	Percentage of the Company's shares	Major operation	Relationship with the Company	Type of enterprise	Legal representative
New Northeast Electric Investment Co., Ltd.	Shenyang	RMB135 M	24.28%	investment	Parent co.	Limited Co	Tian Li

Registered capitals and changes of the related parties with controlling relationships

Name of company	Dec. 31, 2007	Increase/decrease in the period	Jun. 30, 2008
New Northeast Electric Investment Co., Ltd.	135,000,000.00	-	135,000,000.00

Changes in shares of the controlling shareholders

Name of company	Dec. 31, 2007	Percentage	Change in the period	Jun. 30, 2008	Percentage
New Northeast Electric Investment Co., Ltd.	211,991,410.00	24.27%	22,827.00	212,014,237.00	24.28%

2. Related parties without controlling relationship but transaction

<b>Name of company</b>	<b>Relationship with the Company</b>
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	associate
Great Power Technology Limited	associate
Shenyang Chengda High-Voltage Electric Equipment Co.,Ltd.	associate
Shenyang Beifu Machinery Manufacturing Co., Ltd.	associate

(II) Events of related party transactions

1. Expenses of purchase of goods and other

Expenses of purchase of goods and agents fees of the Company in this period and the last are disclosed as follows:

<b>Name of related parties</b>	<b>Jan.-Jun. 2008</b>		<b>Jan.-Jun. 2007</b>	
	<b>Amount</b>	<b>Percentage in overall purchase of goods</b>	<b>Amount</b>	<b>Percentage in overall purchase of goods</b>
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	65,568,748.10	24.81%	47,044,803.84	21.18%

Price of above transaction are set by markets.

2. Sales of goods

Sales of goods to related parties in this period and the last year are:

<b>Name of related party</b>	<b>Jan.-Jun. 2008</b>		<b>Jan.-Jun. 2008</b>	
	<b>Amount</b>	<b>Percentage in overall purchase of goods</b>	<b>Amount</b>	<b>Percentage in overall purchase of goods</b>
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	57,534,589.00	21.12%	58,161,645.12	23.43%

Price of above transaction are set by markets.

3. Major related transactions occur in the above related parties in the period

	<b>Jan.-Jun. 2008</b>	<b>Jan.-Jun. 2007</b>
Purchase goods from related parties	65,568,748.10	47,044,803.84
Purchase raw material and equipment from related parties	195,283.60	56,450.00
Sales goods to related parties	57,534,589.00	58,161,645.12

Price of above transaction are set by markets.

4. Events of Guarantee

- (1) Up to Jun. 30, 2008, events of guarantee provided by the Company for loans of related parties are as follows:

<b>Name of related party</b>	<b>Amount</b>	<b>Tenure</b>
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	260,000,000.00	2 year

(III) Balance of Account Receivables, Account Payable by related parties

Name of related party	Dec. 31, 2007		Jun. 30, 2008	
	Amount	Percentage	Amount	Percentage
Bills Receivable:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	1,906,000.00	47%	600,00.00	100%
Dividends receivable:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	2,170,000.00	53%	2,170,000.00	100%
Great Power Technology Limited	1,947,670.40	47%	-	-
Account receivable:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	-	-	19,182,534.11	8%
Other receivable:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	13,000,000.00	8%	8,000,000.00	5%
Shenyang Beifu Machinery Manufacturing Co., Ltd.	30,791,444.91	21%	30,791,444.91	21%
Shenyang Chengda High-Voltage Electric Equipment Co., Ltd.	8,197,957.81	6%	-	-
Account payable:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	7,569,882.96	6%	6,284,150.04	5%
Shenyang Beifu Machinery Manufacturing Co., Ltd.	182,706.45	-	182,706.45	-
Advances:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	55,000,000.00	60%	55,000,000.00	68%
Other payable:				
New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.	72,496,205.67	48%	72,455,205.67	43%

## XI. Events of contingency

Up to Jun. 30, 2008, the Company has provided guarantee for New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd.'s bank loan of RMB260,000,000.00 for a term of 2 year.

Up to Jun. 30, 2008, the Company has totally provided guarantee for Shenyang Kingdom Hotel's bank loan of RMB 4, 550, 000.00.

