



INTERIM REPORT 2009

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.

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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.

The financial report for the six months ended 30 June 2009 of the Company and its subsidiaries (the "Group") has not been audited.

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) Legal Chinese name | : 東北電氣發展股份有限公司 |
| Legal English name | : Northeast Electric Development Company Limited |
| Chinese abbreviation | : 東北電氣 |
| English abbreviation | : NEE |
| (2) Place of listings, stock abbreviations, and stock code | : |
| H Shares | : The Stock Exchange of Hong Kong Limited |
| | : Stock abbreviation : Northeast Electric |
| | : Stock Code: 0042 |
| A Shares | : Shenzhen Stock Exchange |
| | : Stock abbreviation : *ST Northeast Electric |
| | : Stock Code: 00585 |
| (3) Registered address | : No. 78, Hunnan High and New Technology
Development Zone, Shenyang, PRC |
| Office address | : No. 38 Jingxing North Street, Tiexi District,
Shenyang, the PRC |
| Postal Code | : 110025 |
| Company Website | : www.nee.com.cn www.nee.hk |
| E-mail | : nee@nee.com.cn |
| (4) Legal representative | : Su Weiguo |
| (5) Joint company secretaries and authorized representative for
receipt of summons and notices | : Mak Yee Chuen |
| Representative for securities affairs | : Zhu Xinguang |
| Contact Address | : No.38, Jingxing North Street,
Tiexi 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.hkexnews.hk |
| Website of the Company | : www.nee.com.cn www.nee.hk |
| Place for inspection of the report | : 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,
the PRC |
| Date of the Company’s most recent change of registration | : 14 July 2008 |
| Place of registration | : No. 78, Hunnan High and New Technology
Development Zone, Shenyang, the PRC |
| Registered number of the corporate legal person
business license | : 210100402002708(1-1) |
| Registered taxation number | : 210132243437397 |

MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS

1. Major financial data and financial indicators prepared in accordance with the PRC Accounting Standards And Regulations

Unit: RMB

	As at 30th June 2009	As at 31st December 2008	Change in the reporting period compared with the end of the last year (%)
Total assets	755,009,574.93	847,016,256.07	-10.86
Shareholders' equity attributable to shareholders	300,788,060.82	311,137,033.20	-3.33
Share capital	873,370,000.00	873,370,000.00	-
Net assets per share attributable to shareholders (Yuan/share)	0.34	0.36	-5.56

	For the reporting Period from Jan to Jun 2009	The Same period of last year	Change in the reporting period compared with the same period of the last year (%)
Total income from operating	133,485,280.53	272,384,538.16	-50.99
Operating profit	-10,242,698.55	1,101,141.86	-
Total profit	-10,217,426.60	1,238,417.25	-
Net profit attributable to shareholders	-10,312,741.77	520,651.63	-
Net profit after extraordinary items			-
Attributable to shareholders	-10,331,695.73	380,109.96	-
Basic earnings per share(Yuan/share)	-0.0118	0.0006	-
Diluted earnings per share (Yuan/share)	-0.0118	0.0006	-
Return on net assets (%)	-3.43	0.17	-
Net cash flow from operating activities	-5,915,856.85	-7,122,591.09	16.94
Net cash flow per share from operating activities(Yuan/share)	-0.0068	-0.0082	17.07

Extraordinary profit and loss items

Unit: RMB

Non-current assets disposal income	8,949.29
Net non-operating income and expenditure except for the above	16,322.66
Less: income tax related to the non-recurring profit or loss	6,317.99
Total	18,953.96

2. Under the 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	133,480	272,320
Profit before taxation	(10,218)	1,239
Taxation	191	806
Profit after Taxation	(10,409)	433
Minority interest	(96)	(88)
Profit attributable to shareholders	(10,313)	521

Condensed consolidated statement of financial position

Unit: RMB'000

	At the end of the reporting period	At the end of last year
Total assets	755,009	856,704
Total liabilities	451,475	542,771
Shareholder equity	303,534	313,933

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3. Differences between Overseas Accounting Standards and the PRC Accounting Standards

During the reporting period, there were no differences between Hong Kong 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 sharecapital of the Company

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

2. Shareholdings of the top ten shareholders

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

Unit: Share

Total Number of Shareholders Total number of shareholders as at 30 June 2009 was 110,156, of which, 110,085 were holders of A Shares and 71 were holders of H Shares.

Shareholdings of top ten shareholders

Name of shareholders	Nature of shareholders	Percentage (%)	Number of shares	Number of untradeable shares	Number of pledged or frozen shares
HKSCC Nominees Limited	Overseas natural person	28.37%	247,811,998	0	unknown
New Northeast Electric Investment Co., Ltd.	Domestic non-state-owned legal person	24.28%	212,014,237	212,014,237	208,000,000
Shanghai Bao Yu Real Estate Investment Consultant Co., Ltd.	Domestic non-state-owned legal person	0.64%	5,628,775	0	unknown
Hu Li	Domestic natural person	0.46%	3,975,060	0	unknown
Shenzhen Zhongda Software Development Co., Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000	unknown
Shanghai Dong Yin Investment Co., Ltd	Domestic non-state-owned legal person	0.26%	2,270,105	0	unknown
Shanxi Qinjian Science and Technology Investment Co., Ltd	Domestic non-state-owned legal person	0.16%	1,420,000	1,420,000	unknown
Liang Yankui	Domestic natural person	0.13%	1,164,800	0	unknown
Zu Xinyu	Domestic natural person	0.13%	1,144,077	0	unknown
Chen Guoqing	Domestic natural person	0.13%	1,139,975	0	unknown

Shareholdings of the top 10 holders of tradable shares

Name of shareholders	Number of tradable shares	Types of shares
HKSCC Nominees Limited	247,811,998	H shares
Shanghai Bao Yu Real Estate Investment Consultation Co., Ltd.	5,628,775	A shares
Hu Li	3,975,060	A shares
Shanghai Dong Yin Investment Co., Ltd	2,270,105	A shares
Liang Yankui	1,164,800	A shares
Zu Xinyu	1,144,077	A shares
Chen Guoqing	1,139,975	A shares
Xu Yipin	1,124,800	A shares
Pan Yongzhong	1,100,000	A shares
Li Miaoying	1,085,698	A shares

Explanation for the connected relationship among the top ten shareholders

There is no relationship between New Northeast Electric Investment Co., Ltd and any other shareholders, the Company is not aware of any relationship among other shareholders or parties acting in concert within the meaning of the Regulation on Disclosure of Information on Changes in Shareholdings of Listed Companies.

Note: On 8 July 2009, New Northeast Electric Investment Co., Ltd. renewed the registration of the pledge of stocks with Bank of Communications Shenyang Branch, so 90,000,000 A shares subject to trading moratorium have been frozen again since 9 July 2009.

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3. During the reporting period, the Company's controlling shareholder and the actual controller has not changed.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Movement 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. Zhang Zhaozhong resigned as an executive Director, vice general manager and the secretary to the Board on 30 March 2009, which became effective after the approval by the board of directors on 30 March 2009 (Please refer to the announcement dated 30 March 2009 for details).

3. Interests of directors, supervisors and senior management

As at 30 June 2009, 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 over 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the reporting period, the global financial crisis gave rise to such phenomena as the slowdown of market demand, shortage of new contracts and delay of delivery. With the increasing competition in the trade, the Company faced greater pressure in promoting the operating performance. Despite a great number of difficulties and stress, the board of directors of the Company and its management responded to the current economic environment actively, adjusted management strategy timely, further strengthened the R&D of core technology and the development of new business, refined internal management constantly, avoided risks and enhanced management efficiency and execution, so as to strive to maintain the steady growth of the operating performance. In the first half of the year, the operating income and net profit of the Company amounted to RMB133,490,000 and RMB-10,240,000 respectively, representing decreases of 50.99% and RMB11,340,000 respectively. The decrease mainly results from the significant change in current consolidation range compare with the same period of last year (Being such that data comparison is impossible), unbalanced delivery of products as well as the slowdown of some customers' project schedule.

Under the calculation of the HK GAAP, the turnover was RMB133,480,000, decreased by 50.98% compared with that of the same period of last year; the profit attributable to shareholders after tax and interests of minority shareholders was RMB-10,313,000, decreased by RMB 10,834,000 compared with that of the same period of last year. The loss per share amounted to RMB 0.0118.

The directors advised not to pay the interim dividend for the period of six months ended 30 June 2009.



(1) summary for the operating work in the first half year of 2009

In the first half of the year 2009, the following features were mainly presented in production and operation:

1. *Heavy strain in marketing due to slowdown of power reconstruction .*

During the reporting period, the global financial crisis results in slowdown of the infrastructure in China, sharp drop in total bid inviting of customers, and consequent drop in total amount of the Company to participate in tender, thus causing drop in order quantity compared with the same period last year and even suspension in some export projects.

The power market is expected to turn for the better in the second half of the year 2009 in which most of stopped and suspended state grid projects will restart. The Company will strive to accomplish its annual order goal in the second half by reasonable sales policies. After encountering market cold collectively, the manufacturers in the trade must make their full efforts to compete, so the Company will still face heavy strain in marketing in the second half year.

2. *Efficiency production equipment and striking production capacity*

During the reporting period, there was a handsome increase in the Company's production capacity as the advanced production equipment purchased in 2008 was already in production with full efficiency, and completed a great many big DC contracts successfully, which gave full play to the advantages of equipment.

3. *Sharp problem in the demand and supply of capital*

Capital became one of key factors influencing the Company's production and operation in the first half of the year 2009. Increasing production size and concentrated bulk sales contracts led to increasing demands for funds. However, the Company's failure to add bank loan gave rise to the shortage of capital supply, making its production and operation more difficult.

4. *Steady R&D of New Products and Smooth Technical Transformation*

During the reporting period, the company has been developing the 500kvar-800kvar single capacitor under high electricity stress, which was designed for high field strength, low production cost and high competitiveness. At the same time, it launched the non-fuse capacitor which can avoid fuse group blast or faulty operation, and ensure the product performance to be in accordance with the advanced level in the world. In addition, through optimized design in its performance, the Company popularized the improved capacitor voltage transformer.

During the reporting period, the Company imported automatic rolling machines and component withstanding voltage machines, and acquired more processing equipment, thus making the process line more reasonable, improving the efficiency of production and the quality of product, as well as promoting the production capacity and technological level of key products.

(2) Outlook of operation in the second half year

During the reporting period, influenced by international financial crisis, China's real economy experienced a process from downturn through stability to gradual recovery. At the end of the reporting period, with the implementation of a series of policies and package program, China's economic operation has turned positive, paving the way for the fast growth of the Company in the second half year.

In the next half year, the Company will further strengthen marketing and internal safeguard to maintain a good and stable momentum of development, deepen the basic management inside the enterprise to improve the level of operation management, perfect the management in the system of supply chain to integrate and optimize supplier resources, strengthen the capital control on accounts receivable and inventory to increase the quality of operation, speed up product innovation and structure adjustment, promote its own profitability and sustainable development ability, accelerate the implementation of a group of technological transformation projects, and better enhance the production capacity so as to achieve the annual operation target determined by the board of directors in early 2009.

(3) Problems and difficulties in operation and measures taken of the Company

1. Intensified Market Competition

The global financial crisis led to the slowdown of basic construction in China. Many phenomenon have arisen, like delayed delivery of projects under construction, slowing down of new projects, handsome drop in the total bidding of customers, corresponding decrease in the total amount of the Company's participation in bidding, even suspension of some export projects. Accordingly, the Company suffered larger difficulties and pressure in product sales and market expansion. At the same time, intensified market competition gave rise to the decrease of market prices, thus further narrowing the profit space.

2. Financial Strain

The production arrange of bulk sales contracts in the first half year had a large demand for preproduction funds, therefore causing capital turnover problems, and sometimes making it impossible for the Company to ensure timely supply of raw material for production.

The Company mainly took the following measure for the difficulties above:

First, strengthened the marketing system, seized market orders, and made great efforts to expand current customers' purchases; at the same time, increased market expansion, and actively developed new market and customers. Second, paid more attention to capital collection, meanwhile, improved internal management, and enhanced the efficiency of capital utilization by lowering inventory and accelerating the turnover of the accounts receivable.

2. Operation of the Company during the reporting period

The Company and its subsidiaries are the major bases of manufacturing, researching, 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.

(1) 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 18,290,000 (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 20,850,000, representing 2.76% of the total assets. These bank loans bear fixed interests.

The Company's asset to liability ratio was 69.32% (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 21,250,000 used as security.

The contingencies of the Company were detailed in section 13 of Notes to the Financial Statements.

To improve its financial management, the Group has established a strict system for internal control on cash and fund management.

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

The classification of the Group's results was detailed in [Table of principle operations by business or product] of this section.

It is predicted that the Group will have no significant investment plan in the second half of 2009.

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

(2) Analysis of financial conditions and operations results under the PRC Accounting Standards and Regulations

1. The Company recorded revenue of RMB133,490,000, costs of operating of RMB 87,870,000, gross profit margin of 34% and operation profit of RMB -10,240,000.

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

Table of principle operations by business or product*Unit: RMB0'000*

By business or by product	Income from operations	Costs of operations	Gross profit margin (%)	Increase/decrease in income from operations as compared with last year (%)	Increase/decrease in costs of operations as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year (percentage point)
1. By business						
Electric transmission and transformation	13,349	8,787	34.17	-50.99	-59.28	Increased by 13.4
Of which: connected transactions	-	-	-	-	-	-
2. By product						
High voltage switch circuit breaker	877	666	24.06	-94.68	-95.25	Increased by 9.15
Power capacitor	8,049	4,936	38.68	-34.03	-19.95	Increased by 5.72
Closed busbar	4,402	3,169	28.01	21.5	20.63	Increased by 0.52
Others	21	16	23.81	-97.88	-97.51	Increased by 2.97
Of which: connected transactions	-	-	-	-	-	-

Principal operations by geographical segment*Unit: RMB0'000*

Region	Income from operations
Northeast China	1,476
North China (Including Shandong)	7,349
Middle China	923
East China	1,974
South China	668
Southwest China	237
Others	722
Total	13,349

Note: The figures cannot be compared with that of the same period of last year due to significant changes in the consolidation range during the reporting period compare with the same period of last year.

2. Explanation of the major change in principal business and its structure

There was a big drop in high-voltage switchgear products of principal business. The income of such products decreased by RMB 132,000,000, and their costs decreased by RMB 115,000,000.

Reason one: The New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited where such products were produced was out of the consolidation range of the year 2009 compare with the same period of last year.

