



INTERIM REPORT 2010

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 2010 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. Unless otherwise stated, Renminbi is the only monetary unit in this report.



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 : Northeast Electric |
| | : Stock Code: 00585 |
| (3) Registered address | : No. 78, Hunnan High and New Technology
Development Zone, Shenyang, the 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) Secretary to the board | : Su Weiguo (Acting) |
| 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, the PRC |
| Telephone | : (86)24-23501976 23527080 |
| 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 |
| 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 2010	As at 31st December 2009	Change in the reporting period compared with the end of the last year (%)
Total assets	810,739,472.90	836,557,537.85	-3.09
Shareholders' equity attributable to shareholders	318,020,853.40	318,542,326.44	-0.16
Share capital	873,370,000.00	873,370,000.00	-
Net assets per share attributable to shareholders (Yuan/share)	0.364	0.365	-0.16

	For the reporting Period from Jan to Jun 2010	The Same period of last year	Change in the reporting period compared with the same period of the last year (%)
Total income from operating	146,383,998.47	133,485,280.53	9.66
Operating profit	2,553,073.63	-10,242,698.55	-
Total profit	2,534,262.58	-10,217,426.60	-
Net profit attributable to shareholders	527,972.20	-10,312,714.77	-
Net profit after extraordinary items			
Attributable to shareholders	553,674.17	-10,331,695.73	-
Basic earnings per share (Yuan/share)	0.0006	-0.0118	-
Diluted earnings per share (Yuan/share)	0.0006	-0.0118	-
Return on net assets (%)	0.166	-3.43	-
Net cash flow from operating activities	9,720,877.49	-5,915,856.85	-
Net cash flow per share from operating activities (Yuan/share)	0.0111	-0.0068	-

Extraordinary profit and loss items

Unit: RMB

Net profit influenced by net non-operating income and expenditure	-18,811.05
Profit or loss from disposal of subsidiaries ("-" means loss)	-11,593.68
Minus: amount influenced by income tax	-4,702.76
Total	-25,701.97



2. Under the Hong Kong Financial Reporting Standards

Condensed consolidated profit and loss statement

Unit: RMB'000

	For the Reporting period (Jan-Jun)	For the same period last year
Turnover	146,384	133,480
Profit before taxation	2,557	(10,218)
Taxation	(2,091)	(191)
Profit after Taxation	466	(10,409)
Minority interest	(85)	(96)
Profit attributable to shareholders	551	(10,313)

Condensed consolidated statement of financial position

Unit: RMB'000

	At the end of the reporting period	At the end of last year
Total assets	818,665	836,551
Total liabilities	498,260	515,563
Shareholder equity	320,405	320,988

3. Differences between Hong Kong Financial Reporting Standards and the PRC Accounting Standards in the calculation of net profit

Unit: RMB'000

Items	Net profit
Net profit calculated under the PRC Accounting Standards	443,144.24
Net profit calculated under Hong Kong Financial Reporting Standards	465,644.24
Differences: Amortization of Intangible assets	22,500

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. Table of changes in shares

Unit: Share

	Prior to changes		Increased/decreased (+,-)				After changes	
	Quantity	Proportion	New shares issued		Capitalization		Quantity	Proportion
			Bonus	of surplus reserves	Others	Sub-total		
I. Shares subject to trading moratorium	218,255,650	24.99%			-212,025,650	-212,025,650	6,230,000	0.71%
1.State-owned shares								
2. State-owned legal-person shares								
3.domestic shares	218,255,650	24.99%			-212,025,650	-212,025,650	6,230,000	0.71%
Including: domestic legal-person shares	218,255,650	24.99%			-212,025,650	-212,025,650	6,230,000	0.71%
Domestic natural person shares								
4. Overseas shares								
Including: Overseas legal-person shares								
Overseas natural person shares								
5. Executives' shares								
II.Shares not subject to trading moratorium	655,114,350	75.01%			212,025,650	212,025,650	867,140,000	99.29%
1. Common shares in RMB	397,164,350	45.47%			212,025,650	212,025,650	609,190,000	69.75%
2. Foreign shares listed in PRC								
3. Foreign shares listed overseas	257,950,000	29.54%					257,950,000	29.54%
4. Others								
III.Total shares	873,370,000	100.00%					873,370,000	100.00%

Notes:

The cause of the change in shares during the reporting period: 212,025,650 A shares held by New Northeast Electric Investment Co., Ltd, controlling shareholder of the Company, was listed and circulated on 14 May 2010.



3. 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 the end of 30 June 2010 was 100,410, of which, 100,336 hold A Shares and 74 hold 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	28.35%	247,567,998	0	Unknown
New Northeast Electric Investment Co., Ltd.	Domestic non-state-owned legal person	24.28%	212,025,650	0	208,000,000
Zhang Xiaoping	Domestic natural person	0.47%	4,129,499	0	0
Hu Li	Domestic natural person	0.46%	3,975,660	0	0
Shenzhen Zhongda Software Development Co., Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000	0
Li Xiuli	Domestic natural person	0.20%	1,719,105	0	0
Huang Jian	Domestic natural person	0.19%	1,689,800	0	0
Yang Zhiqiong	Domestic natural person	0.16%	1,440,000	0	0
Shanxi Qinjian Science and Technology Investment Co., Ltd	Domestic non-state-owned legal person	0.16%	1,420,000	1,420,000	0
Li Jiming	Domestic natural person	0.16%	1,398,000	0	0

Shareholdings of the top 10 holders of tradable shares

Name of shareholders	Number of tradable shares	Types of shares
HKSCC Nominees Limited	247,567,998	H shares
New Northeast Electric Investment Co., Ltd.	212,025,650	A shares
Zhang Xiaoping	4,129,499	A shares
Hu Li	3,975,660	A shares
Li Xiuli	1,719,105	A shares
Huang Jian	1,689,800	A shares
Yang Zhiqiong	1,440,000	A shares
Li Jiming	1,398,000	A shares
Shanghai Baoyu Real Estate Investment and Consultant Co., Ltd	1,348,300	A shares
Chen Xiaorong	1,100,000	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.
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Notes:

1. On 29 December 2008, New Northeast Electric Investment Co., Ltd. carried out the registration of the pledge of stocks with CITIC Bank Co., Ltd. Shenyang Branch, so 118,000,000 A shares subject to trading moratorium have been frozen again.
2. On 28 June 2010, New Northeast Electric Investment Co., Ltd. carried out the registration of the pledge of stocks with Bank of Communications Liaoning Branch, so 90,000,000 A shares subject to trading moratorium have been frozen since 28 June 2010.

- 4. 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

- (I) The sixth session of the Board of Directors of Northeast Electric Development Co., Ltd (the "Company") was elected at the first EGM of 2010 on 8 March 2010, comprising of five executive Directors, namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Bi Jianzhong, Mr. Du Kai and Mr. Liu Qingmin; and three independent non-executive Directors, namely Mr. Wu Qicheng, Mr. Xiang Yongchun, Mr. Wang Yunxiao. Mr. Su Weiguo was elected as the chairman and Mr. Bi Jianzhong was appointed as the general manager of the Company. (Please refer to the Announcement dated on 8 March 2010 for details)
- (II) The sixth session of the Board of supervisors of the Company was elected at the first EGM of 2010 on 8 March 2010, comprising of two supervisors of shareholders elected at the EGM, namely Mr. Dong Liansheng and Mr. Bai Lihai, as well as one supervisor of employees, Mr. Liu Xuehou, elected at the previous representative assembly of workers. Mr. Dong Liansheng was elected as the chairman of the Board of Supervisors. (Please refer to the Announcement dated on 8 March 2010 for details)
- (III) On 8 March 2010, three independent non-executive directors, namely Mr. Lin Wenbin, Ms. Liang Jie and Mr. Liu Hongguang resigned and two supervisors namely Mr. Fu Xiuheng and Ms. Dai Guiqing resigned due to expiration of their term of office. (Please refer to the Announcement dated on 8 March 2010 for details)
- (IV) Mr. Du Kai applied to resign as an executive director and other positions of the Company on 28 May 2010 due to change of work with effect from the conclusion of the Board Meeting on 4 June 2010. (Please refer to the Announcement dated on 4 June 2010 for details)

3. Interests of directors, supervisors and senior management

As at 30 June 2010, at no time during the period under review had the Company been notified that any director, supervisor or member of senior management (including their spouses and children more than 18 years of age) had any interest in, or had been granted, or exercised, any 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 be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant 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, with economic recovery, there was a slowdown in the Company's production and operation pressures. By overcoming such negative factors as the rising raw material prices, the price fall of products, and further intensifying market competition, the Company, in light of its 2010 operational objectives, made full efforts to reduce cost for greater efficiency, aim at the market to adjust its marketing strategies and product structure, strengthen the research and development for higher product grades, speed up technological transformation and improve product quality to ensure the capacity of its leading products and the stable growth of its operating results, thus realizing the objective of turning losses into gains.

During the reporting period, the operating income of the Company accounted to RMB146,380,000 with an increase of 9.66% compared with the same period last year, and the net profit attributable to parent company RMB528,000 with an increase of RMB10,840,000.

Under the calculation of the HK Financial Reporting Standards, the turnover was RMB146,384,000, increased by 9.66% compared with that of the same period last year; the profit attributable to shareholders after tax and interests of minority shareholders was RMB551,000, with the profit per share amounting to RMB0.0006.

There was no dividend distributed in the reporting period. The directors decide not to pay the interim dividend for the period of six months ended 30 June 2010.



(1) summary for the operating work in the first half year of 2010

1. An increase in business income and order quantity in this period further strengthened the core competitiveness of the Company.
2. In the first half year, the rising prices of main raw materials resulted in an increase in purchase cost. The Company made more efforts to reduce the purchase prices of raw materials by analysing and predicting the market quotation and making proper arrangements for storage in accordance with the requirements of production.
3. Through innovation in management, the Company changed the past segmented management into linear management and defined specific internal management responsibilities, ensure high capacity, low cost and high efficiency.
4. The research, development and technical transformation of new products have been vigorously promoted. In terms of research and development of new products, the manufacturing of the fuseless capacitor and DC capacitor has been proceeding orderly; in respect of technical transformation, the transformation related to the projects has been going on. Influenced by the lack of fund, the purchase plan for main equipment has not yet been carried out.

(2) Major Problems and Difficulties in the Company's Operation and the Measures for Them

1. Influenced by market environment, the construction in power industry slowed down, and all enterprises in this industry have basically completed their capacity expansion, so the Company suffered from some difficulties in contractor's agreement.
2. In the first half year, the rising price of bulk raw materials and the tough market competition brought about the fall of product price. The profitability of the Company's leading products needs to be increased.
3. The lack of fund made it impossible for material supply to fully meet the need of continuous production.

In the next half year, the Company will, in light of the plan and target made in early 2010, further intensify operation, pay more attention to the change of raw material price, and make full efforts to reduce the purchase price of raw materials; secondly, strengthen research, development and technological transformation to reduce productive cost; thirdly, expand market share and distribution channel for higher profitability and competitiveness.

(3) Outlook of the Second Half Year

In the next half year and the future growth, the Company will firmly seize the opportunities of the state transformation and construction in the smart grids and the new round of rural power networks, carefully analyze the trade development trend, firmly seize the initiative of market, further intensify the adjustment of market and product structure, make more efforts in technological transformation and product research and development for diversified products, and better improve and perfect the internal control and standardized operation mechanism so as to ensure the annual operation target of sustained profits determined in early 2010.

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 Hong Kong Financial Reporting Standards

As at the end of the reporting, the balance of monetary fund was RMB57,007,000 (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 RMB31,500,000, representing 3.84% of the total assets. These bank loans bear floating interests.



(1) Analysis of the Company's Financial Status under Generally Accepted Accounting Principles in Hong Kong (Continued)

The Company's asset to liability ratio was 9.9% (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 RMB24,635,400 used as security.

The contingencies of the Company were detailed in section 11 of Notes to the Financial Statement.

To improve its financial management, the Group has established a strict system for internal control on cash and fund management. Financial liquidity and debt paying ability of the Group are in good state.

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

The classification of the Group's results was detailed in "Operation of the Company during the reporting period" of this section.

The prediction about Investment plan in the second half of 2010 of the Group was detailed in "Subsequent Events".

It is predicted that the Group will have no significant investment plan in the second half of 2010.

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 RMB146,380,000, costs of operating of RMB107,350,000, gross profit margin of 26.67% and operation profit of RMB2,550,000.

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	14,638	10,735	26.66	9.66	22.17	-7.15
Of which: connected transactions						
2. By product						
High voltage switch circuit breaker	2,492	2,224	10.75	184.15	233.93	-13.31
Power capacitor	9,124	6,274	31.24	13.36	27.11	-7.44
Closed busbar	2,770	2,068	25.34	-37.07	-34.74	-2.67
Others	252	169	32.94	1,100.00	956.25	9.13
Of which: connected transactions						

Principal operations by geographical segment
Unit: RMB0'000

Region	Income from operations	Increase /decrease in income from principal operations over last year(%)
Northeast China	3,908	164.77
North China (Including Shandong)	3,791	-48.41
Middle China	356	-61.43
East China	923	-53.24
South China	172	-74.25
Southwest China	994	319.41
Others	4,494	522.44
Total	14,638	9.66



2. Explanation of the major change in principal business and its structure (Not applicable)
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 order quality varied greatly from last year, so there was a big change in gross profit ratio.
4. Analysis of the major change in profit structure compared with that of the same period last year (Not applicable)
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 (Not applicable)

(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
Net Profit	-190.96
Contribution of Investment Income in the Period	-48.89
Ratio of Net Profit of the Company	-

Scope of business of shareholding companies: development, design, manufacturing, testing and inspection of high-voltage power transmission and transformation equipment; self-production of mechanical & electrical products and complete equipment as well as relevant technology export; production and research of raw and auxiliary materials, mechanical equipment, instruments and meters needed by the Company as well as services on technical export; installation, maintenance, and after-sale service of power transmission and transformation equipment; transfer, service and consulting of technical achievements.

(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 (%)
Notes payable	9,000,000.00	-	100.00
Employees compensation payable	2,450,613.40	1,345,152.97	82.18
Tax payable	7,909,041.73	13,848,713.11	-42.89

Notes:

1. The increase of notes payable was due to the issuance of bank acceptance for foreign purchase by New Jinzhou Capacitor, a subsidiary of the Company;
2. The increase of employees compensation payable was due to the provision of unpaid employee salary and insurance in this period;
3. The reduction of taxation payable was mainly due to the reduction of the value-added tax and business income tax payable compared with that at the end of last year.

Unit: RMB

Item	Amount originated in current period	Amount originated in the same period last year	Increase/decrease (%)
Sales expenses	14,063,749.30	24,422,034.42	-42.41
Financial expenses	1,256,108.91	712,677.94	76.25
Impairment loss on asset	-	1,000,000.00	-100.00
Investment income	-500,459.42	-1,112,228.94	-55.00
Non-business income	93,770.43	39,322.89	138.46
Non-business expenses	112,581.48	14,050.94	701.24
Income tax expenses	2,091,118.34	191,229.98	993.51

Notes:

1. The reduction of sales expenses was mainly due to the reduction of expenses in transportation, advertising, tendering and after-sale service;
2. The increase of financial expenses was mainly due to exchange loss;
3. The reduction of impairment loss on asset was mainly due to the provision of bad debt that had been translated in the same period last year but did not need to be translated in this period;
4. The increase of investment income was mainly due to a decline in the net loss of associates in this period compared with the same period last year;
5. The increase of non-business income was mainly due to the increase of gain from the disposal of fixed assets;
6. The increase of non-business expenses was mainly due to the increase of loss from the disposal of fixed assets;
7. The increase of income tax expenses was mainly due to the increase of profit from subsidiaries in the period.



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.

(3) The deregistration of subsidiary

The deregistration of Shenyang Zhaolida Machinery and Equipment Co. Ltd which was the wholly-owned subsidiary of the Company was approved by Shenyang Zhangshi Economic and Development Zone Administration for Industry and Commerce on 21 January 2010.

SIGNIFICANT EVENTS

1 Personnel changes

Please refer to Page 8 “PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”.

2 Staff of the Company and the remuneration policy

As at 30 June 2010, the number of employees on the payroll of the Company was 711, compared with 726 in 2009. 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 profit attributable for parent company of RMB 527,972.20. At the end of reporting period, profits distributable to shareholders were RMB-1,528,436,123.68. 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 decided not to pay the interim dividend for the period of six months ended 30 June 2010.

5. Material litigation and arbitration

- (1) Progress of debt and equity case brought by Liaoning Trust and Investment Company on US\$ 12 million
- (2) Loan Contract Dispute Litigation of China Great Wall Asset Management Corporation Shenyang Office for the debt of RMB351,750,000

In accordance with the temporary announcement dated 15 March 2010 and the 2009 Annual Results issued by the Company on 22 March 2010, the two litigations disclosed in the report have no updated progress.

During the reporting period, 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

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

By the end of the reporting period, the balance of foreign guarantee provided by the Company totaled RMB179,050,000, and the actual bank loan accounted to RMB162,010,000, so the real amount that the Company should assume responsibility for guarantee was RMB162,010,000, among which the guarantee for Jinzhou Power Capacitors Co., Ltd with assets liabilities over 70% was RMB39,900,000 (translated into liabilities in total in 2007), accounting for 1.24% of the audited net assets of the Company for 2009, which was formed when this company was still a holding subsidiary of the Company; another guarantee for New Northeast Electric Group Ultra High-Voltage Equipment Co., Ltd, whose 17.09 % equity is indirectly held by the Company, was RMB115,000,000.

In addition, the guarantee of the Company for its holding subsidiaries and the guarantees between its subsidiaries totaled RMB17,000,000.

The above guarantee accounted accounting for 61.08% of the audited net assets of the Company for 2009.

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.

In addition, the Company has held 17.09 % equity of New Northeast Electric Group Ultra High-Voltage Equipment Co., Ltd (originally named New Northeast Electric Shenyang High-voltage Switchgears Co., Ltd), and promised not to recover the Company's debt of RMB92,920,097.04 within one year.

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.



14. Independent directors' special representation and independent opinion on the fund occupation by connected parties and foreign guarantee of the Company (Continued)

- (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) During the reporting period, the Company had no new guarantees.

By the end of the reporting period, the bank credit balance of foreign guarantee provided by the Company totaled RMB179,050,000, and the actual bank loan accounted to RMB162,010,000, so the real amount that the Company should assume responsibility for guarantee was RMB162,010,000. In addition, the guarantee of the Company for its holding subsidiaries and the guarantees between its subsidiaries totaled RMB17,000,000. The total foreign guarantee of the Company accounted for 61.08% of its audited net assets for 2009.

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. Xiang Yongchun and Mr. Wang Yunxiao

15. The supervisory committee's audit opinion

In the opinion of the supervisory committee, there is no problem in the Company's legal operation, internal control, financial status, operation situation and connected transactions.