Other details see Note VIII.22 Estimated Liabilities.

**XII. Events of Undertakings**

There are no events of undertakings to be disclosed in the period.

**XIII. Assets of Limited Ownership**

(1) Up to Jun. 30, 2008, the assets details of limited ownership are as follows:

Type of assess of limited ownership	Dec. 2007	Increased amount of this period	Decreased amount of this period	Jun. 30, 2008
Assets for loan mortgage:				
Land and house	16,238,922.64			16,238,922.64
Machine equipment	20,145,617.90	-		20,145,617.90
Others:				
Bills receivable	1,906,000.00	600,000.00	1,906,000.00	600,000.00
Bank deposits	28,943,000.00		20,376,307.31	8,566,692.69

(2) Up to Jun. 30, 2008, assets mortgage situation of the Company and holding company are described as follow:

Name of the Company	Type of assets	Original value of account	Net value of account	Term of mortgage	Initial amount of bank loan
Fuxin Closed Busbars					
Company Limited	Land and house	16,238,922.64	10,990,280.80	One year	8,000,000.00
New Northeast Electric					
(Jinzhou) Power Capacitors Co., Ltd.	Machine equipment	20,145,617.90	15,839,699.28	One year	22,000,000.00

**IVX. Non Adjustment Item of Balance Sheet**

None.

## VX. Other Material Events

Litigation between Shenyang High-Voltage Switches Co., Ltd. and China Development Bank brought heavy loss to the Company.

Shenyang High-Voltage Switch Co., Ltd. (“Shenyang High-voltage”) signed Loan Contract with China Development Bank (“CDB”) in year of 1998 and got bank loan, which was guaranteed by the other company who signed Guaranty Contract with CDB. Later on in year 2003 and 2004, Shenyang High-voltage invested in substance and land use rights jointly with other companies to establish New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd. (“NNE(Switchgears)”), New Northeast Electric (Shenyang) High-voltage Isolated Switchgears Co., Ltd. (“Insulator Switchgears”), Shenyang Xintai Storage and Logistics Co., Ltd. (“Xintai Storage”) and Shenyang Chengtai Energy and Power Co., Ltd. (Chengtai Energy) respectively. The Company has possessed equities of Insulator Switchgears, Xintai Storage and Chengtai Energy from Shenyang High-voltage in year 2004. CDB lodged litigation to Higher People’s Court of Beijing (“Beijing Higher Court”) on May 31, 2004 to require Shenyang High-voltage to repay overdue loan RMB 150, 000, 000.00 and corresponding interests, require the Company, NNE(Switchgears), Insulator Switchgears, Xintai Storage and Chengtai Energy (“company and related companies”) to undertake the related liabilities of guaranty for loan RMB 150, 000, 000.00 and corresponding interests of CDB owed by Shenyang High-voltage, require the court to make judgment on invalidity of Transfer Contract for purchasing equities between Shenyang High-voltage and Insulator Switchgears, Xintai Storage and Chengtai Energy. On Mar. 18, 2005, the court made a civil judgment ((2004) Gao Min Chu Zi No. 802) and rejected the request of CDB to the Company and related companies. CDB did not accept the aforesaid judgment of Beijing Higher People’s Court and lodged an appeal with The Supreme People’s Court of The People’s Republic of China (“The Supreme People’s Court”) on Mar. 22, 2005. The court has ruled on Jun. 6, 2006 that the case for loan of CDB lodging litigation against Shenyang High-voltage, Shenyang Transformer Co., Ltd. (“Shenyang Transformer”) and Northeast Construction and Installation Engineering Corporation and case of CDB lodging litigation against Shenyang High-voltage, Insulator Switchgears, Xintai Storage Chengtai Energy and company shall be merged to inquisite.

