



**NEE**

INTERIM REPORT 2012

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.

This report is published in both Chinese and English. If there are any inconsistencies in content, the Chinese version shall prevail.



## BASIC INFORMATION OF THE COMPANY

- (I) 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
- (II) Place of listing, stock names and codes  
A Shares : Shenzhen Stock Exchange  
Stock Name: \*ST Northeast Electric  
Stock code: 000585  
H Shares : The Stock Exchange of Hong Kong Limited  
Stock Name: Northeast Electric  
Stock code: 0042
- (III) Registered address : No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning province, P.R.C  
Office address : No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning province, P.R.C  
Postal Code : 115009  
Company Website : www.nee.com.cn  
E-mail : nee@nee.com.cn
- (IV) Legal representative : Su Weiguo
- (V) Secretary to the Board : Su Weiguo (acting)  
Joint company secretaries and authorized representative for receipt of summons and notices in Hong Kong : Mak Yee Chuen  
Representative for securities affairs : Zhu Xinguang  
Contact address : Room 510, No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou, Liaoning province, P.R.C  
Telephone : 0417-6897566 0417-6897567  
Fax : 0417-6897565  
E-mail : nemm585@sina.com
- (VI) PRC newspapers for information disclosure : Securities Times  
Website publishing the report and announcement : www.cninfo.com.cn www.hkexnews.hk  
Website of the Company : www.nee.com.cn  
Place for inspection of the report : Office of the Board of Directors
- (VII) Date of Company's first registration : 16 February 1993  
Place of registration : No. 18, North Er Zhong Road, Tiexi District, Shenyang, Liaoning Province, the PRC  
Date of the Company's latest change of registration : 9 May 2011  
Registered address : No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning province  
Registered number of corporate business licence : 210100402002708  
Registered taxation number : 210804243437397

## MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS

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

Unit: RMB

	As at 30 June 2012	As at 31 December 2011	Change in the reporting period compared with the end of last year (%)
Total assets	492,607,445.05	557,054,235.74	-11.57%
Owners' equity attributable to shareholders of listed company	243,147,474.44	260,663,611.50	-6.72%
Share capital	873,370,000.00	873,370,000.00	0.00%
Net assets per share attributable to shareholders of listed company (RMB/Share)	0.28	0.30	-6.67%

	From Jan. to Jun. 2012	From Jan. to Jun. 2011	Change in the reporting period compared with the same period of last year (%)
Total operating revenue	57,527,813.22	145,730,069.48	-60.52%
Operating profit	-18,128,967.74	20,533,042.02	-
Total profit	-18,041,365.62	20,538,723.62	-
Net profit attributable to shareholders of listed company	-18,015,241.61	20,036,777.87	-
Net profit attributable to shareholders of listed company after extraordinary items	-18,091,731.71	-6,111,711.74	196.02%
Basic earnings per share (RMB/Share)	-0.0206	0.0229	-
Diluted earnings per share (RMB/Share)	-0.0206	0.0229	-
Return on net assets (%)	-7.15	6.1862	Decreased by 13.3362
Earnings/net assets ratio after extraordinary item (weighted average) (%)	-7.18	-1.94	Decreased by 5.24
Net cash flow from operating activities	-13,702,172.73	-26,602,296.53	48.49%
Net cash flow from operating activities per share (RMB/Share)	-0.0156	-0.0305	48.56%

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

Net profit influenced by net non-operating income and expenditure	87,602.12
Profit or loss from disposal of subsidiaries (“-” means loss)	
Less: amount influenced by income tax	11,112.02
<b>Total</b>	<b>76,490.10</b>

**(II) Prepared under Hong Kong Financial Reporting Standards****Condensed consolidated profit and loss statement***Unit: RMB'000*

	<b>For the reporting period from Jan. to Jun. 2012</b>	<b>The same period last year</b>
Turnover	57,527	145,730
Profit before taxation	(18,604)	19,997
Taxation	11	871
Profit after taxation	(18,615)	19,126
Minority interests	(37)	(369)
<b>Profit attributable to shareholders</b>	<b>(18,578)</b>	<b>19,495</b>

**Condensed consolidated statement of financial position***Unit: RMB'000*

	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Total assets	496,443	560,888
Total liabilities	243,516	289,845
<b>Shareholders' equity</b>	<b>252,927</b>	<b>271,043</b>

**(III) Differences between net profit calculated under Hong Kong Financial Reporting Standards and the PRC Accounting Standards***Unit: RMB*

	<b>Net profit</b>
Under the PRC Accounting Standards	(18,015,241.61)
Under the Hong Kong Financial Reporting Standards	(18,578,241.61)

*Notes: Differences occurred in the reporting period is attributable to the treatment difference in gains on debt restructuring of RMB10,243,866.77 in the Annual Report 2010 for A shares and H shares when reversal of time value of money of 563,000 is taken into account in the current period.*

## CHANGE IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

During the reporting period, there was no change in the share capital.

### II. Table of changes in share capital

During the reporting period, there is no changes in share capital

	Prior to changes		Increase/decrease (+,-)				After changes		
	Quantity	Proportion (%)	New shares issued	Bonus	Capitalization of surplus reserves	Others	Subtotal	Quantity	Proportion (%)
<b>I. Shares subject to trading moratorium</b>	5,999,022	0.69%						5,999,022	0.69%
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	5,999,022	0.69%						5,999,022	0.69%
Including: domestic legal-person shares	5,999,022	0.69%						5,999,022	0.69%
Domestic natural person shares									
4. Overseas shares									
Including: Overseas legal-person shares									
Overseas natural Person shares									
5. Executives' shares									
<b>II. Shares not subject to trading moratorium</b>	867,370,978	99.31%						867,370,978	99.31%
1. Common shares in RMB	609,420,978	69.78%						609,420,978	69.78%
2. Domestic shares listed in PRC									
3. Foreign shares listed overseas	257,950,000	29.54%						257,950,000	29.54%
4. Others									
<b>III. Total shares</b>	<b>873,370,000</b>	<b>100%</b>						<b>873,370,000</b>	<b>100%</b>



### III. Introduction to shareholdings of shareholders

Shareholdings of top ten holders and top ten shareholders holding tradable shares

*Unit: Share*

Total number of shareholders      Total number of shareholders as at the end of 30 June 2012 was 88,304, of which, 88,225 hold A shares and 79 hold H shares.

#### Shareholdings of top ten shareholders

Name of shareholders	Nature of shareholder	Percentage	Number of shares	Number of untradeable shares	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign natural person	28.34%	247,553,998	0	Unknown
New Northeast Electric Investments Co., Ltd.	Domestic ordinary legal person	24.06%	210,113,872	19,022	110,000,000
Xiao Feng	Domestic natural person	0.51%	4,455,900	0	0
Shenzhen Zhongda Software Development Co., Ltd	Domestic ordinary legal person	0.41%	3,550,000	3,550,000	0
Hu Li	Domestic natural person	0.25%	2,157,960	0	0
Wang Qiusheng	Domestic natural person	0.23%	2,006,600	0	0
Xu Yipin	Domestic natural person	0.19%	1,647,295	0	0
Wang Dawei	Domestic natural person	0.19%	1,620,170	0	0
shanxi Qinjian Science and Technology Investment Co., Ltd	Domestic ordinary legal person	0.16%	1,420,000	1,420,000	0
An Shaojin	Domestic natural person	0.13%	1,134,100	0	0

**Shareholdings of top ten holders of tradable shares**

<b>Name of shareholders</b>	<b>Number of tradable shares</b>	<b>Type of shares</b>
HKSCC Nominees Limited	247,553,998	H shares
New Northeast Electric Investments Co., Ltd.	210,094,850	A shares
Xiao Feng	4,455,900	A shares
Hu Li	2,157,960	A shares
Wang Qiusheng	2,006,600	A shares
Xu Yipin	1,647,295	A shares
Wang Dawei	1,620,170	A shares
An Shaojin	1,134,100	A shares
Chen Hua	1,040,000	A shares
Zhang Yuebao	1,034,635	A shares

Connected relations and concerted actions between the above shareholders:

There is no relationship between New Northeast Electric Investments Co., Ltd. and any other shareholders, and 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.

*Notes:*

- On 20 December 2010, New Northeast Electric Investments Co., Ltd. carried out the registration of the pledge of stocks with Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch, so 60,000,000 A shares and 20,000,000 A shares not subject to trading moratorium have been frozen since 20 December 2010;*
- On 18 July 2011, New Northeast Electric Investments Co., Ltd. carried out renewal of registration of the pledge of stocks with Bank of Communications Liaoning Branch so 30,000,000 A shares not subject to trading moratorium have been frozen since 18 July 2011.*

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





## **PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

### **I. Shareholdings of directors, supervisors and senior management**

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

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

During the reporting period, there was no directors, supervisor and senior management appointed or removed in the Company.

### **III. Interest of directors, supervisors and senior management**

As at 30 June 2012, 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

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

During the reporting period, the macro-economic situation was more complicated and the potential operating risk increased. Facing the ever-changing external environment and increasingly fierce market competition, the Company strengthened the research and development efforts and proactively tapped its markets by controlling cost, reducing consumptions and internal development. At the same time, the Company made its effort to overcome such challenges as production cost, finance environment and external market, in order to realize the strategic object of “Ensure the stable operation and seek development opportunities” set up by the Board.

During the reporting period, the operating income of the Company amounted to RMB57,530,000 with a decrease of 60.5% compared with the same period last year, and the net profit was RMB-18,040,000 with a decrease of RMB37,710,000 compared with the same period last year. Whereas the operating income plunged compared with the same period last year, mainly attributable to the order decrease and delivery goods delayed as result of customers, as well as changes in the external marketing environment of the wholly-owned subsidiary, Northeast Electric (Beijing) Limited; the net profit plummeted compared with the same period last year, mainly attributable to the operating income slumped and the profit source in the last period was mainly attributable to the gain from disposal of equity investment, while there was no such gain in the reporting period.

Under the calculation of the Hong Kong Financial Reporting Standards, the turnover was RMB57,527,000, decreasing by 60.52% from RMB145,730,000 compared with the same period last year; the profit attributable to shareholders after tax and minority interests was RMB-18,578,000, with the profit per share amounting to RMB-0.0213.

As there was no interim dividend paid during the reporting period, the directors does not resolve to pay the interim dividend for the period of six months ended 30 June 2012.