Reason two: The companies responsible for selling such products had a few sales contracts in the first half of the year. The delivery of the contracts will be concentrated in the second half.

3. Explanation of the major change in earning capacity of principal business (gross profit ratio) compared with that of the same period of last year

The gross profit ratio: 34% in 2009; 21% in 2008

The reason for it is that there was a big drop in high-voltage switchgear products of principal business with an income drop of RMB 132,000,000 and cost drop of RMB 115,000,000 in 2009 compare with the same period of last year.

13% gross profit ratio of such products dragged the whole ratio, thus causing a major change in earning capacity of principal business (gross profit ratio) compared with that of the same period of last year.

4. Analysis of the major change in profit structure compared with that of the same period last year

Compared with that of the same period of last year, the operation profit decreased by RMB 11,340,000 this year, of which the gross profit decreased by RMB 10,960,000 due to income drop, at the same time, the assets impairment loss provision increased by RMB 500,000, so there was a major change in total profit.

5. Caution and explanation of the possibility of losses or major changes compared with the same period last year in predicted accumulated net profit from the beginning of the year to the end of the next reporting period

The Company's production and operation were influenced by the slowdown of power infrastructure investment in China, drop in order, and profit reduction factors, the unbalanced product delivery due to the increase of delayed delivery; In addition, the orders were cancelled in some export projects due to the global financial crisis. According to the current situation, it is predicted that the Company will still suffer a loss of nearly RMB 10,000,000 in accumulated net profit between January and September this year.

(3) Operation of investee companies (applicable to situations that the investment income accounts for over 10% of the Company's net profit)

Unit: RMB0'000

Name of Joint Stock Company	New Northeast Electric(Shenyang) High-Voltage Isolators Switchgears Limited
Contribution of Investment Income in the Period	-111
Ratio of Net Profit of the Company	10.78%
Scope of Business	Manufacture of Switchgear Equipment
Net Profit	-434

(4) Table of financial conditions and operations results

Unit: RMB

Item	Amount at the end of the reporting period	Amount at the beginning of the reporting period	Increase/decrease (%)
Cash and bank balances (note 1)	39,175,278.77	49,928,339.70	-21.54
Bills receivable (note 2)	75,500.00	4,384,150.00	-98.28
Other account receivable (note 3)	39,409,474.34	98,780,319.84	60.10
Construction in progress (note 4)	1,178,463.76	700,574.53	68.21
Account received in advance (note 5)	33,741,063.62	60,610,993.70	-44.33
Bills payable (note 6)	0	6,000,000.00	-100
Employees compensation payable (note 7)	2,128,387.49	1,452,116.29	46.57

Note 1: mainly due to the payment of the purchase of raw material;

Note 2: mainly due to the due payment of bills;

Note 3: mainly due to the recovery of debt;

Note 4: due to the investment in technological transformation of transformer;

Note 5: mainly due to the decrease of account received in advance ;

Note 6: mainly due to the due payment of bank acceptance ;

Note 7: mainly due to the provision of unpaid salaries and additional expenses.

(4) Table of financial conditions and operations results (Continued)

Unit: RMB

Item	Amount originated in current period	Amount originated in the same period last year	Increase/decrease (%)
Operating income (note 8)	133,485,280.53	272,384,538.16	-50.99
Cost of operation (note 9)	87,866,501.78	215,807,245.07	-59.28
Taxes and surcharges for operation (note 10)	5,122.52	64,105.28	-92.01
Sales expenses (note 11)	24,422,034.42	19,395,044.46	25.92
Financial expenses (note 12)	712,677.94	7,279,803.86	-90.21
Impairment loss on asset (note 13)	1,000,000.00	500,000.00	-100
Gain/(loss) from investment (note 14)	-1,112,228.94	557,252.00	-
non-business income (note 15)	39,322.89	387,684.33	-89.86
non-business expenses (note 16)	14,050.94	250,408.94	94.39
income tax expense (note 17)	191,229.98	805,592.15	76.26
Other cash received related to operating activities (note 18)	59,370,845.50	22,000,247.83	169.86
Other cash paid related to operating activities (note 19)	71,390,906.85	34,394,803.02	107.56

Note 8: mainly due to the change in consolidated range compare with the same period of last year;

Note 9: mainly due to the change in consolidated range compare with the same period of last year;

Note 10: mainly due to the decrease of business tax and education supplementary tax compare with the same period of last year;

Note 11: mainly due to the increase of sales performance and the change in consolidated range compare with the same period of last year;

Note 12: mainly due to the increase of exchange gain and the decrease of interest expense in this period;

Note 13: mainly due to the increase of the provision of bad debt in this period;

Note 14: mainly due to the different calculation object of equity method and the profit drop of the object;

Note 15: mainly due to more income of the sales of scrap material and the fine in the last period;

Note 16: mainly due to no donation outlay in this period;

Note 17: mainly due to losses in this period;

Note 18: mainly due to the increase of current account recovery;

Note 19: mainly due to the increase of current account payment and business.

3. Investments 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.

SIGNIFICANT EVENTS

1 Personnel changes

Please refer to Page 7 “INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”.

2 Staff of the Company and the remuneration policy

As at 30 June 2009, the number of employees on the payroll of the Company was 726, compared with 720 in 2008. 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. Corporate Governance Structure

Now, the actual corporate governance structure basically complies with the related requirements of securities regulators.

4. Profit appropriation plan and its implementation

During the reporting period, the Company recorded net loss of RMB 10,312,741.77. At the end of reporting period, profits distributable to shareholders were RMB-1,546,947,004.36. Therefore, the board advised that no profit appropriation was made nor any reserves were transferred to increase the share capital of the Company during the reporting period.

There was no dividend paid during the period, so the directors advised not to pay the interim dividend for the period of six months ended 30 June 2009.

5. Material litigation and arbitration

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

According to the announcements dated 9 January 2008, 30 April 2008, 26 September 2008, 9 January 2009, and 30 March 2009, 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 19 July 2007, Beijing Higher People’s Court (“Beijing Higher Court”) made a civil written order ((2004) Gao Min Chu Zi No. 802). 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 Supreme People's Court ("the Supreme Court"). On 5 September 2008, the Supreme Court made a civil written order ((2008) Min Er Zhong Zi No. 23). On the basis of upholding the civil written order ((2004) Gao Min Chu Zi No. 802) issued by Beijing Higher Court, the Supreme Court ruled to cancel the agreement in relation to swapping the 98.5% share equity interests in Shenyang Tiansheng Communication Equipment Limited held by the Company for the 74.4% share equity interests in New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Ltd. held by Shenyang High-voltage.

The Company accepted the final judgment made by the Supreme Court, and agreed to return to the Shenyang High-voltage 74.4% equity in New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Ltd (former Shenyang Suntime High-voltage Electric Co., Ltd). At the same time, the Company agreed to accept from the Shenyang High-voltage the 98.5% equity in Shenyang Taisheng Industry and Commerce Co., Ltd (former Shenyang Tiansheng Communication Equipment Limited).

According to the order ((2009) Gao Zhi Zi No.3)) made by Beijing Higher Court on 20 March 2009, the execution applicant of the CDB, in compliance with the legally effective civil written order ((2008) Min Er Zhong Zi No.23) made by the Supreme Court, requested Beijing Higher Court to order the related persons subjected to execution including the Company to perform their obligations as stated in the effective legal document. The Company has performed its obligations as stated in the effective legal document in accordance with the final judgment of the court.

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

According to the announcements dated 13 December 2007, 12 August 2008, 16 February 2009, 6 July 2009 and 7 August 2009:

With regard to the case of RMB15, 900,000, on 10 April 2008, the Higher People's Court of Liaoning Province (Liaoning Higher Court) made a civil judgment ((2008) Liao Shen Min Zhong Zi No.2). According the judgment, the liquidation team of Liaoning Trust should be a third party to the litigation, 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. On 16 February 2009, the Company received from its lawyer a civil judgment ((2008) Shen Zhong Shen Min Chu Zai Zi No. 2) made by Shenyang Intermediate Court. According to the judgment, the Company's claim was rejected. On 23 February 2009, the Company iled an appeal to Liaoning Higher Court. On 20 July 2009, Liaoning Higher Court made a civil judgment ((2009) Liao Shen Min Zai Zi No.40), and sustained the original judgment. Now, the Company is in process of re-appeal.

As for the case of RMB 60,190,000, on 14 May 2008, Liaoning Higher Court made a civil judgment ((2006) Liao Min Er Zhong Zi No. 214, 215 and 216). According the judgment, the liquidation team of Liaoning Trust should be a third party to the litigation, so the court quashed the civil judgment ((2005) Shen Zhong Min Si He Chu Zi No.21, 22 and 23), and remanded the case to Shenyang Intermediate Court for retrial. On 6 July 2009, the Company received civil judgments ((2008) Shen Zhong Min Chu Zi No. 143, 144 and 145) made by Shenyang Intermediate Court. According to these judgments, the Company's claim was rejected. The Company has lodged an appeal with Liaoning Higher Court, and now the case is still in the second instance of the retrial.

3. Litigation lodged by Paradise Field Holding (Paradise) for the debt of RMB 74.8 million

According to the announcements dated 6 February 2009 and 7 August 2009, on 4 February 2009, the Company received from its lawyer a notification calling for response to the (2009) Liao Min San Chu Zi No.1 civil suit made by the Higher People's Court of Liaoning Province ("the Higher Court"). The Paradise brought a lawsuit to the Higher Court on 24 November 2008 against the Company for repayment of the accounts payable of RMB 74,806,911 including principal and interest. On 6 August 2009, The Higher Court made a civil judgment (2009) Liao Min San Chu Zi No.1. According to the judgment, the Paradise was granted to withdraw the case.

During the reporting period, to the best knowledge of the directors, the Company had no any material pending or threatened litigations and claims except the litigations above.

6. Acquisition and disposal of assets

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

7. Connected transactions

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 controlling shareholders and their subsidiaries

Controlling shareholders of the Company or its subsidiaries did not use any capital during the reporting period.

9. Guarantees for the controlling shareholders and their subsidiaries of the Company

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 of the end of the reporting period, the foreign guarantee of the Company totaled RMB 423,050,000, including RMB 39,900,000 (estimated liabilities in full in 2007) for Jinzhou Power Capacitors Co., Ltd with assets liabilities over 70%, accounting for 12.82% of the audited net assets of the Company for 2008, which was formed when this company was still a holding subsidiary of the Company; RMB 355,000,000 for New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd.

As of the end of the reporting period, the guarantee of the Company for its holding subsidiaries and the mutual guarantee between subsidiaries totaled RMB 17,350,000.

11. Commitments of shareholders with over 5% shares of the Company (including 5%)

To implement the Share Reform Scheme of the Company smoothly, New Northeast Electric Investment Co., Ltd, the controlling shareholder of the Company made a special undertaking that it will not sell or transfer the shares of Northeast Electric Development Co., Ltd on Shenzhen Stock Exchange within 36 months from the date for implementation of the Share Reform Scheme. Following the expiry of the said 36 months, the original Non-circulating Shares which are publicly sold on stock exchange will not less than RMB5, and it will pay the consideration in advance to Non-circulating Shares Shareholders who have not yet indicated their consents to the participation in the Share Reform..

Up to now, New Northeast Electric Investment Co., Ltd has strictly fulfilled the above promises.

12. Overseas investment

There was no overseas investment during the reporting period.

13. Holding of other listing companies' shares

During the reporting period, in the Company, there was no securities investment and income, no holding of other listing companies' shares or financial enterprises' equities, and no share participation in proposed listing companies.

14. 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 423,050,000, and the guarantee amount for its holding subsidiary and the mutual guarantee between subsidiaries totaled RMB 17,350,000. The total guarantee amount took up 146.41% of the audited net assets of the Company for 2008.

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

15. Purchases, 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.

16 Report of corporate governance

- (1) 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 2009, 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").

(2) Audit Committee

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

The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the unaudited semi-annual accounts for the six months ended 30 June 2009.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the unaudited accounts for the six months ended 30 June 2009.

At the meeting held on 17 August 2009, the audit committee reviewed and approved the financial statement and the interim report for the six months ended 30 June 2009.

(3) Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a sufficient number of independent non-executive directors, and at least 1 independent non-executive director with appropriate professional qualifications or expertise in accounting or relevant financial management. The Company has appointed 5 independent non-executive directors, one of whom has expertise in financial management. Please refer to the biographies of independent non-executive directors set out in the Company's 2008 Annual Report for details.

(4) Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")

During the reporting period, the Company has adopted a code of behavior on terms no less exacting than the required standard set out in the "Model Code". Upon specific enquires to all directors and supervisors, the Company confirmed that, during the period of six months ended 30 June 2009, no director or superior of the Company has breached the standards as stated in the "Model Code" in relation to securities transactions by directors.

17. 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”.

18. 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.

19. Reception to the activities of field survey, communication and interview during the reporting period

During the reporting period, the Company strictly complied with the Guidelines for Fair Information Disclosure of Listed Companies, and earnestly implemented its Reception and Promotion System. The Company and the person responsible for related information disclosure consistently followed the principle of fair information disclosure, without any implementation of discriminatory policies and any disclosure, revelation or divulgence of significant private information to special objects. During the reporting period, there were no institutional investors coming to the Company for field survey or interview. The telephone consultations were received from an individual investor with untradeable shares, who was concerned about the consideration repayment of share reform and the release of trading restriction.

20. Announcement index on major matters in 2009

During the reporting period, all of the Company’s announcements were published on China Securities Journal, Securities Times and information disclosure websites. Please visit www.cninfo.com.cn, <http://www.hkexnews.hk>, www.nec.hk and www.nec.com.cn for details. The major information is disclosed as follows:

Publishing Date	Announcement Matters
4 February 2009	Announcement on Resolutions of the 2009 First Extraordinary General Meeting
17 February 2009	Announcement on Progress of Recovery of Material Debt and Litigation
31 March 2009	Announcement on Resolutions of the 17th Meeting of the 5th Session of the Board of Directors
31 March 2009	The Annual Report of 2008
30 April 2009	The First Quarterly Report of 2009
16 May 2009	Announcement on Resolutions of the Annual General Meeting of Shareholders of 2008

21. Subsequent events

Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office (“Great Wall”)

On 24 February 2009, China Great Wall Asset Management Corp. Shenyang Office (“Great Wall”) brought a lawsuit to Liaoning Higher People’s Court (“Liaoning Higher Court”) against Shenyang High-voltage Switchgear Limited (“Shenyang High-voltage”) for the overdue liabilities of Great Wall, requesting the court to order Shenyang High-voltage to repay the liabilities including the principal of RMB 351,750,000 and its interest. On 11 August 2009, the Company received from Liaoning Higher Court an indictment and additional defendant application. According to the indictment and additional defendant application on 18 May 2009, Great Wall brought an additional lawsuit to Liaoning Higher Court against the Company, claiming the Company to bear the joint liability.