16. Purchase, sale and redemption of shares

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

17. Report of Corporate Governance

(1) Code of Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code of Corporation Governance Practices within six months as at the end of 30 June 2010, 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 period of six months ended 30 June 2010.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the unaudited semi-annual records for the period of six months ended 30 June 2010.

At the meeting held on 17 August 2010, the audit committee review and approve the 2010 semi-annual financial records and results announcement.

(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 3 independent non-executive directors, one of whom has expertise in financial management.



(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” in connection with rules governing securities transactions of directors and supervisors. It was confirmed, upon specific enquires, that no director or superior of the Company has breached the standards as required by the “Model Code” as stated in Appendix 10 to the Listing Rules in relation to securities transactions by directors.

The board of directors has formulated a written guideline for transactions of securities of listed companies by “directors and related employees”. The board of directors has given written notices in advance to directors stating that no transactions of company securities should be carried out within one month prior to results announcement. All directors have confirmed that they did not carry out transactions of company securities during the reporting period and have complied with the guidelines.

(5) The appointment of professional advisor

Pursuant to the Rule 3A.20 in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd (the “Listing Rules”), the Company appointed Tanrich Capital Limited as its compliance advisor to provide guidance and advice to the Company in relation to the compliance with the Listing Rules with a term of two years from 31 December 2008.

18. 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 “(V). Taxation”.

- 19. 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.**

20. 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.

21. Announcement index on major matters in 2010

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.nee.hk and www.nee.com.cn for details. The major information is disclosed as follows:

Publishing Date	Announcement Matters
22 January 2010	Announcement on Resolutions of the 22nd Meeting of the 5th Session of the Board of Directors
8 March 2010	Announcement on Resolutions of the 2010 First Extraordinary General Meeting
8 March 2010	Announcement on Resolutions of the First Meeting of the 6th Session of the Board of Directors
15 March 2010	Announcement on Progress of Litigation
22 March 2010	Announcement on Resolutions of the Second Meeting of the 6th Session of the Board of Directors
22 March 2010	The Annual Report of 2009
23 April 2010	The First Quarterly Report of 2010
7 May 2010	Announcement on Resolutions of the Annual General Meeting of Shareholders of 2009
4 June 2010	Announcement on Resolutions of the 4th Meeting of the 6th Session of the Board of Directors



22. Subsequent events

(1) Personnel Changes

Upon the review and approval of the Company's second EGM for the year 2010 held on 22 July 2010, Mr. Wang Yi was appointed as an executive director of the Company with effect from 22 July 2010. His term of office is the same as the Board until 7 March 2013.

(2) Capital Increase in Fuxin Closed Busbars Limited

Upon the review and approval of the board of directors on 1 July 2010, Shenyang Kaiyi Electronic Co., Ltd, a wholly-owned subsidiary of the Company, contributed a large sum (US\$ 570 million) in cash to purchase the whole newly increased capital of Fuxin Enclosed Busbars Limited, another wholly-owned subsidiary of the Company. On 10 August 2010, the industrial and commercial change registration was done.

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 during the reporting period.

FINANCIAL STATEMENT

Financial statements prepared in accordance with P.R.C. Accounting Rules and Regulations

Balance Sheet (Consolidated)(Unaudited)

At 30 June 2010

In RMB Yuan

Items	Notes	Balance at the beginning of the year	Balance at the end of the period
Current Assets:			
Cash and deposits	V.1	65,253,681.04	77,944,550.21
Settlement excess reserve		-	-
Funds offered in inter-bank markets		-	-
Tradable financial assets		-	-
Bills Receivable	V.2	730,000.00	630,000.00
Accounts receivables	V.3	257,446,709.33	222,318,460.22
Prepayment	V.4	2,625,985.65	1,874,612.28
Premium Payable		-	-
Reinsurance Receivable		-	-
Reserve of Reinsurance Arrangement		-	-
Interest receivable		-	-
Dividends receivable	V.5	15,756,938.72	12,012,428.01
Other receivables	V.6	13,170,240.00	16,471,173.31
Purchase of buyback financial assets		-	-
Inventories	V.7	68,983,251.92	72,260,635.52
Non-current asset due within 1 year		-	-
other current assets		-	-
Total current assets		423,966,806.66	403,511,859.55
Non-current Assets:			
Deposits and advances		-	-
Saleable financial assets		-	-
Investment held till due		-	-
Long term account receivables		-	-
Long term equity investment	V.8	303,877,580.46	303,388,714.72
Invested Real Estate		-	-
fixed assets	V.9	81,125,659.63	77,676,431.38
Construction in progress		-	-
Material of works		-	-



Balance Sheet (Consolidated)(Unaudited)(Continued)

At 30 June 2010

In RMB Yuan

Items	Notes	Balance at the beginning of the year	Balance at the end of the period
Liquidation of Fixed Assets		-	-
Producing Bio-Material assets		-	-
Assets of Oil and Gas		-	-
Intangible Assets	V.10	4,922,639.81	4,843,685.59
Expenditures of development		-	-
Good Will		-	-
Long-term deferred expenses	V.11	10,754,099.06	9,408,029.43
Deferred Income Tax Assets	V.12	11,910,752.23	11,910,752.23
Other non-current assets		-	-
Total Non-current assets		412,590,731.19	407,227,613.35
		-	-
Total Assets		836,557,537.85	810,739,472.90
Current Liabilities:			
Short-term borrowings	V.14	25,350,000.00	31,500,000.00
Borrowings fm Central Bank		-	-
Deposits received & by inter-banks		-	-
Funds received fm inter-bank markets		-	-
Transactional financial liabilities		-	-
Bills payable	V.15		9,000,000.00
Account payable	V.16	153,375,840.11	125,502,440.08
Advance	V.17	18,963,505.02	18,121,099.02
Buyback Financial Assets sold		-	-
Fees payable & commission		-	-
Salaries due employees	V.18	1,345,152.97	2,450,613.40
Taxes payable	V.19	13,848,713.11	7,909,041.73
Interest payable		-	-
Dividends payable		40,017.86	40,017.86
Other payables	V.20	84,164,434.70	77,352,687.72
Reinsurance Payable		-	-
Reserve of Reinsurance Arrangement		-	-

**Balance Sheet (Consolidated)(Unaudited)(Continued)**

At 30 June 2010

In RMB Yuan

Items	Notes	Balance at the beginning of the year	Balance at the end of the period
Payments of entrusted purchase & selling stocks		-	-
Payments of entrusted underwriting stocks		-	-
Non-current liabilities due within 1 year		-	-
Other current liabilities	V.21	587,446.97	587,446.97
Total Current Liabilities		297,675,110.74	272,463,346.78
Non-current liabilities			
Long-term borrowings		-	-
Bonds payable		-	-
Long-term account payables		-	-
Special payables		-	-
Estimated Liabilities	V.22	124,967,867.25	124,967,867.25
Deferred income tax liabilities		-	-
Other non-current liabilities	V.23	92,920,097.04	92,920,097.04
Total non-current liabilities		217,887,964.29	217,887,964.29
Total liabilities		515,563,075.03	490,351,311.07
Shareholders' Equity			
Paid-up Capital	V.24	873,370,000.00	873,370,000.00
Capital reserve	V.25	883,422,403.92	883,422,403.92
minus: shares in store		-	-
Special reserve		-	-
Reserve	V.26	108,587,124.40	108,587,124.40
Normal risk provision		-	-
Retained profit	V.27	(1,528,964,095.88)	(1,528,436,123.68)
Difference of exchange of foreign-currency reports		(17,873,106.00)	(18,922,551.24)
Total interests due to parent company's shareholders		318,542,326.44	318,020,853.40
Minority interests		2,452,136.38	2,367,308.43
Total Shareholders' equity interests		320,994,462.82	320,388,161.83
Total liabilities and shareholders' equity interests		836,557,537.85	810,739,472.90



Balance Sheet (Parent Company)(Unaudited)

At 30 June 2010

In RMB Yuan

Items	Notes	Balance at the beginning of the year	Balance at the end of the period
Current Assets:			
Cash and deposits		35,497.71	34,149.16
Tradable financial assets		-	-
Bills Receivable		-	-
Accounts receivables	XII.1	-	-
Prepayment		-	-
Interest receivable		-	-
Dividends receivable		-	-
Other receivables	XII.2	490,776,479.71	486,655,162.60
Inventories		-	-
Non-current asset due within 1 year		-	-
other current assets		-	-
Total current assets		490,811,977.42	486,689,311.76
Non-current Assets:			
Saleable financial assets		-	-
Investment held till due		-	-
Long term account receivables		-	-
Long term equity investment	XII.3	157,737,418.63	157,637,418.63
Invested Real Estate		-	-
fixed assets		861,330.60	805,238.52
Construction in progress		-	-
Material of works		-	-
Liquidation of Fixed Assets		-	-
Producing Bio-Material assets		-	-
Assets of Oil and Gas		-	-
Intangible Assets		-	-

**Balance Sheet (Parent Company)(Unaudited)(Continued)**

At 30 June 2010

In RMB Yuan

Items	Notes	Balance at the beginning of the year	Balance at the end of the period
Expenditures of development		-	-
Good Will		-	-
Long-term deferred expenses		-	-
Deferred Income Tax Assets		-	-
Other non-current assets			
Total Non-current assets		158,598,749.23	158,442,657.15
Total Assets		649,410,726.65	645,131,968.91
Current Liabilities:			
Short-term borrowings		-	-
Transactional financial liabilities		-	-
Bills payable		-	-
Account payable		-	-
Advances		665,000.00	665,000.00
Salaries due employees		39,188.90	8,118.87
Taxes payable		37,597.62	11,555.22
Interest payable		-	-
Dividends payable		-	-
Other payables		80,546,271.43	78,631,503.41
Non-current liabilities due within 1 year		-	-
Other current liabilities		-	-
Total Current Liabilities		81,288,057.95	79,316,177.50


Balance Sheet (Parent Company)(Unaudited)(Continued)

At 30 June 2010

In RMB Yuan

Items	Notes	Balance at the beginning of the year	Balance at the end of the period
Non-current liabilities			
Long-term borrowings		-	-
Bonds payable		-	-
Long-term account payables		-	-
Special payables		-	-
Estimated Liabilities		124,967,867.25	124,967,867.25
Deferred income tax liabilities		-	-
Other non-current liabilities		92,920,097.04	92,920,097.04
Total non-current liabilities		217,887,964.29	217,887,964.29
Total liabilities		299,176,022.24	297,204,141.79
Shareholders' Equity			
Paid-up Capital		873,370,000.00	873,370,000.00
Capital reserve		979,214,788.45	979,214,788.45
Minus: shares in store		-	-
Special reserve		-	-
Reserve		108,587,124.40	108,587,124.40
Normal risk provision		-	-
Retained profit		(1,610,937,208.44)	(1,613,244,085.73)
Total Shareholders' equity interests		350,234,704.41	347,927,827.12
Total liabilities and shareholders' equity interests		649,410,726.65	645,131,968.91

**Profit and Loss (Consolidated)(Unaudited)**

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
I. Total income of sales		133,485,280.53	146,383,998.47
Inclu.:income of sales	V.28	133,485,280.53	146,383,998.47
Interest income		-	-
Premium earned		-	-
Charges and commissions		-	-
II. Total cost of sales		142,615,750.14	143,330,465.42
inclu.:Cost of sales	V.28	87,866,501.78	107,346,587.08
Interest expenses		-	-
Fees and commissions		-	-
Surrender value		-	-
Net amount of payouts		-	-
Net amount of reserve of insurance contracts		-	-
Premium expenses		-	-
Expenses of reinsurance		-	-
Sales tax and surcharges	V.29	5,122.52	
Expenses of sales		24,422,034.42	14,063,749.30
Administrative expenses		28,609,413.48	20,664,020.13
Financial expenses		712,677.94	1,256,108.91
Loss of assets diminution	V.30	1,000,000.00	
Plus: income of fair value variance (loss is posed as " - ")			
Return on investments (loss is posed as " - ")	V.31	(1,112,228.94)	(500,459.42)
Inclu.:return on investments to associates and related parties			
Gain/loss of exchange (loss is posed as " - ")			


Profit And Loss (Consolidated)(Unaudited)(Continued)

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
III. Operational Profit		(10,242,698.55)	2,553,073.63
(Total loss is posed as " — ")			
plus: Income of non-operational activities	V.32	39,322.89	93,770.43
minus:Expenses of non-operational activities	V.32	14,050.94	112,581.48
inclu.:loss of disposal of non-current assets			
IV. Total Profit		(10,217,426.60)	2,534,262.58
(Total loss is posed as " — ")			
minus:Income tax expenses	V.33	191,229.98	2,091,118.34
V. Net Profit		(10,408,656.58)	443,144.24
Net profit belong to parent company's shareholders		(10,312,741.77)	527,972.20
Minority interests		(95,914.81)	(84,827.96)
VI. Earnings per share:			
(A)Primary earnings per share	V.34	(0.1118)	0.0006
(B)Diluted earnings per share	V.34	(0.1118)	0.0006
VII. Other Comprehensive Income	V.35	(36,230.61)	(1,049,445.24)
VIII.Total Comprehensive Income		(10,444,887.19)	(606,301.00)
Total Comprehensive Income		(10,348,972.38)	(521,473.04)
due to Parent Company			
Total Comprehensive Income		(95,914.81)	(84,827.96)
due to Minority shareholders			

**Profit & Loss (Parent Company)(Unaudited)**

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
I. Total income of sales	XII.4	2,803,418.81	-
Minus: Cost of sales	XII.4	2,038,808.56	-
Sales tax and surcharges		-	-
Expenses of sales		26,557.00	
Administrative expenses		4,438,350.02	2,295,866.71
Financial expenses		(10,586.92)	(3,105.83)
Loss of asset devaluation			
plus:income of fair value variance		-	-
(loss is posed as " - ")			
Return on investments	XII.5	-	(11,593.68)
(loss is posed as " - ")			
inclu.:return on investments to		-	-
associates and related parties			
II.Total Profit		(3,689,709.85)	(2,304,354.56)
(Total loss is posed as " - ")			
plus:Income of non-operational		-	-
activities			
minus:Expenses of non-operational		70.00	2,522.73
activities			
inclu.:loss of disposal of		-	-
non-current assets			
III.Total Profit		(3,689,779.85)	(2,306,877.29)
minus:Income tax expenses		-	-
IV.Net Profit		(3,689,779.85)	(2,306,877.29)
(Total loss is posed as " - ")			
V. Earnings per share:		-	-
(A)Primary earnings per share		(0.0042)	(0.0026)
(B)Diluted earnings per share		(0.0042)	(0.0026)
VI. Other Comprehensive Income		-	-
VII. Total Comprehensive Income		(3,689,779.85)	(2,306,877.29)



Cash Flow (Consolidated)(Unaudited)

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
I. Operational Activity Cash Flow adjusted by Net Profit			
Cash from sales of goods, services provided		157,673,700.01	205,655,121.32
Increase by deposits and inter-bank deposits			
Increase of borrowings from Central Bank			
Increase of funds received in the inter-bank markets			
Cash received from premium under insurance contracts			
Net amount received under re-insurance business			
Net increase of insured funds and investment			
Net increase of disposal of transactional financial assets			
Cash of interest, fees and commission received			
Net increase of funds received in inter-bank markets			
Net increase of funds of buyback business			
Taxes refunded received		151,563.90	
Cash received relating to operations	V.36(1)	59,370,845.50	15,302,342.90
Inflow of operational activity cash		217,196,109.41	220,957,464.22
Cash paid to purchase goods, received labor		124,814,879.64	146,994,917.14
Net increase of customer loans			
Net increase of deposits with Central Bank			
Cash of payout under insurance contracts			
Cash paid over interest, fees and commission			
Cash paid to premium			
Cash paid to employees and for employees		17,882,516.48	11,705,336.81
Taxes paid		9,023,663.29	17,834,583.82
Other cash paid relating operations	V.36(2)	71,390,906.85	34,701,748.96
Sub-total of outflow of operating activity		223,111,966.26	211,236,586.73
Net amount of cash flow by operating activity		-5,915,856.85	9,720,877.49
II. Cash flow by investment activity			
Cash received by withdrawn investment			
Cash of return on investment			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		20,000.00	
Net amount of cash in disposing subsidiaries and other operating units			88,406.32
Cash received from other investment-related activities			

**Cash Flow (Consolidated)(Unaudited)(Continued)**

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
II. Cash flow by investment activity			
Sub-total of inflow of cash in investment activities		20,000.00	88,406.32
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		2,447,706.39	171,505.04
Cash paid to invest			
Net increase of pledged loans			
Net cash paid to subsidiaries and other operational units			
Cash from other investment-related activities		2,447,706.39	171,505.04
Sub-total of outflow of cash in investment activities		-2,427,706.39	-83,098.72
Total in/outflow of cash in investment activities			
III. Cash flow generated in financial activities:			
Cash received for new investment			
Inclu: subsidiaries receive cash from minority shareholders			
Cash received from borrowing		10,850,000.00	20,000,000.00
Cash received by issuing bonds			
Cash from other financial-related activities			
Sub-total of inflow of cash in financial activities		10,850,000.00	20,000,000.00
Cash paid to repay loans		12,450,000.00	13,850,000.00
Cash paid to allocate dividends, profit or repay interests		809,497.69	961,572.10
Inclu: subsidiaries' dividends, profits paid to minority shareholders			
Cash paid to other financial-related activities			
Sub-total of outflow of cash in financial activities		13,259,497.69	14,811,572.10
Net cash generated in financial activities		-2,409,497.69	5,188,427.90
IV. Effect of change of foreign-currency rates on cash and cash equivalents			
		-10,753,060.93	14,826,206.67
V. Net increase of cash and cash equivalents			
Plus: balance of cash and cash equivalents at beginning of period		49,928,339.70	42,180,943.54
VI. Cash and cash equivalents at end of period			
		39,175,278.77	57,007,150.21



Cash Flow (Parent Company)(Unaudited)

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
I.Cash flow generated in Operational activities:			
Cash from sales of goods, services provided		3,280,000.01	
Refunds of taxes and expenses			
Other cash from operation-related activities		130,815,396.46	4,524,367.83
Sub-total of inflow of cash in operational activities		134,095,396.47	4,524,367.83
Cash paid for goods and services		2,385,406.02	
Cash paid to and for the employees		534,528.47	862,586.95
Taxes and expenses paid		39,523.69	86,396.17
Other cash paid to operation-related activities		133,743,663.17	3,665,139.58
Sub-total of outflow of cash in operational activities		136,703,121.35	4,614,122.70
Net in/outflow of cash generated in operational activities		-2,607,724.88	-89,754.87
II.Cash flow generated in investment activities:			
Cash of withdrawn investment			
Cash received from return of investments			
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Net amount of cash in disposing subsidiaries and other operating units			88,406.32
Other cash received from investment-related activities			
Sub-total of inflow of cash in investment activities			88,406.32
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets			
Cash paid to invest			
Net cash received from subsidiaries and other operational units			
Cash paid to other investment-related activities			
Sub-total of outflow of cash in investment activities			
Total in/outflow of cash in investment activities			88,406.32