**(I) The risk factors analysis on the adverse effect from achieving the Company's strategic development and operation objects in the future**

1. Risks from macro policies

The macro-economic environment is tough and economic growth is declining, and so the uncertain factors of market expectation are increasing. The industry of the Company is closely connected with the industry policies and macro-economic policies in the nation. If there are major adjustments in macro-economic policies, the whole market scale of the principal operations of the Company will be affected adversely, and the operation results will also face a great risk.

2. Risks from intensifying market competition

The market competition of the industry is intensifying, and the market competition develops with a branded and personalized service trend.

3. Risks from cost and expense change

With the market price change, the increased labor force cost rigidity and the squeezed margin profit, there are uncertainties in the profit projection of the Company.

4. Risks from the loss of core technical personnel

When the industry technology continues to upgrade and the market competition is increasingly fierce, the competition of related technology talent is also becoming drastic. If the Company is unable to effectively maintain and constantly improve the incentive mechanism in core technical personnel, which will not only affect their role in enthusiasm and creativity, but also affect the construction of reserve force of the core technical team and cause the brain drain. Thus, it will adversely affect the production and operation of the Company.



**(II) Outlook of the second half year and solutions to be adopted**

The year 2012 is a milestone for maintaining its listing position in the capital market. The Company will carefully analyse the difficulties and uncertainties in operation, and stick to the operation development concept against various difficulties. Also, the Company will fully focus on the changes in macro-economic policies and take active measures to the uncertainties arising from the external economic environment with the aim to improve the abilities in market competition.

In order to gain the operation objective of turning loss into profit, the Company will focus on taking the following measures to operate smoothly:

- (1) To closely keep an eye on market conditions and proactively expand the product sale market to augment the market shares to some extent; meanwhile, to complete the product sale basic management to decrease the product sale cost;
- (2) To enhance the research and development in technology, optimize product processing technique and cut the cost in product design and manufacture to improve the product competitiveness;
- (3) To further improve the mechanism of talents training, consummate the incentive measures, stabilize and strengthen the core technical team;
- (4) To continue boosting internal control system construction, strengthen the internal control management of production and operation, carry out an internal audit, revise and perfect every internal control management system to enhance the abilities of keeping away from the comprehensive risks;
- (5) To strengthen the expense management and cost control, decrease the operation costs, expand the operation fields in subcontracting, technology consultation and service, products maintenance so as to increase income and gain;
- (6) To enhance the capital management to improve its usage effectiveness; To put more efforts in receiving the accounts receivable and debts and accelerate capital turnover to improve the operation environment; to reasonably organize the production, shorten its production cycle and reduce the capital occupancy to create a good condition for recovering accounts receivable efficiently.

**(III) The Board of Directors has no plan to modify the operating plans in the second half of 2012**



## II. 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 power capacitor and closed busbar.

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

As at the end of the reporting period, the balance of monetary fund was RMB27,390,000 (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 RMB8,000,000, representing 1.61% of the total assets. These bank loans bear fixed interests.

The debt equity ratio of the Company was 3.17% (debt equity ratio= total bank loan/total share capital reserve \* 100%).

As at the end of the reporting period, the Company had net assets of RMB30,710,000 used as security.

The contingencies of the Company were detailed in 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 2012 of the Group was detailed in "Subsequent Events".

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

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

- I. During the reporting period, the Company recorded operating income of RMB57,530,000, operating cost of RMB54,740,000, gross profit ratio of 4.86% and operating profit of RMB-18,129,000.

Constitution of operating income and profit of the Company by business, product and geographical segment:

**Operating income by business and product segment**

*Unit: RMB 0'000*

By Business or Product	Operating income	Operating cost	Gross profit ratio (%)	Increase / decrease in operating income as compared with last year (%)	Increase / decrease in operating costs as compared with last year (%)	Increase / decrease in gross profit ratio as compared with last year (%)
<b>1. By business</b>						
Electric transmission and transformation	5,753	5,474	4.86	-60.49	-46.83	-24.44
Of which: connected transactions						
<b>2. By product</b>						
Power capacitor	2,116	2,174	-2.74	-78.20	-65.51	-37.81
Enclosed busbar	1,047	806	23.02	-56.97	-49.18	-11.79
High voltage switch circuit breaker	2,590	2,494	3.71	6.76	3.57	2.97
Others	0	0	0	0	0	0
Of which: connected transactions						

**Operating income by geographical segment***Unit: RMB 0'000*

Region	Operating income	Increase/decrease in operating income as compared with last year (%)
Northeast	943.00	-21.42
North China	3,389.00	25.89
Central China	190.00	40.74
East China	274.00	-97.08
South China	205.00	26.54
Southwest	304.00	-56.51
Northwest	159.00	40.71
Others	289.00	59.67
Total	5,753.00	60.52

2. Explanation of reasons for the major changes in principal business and its structure (Not applicable).

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

Sales proportion of products with higher profit margin dropped and caused the decline in the general principal operation capability.

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

Firstly, sales income in this period decreased and gross profit margin decreased; secondly, the profit in this period was income from sales of 25.6% equity interest in New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited, and there was no such income in previous period.

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).

(III) Operation of investee companies (applicable to situations that the investment income accounts for over 10% of the Company's net profit) (not applicable)

(IV) 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 (%)
Bills receivable	300,000.00	100,000.00	200.00
Advance from customers	12,416,540.26	36,939,448.50	-66.39
Taxes payable	-5,077,623.48	(868,881.41)	484.39
Prepayments	10,473,249.37	15,295,379.26	-31.53

Notes:

1. The increase in bills receivable was due to the increase in the payment from the customer of subsidiaries;
2. The decrease in advance from customers was due to the decrease in prepayments of the customer;
3. The decrease in taxes payable is attributable to corporate income tax and VAT prepaid by subsidiaries;
4. The decrease in prepayments is due to receipt of goods.

Unit: RMB

Item	Amount of this period	Amount of the same period last year	Increase/decrease (%)
Operating income	57,527,813.22	145,730,069.48	-60.52
Operating costs	54,737,923.42	103,033,400.84	-46.87
Business tax and surcharges	234,574.69	1,715,693.64	-86.33
Sales expenses	5,578,284.44	18,920,401.10	-70.52
Financial expenses	281,906.53	796,223.73	-64.59
Losses on assets depreciation		3,855,618.28	-100.00
Incomes from investment	-13,142.79	24,412,034.90	-100.00
Non-operating incomes	109,357.66	20,035.91	445.81
Non-operating expenses	21,755.54	14,354.31	51.56





*Notes:*

- 1. The decrease in operating income was due to the decrease in sales of main products of the Company in this period;*
- 2. Operating costs, business tax and surcharges as well as sales expenses were the same as above;*
- 3. The decrease in financial expenses was due to the decrease in bank loans;*
- 4. The decrease in losses on assets depreciation was mainly due to no bad debts in the reporting period;*
- 5. The investment income increased, mainly because it was recorded as equity investment income in the previous year while there was no such gains in the reporting period;*
- 6. The increase in non-operating incomes and expenses were due to the disposal of fixed assets without useful value.*

### **III. Investments of the Company**

#### **1. The use of raised capital during the reporting period**

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

#### **2. The circumstances and actual progress for non-raised capital investment project**

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



## SIGNIFICANT EVENTS

### I. Personnel Changes

Please refer to “Profiles of directors, supervisors and senior management”.

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

As at 30 June 2012, the number of employees on the payroll of the Company was 603, compared with 666 in 2011. 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.

### III. Corporate governance structure

At present, the actual corporate governance structure complies with the related requirements of securities regulatory authorities.

### IV. Profit distribution plan and its implementation

During the reporting period, the Company recorded net profit distributable to the parent company of RMB-18,015,241.61, and the accrued profit distributable to shareholders at the end of the period was RMB-1,587,736,388.10. Therefore, the Board resolved not to make any profit distribution and not to transfer any capital reserve into share capital during the reporting period.

As there was no interim dividend paid during the reporting period, the directors does not resolve to pay the interim dividend for the period of six months ended 30 June 2012.



## V. Material litigation and arbitration

### **Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office for the debt of RMB351.75 million**

As at the end of the reporting period, there is no recent progress for the litigation disclosed in Annual Report 2011 dated 29 March 2012.

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

## VI. Acquisition and disposal of assets

During the reporting period, there is no acquisition or disposal of assets in the Company.

Disposal of 10.2% equity interest in Shenyang Zhaoli High-Voltage Electric Equipment Co., Ltd. (“Zhaoli Electric”)

The disposal of 10.2% equity interest in Shenyang Zhaoli High-Voltage Electric Equipment Co., Ltd was considered and passed at the 2011 EGM held on 28 November 2011.

The Company transferred the 10.2% equity interests in Fuxin Enclosed Busbars Company Limited, a wholly-subsiary to New Northeast Electric Group Sales Company Limited (the company and its ultimate beneficial owner were third parties independent of and not connected with the Company and its connected persons) at a consideration of RMB103,000,000, and changes in industrial and commercial registration were completed on 21 December 2011.

Please refer to the announcements dated 10 October 2011 and 28 November 2011 for details of the aforesaid matters.

As at the end of the reporting period, there is still outstanding payment of RMB50,000,000 for the transfer due from the other party of the transaction, the controlling shareholder of Zhaoli Electric, New Northeast Electric Group Sales Company Limited.

## VII. Connected transactions

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

## VIII. Use of capital of controlling shareholders and their subsidiaries

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

## IX. Guarantees for the controlling shareholders and their subsidiaries of the Company

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

## X. Significant contracts and their executions

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

### (II) Guarantees

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

As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totalled RMB77,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB77,050,000, accounting for 29.41% of the audited net assets of the Company for 2011.

#### (1) External guarantees of the Company

As at the end of the reporting period, the actual external guarantee of the Company totalled RMB77,050,000; RMB52,900,000 for Jinzhou Power Capacitors Co., Ltd; RMB24,150,000 for Shenyang Kingdom Hotel Co., Ltd.

#### (2) Guarantees for the holding subsidiaries of the Company

Nil.

#### (3) Guarantee of the Company for the guaranteed company with debt to assets ratio over 70%

As at the end of the reporting period, the guarantee of the Company for Jinzhou Power Capacitors Co., Ltd with debt to assets ratio over 70% was RMB52,900,000, accounting for 20.19% of the audited net assets of the Company for 2011, which was translated into liabilities in total in 2007.