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

Financial statements prepared in accordance with China Generally Accepted Accounting Standards and Regulations (unaudited)

Balance Sheet

30 June 2009

Unit: RMB

Item	Balance at the End of Period		Balance at the Beginning of Year	
	Consolidated	Parent Company	Consolidated	Parent Company
Current Assets:				
Monetary funds	39,175,278.77	183,128.75	49,928,339.70	2,790,853.63
Settlement fund reserve				
Placement of funds				
Trading financial asset				
Notes receivable	75,500.00		4,384,150.00	0.00
Account receivable	149,602,873.01	0.00	173,660,074.88	44,769,620.00
Prepayments	31,673,525.90	0.00	29,177,979.98	0.00
Premium receivables				
Receivables from reinsurance				
Reinsurance contract reserve receivables				
Interest receivable				
Dividend receivable	17,274,980.03		20,084,734.00	0.00
Other account receivable	39,409,474.34	462,412,450.28	98,780,319.84	549,282,433.92
Financial assets acquired for resale				
Inventories	77,413,990.47		67,538,682.26	2,038,808.56
Non-current assets due within 1 year				
Other current assets				
Total current assets	354,625,622.52	462,595,579.03	443,554,280.66	598,881,716.11
Non-current assets :				
Loans and advance				
Available for sale financial assets				
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	304,696,059.58	157,737,418.63	307,108,288.52	157,737,418.63
Investment property				
Fixed assets	82,632,320.02	1,225,791.11	83,630,674.91	1,605,673.57
Construction in progress	1,178,463.76		700,574.53	0.00

Balance Sheet (Continued)

30 June 2009

Unit: RMB

Item	Balance at the End of Period		Balance at the Beginning of Year	
	Consolidated	Parent Company	Consolidated	Parent Company
Engineering material				
Fixed asset disposal				
Productive biological assets				
Oil and gas assets				
Intangible assets	5,024,134.99		5,114,463.37	0.00
Development expenditure				
Goodwill				
Long-term amortization expenses	1,733,472.17		1,788,472.19	0.00
Deferred tax assets	5,119,501.89		5,119,501.89	0.00
Other non-current assets				
Total non-current assets	400,383,952.41	158,963,209.74	403,461,975.41	159,343,092.20
Total assets	755,009,574.93	621,558,788.77	847,016,256.07	758,224,808.31
Current liabilities:				
Short-term borrowings	20,850,000.00		22,450,000.00	0.00
Borrowing from central bank				
Deposits and due to banks and other financial institutes				
Placements from banks and other financial institutions				
Trading financial liabilities				
Notes payable	0.00		6,000,000.00	0.00
Account payable	74,844,562.76	0.00	78,484,781.19	6,898,775.24
Account received in advance	33,741,063.62	665,000.00	60,610,993.70	1,325,000.00
Financial assets sold for repurchase				
Handling charges and commission payable				
Employees compensation payable	2,128,387.49	8,393.00	1,452,116.29	27,023.32
Tax payable	-472,804.64	11,798.68	2,044,217.23	145,748.56
Interest payable				
Dividends payable	40,017.86		40,017.86	0.00
Other account payable	195,375,928.76	142,300,162.49	236,970,590.90	267,565,046.74

Balance Sheet (Continued)

30 June 2009

Unit: RMB

Item	Balance at the End of Period		Balance at the Beginning of Year	
	Consolidated	Parent Company	Consolidated	Parent Company
Reinsurance payable				
Insurance contract reserve				
Amount payables under securities trading				
Amount payables under securities underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	326,507,155.85		408,052,717.17	275,961,593.86
Non-current liabilities		142,985,354.17		
Long-term borrowings				
Debentures payable				
Long-term payables				
Specific purpose account payables				
Provisions for contingent liabilities	124,967,867.25		124,967,867.25	124,967,867.25
Deferred tax liabilities		124,967,867.25		
Other non-current liabilities				
Total non-current liabilities	124,967,867.25		124,967,867.25	124,967,867.25
Total liabilities	451,475,023.10	124,967,867.25	533,020,584.42	400,929,461.11
Owners' equity (or shareholders' equity)		267,953,221.42		
Paid-in capital (or share capital)	873,370,000.00		873,370,000.00	873,370,000.00
Capital reserves	883,422,403.92	873,370,000.00	883,422,403.92	979,214,788.45
Less: treasury stock		979,214,788.45		
Special reserve				
Surplus reserves	108,587,124.40		108,587,124.40	108,587,124.40
General risk provision		108,587,124.40		
Retained earnings	-1,546,947,004.35		-1,536,634,262.58	-1,603,876,565.65
Foreign exchange translation difference	-17,644,463.15	-1,607,566,345.50	-17,608,232.54	
Total owners' equity attributable to parent company	300,788,060.82		311,137,033.20	357,295,347.20
Minority interests	2,746,491.01	353,605,567.35	2,858,638.45	
Total owners' equity	303,534,551.83		313,995,671.65	357,295,347.20
Total liabilities and owners' equity	755,009,574.93	353,605,567.35	847,016,256.07	758,224,808.31

Income Statement

January-June 2009

Unit: RMB

Item	Amount in This Period		Amount in the Last Period	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Total sales	133,485,280.53	2,803,418.81	272,384,538.16	59,268,919.04
Including: sales (income)	133,485,280.53	2,803,418.81	272,384,538.16	59,268,919.04
Interest income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	142,615,750.14	6,493,128.66	271,840,648.30	62,736,644.03
Including: cost of sales	87,866,501.78	2,038,808.56	215,807,245.07	55,045,025.41
Interest expenses				
Handling charges and commission expenses				
Payment on surrenders				
Claim expenses-net				
Provision for insurance contract reserve				
Policyholder dividends				
Expenses for reinsurance accepted				
Taxes and surcharges	5,122.52	0.00	64,105.28	0.00
Sales expenses	24,422,034.42	26,557.00	19,395,044.46	1,253,860.00
Administrative expenses	28,609,413.48	4,438,350.02	28,794,449.63	6,474,950.18
Financial expenses	712,677.94	-10,586.92	7,279,803.86	-37,191.56
Impairment loss on assets	1,000,000.00	0.00	500,000.00	0.00
Add: gain/(loss) on changes in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)	-1,112,228.94	0.00	557,252.00	0.00
Including: investment income from associates and joint ventures				
Foreign exchange differences ("-" means loss)				
III. Business profit ("-" means loss)	-10,242,698.55	-3,689,709.85	1,101,141.86	-3,467,724.99
Add: non-business income	39,322.89	0.00	387,684.33	0.00
Less: non-business expenses	14,050.94	70.00	250,408.94	6,148.00
Including: loss from non-current asset disposal				
IV. Total profit ("-" means loss)	-10,217,426.60	-3,689,779.85	1,238,417.25	-3,473,872.99
Less: income tax expense	191,229.98	0.00	805,592.15	0.00
V. Net profit ("-" means loss)	-10,408,656.580	-3,689,779.85	432,825.10	-3,473,872.99
Net profit attributable to owners of parent company	-10,312,741.77	-3,689,779.85	520,651.63	-3,473,872.99
Minority interests	-95,914.81	0.00	-87,826.53	0.00
VI. Earnings per share:				
(I) basic earnings per share	-0.0118	-0.0042	0.0006	0.0040
(II) diluted earnings per share	-0.0118	-0.0042	0.0006	0.0040

Cash Flow Statement

January-June 2009

Unit: RMB

Item	Amount in This Period		Amount in the Last Period	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Cash flows generated from operating activities				
Cash received from sales of goods or rendering of services	157,673,700.01	3,280,000.01	255,949,414.90	78,070,681.34
Net increase in customers' deposits and banks and other financial institutions				
Net increase in borrowings from central bank				
Net increase in placement from other financial institutions				
Cash received from insurance contract premium				
Net cash received from reinsurance				
Net increase in policyholder deposit and investment				
Net increase from disposal of trading financial assets				
Cash received from interest, handling charges and commissions				
Net increase in placement from bank				
Net increase in funds from repurchase				
Tax and surcharge refunds received	151,563.90			
Other cash received related to operating activities	59,370,845.50	130,815,396.46	22,000,247.83	1,522,853.15
Sub-total of cash inflows from operating activities	217,196,109.41	134,095,396.47	277,949,662.73	79,593,534.49
Cash paid for goods purchased and services rendered	124,814,879.64	2,385,406.02	225,675,350.28	73,700,659.16
Net increase in customers' loan and advances				
Net increase in placement with central bank, banks, and other financial institutions				
Cash paid for insurance contract claims				
Cash paid for interest, handling charges and commission				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	17,882,516.48	534,528.47	12,675,478.94	1,331,616.46
Taxes and surcharges paid	9,023,663.29	39,523.69	12,326,621.58	500,189.44
Other cash paid related to operating activities	71,390,906.85	133,743,663.17	34,394,803.02	5,770,035.03
Subtotal of cash outflows from operating activities	223,111,966.26	136,703,121.35	285,072,253.82	81,302,500.09
Net cash flow generated from operating activities	-5,915,856.85	-2,607,724.88	-7,122,591.09	-1,708,965.60

Cash Flow Statement (Continued)

January-June 2009

Unit: RMB

Item	Amount in This Period		Amount in the Last Period	
	Consolidated	Parent Company	Consolidated	Parent Company
II. Cash flows generated from investing activities:				
Cash received from investment recovered				
Cash received from investment income			1,947,670.00	
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	20,000.00		539,106.71	
Net cash received from sale of subsidiaries and other operating units				
Other cash received related to investing activities				
Sub-total of cash inflows from investing activities	20,000.00		2,486,776.71	
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	2,447,706.39		14,668,601.61	
Cash paid for investments				
Net increase in secured loans				
Net cash paid for acquiring subsidiaries and other operating units				
Other cash paid related to investing activities				
Sub-total of cash outflows from investing activities	2,447,706.39		14,668,601.61	
Net cash flow generated from investing activities	-2,427,706.39		-12,181,824.90	
III. Cash flows generated from financing activities				
Cash received from investments				
Including: cash received from investments by minority interests of subsidiaries				
Cash received from borrowings	10,850,000.00		30,868,978.85	
Cash received from issue of debentures				
Other proceeds related to financing activities				
Sub-total of cash inflows from financing activities	10,850,000.00		30,868,978.85	
Cash paid for debt repayments	12,450,000.00		46,387,855.45	
Cash paid for distribution of dividends or profit or reimbursing interest	809,497.69		1,992,835.30	
Including: dividends or profit to minority interests of subsidiaries				
Other cash payments related to financing activities				
Sub-total of cash outflows from financing activities	13,259,497.69		48,380,690.75	
Net cash flow generated from financing activities	-2,409,497.69		-17,511,711.90	
IV. Effect of exchange rate changes on cash and cash equivalents				
V. Increase in cash and cash equivalents				
Add: cash and cash equivalents at the beginning of the period	49,928,339.70	2,790,853.63	65,577,809.55	4,035,757.56
VI. Cash and cash equivalents at the end of the period				
	39,175,278.77	183,128.75	28,761,681.66	2,326,791.96

Consolidated Statement of Changes in Owners' Equity

January-June 2009

Unit: RMB

Item	Amount in This Period										Amount in the Last Year																			
	Owners' Equity Attributable to Parent Company					Minority					Total owners' equity					Owners' Equity Attributable to Parent Company					Minority					Total owners' equity				
	Paid-in capital (or share capital)	Capital reserves	Less: Special reserves treasury stock	Surplus reserves	General risk provision	Retained profit	Others	Minority interests	Total owners' equity	Paid-in capital (or share capital)	Capital reserves	Less: Special reserves treasury stock	Surplus reserves	General risk provision	Retained profit	Others	Minority interests	Total owners' equity	Paid-in capital (or share capital)	Capital reserves	Less: Special reserves treasury stock	Surplus reserves	General risk provision	Retained profit	Others	Minority interests	Total owners' equity			
I. balance at the end of last year:	873,370,000.00	883,422,403.92	0	108,587,124.40	-1,536,634,262.58	-17,608,232.54	2,888,638.45	313,995,671.65	873,370,000.00	978,066,337.72	0	0	108,587,124.40	0	-4,438,523,895.67	-8,307,955.84	4,315,576.53	517,507,487.14	873,370,000.00	978,066,337.72	0	0	108,587,124.40	0	-4,438,523,895.67	-8,307,955.84	4,315,576.53	517,507,487.14		
Add: change of accounting policy																														
Prior year adjustment																														
Others																														
II. balance at the beginning of this year	873,370,000.00	883,422,403.92		108,587,124.40	-1,536,634,262.58	-17,608,232.54	2,888,638.45	313,995,671.65	873,370,000.00	978,066,337.72	0	0	108,587,124.40	0	-4,467,521,767.25	-8,306,330.32	4,315,576.53	488,510,941.08	873,370,000.00	978,066,337.72	0	0	108,587,124.40	0	-4,467,521,767.25	-8,306,330.32	4,315,576.53	488,510,941.08		
III. increase/decrease in amount in this year ("+" means decrease)																														
(I) net profit:					-10,312,741.77	-36,230.61	-112,147.44	-10,461,119.82		-94,643,933.80					-69,112,495.33	-9,301,902.22	-1,456,938.08	-174,515,269.43		-94,643,933.80					-69,112,495.33	-9,301,902.22	-1,456,938.08	-174,515,269.43		
(II) gain/loss to owners' equity directly								-36,230.61		-94,643,933.80								-103,945,836.02		-94,643,933.80							-103,945,836.02			
1. net changes in fair value of financial assets available for sale																														
2. effect on changes in other owners' equity of investee units under equity method																														
3. effect on income tax to owners' equity directly								-36,230.61																						
4. others																														
Subtotal of (I) and (II)					-10,312,741.77	-36,230.61	-112,147.44	-10,461,119.82		-94,643,933.80					-69,112,495.33	-9,301,902.22	-1,456,938.08	-174,515,269.43		-94,643,933.80					-69,112,495.33	-9,301,902.22	-1,456,938.08	-174,515,269.43		
(III) capital injected or reduced by owners																														
1. capital injected by owners																														
2. payment for shares included in owners' equity																														
3. others																														
(IV) profit distribution																														
1. transferring to surplus reserves																														
2. transferring to general risk provisions																														
3. distribution to all owners (or shareholders)																														
4. others																														
(V) internal transfers of owners' equity																														
1. capitalization of capital reserves (or share capital)																														
2. capitalization of surplus reserves (or share capital)																														
3. making up losses by surplus reserves																														
4. others																														
IV. balance at the end of this period	873,370,000.00	883,422,403.92	0	108,587,124.40	-1,546,947,004.35	-17,644,463.15	2,746,491.01	303,534,551.83	873,370,000.00	883,422,403.92	0	0	108,587,124.40	0	-4,536,634,262.58	-17,608,232.54	2,888,638.45	313,995,671.65	873,370,000.00	883,422,403.92	0	0	108,587,124.40	0	-4,536,634,262.58	-17,608,232.54	2,888,638.45	313,995,671.65		