**Cash Flow (Parent Company)(Unaudited)(Continued)**

Jan-Jun 2010

In RMB Yuan

Items	Notes	Balance of last period	Balance of this period
III. Cash flow generated in financial activities:			
Cash received for new investment		-	-
Cash received from borrowing		-	-
Cash from other financial-related activities		-	-
Sub-total of inflow of cash in financial activities		-	-
Cash paid to repay loans		-	-
Cash paid to allocate dividends, profit or repay interests		-	-
Cash paid to other financial-related activities		-	-
Sub-total of outflow of cash in financial activities		-	-
Net cash generated in financial activities		-	-
IV. Effect of change of foreign-currency rates on cash and cash equivalents		-	-
V. Net increase of cash and equivalents		-2,607,724.88	-1,348.55
plus: Balance at beginning of period of cash and equivalents		2,790,853.63	35,497.71
VI. Balance of Cash and equivalents by end of period		183,128.75	34,149.16



Change Of Equity (Consolidated)(Audited)

Items	Amount of the last year							In RMB Yuan		
	Shareholder's equity due to parent company							Minority interests	Total shareholder's equity	
	Paid-up Capital	Capital Reserve	Minus: stocks in store	Special Reserve	Reserve	Normal Risk Reserve	Retained Profit			Others
I. Balance of last year	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,536,634,262.58	-17,608,232.54	2,858,638.45	313,995,671.65
Plus: Change of Accounting Policy	-	-	-	-	-	-	-	-	-	-
Corrections to previous errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at 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	2,858,638.45	313,995,671.65
III. Variations of the period	-	-	-	-	-	-	7,670,166.70	-264,873.46	-406,502.07	6,998,791.17
(decrease posed as: '-')										
<i>i. net profit</i>	-	-	-	-	-	-	7,670,166.70	-	-406,502.07	7,263,664.63
<i>ii. other comprehensive income</i>	-	-	-	-	-	-	-	-264,873.46	-	-264,873.46
Sub-total of I. and II.	-	-	-	-	-	-	7,670,166.70	-264,873.46	-406,502.07	6,998,791.17
<i>iii. Shareholder's equity and Capital decreased</i>	-	-	-	-	-	-	-	-	-	-
1. Capital invested	-	-	-	-	-	-	-	-	-	-
2. Amount of shares taken as equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
<i>iv. Distribution of profit</i>	-	-	-	-	-	-	-	-	-	-
1. Reserve	-	-	-	-	-	-	-	-	-	-
2. Normal risk reserve	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
<i>v. internal carried-forward shareholder's equity</i>	-	-	-	-	-	-	-	-	-	-
1. Capital reserve to increase capital	-	-	-	-	-	-	-	-	-	-
2. Reserve to increase capital	-	-	-	-	-	-	-	-	-	-
3. Reserve to cover loss	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
<i>vi. Special reserve</i>	-	-	-	-	-	-	-	-	-	-
1. Provision of the period	-	-	-	-	-	-	-	-	-	-
2. Usage of their period	-	-	-	-	-	-	-	-	-	-
IV. Balance by end of period	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,528,964,095.88	-17,873,106.00	2,452,136.38	320,994,462.82

Change Of Equity (Consolidated) (Unaudited) (Continued)

Items	Amount of this period							In RMB Yuan		
	Shareholder's equity due to parent company							Minority interests	Total shareholder's equity	
	Paid-up Capital	Capital Reserve	Minus: stocks in store	Special Reserve	Reserve	Normal Risk Reserve	Retained Profit			Others
I. Balance of last year	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,528,964,095.88	-17,873,106.00	2,452,136.38	320,994,462.82
Plus: Change of Accounting Policy	-	-	-	-	-	-	-	-	-	-
Corrections to previous errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of this year	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,528,964,095.88	-17,873,106.00	2,452,136.38	320,994,462.82
III. Variations of the period	-	-	-	-	-	-	527,972.20	-1,049,445.24	-84,827.95	-606,300.99
(decrease posed as '-')										
i. net profit	-	-	-	-	-	-	527,972.20	-	-84,827.95	443,144.25
ii. other comprehensive income	-	-	-	-	-	-	-	-1,049,445.24	-	-1,049,445.24
Sub-total of I. and II.	-	-	-	-	-	-	527,972.20	-1,049,445.24	-84,827.95	-606,300.99
iii. Shareholder's equity and	-	-	-	-	-	-	-	-	-	-
Capital decreased	-	-	-	-	-	-	-	-	-	-
1. Capital invested	-	-	-	-	-	-	-	-	-	-
2. Amount of shares taken as equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
iv. Distribution of profit	-	-	-	-	-	-	-	-	-	-
1. Reserve	-	-	-	-	-	-	-	-	-	-
2. Normal risk reserve	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
v. internal carried-forward	-	-	-	-	-	-	-	-	-	-
shareholder's equity	-	-	-	-	-	-	-	-	-	-
1. Capital reserve to increase capital	-	-	-	-	-	-	-	-	-	-
2. Reserve to increase capital	-	-	-	-	-	-	-	-	-	-
3. Reserve to cover loss	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
vi. Special reserve	-	-	-	-	-	-	-	-	-	-
1. Provision of the period	-	-	-	-	-	-	-	-	-	-
2. Usage of their period	-	-	-	-	-	-	-	-	-	-
IV. Balance by end of period	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,528,436,123.68	-18,922,551.24	2,367,308.43	320,388,161.83



Change Of Equity (Parent Company)(Audited)

Items	Amount of the last period				Shareholder's equity due to parent company			In RMB Yuan	
	Paid-up Capital	Capital Reserve	Minus: stocks in store	Special Reserve	Reserve	Normal Risk Reserve	Retained Profit	Total shareholder's equity	
I. Balance of last year	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,603,876,565.65	357,295,347.20	
Plus: Change of Accounting Policy	-	-	-	-	-	-	-		
Corrections to previous errors	-	-	-	-	-	-	-		
Others	-	-	-	-	-	-	-		
II. Balance at beginning of this year	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,603,876,565.65	357,295,347.20	
III. Variations of the period	-	-	-	-	-	-	-7,060,642.79	-7,060,642.79	
<i>i. net profit</i>	-	-	-	-	-	-	-7,060,642.79	-7,060,642.79	
<i>ii. Other comprehensive income</i>	-	-	-	-	-	-	-		
Sub-total of I. and II.	-	-	-	-	-	-	-7,060,642.79	-7,060,642.79	
<i>iii. Shareholder's equity and Capital decreased</i>	-	-	-	-	-	-	-		
1. Capital invested	-	-	-	-	-	-	-		
2. Amount of shares taken as equity	-	-	-	-	-	-	-		
3. Others	-	-	-	-	-	-	-		
<i>iv. Distribution of profit</i>	-	-	-	-	-	-	-		
1. Reserve	-	-	-	-	-	-	-		
2. Normal risk reserve	-	-	-	-	-	-	-		
3. Distribution to shareholders	-	-	-	-	-	-	-		
4. Others	-	-	-	-	-	-	-		
<i>v. internal carried-forward shareholder's equity</i>	-	-	-	-	-	-	-		
1. Capital reserve to increase capital	-	-	-	-	-	-	-		
2. Reserve to increase capital	-	-	-	-	-	-	-		
3. Reserve to cover loss	-	-	-	-	-	-	-		
4. Others	-	-	-	-	-	-	-		
<i>vi. Special reserve</i>	-	-	-	-	-	-	-		
1. Provision of the period	-	-	-	-	-	-	-		
2. Usage of their period	-	-	-	-	-	-	-		
IV. Balance by end of period	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,610,937,208.44	350,234,704.41	

Change Of Equity (Parent Company) (Unaudited)(Continued)

Items	Amount of this period				Shareholder's equity due to parent company			Total shareholder's equity	
	In RMB Yuan				Special Reserve	Reserve	Normal Risk Reserve		Retained Profit
	Paid-up Capital	Capital Reserve	Minus: stocks in store	Reserve					
I. Balance of last year	873,370,000.00	979,214,788.45	-	108,587,124.40	-	-	-1,610,937,208.44	350,234,704.41	
Plus: Change of Accounting Policy	-	-	-	-	-	-	-	-	
Corrections to previous errors	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	
II. Balance at beginning of this year	873,370,000.00	979,214,788.45	-	108,587,124.40	-	-	-1,610,937,208.44	350,234,704.41	
III. Variations of the period (decrease posed as '+')	-	-	-	-	-	-	-2,306,877.29	-2,306,877.29	
<i>i. net profit</i>	-	-	-	-	-	-	-2,306,877.29	-2,306,877.29	
<i>ii. Other comprehensive income</i>	-	-	-	-	-	-	-	-	
Sub-total of I. and II.	-	-	-	-	-	-	-2,306,877.29	-2,306,877.29	
<i>iii. Shareholder's equity and Capital decreased</i>	-	-	-	-	-	-	-	-	
1. Capital invested	-	-	-	-	-	-	-	-	
2. Amount of shares taken as equity	-	-	-	-	-	-	-	-	
3. Others	-	-	-	-	-	-	-	-	
<i>iv. Distribution of profit</i>	-	-	-	-	-	-	-	-	
1. Reserve	-	-	-	-	-	-	-	-	
2. Normal risk reserve	-	-	-	-	-	-	-	-	
3. Distribution to shareholders	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	
<i>v. Internal carried-forward shareholder's equity</i>	-	-	-	-	-	-	-	-	
1. Capital reserve to increase capital	-	-	-	-	-	-	-	-	
2. Reserve to increase capital	-	-	-	-	-	-	-	-	
3. Reserve to cover loss	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	
<i>vi. Special reserve</i>	-	-	-	-	-	-	-	-	
1. Provision of the period	-	-	-	-	-	-	-	-	
2. Usage of their period	-	-	-	-	-	-	-	-	
IV. Balance by end of period	873,370,000.00	979,214,788.45	-	108,587,124.40	-	-	-1,613,244,085.73	347,927,827.12	



NOTES TO THE FINANCIAL REPORTS

From January to June 2010

I. Basic information of the company

1. **Location of Registration: No.78 Hunnan 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, P.R.China. Legal Representative:Su Weiguo.**
2. **The company engage 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 RMB873,370,000.00.**
3. **Parent Company of the company is New Northeast Electric Investment Co., Ltd, which is also the ultimate holding company of the Group.**
4. **History of the Company**

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

5. **The financial reports are approved and presented by the Board of Directors on August . 17, 2010, during the 6th session of the 5th Board of Directors Meeting.**

II. Major Accounting Policies, Evaluation and Corrections of Previous periods

1. Groundwork of 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.

2. Declaration of compliance with the <Enterprise Accounting Rules>

The financial statements of the Company prepared under the above mentioned groundwork have given a true and fair view of the financial position of the Company ended 30 June 2010, and of the results of its operations and its cash flows for the period between January and June of 2010 in accordance with Enterprise Accounting Rules.

3. Accounting period

Accounting period of the Company starts from Jan. 1 till Dec. 31 of each calendar year.

4. Accounting Currency

Renminbi is the accounting currency of the Company.

5. Accounting of consolidation of companies under/ or not under the same controlling party

A. Consolidation of companies under the same controlling party:

Assets and Liabilities of the consolidated companies 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.

Expenditures arise directly from consolidation, including fees of auditing, evaluation, legal services, are taken into profit and loss of the period. Parent company should work out consolidated Balance Sheet, Profit and Loss and Cash & Flow after merging subsidiary(ies). Each item of assets and liabilities of the consolidated company should be taken by the book value. Adjustments according the Rules of the consolidated company due to different adaptation of accounting standards will be taken into consolidation. Consolidated Profit and Loss include all items of income, expenditures and profit from beginning till end of the period of the consolidated party(ies). Net profit made by the consolidated company should be listed exclusively in the consolidated Profit and Loss. Cash flows from beginning till end of the period of all consolidated parties are taken into the consolidated Cash Flow.



B. For companies not under the same controlling party:

Consolidated costs are assets paid, liabilities occurred or undertaken, fair value of equity bonds issued plus all relative expenditure. The above-mentioned assets and liabilities are computed by fair value on the date of merging, difference between fair value and book value are taken into profit and loss of the period. Good will are recognized by the difference between consolidation costs and recognizable net assets fair value of the consolidated party. Computation of all recognizable assets, liabilities, fair value of contingent liabilities and consolidation costs of the consolidated party are to be re-checked when consolidation costs are smaller than shares of recognizable net asset of the consolidated party, and the amount of which is to be taken into profit and loss of the period if the difference remain after re-check.. Parent company is to prepare consolidated balance sheet of the date of consolidation after merge. All items of recognizable assets, liabilities and contingent liabilities of the consolidated party are to be shown on the reports by their fair value.

6. Preparation of Consolidated Financial Reports

- A. Consolidated Financial Reports are based on all reports and relative information of the Company and its subsidiaries consolidated, long-term equity investments are adjusted according to method of equity, investments and transactions between the Company and the consolidated subsidiaries are off-set, then Minority Interests are consolidated.
- B. Accounting Policy of the Company is adopted while consolidating if different policies are exercised by the subsidiaries.
- C. For subsidiary(ies) under the same controlling party, asset, liabilities, operating outcome and cash flow are consolidated into the consolidated Financial Reports from beginning of period of consolidation.
- D. Net profit and loss made by the consolidated subsidiary(ies) under the same controlling party are taken into extraordinary profit and loss, and are shown exclusively.
- E. For non-consolidating items under the same controlling party, if assets of the consolidated party by end of year prior to consolidation/ or operating income or total profit reach to/ or surpass 20% of the corresponding item of the controlling party, referencing profit and loss is prepared from beginning of the period of consolidation.
- F. Consolidation of subsidiary(ies) not under the same controlling party are prepared with adjustments based on recognizable assets' fair value on the date of acquisition.

7. Recognition of Cash and Cash equivalents

Cash is cash at hands and deposits for payments.

Short-term(usually are due within 3 months from purchasing dates), 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. Foreign currency business and computation of foreign currency reports

A. *Computation of foreign currency business*

Foreign currency businesses are changed to booking currency by the exchange rate borders on spot rate of date of transaction, which is the exchange rate at beginning of the month of transaction.

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

- a. Assets and liabilities in the Balance Sheet are changed to booking currency at the spot rate of the balance sheet date. Differences in exchange arisen from different spot rates of date of balance sheet date and that of recognition date or of previous balance sheet date, are taken into profit and loss of the period.
- b. Non-monetary foreign currency items computed at history costs are exchanged to booking currency at spot rate of date of transaction.
- c. Non-monetary foreign currency items computed at fair value are exchanged at spot rate of date of value recognition, difference between booking currency amounts before and after exchange are taken into profit and loss of the period as variation of fair value.

B. *Exchange of Foreign currency financial reports*

All items of assets and liabilities of subsidiaries whose booking currency are foreign currency are exchanged into booking currency of parent company at spot rate of date of consolidated financial reports in preparing Renminbi financial reports. Shareholders' equity except for "retained profit" are exchanged into parent company's booking currency at spot rate of occurrence. Incomes and Expenses in Profit and Loss are exchanged into parent company's booking currency at spot rate of transaction dates/ or at spot rate borders on transaction dates. Exchange differences are to be reflected in items of Exchange Difference by foreign currency reports in Profit and Loss.



9. Financial Instruments

A. *Classifications 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.

B. *Computation of financial assets*

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

C. *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.

D. *Transfer of Financial Assets*

Recognition of a certain item of financial asset is terminated when the Company transfer almost all of the risks and reward of such asset to the transferred party, or give up control over such asset.

E. 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

F. Computation of financial assets depreciation loss

- a. No depreciation tests are exercised for financial assets that are recognized by fair value and differences are taken into profit and loss of the relative accounting period;
- b. For financial assets that are held till due, diminution provision are set at difference between prediction of future cash value and current book value;
- c. Recognition of bad debts and accrument: Separate test is exercised for receivables of large amounts, diminution provision are set at difference between prediction of future cash value and current book value if evidences showing depreciation. For account receivables of insignificant amounts and tested not to be diminished, aging method is adopted to accrue provision by age and designated proportion of such receivable; For those insignificant amount receivables with high risk after analysis by method of credit risk combination analysis, individual test is processed and provision accrued. For those receivables showing no diminution after individual test, aging method is adopted to accure provision by age and designated proportion.
- 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.



10. Account Receivables

(1) Recognition and Accrue of Account Receivables with large amounts

Standard of recognition of provision under single Account Receivable of large amount	Over 1 million Yuan
Accrue of provision under single Account Receivable of large amount	Aging Method

(2) Base of recognition and Accrue of Account Receivables of insignificant amount with high risk after method of credit risk combination analysis

Base of recognition of credit risk combination	Receivables of over 4 years with apparent signs of difficulty in retrieve
Method of accrue by method of credit risk Combination	Aging Method

(3) Aging Method

Age	Proportion of provision (%)	Proportion of provision of other receivables (%)
Within 2 years	-	-
2 – 3 years	40	40
3- 4 years	60	60
Over 4 years	100	100

11. Inventories

(1) Classifications of inventories

Inventories are classified as merchandise inventory, raw material, work in progress, finished goods, low value articles.

(2) Valuation of goods in transit

Inventories are carried at real costs, calculated using the weighted average cost method.

(3) Standard for market price and method of provision

Market price of inventories is determined by estimated selling price minus estimated costs of production, minus estimated costs of sales under normal operating circumstances.

Method of accrue of inventories depreciation: Based on overall stock-takings during mid-year and end-year, provisions are set according to differences between market price and cost of stock of an individual inventory for those inventories that are lost, all or part of them are obsolete, or selling prices are lower than cost of inventory, and loss are carried into profit and loss of the period. Future event impact as well as purposes of inventory and fluctuations of price and cost of stock of a specific inventory are taken into consideration when determining its market price.

(4) Stock-taking system

perpetual inventory method is adopted.

(5) Amortization of low-value article and packing

low-value article

One time amortization is adopted for low-value article when taken.

packing

One time amortization is adopted for packing when used.



12. Long-term equity investment

(1) Recognition of Initial cost of investment

A. Initial cost of investment of long-term equity investment by consolidation are recognized by the following:

- 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. Initial cost of investment of consolidation of subsidiaries not under the same controlling party are determined by the following:

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) Follow-up computation and profit & loss recognition

- A. Long-term investment with controlling power over the invested company is taken by method of cost. Adjustments are made by method of equity when preparing consolidated reports.
- B. Method of cost is adopted when accounting those long-term investments without joint control or major influence over the invested company, no price can be quoted in active markets, fair value of which investments can not be computed.
- C. Method of equity is adopted when reporting those long-term investments with joint control or major influence over the invested company.

Long-term investments are calculated at initial cost with Method of Cost. Any supplement or withdrawal to the investments are to adjust the cost of investment. Cash dividends or profit distributed by the invested company are recognized as return on investment of the period.

Initial costs of investment are not to be adjusted when larger than shares of recognizable fair value of net



worth of the invested company under method of equity; Difference between initial cost of investment and shares of recognizable fair value of net worth of the invested company is taken into profit & loss of the period when cost is less, and such cost is adjusted in the meantime. Return on investments are recognized by shares of net worth of the invested company after acquisition of long-term equity, and book value of such investment is adjusted accordingly. Profit or cash dividends pro rata distributed by the invested company are to minus book value of the relative long-term investment.