Beijing Higher Court made a civil judgment ((2004) Gao Min Chu Zi No. 802) on Oct. 19, 2007, in which the judgment related to the Company was as follow: repeal Transfer Contract on Equity for creditor’s rights and interests of RMB 76,660,000 possessed by the Company in Northeast Electrical Transmission and Transformation Equipment Co., Ltd., and 95% of equities possessed by Shenyang High-voltage in Shenyang Beifu Machinery Manufacturing Co., Ltd. and Shenyang Dongli Logistics Co., Ltd. respectively; the Company should return aforesaid creditor’s rights to Shenyang High-voltage within 10 days after the order taking into force. If not, the Company should compensate the loss to Shenyang High-voltage in the scope of RMB 247,116,500.00; Shenyang High-voltage should return its possessed creditor’s rights and interests of RMB 76,660,000.00 in Northeast Electrical Transmission and Transformation Equipment Co., Ltd. within 10 days after the order taking into force. If not, Shenyang High-voltage should compensate the loss to the Company in the scope of RMB 76,660,000.00.

The Company completely compensated RMB 170,456,500.00 (RMB 247,116,500.00 - RMB 76,660,000.00) to Shenyang High-voltage in accordance with the request of judgment. This litigation brought loss of RMB 170,456,500.00 to the year of 2007, which had been reckoned in the item of non-operating expenses of financial reports.



VIX. Detailed Statement of Assets Depreciation Reserve

Item	Balance dated Dec. 31, 2007	Increase in the period	Decrease in the period		Balance on Jun. 30, 2008
			Reversal for assets value recovery	Transferred out Total amount for other reasons	
I. Total of provision for doubtful debts	98,461,238.00	500,000.00			98,961,238.00
account receivables	13,514,369.96				13,514,369.96
Other receivables	84,946,868.04	500,000.00			85,446,868.04
II. Total	1,936,121.94				1,936,121.94
Goods in store					
Work in progress	124,245.33				124,245.33
Raw material	1,811,876.61				1,811,876.61
III. Total of long-term investment depreciation reserve	2,537,020.68				2,537,020.68
of which: Long-term equity investment	2,537,020.68				2,537,020.68
Long-term creditor's rights investment					
IV. Total of fixed assets depreciation reserve	2,118,787.22				2,118,787.22
Buildings	317,644.79				317,644.79
Transportation and others	1,638,888.83				1,638,888.83
Machinery	162,253.60				162,253.60
V. Total	105,053,167.84	500,000.00			105,553,167.84

**VIIIX. Chart of Financial Indices**

1. Return on equity and earnings per share at the end of Jun. 30, 2008

Profit of report period	Return on equity		Earnings per share	
	Overall diluted	Weighted average	Overall diluted	Weighted average
Operating profit	0.21%	0.21%	0.0013	0.0013
Net profit belongs to parent company	0.10%	0.10%	0.0006	0.0006
Profit less non-recurring profit and loss	0.07%	0.07%	0.0004	0.0004

2. Methods of calculation

- (1) Formulas of rates of overall diluted return on equity and earnings per share are as follows:

Rates of overall diluted return on equity=profit of the period÷net asset by end of period

Earnings per share=profit of the period÷number of shares by end of period

- (2) Formula of weighted average return on equity is as follows:

$$ROE = \frac{P}{E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0}$$

In which: P is profit in the period; NP is net profit; E0 is Net Asset at beginning of period; Ei :New Assets by new shares issuance or debt-to-equity swap; Ej Diminish of net asset by way of buyback or cash dividends; M0 No. of months in the report period; Mi No. of months from next month to end of report month of the new assets; Mj No. of months from next month to end of report month of the diminished assets.

- (3) Formula of weighted average earning per share is as follows:

$$EPS = \frac{P}{S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0}$$

P is profit in the period; S0 - total shares at beginning of period; S1 - increased shares by way of reserve-to-shares swap or share dividends allocation; Si - No. of shares increased by new shares issuance or debt-to-equity swap in the period; Sj -No. of shares diminished by way of buyback or shares reduction; M0 - No. of months in the report period; Mi - No. of months from next month to end of report month of the new shares; Mj - No. of months from next month to end of report month of the diminished shares.