Parent Company Statement of Changes in Owners' Equity

January-June 2009

Unit: RMB

Item	本期金额					上年金额							
	Paid in capital (or share capital)	Capital reserves	Less: treasury stock	Special reserves	Surplus reserves	General risk provision	Total owners' equity	Capital reserves	Less: treasury stock	Special reserves	Surplus reserves	General risk provision	Total owners' equity
I. balance at the end of last year	873,370,000.00	979,214,788.45	0	0	108,587,124.40	-1,493,576,565.65	357,295,347.20	873,370,000.00	979,214,788.45	0	108,587,124.40	-1,493,593,420.78	467,178,492.07
Add: change of accounting policy													
Prior year adjustment													
Others													
II. balance at the beginning of this year	873,370,000.00	979,214,788.45	0	0	108,587,124.40	-1,493,576,565.65	357,295,347.20	873,370,000.00	979,214,788.45	0	108,587,124.40	-1,493,593,420.78	467,178,492.07
III. increase/decrease in amount in this year ("-" means decrease)													
(I) net profit							-3,689,779.85						-3,689,779.85
(II) gain/loss to owners' equity directly													
1. net changes in fair value of financial assets available for sale													
2. effect on changes in other owners' equity of investee units													
under equity method													
3. effect on income tax to owners' equity directly													
4. others													
Subtotal of (I) and (II)							-3,689,779.85						-3,689,779.85
(III) capital injected or reduced by owners													
1. capital injected by owners													
2. payment for shares included in owners' equity													
3. others													
(IV) profit distribution													
1. transferring to surplus reserves													
2. transferring to general risk provisions													
3. distribution to all owners (or shareholders)													
4. others													
(V) internal transfers of owners' equity													
1. capitalization of capital reserves (or share capital)													
2. capitalization of surplus reserves (or share capital)													
3. making up losses by surplus reserves													
4. others													
	873,370,000.00	979,214,788.45	0	0	108,587,124.40	-1,497,546,345.50	353,605,567.35	873,370,000.00	979,214,788.45	0	108,587,124.40	-1,493,576,565.65	357,295,347.20

Notes to the Financial Reports

(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: No. 38, Jingxing North Street, Tiexi District, Shenyang, Liaoning Province, and P.R.China. Legal Representative: Su Weiguo.
2. Our company engages in producing and selling electricity transmitting and transforming equipments, corollary equipments, and providing relative after-sale services, and services of developing electricity transforming technology, consulting, transferring and experimenting. Registered Capital of the Company is RMB 873, 370,000.00.
3. Parent Company of our 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 Board of Directors on August 17, 2009, during the 19th session of the 5th Board of Directors Meeting.

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 Rules>

The financial statements of the Company have 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 Rules>.

IV. Major accounting policies and methods of evaluation of the company

1. Accounting Principals

By the guidelines of <Enterprise Accounting Rules>.

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 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

Off shore 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) and (2) are displayed separately in the balance sheet under item of shareholders’ equity interests.

7. Cash equivalents recognition

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 is 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 computations 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 predition 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.

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:

Age of Accounts	Ratio of provision
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(fininshed 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. Reporting 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 value 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, 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):

Types	Service life (year)	Annual depreciation rate%
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 come 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:

Types	Years of amortizing
Land use rights	Service life
Patents	10 years
softwares	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 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 take 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 are 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

(I) Change in Accounting Policy

There is no change in the accounting policy of the company during the reporting period.

(II) Change in Accounting Evaluation

There is no change in the accounting evaluation of the company during the reporting period.

(III) Correction of previous errors and relative impact

There is no change in the correction of previous errors and relative impact of the company during the reporting period.

VI. Taxes

Taxes	Tax base	Taxable rate(%)
Value-added tax	Sales tax less deductible purchase sales	17
Sales tax	Income subject to tax	5
Maintenance & Construction of the city tax	Amount subject to Value-added tax and Sales tax	7
Income tax	Amount subject to income tax	Note 1

Remark 1. Corporate Income Tax Rates for the Company and subsidiaries such as Jinzhou Jinrong Electric Appliance Co., Ltd., Shenyang Kaiyi Electric Co., Ltd. (referred as Kaiyi Electric), Shenyang Gaodongjia Dessication Equipment Co., Ltd., Shenyang Zhaolida Machinery Equipment Co., Ltd. and Northeast Electric (Beijing) Co., Ltd. are 25%.

The company's subsidiary – New Northeast (Jinzhou) Power Capacitors Co., Ltd. (referred to as New Jin Cap) is a foreign-owned enterprise situated in Liaodong Peninsular Economic Zone, and income rate of 27% is applicable according to <Ministry of Finance on temporary regulations of encouraging foreign investments by reducing/exempting taxes of enterprises along the inshore area>(No.Caishui[1988]91). According to the regulations under <Income Tax Law of Foreign-owned Company and Foreign Company People's Republic of China>, New Jin Cap has obtained a favorable tax policy of “exempt 2 (years) and reduce 3(years)” starting from the year it has profit, thus income taxes are exempted from 2005 to 2006, and are reduced in half from 2007 to 2009.

The company's subsidiary–Fuxin Enclosed Busbars Company Limited (referred to as Fu Enclosed Busbars) was changed to a foreign-owned enterprise in Nov. 2005, with registered capital of USD2.8 million, and foreign capital was all paid in by Jan. 2006. Its income tax rate is 25%. According to the regulations under <Income Tax Law of Foreign-owned Company and Foreign Company People's Republic of China>, Fu Enclosed Busbars enjoy a favorable tax policy of “exempt 2 (years) and half 3(years)” by the reply of National Tax Bureau Liaoning Fuxin (No. Fu Guo Shui Han (2007) 58), thus income taxes are exempted from 2006 to 2007, and are reduced in half from 2008 to 2010.

Northeast Electric (Hong Kong) Limited. is a wholly owned subsidiary of the company registered in HKSAR of P. R. China; its income rate is 16.5%.

Great Talent Technology Limited. (Referred to as Great Talent) is a company wholly owned by the company's subsidiary – Northeast Electric (Hong Kong) Limited., 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

Base of consolidation

The company consolidated results of the invested companies with the company owning voting shares over 50%, or maintain controlling power though not owning shares over 50%.

Scope of Consolidation

Name of company	Registration place	Registered capital	Shares owned %		Amount invested	Principal Operation	Y/N Cons.
			directly	indirectly			
Northeast Electric (HK) Limited	HK	USD20M	100	-	USD20M	INVESTMENT & TRADE	Y
Great Talent Technology Limited.	BVI	USD1.00	-	100	USD1.00	INVESTMENT	Y
Fuxin Enclosed Busbars Company Limited	FUXIN	USD2.8M	-	100	USD2.8M	IPB production	Y
Jinzhou Jinrong Power Capacitors Co., Ltd.	JINZHOU	RMB3M	-	69.75	RMB2.0925M	Dry high-voltage Capacitors	Y
Shenyang Gaodongjia Desiccation Equipment Company Limited.	SHENYANG	USD778,500	70	-	USD544,950	Metal box and desiccation equipment	Y
New Northeast (Jinzhou) Power Capacitors Limited	JINZHOU	USD10M	-	100	USD10M	Capacitor, CVC	Y
Shenyang Kaiyi Electric Co., Ltd	SHENYANG	RMB1M	10	90	RMB1M	Production of High-voltage electric equipment, switches, electric capacitors	Y
Northeast Electric (Beijing) Co., Ltd	BEIJING	RMB2M	-	100	RMB2M	Sales of machinery, electric equipment, hardware	Y
Shenyang Zhaolida Machinery Equipment Co.,Ltd.	SHENYANG	RMB0.1M	100		RMB0.1M	Machinery, Equipment of transmitting and transforming electricity	Y

The above mentioned subsidiaries are consolidated into the consolidated report by method of Equity. There is no leftout in consolidation.

Associates:

Name of Company	Place of Registration	Legal Person Rep.	Registered Capital	Paid-up Investment	Ratio of shares	Major operation
New Northeast Electric (Shenyang)High-voltage Isolators Switchgears Limited.	Shenyang	Liu Bing	USD21.5M	RMB107.118M	25.6%	Development and designing of high-voltage transmitting and transforming electricity
Great Power Technology Limited.	BVI	Lo Yuet	USD12,626.00	USD2,626	20.8%	INVESTMENT

VIII. Notes to Major items in consolidated financial reports

1. Cash and deposits

Items	Currency	2009-6-30		2008-12-31	
		Currency of transaction	Translation into RMB	Currency of transaction	Translation into RMB
Cash	RMB	38,299.25	38,299.25	16,906.36	16,906.36
	USD	1,162.34	7,944.13	1,162.34	7,944.13
Sub-total			46,243.38		24,850.49
Bank deposit	RMB	17,093,097.48	37,980,497.48	29,142,099.60	29,142,099.60
	EUR	540.56	5,211.41	562.84	5,211.87
	YEN	221.31	15.74	240.00	16.94
	CHF	28.87	198.59	33.13	227.89
	HKD	1,300,489.73	1,146,427.50	759,457.24	669,765.34
	USD	388.63	2,110.41	54,306.47	373,566.11
Sub-total			18,241,635.39		30,190,887.75
Other cash equivalents	RMB	20,887,400.00	20,887,400.00	19,712,601.46	19,712,601.46
Sub-total					
Total			39,175,278.77		49,928,339.70

Remark 1. Balance was reduced RMB 10,753,060.93 at the end of the period by 21.54%, mainly due to the payment of the purchase of raw material.

Remark 2. Equivalent of RMB 20,887,400.00 of cash in currencies other than RMB has been held as margin under transactions of performance bond up to Jun. 30, 2009.

2. Bills Receivable

Types of Bills	2009-6-30	2008-12-31
Bank accepted bills of exchange	75,500.00	4,384,150.00

Remark : Balance was reduced RMB 4,308,650.00 at the end of the period by 98.2%, mainly due to the due payment of notes.

3. Accounts Receivable

(1) Risk Analysis of Account Receivables:

Types	2009-6-30			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivable	131,575,770.78	79.84%	4,032,598.17	127,543,172.61
Other receivables with higher risks after risk reorganization though with small amount	8,097,134.52	4.91%	7,935,724.52	161,410.00
Other insignificant amount account receivables	25,134,789.78	15.25%	3,236,499.38	21,898,290.40
Total	164,807,695.08	100%	15,204,822.07	149,602,873.01

Types	2008-12-31			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivable	133,238,671.93	70.55%	4,320,679.17	128,917,992.76
Other receivables with higher risks after risk reorganization though with small amount	8,115,124.52	4.30%	8,115,124.52	
Other insignificant amount account receivables	47,511,100.50	25.15%	2769018.38	44,742,082.12
Total	188,864,896.95	100%	15,204,822.07	173,660,074.88

Remark 1. The company has set the criteria for single large amount account receivable as RMB 1 million, according to the scale of operation, character of the operation and state of customers' settlement.

Remark 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 Receivables

Age of Accounts	2009-6-30			
	Amount	Proportion	Provisions for bad debts	Net amount
Within 1 year	114,691,372.25	69.59%		114,691,372.25
1-2 years	25,837,509.16	15.68%		25,837,509.16
2-3 years	11,423,764.05	6.93%	4,886,881.62	6,536,882.43
3-4 years	1,687,228.93	1.02%	591,529.76	1,095,699.17
Over 4 years	11,167,820.69	6.78%	9,726,410.69	1,441,410.00
Total	164,807,695.08	100%	15,204,822.07	149,602,873.01

Age of Accounts	2008-12-31			
	Amount	Proportion	Provisions for bad debts	Net amount
Within 1 year	138,881,043.12	73.53%		138,881,043.12
1-2 years	27,152,813.66	14.38%		27,152,813.66
2-3 years	11,921,831.55	6.31%	4,768,732.62	7,153,098.93
3-4 years	1,778,897.93	0.94%	1,305,778.76	473,119.17
Over 4 years	9,130,310.69	4.84%	9,130,310.69	
Total	188,864,896.95	100%	15,204,822.07	173,660,074.88

4. Prepayment

Age of Accounts	2009-6-30		2008-12-31	
	Amount	Proportion	Amount	Proportion
Within 1 year	31,049,290.22	98.03%	28,686,365.91	98.32%
1-2 years	488,461.58	1.54%	491,614.07	1.68%
2-3 years	135,774.10	0.43%		
Total	31,673,525.9	100%	29,177,979.98	100%

5. Dividends Receivables

Name of Company	2009-6-30	2008-12-31
New Northeast Electric (Shenyang)		
High-Voltage Switchgears Limited	9,633,453.37	12,440,000.00
Great Power Technology Limited	7,641,526.66	7,644,734.00
Total	17,274,980.03	20,084,734.00

Remark 1. Balance was reduced RMB 2,809,753.97 at the end of the period by 13.99%, mainly due to the change in exchange rate.

6. Other Receivables

(1) Other Receivables Risk Analysis:

Types	2009-6-30			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivable	92,978,569.93	77%	76,090,000.00	16,888,569.93
Other receivables with higher risks after risk reorganization though with small amount	3,145,473.94	2%	2,715,462.90	430,011.04
Other insignificant amount account receivables	25,078,275.10	21%	2,987,381.73	22,090,893.37
Total	121,202,318.97	100%	81,792,844.63	39,409,474.34

Types	2008-12-31			
	Amount	proportion	Provisions for bad debts	Net amount
Single large amount account receivable	167,304,884.98	93.17%	78,128,829.27	89,176,055.71
Other receivables with higher risks after risk reorganization though with small amount	1,715,462.90	0.95%	1,715,462.90	-
Other insignificant amount account receivables	10,552,816.59	5.88%	948,552.46	9,604,264.13
Total	179,573,164.47	100.00%	80,792,844.63	98,780,319.84

Remark 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.

Remark 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.