Book value of long-term investment is adjusted when changes occur other than net worth of the invested company, and is to reported in shareholder's equity accordingly.

(3) Basis of recognition of joint control or major influence

- A. Joint control is control power jointly withholding over a certain economic activity according to the relative contract, and is only existed when unanimous opinion are needed over some major financial matters or operating decisions of such activity.
- B. Major influence is the right to take part in financial and operating decisions of an enterprise, but without control or jointly control makings of such decisions. In recognizing such influence, potential voting elements such as convertible bonds of the invested company held by the Company, or stock warrants exercisable during the period.

(4) Test method of depreciation and method of provision over such depreciation

Long-term investment is checked item by item on balance sheet date for any signs of depreciation. Retrievable value is estimated if any such signs existed. Such value is reported as book value of the relative long-term investment if it's less than the original book value, with the difference minus reported as loss of asset in the profit & loss of the period, provision of depreciation is accrued accordingly. Loss of long-term investment depreciation once recognized, is not to be reversed.

13. 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.

14. Fixed Assets

(1) Conditions of recognition of fixed assets

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.

(2) Depreciation of all types of fixed assets

Type	Service life (year)	Scrape value rate (%)	Annual depreciation rate (%)
Buildings	20-40	3	2.43-4.85
Machinery and equipment	8-20	3	4.85-12.13
Motor vehicles and others	6-17	3	5.71-16.17

(3) Test method of fixed asset devaluation, and provision method of devaluation

Signs of devaluation are determined on balance sheet date. Retrievable value is estimated when signs such as continuous plummet of such asset market price, or obsolete technology, or damage, or long-time idleness. Such value is reported as book value of the relative fixed asset if it's less than the original book value, with the difference minus reported as loss of asset in the profit & loss of the period, provision of devaluation is accrued accordingly. Loss once recognized, is not to be reversed.



(4) Basis of recognition fixed assets by financial lease, method of calculation of such assets

Financial lease is recognized when all risk and return on certain asset is transferred. Book value of such asset is reported by lower of fair value on lease date and present worth of minimum payment of rent, plus initial expense directly to the leasing project, minimum payment of rent is reported as book value of the long-term payable, difference as financial-expenses-to-recognize. Financial-expenses-to-recognize is amortized by effective interest method during term of lease. Provision of depreciation of such asset is set by rate decided according to term of lease and estimated scrap value .

15. Work in progress

A. Calculation of work-in-progress

Work 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.

B. Provision of work-in-progress devaluation

Thorough checkup is conducted on balance sheet date to decide if any signs of devaluation of work-in-progress exist. If any of the following signs exist, including: (1) Long-time suspension of construction with re-start estimated within the next 3 years; (2) performance or technology of such work-in-progress are obsolete, and there are great uncertainties in the economic outcome by such work, then retrievable value of the work is estimated. Such value is reported as book value of the relative work-in-progress if it's less than the original book value, with the difference minus reported as loss of asset in the profit & loss of the period, provision of depreciation is accrued accordingly. Loss of work-in-progress devaluation once is recognized, is not to be reversed.

16. Borrowing Expenses

A. Borrowing expenses that satisfy conditions of capitalization of construction or production is capitalized and taken into cost of the relative asset; other borrowing expenses are recognized as expenses and taken into profit & loss of the period when occur. Borrowing expenses satisfy the following conditions at the same time are capitalized:

- a. Asset expenditures arise, including payment by cash, transfer of non-cash asset, undertaking of interest-bearing liability to construct or produce assets that satisfy capitalization conditions;
 - b. Borrowing expenses occur;
 - c. Construction or production has begun to enable the asset ready to use or sell;
- B. Borrowing expenses capitalization is suspended when the relative asset reach to the state ready to use or sell. Borrowing expenses occur after that is recognized as expenses and is taken into profit & loss of the period.

17. Intangible assets

- A. *Intangible assets are recognizable non-monetary assets without physical forms that are controlled or owned by the Company, including technical know-how, land-use right, etc.*
- B. *Intangible assets are calculated at real costs of acquisitions.*
- C. *For intangible assets reported by their service life, are taken into profit & loss of the period by straight-line method within their service life from usage; no amortization is calculated for intangible assets with uncertain service life; the Company re-check service lives and methods of amortization of each intangible assets, and change those different from the present methods in practice.*
- D. *Provision for intangible assets devaluation*

By end of report period, capability of bring about economic outcome for the Company by intangible assets are checked up, and provisions are set by difference between their book value and retrievable value if any of the following sign exist: (1)Other new technology has replaced a certain intangible asset so its capability to bring about economic outcome has been greatly hampered; (2) Market price has plummeted to a great extent during the period, and are expected no recovery within the rest of the amortization periods; (3) Legal protection time has due for a certain intangible asset, estimate of retrievable value of such asset is conducted when there's still usable value. Such retrievable value is reported as book value of the relative intangible asset if it's less than the original book value, with the difference minus reported as loss of asset in the profit & loss of the period, provision of depreciation is accrued accordingly; (4) other circumstances that show certain intangible assets are actually devalued. Once loss of intangible asset devaluation is recognized can not be reversed.



18. Long term deferred expenses

- A. All expenses with amortization term to be longer than 1 year are recognized as long term deferred expenses.
- B. Long term deferred expenses are calculated at real cost at acquisition, preliminary expenses are taken into profit & loss of the period when occur; Fixtures of fixed assets under operating lease are amortized evenly within the term of lease, other long term deferred expenses are amortized evenly within the period the project benefited from such assets. The rest of un-amortized value are taken into profit & loss of the period if no contribution will be brought about of such long term deferred assets.

19. Estimated Liability

- A. Liability relative to contingent items and complied with the following is recognized as estimated liability the Company: Such liability is present undertaking by the Company; Implementation of such liability may lead to outflow of economic interests of the Company; Amount of such liability can be reliably counted.
- B. If all or part of the expenditures to discharge estimated liability by the Company will be compensated by a third party, such compensation is recognized as asset when payment can be ascertained, and such asset recognition amount can not surpass the amount of book value of relative estimated liability.

20. Income

A. *Income of 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.

B. *Labor income*

Labor income is recognized when labor starts and finishes within the same fiscal year; and labor finishes in a different fiscal year, then labor income is recognized by percentage of extent of finish when outcome of labor transaction can be reliably estimated.

C. *Incom from 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;

D. *Income of interest, is reported according to time and effective interest rates used by other parties; income of charges of usage is reported according to time and method stated in the relative contract/ or agreement.*

21. 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.

22. Deferred income tax asset/Deferred income tax liability

A. *Recognition of deferred income tax asset*

- a. 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:

1/ Such transactions are not due to corporate consolidation;

2/ Neither profit nor taxable income (or offsettable loss) will not be affected when transactions occur.

- b. 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:

1/ Temporary difference can be reversed in the predictable future;



2/ Taxable income possibly used to offset offsettable temporary difference.

- c. 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.

B. Recognition of deferred income tax liability

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

- a. Initial recognition of goodwill;
- b. Initial recognition of assets or liabilities satisfying both the below conditions:
- 1/ Such transactions are not due to corporate consolidation;
- 2/ Neither profit nor taxable income (or offsettable loss) will not be affected when transactions occur.
- c. 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.
- 1/ The investing company can control time of reverse of temporary difference;
- 2/ Such temporary difference are probably not to be reversed in the predictable future.

23. Changes in Major accounting policy, or accounting valuation

There's no change to the present accounting policy or valuation of the Company.

24. Correction to previous accounting errors

There's no correction to previous accounting errors.

25. Other Major Accounting Policies, Valuation, and methods of Work-out of Financial Reports

None

III. Taxes

1. Major types of tax and rates

Types of tax	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
Surtax for education expenses	Amount subject to value-added tax and income tax	3, 4
Income tax of enterprise	Amount subject to income tax	See III.2

2. Tax preferences and relative official grants

- (1) Corporate Income Tax Rates for the Company and subsidiaries such as Jinzhou Jinrong Electric Co., Ltd., Shenyang Kaiyi Electric Co., Ltd. (referred as Kaiyi Electric), Shenyang Gaodongjia Dessication Equipment Co., Ltd., Northeast Electric (Beijing) Co., Ltd. are 25%.
- (2) The company's subsidiary – New Northeast (Jinzhou)Power Capacitors Limited. (referred to as NNE (Jinzhou) 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 no longer obtained a favorable tax policy of “exempt 2 (years) and reduce 3(years)” starting from this year.
- (3) The company's subsidiary –Fuxin Enclosed Busbars Limited(referred to as Fu Enclosed) 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 Closed 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.
- (4) Northeast Electric (HK) Co., Ltd. is a wholly owned subsidiary of the company registered in HKSAR of P. R. China, its income rate is 16.5%.
- (5) Great Talent Technology Limited.(referred to as Great Talent Tec) is a company wholly owned by the company's subsidiary – Northeast Electric (HK) Co., Ltd., and was registered in the British Virgin Islands. No income tax is imposed on it.



IV. consolidated financial report

1. Subsidiaries

(1) Subsidiaries setup or invested

Company names	types	Place of registration	business	Registered capital	Business scope	Actual investment amount at end of period	Other balances constituting investments to subsidiaries	Percentages of shares held(%)	Percentage of voting rights(%)	consolidated	Minority interest	Amount of minority interest to offset profit & loss of minority interests	Balance of parent co's shareholder's equity setting off loss of the period undertaken by minority shareholders that exceeds shares held by minority interests at beginning of period
Northeast Electric (HK) Co Ltd	Fully-owned	HK	Trade	USD20MILLION	Investment, trade	USD20MILLION	-	100	100	Y	-	-	-
Great Talent Technology Limited.	Fully-owned	BVI	Investment	USD1	Investment	USD1	-	100	100	Y	-	-	-
Northeast Electric (Beijing) Co Ltd	Fully-owned	Beijing	Sales	RMB2MILLION	Sales of machinery, electric equipment, hardwares	RMB2MILLION	-	100	100	Y	-	-	-
Shenyang Kaiyi Electric Co Ltd	Fully-owned	Shenyang	Manufacturing	RMB1MILLION	Manufacturing high-voltage electric equipment, switches system, electric capacitor	RMB1MILLION	-	100	100	Y	-	-	-
Fuxin Enclosed Busbars Limited	Fully-owned	Fuxin	Manufacturing	USD2.8M	Sales of machinery	USD2.8M	-	100	100	Y	-	-	-



(2) Subsidiaries under the same controlling parties by merge

In RMB Yuan

Company names	types	Place of registration	business	Registered capital	Business scope	Actual investment amount at end of period	investments to subsidiaries	Percentages of shares held(%)	Percentage of voting rights(%)	consolidated	Minority interest	Amount of minority interest to offset profit & loss of minority interests	Balance of parent co's shareholder's equity setting off loss of the period undertaken by minority shareholders that exceeds shares held by minority interests at beginning of period
New Northeast Electric (Jinzhou) Power Capacitor Co Ltd	Fully-owned	Jinzhou	Manufacturing	USD15.45MILLION	Manufacturing capacitor	USD15.45MILLION	-	100	100	Y	-	-	-
Jinzhou Jimrong Electric Co Ltd	Fully-owned	Jinzhou	Manufacturing	RMB3MILLION	Dry high-voltage capacitor	RMB2.0925MILLION	-	69.75	69.75	Y	1,145,908.93	-	-

(3) Subsidiaries under different controlling parties by merge

In RMB Yuan

Company names	types	Place of registration	business	Registered capital	Business scope	Actual investment amount at end of period	investments to subsidiaries	Percentages of shares held(%)	Percentage of voting rights(%)	consolidated	Minority interest	Amount of minority interest to offset profit & loss of minority interests	Balance of parent co's shareholder's equity setting off loss of the period undertaken by minority shareholders that exceeds shares held by minority interests at beginning of period
Shenyang Gaodongjia Dessiccation Equipment Co Ltd	controlling	Shenyang	Manufacturing	USD0.7785 MILLION	Metal Box and Drying Equipment manufacturing	USD0.54495 MILLION	-	70	70	Y	1,221,399.50	-	-



2. No Special-purpose-vehicle or any entity entrusted to operate or gaining controlling power by way of accepting a lease

3. The change in scope of consolidation

The deregistration of Shenyang Zhaolida Machinery Equipment Co.Ltd which was the wholly-owned subsidiary of the Company was approved by Shenyang Zhangshi Economic and Development Zone Administration for industry and Commerce on 21 Jan. 2010. So it is not included in the consolidation in this period.

4. No new member of consolidation or member left out of consolidation

5. No consolidation under the same controlling party happen during the period

6. No consolidation under different controlling party happen during the period

7. No less subsidiary by selling equity stocks

8. No retro-purpose happen during the period

9. No consolidation by merger happen during the period

10. Exchange rates of principal financial reports of off-shore entities

Northeast Electric (HK) Co., Ltd. and Great Talent Technology Limited. are off-shore subsidiaries keeping book in Hongkong dollar. By end of period all of their assets, liabilities are exchanged to RMB by spot rates of balance sheet date, items of shareholder's equity except for "retained profit" are exchanged to RMB by spot rates of occurrence. Items of income and expenses in Profit & Loss are exchanged into RMB by rates bordering spot rates of dates of transaction. Exchange differences arise from different rates are reflected under item of Foreign Currency Reports Exchange Difference in Shareholder's Equity of Balance Sheet.

V. Notes to Consolidated Financial Reports

1. Cash and Deposits

In RMB yuan

Items	Amount by end of period			Amount at beginning of period		
	Amount in foreign currency	Exchange rates	Amount in RMB	Amount in foreign currency	Exchange rates	Amount in RMB
Cash:						
RMB	14,000.98	1.00	14,000.98	13,815.27	1.00	13,815.27
USD	1,162.34	6.8346	7,944.13	1,162.34	6.8282	7,936.69
Sub-total			21,945.11			21,751.96
Deposits:						
RMB	53,871,536.20	1.00	53,871,536.20	40,506,278.03	1.00	40,506,278.03
HKD	3,200,893.35	0.8725	2,792,599.09	1,868,247.52	0.8805	1,644,991.94
USD	46,517.38	6.7910	315,896.86	364.43	6.8282	2,502.22
EUR	623.55	8.2710	5,157.38	563.03	9.2452	5,205.32
JPY	203.08	0.0767	15.57	255.00	0.0616	15.71
CHF	-	-	-	33.13	5.9873	198.36
Sub-total			56,985,205.10			42,159,191.58
Others:						
RMB	20,937,400.00	1.00	20,937,400.00	23,072,737.50	1.00	23,072,737.50
Sub-total	20,937,400.00	1.00	20,937,400.00	23,072,737.50	1.00	23,072,737.50
Total			77,944,550.21			65,253,681.04

Remarks:

1. By end of period, deposits under performance guarantees in the banks total RMB20,937,400.
2. Time limit of the above-mentioned deposits are all over 3 months.

2. Bills Receivables

(1) Classification of bills receivables

In RMB yuan

types	Amount by end of period	Amount at beginning of period
Bank accepted bills of exchange	630,000.00	730,000.00



(2) By end of period there's no bills receivable pledged.

(3) By end of period undue bills endorsed other parties by the Company:

In RMB yuan

Issuer	Date of issue	Due date	Amount
Foshan Jiahe Trade Co., Ltd	6 Jan. 2010	6 July 2010	72,125.00
Zhuzhou Chemical Group Chengxin Co., Ltd	21 Jan 2010	21 July 2010	25,000.00
Fujian Jinjiang Switchgear Factory	8 Jan. 2010	8 July 2010	50,000.00
Hubei Jinhuan Gufen Co., Ltd	26 Jan. 2010	21 July 2010	30,000.00
Qingdao Xinghuo Textile Machinery Co., Ltd	6 Jan. 2010	6 July 2010	92,000.00
Guangxi Liugong Machinery Co., Ltd	24 Feb. 2010	24 Aug.2010	100,000.00
Hangzhou Caihong Textile Co., Lte	28 Jan. 2010	28 July 2010	100,000.00
Hangzhou Shoushan Shuguang Machinery Factory	3 Feb. 2010	3 Aug. 2010	30,000.00
Nanfeng Tianhe Chassis System Co., Ltd	1 Feb. 2010	1 Aug. 2010	90,000.00
Zhejiang Yiwu Ruiyuan Weilite Hosiery Industry Co., Ltd	3 Feb. 2010	3 Aug. 2010	200,000.00
Shenyang Shenliao Machinery Co., Ltd	11 Jan. 2010	11 July 2010	275,000.00
Panzhuhua Lantian Special Steel Co., Ltd	22 Mar. 2010	22 Sep. 2010	210,000.00
Chongqing Dashun Electrical Appliances Co., Ltd	5 May 2010	5 Nov. 2010	150,000.00
Chongqing Xiangtai Electric Co., Ltd	23 Mar. 2010	23 Sep. 2010	20,000.00
Jiangsu Haiyang Chemical Fiber Co., Ltd	19 Jan. 2010	19 July 2010	40,000.00
Hangang Group Hanbao Iron and Steel Co., Ltd	7 Apr. 2010	29 Sep. 2010	60,000.00
Chongqing Xiangtai Electric Co., Ltd	23 Mar. 2010	23 Sep. 2010	20,000.00
Fujian Ansha Jianfu Cement Co., Ltd	30 Mar. 2010	30 Sep. 2010	500,000.00
Nantong Haikai Electrical Appliances Manufacturing Co., Ltd	11 May 2010	11 Nov. 2010	200,876.50
Shantou Xinxing Electrical Appliances Co., Ltd	1 Feb. 2010	1 Aug. 2010	20,000.00
Yancheng Bubugao Shoe Material Co., Ltd	8 Mar. 2010	8 Sep. 2010	50,000.00
Zhuji Taolin Textile Co., Ltd	12 May 2010	12 Nov. 2010	200,000.00
Ningbo Daong Bearing Co., Ltd	2 Mar. 2010	1 Sep. 2010	400,000.00
Chongqing Landai Industrial Co., Ltd	23 Apr. 2010	23 Oct. 2010	30,000.00
Chongqing Changan Clutch Making Co., Ltd	10 May 2010	10 Nov. 2010	100,000.00
Nanjing Yalong Printing Equipment and Supplies Co., Ltd	12 May 2010	12 Nov. 2010	400,000.00
Zhejiang Xinhuahe General Machinery Co., Ltd	13 May 2010	13 Nov. 2010	486,200.00
Gansu Jiahong Transportation and Sale Co., Ltd	14 Apr. 2010	14 Oct. 2010	200,000.00
Pingdingshan Longxin Motor Tricyble Co., Ltd	12 Mar. 2010	12 Sep. 2010	200,000.00
			4,551,201.50

3. Account Receivables

(1) Disclosure of account receivables by types:

In RMB yuan

Types	Amount by end of period				Amount at beginning of period			
	Balance		Bad debt provision		Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Single large amount account receivable	195,591,287.31	81.57	5,986,965.49	34.28	219,126,183.02	79.71	6,312,986.17	36.15
Other receivables with higher risks after risk reorganization though with small amount	5,589,266.62	2.33	5,589,266.62	32.01	5,908,439.94	2.15	5,908,439.94	33.83
Other insignificant amount account receivables	38,600,707.20	16.10	5,886,568.80	33.71	49,874,887.28	18.14	5,241,374.80	30.02
Total	239,781,261.13	100.00	17,462,800.91	100.00	274,909,510.24	100.00	17,462,800.91	100.00

Remarks:

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.