#### (4) The Company hasn't any other guarantees for its shareholder, actual controller and other parties concerned.



## **XI. Performance of publicly disclosed undertakings by the Company or shareholders representing 5% or more of the shareholdings**

To implement the Share Reform Scheme of the Company smoothly, New Northeast Electric Investments 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 be less than RMB5 per share.

During the reporting period, New Northeast Electric Investment Co., Ltd has strictly fulfilled the above promises.

## **XII. External investments**

There was no external investment during the reporting period.

## **XIII. 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.

## **XIV. 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 Hui [2003] No. 56), and the Notice of China Securities Regulatory Commission on Avoiding the Rebound of Fund Occupation through Intensifying Continuous Supervision (Listing Division Letter [2008] No.118), issue the following special representation and independent opinion after investigation and verification to relevant personnel on the Company's funds occupied by controlling shareholders and other connected parties as well as on the Company's foreign guarantees based on the information provided by the Board:

- (I) **The Company complied with the provisions of relevant laws and regulations, and its controlling shareholders and other connected parties did not occupy the Company's funds during the reporting period.**
- (II) **During the reporting period, the Company had no new guarantees.**

As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totalled RMB77,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB77,050,000, accounting for 29.41% of the audited net assets of the Company for 2011.

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*

## **XV. 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.

## **XVI. 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.



## **XVII. Report of corporate governance**

### **(I) Code of Corporate Governance Practice**

The Company's directors confirm that the Company has fully complied with the provisions of Code of Corporation Governance Practices within six months as at the end of 30 June 2012, and disclosed result report in accordance with these provisions. The Code of Corporation Governance Practices includes the clauses set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **(II) Audit Committee**

The Company has established the audit committee in accordance with the Rule 3.21 of 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 2012.

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 2012.

At the meeting held on 22 August 2012, the audit committee review and approve the 2012 semi-annual financial records and results announcement.

### **(III) Independent non-executive directors**

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



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

During the reporting period, the Company 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 insiders (including the Company’s directors, supervisors, senior management and controlling shareholders, actual controllers as well as connected parties, as defined in the Listing Rules) stating that purchase and sales of shares of the Company shall comply with relevant regulations and forbidding the insider purchase or sales of shares with inside information: no transactions of the company securities shall be carried out during the price-sensitive time within one month prior to results announcement (the lock-up period is from 22 July to 22 August 2012).

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

**(V) Directors’ liability insurance**

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

**XVIII. Income tax**

The Company is subject to income tax at the applicable rate of 25%. It had no assessable profits in Hong Kong during the reporting period. Please refer to notes to the financial statement “Taxation”.

**XIX. 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 the management were not subject to any compulsory procedures.**





## XX. 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 Investor 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.

## XXI. Announcement index on major matters in 2012

During the reporting period, all of the Company's announcements were published on Securities Times and information disclosure websites. Please visit [www.cninfo.com.cn](http://www.cninfo.com.cn), [www.hkexnews.hk](http://www.hkexnews.hk) and [www.nee.com.cn](http://www.nee.com.cn) for details. The major information is disclosed as follows:

Item	Newspaper Name and Space	Publishing Date	Website and Searching Route
Annual Results Forecast of 2011	Securities Times	18 January 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Relocation Announcement	Securities Times	28 February 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement for Litigation Progress	Securities Times	21 March 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Summary of Annual Report 2011	Securities Times	30 March 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Firstly Quareterly Results Forecast of 2012	Securities Times	13 April 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The First Quarterly Report of 2012	Securities Times	25 April 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Interim Results Forecast of 2012	Securities Times	12 July 2012	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## XXII Subsequent events

Nil.



## 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, person in charge of accounting function and person in charge of accounting 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 report prepared under the PRC Accounting Standards (unaudited)

## Consolidated Balance Sheet

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Current Assets:			
Monetary fund	V. 1	44,402,509.86	56,684,837.59
Settlement excess reserve			-
Funds offered in inter-bank markets			-
Tradable financial assets			-
Bills receivable	V. 2	300,000.00	100,000.00
Amounts receivable	V. 3	124,421,377.57	169,640,050.02
Prepayment	V. 4	10,473,249.37	15,295,379.26
Premium receivable			-
Reinsurance receivable			-
Reserve of reinsurance arrangement receivable			-
Interest receivable			-
Dividends receivable	V. 5	7,066,546.27	7,027,538.11
Other receivables	V. 6	65,047,219.65	59,400,764.54
Purchase of buyback financial assets			-
Inventories	V. 7	45,823,662.05	49,658,477.54
Non-current assets due within 1 year			-
Other current assets			-
<b>Total current assets</b>		<b>297,534,564.77</b>	<b>357,807,047.06</b>

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

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Non-current assets:			
Deposits and advances			-
Available-for-sale financial assets			-
Held-to-maturity investments			-
Long-term accounts receivable			-
Long-term equity investment	V. 8	109,858,276.22	109,303,378.03
Invested real estate			-
Fixed assets	V. 9	66,298,721.30	69,377,374.24
Construction in progress	V. 10	228,933.81	228,933.81
Material of works			-
Liquidation of fixed assets			-
Producing bio-material assets			-
Assets of oil and gas			-
Intangible assets	V. 11	4,538,914.80	4,606,659.57
Expenditures of development			-
Good will			-
Long-term deferred expenses	V. 12	5,073,917.28	6,656,726.16
Deferred income tax assets	V. 13	9,074,116.87	9,074,116.87
Other non-current assets			-
Total non-current assets		195,072,880.28	199,247,188.68
Total assets		492,607,445.05	557,054,235.74

Legal representative: Su Weiguo

Chief financial officer: Liu Tongyan

Chief accounting officer: Wang Hongling



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

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Current liabilities:			
Short-term borrowings	V. 16	8,000,000.00	8,000,000.00
Borrowings from central bank			-
Deposits received & by inter-banks			-
Funds received from inter-bank markets			-
Transactional financial liabilities			-
Bills payable			-
Accounts payable	V. 17	57,285,812.34	72,505,815.69
Advance	V. 18	12,416,540.26	36,939,448.50
Buyback financial assets sold			-
Fees payable & commission			-
Employee compensation payable	V. 19	2,051,899.68	2,470,365.80
Taxes payable	V. 20	-5,077,623.48	-868,881.41
Interest payable			-
Dividends payable		40,017.86	40,017.86
Other payables	V. 21	57,723,182.30	60,046,480.12
Reinsurance payable			-
Reserve of reinsurance arrangement			-
Payments of entrusted purchase & selling stocks			-
Payments of entrusted underwriting stocks			-
Non-current liabilities due within 1 year			-
Other current liabilities	V. 22		200,000.00
Total current liabilities		132,439,828.96	179,333,246.56

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

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Non-current liabilities:			
Long-term borrowings			-
Bonds payable			-
Long-term accounts payable			-
Special payables			-
Estimated liabilities	V. 23	115,715,007.25	115,715,007.25
Deferred income tax liabilities		-	-
Other non-current liabilities	V. 24	-	-
Total non-current liabilities		115,715,007.25	115,715,007.25
Total liabilities		248,154,836.21	295,048,253.81
Owners' equity (or shareholders' equity):			
Paid-up capital (or share capital)	V. 25	873,370,000.00	873,370,000.00
Capital reserves	V. 26	883,422,403.92	883,422,403.92
Less: shares in store		-	-
Capital reserves		-	-
Surplus reserve	V. 27	108,587,124.40	108,587,124.40
Normal risk provision			-
Retained profit	V. 28	-1,587,736,388.10	-1,569,721,146.49
Difference of exchange of foreign-currency report		-34,495,665.78	-34,994,770.33
Total interests attributable to parent company's owners		243,147,474.44	260,663,611.50
Minority interests		1,305,134.40	1,342,370.43
Total owners' equity		244,452,608.84	262,005,981.93
Total liabilities and owners' equity		492,607,445.05	557,054,235.74



## Consolidated Income Statement (Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
I. Total operating revenue		57,527,813.22	145,730,069.48
Including: Operating income	V. 29	57,527,813.22	145,730,069.48
Interest income			-
Earned premium			-
Charges and commissions			-
II. Total operating costs		75,643,638.17	149,609,062.36
Including: Operating costs	V. 29	54,737,923.42	103,033,400.84
Interest expenses			-
Commission expenses			-
Surrender value			-
Net amount of payouts			-
Net provision drawn for insurance contract			-
Policy dividend expenses			-
Reinsurance expenses			-
Taxes and surcharges for operations	V. 30	234,574.69	1,715,693.64
Sales expenses		5,578,284.44	18,920,401.10
Administrative expenses		14,810,949.09	21,287,724.77
Financial expenses		281,906.53	796,223.73
Losses on assets depreciation	V. 31		3,855,618.28
Plus: Incomes from changes of fair value ("-" refers to loss)			
Incomes from investment ("-" refers to loss)	V. 32	-13,142.79	24,412,034.90
Including: investment income from associates and joint venture companies			
Exchange gains ("-" refers to loss)			

**Consolidated Income Statement (Continued)**  
**(Unaudited)**

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
III. Operating profits (“-” refers to loss)		-18,128,967.74	20,533,042.02
Plus: Non-operating incomes	V. 33	109,357.66	20,035.91
Less: Non-operating expenses	V. 34	21,755.54	14,354.31
Including: Losses on disposal of non-current assets			
IV. Total profits (“-” refers to loss)		-18,041,365.62	20,538,723.62
Less: Income tax expense	V. 35	11,112.02	871,168.35
V. Net profits (“-” refers to loss)		-18,052,477.64	19,667,555.27
Net profit attributable to owners of the parent company		-18,015,241.61	20,036,777.87
Minority interests		-37,236.03	(369,222.60)
VI. Earnings per share:			
(1) Basic earnings per share	V. 36		0.0229
(2) Diluted earnings per share	V. 36		0.0229
VII. Other comprehensive income	V. 37	499,104.55	(877,035.22)
VIII. Total comprehensive income		-17,553,373.09	18,790,520.05
Total comprehensive income attributable to owners of the parent company		-17,516,137.06	19,159,742.65
Total comprehensive income attributable to minority shareholders		-37,236.03	(369,222.60)





## Consolidated Cash Flow Statement (Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
<b>I. Net cash flow from operating activities:</b>			
Cash from sales of goods, services provided		88,240,630.82	233,591,310.10
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 market			
Net increase of funds of buyback business			
Taxes refunded received			
Cash received relating to operations	V. 38(1)	6,381,369.02	14,472,907.53
Subtotal of cash inflows from operating activities		94,621,999.84	248,064,217.63
Cash paid to purchase goods, received labor		55,690,858.80	199,635,080.67
Net increase of customer loans			
Net increase of deposits with central bank and inter-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		11,848,115.37	11,746,676.21