Remark 3. By end of year, principal owed from Benxi Steel (Group) Co., Ltd.(referred as Ben Steel) of RMB76,090,000.00 is included in other receivables, which receivables occurred in May and September 2005, by Liaoning Trust & Investment Co. (hereinafter referred to as Liao Trust) repaying principals of RMB74,424,671.45 deposited with them by the company with their receivables from Ben Steel of RMB76,090,000.00 by the approval related governments in Liaoning Province. The company has taken receivables from Ben Steel into other receivables, surplus to the original deposit has been taken into bad debt provision. On Dec. 16, 2005, High Court of Liaoning Province has made ultimate ruling (No.(2005) Liao Min Er Zhong Zi Di 220), that Ben Steel had owed the company RMB15,900,000.00 and relative interest. The company had applied for Enforcement. As a result Intermediate Court of Shenyang has established the case and delivered Enforcement Notice to Ben Steel on Mar. 10, 2006. On Mar. 30, 2006, The Intermediate Court of Shenyang has made first ruling concerning the remaining principals by Rulings Nos. of (2005) Shen Zhong Min Si He Chu Zi Di 21, 22 and 23, that Ben Steel should repay the company principal of RMB60,190,000.00 and relative interests. On Apr. 30, 2006, Ben Steel has appealed to High Court of Liaoning Province. On May 14, 2008, High Court of Law of Liaoning Province has orderd retry of the case to Shenyang City Midium Court of Law by Rulings of 214th, 215th, 216th of (2006) Liao Min Er Zhong Zi, revocating Rulings of 21rd, 23rd, 22nd of Shen Zhong Min Si He Chu Zi by the latter Court of Law.

On 6 July 2009, the Company received civil judgments ((2008) Shen Zhong Min Chu Zi No. 143, 144 and 145) made by Shenyang Intermediate Court. According to these judgments, the Company's claim was rejected. The Company has lodged an appeal with Liaoning Higher Court, and now the case is still in the second instance of the retrial.

(2) Age Analysis of Account Receivables

Age of Accounts	2009-6-30			
	Amount	Proportion	Provisions for bad debts	Net amount
Within 1 year	5,553,556.66	5%		5,553,556.66
1-2 years	2,569,882.57	2%		2,569,882.57
2-3 years	31,424,825.19	26%	2,642,318.74	28,782,506.45
3-4 years	1,474,915.47	1%	345,062.99	1,129,852.48
Over 4 years	80,179,139.08	66%	78,805,462.90	1,373,676.18
Total	121,202,318.97	100%	81,792,844.63	39,409,474.34

Age of Accounts	2008-12-31			
	Amount	Proportion	Provisions for bad debts	Net amount
Within 1 year	63,927,739.06	35.60%	-	63,927,739.06
1-2 years	3,516,683.65	1.96%	-	3,516,683.65
2-3 years	33,893,267.82	18.87%	2,642,318.74	31,250,949.08
3-4 years	430,011.04	0.24%	345,062.99	84,948.05
Over 4 years	77,805,462.90	43.33%	77,805,462.90	-
Total	179,573,164.47	100.00%	80,792,844.63	98,780,319.84

(3) Other receivables that special bad debt provisions have been set aside are laid out as below up to Jun. 30, 2009:

Debtors	Amount	Ratio of provision	Accumulated amount of bad debt provision	Age	Reason for provision
Benxi Steel (Group) Co., Ltd.	76,090,000.00	100%	76,090,000.00	Over 4 years	See 6(1) remark 3
Jinzhou Power Capacitors Co., Ltd.	2,038,829.27	100%	2,038,829.27	3-4 years	Dispute over quality of products

7. Inventories and Provisions for Depreciation of Inventories

(1) Changes of inventories

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
Raw material	22,298,658.85	80,312,356.11	80,322,907.77	22,288,107.19
Work in progress	8,599,627.26	126,533,249.50	125,191,933.53	9,940,943.23
Goods in store	38,075,366.00	98,619,310.10	90,074,766.20	46,619,909.90
Low-cost materials				
Total	68,973,652.11	305,464,915.71	295,589,607.50	78,848,960.32
Minus: inventory decline provision	1,434,969.85			1,434,969.85
Net worth of inventories	67,538,682.26			77,413,990.47

Remark: Balance of inventories has increased RMB 9, 875,308.21 by end of the period, up 14.62%, owing to added of goods in store.

8. Long term equity investment

Long term equity investment of the company are as follows:

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
By Cost Method	217,355,412.40		1,300,000	216,055,412.40
By Equity Method	89,752,876.12		1,112,228.94	88,640,647.18
Total	307,108,288.52		2,412,228.94	304,696,059.58
Minus: diminution provision	-	-	-	-
Net worth of Long Term Equity Investment	307,108,288.52		2,412,228.94	304,696,059.58

Long term equity investment:

Company invested	Proportion of shares	Initial amount of investment	2008-12-31	Adjustment of profit and loss in the period	Increase/ decrease in the period	2009-6-30
New Northeast Electric (Shenyang)						
High-Voltage Isolators Switchgears Limited	25.6%	29,959,476.52	30,773,069.12-	-1,112,228.94		29,660,840.18
Great Power Technology Limited	20.80%	42,847,035.48	58,979,807.00			58,979,807.00
New Northeast Electric (Shenyang)						
High-Voltage Switchgears Limited	17.09%	216,055,412.40	216,055,412.40	-		216,055,412.40
Shenyang Taisheng Industrial & Commerce Co., Ltd.(note 1)	98.5%	1,300,000.00	1,300,000.00-	-	-1,300,000.00	
Total		290,161,924.40	307,108,288.52	-1,112,228.94	-1,300,000.00	304,696,059.58

Remark 1. the liquidation of Shenyang Taisheng Trading Co., Ltd was completed, and its shareholder, Fuxin Enclosed Busbars Limited recovered the payment for transfer RMB 1,300,000 in full.

9. Fixed Assets and Accumulated Depreciation

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
Fixed Assets - Cost				
Buildings	49,172,420.57	-	-	49,172,420.57
Motor Vehicles	74,416,520.01	2,929,252.05	566,131.00	76,779,641.06
Machinery	24,314,457.59	1,402,032.81	989,192.46	24,727,297.94
Total	147,903,398.17	4,331,284.86	1,555,323.46	150,679,359.57
Accumulated depreciation:				
Buildings	30,602,529.74	454,899.38	101,134.57	30,956,294.55
Motor Vehicles	23,818,504.06	1,994,271.10	-	25,812,775.16
Machinery	7,739,991.46	1,800,849.04	284,195.06	9,256,645.44
Total	62,161,025.26	4,250,019.52	385,329.63	66,025,715.15
Net amount	85,742,372.91	-	-	84,653,644.42
Diminution provision of fixed assets	2,111,698.00	-	90,373.60	2,021,324.4
Net worth of fixed assets	83,630,674.91	-	-	82,632,320.02

10. Intangible Assets

Items	At cost	Acquisition means	Accumulated amortization amount	2008-12-31	Increase/ decrease during the period	Amortization during the period	2009-6-30	Months to amortized
Patent	450,000.00	Self-developed	371,250.18	89,999.84	-	11,250.02	78,749.82	18
Land use rights								
- Fu Enclosed								
Busbars	6,774,501.05	Transferred	1,829,115.88	5,013,130.09	-	67,744.92	4,945,385.17	438
softwares	207,000.00	Bought-in	207,000.00	11,333.44	-	11,333.44	0	
Total	7,401,501.05		2,407,366.06	5,114,463.37		90,328.38	5,024,134.99	

11. Long term expenses payable

Items	Initial amount	Accumulated amortized amount	2008-12-31	Increase/ decrease during the period	Decrease during the period	2009-6-30	Months to amortized
Improvement of rented							
fixed assets expenses	2,531,331.94	843,692.96	1,687,638.98	-	-	1,687,638.98	24
Renting expenses of lands	430,833.25	385,000.06	100,833.21	-	55,000.02	45,833.19	6
Total	2,962,165.19	1,228,693.02	1,788,472.19		55,000.02	1,733,472.17	

12. Deferred income tax asset

Items	2009-6-30	2008-12-31
Offsettable temporary difference arising from bad debt provisions	4,274,219.50	4,274,219.50
Offsettable temporary difference arising from accumulated depreciation	-	-
Offsettable temporary difference arising from amortization of intangible assets	-	-
Offsettable temporary difference arising from expenses payable	-	-
Offsettable temporary difference arising from diminution provision of inventories	358,742.46	358,742.46
Offsettable temporary difference arising from diminution provision of fixed assets	486,539.92	486,539.92
Total	5,119,501.89	5,119,501.89

13. Diminution provisions of assets

Items	2008-12-31	Depreciation amount during the period	Reverse amount during the period	Offset amount during the period	2009-6-30
I. Bad debt provision	95,997,666.70	1,000,000.00			96,997,666.70
II. Diminution provision for inventories	1,434,969.85				1,434,969.85
III. Diminution of long-term equity investment	-				
IV. Diminution provision for fixed assets	2,111,698.00			90,373.60	2,021,324.40
Total	99,544,334.55	1,000,000.00		90,373.60	100,453,960.95

14. Assets with limited ownership

(1) Assets with limited ownership by end of Dec. 31, 2008 are as below:

Types of assets with limited ownership	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
Pledged assets under bank loans				
Lands and Buildings – Fu Closed	17,071,945.97			17,071,945.97
Machinery – New Jin Cap	21,965,461.09			21,965,461.09
Pledged assets under issuing acceptance bill of exchange				
Others – New Jin Cap.	6,000,000.00		6,000,000.00	
Others:				
Bills Receivable – New Shen Switch	-			
Bank Deposits -Northeast Electric (HK)	-			
Others – New Jin Cap.	13,191,400.00	7,696,000.00		20,887,400.00

(2) Details of pledged assets of the company and subsidiaries are listed as follows by end of Jun. 30, 2009:

Name of company	Types of assets	Value at cost	Net worth	Time limit of pledging	Bank loans
Fu Enclosed Busbars	Land and building	17,071,945.97	10,387,959.84	1 year	5,000,000.00
New Jin Cap.	Machinery	21,965,461.09	15,813,045.83	1 year	15,000,000.00

15. Short term bank loans

Type of loans	2009-6-30	2008-12-31
Bank loans	-	-
Inclu.: Secured	2,350,000.00	2,450,000.00
Pledged and secured	15,000,000.00	15,000,000.00
Pledged	3,500,000.00	5,000,000.00
Impawned		-
Total	20,850,000.00	22,450,000.00

16. Bills payable

Items	2009-6-30	2008-12-31
Bank accepted bills of exchange	-	6,000,000.00

Remark: Balance was reduced RMB 6,000,000.00 at the end of the period by 100%, mainly due to the due payment of bank acceptance.

17. Accounts payable

Age	2009-6-30		2008-12-31	
	Amount	Percentage	Amount	Percentage
Within 1 year	69,356,640.14	92.67%	70,879,936.84	90.30%
1-2 years	3,008,783.16	4.02%	4,141,854.79	5.28%
2-3 years	2,068,849.86	2.76%	1,660,586.34	2.12%
Over 3 years	410,289.60	0.55%	1,802,403.22	2.30%
Total	74,844,562.76	100.00%	78,484,781.19	100.00%

Remark: There is no account payable due to the shareholder company that occupies 5% or more of the Company's voting shares.

18. Advances

Age	2009-6-30		2008-12-31	
	Amount	Percentage	Amount	Percentage
Within 1 year	30,878,561.10	91.52%	58,708,291.18	96.86%
1-2 years	2,107,450.00	6.24%	1,147,650.00	1.89%
2-3 years	-	0.00%	-	0.00%
Over 3 years	755,052.52	2.24%	755,052.52	1.25%
Total	33,741,063.62	100.00%	60,610,993.70	100.00%

Remark 1: Advances of payment of goods diminish, cause the balance at end of period to fall 44.33% of 26,869,930.08.

Remark 2: There's no advances from shareholders that owned 5% or over voting shares of the company.

19. Salaries and benefits payable to employees

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
I. Salaries, allowances and subsidies	-	8,030,865.24	7,335,812.64	695,052.60
II. Benefits	62,636.11	425,341.23	425,341.23	62,636.11
III. Social Securities	605,163.43	3,282,946.71	3,518,994.26	369,115.88
Inclu.: 1. Medicare	62,409.27	751,734.27	740,632.42	73,511.12
2. basic endowment insurance	474,089.77	2,135,534.91	2,373,026.77	236,597.91
3. Industrial injury insurance	14,507.98	109,132.07	99,708.97	23,931.08
4. birth insurance	2,505.90	64,193.86	57,586.78	9,112.98
5. unemployment insurance	51,650.51	222,351.60	248,039.32	25,962.79
IV. Housing provident funds	451,702.71	1,020,507.69	998,934.19	473,276.21
V. Funds for labor union and education of employees	332,614.04	282,337.95	86,645.30	528,306.69
VI. Others	1,452,116.29	13,041,998.82	12,365,727.62	2,128,387.49
Total				

Remark: Balance was increased RMB 676,271.20 at the end of the period, mainly due to the provision of unpaid salaries and additional expenses.

20. Tax payable

Type of taxes	2009-6-30	2008-12-31
Value-added tax	-87,287.42	767,413.76
Tax of maintenance and construction of the city		
Income tax -enterprise	-411,535.43	900,754.08
Income tax - person	13,850.38	129,996.70
Tax on land use rights		94,828.50
Tax on buildings' ownership	8,474.33	17,981.98
Tax on added-value of lands		
Education	2,770.19	2,770.19
Others	923.31	130,472.06
Total	-472,804.64	2,044,217.23

Remark : Balance was reduced RMB 2,517,021.87 at the end of the period by 123.13%, mainly due to the increase of value-added tax and input tax and the prepayment of enterprise income tax.

21. Other payables

Age	2009-6-30		2008-12-31	
	Amount	Percentage	Amount	Percentage
Within 1 year	24,041,832.85	12.31%	97,285,224.56	41.05%
1-2 years	138,422,598.73	70.85%	104,486,267.08	44.09%
2-3 years	1,222,369.13	0.63%	1,774,051.49	0.75%
Over 3 years	31,689,128.05	16.21%	33,425,047.77	14.11%
Total	195,375,928.76	100.00%	236,970,590.90	100.00%

Remark 1: Balance was reduced RMB 41, 594,662.14 at the end of the period by 17.55%, mainly due to the return of debt.

Remark 2: There's no payables from shareholders owned 5% or over voting shares of the company.