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) Bad debt provision for single large amount receivable or insignificant amount but with individual devaluation test is conducted:

In RMB yuan

Contents	Balance	Amount of bad debts	Ratio of provision	reason
Payment of goods	195,591,287.31	5,986,965.49	3.06%	By age



(3) Receivables of insignificant amount but with high risk by credit risk combination analysis:

In RMB yuan

Age	Amount by end of period			Amount at beginning of period		
	Balance		Bad debt provision	Balance		Bad debt provision
	Amount	Ratio(%)		Amount	Ratio(%)	
Over 4 years	5,589,266.62	100.00	5,589,266.62	5,908,439.94	100.00	5,908,439.94
Total	5,589,266.62	100.00	5,589,266.62	5,908,439.94	100.00	5,908,439.94

(4) There's no account receivables write-off.

(5) There's no receivables from company holding 5% or over voting shares of the company.

(6) Top 5 of Account Receivables customers are.

In RMB yuan

Company	Relationship	Amount	Amount	Proportion of total (%)
State Power Corporation Grid Construction Branch	Non-associate	79,004,249.98	Within 1 year	32.95
Chongqing Power Co.	Non-associate	5,974,243.32	Within 1 year	2.49
Extra high-tension electricity transmitting and transforming Co. of China Southern Power Grid	Non-associate	4,137,700.00	Within 1 year	1.73
Hebei Power Corporation EHV Power Transmission and Transformation Branch	Non-associate	5,279,740.00	Within 1 year	2.20
Shanxi Province Power Co.	Non-associate	42,415,510.00	1-2years	17.69
Total		136,811,443.30		57.06

(7) There's no receivables from associates during the period.

(8) There's no termination of recognized account receivables.

4. Prepayments

(1) Prepayments are listed by age:

In RMB yuan

Age	Amount by end of period		Amount at beginning of period	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	1,501,353.44	80.09	2,235,740.64	85.14
1-2 years	124,506.91	6.64	132,499.57	5.04
2-3 years	248,751.93	13.27	257,745.44	9.82
Total	1,874,612.28	100.00	2,625,985.65	100.00

(2) Top 5 prepayments customers are:

In RMB yuan

Company	Relationship	Amount	Year of transaction	Reason for unsettlement
Shenyang Kaifeng Electric Co.Ltd.	Non-associate	525,914.00	2010	Advance payment for auxiliary parts
Hongkong Technology Park Co.	Non-associate	227,392.00	2009	Prepaid rents
Beijing Fuming Haotian International Trade Co., Ltd (Winding parts made in the USA)	Non-associate	171,970.48	2010	Prepaid payment for machinery
Jiangdu Huayu High-voltage Electric Co., Ltd	Non-associate	133,000.00	2010	Prepaid payment for machinery
Ningbo Bonded District Pioneer Trade Co Ltd	Non-associate	108,000.00	2007	Prepaid payment for machinery
Total		1,166,276.48		

(3) There's no prepayment from shareholder company holding 5% or over shares of the company.

(4) Notes to Prepayments:

The decline in advance payment at the end of the period was mainly due to the expired transfer of heating expenses paid in advance by the Company last year.



5. Dividends Receivables

In RMB yuan

Items	Amount at			Amount by end of period	Reason for outstanding receivables	If devaluation happens (Y/N)
	beginning of period	Increase in the period	Decrease in the period			
Dividends over 1 year						
New Northeast Group Electric High-Voltage Equipment Co., Ltd.	8,124,340.59	-	3,674,209.32	4,450,131.27	To be distributed	N
Weida High-Voltage Electric Co., Ltd.	7,632,598.13	-	70,301.39	7,562,296.74	To be distributed	N
Total	15,756,938.72	-	3,744,510.71	12,012,428.01		

Remarks to Dividends Receivables:

The decline in dividends receivable in this period was due to recovery of the dividends of RMB3,674,209.32 issued by New Northeast Electric Group Extra High Voltage Equipment Co., Ltd and the exchange rate difference of RMB70,301.39.

6. Other Receivables

(1) Disclosures to Other Receivables by classification:

In RMB yuan

Types	Amount by end of period				Amount at beginning of period			
	Balance		Bad debt provision		Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Single large amount account receivable	100,727,610.93	83.62	100,727,610.93	96.87	100,840,043.78	86.07	100,840,043.78	96.98
Other receivables with higher risks after risk reorganization though with small amount	2,217,932.61	1.84	2,217,932.61	2.13	2,119,636.75	1.81	2,119,636.75	2.04
Other insignificant amount account receivables	17,510,002.58	14.54	1,038,829.27	1.00	14,194,932.28	12.12	1,024,692.28	0.98
Total	120,455,546.12	100.00	103,984,372.81	100	117,154,612.81	100.00	103,984,372.81	100.00

Remark:

- 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.
- Single other receivable with insignificant amount while tested to be of high risk after credit risk combination analysis, with basis of judgement by showing signs of unrecoverable or with age over 4 years.

(2) Bad debt provision for single large amount receivable or insignificant amount but with individual devaluation test is conducted:

In RMB yuan

Contents	Balance	Amount of bad debts	Ratio of provision	reason
Benxi Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00	100%	See Notes V.6(6)
Jinzhou Power Capacity Co., Ltd.	24,637,610.93	24,637,610.93	100%	See Notes V.6(6)
Total	100,727,610.93	100,727,610.93		

(3) Receivables of insignificant amount but with high risk by credit risk combination analysis:

In RMB yuan

Age	Amount by end of period			Amount at beginning of period		
	Balance		Bad debt provision	Balance		Bad debt provision
	Amount	Ratio(%)		Amount	Ratio(%)	
Over 4 years	2,217,932.61	100.00	2,217,932.61	2,119,636.75	100.00	2,119,636.75
Total	2,217,932.61	100.00	2,217,932.61	2,119,636.75	100.00	2,119,636.75

(4) There's no write-off of other receivables during the period.

(5) There's no other receivables from company holding 5% or over voting shares of the company.

(6) Characteristics or contents of large amount other receivables

- 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 ordererd 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 Jun. 9, 2009 the City Midium Court of Law has refuted the Company's case by rulings of (2008)Shen Zhong Min Si Chu Zi No.143, 144 and 145, and the Company has appealed to the Provincial High Court. On Oct. 26 and 29, 2009, the Provincial High Court has made final rulings of (2009) Liao Min Er Zhong Zi No. 182, 183 and 184, sustaining previous rulings. The Company may appeal for retrial by providing evidence and facts if still holds objections.

By Ruling No.(2007)Liao Li Min Jian Zi Di 56 of High Court of High Court of Liaoning Province on Jun. 20, 2007, that retrial should take place by collegiate body of judges grouped by the High Court concerning the above-mentioned ruling No. of 220(on principal of RMB15,900,000.00 and relative interest), previous ruling has been discontinued. On Apr. 10, 2008, High Court of Law of Liaoning Province ruled by Ruling of 2nd (2008) Liao Shen Min Zhong Zi, revocating rulings of 1st and 2nd tries, ordering retry of the case to Midium Court of Law of Liaoning Province Shenyang City. On Feb. 12, 2009, the latter Court of Law ruled by Ruling of 2nd [2008] Shen Zhong Shen Min Chu Zai Zi, rejecting the relative lawsuit appeals. The Company has appealed to High Court of Liaoning Province. On Jul. 20, 2009, by Ruling of (2009) Liao Shen Min Zai Zi No.40, the High Court has revoked the Company's appeal by sustaining previous rulings, which is the final ruling. The Company may appeal again by providing further evidence and facts if still objects.

The Company has set up bad debt provision for full amount of such receivable for age over 4 years.

2. RMB24,637,610.93, the amount receivable at the end of the period from Jinzhou Power Capacitor Co., Limited which suffered from poor assets situation without any production or operation, was totally translated into bad debt reserves.



(7) There's no Other Receivables due to associated companies during the period.

In RMB yuan

Company	Relationship	Amount	Age	Ratio over total other (%)
Benxi Steel (Group) Co., Ltd.	Non-associate	76,090,000.00	Over 4 years	63.17
Jinzhou Power Capacity Co. Ltd	Non-associate	24,637,610.93	1-3 years	20.45
Jia Shujie	Non-associate	350,000.00	2-3 years	0.29
China Machinery& Equipment International Tendering Co. Ltd.	Non-associate	350,000.00	Within 1 year	0.29
Shenzhen Building	Non-associate	330,795.00	1-2 years	0.27
Total		101,758,405.93		84.54

(8) There's no Other Receivables due to associated companies at the end of the period.

(9) There's no termination of recognition of Other Receivables at the end of the period.



7. Inventories

(1) Classification of inventories

In RMB yuan

Items	Amount by end of period			Amount at beginning of period		
	Balance	Provision for		Balance	Provision for	
		devaluation	Book value		devaluation	Book value
Raw Material	21,262,514.85	117,406.40	21,145,108.45	22,062,431.33	117,406.40	21,945,024.93
Goods in process	10,297,212.34	-	10,297,212.34	11,468,217.78	-	11,468,217.78
Finished Goods	42,128,955.90	1,310,641.17	40,818,314.73	36,880,650.38	1,310,641.17	35,570,009.21
Total	73,688,683.09	1,428,047.57	72,260,635.52	70,411,299.49	1,428,047.57	68,983,251.92

(2) Provisions for devaluation

In RMB yuan

Types	Balance at beginning of period	Provisions in the period	Decrease during the period		Amount by end of period
			Reverse	Set-off	
	Raw Materials	117,406.40	-	-	-
Finished Goods	1,310,641.17	-	-	-	1,310,641.17
Total	1,428,047.57	-	-	-	1,428,047.57

(3) Preparation for Inventories devaluation

In RMB yuan

Items	Basis for devaluation provisions accrual	Reason for revert to inventory devaluation provision during the period	Ratio of reverted amount to total balance of inventory
Raw Materials	Net worth recoverable lower than cost		-
Finished Goods	Net worth recoverable lower than cost		-

8. Long term equity investment

(1) Long-term equity investments are listed as below:

In RMB yuan

Company invested	Method of accounting	Initial investment cost	Balance at beginning of period	Variation	Balance by end of period	Shares held of the invested company (%)	Voting shares percentage in the invested company(%)	Discrepancy between ratio of shares and percentage of voting shares	Provision for devaluation during the period	Provision for foredevaluation during the period	Cash dividends during the period
New Northeast Electric (Shenyang) High-voltage Isolator Switchgears Co Ltd	Method of Equity	29,959,476.52	31,266,645.74	-488,865.74	30,777,780.00	25.60	25.60	-	-	-	-
Great Talent Technology Limited	Method of Equity	42,847,035.48	56,669,308.72		56,669,308.72	20.80	20.80	-	-	-	-
New Northeast Electric Group Ultra-High-Voltage Equipment Co Ltd.	Method of cost	216,055,412.40	215,941,626.00		215,941,626.00	17.09	17.09	-	-	-	-
Total		-	303,877,580.46	-488,865.74	303,388,714.72	-	-	-	-	-	-

Remarks:

In this period, the change in the investment in New Northeast Electric (Shenyang) High-voltage Isolator Switchgear Co., Ltd included the investment income of RMB-488,865.74 that should be enjoyed from the confirmation of the company's net profit in the first half year of 2010 under the equity method.



9. Fixed Assets

(1) Fixed Assets

In RMB yuan

Items	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
I. Total fixed assets - cost	149,762,859.61	246,046.93	210,000.00	149,798,906.54
Inclu. Buildings	48,306,289.57	-	-	48,306,289.57
Machinery	76,870,929.96	176,374.93	-	77,047,304.89
Motor Vehicles and others	24,585,640.08	69,672.00	210,000.00	24,445,312.08
II. Aggregated Depreciation	66,615,875.58	3,511,950.27	26,675.09	70,101,150.76
Inclu. Buildings	31,134,729.25	429,302.48	-	31,564,031.73
Machinery	26,194,704.85	2,051,880.84	-	28,246,585.69
Motor Vehicles and others	9,286,441.48	1,030,766.95	26,675.09	10,290,553.34
III. Total Net worth	83,146,984.03	-	-	79,697,755.78
Inclu. Buildings	17,171,560.32	-	-	16,742,257.84
Machinery	50,676,225.11	-	-	48,800,719.20
Motor Vehicles and others	15,299,198.60	-	-	14,154,778.74
IV. Total provision for devaluation	2,021,324.40	-	-	2,021,324.40
Inclu. Buildings	317,644.79	-	-	317,644.79
Machinery	1,631,799.61	-	-	1,631,799.61
Motor Vehicles and others	71,880.00	-	-	71,880.00
V. Total Book Value	81,125,659.63	-	-	77,676,431.38
Inclu. Buildings	16,853,915.53	-	-	16,424,613.05
Machinery	49,044,425.50	-	-	47,168,919.59
Motor Vehicles and others	15,227,318.60	-	-	14,082,898.74

Depreciation during the period totaled RMB3,485,275.18.



- (2) **There's no temporarily idled fixed assets by end of period.**
- (3) **There's no fixed assets acquired by financial lease by end of period.**
- (4) **There's no fixed assets in renting by end of period.**
- (5) **There's no fixed assets to be sold by end of period.**
- (6) **There's no fixed assets with certificate of title to be obtained.**

Remarks:

1. The net value of house property pledged by Fuxin Enclosed Busbars Limited, a wholly-owned subsidiary of the Company, used for comprehensive credit loans of China Limited Fuxin Branch is RMB 5,424,669.87.
2. The net value of machinery equipment pledged by New Northeast Electric (Jinzhou) Power Capacitor Limited, a wholly-owned subsidiary of the Company, for a loan of RMB15 Million from Guangdong Development Bank Dalian Branch was RMB14,389,574.69.



10. Intangible Assets

(1) Intangible Assets

In RMB yuan

Items	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
I. Total Intangible Assets - costs	7,431,501.05	-	-	7,431,501.05
Utilitu Model Patents	450,000.00	-	-	450,000.00
Softwares	207,000.00	-	-	207,000.00
Land-use Rights	6,774,501.05	-	-	6,774,501.05
II. Total Aggregate Amortization	2,508,861.24	78,954.22	-	2,587,815.46
Utilitu Model Patents	405,000.20	22,500	-	427,500.20
Softwares	207,000.00	-	-	207,000.00
Land-use Rights	1,896,861.04	56,454.22	-	1,953,315.26
III. Total Net Worth	4,922,639.81	-	-	4,843,685.59
Utilitu Model Patents	44,999.80	-	-	22,499.80
Softwares	-	-	-	-
Land-use Rights	4,877,640.01	-	-	4,821,185.79
IV. Total Provisions for Devaluation	-	-	-	-
Utilitu Model Patents	-	-	-	-
Softwares	-	-	-	-
Land-use Rights	-	-	-	-
Total Book Value of Intangible Assets	4,922,639.81	-	-	4,843,685.59
Utilitu Model Patents	44,999.80	-	-	22,499.80
Softwares	-	-	-	-
Land-use Rights	4,877,640.01	-	-	4,821,185.79

Amortization during the period is RMB78,954.22.

Remark:

- The book value of land use right pledged by Fuxin Closed Busbar Co., Ltd, a wholly-owned subsidiary of the Company, used for comprehensive credit loans of China Limited Fuxin Branch is RMB 4,821,185.79.
- In this period, software was amortized; the remaining time for amortization of applied new patent right and land use right was six months and 426 months respectively.

11. Long-term Deferred Expenses

In RMB yuan

Items	Amount at beginning of period	Increase in the period	Amortization	Other decrease	Amount by end of period	Reasons for other decrease
Rents for buildings	2,092,450.45	-	394,840.50	-	1,697,609.95	-
Rents for lands	540,833.33	-	55,000.02	-	485,833.31	-
Rents for machinery	5,250,000.00	-	900,000.00	-	4,350,000.00	-
Improvement expenditures for fixed assets rented	2,870,815.28	218,870.00	215,099.11	-	2,874,586.17	-
Total	10,754,099.06	218,870.00	1,564,939.63	-	9,408,029.43	

Remark:

The improvement expenditure of renting fixed assets was due to the improvement expenditure of renting workshop.

12. Deferred Tax Assets

(1) Deferred Tax Assets and Deferred Liabilities recognized

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
Deferred Tax Assets		
Provision Devaluation for fixed assets	11,910,752.23	11,910,752.23
Sub-total	11,910,752.23	11,910,752.23
Deferred Tax Liabilities		
Evaluation of transactional Financial Derivatives and Financial Instruments	-	-
Financial Assets Fair Value variations taken into Capital Reserve	-	-
Sub-total	-	-


(2) Temporary differences corresponding to assets/ or liabilities that lead to such differences
In RMB yuan

Items	Amount of Temporary Difference
Bad debt provision	44,359,175.22
Provision of devaluation of inventories	1,428,047.57
Provision for fixed assets devaluation	1,855,786.12
Total	47,643,008.91

13. Details of Provisions for Assets Devaluation
In RMB yuan

Items	Balance at	Increase			Balance at end
	beginning of period	during the period	Revert	Set-off	of period
I. Bad debt provision	121,447,173.72	-	-	-	121,447,173.72
II. Provision for devaluation of inventories	1,428,047.57	-	-	-	1,428,047.57
III. Provision for sellable Financial Assets devaluation	-	-	-	-	-
IV. Provision for investment devaluation held till due	-	-	-	-	-
V. Provision for long-term investment devaluation	-	-	-	-	-
VI. Provision for devaluation of investment real-estate	-	-	-	-	-
VII. Provision for devaluation of fixed assets	2,021,324.40	-	-	-	2,021,324.40
VIII. Provision for devaluation of building materials	-	-	-	-	-
IX. Provision for devaluation of Work-in-Progress	-	-	-	-	-
X. Provision for devaluation of producing bio-materials	-	-	-	-	-
Inclu: provision for devaluation of matured producing bio-materials	-	-	-	-	-
XI. Provision for devaluation of assets of oil and gas	-	-	-	-	-
XII. Provision of devaluation of intangible assets	-	-	-	-	-
XIII. Provision of devaluation of Good Will	-	-	-	-	-
XIV. Others	-	-	-	-	-
Total	124,896,545.69	-	-	-	124,896,545.69

14. Short-term Borrowings

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
Borrowings with pledge	4,500,000.00	8,000,000.00
Borrowings with pledge and guarantee	0	15,000,000.00
Guaranteed Borrowings	27,000,000.00	2,350,000.00
Total	31,500,000.00	25,350,000.00

Short-term borrowings are classified as hypothecated borrowings, pledged borrowings and guaranteed borrowings.