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

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
Taxes paid		6,978,828.39	26,901,305.68
Cash paid relating to operations	V. 38(2)	33,806,370.01	36,383,451.60
Subtotal of cash outflows from operating activities		108,324,172.57	274,666,514.16
Net cash flow arising from operating activities		-13,702,172.73	-26,602,296.53
<b>II. Net cash flow arising from investment activities:</b>			
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		96,985.00	
Net cash received from disposal of subsidiaries and other operating units			
Cash received from other investment-related activities			
Subtotal of cash inflows from investment activities		96,985.00	
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		806,331.95	40,456.43
Cash paid to invest			
Net increase of pledged loans			
Net cash paid to subsidiaries and other operational units			
Cash from other investment-related activities			
Subtotal of cash outflows from investment activities		806,331.95	40,456.43
Net cash flow arising from investment activities		-709,346.95	-40,456.43



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

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
<b>III. Net cash flow arising from financing activities:</b>			
Cash received for new investment			
Including: subsidiaries receive cash from minority shareholders			
Cash received from borrowing			
Cash received by issuing bonds			
Cash received from other financial-related activities			
Subtotal of cash inflows from financing activities			
Cash paid to repay loans			12,000,000.00
Cash paid to dividends, profit or interests		294,308.05	1,337,880.02
Including: subsidiaries' dividends, profits paid to minority shareholder			
Cash paid to other financial-related activities			
Subtotal of cash outflows from financing activities		294,308.05	13,337,880.02
Net cash flow arising from financing activities		-294,308.05	-13,337,880.02
<b>IV. Effect of change of foreign currency rates on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
Plus: balance of cash and cash equivalents at beginning of period		-14,705,827.73	-39,980,632.98
		42,095,840.09	74,789,999.34
<b>VI. Plus: balance of cash and cash equivalents at the end of period</b>			
		27,390,012.36	34,809,366.36

## Notes to the Financial Statements from January to June 2012

### I. Basic information of the Company

1. **Registered address: No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning, with Headquarters situated at: No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning. Legal representative: Su Weiguo.**
2. **The Company engages in producing and selling electricity transmitting and transforming equipments, corollary equipments, and providing relative after-sale services, and services of developing electricity transforming technology, consulting, transferring and experimenting. Registered Capital of the Company is 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 22, 2012, during the 17th session of the 6th 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 2012, and of the results of its operations and its cash flows for the period between January and June of 2012 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 book value of net assets acquired by the consolidating party and book value of the consideration for consolidation 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 abovementioned 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 is 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 Statements

- 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, Pro forma 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 spot rate of date of transaction.
- c. Non-monetary foreign currency items calculated 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. Follow through computation of financial assets 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 shows 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 assets 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, and diminution provisions are set at difference between prediction of future cash value and current book value if evidences show depreciation. For account receivables of insignificant amounts and tested not to be depreciation, 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 accrue 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 Accounts receivable

### (1) Recognition of bad debt provision for significant single accounts receivable and its provision:

Recognition of bad debt provision for significant single accounts receivable	Over RMB1 million
Bad debt provision for significant single accounts receivable	Aging Method

### (2) Base of recognition and accrue of account receivables of insignificant amount with high risk after method of credit risk combination analysis:

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

### (3) Aging Method

Age	Percentage of provision for accounts receivable (%)	Percentage of provision for other accounts receivable (%)
Within 2 years	-	-
2 to 3 years	40	40
3 to 4 years	60	60
Over 4 years	100	100



## 11. Inventories

### (1) Classification of inventories

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

### (2) Method for calculating value of inventories delivered

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

### (3) Recognition of net realizable value of inventory and provision for inventory impairment

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 determination of its market price.

### (4) Inventory system

Inventories are recorded by perpetual method.

### (5) Amortization of low-value consumable and packaging materials

Low-value consumable

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

Packaging materials

One time amortization is adopted for low-value packaging materials 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 provisions:

- 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 is 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 provisions:
  - 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 provisions 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) Method for subsequent measurement and profit or 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 calculated.



- 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 is to adjust the cost of investment. Cash dividends or profit distributed by the invested company are recognized as return on investment of the period.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly. Returns 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 be reported in shareholder's equity accordingly.

**(3) Basis of recognition of having joint control or significant influence over the investee**

- A. Joint control is the contractually agreed sharing of control over an economic activity, which only exists when relevant and important financial affairs and management decisions related to such economic activity require sharing of control by investors who unanimously agree upon.
- B. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, but to fail to control or joint control the formulation of such policies together with other parties. In determining whether there is significant influence over the investee, potential voting right factors (such as the convertible corporate bonds for the period and the exercisable stock warrants for the period of the investee and other invested units held) were taken into account.



**(4) Impairment test method and impairment provision**

Long-term investment is checked item by item on balance sheet date for any signs of impairment. 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; impairment provision is accrued accordingly. An impairment loss recognized on long-term investment shall not be reversed in a subsequent accounting period.

**13. Invested real estate**

Invested real estate of the Company is those held for renting income or increment of capital, or both. Mainly including:

- (1) Leased land use rights;
- (2) Land use rights held and provided for transfer after appreciation;
- (3) Leased construction.

Invested real estate is calculated by Cost Method.

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

On balance sheet date, invested real estate is 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 for recognition of fixed assets**

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year.

**(2) Method for depreciation of different fixed assets**

Category	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	20-40	3	2.43-4.85
Machinery and equipment	8-20	3	4.85-12.13
Transportation equipment and others	6-17	3	5.71-16.17



**(3) Impairment test method and impairment provision on fixed assets**

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 assets 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; impairment provision is accrued accordingly. An impairment loss recognized on fixed assets shall not be reversed in a subsequent accounting period.

**(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 net residual values.

**15. Work in progress**

**A. Calculation of work-in-progress**

Work in progress includes construction preparation, building works, installation works, technological transformation works and general overhaul works under construction. Work in progress is calculated by each project in accordance with actual expenditures and transferred to fixed assets when it has reached the working condition for its intended use. Borrowing expenses (including borrowing interests, amortization of premiums and discount and gains or loss of foreign exchange) relating to construction in progress shall be taken into the project costs before reaching the expected condition for use and included into the financial expenses of the current period after reaching the expected condition for use.

**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. An impairment loss recognized on work in progress shall not be reversed in a subsequent accounting period.





## 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 asset, and change those different from the present methods in practice.
- D. Provision for intangible assets devaluation

By end of the reporting 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. A loss recognized on intangible assets devaluation shall not be reversed in a subsequent accounting period.

**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**

Income is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

**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. Income from use of rights of alienated assets**

Income from use of rights of alienated assets includes interest income, income from charge for use, etc.;

Interest income, is reported according to time and effective interest rates used by other parties; royalty income 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 nonmonetary asset with no consideration. Subsidy by the Government received by the Company are recognized as deferred income, and are 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 assets 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 assets/deferred income tax liabilities**

### **A. Recognition of deferred income tax assets**

- a. The Company is likely to recognize relevant deferred income tax assets to the extent of income tax payable available for deducting deductible temporary difference. With exception of deferred income tax assets arising from initial recognition of assets or liabilities with the following characteristics at the same time:
  - 1/ Such transactions are not due to corporate consolidation;
  - 2/ Neither profit nor taxable income (or deductible loss) will not be affected when transactions occur.
- b. Deductible temporary difference related to investments of the Company in subsidiaries, associates and joint ventures is recognized as deferred tax assets are recognized if the following conditions are satisfied at the same time:
  - 1/ Temporary difference is likely to be written back in the foreseeable future;
  - 2/ Income tax payable possibly utilized to deduct the deductible temporary difference.
- c. The Company recognizes a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

**B. Recognition of deferred income tax liability**

All the 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 deductible loss) will not be affected when transactions occur.
- c. Taxable temporary difference related to investments of the Company in subsidiaries, associates and joint ventures are recognized as deferred tax liabilities are recognized if the following conditions are satisfied at the same time:
  - 1/ The investing company can control the time of reversal the temporary difference;
  - 2/ Temporary difference is not likely to be written back in the foreseeable future.

**23. Changes in Major accounting policy, or accounting valuation**

There's no change in the accounting policy or valuation of the Company in current period.

**24. Correction to previous accounting errors**

There's no correction to previous accounting errors.

**25. Other major accounting policies, accounting valuation, and methods for preparation of financial statements**

Nil.



### III. Taxation

#### 1. Major types of tax and rates

Categories	Tax base	Tax rate (%)
Value added tax	Sales tax less deductible purchase sales	17
Business tax	Taxable income	5
Urban maintenance and construction tax	Value added tax and business tax payable	7
Surtax for education expenses	Value added tax and business tax payable	3,4
Enterprise income tax	Taxable income	Refer to III. 2

#### 2. Tax preferences and relative official grants

- (1) The Company and its subsidiaries such as Jinzhou Jinrong Electric Co., Ltd., Fuxin Enclosed Busbars Limited, Shenyang Kaiyi Electric Co., Ltd., New Northeast (Jinzhou) Power Capacitors Co., Ltd., and Northeast Electric (Beijing) Co., Ltd. are subject to the enterprise income tax rate of 25%.
- (2) Northeast Electric (HK) Co., Ltd. is a wholly owned subsidiary of the company registered in HKSAR of the PRC, and its income rate is 16.5%.
- (3) 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. Enterprise consolidation and consolidated financial statements

### 1. Subsidiaries

#### (1) Subsidiaries setup or invested

Full name	Type	Place of registration	Business	Registered capital	Business scope	Actual amount of contribution at end of period	Other balances constituting investments to subsidiaries	Percentage of shares held (%)	Percentage of voting rights (%)	Consolidated statement or not	Minority interests	Amount of minority interest to offset profit & loss of minority interests	Balance of parent company's owner'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 (Hong Kong) Limited	Fully-owned	Hong Kong	Trade	USD20 million	Investment, trade	USD20 million	-	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	RMB2 million	Sales of machinery, electric equipment, hardwares	RMB2 million	-	100	100	Y	-	-	-
Shenyang Kaiyi Electric Co., Ltd	Fully-owned	Shenyang	Manufacturing	RMB1 million	Manufacturing high-voltage electric equipment, switches system, electric capacitor	RMB1 million	-	100	100	Y	-	-	-
Fuxin Enclosed Busbars Company Limited	Fully-owned	Fuxin	Manufacturing	USD8.5 million	Manufacturing enclosed busbars	USD8.5 million	-	100	100	Y	-	-	-