### VIII. Adjustment of Difference between Hong Kong Accounting Standards and China Accounting Standards

Difference between Hong Kong Accounting Standards and China Accounting Standards

<b>Date</b>	<b>From January to June 2008</b>	<b>Jun. 30, 2008</b>
<b>Item</b>	<b>Net profits belong to parent company</b>	<b>Net value of assets</b>
<b>Unit</b>	<b>RMB Yuan</b>	<b>RMB Yuan</b>
Make amount of financial statement by China Accounting Standards	520,651.63	517,031,150.96
Make adjustment by Hong Kong Accounting Standards	-	-
Amortization of intangible assets		-174,150.69
Make amount of financial statement by Hongkong Accounting Standards	520,651.63	516,857,000.00

Above consolidated financial statements and related notes on Jun. 30, 2008 are made by <Enterprise Accounting Standards> of PRC. and approved by Board of the Company.

## FINANCIAL STATEMENT

(PREPARED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG ,  
UNAUDITED)

## (1) Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		1 Jan.2008 to 30 Jun.2008 RMB'000 (Unaudited)	1 Jan.2007 to 30 Jun.2007 RMB'000 (Unaudited)
	Notes		
Turnover	(3)	272,320	247,455
Cost of sales		(215,807)	(199,193)
Gross profit		56,513	48,262
Other income		929	486
Distribution costs		(19,395)	(32,175)
Administrative expenses		(29,294)	(74,643)
Other expenses		(6,095)	(3,672)
		-----	-----
Profit from operations	(4)	2,658	(61,742)
Interest on bank borrowings		(1,976)	(1,975)
Investment income from associates		557	4,339
Profit from disposal of shares		-	54,443
		-----	-----
Profit before taxation		1,239	(4,935)
Taxation	(5)	(806)	(279)
Profit after taxation		433	(5,214)
Minority equity		(88)	(5,965)
Net profit attributable to shareholders		521	751
		-----	-----
Earnings per share-basic	(7)	0.06 仙	0.09 仙

(2) Consolidated Balance Sheet

At 30 June 2008

		At 30 June 2008	At 31 December 2007
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment		120,125	110,247
Prepaid lease payments		13,698	14,001
Goodwill		94,644	94,644
Interests in associates		312,385	311,827
Available-for-sale investments		10,000	10,000
Other prepayments		441	1,745
Deferred tax assets		5,289	5,289
		-----	-----
		556,582	547,753
<b>Current assets</b>			
Inventories		75,226	92,783
Accounts receivables and other receivables	(8)	385,190	350,569
Amounts due from associates	(12)	29,953	17,117
Pledged bank deposits		8,567	28,943
Bank balance and cash		20,195	36,635
		-----	-----
		519,131	526,047
		-----	-----
<b>Current Liabilities</b>			
Accounts payables and other payables	(9)	263,317	245,941
Amounts due to associates	(12)	61,284	62,569
Bank loan		34,850	50,369
Provision for loss on guarantees		124,968	124,968
Tax payable		1,941	124
		-----	-----
		486,360	483,971
		-----	-----
<b>Net current (liabilities) assets</b>		32,771	42,076
<b>Total assets less current liabilities</b>		589,353	589,829
		-----	-----
<b>Capital and reserves</b>			
Share capital	(10)	873,370	873,370
Reserves		(360,740)	(360,352)
		-----	-----
Equity attributed to equity holders of the parent		512,630	513,018
Minority equity		4,227	4,315
<b>Total equity</b>		516,857	517,333
		-----	-----
Non-current liability			
Amounts due to associates	(12)	72,496	72,496
Government grant		-	-
		-----	-----
		589,353	589,829
		-----	-----

## (3) Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent company										
	Share	Capital	Capital	Statutory	Statutory	Discretionary	Translation	Accumulated	Total	Minority	Total
	capital	reserve	contribution	common	public	common	reserve	losses	interests		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2008	873,370	603,394	54,131	81,631	-	32,699	(8,357)	(1,123,850)	513,018	4,315	517,333
Exchange differences	-	-	-	-	-	-	(909)	-	(909)	-	(909)
Net profit of current period	-	-	-	-	-	-	-	521	521	(88)	(433)
At 30 June 2008	873,370	603,394	54,131	81,631	-	32,699	(9,266)	(1,123,329)	512,630	4,227	516,857
At 1 January 2007	873,370	603,394	50,391	81,631	-	32,699	233	(812,371)	829,347	114,404	943,751
Exchange differences	-	-	-	-	-	-	(51)	-	(51)	-	(51)
Net profit of current period	-	-	-	-	-	-	-	2,251	2,251	(5,536)	(3,285)
At 30 June 2007	873,370	603,394	50,391	81,631	-	32,699	182	(810,120)	831,547	108,868	940,415