Remark:

1. Pledges made to Bank of China Fuxin Branch for bank loan of RMB 4.5 million by subsidiary Fuxin Enclosed Busbars Limited see Notes V. 9 and Notes V. 10. The loan is granted in different lots, terms of which is between May 22, 2009 till Nov. 15, 2010.
2. Pledges made to Guangdong Development Bank Dalian Branch by subsidiary – New Northeast Electric (Jinzhou) Power Capacitors Limited for bank loan of RMB15 million, see Notes. V. 9, and with joint liability guarantees by Northeast Electric Development Co., Ltd., Jinzhou Power Capacitors Co., Ltd., Jinzhou Jinrong Electric Co., Ltd., New Northeast Electric Group Ultra High-voltage Equipment Co Ltd and individual Du Kai. Terms of the loan is between Dec. 3, 2009 till Dec. 2, 2010.

In addition, the Company secured a loan of RMB 10 million from Shenzhen Development Bank Dalian Branch with a term from 4 March 2010 to 4 March 2011. This loan is also a secured loan.

3. Jinzhou Jinrong Capacitor Co., Ltd, a subsidiary of the Company, secured a loan of RMB 2 million from Jinzhou Bank Jinzhong Branch with guarantee provided by New Northeast Electric (Jinzhou) Power Capacitor Limited. The loan term is from 16 March 2010 to 15 March 2011.

15. Bills Payable

In RMB yuan

Types	Amount by end of period	Amount at beginning of period
Bank Accepted Bills	9,000,000.00	-

Remark:

The bank acceptance of RMB 6 million secured by matching deposit issued in the last period was paid at maturity in this period, and the restriction on the deposit was removed. A new bank acceptance of RMB 9 million issued in this period was entirely secured by matching deposit.



16. Account Payable

(1) Age of Account Payables

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
Within 1 year	109,308,685.08	133,938,192.16
1-2 years	2,951,669.50	14,292,230.97
2-3 years	9,172,421.15	2,418,787.93
Over 3 years	4,069,664.35	2,726,629.05
Total	125,502,440.08	153,375,840.11

Remark:

Account Payables with age over 1 year mainly are goods payment not yet to be paid according to relative agreements.

(2) There's no account payable to company holding 5% or over voting shares of the company.

17. Prepayment

(1) Ages of Prepayment

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
Within 1 year	13,763,046.50	11,303,452.50
1-2 years	3,603,000.00	6,905,000.00
Over 3 years	755,052.52	755,052.52
Total	18,121,099.02	18,963,505.02

Remarks to Prepayment over 1 year with large amount:

Prepayment over 1 year with large amount are mainly sales income still not reached to the standards of recognition.

(2) There's no prepayment from company holding 5% or over voting shares of the company.

18. Salaries and benefits payable to employees

In RMB yuan

Items	Balance at beginning of period	Increase during the period	Decrease during the period	Balance by end of period
I. Salaries, allowances and subsidies	-	7,879,892.82	7,877,422.82	2,470.00
II. Benefits	62,636.11	432,003.66	432,003.66	62,636.11
III. Social Securities	217,267.80	3,138,887.25	2,215,245.71	1,140,909.34
Inclu.: 1. Medicare	8,006.35	822,312.00	822,851.28	7,467.07
2. basic endowment insurance	174,547.91	1,972,533.33	1,131,718.70	1,015,362.53
3. Industrial injury insurance	13,253.48	99,126.52	106,043.75	6,336.25
4. birth insurance	2,505.90	39,752.40	39,752.40	2,505.90
5. unemployment insurance	18,954.16	205,163.00	114,879.58	109,237.59
IV. Housing provident funds	467,472.21	1,081,054.88	1,095,343.00	453,184.09
V. Funds for labor union and education of employees	597,776.85	278,958.63	85,321.62	791,413.86
VI. Others	-	-	-	-
Total	1,345,152.97	12,810,797.24	11,705,336.81	2,450,613.40

There's no behind payable salaries to employees.

19. Tax payable

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
Value-added tax	6,335,150.58	10,152,568.14
Income tax -enterprise	1,504,912.38	3,402,229.00
Income tax - person	14,660.48	152,411.48
Tax on land use rights	31,609.50	-
Tax on buildings' ownership	19,015.29	17,598.76
Education	2,770.19	2,770.19
Others	923.31	121,135.54
Total	7,909,041.73	13,848,713.11



20. Other Payables

(1) Ages of Other Payables

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
Within 1 year	25,599,688.60	30,607,461.98
1-2 years	7,288,307.10	8,308,658.73
2-3 years	10,561,309.26	11,502,178.54
Over 3 years	33,903,382.76	33,746,135.45
Total	77,352,687.72	84,164,434.70

(2) There's no other payables to company holding 5% or over voting shares of the company.

(3) Remarks to large amount Other Payable over 1 year

Large amount Other Payable over 1 year are mainly unpaid intra-group payments.

(4) Remarks to large amount Other Payable

Large amount Other Payable are mainly unpaid intra-group payments.

21. Other current liabilities

In RMB yuan

Items	Balance by end of period	Balance at beginning of period
Deferred Income	587,446.97	587,446.97

Remarks to other current liabilities

Deferred income are government subsidy granted to New Northeast Electric (Jinzhou) Capacity Co., Ltd. – a fully-owned subsidiary of the Company.

- (1) Liaoning Committee of Economy and Information Liaoning Department of Finance granted New Jin Cap research funds of RMB500,000.00 in the Notification of Provincial Enterprise Technology Center Funding Plans for Year 2009 (Ref. Liao Jing Xin Fa [2009] No.23), for the purpose of development and research of <±800KV Direct Current Electricity Transmitting Power Capacity and Complete Equipment>. The fund was received on May 5, 2009, expenditure under this item is RMB112,553.03 during the period, balance of the fund is RMB387,446.97 by end of period, No new expenses occurred at the end of the period.
- (2) Liaoning Committee of Technology, Liaoning Department of Finance granted New Jin Cap research funds of RMB200,000.00 in the Notification of Awards Plan for Liaoning Commercialization of Research in Year 2009 (Ref. Liao Ke Fa [2009] No.50), for the purpose of research in <High-capacity Capacitor>. The fund was received by the company on Dec. 30, 2009, and has not been used during the period, balance of the item is RMB200,000.00.

22. Estimated Liabilities

In RMB yuan

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
Guarantee for loans	115,715,007.25	-	-	115,715,007.25
Others	9,252,860.00	-	-	9,252,860.00
Total	124,967,867.25	-	-	124,967,867.25

Remarks:

1. 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 RMB30,000,000.00, and the company therefore undertake obligation of joint guarantee. In 2001 China Ever Bright Bank Co., Ltd has 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.
2. The company has provided guarantee for the bank loan of RMB13,000,000.00 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 RMB13,000,000.00 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.
3. The formerly subsidiary of the company –"NNE(Isolators)" 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 "NNE(Isolators)" to the District Court of Xi'an City Shaanxi Province, asking for "NNE(Isolators)" to repay RMB14,280,007.35, and along with request that the company as the former shareholder of "NNE(Isolators)" to undertake joint obligation of repayment using 8 units of houses bought from the "NNE(Isolators)". 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 RMB92,25,860.00 according to the value of the subject houses.



4. 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 estimated liability of RMB 19, 890,000.00. Up till the reporting date, the company has not paid the above mentioned liability.
5. The company has provided guarantee for Jindu Hotel for loans of RMB24,000,000.00 from ICBC Shenyang City Sub-branch, assuming joint liability. As the loan is overdue, the bank has sued Jundu Hotel to the Intermediate Court of Shenyang City for repayment of loan principal of RMB24,000,000.00 and relative interests, and for the company to assume joint obligation to repay. Ruling No.(2003)Shen Zhong Min(3)Chu Zi Di 94 by the Court has ruled the company to take up joint obligation of repaying RMB24,000,000.00 and relative interests. The Higher Court of Shenyang City Liaoning Province has maintained the above first ruling by its Ruling No.(2003)Liao Min Er He Zhong Zi Di 160. As Jindu Hotel is not included in the scope of consolidation this year, the company has estimated liability of RMB24,000,000.00 according to the Rulings. Up to the reporting date, the company has not paid up the mentioned liability.
6. The company provide guarantee and assume joint liability for loans of RMB 22,900,000.00 from ICBC Jinzhou City Sub-branch to Jin 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. Other non-current liabilities

In RMB yuan

Items	Balance by end of period	Balance at beginning of period
New Northeast Group Electric High-voltage Equipment Co Ltd	92,920,097.04	92,920,097.04

Remarks:

By end of period, payment due to New Northeast Group Electric High-voltage Equipment Co Ltd amounts to RMB92,920,097.04, and the latter has will not recover the fund within the year.



24. Capital

In RMB yuan

Items	Amount at beginning of period	Changes during the period(+、-)					Amount by end of period
		Rationed shares	Bonus	Capitalization of surplus reserves	others	Sub-total	
I. Shares with limited selling conditions							
1. state shares	-	-	-	-	-	-	-
2. legal person shares	218,255,650.00	-	-	-	-212,025,650.00	-212,025,650.00	6,230,000.00
Inclu.:legal person shares-domestic	218,255,650.00	-	-	-	-212,025,650.00	-212,025,650.00	6,230,000.00
Sub- Total	218,255,650.00	-	-	-	-212,025,650.00	-212,025,650.00	6,230,000.00
II. Shares with unlimited selling conditions							
1. common RMB shares(A share)	397,164,350.00	-	-	-	212,025,650.00	212,025,650.00	609,190,000.00
2. foreign shares listed abroad(H share)	257,950,000.00	-	-	-	-	-	257,950,000.00
Sub-Total:	655,114,350.00	-	-	-	212,025,650.00	212,025,650.00	867,140,000.00
III. Total shares	873,370,000.00	-	-	-	-	-	873,370,000.00

Remarks to Changes of Equity:

On May. 4, 2010, 212,025,650 shares of Shares with Limited Selling Conditions changed to A-Share of Unlimited Selling Conditions.



25. Capital Reserve

In RMB yuan

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
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

26. Reserve

In RMB yuan

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
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

27. Retained Profit

In RMB yuan

Items	Amount	Ratio of Withdrawal or Distribution
Before Adjustment Retained Profit of last period	-1,528,964,095.88	
Adjustment Retained Profit at beginning of year (Increase+,Decrease-)	-	
After Adjustment Retained Profit at beginning of year	-1,528,964,095.88	
Plus: Net Profit to Parent Company of the period	527,972.20	
Minus: Legal Reserve	-	
Random Reserve	-	
Common Risk Reserve	-	
Dividends due Common Shares	-	
Common Shares change to Equity	-	
Retained Profit at end of period	-1,528,436,123.68	

28. Income and cost of sales

(1) Income and cost of sales

In RMB yuan

Items	Year 2009	Year 2008
Major Income of Sales	146,318,967.09	133,274,733.67
Other Income of Sales	65,031.38	210,546.86
Cost of Sales	107,346,587.08	87,866,501.78

(2) Operations revenue (By products)

In RMB yuan

Products	Amount of the period		Amount of last period	
	Income of sales	Cost of sales	Income of sales	Cost of sales
Closed Mother Cable	27,704,811.99	20,680,930.71	43,597,495.70	31,371,378.66
Power Capacitor	91,244,941.38	62,737,597.90	80,489,055.54	49,356,882.91
High-voltage Switches	24,917,675.25	22,234,201.51	6,726,410.28	5,908,490.01
Others	2,516,569.85	1,693,856.96	2,672,319.01	1,229,750.20
Total	146,383,998.47	107,346,587.08	133,485,280.53	87,866,501.78

(3) Operations revenue (by districts)

In RMB yuan

District	Amount of the period		Amount of last period	
	Income of sales	Cost of sales	Income of sales	Cost of sales
Northeast	39,083,357.46	29,776,740.48	14,762,127.88	11,241,600.87
North China	37,908,186.61	30,776,699.42	73,707,374.25	36,607,465.77
Central China	3,561,599.06	2,375,838.84	9,230,058.12	7,944,210.77
East China	9,230,302.01	7,287,210.20	19,736,251.02	18,582,641.34
South China	1,721,348.21	1,644,608.41	6,677,960.25	4,863,248.32
Southwest	9,937,367.51	5,553,613.96	2,369,059.83	2,011,056.48
Other	44,941,837.61	29,931,875.77	7,002,449.18	6,616,278.23
Total	146,383,998.47	107,346,587.08	133,485,280.53	87,866,501.78



(4) Top 5 customers of Income of Sales

In RMB yuan

Items	Income of sales	Percentage of total Income of sales
State Power Grid Co. Construction Branch	40,324,800.00	27.55
Shanxi Provincial Power Grid Co	17,104,700.70	11.68
Shandong Power Group Corporation Logistic Service Center	4,906,000.00	3.35
Hebei Power Service Corporation Logistic Center	3,463,247.86	2.37
Huabei Grid Co., Ltd	2,296,581.20	1.57
Total	68,095,329.76	46.52

Remark:

1. Business income included main and other business income, among which main business income came from closed busbar, power capacitor and high-voltage switchgear products.
2. An increase in business income over the previous period was mainly due to the Company's improvement of productive capacity and expansion of market.

29. Sales tax and surtax

In RMB yuan

Items	Amount of the period	Amount of last period	Ratio of tax
Sales tax	-	3,259.79	5%
Tax on City maintainence and construction	-	1,397.05	7%
Education Surtax	-	465.68	3%
Other taxes	-		
Total	-	5,122.52	

Remarks:

Amounts under this item are mainly Tax on City maintainence and construction and Education Surtax which are taxed by amount of Value-added Tax.

30. Loss from Diminution of Assets

In RMB yuan

Items	Amount of the period	Amount of last period
I. Bad debt loss	-	1,000,000.00
II. Inventory devaluation loss	-	-
III. Sellable Financial Assets Devaluation loss	-	-
IV. Loss over Investments Held till Due	-	-
V. Loss over Long-term Equity Investment Devaluation	-	-
VI. Loss over Invested Real Estate Devaluation	-	-
VII. Loss over Fixed Assets Devaluation	-	-
VIII. Loss over Building Materials Devaluation	-	-
IX. Loss over Work-in-progress Devaluation	-	-
X. Loss over Producing Bio-Assets Devaluation	-	-
XI. Loss over Assets of Oil & Gas Devaluation	-	-
XII. Loss over Intangible Assets Devaluation	-	-
XIII. Loss over Good Will Diminution	-	-
XIV. Others	-	-
Total	-	1,000,000.00

31. Return on Investment

(1) Details of Return on Investment

In RMB yuan

Items	Amount of the period	Amount of last period
Return on Long-term Equity Investment by Method of Cost		
Return on Long-term Equity Investment by Method of Equity	-488,865.74	-1,112,228.94
Return by disposal of Long-term Equity Investment	-11,593.68	
Total	-500,459.42	-1,112,228.94


(2) Return on Long-term Equity Investment by Method of Equity:
In RMB yuan

Company invested	Amount of the period	Amount of last period	Change from last period
New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Co Ltd	-488,865.74	-1,112,228.94	There was a decline in the Company's losses over the same period last year
Total	-488,865.74	-1,112,228.94	

Remarks:

1. The number in this period was the income from investment in an associate recognized under the equity method.
2. The number increased over the previous period was due to a decline in the associate's losses over the previous period.

32. Non-operating Revenue
(1) Non-operating revenue
In RMB yuan

Items	Amount of the period	Amount of last period
Total revenue by disposing non-current assets	88,334.17	20,000.00
Inclu.: Revenue by disposing fixed assets	88,334.17	20,000.00
Revenue by disposing intangible assets	-	-
Government subsidy	-	-
Incomes of Fine	120.00	6,628.00
Sales income from waste	5,316.26	12,694.89
Total	93,770.43	39,322.89

(2) Non-operating expenses*In RMB yuan*

Items	Amount of the period	Amount of last period
Total loss of disposal of non-current assets	101,950.62	11,050.71
Inclu: loss of disposal of fixed assets	101,950.62	11,050.71
Loss of disposal of intangible assets	-	-
Expenses of fine	2,548.86	3,000.23
Others	8,082.00	-
Total	112,581.48	14,050.94

33. Income Tax Expenses*In RMB yuan*

Items	Amount of the period	Amount of last period
Income Tax of the period by Law of Tax and relative regulations	2,091,118.34	191,229.98
Adjustments to Deferred Income Tax	-	-
Tax	2,091,118.34	191,229.98



34. Calculations of Primary Earnings Per Share and Diluted Earnings Per Share

In RMB yuan

Items	Calculation	Amount of the period	Amount of last period
Net Profit to Common Shareholders of the Company	P0	527,972.20	-10,312,741.77
Non-operational Profit & Loss to Common Shareholders of the Company	F	-25,701.97	18,953.96
Net Profit to Common Shareholders of the Company after deduction of non-operational profit & loss	$P0'=P0-F$	553,674.17	-10,331,695.73
Impact on Net Profit to Common Shareholders of the Company by dilution	V	-	-
Net Profit to Common Shareholders of the Company, adjusted by<Enterprise Accounting Standards> and relative regulations with consideration of impact by potential dilutional common shares	$P1=P0+V$	527,972.20	-10,312,741.77
Impact on Net Profit to Common Shareholders of the Company after deduction of non-operational profit & loss by dilution	V'	-	-
Net Profit to Common Shareholders of the Company after deduction of non-operational profit & loss, adjusted by<Enterprise Accounting Standards> and relative regulations with consideration of impact by potential dilutional common shares	$P1'=P0'+V'$	553,674.17	-10,331,695.73
Total Shares at beginning of period	S0	873,370,000.00	873,370,000.00
Shares increased by Reserves changed to Equity/ or distributions of Dividends during the period	S1	-	-
Shares increased by new shares issued/ or bonds changed to shares during the period	Si	-	-
Shares decreased by buy-back during the period	Sj	-	-
Reverse Split during the period	Sk	-	-
No. of months during the period	M0	12.00	12.00
Accumulated no of months from next month of increasing shares till end of reporting period	Mi	-	-

34. Calculations of Primary Earnings Per Share and Diluted Earnings Per Share (Continued)
In RMB yuan

Items	Calculation	Amount of the period	Amount of last period
Accumulated no of months from next month of decreasing shares till end of reporting period	Mj	-	-
Weighted average common shares issued abroad	$S=S_0+S_1+S_i \times M_i$ $\div M_0-S_j \times M_j \div M_0-S_k$	873,370,000.00	873,370,000.00
Plus: weighted average common shares supposing potential dilutional common shares changed to common shares	X1	-	-
Average common shares to calculate diluted earnings per share	$X_2=S+X_1$	873,370,000.00	873,370,000.00
Inclu: weighted average common shares increased by convertible company bonds		-	-
weighted average common shares increased by stock warrants		-	-
weighted average common shares increased by implementing buyback		-	-
Primary earnings per share due to common shareholders	$EPS_0=P_0 \div S$	0.0006	-0.0118
Primary earnings per share due to common shareholders after deduction of extraordinary profit & loss	$EPS_0'=P_0' \div S$	0.0007	-0.0019
Diluted earnings per share due to common shareholders	$EPS_1=P_1 \div X_2$	0.0006	-0.0118
Diluted earnings per share due to common shareholders after deduction of extraordinary profit & loss	$EPS_1'=P_1' \div X_2$	0.0007	-0.0019



35. Other comprehensive revenues

In RMB yuan

Items	Amount of the period	Amount of last period
1. Amount of profit(loss) by sellable Financial Assets	-	-
Minus: Impact to Income tax by sellable Financial Assets	-	-
Net amount of profit & loss reverted from items of	-	-
Other Comprehensive Revenues of last period		
Sub-total	-	-
2. Proportion of Other Comprehensive Revenues of companies	-	-
invested enjoyed by the Method of Equity		
Minus: Impact to Income Tax by proportion of Other	-	-
Comprehensive Revenues of companies invested		
enjoyed by the Method of Equity		
Net amount of profit & loss reverted from items of	-	-
Other Comprehensive Revenues of last period		
Sub-total	-	-
3. Profit (Loss) by Cash Flow Hedging	-	-
Minus: Impact to Income Tax by Cash Flow Hedging	-	-
Net amount of profit & loss reverted from items of	-	-
Other Comprehensive Revenues of last period		
Adjustments to Initial amount recognized by Hedging	-	-
Sub-total	-	-
4. Exchange difference of Foreign currency reports	-1,049,445.24	-36,230.61
Minus: Net amount taken into Profit & Loss disposing	-	-
offshore operations		
Sub-total	-1,049,445.24	-36,230.61
5. Others	-	-
Minsu: Impact to Income Tax by being taken into Other	-	-
Comprehensive Revenues		
Net amount of profit & loss reverted from items of	-	-
Other Comprehensive Revenues of last period		
Sub-total	-	-
Total	-1,049,445.24	-36,230.61

Remarks:

Other comprehensive income was due to the converted difference in foreign currency statements in HK dollar as unit.