## (2) Subsidiaries under the same controlling parties by merge

Full name	Type	Place of registration	Business	Registered capital	Business scope	Actual amount of contribution at end of period	Other balances constituting investments to subsidiaries	Percentage of shares held (%)	Percentage of voting rights (%)	Consolidated statement or not	Minority interests	Amount of minority interest to offset profit & loss of minority interests	Balance of parent company's owner'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 Capacitors Co., Ltd													
Electric (Jinzhou) Power Capacitors Co., Ltd	Fully-owned	Jinzhou	Manufacturing	USD15.45 million	Manufacturing capacitor and static var compensator	USD15.45 million	-	100	100	Y	-	-	-
Jinzhou Jinrong Electric Co., Ltd													
Jinzhou Jinrong Electric Co., Ltd	Holding subsidiary	Jinzhou	Manufacturing	RMB3 million	Dry high-voltage capacitor	RMB2.0925 million	-	69.75	69.75	Y	951,958.68	-	-

## (3) Subsidiaries under different controlling parties by merger

Full name	Type	Place of registration	Business	Registered capital	Business scope	Actual amount of contribution at end of period	Other balances constituting investments to subsidiaries	Percentage of shares held (%)	Percentage of voting rights (%)	Consolidated statement or not	Minority interests	Amount of minority interest to offset profit & loss of minority interests	Balance of parent company's owner'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 Desiccation Equipment Co., Ltd.													
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Holding subsidiary	Shenyang	Manufacturing	USD0.7785 million	Metal box and drying equipment manufacturing	USD0.54495 million	-	70	70	Y	476,177.11	-	-

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**

There was no change in scope of consolidation.
4. **No new member of consolidation or member left out of consolidation**
5. **No consolidation under the same controlling party during the period**
6. **No consolidation under different controlling party during the period**
7. **No less subsidiary by selling equity stocks**
8. **No retro-purpose during the period**
9. **No consolidation by merger during the period**
10. **Exchange rates of principal financial statements of off-shore entities**

Northeast Electric (HK) Co., Ltd. and Great Talent Technology Limited are off-shore subsidiaries keeping book in Hong Kong dollar. By end of period all of their assets, liabilities are exchanged to RMB by spot rates of balance sheet date, and 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 are to be reflected in items of Exchange Difference by foreign currency reports in Exchange Difference in Owners' Equity of Balance Sheet.





## V. Notes to Consolidated Financial Statements

### 1. Cash and Deposits

Unit: RMB

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			80,209.61			17,934.71
HKD						
USD	1,162.34	6.6227	7,697.83	1,162.34	6.3009	7,323.79
Subtotal			87,907.44			25,258.50
Deposits:						
RMB			26,322,646.61	-	-	41,178,442.36
HKD	1,199,542.98	0.8166	979,458.31	1,088,691.26	0.8107	882,602.00
USD				212.09	6.3009	1,339.86
EUR					-	-
JPY					-	-
CHF					-	-
Subtotal			27,302,104.92	-	-	42,062,384.22
Others:						
RMB			17,012,497.50			14,597,194.87
Subtotal			17,012,497.50			14,597,194.87
Total			44,402,509.86			56,684,837.59

Remarks:

1. By end of the period, deposits under performance guarantees in the banks total RMB 17,012,497.50.
2. Time limit of the above-mentioned deposits is all over 3 months.

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Types	Amount by end of period	Amount at beginning of period
Bank accepted bills of exchange	300,000.00	100,000.00

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

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

Unit: RMB

Issuer	Date of issue	Due date	Amount
Xinjiang Tianlong Mining Co., Ltd.	2012/5/15	2012/11/15	200,000.00
Hangzhou Xinmei Complete Electric Appliance Manufacturing Co., Ltd.	2012/1/6	2012/7/6	10,000.00
Guangzhou Xinsheng Trading Co., Ltd.	2012/1/17	2012/7/17	40,000.00
Guangzhou Xinsheng Trading Co., Ltd.	2012/4/19	2012/10/19	50,000.00
			300,000.00

3. Amounts receivable

(1) Disclosure of accounts receivable by types:

Unit: RMB

Types	Amount by end of period			
	Balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Single significant accounts receivable provided for bad debts	-	-	-	-
Accounts receivable provided for bad debts by group				
Group of aging	151,104,889.91	100%	26,683,512.34	17.66%
Subtotal of groups	151,104,889.91	100%	26,683,512.34	17.66%
Single insignificant accounts receivable provided for bad debts				
Total	151,104,889.91	100%	26,683,512.34	17.66%



Types	Amount at beginning of period			
	Balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Single significant accounts receivable provided for bad debts	-		-	-
Accounts receivable provided for bad debts by group				
Group of aging	196,323,562.36	100.00%	26,683,512.34	13.59%
Subtotal of groups	196,323,562.36	100.00%	26,683,512.34	13.59%
Single insignificant accounts receivable provided for bad debts	-	-	-	-
Total	196,323,562.36	100.00%	26,683,512.34	13.59%

The Company has set the criteria for individually significant accounts receivable as RMB1 million, according to the scale of operation, character of the operation and state of customers' settlement.

Single insignificant accounts receivable provided for bad debts have obviously indicated that the account is unrecoverable.

**(2) Accounts receivable provided for bad debts by group:**

*Unit: RMB*

Age	Amount by end of period			Amount at beginning of period		
	Balance		Bad debt provision	Balance		Bad debt provision
	Amount	Proportion		Amount	Proportion	
Within 1 year	81,330,096.86	53.37%		116,014,546.22	59.09%	-
1-2 years	38,271,131.62	25.11%		46,842,448.84	23.86%	-
2-3 years	4,457,829.60	2.93%	2,862,998.24	6,960,033.60	3.55%	2,784,013.44
3-4 years	10,510,968.82	6.90%	6,419,705.89	6,517,587.00	3.32%	3,910,552.20
Over 4 years	16,534,863.01	11.69%	17,479,793.01	19,988,946.70	10.18%	19,988,946.70
Total	151,104,889.91	100%	26,683,512.34	196,323,562.36	100.00%	26,683,512.34

**(3) Individually insignificant accounts receivable with recognition of bad debt.**

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

(5) There're no accounts receivable from company holding 5% or over voting shares of the Company.

(6) Top 5 of accounts receivable customers are:

Unit: RMB

Company name	Relationship	Amount	Term	Proportion of total (%)
Jiangsu Electric Power Company	Non-associate	20,330,700.00	Within 1 year	13.45
State Power Corporation Grid Construction Branch	Non-associate	14,835,032.98	1-2 years	9.82
Tianjin Electric Power Corporation	Non-associate	4,500,710.11	Within 1 year	2.98
Anhui Xiangshuijian Hydro Energy Storage Co., Ltd.	Non-associate	2,905,200.00	1-2 years	1.92
Liaoning Pushihe Hydro Energy Storage Co., Ltd.	Non-associate	2,985,000.00	1-2 years	1.98
Total		45,556,643.09		30.15

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

(8) There's no termination of recognized accounts receivable.

#### 4. Prepayments

(1) Prepayments are listed by age

Unit: RMB

Age	Amount by end of period		Amount at beginning of period	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	9,944,447.62	94.95	14,767,225.37	96.55
1-2 years	90,859.00	0.87	165,798.45	1.08
2-3 years	81,209.02	0.77	6,490.00	0.04
Over 3 years	356,733.73	3.41	355,865.44	2.33
Total	10,473,249.37	100.00	15,295,379.26	100.00

**(2) Top 5 of prepayments customers are:***Unit: RMB*

Company name	Relationship	Amount	Year	Reason for unsettlement
New Northeast Electric (Shenyang) High-Voltage Switchgears Limited	Non-associate	8,247,765.76	2012	Prepayment for goods
Jinzhou Yongjia Chemical Industry Co., Ltd. (Lingrong Fine Chemical)	Non-associate	760,088.54	2012	Prepayment for goods
Shanghai Sieyuan Electric Co., Ltd.	Non-associate	253,300.00	2012	Prepayment for goods
Jinzhou Tian'an Insurance Company	Non-associate	123,878.59	2011	Unamortized
Ningbo Bonded District Pioneer Trade Co Ltd	Non-associate	108,000.00	2009	Prepayment for goods
Total		9,493,032.89		

**(3) There's no prepayment from company holding 5% or over voting shares of the company.****5. Dividends receivable***Unit: RMB*

Items	Amount at beginning of period	Increase in current period	Decrease in current period	Amount by end of period	Reason for outstanding receivables	If devaluation happens (Y/N)
Dividends over 1 year						
Great Power Technology Limited	7,027,538.11			7,066,546.27	To be distributed	N
Total	7,027,538.11	39,008.16		7,066,546.27		

The increase of the current period was RMB39,008.16 from the difference in exchange rate in the two periods.

6. Other receivables

(1) Disclosure of other accounts receivables by types:

Unit: RMB

Types	Amount by end of period			
	Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Other single large amount receivables with provision of bad debt	100,509,316.67	59.11%	100,509,316.67	100.00%
Other accounts receivable provided for bad debts by group				
Group of aging	69,532,835.33	40.89%	4,485,615.68	6.46%
Subtotal of groups	69,532,835.33		4,485,615.68	6.46%
Single insignificant accounts receivable provided for bad debt				
Total	170,042,152.00		104,994,932.35	

Unit: RMB

Types	Amount at beginning of period			
	Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Other single large amount receivables with provision of bad debt	100,509,316.67	61.14%	100,509,316.67	100.00%
Other accounts receivable provided for bad debts by group				
Group of aging	63,886,380.22	38.86%	4,485,615.68	7.02%
Subtotal of groups	63,886,380.22	38.86%	4,485,615.68	7.02%
Single insignificant accounts receivable provided for bad debt	-	-	-	-
Total	164,395,696.89	100.00%	104,994,932.35	-

The Company has set the criteria for individually significant accounts 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) Other accounts receivable provided for bad debts among the groups:***Unit: RMB*

Age	Amount by end of period			Amount at beginning of period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion		Amount	Proportion	
Within 1 year	55,031,348.19	79.14%		57,575,466.14	90.12%	-
1-2 years	2,529,474.40	3.64%		1,466,152.15	2.29%	-
2-3 years	2,938,754.47	4.23%	192,984.80	236,324.20	0.38%	94,068.09
3-4 years	3,719,945.40	5.35%	839,480.39	542,225.35	0.85%	325,335.21
Over 4 years	5,318,980.08	7.65%	3,458,817.70	4,066,212.38	6.36%	4,066,212.38
<b>Total</b>	<b>69,538,502.54</b>		<b>4,491,282.89</b>	<b>63,886,380.22</b>	<b>100.00%</b>	<b>4,485,615.68</b>

**(3) Bad debt provision for single significant receivable or insignificant amount but with individual devaluation test is conducted:***Unit: RMB*

Contents	Book balance	Amount of bad debts	Ratio of provision	Reason
Benxi Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00	100%	Refer to Notes V.6(6)
Jinzhou Power Capacity Co., Ltd.	24,419,316.67	24,419,316.67	100%	Refer to Notes V.6(6)
<b>Total</b>	<b>100,509,316.67</b>	<b>100,509,316.67</b>		

**(4) There's no write-off of other receivables during the period.****(5) There're no other accounts receivable from company holding 5% or over voting shares of the company.****(6) Characteristics or contents of significant other receivables**

1. 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 set up bad debt provision for full amount of such receivable for the age of over 4 years.