**(4) Condensed Consolidated Cash Flow Statement**

For the six months ended 30 June 2008

	<b>1 Jan. 2008 to 30 Jun. 2008 RMB'000 (Unaudited)</b>	<b>1 Jan. 2007 to 30 Jun. 2007 RMB'000 (Unaudited)</b>
Net cash flows(inflows) from operating activities	13,254	(96,761)
Net cash flows(inflows)from investing activitie	(12,182)	66,932
Net cash flows (inflows) from financing activities	(17,512)	6,238
Decrease (increase) of cash and cash equivalents	(16,440)	(23,591)
Effect of changes in foreign exchange rate	36,635	39,764
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period		
Bank balance and cash	20,195	16,173

**Notes to the condensed financial statements**

The condensed interim financial statements for the six months ended 30 June 2008 of the Company and its subsidiaries (the “Group”) are not audited, but have been reviewed and approved by the audit committee.

*1) Bases of preparation*

The unaudited condensed consolidated financial statements of the Group are prepared under the Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”), together with the relevant disclosure requirements of the Hong Kong Accounting Standard No.34 “Interim Financial Reporting” (HKAS 34).

*2) Principal accounting policies*

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted in preparing interim financial information for the six months ended 30 ended 30 June 2008 are consistent with those followed in preparing the financial statements for the year ended 31 December 2007.

3) *Segment information*

The group's turnover and gross profit from operations for the six months ended 30 June 2008 and 2007, analysed by business segments and by geographical segments, are as follows:

Business segments

For the six months Ended 30 June 2008	Continued operation			
	High-voltage switchgear/busbar/ Power capacitor	Hotel/catering/ entertainment services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	265,306	-	7,014	272,320
Segment results	4,585	-	(1,927)	2,658

For the six months Ended 30 June 2007	Continued operation			
	High-voltage switchgear/busbar/ Power capacitor	Hotel/catering/ entertainment services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	229,104	13,226	5,125	247,455
Segment results	(10,615)	(44,157)	(6,970)	(61,742)

Most of the Group's incomes are derived from the PRC and the income earned outside the PRC is insignificant.

4) *Profit from operations*

	The Group	
	2008 RMB'000	2007 RMB'000
Profit from operations has been arrived at after deducting:		
Depreciation and amortization and charging	4,010	9,464
Interest income on bank deposits	533	128



5) *Taxation*

Great Talent Technology Co., Ltd is a company wholly owned by the Group, registered in the British Virgin Islands. No domestic income tax is imposed on it. Northeast Electric (HK) Co., Ltd is another wholly owned subsidiary, registered in Hong Kong, with an income rate of 17.5%. Other subsidiaries of the Group are subject to income tax at the statutory rate of 25%.

The Company had no taxable profit for the period (2007:Nil). The charge for the period mainly represents provision for income tax rate calculated upon the assessable income the assessable income of certain PRC subsidiaries.

No Hong Kong profits tax has been provided as the Company and its subsidiaries had no taxable profit in Hong Kong(2007: Nil).

As at 30 June 2008, the Company and the Group had no significant deferred tax (2007: Nil).

6) *Interim dividend*

No dividends were paid during the period. The directors did not recommend the payment of any interim dividend for the six months ended 30 June 2008.

7) *Earnings per share*

The calculation of earnings per share is based on the net profit attributable to shareholders of RMB521,000 (2007:RMB751,000) and the total number of shares in issue amounting to 873,370,000 shares (2007: 873,370,000 shares) at the end of the period.

8) *Accounts receivable and other accounts receivable*

1/ *Accounts and bills receivable*

Accounts and bills receivable	250,898	198,909
Minus: bad debt provision	13,514	13,514
Accounts and bills receivable	237,384	185,395
Amount due from Bengang Group (Note No.23[b])	—	—
Prepayment	27,598	29,092
Other accounts receivable	120,208	136,082
Accounts receivable and other accounts receivable in total	385,190	350,569

- a) The analysis of the age of accounts and bills receivable is as follows:

	<b>Group</b>	
	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	128,292	152,605
1 to 2 years	76,302	28,277
2 to 3 years	28,277	7,648
Over 3 years	18,027	10,379
	250,898	198,909

There is no account receivable that is overdue or necessary for impairment. The credit quality is determined by the past collection records and the rate of customer's bad account. The existing customers have no significant default in payment.