22. Estimated Liabilities

Items	2009-6-30	2008-12-31
Guarantees for loans	124,967,867.25	124,967,867.25

Remark1 : The company has provided guarantee for the loan agreement between Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited ("NET") (former shareholder of the company) and China Ever Bright Bank Co., Ltd., principal of which loan is RMB 30,000,000.00, and the company therefore undertake obligation of joint guarantee. In 2001 China Ever Bright Bank Co., Ltd had filed a lawsuit against "NET" to the 1st District 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 and overdue interest. The company has appealed to the Higher People's Court of Beijing City on Aug. 15, 2002. On May 13, 2003, the Higher People's Court of Beijing City has made final judgement the 1st sentence should be carried on. The company has estimated liabilities of RMB30,993,929.00. Up to the report date, the Company has not yet repaid the above-mentioned amount.

Remark2 : 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 District Court of Jinzhou City Liaoning Province, asking for "Jinrong"'s repayment of RMB 13,000,000.00 and the relative interests, along with request that the company undertake joint obligation of repayment. The subject District 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, and has accordingly estimated liabilities of RMB14,464,500.00. Up to the date of report approval, the above-mentioned repayment has not yet been made.

Remark3 : 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 District Court of Xi'an City Shaanxi Province, asking for "Shenyang High-voltage" to repay RMB 14,280,007.35, 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 District Court of Xi'an City Shaan'xi Province has ruled on May 30, 2005, that the company should use the subject houses to undertake joint obligation of repayment for the above-mentioned debts. The Company has filed appeal on Jun. 15, 2005 to the Higher People's Court of Shaan'xi Province. On Oct. 18, 2005, the Higher Court has made its final judgement that the previous sentence should be carried on. The company has estimated liabilities of RMB 92,25,860.00 according to the value of the subject houses.

Remark4 : The company has provided guarantee for loans of RMB 17,000,000.00 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 against Jin Cap for repayment of principal of RMB 17,000,000.00 and relative interests RMB 2,890,000.00, and asking for the company to assume repayment on March 2007. The court has sentenced the company to assume joint liability for repaying RMB 17,000,000.00 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. The company therefore estimate liability of RMB 19, 890,000.00. Up till the reporting date, the company has not paid the above mentioned liability.

Remark5 : The company has provided guarantee for Kingdom Hotel for loans of RMB 24,000,000.00 from ICBC Shenyang City Sub-branch, assuming joint liability. As the loan is overdue, the bank has sued Kingdom Hotel to the Intermediate Court of Shenyang City for repayment of loan principal of RMB 24,000,000.00 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 RMB 24,000,000.00 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 Kingdom Hotel is not included in the scope of consolidation this year, the company has estimated liability of RMB 24,000,000.00 according to the Rulings. Up to the reporting date, the company has not paid up the mentioned liability.

Remark6 : The company provide guarantee and assume joint liability for loans of RMB 22,900,000.00 from ICBC Jinzhou City Sub-branch to Jin Power Cap., which loan agreement amount is RMB 42,900,000.00. 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 RMB 22,900,000.00 and relative interest RMB 3,466,578.25, and for the company to assume joint repayment. On July 18, 2007, the Court has sentenced by Ruling No. (2007) Jin Min San Chu Zi 00019 that the company should take up joint obligation to repay within the limit of RMB 22,900,000.00 and interests RMB 3,466,578.25. Therefore the company has estimated liability of RMB 26, 366,578.25. The company has not paid the above mentioned debt by end of reporting date.

23. Capital

Items	2008-12-31	Changes during the period(+,-)			2009-6-30
		rights offering	Complimentary shares	Capitalization on reserve others	
I. Shares with limited selling conditions					
1. state shares					
2. legal person shares	218,394,237.00				218,394,237.00
Inclu.: legal person shares-domestic	218,394,237.00				218,394,237.00
Total:	218,394,237.00				218,394,237.00
II. Shares with unlimited selling conditions					
1. common RMB shares(A share)	397,025,763.00				397,025,763.00
2. foreign shares listed abroad(H share)	257,950,000.00				257,950,000.00
Total:	654,975,763.00				654,975,763.00
III. Total shares	873,370,000.00				873,370,000.00

24. Sales Reserve

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
Share premium	115,431,040.00	-	-	115,431,040.00
Others	767,991,363.92	-	-	767,991,363.92
Total	883,422,403.92	-	-	883,422,403.92

25. Reserve

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
Legal reserve	80,028,220.48	-	-	80,028,220.48
Company reserve	28,558,903.92	-	-	28,558,903.92
Total	108,587,124.40	-	-	108,587,124.40

26. Retained profit

Items	2009-6-30	2008-12-31
Balance at beginning of period of retained profit of parent company	-1,536,634,262.58	-1,467,521,767.25
Plus: net profit to parent company's shareholders	-10,312,741.77	-69,112,495.33
Minus: amount of legal reserve		-
Dividends payable under common shares		-
Profit changed to capital		-
Balance at end of period of retained profit of parent company	-1,546,947,004.35	-1,536,634,262.58

27. Income and costs of sales

Items	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Income of sales	133,485,280.53	272,384,538.16
Inclu.: income of sales of major operation	133,274,733.67	262,497,668.29
Income of sales of other operations	210,546.86	9,886,869.87
Cost of sales	87,866,501.78	215,807,245.07
Inclu.: Costs of sales of major operation	87,711,878.97	207,704,767.31
Costs of sales of other operations	154,622.81	8,102,477.76
Gross operating profit	45,618,778.75	56,577,293.09

Details of income and costs of major operation:

Types	Income of major operation		Cost of major operation		Gross operating profit	
	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Products of electric industry	133,274,733.67	262,497,668.29	87,711,878.97	207,704,767.31	45,562,854.70	54,792,900.98

Top 5 customers totaling:	Percentage of overall income of sales(%)
105,047,885.49	78.82%

28. Sales tax and surtax

Types	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Sales tax	3,259.79	
Tax on City maintenance and construction	1,397.05	41,208.70
Education surtax	465.68	22,896.58
Total	5,122.52	64,105.28

Remark : The amount in this period was reduced RMB 58,982.76 by 92.01%, mainly due to the decrease of construction tax and education supplementary tax.

29. Sales expenses

Types	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Operating expenses	24,422,034.42	19,395,044.46

Remark : The selling expense in this period was increased RMB 5,026,989.96 by 25.92%, mainly due to the increase of sales performance and the change in consolidated range.

30. Administrative expenses

Types	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Administrative expenses	28,609,413.48	28,794,449.63

31. Financial expenses

Types	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Interest expenses	791,041.83	1,975,789.06
Minus: income of interest	25,243.30	533,210.99
Gain/loss of exchange	-140,759.41	5,808,655.79
Commission of financial institutes	87,638.82	28,570.00
Total	712,677.94	7,279,803.86

Remark : The amount in this period was reduced RMB 6,567,125.92 by 90.21%, mainly due to the increase of the current exchange gain and the decrease of interest expenses.

32. Loss from diminution of assets

Items	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
I. Bad debt loss	1,000,000.00	500,000.00
II. Inventory decline loss	-	-
III. Loss on long-term equity diminution	-	-
VI. Diminution of fixed assets loss	-	-
Total	1,000,000.00	500,000.00

Remark : The asset impairment loss in this period was increased RMB 500,000.00 by 100%, mainly due to the increased provision of bad debt.

33. Return on investments

Items	from Jan to Jun 2009	from Jan to Jun 2008
Net increase/decrease of the Company's owners' equity calculated under equity method	-1,112,228.94	557,252.00
Total	-1,112,228.94	557,252.00

Remark : The investment income in this period was reduced RMB 1,669,480.94 by 299.59%, mainly due to different calculation object of equity method and the profit drop of the object.

34. Non-business income

Items	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Income of disposal of fixed assets	20,000.00	
Sales of scrap material	12,694.89	232,083.53
Income of fines	6,628.00	10,690.00
Others		144,910.80
Total	39,322.89	387,684.33

Remark : The non-business income in this period was reduced RMB 348,361.44 by 89.86%, mainly due to more income in the sales of scrap material and the fine in the last period.

35. Non-business expenses

Items	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Net loss of disposal of fixed assets	11,050.71	
Expenses of fines	3,000.23	35,147.65
Donations	-	215,261.29
Estimated compensation under lawsuit Compensation	-	
Others		-
Total	14,050.94	250,408.94

Remark : The non-business expenses in this period were reduced RMB 236,358 by 94.39%, mainly due to no donation outlay in this period.

36. Income tax

Items	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Total profit	-10,217,426.60	1,238,417.25
Income tax payable	191,229.98	805,592.15
Effect imposed by deferred income tax		
Income tax expenses	191,229.98	805,592.15

Remark : The income tax expense in this period was reduced RMB 614,362.17 by 76.26%, mainly due to losses in this period.

37. Cash received from operation-related activities

Contents	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Intercompany accounts	47,514,979.96	22,000,247.83
Tender bond	7,717,363.70	
Others	4,138,501.84	
Total	59,370,845.50	22,000,247.83

Remark : Other cash received related to operating activities in this period was increased RMB36,996,103.83 by 169.86%, mainly due to the increase of current account recovery.

38. Cash paid to other operation-related activities

Contents	For the reporting Period from Jan to Jun 2009	For the reporting Period from Jan to Jun 2008
Intercompany accounts	29,869,516.64	5,276,924.06
Transportation	5,449,576.48	5,705,100.16
Entertainment	1,420,257.97	3,069,401.06
Fuel expense	1,681,428.26	800,741.50
Travelling	892,781.84	1,883,081.35
Sales Expenses	5,227,649.40	5,723,786.88
Office expenses	1,002,748.19	1,345,944.04
Commission	931,838.86	718,141.11
Premium	108,535.59	405,302.16
Consultance	2,549,400.67	788,500.00
Others	22,257,172.94	8,677,880.70
Total	71,390,906.85	34,394,803.02

Remark : Other cash paid related to operating activities in this period was increased RMB 36,996,103.83 by 107.56%, mainly due to the increase of current account payment and business.

IX. Notes to major items in parent company's financial reports**1. Other receivables****(1) Risk Analysis of other receivables**

Age	2008-12-31			
	Amount	Proportion	Provisions for bad debts	Net amount
Single large amount other receivables	623,369,984.15	99.53%	76,090,000.00	547,279,984.15
Other receivables with higher risks after risk reorganization though with small amount	359,886.35	0.06%	359,886.35	-
Other insignificant amount other receivables	2,598,920.11	0.41%	596,470.34	2,002,449.77
Total	626,328,790.61	100.00%	77,046,356.69	549,282,433.92

Age	2009-6-30			
	Amount	Proportion	Provisions for bad debts	Net amount
Single large amount other receivables	537,440,055.08	99.63%	76,090,000.00	461,350,055.08
Other receivables with higher risks after risk reorganization though with small amount	359,886.35	0.07%	359,886.35	-
Other insignificant amount other receivables	1,658,865.54	0.30%	596,470.34	1,062,395.20
Total	539,458,806.97	100.00%	77,046,356.69	462,412,450.28

Remark1 : The company has set the criteria for single large amount other receivable as RMB 1 million, according to the scale of operation, character of the operation and state of customers' settlement.

Remark2 : 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:

Age	2008-12-31			
	Amount	Percentage	Amount	Percentage
Within 1 year	49,762,334.81	7.95%	-	49,762,334.81
1-2 years	468,143,202.02	74.74%	-	468,143,202.02
2-3 years	31,828,438.55	5.08%	494,449.46	31,333,989.09
3-4years	144,928.88	0.02%	102,020.88	42,908.00
Over 4 years	76,449,886.35	12.21%	76,449,886.35	-
Total	626,328,790.61	100.00%	77,046,356.69	549,282,433.92

Age	2009-6-30			
	Amount	Percentage	Amount	Percentage
Within 1 year	49,691,954.26	9.21%	-	49,691,954.26
1-2 years	382,838,512.10	70.97%	52,500.00	382,786,012.10
2-3 years	30,440,795.38	5.64%	506,311.46	29,934,483.92
3-4years	37,658.88	0.01%	37,658.88	-
Over 4 years	76,449,886.35	14.17%	76,449,886.35	-
Total	539,458,806.97	100.00%	77,046,356.69	462,412,450.28

(3) Details of special bad debt provision for other receivables as at Dec. 31, 2008:

Debtors	Amount	Ratio of provision	Accumulated bad debt provision		Age	Reason of provision
			amount			
Benxi Steel (Group) Co.Ltd.	76,090,000.00	100%	76,090,000.00		Over 4 years	See Notes VIII.6.1 remark 3.

2. Long term equity investment

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

Items	2008-12-31	Increase during the period	Decrease during the period	2009-6-30
By Method of Costs	157,737,418.63			157,737,418.63
Minus: diminution provision (note 2)				-
Net worth of long term equity investment	157,737,418.63			157,737,418.63

(2) Details of long term equity investment:

Company invested	Percentage of investmen	Initial investment amount	2008-12-31	Adjustment in the period	Increase/ Decrease during the period	2009-6-30
Northeast Electric (HK) Limited.	100%	156,699,451.63	156,699,451.63		-	156,699,451.63
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	70%	837,967.00	837,967.00		-	837,967.00
Shenyang Kaiyi Electric Co., Ltd.	10%	100,000.00	100,000.00		-	100,000.00
Shenyang Zhaolida Machinery Equipment Co., Ltd.	100%	100,000.00	100,000.00			100,000.00
Total			157,737,418.63			157,737,418.63

3. Income and costs of sales

(1) Income and costs of sales are as follows:

Items	Year of 2008	Year of 2009
Income of sales	104,917,592.10	2,803,418.81
Inclu.: income of sales from major operations	104,917,592.10	2,803,418.81
Costs of sales	94,559,487.87	2,038,808.56
Inclu.: costs of sales from major operations	94,559,487.87	2,038,808.56
Gross operating profit	10,358,104.23	764,610.25

(2) Details of income and costs of major operations

Types	Income of major operations		Costs of major operations		Gross profit from major operations	
	Year of 2008	From Jan to Jun ,2009	Year of 2008	From Jan to Jun ,2009	Year of 2008	From Jan to Jun ,2009
Products of Electricity						
Industry	104,917,592.10	2,803,418.81	94,559,487.80	2,038,808.56	10,358,104.23	764,610.25

Remark 1 : Top 5 customers of income of sales form 100% of overall sales, totaling RMB 2,803,418.81.