2. By end of period, there are receivables due from Jinzhou Power Capacity Co., Ltd of RMB24,419,316.67. The Company has accrued bad debt provision over full amount of receivable due to adverse assets status and non-operation of Jinzhou Power.
3. By end of period, account receivable of RMB50,000,000.00 is due to sellout of shares of Shenyang Zhaoli High-voltage Electric Equipment Co Ltd.

**(7) Top 5 of other receivable customers are:**

*Unit: RMB*

Company name	Relationship	Amount	Term	Proportion of total (%)
Benxi Steel (Group) Co., Ltd.	Non-associate	76,090,000.00	Over 4 years	44.75
Jinzhou Power Capacity Co., Ltd.	Non-associate	24,419,316.67	Over 4 years	14.36
Fuxin Aluminium Alloy Plant	Non-associate	534,518.86	Over 4 years	0.31
New Northeast Electric Group Sales Company Limited	Non-associate	50,000,000.00	Within 1 year	29.40
Fuxin Tianyuan Purified Waterl Co., Ltd.	Non-associate	167,000.00	Over 4 years	0.10
<b>Total</b>		<b>151,210,835.53</b>		<b>88.92</b>

**(8) There's no accounts receivable from associates at the end of the period.**

**(9) There's no termination of recognized other accounts receivable at the end of the period.**

**7. Inventories**

**(1) Classification of inventories**

*Unit: RMB*

Items	Amount by end of period			Amount at beginning of period		
	Book balance	Provision for		Book balance	Provision for	
		devaluation	Book value		devaluation	Book value
Raw material	18,012,443.30	81,749.67	17,930,693.63	17,904,190.34	81,749.67	17,822,440.67
Goods in process	8,111,359.55	-	8,111,359.55	5,574,877.51	-	5,574,877.51
Finished Goods	22,072,763.04	2,430,454.87	19,642,308.17	19,189,629.43	2,430,454.87	16,759,174.56
Goods in transit	139,300.70	-	139,300.70	9,501,984.80	-	9,501,984.80
<b>Total</b>	<b>48,335,866.59</b>	<b>2,512,204.54</b>	<b>45,823,662.05</b>	<b>52,170,682.08</b>	<b>2,512,204.54</b>	<b>49,658,477.54</b>



**(2) Provisions for devaluation***Unit: RMB*

Types	Balance at beginning of period	Provisions in the period	Decrease during the period		Balance at end of period
			Reverse	Set-off	
Raw material	81,749.67	-	-		81,749.67
Finished Goods	2,430,454.87	-	-		2,430,454.87
Total	2,512,204.54				2,512,204.54

**(3) Provisions for inventory devaluation**

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

## 8. Long-term equity investment

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

Unit: RMB

Company invested	Method of accounting	Initial investment cost	Opening balance	Increase/decrease	Closing balance	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	Cash dividends during the period
Great Power Technology Limited	Method of Equity	42,847,035.48	39,726,262.31	207,368.14	39,933,630.45	20.80	20.80	-	-	-
Shenyang Zhaohi High-Voltage Electric Equipment Co., Ltd	Method of cost	216,055,412.40	69,577,115.72	347,530.05	69,924,645.77	6.89	6.89	-	-	-
Total		-	109,303,378.03	554,898.19	109,858,276.22	-	-	-	-	-

The increase of long-term investment was due to changes in exchange rates.



## 9. Fixed assets

## (1) Fixed assets

Unit: RMB

Items	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
<b>I. Total fixed assets – cost:</b>	150,467,455.72	1,229,331.95	802,920.00	150,893,867.67
Including: Houses and buildings	48,193,147.57	132,517.12		48,325,664.69
Machinery and equipment	77,256,389.52	139,957.26		77,396,346.78
Transportation and others	25,017,918.63	956,857.57	802,920.00	25,171,856.20
<b>II. Aggregated depreciation:</b>	79,073,970.41	3,822,626.55	227,561.66	82,669,035.30
Including: Houses and buildings	32,626,175.14	395,551.14		33,021,726.30
Machinery and equipment	33,541,715.34	2,188,568.67		35,730,284.00
Transportation and others	12,906,079.93	1,238,506.74	227,561.66	13,917,025.01
<b>III. Total net book value of fixed assets</b>	71,393,485.31			68,224,832.37
Including: Houses and buildings	15,566,972.43			15,303,938.41
Machinery and equipment	43,714,674.18			41,666,062.77
Transportation and others	12,111,838.70			11,254,831.19
<b>IV. Total provision for devaluation</b>	2,016,111.07			1,926,111.07
Including: Houses and buildings	317,644.79			317,644.79
Machinery and equipment	1,538,466.28		90,000.00	1,448,466.28
Transportation and others	160,000.00			160,000.00
<b>III. Total book value of fixed assets</b>	69,377,374.24			66,298,721.30
Including: Houses and buildings	15,249,327.64			14,986,293.62
Machinery and equipment	42,176,207.90			40,217,596.49
Transportation and others	11,951,838.70			11,094,831.19

Depreciation during the period totalled RMB3,822,626.55.

- (2) There's no temporarily idled fixed asset by end of period.
- (3) There's no fixed asset acquired by financial lease by end of period.
- (4) There's no fixed asset in renting by end of period.
- (5) There's no fixed asset to be sold by end of period.
- (6) There's no fixed asset with certificate of title to be obtained.
- (7) Please refer to Notes V. 15 (2) for details of mortgage of fixed assets.

**10. Work in progress**

*Unit: RMB*

Items	Closing balance			Opening balance		
	Book balance	Provision for devaluation	Net book value	Book balance	Provision for devaluation	Net book value
Reconstruction of mutual inductor plant	228,933.81	-	228,933.81	228,933.81	-	228,933.81

Work in progress of the period is contributed by expenses of reconstruction of mutual inductor air-conditioner purifying plant.

**11. Intangible assets***Unit: RMB*

Items	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
<b>I. Total intangible assets – cost</b>	7,431,501.05			7,431,501.05
Patent right of utility models	450,000.00			450,000.00
Software	207,000.00			207,000.00
Land use rights	6,774,501.05			6,774,501.05
<b>II. Total aggregate amortization</b>	2,824,841.48	67,744.77		2,892,586.25
Patent right of utility models	450,000.00			450,000.00
Software	207,000.00			207,000.00
Land use rights	2,167,841.48	67,744.77		2,235,586.25
<b>III. Total net book value of intangible assets</b>	4,606,659.57			4,538,914.80
Patent right of utility models	-			-
Software	-			-
Land use rights	4,606,659.57			4,538,914.80
<b>IV. Total provision for devaluation</b>	-			-
Patent right of utility models	-			-
Software	-			-
Land use rights	-			-
<b>V. Total book value of intangible assets</b>	4,606,659.57			4,538,914.81
Patent right of utility models	-			-
Software	-			-
Land use rights	4,606,659.57			4,538,914.81

Amortization during the period is 67,744.77.

Remarks:

1. Land use rights pledged to Bank of China, Fuxin Branch by Fuxin Enclosed Busbars Company Limited - a wholly owned subsidiary of the Company is RMB4,538,914.80 for loan of RMB8 million.
2. The rest of months to be amortized for Land use rights is 402 months.

**12. Long-term deferred expenses**

*Unit: RMB*

Items	Opening balance	Increase		Other decrease	Closing balance	Reasons for other decrease
		during the period	Amortization			
Rents for buildings	1,353,690.05	-	369,380.10		984,309.95	-
Rents for lands	320,833.25	-	55,000.02		265,833.23	
Rents for machinery	3,450,000.00		900,000.00		2,550,000.00	-
Improvement expenditures for fixed assets rented	1,532,202.86		258,428.76		1,273,774.10	-
<b>Total</b>	<b>6,656,726.16</b>		<b>1,582,808.88</b>		<b>5,073,917.28</b>	

Improvement expenditures for fixed assets rented is for manufacturing plants rented.

**13. Deferred tax assets**

**(1) Deferred tax assets/deferred liabilities recognized**

*Unit: RMB*

Items	Closing balance	Opening balance
Deferred tax assets:		
Provision of assets devaluation	9,074,116.87	9,074,116.87
Subtotal	9,074,116.87	9,074,116.87
Deferred tax liabilities:		
Evaluation of transactional financial derivatives and financial instruments	-	-
Financial assets fair value variations taken into capital reserve	-	-
Subtotal	-	-

**(2) Temporary differences corresponding to assets/or liabilities that lead to such differences***Unit: RMB*

Items	Amount of temporary difference
Bad debt provision	47,006,572.41
Provision of devaluation of inventories	2,321,670.01
Provision for fixed assets devaluation	1,855,786.12
Total	51,244,028.54

**14. Statement of provisions for assets devaluation***Unit: RMB*

Items	Balance at beginning of period	Increase during the period	Decrease during the period		Balance at end of period
			Reversal	Set-off	
I. Bad debt provision	131,678,444.69				131,678,444.69
II. Provision for devaluation of inventories	2,512,204.54				2,512,204.54
III. Provision for sellable financial assets devaluation	-				-
IV. Provision for investment devaluation held till due	-				-
V. Provision for long-term investment devaluation	19,000,058.01				19,000,058.01
VI. Provision for devaluation of investment real-estate	-				-
VII. Provision for fixed assets devaluation	2,016,111.07			90,000.00	1,926,111.07
VIII. Provision for devaluation of building materials	-				-
IX. Provision for devaluation of work-in-progress	-				-
X. Provision for devaluation of producing bio-materials Including: 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	155,206,818.31			90,000.00	155,116,818.31

**15. Assets with limited ownership**

**(1) Reasons for limited ownership of assets**

The Company has pledged some assets to banks for bank loans.