36. Notes to Cash Flow

(1) Cash received from other operational activities

In RMB yuan

Items	Amount
Current accounts	2,939,762.90
Deposit	12,362,580.00
Total	15,302,342.90

Remarks:

- The current accounts received in the period were mainly due to the non-trade accounts of about RMB 2.9 million recovered by the Company.
- The deposit was mainly due to the tender bond recovered by its subsidiary from suppliers.

(2) Cash paid to operational activities

In RMB yuan

Items	Amount
Intra-group transactions	14,459,585.32
Deposits	10,627,000.00
Transportation	2,565,000.00
Consultance	590,000.00
Advertisement	-
Agent fees, such as auditing	185,820.00
Travelling	1,799,036.46
Office Expenses	1,097,251.00
Entertainment	1,519,456.18
Electricity	1,858,600.00
Contracting	-
Bidding	-
Rents	-
Fixtures	-
Others	34,701,748.96

Remarks:

- Intra-group transaction are repayments mainly.
- Bidding deposits paid to customer by subsidiary – Fuxin Close Mother Cable and New Jin Cap.



37. Supplementary Information to Cash Flow

(1) Supplementary Information to Cash Flow

In RMB yuan

Supplementary Information	Amount of the period	Amount of last period
1. Operational Activity Cash Flow adjusted by Net Profit		
Net Profit	443,144.24	-10,408,656.58
Plus: Provisions for assets diminution	-	1,000,000.00
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	3,449,228.25	3,726,454.65
Amortization of intangible assets	78,954.22	143,828.40
Amortization of long term expenses payable	1,346,069.63	55,000.00
Loss on disposal of fixed assets, intangible assets and other long term assets (gain is shown as “-“)		-20,000.00
Loss on discarding fixed assets (gain is shown as “-“)		
Fair value variance loss (gain is shown as “-“)		
Financial expenses (gain is shown as “-“)	1,256,108.91	712,677.94
Loss on investments (gain is shown as “-“)	500,459.42	1,112,228.94
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 “-“)	-3,277,383.60	-9,875,308.21
Decrease of operational account receivables (increase is shown as “-“)	37,286,060.38	85,241,151.45
Increase of operational account payables (decrease is shown as “-“)	-31,361,763.96	-79,945,561.32
Others		2,342,327.88
Net in/out flows generated from operational activities	9,720,877.49	-5,915,856.85
2. Major investment and financing activities not affecting cash:		
Debts changed as capital		
Tradeable company bonds due within 1 year		
Lease financing fixed assets		
3. Changes of cash and equivalents:		
Cash at end of period	57,007,150.21	39,175,278.77
Minus: cash at beginning of period	42,180,943.54	49,928,339.70
Plus: cash equivalents at end of period		
Minus: cash equivalents at beginning of period		
Net increase of cash and equivalents	14,826,206.67	-10,753,060.93

(2) Information of acquisition or disposal of subsidiaries and other operational departments

Shenyang Zhaolida Machinery Equipment Co., Ltd, a wholly-owned subsidiary of the Company, was liquidated in this period, and its application for deregistration was approved by Shenyang Administration for Industry and Commerce on 21 January 2010. RMB88,406.32 invested by the Company was recovered.

(3) Composure of Cash and equivalents:

In RMB yuan

Items	Amount by end of period	Amount at beginning of period
I. Cash	57,007,150.20	42,180,943.54
Inclu: Cash on hand	21,945.11	21,751.96
Bank Deposits ready to pay	56,985,205.09	42,159,191.58
Other cash assets ready to pay		-
Deposits with Central Bank ready to pay		-
Deposits with other banks		-
Inter-bank lending		-
II. Cash equivalents		-
Inclu.:Bonds investment due within 3 months		-
III. Balance of cash and equivalents by end of period	57,007,150.20	42,180,943.54

Remarks:

1. There's no acquisition or disposal of subsidiaries or other operational departments during the period.
2. Pledged deposits are not included in the balance of cash and equivalents by end of period, for detail see Note V.1



VI. Associates and relative transactions

1. Parent Company of the Company

In RMB'000

Parent Company	Relationship	Type	Place of			Registered Capital	Percentage of shares	Voting shares	Ultimate	Organization Code
			Registration	Legal Rep.	Business		held by Parent Company(%)	ratio held by Parent Co(%)	controlling party of the Company	
New Northeast Electric Investment Co Ltd	Parent Company	Limited	Limited	Dai Bing	Investment	13,500	24.28%	24.28%	Tian Li	73465110-1

Remarks of Parent Company

1. Registered location of New Northeast Electric Investment Co Ltd changed from Shenyang to Ying Kou Economic and Technology Development Zone Bin Hai Industry Park (Xiong Yue Town). Legal Representative changed from Tian Li to Dai Bing.
2. There's no change to shares held by New Northeast Electric Investment Co Ltd.
3. Of the shares held by New Northeast Electric Investment Co Ltd of the Company, 208 million shares are pledged.

2. Account Receivable/Payable from/to Associates

In RMB yuan

Items	Associates	Amount by end of period	Amount at beginning of period
Dividends Receivable	Great Talent Technology Limited	7,562,296.74	7,632,598.13
Account Payable	New Northeast Electric (Shenyang)	8,123,400.00	8,123,400.00
	High-voltage Isolators Switches Co Ltd		
	New Northeast Electric (Shenyang)	8,988,909.56	8,888,909.56
Other Payable	High-voltage Isolators Switches Co Ltd		
	Great Talent Technology Limited	697,912.00	704,400.00

3. Subsidiaries of the Company

Full names of subsidiary	Relationship	Type	Place of Registration	Legal Rep.	Business	Registered Capital	Percentage of shares held by the Company(%)	Voting shares ratio held by Parent Co(%)	Organization Code
Northeast Electric (HK) Co., Ltd	Fully-owned subsidiary	Limited	HK	Tian Jiang	Investment, Trade	USD20 MILLION	100	100	-
Great Talent Technology Limited	Fully-owned subsidiary	Limited	BVI	Wang Shan Kuan	Investment	USD 1.00	100	100	-
Northeast Electric (Beijing) Co., Ltd	Fully-owned subsidiary	Limited	Beijing	Jia Shu Jie	Sales of machinery, electric products	RMB2 MILLION	100	100	66216024-9
Shenyang Kaiyi Electric Co., Ltd	Fully-owned subsidiary	Limited	Shenyang	Bi Jianzhong	Manufacturing of high-voltage electric equipment	RMB1 MILLION	100	100	79846962-4
Fuxin Enclosed Busbars Limited	Fully-owned subsidiary	Limited	Fuxin	Liu Qing Min	Production and sales of close mother cable	USD2.8 MILLION	100	100	70168064-3
New Northeast (Jinzhou) Power Capacitor Co., Ltd.	Fully-owned subsidiary	Limited	Jinzhou	Wang Yi	Production of Power Capacitor	USD15.45 MILLION	100	100	75278947-0
Jinzhou Jinrong Electric Co., Ltd.	Controlling subsidiary	Limited	Jinzhou	Li Hong Liang	Dry high-voltage Capacitors	RMB2.0925MILLION	69.75	69.75	24203413-1
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Controlling subsidiary	Limited	Shenyang	Wang Hai Yang	Metal box and desiccation equipment	USD0.54495 MILLION	70	70	60460565-X

4. Associates and Joint Ventures
In RMB yuan

Company	Type	Registration	Legal Rep.	Business	Registered Capital	Percentage of shares held by the Company(%)	Voting shares ratio held by Parent Co(%)	Total			Net Profit of the period	Organization code		
								Total Assets by end of period	Total Liabilities by end of period	Net Assets by end of period				
LJoint Ventures														
New Northeast Electric (Shenyang) High-voltage Isolators Switches	Limited	Shenyang	Liu Bing	Development and designing of high-voltage transmitting and transforming electricity	USD21.50m	25.60	25.60	207,587,513.45	31,016,552.32	176,570,961.13	7,683,360.37	-1,909,631.78	JV	75553376-1
Great Talent Technology Co Ltd	Limited	BVI	Lo Yuet	Investment	USD12,626	20.80	20.80	140,309,569.57	54,315,008.20	85,994,561.37	-	-	JV	-



VII. Events of Contingency

1. Contingent Liabilities due to unsettled Lawsuit mitigation and impact to financial reports

China Great Wall Asset Management Corp Shenyang Rep. Office (hereinafter referred to as ‘Great Wall Asset’) vs. Shenyang High-voltage Switchgears Limited (hereinafter referred to as ‘Shenyang High-Voltage’) on infringement of loan contract.

Shenyang High-Voltage has signed 41 loan contracts during the period 1986 to 2003 with ICBC Liaoning Province Branch Shenyang Shifudalu Sub-branch and other financial institutions., totaling loans of RMB35.175million. On Jul. 15, 2005, ICBC Liaoning Province Branch signed <Transfer of Creditor’s Rights> with Great Wall Asset, transferring the relative rights. Shenyang High-Voltage started up joint ventures with tangible assets and land-use rights, which are New Northeast Electric Group Ultra High-voltage Isolators Switchgears Limited (hereinafter referred to as ‘New Shen High’), New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited Co Ltd (hereinafter referred to as ‘NNE (Isolators)’), Shenyang Suntime Storage and Logistics Co Ltd (hereinafter referred to as ‘Suntime Storage’) and Shenyang Chengtai Energy Co Ltd. (hereinafter referred to as ‘Chengtai Energy’). The Company has acquired shares of NNE (Isolators), Suntime Storage and Chengtai Energy. Great Wall Asset sued Shenyang High-Voltage to Liaoning Provincial High Court (hereinafter referred to as ‘Liao High Court’) for repayment of RMB35,175million on Feb. 24, 2009, and again on May 18, 2009 applied to charge the Company for Related Party Transaction and Apparent inappropriate consideration of equity swap, demanding the Company undertake joint liability for Shenyang High-Voltage loans. The Company has received subpoena for court appearance (Ref. (2009)Liao Min Er Chu Zi No.12) from Liao High Court on Jul. 21, 2009.

At present, the case is being tried by the Liao High Court with no rulings made yet.

The Company believe that Great Wall Asset’s charge is of no solid ground, and will not generate any negative impact on financial status.

2. Contingent Liability by providing guarantee and impact on financial reports

- (1) Up to June. 30 2010, the Company has provided guarantee for New Northeast Electric Group Ultra High-voltage Equipment Co Ltd for their bank loan of RMB115,000,000.00, which is due in 1 year. The borrower has utilized RMB97,964,010.
- (2) Other contingent liabilities by providing guarantees, see Note V. 22.

3. Other contingent liabilities and impact on financial reports

- (1) Up to June 30, 2010, RMB4,551,201.50 of undue bank accepted bills has been endorsed by the Company, details see Note V.2(3).
- (2) By end of June 30, 2010, the Company has issued Performance Bonds of RMB3,587,910.20 through Bank of China Fuxin Branch and Bank of China Liaoning Provincial Branch.

VIII. Commitment

There's no major commitment during the period.

VIII. Post Balance Sheet date events

Upon the review and approval of the board of directors on 1 July 2010, Shenyang Kaiyi Electric Co., Ltd, a wholly-owned subsidiary of the Company, contributed a large sum (USD5,700,000) in cash to purchase the whole newly increased capital of Fuxin Enclosed Busbars Limited, another wholly-owned subsidiary of the Company. On 10 August 2010, the industrial and commercial change registration was done.

X. Other Major events

None.



XI. Major Notes to Parent Company's Financial Reports

1. Account Receivable

(1) Account Receivable

In RMB yuan

Types	Amount by end of period				Amount at beginning of period			
	Balance		Bad debt provision		Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Single large amount account receivable	-	-	-	-	-	-	-	-
Other receivables with higher risks after risk reorganization though with small amount	179,400.00	100.00	179,400.00	100.00	179,400.00	100.00	179,400.00	100.00
Other insignificant amount account receivables	-	-	-	-	-	-	-	-
Total	179,400.00	100.00	179,400.00	100.00	179,400.00	100.00	179,400.00	100.00

Remarks:

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

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) There's no provision for single large amount Bad debt or though insignificant amount but with high risk after credit risk combination analysis.

(3) Receivables of insignificant amount but with high risk by credit risk combination analysis:

In RMB yuan

Age	Amount by end of period			Amount at beginning of period		
	Balance		Bad debt provision	Balance		Bad debt provision
	Amount	Ratio(%)		Amount	Ratio(%)	
Over 4 years	179,400.00	100.00	179,400.00	179,400.00	100.00	179,400.00
Total	179,400.00	100.00	179,400.00	179,400.00	100.00	179,400.00

- (4) There's no set-off of Account Receivables.
- (5) There's no receivables from company holding 5% or over voting shares of the company.
- (6) There's no receivables due from Associates.
- (7) There's no receivables not complied with recognition conditions during the period.

2. Other Receivables

(1) Other Receivables

In RMB yuan

Types	Amount by end of period				Amount at beginning of period			
	Balance		Bad debt provision		Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Single large amount receivable	562,553,037.65	99.84	76,090,000.00	98.94	566,359,300.93	99.77	76,090,000.00	98.94
Other receivables with higher risks after risk reorganization though with small amount	100,490.70	0.02	100,490.70	0.13	100,490.70	0.01	100,490.70	0.13
Other insignificant amount receivables	910,232.75	0.15	718,107.80	0.93	1,225,286.58	0.22	718,107.80	0.93
Total	563,563,761.10	100.00	76,908,598.50	100.00	567,685,078.21	100.00	76,908,598.50	100.00

Remarks:

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.

Single other receivable with insignificant amount while tested to be of high risk after credit risk combination analysis, with basis of judgement by showing signs of unrecoverable or with age over 4 years.



(2) Bad debt provision for single large amount receivable or insignificant amount but with individual devaluation test is conducted:

In RMB yuan

Contents	Balance	Bad debt amount	Provision ratio	Reason
Northeast Electric (HK) Co Ltd	175,966,166.77	-	-	Intra-group transaction
Fuxin Enclosed Busbars Limited	132,954,084.99	-	-	Intra-group transaction
Shenyang Kaiyi Electric Co Ltd	103,714,115.42	-	-	Intra-group transaction
Benxi Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00	100.00	See Note V.6 (6)
Northeast Electric (Beijing) Co Ltd	39,976,696.84	-	-	Intra-group transaction
New Northeast Electric (Jinzhou)Power Capacitor Co Ltd	33,385,136.91	-	-	Intra-group transaction
Total	562,086,200.93	76,090,000.00	-	

(3) Receivables of insignificant amount but with high risk by credit risk combination analysis:

In RMB yuan

Age	Amount by end of period			Amount at beginning of period		
	Balance		Bad debt provision	Balance		Bad debt provision
	Amount	Ratio(%)		Amount	Ratio(%)	
Over 4 years	100,490.70	100.00	100,490.70	359,886.35	100.00	359,886.35
Total	100,490.70	100.00	100,490.70	359,886.35	100.00	359,886.35

- (4) **There's no set-off of other receivables during the period.**
- (5) **There's no other receivables from company holding 5% or over voting shares of the company.**
- (6) **Characteristics or contents of large amount other receivables**

Except for intra-group transactions with subsidiaries, other receivables with large amount includes transactions with Benxi Steel, see Note 6 (6).

(7) **Top 5 customers of Other Receivables**

In RMB yuan

Company	Relationship	Amount	Age	Ratio over total other receivables (%)
Northeast Electric (HK) Co Ltd	Fully-owned subsidiary	175,966,166.77	2-3 years	31.23
Fuxin Enclosed Busbars Limited	Fully-owned subsidiary	132,954,084.99	2-3 years	23.60
Shenyang Kaiyi Electric Co Ltd	Fully-owned subsidiary	103,714,115.42	Over 3 years	18.41
Benxi Steel (Group) Co Ltd.	Non-associate	76,090,000.00	Over 4 years	13.50
Northeast Electric (Beijing) Co Ltd	Fully-owned subsidiary	39,976,696.84	2-3 years	7.09
Total		528,701,064.02		93.83

- (8) **Other Receivables due to Associate is receivable due to fully-owned subsidiary, details see Note. XII. 2 (2).**
- (9) **There's no Other Receivables not complied with recognition conditions during the period.**



3. Long-term Equity Investment

In RMB yuan

Company invested	Method of accounting	Initial investment cost	Balance at beginning of period	Variation	Balance by end of period	Percentage of shares held in co		Reason for difference between percentages of shares held and voting shares	Provision for devaluation during the period	Provision for devaluation during the period	Cash dividends during
						invested (%)	invested (%)				
Northeast Electric (HK) Co Ltd	Method of Cost	156,699,451.63	156,699,451.63	-	156,699,451.63	100	100	-	-	-	-
Shenyang Gaodongjia Desiccation Co., Ltd.	Method of Cost	837,967.00	837,967.00	-	837,967.00	70	70	-	-	-	-
Shenyang Kaiyi Electric Co Ltd	Method of Cost	100,000.00	100,000.00	-	100,000.00	10	10	-	-	-	-
Shenyang Zhaolida Machinery Co Ltd	Method of Cost	100,000.00	100,000.00	-100,000.00	-	100	100	-	-	-	-
Total	-	157,737,418.63	157,737,418.63	-100,000.00	157,637,418.63	-	-	-	-	-	-

Remarks:

The details of long-term investment were totally investments in subsidiaries by the cost method accounting. During this period, Shenyang Zhaolida Machinery Equipment Co., Ltd was cancelled.