X. Purchase / Sales of Subsidiary company

none

XI. Relationship and transaction between related parties

(I) Introduction of related parties

(1) shareholders of the company with controlling relationship

Name of company	Addr. Of Registration	Registered Capital	Percentage of the company's shares	Voting percentage	Major operation	Relationship with the company	Type of enterprise	Legal Person representative	Code of Incorporation
New Northeast Electric Investment Co., Ltd.	Shenyang	RMB135m	24.28%	24.28%	Investment	Parent Company	Limited Company	Dai bing	73465110

(2) Changes in shares of the controlling shareholders

Name of Company	2008-12-31	Percentage	Increase/Decrease in the period	2009-6-30	Percentage
New Northeast Electric Investment Co., Ltd.	212,014,237	24.28%	-	212,014,237	24.28%

(3) Non-controlling related parties

Name of company	Relationship with the company
New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited	Associate
Great Power Technology Limited	Associate

(II) Balances of Account Receivable and Account Payable of related party transactions

Name of Associate	2009-6-30		2008-12-31	
	Amount	Percentage	Amount	Percentage
Dividend Receivable:				
Great Power Technology Limited	7,641,526.66	44%	7,644,734.00	38%
Account Payable:				
New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited	8,510,300.17	11%	6,151,300.17	8%
Other Payable:				
New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited	11,442,522.17	6%	40,464,620.52	17%

XII. Events of Undertaking

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

XIII. Events of Contingency

1. Up to Dec. 31, 2008, the Company has provided guarantee for New Northeast Electric (Shenyang) High-voltage Switchgears Limited under their 1-year bank loan of 355,000,000.00.
2. At end of Dec. 31, 2008, the company offer Shenyang Kingdom Hotel guarantee for their bank loan of 4 million.
3. On May 20, 2008, Paradise Field Holding Co., Ltd. (hereafter refer to as the "Paradise ") signed Transfer of Credit Agreement with New Northeast Electric (Shenyang) High-Voltage Switchgears Limited ("NNE(Switchgears) "), the latter agreeing on transferring their rights of credit to the Company, i.e. 55,000,000.00, rights of credit to Beijing Office of the Company of 19,806,911.00, totaling 74,806,911.00 to Paradise. Paradise took legal proceedings against NNE(Switchgears) on Nov. 24, 2008 to People's High Court of Law of Liaoning Province, demanding the Company to repay 74,806,911.00, being debt principal and relative interest. On Feb. 4, 2009, subpoena issued by the People's High Court of Law of Liaoning Province under Case No. (2009) Liao Min San Chu Zi Prelim. 1st has been delivered to the Company. The case was open on Feb. 5, 2009, up to reporting date; the case is still being heard.

The Liaoning Higher Court made a civil judgment (2009) Liao Min San Chu Zi No.1 on 6 August, 2009. According to the judgment, the Paradise was granted to withdraw the case.

4. Other details see Note VIII.22 Pending Litigation.

XIV. Other major events

Shenyang High-voltage Switchgear Limited ("Shenyang High-voltage") lawsuit with China Development Bank has caused the company significant loss.

Shenyang High-voltage Switchgear Limited (hereinafter referred as "Shenyang High-voltage") has borrowed from China Development Bank (hereinafter referred as CDB) in 1998, countersigning the relative Loan Agreement, and under which loan guarantee was signed by the legal person guarantors. Later "Shenyang High-voltage" started up New Northeast Electric (Shenyang) High-Voltage Switchgears Limited (hereinafter referred as "NNE(Switchgears)"), New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited (hereinafter referred as "NNE(Isolators)"), Shenyang Suntime Storage and Logistics Company Limited (hereinafter referred as "Suntime Storage") and Shenyang Chengtai Energy Power Company Limited (hereinafter referred as "Chengtai Energy")— all share-holding co. with other parties, contributing its own assets and rights to the use of land for shares in those companies. The Company has obtained shares of "NNE(Isolators)", "Suntime Storage" and "Chengtai Energy" from "Shenyang High-voltage" in 2004. CDB has filed a lawsuit against "Shenyang High-voltage" to Beijing Higher People's Court (hereinafter referred as "Beijing High Court") in May 31, 2004, demanding the plaintiff to repay overdue loan principal of RMB150 million and the interest entailed, and at the same time for the Company, "NNE(Switchgears)", "NNE(Isolators)", "Suntime Storage" and "Chengtai Energy" (hereinafter referred collectively as "the co. and associates") to undertake joint liability to the aforesaid debts; asking the Court to declare the shares-transferring contracts concerning "NNE(Isolators)", "Suntime Storage" and "Chengtai Energy" between the Company and "Shenyang High-voltage" void and null. "Beijing High Court" overruled CDB's requests in Mar. 18, 2005

(civil judgment no.(2004)HCP802). De-Bank then appealed to the People's Supreme Court of China (hereinafter referred as "Supreme Court") on Mar. 22, 2005. The Supreme Court has ruled that "Beijing High Court" should unify hearing of the cases of CDB vs. "Shenyang High-voltage" & Shenyang Transformers Co. Ltd. (hereinafter referred as "Shenyang Transformers") & Northeast Construction & Installation Corporation ("Northeast Construction"), and of De-Bank vs. "Shenyang High-voltage" & "NNE(Isolators)" & "Suntime Storage" & "Chengtai Energy" & the Company.

Higher Court of Beijing City has ruled on Oct. 19, 2007 under Ruling No.(2004)Gao Min Chu Zi Di 802, with contents concerning the company as: Equity Swap contract of the company swapping RMB 76,660,000.00 credit right and interest to 95% of shares of Shenyang Beifu Machinery Manufacturing Co., Ltd, 95% of shares of Shenyang Dongli Logistics Co., Ltd. held by Shenyang High-voltage, is dismissed. The company should return the above-mentioned equity shares to Shenyang High-voltage within 10 days since effectiveness of the Ruling. If not, the company should recompensate Shenyang High-voltage's loss limited to the amount of RMB 247,116,500.00; Shenyang High-voltage should repay RMB 76,660,000.00 and relative interests to the company within 10 days since effectiveness of the Ruling, or else Shenyang High-voltage should recompensate the company with amount limited to RMB 76,660,000.00;

According to the above-mentioned Ruling, net compensation by the company to Shenyang High-voltage is RMB 170,456,500.00 (i.e. RMB 247,116,500.00-76,660,000.00), which the company has already paid up. Loss due to this lawsuit of RMB 170,456,500.00 in 2007 has been taken as expenses of non-operating businesses.

Ruling No.(2008)Min Er Zhong Zi 23rd was made Supreme People's Court of Law of the People's Republic of China on Sep. 5, 2008, which was final ruling. Contents concerning the Company including: 1) Endorsing the above-mentioned Beijing High Court of Law Ruling No.(2004)Gao Min Chu Zi Di 802. 2) Cancellation of Shares Swapping Agreement between Shenyang High-voltage and the Company, with 74.4% shares of "NNE(Isolators)" held by Shenyang High-voltage and 98.5% shares of Shenyang Taisheng Industry and Commerce Co., Ltd. (formerly Shenyang Tiansheng Communication Equipment Ltd, hereafter referred to as "Taisheng Industry and Commerce"). 3) Shenyang High-voltage should return 98.5% shares of Taisheng Industry and Trade to the Company 10 days after the Ruling effective date. And the Company should return 74.4% shares of "NNE(Isolators)" to Shenyang High-voltage 10 days after the Ruling effective date. The Company should compensate Shenyang High-voltage's loss by deducting 27.8788 million from rights of credit of 130 million, if the above-mentioned ruled swapping can not be carried out.

According to the Ruling, fully-owned subsidiary company – Fu Enclosed Busbars retrieved 98.5% shares of Taisheng Industry and Commerce on Sep. 22, 2008, and returned 74.4% shares of Insulate Switches to Shenyang High-voltage on Sep. 23, 2008.

After retrieving shares of Taisheng Industry and Commerce, Fu Enclosed Busbars has performed liquidation to them, and the relative Liquidation team has transferred major rights of credit, debts to the Company (the relative debts has gained approval from the debtor), so the Company could perform clearance. After reporting date, the Company as received full amount of 47,100,000.00 from the relative Liquidation team, which is receivable due from Liaoning Xintai Electric Equipment Marketing Co., Ltd. As at the publishing date of the report, the liquidation of Shenyang Taisheng Trading Co., Ltd was completed, and its shareholder, Fuxin Enclosed Busbars Limited recovered the payment for transfer RMB 1,300,000 in full.

Gain/Loss caused by the above-mentioned change in shares is fully borne by the Company, with no impact on Profit and Loss of Fu Enclosed Busbars. Such shares swap has caused loss of 71,845,925.28 of the Company, which is taken into items of Return on Investment.

XV. Post - Balance Sheet date events

Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office (“Great Wall”)

On 24 February 2009, China Great Wall Asset Management Corp. Shenyang Office (“Great Wall”) brought a lawsuit to Liaoning Higher People’s Court (“Liaoning Higher Court”) against Shenyang High-voltage Switchgear Limited (“Shenyang High-voltage”) for the overdue liabilities of Great Wall, requesting the court to order Shenyang High-voltage to repay the liabilities including the principal of RMB 351,750,000 and its interest. On 11 August 2009, the Company received from Liaoning Higher Court an indictment and additional defendant application. According to the indictment and additional defendant application, on 18 May 2009, Great Wall brought an additional lawsuit to Liaoning Higher Court against the Company, claiming the Company to bear the joint liability.

XVI. Supplementary information**1. Supplementary information to the Cash Flow****Supplementary information to the consolidated Cash Flow:**

Items	From Jan to Jun ,2009	From Jan to Jun ,2008
1. Net profit adjusted as in/out flows of cash in operating activities:		
Net profit	-10,408,656.58	432,825.10
Plus: Provisions for assets diminution	1,000,000.00	500,000.00
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	3,726,454.65	897,122.49
Amortization of intangible assets	143,828.40	303,254.34
Amortization of long term expenses payable	55,000.00	1,303,480.02
Loss on disposal of fixed assets, intangible assets and other long term assets(gain is shown as “-“)	-20,000.00	-539,106.71
Loss on discarding fixed assets(gain is shown as “-“)	-	-
Fair value variance loss (gain is shown as “-“)	-	-
Financial expenses(gain is shown as “-“)	712,677.94	7,279,803.86
Loss on investments(gain is shown as “-“)	1,112,228.94	-557,252.00
Decrease of deferred income tax assets(increase is shown as “-“)	-	-
Increase of deferred income tax liabilities(decrease is shown as “-“)	-	-
Decrease of inventories(increase is shown as “-“)	-9,875,308.21	17,556,405.85
Decrease of operational account receivables(increase is shown as “-“)	86,541,151.45	-49,402,432.15
Increase of operational account payables(decrease is shown as “-“)	-79,945,561.32	17,906,789.27
Others	1,042,327.88	-2,803,481.16
Net in/out flows generated from operational activities	-5,915,856.85	-7,122,591.09
2. Major investment and financing activities not affecting cash:	-	-
Debts changed as capital	-	-
Tradable company bonds due within 1 year	-	-
Lease financing fixed assets	-	-
3. Changes of cash and equivalents:	-	-
Cash at end of period	39,175,278.77	28,761,681.66
Minus: cash at beginning of period	49,928,339.70	65,577,809.55
Plus: cash equivalents at end of period	-	-
Minus: cash equivalents at beginning of period	-	-
Net increase of cash and equivalents	-10,753,060.93	-36,816,127.89

Supplementary information to the Cash Flow of parent company:

Items	From Jan to Jun ,2009	From Jan to Jun ,2008
1. Net profit adjusted as in/out flows of cash in operating activities:		
Net profit	-3,689,779.85	-1,576,930.16
Plus:Provisions for assets diminution	-	-
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	379,882.46	124,390.08
Amortization of intangible assets	-	-
Amortization of long term expenses payable	-	-
Loss on disposal of fixed assets, intangible assets and other long term assets(gain is shown as “-“)	-	-
Loss on discarding fixed assets(gain is shown as “-“)	-	-
Fair value variance loss (gain is shown as “-“)	-	-
Financial expenses(gain is shown as “-“)	-10,586.92	-10,613.44
Loss on investments(gain is shown as “-“)	-	-
Decrease of deferred income tax assets(increase is shown as “-“)	-	-
Increase of deferred income tax liabilities(decrease is shown as “-“)	-	-
Decrease of inventories(increase is shown as “-“)	2,038,808.56	-4,527,661.56
Decrease of operational account receivables(increase is shown as “-“)	37,348,408.25	10,058,789.94
Increase of operational account payables(decrease is shown as “-“)	-38,674,457.38	-5,765,965.90
Others	-	-10,974.56
Net in/out flows generated from operational activities	-2,607,724.88	-1,708,965.60
2. Major investment and financing activities not affecting cash:	-	-
Debts changed as capital	-	-
Tradable company bonds due within 1 year	-	-
Lease financing fixed assets	-	-
3. Changes of cash and equivalents:	-	-
Cash at end of period	183,128.75	2,326,791.96
Minus: cash at beginning of period	2,790,853.63	4,035,757.56
Plus: cash equivalents at end of period	-	-
Minus: cash equivalents at beginning of period	-	-
Net increase of cash and equivalents	-2,607,724.88	-1,708,965.60

2. Details of non-current profit and loss items

Detailed items	From Jan to Jun ,2009	From Jan to Jun ,2008
1) Gain/loss of disposal of non-current assets, including offset part of asset diminution provisions	8,949.29	-
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,except for those closely related to the Company's operations, and enjoyed by the Company abide by the relative National Policies, and allocated by a certain amount or certain quantity.	-	-
4) Pre-empting funds expenses taken into profit and loss	-	-
5) Gain/loss due to lesser acquisition costs of subsidiaries/ associates than those of fair value of recognizable net asset of the companies consolidated	-	-
6) Gain/loss of non-monetary assets trades	-	-
7) Gain/loss of investments in trust	-	-
8) Asset diminution provision due to force majeure, such as natural disasters	-	-
9) Gain/loss of debts reorganization	-	-
10) Expenses of corporate reorganization, such as resettling expenditures of employee, integration of enterprises	-	-
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) Return on investment activities, such as variable gain/ loss from transactional financial assets and liabilities, and revenue rendered from disposal of transactional financial assets and liabilities, and from saleable financial assets.	-	-
15) Reverse on separately tested Account Receivable diminution provisions	-	-
16) Gain/Loss from trusted loans	-	-
17) Gain/Loss from change in fair value of invested real estate by the follow-up measurement in mode of fair value	-	-
18) Impact on the gain/loss of the period after one-time adjustment according to relative laws and regulations of tax, accounting	-	-
19) Trust fees income from trusted operations	-	-
20) Other non-business Income and Expenses besides the above-mentioned items	16,322.66	137,275.39