**(2) Assets with limited ownership**

*Unit: RMB*

Types of assets with limited ownership	Book value at beginning of period	Increase during the period	Decrease during the period	Book value by end of period
I. Assets for guarantees				
Land use rights	4,606,659.57		67,744.77	4,538,914.80
Houses and buildings	5,234,321.62		141,448.02	5,092,873.60
Machinery and equipment	-			
<b>Total</b>	<b>9,840,981.19</b>		<b>209,192.79</b>	<b>9,631,788.40</b>

**16. Short-term borrowings**

*Unit: RMB*

Items	Closing balance	Opening balance
Borrowings with pledge	8,000,000.00	8,000,000.00
Borrowings with pledge and guarantee	-	-
Guaranteed borrowings	-	-
<b>Total</b>	<b>8,000,000.00</b>	<b>8,000,000.00</b>

Remarks:

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

Notes to short-term borrowings:

1. Pledges made to Bank of China, Fuxin Branch for bank loan of RMB8 million by subsidiary Fuxin Enclosed Busbars Company Limited see Notes V. 9 and Notes V. 11. The loan is granted in different lots, a term of which is between July 22, 2011 and Dec. 1, 2012.



**17. Accounts payable****(1) Age of accounts payable:***Unit: RMB*

Items	Closing balance	Opening balance
Within 1 year	32,532,501.02	41,515,980.56
1 to 2 years	10,881,920.01	17,254,270.47
2 to 3 years	2,620,724.49	2,250,440.88
Over 3 years	11,250,666.82	11,485,123.78
Total	57,285,812.34	72,505,815.69

Account payables with the age of over 1 year mainly are payment for goods 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.****18. Advances****(1) Age of advances:***Unit: RMB*

Items	Closing balance	Opening balance
Within 1 year	10,288,581.76	34,735,001.00
1 to 2 years	1,210,007.40	1,202,694.50
2-3 years	39,520.00	336,753.00
Over 3 years	878,431.10	665,000.00
Total	12,416,540.26	36,939,448.50

Significant advances with the age of over 1 year mainly are advances for sales of goods not yet to meet the income recognition criteria.

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

**19. Salaries and benefits payable to employees**

*Unit: RMB*

<b>Items</b>	<b>Balance at beginning of period</b>	<b>Increase during the period</b>	<b>Decrease during the period</b>	<b>Balance at end of period</b>
I. Salaries, allowances and subsidies	106.34	7,030,859.78	7,030,544.01	422.11
II. Benefits	62,636.11	142,837.80	142,837.80	62,636.11
III. Social securities	839,509.12	2,903,015.02	3,661,215.35	81,308.79
Including: 1. Medicare	250.40	677,541.03	678,106.20	-314.77
2. Basic endowment insurance	750,755.76	1,841,491.35	2,525,696.91	66,550.20
3. Industrial injury insurance	5,912.43	124,342.70	124,342.70	5,912.43
4. Birth insurance	2,505.90	64,995.04	64,995.04	2,505.90
5. Unemployment insurance	80,084.63	194,644.90	268,074.50	6,655.03
IV. Housing provident funds	429,141.34	1,108,310.00	949,833.00	587,618.34
V. Funds for labour union and education of employees	1,138,972.89	244,626.65	63,685.21	1,319,914.33
VI. Others	-			
<b>Total</b>	<b>2,470,365.80</b>	<b>11,429,649.25</b>	<b>11,848,115.37</b>	<b>2,051,899.68</b>

There's no behind payable salaries to employees.

**20. Tax payable**

*Unit: RMB*

<b>Items</b>	<b>Closing balance</b>	<b>Opening balance</b>
Value added tax	-1,451,822.23	2,208,725.26
Business tax	50,000.00	
Enterprise income tax	-3,834,594.56	-3,834,594.56
Individual income tax	45,867.04	52,693.54
Land use tax	59,149.50	59,149.50
Housing property tax	20,614.66	75,997.89
Urban maintenance and construction tax	16,773.30	303,052.18
Surtax for education expenses	16,388.81	132,649.78
Others		133,445.00
<b>Total</b>	<b>-5,077,623.48</b>	<b>-868,881.41</b>

**21. Other payables****(1) Ages of other payables:***Unit: RMB*

Items	Closing balance	Opening balance
Within 1 year	21,588,464.27	13,638,272.96
1 to 2 years	26,195,481.80	5,320,034.64
2 to 3 years	1,313,451.89	4,020,349.01
Over 3 years	8,625,784.34	37,067,823.51
Total	57,723,182.30	60,046,480.12

**(2) There's no other payable to company holding 5% or over voting shares of the company.****(3) Remarks to large amount other payables over 1 year**

Large amount other payable over 1 year are mainly unpaid intra-group payments.

**(4) Remarks to large amount other payables**

Large amount other payables are mainly unpaid intra-group payments.

**22. Other current liabilities***Unit: RMB*

Items	Balance at end of period	Balance at beginning of period
Deferred income		200,000.00

**23. Estimated liability***Unit: RMB*

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Guarantee for loans	115,715,007.25	-	-	115,715,007.25
Others	-	-	-	-
Total	115,715,007.25	-	-	115,715,007.25

**24. Other non-current liabilities**

Nil.

**25. Share capital**
*Unit: RMB*

Items	Opening balance	Increase/decrease (+, -)					Closing balance
		Allotment	Bonus	Capitalization of Reserve	Others	Subtotal	
<b>I. Shares subject to trading moratorium</b>							
1. State-owned legal-person share	-	-	-	-	-	-	-
2. Other domestic shares	5,999,022.00	-	-	-	-	-	5,999,022.00
Including: domestic legal person share	5,999,022.00	-	-	-	-	-	5,999,022.00
Total of shares subject to trading moratorium	5,999,022.00	-	-	-	-	-	5,999,022.00
<b>II. Shares not subject to trading moratorium</b>							
1. Common shares in RMB (A shares)	609,420,978.00	-	-	-	-	-	609,420,978.00
2. Foreign shares listed overseas (H shares)	257,950,000.00	-	-	-	-	-	257,950,000.00
Total of shares not subject to trading moratorium	867,370,978.00	-	-	-	-	-	867,370,978.00
<b>III. Total shares</b>	<b>873,370,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>873,370,000.00</b>

**26. Capital reserve***Unit: RMB*

<b>Items</b>	<b>Opening balance</b>	<b>Increase during the period</b>	<b>Decrease during the period</b>	<b>Closing balance</b>
Share premium	115,431,040.00	-	-	115,431,040.00
Others	767,991,363.92	-	-	767,991,363.92
<b>Total</b>	<b>883,422,403.92</b>	<b>-</b>	<b>-</b>	<b>883,422,403.92</b>

There was no change in capital reserve during the period.

**27. Reserves***Unit: RMB*

<b>Items</b>	<b>Opening balance</b>	<b>Increase during the period</b>	<b>Decrease during the period</b>	<b>Closing balance</b>
Legal reserve	80,028,220.48	-	-	80,028,220.48
Discretionary surplus reserve	28,558,903.92	-	-	28,558,903.92
<b>Total</b>	<b>108,587,124.40</b>	<b>-</b>	<b>-</b>	<b>108,587,124.40</b>

There was no change in reserve during the period.

## 28. Retained profit

Unit: RMB

Items	Amount	Ratio of Withdrawal or Distribution
Before adjustment retained profit of last period	-1,569,721,146.49	
Adjustment retained profit at beginning of year (Increase+, decrease-)		
After adjustment retained profit at beginning of year	-1,569,721,146.49	
Plus: net profit attributable to owners of the parent company of the period	-18,015,241.61	
Less: provision of legal reserve		
Provision of discretionary surplus reserve		
Provision of normal risk provision		
Dividends due common shares		
Dividends of common shares changed to share capital		
Retained profit at end of period	-1,587,736,388.10	

## 29. Operating income and cost

### (1) Operating income and cost

Unit: RMB

Items	Amount of this period	Amount of last period
Income from principal operations	57,527,813.22	145,668,407.18
Other income	49,407.68	61,662.30
Operating cost	54,737,923.42	103,033,400.84

**(2) Operating income (by products)***Unit: RMB*

Products	Amount of this period		Amount of last period	
	Operating income	Operating cost	Operating income	Operating cost
Enclosed busbar	10,466,046.16	8,058,436.30	24,328,804.47	15,864,819.67
Power capacitor	21,163,989.14	21,740,225.11	97,081,654.04	63,025,240.98
High voltage switch and circuit breaker	25,897,777.92	24,939,262.01	24,257,948.67	24,083,732.25
Others			61,662.30	59,607.94
<b>Total</b>	<b>57,527,813.22</b>	<b>54,737,923.42</b>	<b>145,730,069.48</b>	<b>103,033,400.84</b>

**(3) Operating income (by districts)***Unit: RMB*

District	Amount of this period		Amount of last period	
	Operating income	Operating cost	Operating income	Operating cost
Northeast China	9,430,731.93	9,500,677.85	12,001,463.97	7,875,002.28
North China	33,889,405.40	33,210,001.89	26,916,568.29	26,524,876.92
Central China	1,899,587.66	1,382,681.81	1,350,256.52	1,271,756.76
East China	2,744,887.43	2,593,186.70	93,912,507.08	59,027,558.79
South China	2,043,690.61	1,577,937.67	1,621,871.78	1,476,450.37
Southwest China	3,044,119.65	2,972,610.92	6,985,136.87	4,843,185.86
Northwest China	1,591,504.22	1,635,324.34	1,128,465.92	998,081.73
Others	2,883,886.32	1,865,502.24	1,813,799.05	1,016,488.13
<b>Total</b>	<b>57,527,813.22</b>	<b>54,737,923.42</b>	<b>145,730,069.48</b>	<b>103,033,400.84</b>

**(4) Operating income from the top 5 customers of the Company**

*Unit: RMB*

Name	Operating income	Percentage of total operating income (%)
Beijing Electric Power Company	25,864,273.65	44.96
Liaoning Electric Power Company Limited	7,061,879.05	12.28
Tianjin Electric Power Corporation	4,063,247.86	7.06
Miaojiaba	1,881,427.35	3.27
Datang Qingyuan	1,555,555.56	2.70
Total	40,426,383.47	70.27

Operating income includes income from principal operations and other operations, with enclosed busbars, electric capacitor and high-voltage switches as products of principal operations.