- b) The book values of accounts receivable and other accounts receivable are close to their fair values except the amount due from Bengang Group.
- c) All of the accounts and bills receivable of the Group are in RMB.
- d) The accounts receivable and other accounts receivable include the impairment provision of RMB 98,961,000 (2007: RMB 98,461,000), which is expected to be collected according to the assessment by the management. The analysis of the age of the account receivable in relation to the impairment provision of RMB 98,961,000 (2007: RMB98, 461,000) is as follows:

	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	6,561	6,561
1 to 2 years	12	12
2 to 3 years	4,436	3,936
Over 3 years	87,952	87,952
	98,961	98,461

- e) The changes in the impairment provision of accounts receivable and other accounts receivable are as follows:

	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	13,514	11,7645
Impairment provision Confirmation of accounts receivable		7,216
Provisioning of accounts unreceivable		(5,466)
closing of the period	<u>13,514</u>	<u>13,514</u>

The provision and the write-back of provision for impaired accounts receivable have been included in the administrative expenses of the consolidated income statement. The amount deducted from the provision account is typically written back when the additional cash fails to be collected.

- 9) *Accounts payable and other accounts payable*

	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts and bills payable	131,136	122,875
Other accounts payable	132,181	123,066
Accounts payable and other accounts payable in total	<u>263,317</u>	<u>245,941</u>

The analysis of the age of accounts and bills payable is as follows:

	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	111,306	106,625
1 to 2 years	17,709	6,406
2 to 3 years	657	907
Over 3 years	1,464	8,937
Total	<u>131,136</u>	<u>122,875</u>

The average credit term for purchases of goods is six months. The Group has proper financial risk management policies to ensure that all of the accounts payable can be paid within the credit term.

93% accounts payable and other accounts payable of the Group is in RMB.

10) *Capital Shares*

There was no change in total shares of the Company during this period.

11) *Post Balance Sheet Events*

No post balance sheet events should be disclosed by the Group.

12) *Related Transactions*

a) Controlling shareholders of the Group

Name of related party	Registration place	Major operations	Relationship	Nature	Proportion of shares owned
New Northeast Electric Investment Co., Ltd	Shenyang	Equity investment	Single top 1 shareholder	Limited company	24.28%

b) Associates with transactions

New Northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd.	Shenyang	High-voltage Switchgears	Associate	Limited company	20.8%
Great Power Technology Limited	British Virgin Islands	Investment	Associate	Limited company	20.8%
Smart Power Technology Limited	British Virgin Islands	Investment	Associate	Limited company	20.8%

c) Purchases and sales of related parties

During the period, the Group entered into the following transactions with its associates and subsidiaries:

	As at 30 June 2008 RMB'000	As at 30 June 2007 RMB'000
Sales of products to related parties	57,535	58,162
Purchases of products and spare parts from related parties	65,764	47,101
Provision of industrial services to related parties	—	—
Provision of hotel services to related parties	—	—

The above transactions are entered into by the parties on normal commercial terms.

- d) Creditors' rights and debts between the Group, its associates and subsidiaries during the period

Item	Related parties	At the end of	At the beginning
		the period	of the year
		<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	New Northeast Electric (Shenyang)	29,953	15,169
	High-voltage Switchgear Co., Ltd		
	Great Power Technology Limited	—	1,948
Accounts payable	New Northeast Electric (Shenyang)	133,780	135,065
	High-voltage Switchgear Co., Ltd		
	Great Power Technology Limited	—	—
	Minus: Accounts payable within a year	(61,284)	(62,569)
	Accounts payable over one year	72,496	72,496

- e) Events of guarantee

At the end of 30 June 2008, the Group had provided the following guarantee for its related party:

Related party	Amount	Term
New Northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd	260,000,000	2 years