4. Income of Sales and Cost of Sales

In RMB yuan

Items	Amount of the period	Amount of last period
Income of Sales by Main Operations	-	2,803,418.81
Cost of Sales by Main Operations	-	2,038,808.56

5. Return on Investment

In RMB yuan

Items	Amount of the period	Amount of last period
Long term equity investment income accounted by the cost method	-	-
Long term equity investment income accounted by the equity method	-	-
Investment income from the disposal of long term equity investment	-11,593.68	-
Investment income from the holding of the trading financial assets	-	-
Investment income from held-to-maturity investment income	-	-
Investment income from the holding of available-for-sale financial assets	-	-
Investment income from the disposal of trading financial assets	-	-
Investment income from held-to-maturity investment	-	-
Investment income from available-for-sale financial assets	-	-
Others	-11,593.68	-



6. Supplementary Information to Cash Flow

	<i>In RMB yuan</i>	
Supplementary Information	Amount of the period	Amount of last period
1. Operational Activity Cash Flow adjusted by Net Profit		
Net Profit	-2,306,877.29	-3,689,779.85
Plus: Provisions for assets diminution		
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	56,092.08	379,882.46
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
Loss on investments (gain is shown as "--")	11,593.68	
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
Decrease of operational account receivables (increase is shown as "--")	4,121,317.11	37,348,408.25
Increase of operational account payables (decrease is shown as "--")	-1,971,880.45	-38,674,457.38
Others		
Net in/out flows generated from operational activities	-89,754.87	-2,607,724.88
2. Major investment and financing activities not affecting cash:		
Debts changed as capital		
Tradeable company bonds due within 1 year		
Lease financing fixed assets		
3. Changes of cash and equivalents:		
Cash at end of period	34,149.16	183,128.75
Minus: cash at beginning of period	35,497.71	2,790,853.63
Plus: cash equivalents at end of period		
Minus: cash equivalents at beginning of period		
Net increase of cash and equivalents	-1,348.55	-2,607,724.88

XII. Supplementary Information

1. Details of current extraordinary profit& loss

In RMB yuan

Items	Amount of the period	Amount of last period
Profit & loss of disposal of non-current asset	-11,593.68	Disposal of subsidiaries' losses
Tax return/exemption with ultra vires approval/or no official approval	-	
Government subsidy taken into profit & loss of the period(closely related to business of the company, except for those enjoyed by certain amount or quantity according to national standards	-	
Fund appropriation fees charged over non-enterprise taken into profit& loss of the period	-	
Revenue generated when cost of investment is less than recognizable fair value enjoyed of acquiring subsidiary, joint venture or joint operation	-	
Profit & loss of non-monetary asset swap	-	
Profit & loss entrusting third party to invest or manage asset	-	
Force majeure,	-	
Profit & loss or debt reorganization	-	
Expenses of reorganization of enterprise, such as placement of employees, integration	-	
Profit & loss over difference between fair value and inappropriate transaction price	-	
Net Profit & Loss of the period of subsidiaries under the same controlling party	-	
Profit & loss by contingent events non-related to normal business of the company	-	
Except for effective hedging, profit & loss of holding transactional financial assets, of variation of fair value of financial assets, of disposal of financial assets, transactional financial liabilities, sellable financial assets	-	
Reverse of account receivable provision by single devaluation test	-	
Profit & loss on entrusted loans	-	
Profit & loss by follow-up fair value of invested real estate	-	
Impact on profit & loss of the period by one-time adjustment according to Law of tax, of accounting, and legal regulations	-	
Trustee fee by entrusted operations	-	
Other Incomes and Expenses except for the above-mentioned	-18,811.05	
Other items complied with definitions of non-operational profit & loss	-	
Amount of impact on Income Tax	-4,702.76	
Impact on Minority Interests (after tax)	-	
Total	-25,701.97	



2. Difference on figures by domestic and foreign Accounting Standards

(1) Difference in Net Profit and Net Asset in financial reports by HK Financial Reporting Standards and by China Standards

In RMB yuan

	Net Profit		Net Worth	
	Amount of the period	Amount of last period	Amount by end of period	Amount at beginning of period
By China Accounting Standards	443,144.24	-10,408,656.38	320,388,161.83	320,994,462.82
Adjusted items and amounts by HK Financial Reports Standards				
Intangible Assets-Utility Modeland Software Amortization	22,500	-	19,000.00	-6,659.07
By HK Accounting Standards	465,644.24	-10,408,656.38	320,407,161.83	313,932,679.10

(2) Remarsk:

The differences between A shares and H shares came from amortization of intangible assets.

3. Ratio of earnings over net asset and earnings per share

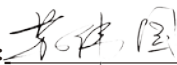

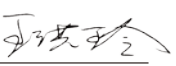
In RMB yuan

Profit in the period	Weighted average earnings over net assets(%)	Earnings per share	
		Primary earnings per share	Diluted earning per share
Net profit due common shareholders	0.17	0.0006	0.0006
Net profit due common shareholders after deduction of extraordinary incomes	0.18	0.0007	0.0007

4. Explanation to extraordinary matters and reasons

In RMB yuan

Items	Variation between beginning and end of period	Variation percentage between beginning and end of period	Note
Bills payable	9,000,000.00	100%	Due to the issuance of bank acceptance for foreign purchase by NNE (Jinzhou), a subsidiary of the Company
Employee compensation payable	1,105,460.43	82.19%	Due to the provision of unpaid employee salary and insurance in this period
Tax payable	-5,939,671.38	-42.89%	mainly due to the reduction of the value-added tax and business income tax payable compared with that at the end of last year
Sales expenses	-10,358,285.12	-42.00%	mainly due to the reduction of expenses in transportation, advertising, tendering and after-sale service
Financial expenses	543,430.97	76.00%	mainly due to exchange loss
Loss of asset devaluation	-1,000,000.00	100.00%	mainly due to the provision of bad debt that had been translated in the same period last year but did not need to be translated in this period
Return on investment	611,769.52	55.00%	mainly due to a decline in the net loss of associates in this period compared with the same period last year
Non-business income	54,447.54	138.00%	mainly due to the increase of gain from the disposal of fixed assets
Non-business expenses	98,530.54	701.00%	mainly due to the increase of loss from the disposal of fixed assets
Income tax expenses	1,899,888.36	994.00%	mainly due to the increase of profit from subsidiaries in the period

Legal Representative: 
 Chief Financial Officer: 
 Chief Accounting Officer: 

Mr. Su Weiguo Mr. Bi Jianzhong Ms. Wang Hongling

Date: 17 August 2010



FINANCIAL STATEMENT

Financial statement prepared under Hong Kong Financial Reporting Standards (unaudited)

Condensed consolidated income statement

For the six months ended 30 June 2010

	<i>Notes</i>	For the six months ended 30 June 2010 RMB'000 <i>(Unaudited)</i>	For the six months ended 30 June 2009 RMB'000 <i>(Unaudited)</i>
Turnover	3	146,384	133,480
Cost of sales		<u>(107,346)</u>	<u>(87,867)</u>
Gross profit		39,038	45,613
Other income		94	205
Distributions costs		(14,064)	(24,422)
Administrative expenses		<u>(20,641)</u>	<u>(29,609)</u>
Other expenses		(125)	(14)
Profit from operations	4	4,302	(8,227)
Interest on bank borrowings		(1,256)	(879)
Investment income from associates		(489)	(1,112)
Profit before taxation	5	2,557	(10,218)
Taxation		<u>(2,091)</u>	<u>(191)</u>
Profit after taxation		466	(10,409)
Profit attributable to minority shareholders		(85)	(96)
Net profit attributable to shareholders		<u>551</u>	<u>(10,313)</u>
Earnings per share — basic	7	<u>0.06Cent</u>	<u>(1.18)Cent</u>



Condensed Consolidated Comprehensive Income Statement

For the six months ended 30 June 2010

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	RMB'000	RMB'000
<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit of current period	466	(10,409)
Exchange gains or losses involved in business abroad other comprehensive loss during the reporting period	(1,049)	(36)
Total of comprehensive income	(583)	(10,445)
Of which:		
Profit attributed to shareholders of the parent company	(498)	(10,349)
Minority interests	(85)	(96)



Condensed Consolidated Balance Sheet

As at 30 June 2010

		At 30 June 2010	At 31 December 2009
		RMB'000	RMB'000
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets			
Property, plant and equipment		77,676	81,126
Prepaid lease payments		4,821	4,878
Interests in associates		87,447	87,936
Available-for-sale investments		215,942	215,942
Other prepayments		8,360	6,831
Deferred tax assets		11,911	11,911
		<u>406,157</u>	<u>408,624</u>
Current assets			
Inventories		72,261	68,983
Accounts receivables and other receivables	8	262,303	293,690
Non-current assets to be disposed		0	0
Pledged bank deposits		20,937	23,073
Bank balance and cash		57,007	42,181
		<u>412,508</u>	<u>427,927</u>
Current liabilities			
Accounts payables and other payables	9	230,511	258,742
Amounts due to associates	12	9,865	9,594
Bank borrowings		31,500	25,350
Provision for loss guarantees		124,968	124,968
Tax payable		587	587
		<u>7,909</u>	<u>3,402</u>
		<u>405,340</u>	<u>422,643</u>
Net current assets		<u>7,168</u>	<u>5,284</u>

**Condensed Consolidated Balance Sheet (Continued)**

As at 30 June 2010

		At 30 June 2010	At 31 December 2009
		RMB'000	RMB'000
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Total assets less current liabilities		<u>410,874</u>	<u>413,908</u>
Capital and reserves			
Share capital	10	873,370	873,370
Reserves		(555,331)	(554,833)
Equity attributed to equity holders of the parent company		318,039	318,537
Minority equity		<u>2,366</u>	<u>2,451</u>
Total equity		<u>320,405</u>	<u>320,988</u>
Non-current liability			
Amounts due to associates		-	-
Amounts due to the invested company	12	92,920	92,920
Other non-current liabilities		<u>-</u>	<u>-</u>
		92,920	92,920
Net assets		<u><u>320,405</u></u>	<u><u>320,988</u></u>



Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to equity holders of the parent												
	Share capital	Capital reserve	Capital contribution	Statutory			Discretionary			Translation reserve	Accumulated losses	Minority interests	Total
				common reserve	Public welfare reserve	common reserve	common reserve	Reserve					
RMB '000	RMB '000	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 2010	873,370	511,060	186,419	81,631	-	32,699	(17,922)	(1,348,720)	318,537	2,451	320,988		
Exchange differences	-	-	-	-	-	-	(1,049)	-	(1,049)	-	(1,049)		
Net Profit of current period	-	-	-	-	-	-	-	551	551	(85)	466		
total comprehensive income	-	-	-	-	-	-	(1,049)	551	(498)	(85)	(583)		
Others	-	-	-	-	-	-	-	-	-	-	-		
At 30 June 2010	873,370	511,060	186,419	81,631	-	32,699	(18,971)	(1,348,169)	318,039	2,366	303,534		
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	-	-	-	-	-	-	(265)	-	(265)	-	(265)		
Net Profit of current period	-	-	-	-	-	-	-	7,727	7,727	(407)	7,320		
total comprehensive income	-	-	-	-	-	-	(265)	7,727	7,462	(407)	7,055		
At 30 June 2009	873,370	511,060	186,419	81,631	-	32,699	(17,922)	(1,348,720)	318,537	2,451	320,988		

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	For the six months ended 30 June 2010	
	1 Jan 2010 to 30 Jun 2010 RMB'000 <i>(Unaudited)</i>	1 Jan 2009 to 30 Jun 2009 RMB'000 <i>(Unaudited)</i>
Net cash lows (inflows) from operating activities	9,721	(7,091)
Net cash lows (inflows) from investing activities	(83)	(2,428)
Net cash lows (inflows) from financing activities	5,188	(2,409)
Decrease (increase) of cash and cash equivalents	14,826	(11,928)
Cash and cash equivalents at the beginning of the period	42,181	30,216
Effects of exchange rate changes		
Cash and cash equivalents at the end of the period		
Bank balance and cash	57,007	18,288

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

The condensed interim financial statements for the six months ended 30 June 2010 of the Company and its subsidiaries (the “Group”) are not audited, but have been reviewed and approved by the audit committee of the Board.

(I) Bases of preparation

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



(II) 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 2010 are consistent with those followed in preparing the financial statements for the year ended 31 December 2009.

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 2010.

Certain new and revised HKFRSs that have been issued by the HKICPA and are effective for the first time during the accounting period of the Group

HKFRS (Amendment)	Improvements to HKFRS issued in 2009
HKFRS 1 (Revised)	Applying HKFRS for the First Time
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK (IFRIC) - Int 17	Distribution of Non-cash Assets to Owners
HK (IFRIC) - Int 18	Transfer of Assets from Customers

Possible effects of new and revised standards or interpretations that have been issued but are not yet effective during the accounting period by the end of 30 June 2010

Effective for accounting periods beginning on or after the following date:

HKFRS (Amendment)	Improvements to HKFRS issued in 2010	1 July 2010 or 1 January 2011
HKFRS 9	Financial Instruments	1 January 2013
HKAS 24(Revised)	Disclosure on Connected Persons	1 January 2011
HK (IFRIC) - Int 19	Offset of Financial Liabilities with Equity Derivative	1 July 2010

(III) Segment information

The Group mainly does business in China through its subsidiaries and associates. According to its internal organization and structure, the Group is mainly engaged in one segment, that is, the production and sale of transmission equipment in China, so it has no segment information presented. Most of the Group's assets and liabilities are in China.

(IV) Profit from operations

	The Group	
	2010	2009
	RMB'000	RMB'000
Profit from operations has been arrived at after deducting:		
Depreciation and amortization and charging	3,567	3,925
Interest income on bank deposits	187	166

(V) 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 (2009: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 (2009: Nil).

As at 30 June 2010, the Company and the Group had no significant deferred tax (2009: Nil).


(VI) 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 2010.

(VII) Earnings per share

The calculation of earnings per share is based on the net profit attributable to shareholders of RMB551,000 (2009:RMB-10,313,000) 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.

(VIII) Accounts receivable and other accounts receivable

	As at 30 June 2010	As at 31 December 2009
	RMB'000	RMB'000
Trade and bill receivables	240,411	275,639
Less: Impairment Provision	(17,463)	(17,463)
Net trade and bill receivables	222,948	258,176
Amounts due from Bengang Group	76,090	76,090
Other receivables	44,327	41,102
Less: Impairment Provision	(103,984)	(103,984)
Net other receivables	16,433	13,208
Prepayment	31,282	29,137
Less: Prepayment over 1 year	(8,360)	(6,831)
Dividends receivable	22,922	22,306
Net account receivable and other receivables	262,303	293,690

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 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	190,236	209,182
1 to 2 years	22,991	36,296
2 to 3 years	1,942	14,334
Over 3 years	25,242	15,827
	240,411	275,639

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 2010, the impairment provision of total account receivable and other receivables is RMB121,447,000 (2009: RMB121,447,000). 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 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	3,384	3,384
1 to 2 years	19,389	19,389
2 to 3 years	5,283	5,283
Over 3 years	93,391	93,391
	121,447	121,447

The changes in the impairment loss are as follows:

	Group	
	As at 30 June 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	121,447	95,998
Impairment loss recognized	-	27,097
Accounts uncollectible repealed	-	(1,648)
At the end of the period	121,447	121,447

(VIII) Accounts payable and other accounts payable

	Group	
	As at 30 June 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts and bills payable	141,208	162,628
Other accounts payable	89,303	96,114
Accounts payable and other accounts payable in total	230,511	258,742

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

	Group	
	As at 30 June 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	125,034	135,190
1 to 2 years	2,952	14,292
2 to 3 years	9,172	9,419
Over 3 years	4,050	3,727
Total	141,208	162,628

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.

Accounts payable and other accounts payable of the Group is in RMB230,511,000.

(X) Share capital

Changes in share capital structure are as below from 31 December 2009 to 30 June 2010:

Unit: RMB

Items	Increase or Decrease during the period (+, -)						Amount at the End of the period
	Amount at the Beginning of the period	Rights offering	Complimen- tary shares	Capitalization on Reserve	Sub-total	Others	
I. Shares subject to trading moratorium							
1. Other domestic shares	-	-	-	-	-	-	-
2. Domestic non-state owned legal person shares	218,255,650	-	-	-	-212,025,650.00	-212,025,650.00	6,230,000.00
Including : domestic legal person share	218,255,650	-	-	-	-212,025,650.00	-212,025,650.00	6,230,000.00
Total :	218,255,650	-	-	-	-212,025,650.00	-212,025,650.00	6,230,000.00
II. Shares not subject to trading moratorium							
1. Common RMB shares (A share)	397,164,350	-	-	-	212,025,650.00	212,025,650.00	609,190,000.00
2. Foreign shares listed abroad (H share)	257,950,000	-	-	-	-	-	257,950,000.00
Total :	655,114,350	-	-	-	212,025,650.00	212,025,650.00	867,140,000.00
III. Total shares	873,370,000	-	-	-	-	-	873,370,000.00

Notes:

On 14 May 2010, the Company relieved 212,025,650 shares with trading restrictions to shares without trading restrictions.



(XI) Post Balance Sheet Events

Capital Increase in Fuxin Closed Busbars Limited

Upon the review and approval of the board of directors on 1 July 2010, Shenyang Kaiyi Electronic Co., Ltd, a wholly-owned subsidiary of the Company, contributed a large sum (US\$ 5,700,000) in cash to purchase the whole newly increased capital of Fuxin Enclosed Busbars Limited, another wholly-owned subsidiary of the Company. On 10 August 2010, the industrial and commercial change registration was done.

(XII) Related Transactions

1. Controlling shareholders of the Group

Name of related party	Place	operations	Relationship	Nature	Shares owned
New Northeast Electric Investment Co., Ltd	Yingkou	Equity investment, etc.	Single top1 shareholder	Limited company	24.28%

2. Associates with transactions

New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited	Shenyang	High-voltage	Associate	Limited company	25.6%
Great Power Technology Limited	British Virgin Islands	Investment	Associate	Limited company	20.8%

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

Name of related party	2010-06-30		2009-12-31	
	Amount	Percent	Amount	Percent
Dividends receivable :				
Great Power Technology Limited	7,562,296.74	62.96	7,632,598.13	48.44
Amounts payable :				
New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Co., Limited	8,123,400.00	5.44	8,123,400.00	4.76
Other amounts payable :				
New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Co., Limited	8,988,909.56	9.08	8,888,909.56	8.41
Great Power Technology Limited	697,912.00	0.7	704,400.00	0.7

By order of the Board

Su Weiguo

Chairman

Shenyang, the PRC, 17 August 2010

As at the date of this announcement, the Board of Directors of the Company is composed of eight directors, including five executive directors namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Bi Jianzhong, Mr. Liu Qingmin and Mr. Wang Yi; and three independent non-executive directors namely Mr. Wu Qicheng, Mr. Xiang Yongchun and Mr. Wang Yunxiao.