2. Details of non-current profit and loss items(Continued)

Detailed items	From Jan to Jun ,2009	From Jan to Jun ,2008
21) Other items fit in the category of non-recurrent gain/loss		-
Total	25,271.95	137,275.39
Minus: Income tax of non-recurrent gain/loss	6,317.99	6,775.21
Minus: Proportion due minority shareholders	-	-10,041.49
Net profit under effect of non-recurrent gain/loss	18,953.96	140,541.67
Net Profit and Loss	-10,408,656.58	432,825.10
Minus: Minority Interest	-95,914.81	-87,826.53
Net profit due parent company shareholders	-10,312,741.77	520,651.63
Proportion of non-recurrent gain/loss to net profit due shareholders of parent company	0.25%	26.99%
Net profit due shareholders of parent company after non-recurrent gain/loss	-10,331,695.73	380,109.96

3. ROA and Earnings per Share

Period	Financial Indicators	Net ROA(Return on Assets)		Earnings Per Share (Yuan/Share)	
		Fully Diluted	Weighted Average	Basic Earnings per Share	Diluted Earnings per Share
From Jan to Jun ,2009	Net Profit due Common Shareholders of the Company	-3.43%	-3.37%	-0.0118	-0.0118
	Net Profit due Common Shareholders of the Company after Non-Recurrent Gain/Loss	-3.43%	-3.38%	-0.0118	-0.0118
From Jan to Jun, 2008	Net Profit due Common Shareholders of the Company	0.10%	0.10%	0.0006	0.0006
	Net Profit due Common Shareholders of the Company after Non-Recurrent Gain/Loss	0.07%	0.07%	0.0004	0.0004

Persons in charge of accounting

Legal Representative: **Mr. Su Weiguo** Chief Financial Officer: **Mr. Bi Jianzhong** Chief Accounting Officer: **Ms. Wang Hongling**

Date: 17 August 2009

Financial Statement Prepared under Hong Kong Financial Reporting Standards (Unaudited)

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover	133,480	272,320
Cost of sales	(87,867)	(215,807)
Gross profit	45,613	56,513
Other income	205	929
Distributions costs	(24,422)	(19,395)
Administrative expenses	(29,609)	(29,294)
Other expenses	(14)	(6,095)
Profit from operations	(8,227)	2,658
Interest on bank borrowings	(879)	(1,976)
Investment income from associates	(1,112)	557
Profit before taxation	(10,218)	1,239
Taxation	(191)	(806)
Profit after taxation	(10,409)	433
Profit attributable to minority shareholders	(96)	(88)
Net profit attributable to shareholders	(10,313)	521
Earnings per share — basic	(1.18)元	0.06元

Condensed Consolidated Comprehensive Income Statement

	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit of current period	(10,409)	433
Exchange gains or losses involved in business abroad		
Other comprehensive loss during the reporting period	(36)	(909)
Total of comprehensive income	(10,445)	(476)
Of which:		
Profit attributed to shareholders of the parent company	(10,349)	(388)
Minority interests	(96)	(88)

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	At 30 June 2009 RMB'000 <i>(Unaudited)</i>	At 31 December 2008 RMB'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	85,622	84,331
Prepaid lease payments	4,945	5,013
Interests in associates	88,641	89,753
Available-for-sale investments	216,055	216,055
Other prepayments	625	844
Deferred tax assets	5,120	5,120
	<u>401,008</u>	<u>401,116</u>
Current assets		
Inventories	77,414	67,539
Accounts receivables and other receivables	237,412	336,821
Non-current assets to be disposed	0	1,300
Pledged bank deposits	20,887	19,712
Bank balance and cash	18,288	30,216
	<u>354,001</u>	<u>455,588</u>
Current liabilities		
Accounts payables and other payables	190,763	291,355
Amounts due to associates	9,865	8,094
Bank loan	20,850	22,450
Provision for loss on guarantees	124,968	124,968
Tax payable	(473)	901
	<u>345,973</u>	<u>447,768</u>
Net current assets	<u>8,028</u>	<u>7,820</u>
Total assets less current liabilities	<u><u>409,036</u></u>	<u><u>408,936</u></u>

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2009

	At 30 June 2009	At 31 December 2008
	RMB'000	RMB'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Capital and reserves	873,370	873,370
Share capital	<u>(572,582)</u>	<u>(562,295)</u>
Reserves		
Equity attributed to equity holders of the parent company	300,788	311,075
Minority equity	<u>2,746</u>	<u>2,858</u>
Total equity	<u>303,534</u>	<u>313,933</u>
Non-current liability	12,582	32,176
Amounts due to associates	18,113	62,827
Amounts due to the invested company	<u>74,807</u>	<u>-</u>
Other non-current liability	<u>105,502</u>	<u>95,003</u>
	<u>409,036</u>	<u>408,936</u>

Condensed Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

	Attributable to equity holders of the parent										
	Share capital	Capital reserve	Capital contribution	Statutory common reserve	Statutory Public welfare reserve	Discretionary common reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	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 2009	873,370	511,060	186,419	81,631	-	32,699	(17,657)	(1,356,447)	311,075	2,858	313,933
Exchange differences	-	-	-	-	-	-	26	-	26	-	26
Net Profit of current period	-	-	-	-	-	-	-	(10,313)	(10,313)	(96)	(10,409)
total comprehensive income	-	-	-	-	-	-	(36)	(10,313)	(10,349)	(96)	(10,445)
Others	-	-	-	-	-	-	-	-	-	(16)	(16)
At 30 June 2009	873,370	511,060	186,419	81,631	-	32,699	(17,631)	(1,366,760)	300,788	2,746	303,534
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
total comprehensive income	-	-	-	-	-	-	(909)	521	(388)	(88)	(476)
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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	1 Jan 2009 to 30 Jun 2009	1 Jan 2008 to 30 Jun 2008
	RMB'000	RMB'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash flows (inflows) from operating activities	(7,091)	13,254
Net cash flows (inflows) from investing activities	(2,428)	(12,182)
Net cash flows (inflows) from financing activities	(2,409)	(17,512)
Decrease (increase) of cash and cash equivalents	(11,928)	(16,440)
Cash and cash equivalents	30,216	36,635
at the beginning of the period		
Effects of exchange rate changes		
Cash and cash equivalents at the end of the period	18,288	20,195
Bank balance and cash		

II. Notes to the Condensed Financial Statements

The condensed interim financial statements for the six months ended 30 June 2009 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 financial statements are prepared under of 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” (HKAS34).

(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 June 2009 are consistent with those followed in preparing the financial statements for the year ended 31 December 2008.

During the reporting period, the Group has applied the following standards, amendments and interpretations (new HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) which are or have become effective in the accounting periods beginning on 1 January 2009.

HKFRS (Amendment)	Improvements to HKFRS in 2008
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instrument and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Amount paid in share - Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improvement to Disclosure of Financial Instrument
HKFRS 8	Operating Segments

The application of the new HKFRSs, except HKAS 1 (Revised) mentioned below, had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment was required.

HKAS 1 (Revised) divides changes of equity into two parts, that is, for owners and for non-owners. The change of equity will only include the details of trades with owners, the change of equity of non-owners will be presented in another report. In addition, this revised standard includes a comprehensive Income Statement to present all incomes and expenses recognized in the income statement as well as other recognized incomes and expenses (regardless of being recorded in a single report or two associated reports).

The Group selected to present the foresaid incomes and expenses in two reports. The Group has not applied in advance the following new and revised standards or interpretations that have been issued but are not yet effective.

HKFRS (Amendment)	Improvements to HKFRS in May 2008
HKFRS (Amendment)	Improvements to HKFRS in April 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements 3
HKAS 39 (Amendment)	Eligible Hedged Items 3

HKFRS 1 (Revised)	Applying HKFRS for the First Time 3
HKFRS 3 (Revised)	Business Combinations 3
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivative Financial Instrument 4
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners 3
HK(IFRIC) - Int 18	Transfer of Assets from Customers 5

- 1 HKFRS 5 (Amendment), shall be effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on 1 July 2009, or on or after 1 January 2010 (as appropriate).
- 3 Effective for annual periods beginning on or after 1 July 2009
- 4 Effective for annual periods beginning on or after 30 June 2009
- 5 Effective for the transfer of assets from customers beginning on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(3) Segment information

The Group's turnover and gross profit from operations for the six months ended 30 June 2009 and 2008, analyzed by business segments and by geographical segments, are as follows:

Business segments

Continued operation

For the six months Ended 30 June 2009	High-voltage switchgear/ busbar/ Power capacitor	Others	Total
	RMB'000	RMB'000	RMB'000
Turnover	133,480	-	133,480
Segment results	(8,227)	-	(8,227)

Continued operation

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

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	
	2009	2008
	RMB '000	RMB '000
Profit from operations has been arrived at after deducting:		
Depreciation and amortization and charging:	3,925	4,010
Interest income on bank deposits	166	533

(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 16.5%. 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 (2008: 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 (2008: Nil).

As at 30 June 2009, the Company and the Group had no significant deferred tax (2008: 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 2009.

(7) Earnings per share

The calculation of earnings per share is based on the net profit attributable to shareholders of RMB-10,313,000 (2008: RMB 521,000) and the total number of shares in issue amounting to 873,370,000 shares (2008: 873,370,000 shares) at the end of the period.

(8) Account Receivable and Other Receivables

1. Trade and bill receivables

	30 June 2009	31 December 2008
	<i>RMB '000</i>	<i>RMB '000</i>
Trade and bill receivables	164,884	203,000
Less: Impairment Provision	<u>(15,205)</u>	<u>(15,205)</u>
Net trade and bill receivables	<u>149,679</u>	<u>187,795</u>
Amounts due from Bengang Group	76,090	76,090
Other receivables	45,112	103,532
Less: Impairment Provision	<u>(81,793)</u>	<u>(80,793)</u>
Net other receivables	39,409	98,829
Prepayment	31,674	30,967
Less: Prepayment over 1 year	(625)	(844)
Dividends receivable	<u>17,275</u>	<u>20,074</u>
	<u>48,324</u>	<u>50,197</u>
Net account receivable and other receivables	<u>237,412</u>	<u>336,821</u>

The director considered that the book values of account receivable and other receivables were close to their fair values. The Group does not hold any collateral over all the receivable balances.

The credit terms given to the customers vary depending on the sales contracts signed with individual customers and are generally based on their financial strengths. The following are the ages of receivable account and bills.

	Group	
	As at 30 June 2009	As at 31 June 2008
	<i>RMB '000</i>	<i>RMB '000</i>
Within 1 year	151,370	153,016
1 to 2 years	28,408	27,153
2 to 3 years	52,594	11,992
Over 3 years	5,040	10,909
Total	237,412	203,000

The amounts within 1 year presented in the aging analysis above represented amounts and bills receivables that are neither past due nor impaired.

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.

On 30 June 2009, the impairment provision of total account receivable and other receivables is RMB 96,998,000 (2008: RMB 95,998,000).

The individually impaired receivables mainly related to debtors, which are in unexpectedly difficult economic situations. It was assessed by the directors that only few parts of the receivables is expected to be collected. The analysis of the age of these receivables is as follows:

	Group	
	As at 30 June 2009	As at 31 December 2008
	<i>RMB '000</i>	<i>RMB '000</i>
Within 1 year	-	1
1 to 2 years	-	150
2 to 3 years	7,529	7,260
Over 3 years	89,469	88,587
Total	96,998	95,998

The changes in the impairment provision are as follows

	As at 30 June 2009	As at 31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	95,998	98,461
Impairment provision Confirmation of accounts receivable	1,000	4,973
Provisioning of accounts unreceivable	-	(7,436)
At the end of the period	96,998	95,998

(9) Account Payable and Other Payables

	As at 30 June 2009	As at 31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts and bills payable	66,335	84,485
Other payables	124,428	206,870
Total account payable and other payables	190,763	291,355

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

	As at 30 June 2009	As at 31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	60,847	76,880
1 to 2 years	3,009	4,142
2 to 3 years	2,069	1,661
Over 3 years	410	1,802
Total	66,335	84,485

The director considered that the book values of account payable and other payables were close to their fair values.

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.

97% accounts payable and other accounts payable of the Group is in RMB.

(10) Capital Shares

The following is the change of capital share structure during the period from 31 December 2008 to June 30 2009.

Unit: RMB

Item	Increase or Decrease during the period (+, -)						End of the period
	Beginning of the period	Rights offering	Complimentary shares	Capitalization on Reserve	Others	Sub-total	
1. Shares subject to trading moratorium							
1) Legal person shares	-	-	-	-	-	-	-
2) Domestic non-legal-person shares	218,394,237	-	-	-	-	-	218,394,237
Total shares subject to trading moratorium	218,394,237	-	-	-	-	-	218,394,237
2. Shares not subject to trading moratorium							
1) Common RMB shares (A shares)	397,025,763	-	-	-	-	-	397,025,763
2) Foreign shares listed abroad (H shares)	257,950,000	-	-	-	-	-	257,950,000
Total shares not subject to trading moratorium	654,975,763	-	-	-	-	-	654,975,763
3. Total shares	873,370,000	-	-	-	-	-	873,370,000

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

(11) Post Balance Sheet Events

Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office ("Great Wall")

On 24 February 2009, China Great Wall Asset Management Corp. Shenyang Office ("Great Wall") brought a lawsuit to Liaoning Higher People's Court ("Liaoning Higher Court") against Shenyang High-voltage Switchgear Limited ("Shenyang High-voltage") for the overdue liabilities of Great Wall, requesting the court to order Shenyang High-voltage to repay the liabilities including the principal of RMB 351,750,000 and its interest. On 11 August 2009, the Company received from Liaoning Higher Court an indictment and additional defendant application. According to the indictment and additional defendant application, on 18 May 2009, Great Wall brought an additional lawsuit to Liaoning Higher Court against the Company, claiming the Company to bear the joint liability.

(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, etc.	Single top1 shareholder	Limited company	24.28%

b. Non-controlling related parties with transactions

Name of related party	Registration Place	Major operations	Relationship	Nature	Proportion of shares owned
New Northeast Electric (Shenyang) High-voltage Isolators Switchgear Co., Ltd.	Shenyang	High-voltage Switchgear	Associate	Limited company	25.6%
Great Power Technology Limited	British Virgin Island	Investment	Associate	Limited company	20.8%

c. Creditors' rights and debts between the Group, its associates and subsidiaries during the period

Related party	2009-6-30		2008-12-31	
	Amount	Percentage	Amount	Percentage
Dividend receivable:				
Great Power Technology Limited	7,641,526.66	44%	7,644,734.00	38%
Account payable:				
New Northeast Electric (Shenyang) High-voltage Isolators Switchgear Co., Ltd.	8,510,300.17	11%	6,151,300.17	8%
Other payables:				
New Northeast Electric(Shenyang) High-voltage Isolators Switchgear Co., Ltd.	11,442,522.17	6%	40,464,620.52	17%