**30. Sales tax and surtax**

*Unit: RMB*

Items	Amount of this period	Amount of last period	Ratio of tax
Sales tax	50,000.00		5%
Urban maintenance and construction tax	107,251.90	1,005,086.49	7%
Surtax for education expenses	60,388.49	430,751.35	3%
Others	16,934.30	279,855.80	
Total	234,574.69	1,715,693.64	

Sales tax and surtax of the period are mainly by maintenance and construction tax and surtax for education expenses calculated by value-added tax payable.



**31. Loss from devaluation of assets***Unit: RMB*

<b>Items</b>	<b>Amount of this period</b>	<b>Amount of last period</b>
I. Bad debt loss		3,855,618.28
II. Inventory devaluation loss	-	
III. Sellable financial assets devaluation loss	-	-
IV. Loss from devaluation of investment held till due	-	-
V. Loss from devaluation of long-term investment	-	-
VI. Loss from devaluation of investment real estate	-	-
VII. Loss from for devaluation of fixed assets		-
VIII. Loss from devaluation of building materials	-	-
IX. Loss from devaluation of work-in-progress		-
X. Loss from devaluation of producing bio-materials	-	-
XI. Loss from devaluation of assets of oil and gas	-	-
XII. Loss from devaluation of intangible assets	-	-
XIII. Loss from devaluation of good will	-	-
XIV. Others	-	-
Total		3,855,618.28

## 32. Return on Investment

### (1) Details of return on investment

Unit: RMB

Items	Amount of this 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	-13,142.79	-1,732,193.51
Return by disposal of long-term equity investment		26,144,228.41
Total	-13,142.79	24,412,034.90

### (2) Return on long-term equity investment by method of equity:

Unit: RMB

Company invested	Amount of this period	Amount of last period	Reason for change
New Northeast Electric (Shenyang) High-voltage Isolator Switchgears Co., Ltd		-1,726,109.70	Equity interest has been transferred
Great Power Technology Limited	-13,142.79	-6,083.81	Loss of the company increased as compared to the same period last year
Total	-13,142.79	-1,732,193.51	

Remarks:

1. Amount under this item is return on investment recognized by equity method.
2. The amount of this period decreased as compared to last period, because there was a return from disposal of equity at the same period last year.

**33. Non-operating revenue***Unit: RMB*

Items	Amount of this period	Amount of last period
Total revenue by disposing non-current assets	96,985.00	1,709.40
Including: revenue by disposing fixed assets	96,985.00	1,709.40
Revenue by disposing intangible assets		
Government subsidy		
Income of fine	1,100.00	1,900.00
Income from sales of scrap	11,272.66	16,426.51
Total	109,357.66	20,035.91

**34. Non-operating expenses***Unit: RMB*

Items	Amount of this period	Amount of last period
Total loss of disposal of non-current assets		
Including: loss of disposal of fixed assets		
Loss of disposal of intangible assets		
Expenses of fine	200.00	1,149.00
Others	21,555.54	13,205.31
Total	21,755.54	14,354.31

**35. Income tax expense***Unit: RMB*

Items	Amount of this period	Amount of last period
Income tax of the period by law of tax and relative regulations	11,112.02	871,168.35
Adjustments to deferred income tax		
Total	11,112.02	871,168.35



### 36. Calculations of primary earnings per share and diluted earnings per share

Unit: RMB

Items	Calculation	Amount of this period	Amount of last period
Net profit attributable to common shareholders of listed company	P0	-18,015,241.61	20,036,777.87
Extraordinary profit and loss attributable to common shareholders of the Company	F		26,148,489.61
Net profit attributable to common shareholders of listed company after deduction of extraordinary profit and loss	$P0' = P0 - F$		-6,111,711.74
Impact of dilution on net profit attributable to common shareholders of listed company	V		
Net profit to common shareholders of the company, adjusted by Enterprise Accounting Standards and relative regulations with consideration of impact by diluted potential common shares.	$P1 = P0 + V$	-18,015,241.61	20,036,777.87
Impact on net profit to common shareholders of the company after deduction of extraordinary profit and loss by dilution	V'		
Net profit attributable to common shareholders of listed company after deduction of extraordinary profit and loss adjusted by enterprise accounting standards and relative regulations with consideration of impact by diluted potential common shares	$P1' = P0' + V'$		-6,111,711.74
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	-	-
Increase of shares due to issuance of new shares or debts to equity during the periods	Si	-	-
Shares decreased by buy-back during the period	Sj	-	-
Reverse split during the period	Sk	-	-
No. of months during the period	M0	6	6
Accumulated no of months from next month of increasing shares till end of reporting period	Mi		



Items	Calculation	Amount of this period	Amount of last period
Accumulated no of months from next month of decreasing shares till end of reporting period	Mj		
	$S=S_0+S_1+S_i \times M_i$		
	$\div M_0 - S_j \times M_j$		
Weighted average common shares issued abroad	$\div M_0 - S_k$	873,370,000.00	873,370,000.00
Plus: weighted average common shares supposing diluted potential 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
Including: 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 attributable to common shareholders of the company	$EPS_0=P_0 \div S$	-0.0207	0.0229
Primary earnings per share contributable to common shareholders after deduction of extraordinary profit and loss	$EPS_0'=P_0' \div S$	-0.0207	-0.0070
Diluted earnings per share attributable to common shareholders of the company	$EPS_1=P_1 \div X_2$	-0.0207	0.0229
Diluted earnings per share attributable to common shareholders after deduction of extraordinary profit and loss	$EPS_1'=P_1' \div X_2$	-0.0207	-0.0070

**37. Other comprehensive revenues**

*Unit: RMB*

Items	Amount of this period	Amount of last period
1. Amount of profit (loss) by sellable financial assets	-	-
Less: Impact to income tax by sellable financial assets	-	-
Net amount of profit and loss reverted from items of other comprehensive revenues of last period	-	-
Subtotal	-	-
2. Proportion of other comprehensive revenues of companies invested enjoyed by the method of equity	-	-
Less: Impact to income tax by proportion of other comprehensive revenues of companies invested enjoyed by the Method of Equity	-	-
Net amount of profit and loss reverted from items of other comprehensive revenues of last period	-	-
Subtotal	-	-
3. Profit (loss) by cash flow hedging	-	-
Less: Impact to income tax by cash flow hedging	-	-
Net amount of profit and loss reverted from items of other comprehensive revenues of last period	-	-
Adjustments to initial amount recognized by hedging	-	-
Subtotal	-	-
4. Exchange difference of foreign currency reports	499,104.55	-877,035.22
Less: Net amount taken into profit and loss disposing offshore operations		
Subtotal	499,104.55	-877,035.22
5. Others		-
Less: Impact to income tax by being taken into other comprehensive revenues		-
Net amount of profit and loss reverted from items of other comprehensive revenues of last period		-
Subtotal		-
Total	499,104.55	-877,035.22

The item reports differences on exchange from consolidation of foreign-currency financial statements.

**38. Notes to cash flow****(1) Cash received from other operational activities***Unit: RMB*

<b>Items</b>	<b>Amount</b>
Intra-group transactions	812,617.02
Deposits	5,568,752.00
<b>Total</b>	<b>6,381,369.02</b>

Deposits are bidding deposits received from bidding company by subsidiary company.

**(2) Cash paid to operational activities***Unit: RMB*

<b>Items</b>	<b>Amount</b>
Deposits	9,230,000.00
Intra-group transactions	11,657,692.81
Transportation	625,829.65
Sales expenses	1,494,000.00
Entertainment	899,901.20
Travelling	1,143,666.46
Electricity	1,137,636.25
Office expenses	1,253,485.60
Fixtures	326,527.00
Fuel expenses	
Sales service expenses	294,854.50
Bidding	739,888.37
Heating expenses	829,412.82
Premium	292,220.14
Consultancy	606,000.00
Agency fee including auditing	1,537,910.56
Meeting	
Others	1,737,344.65
<b>Total</b>	<b>33,806,370.01</b>

Remarks:

1. Intra-group transactions are repayments mainly.
2. Deposits paid to customer are bidding deposits paid by subsidiary.

39. Supplementary information to cash flow

(1) Supplementary information to cash flow

Unit: RMB

Supplementary information	Amount of the period	Amount of last period
<b>1. Operational activity cash flow adjusted by net profit:</b>		
Net profit	-18,052,477.64	19,125,898.98
Plus: Provision for assets devaluation		3,855,618.28
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	3,827,887.09	4,179,516.53
Amortization of intangible assets	67,744.76	67,450.06
Amortization of long term expenses payable	1,582,808.88	1,570,460.62
Loss on disposal of fixed assets, intangible assets and other long term assets ("- refers to gain)	-87,602.12	-5,681.60
Loss on discarding fixed assets ("- refers to gain)		
Loss on changes in fair value ("- refers to gain)		
Financial expenses ("- refers to gain)	281,906.53	796,223.73
Loss on investments ("- refers to gain)	13,142.79	24,412,034.90
Decrease of deferred income tax assets ("- refers to increase)		
Increase of deferred income tax liabilities ("- refers to decrease)		-712,989.20
Decrease of inventories ("- refers to increase)	3,834,815.49	24,348,884.28
Decrease of operational accounts receivable ("- refers to increase)	14,849,309.21	4,379,232.00
Increase of operational accounts payable ("- refers to decrease)	-20,019,707.72	-109,205,761.00
Others		586,815.90
Net cash flow from operating activities	-13,702,172.73	-26,602,296.53
<b>2. Major investment and financing activities not affecting cash:</b>		
Debts changed as capital		
Convertible corporate bonds due within 1 year		
Lease financing fixed assets		
<b>3. Changes of cash and equivalents:</b>		
Cash at end of period	27,390,012.36	15,775,068.86
Less: cash at beginning of period	42,095,840.09	53,875,953.05
Plus: cash equivalents at end of period		19,034,297.50
Less: cash equivalents at beginning of period		20,914,046.29
Net increase of cash and equivalents	-14,705,827.73	-39,980,632.98



**(2) Acquisition or disposal of subsidiaries or other operational departments during the period**

There's no acquisition or disposal of subsidiaries or other operational departments during the period

**(3) Composition of cash and equivalents**

*Unit: RMB*

Items	Closing balance	Opening balance
<b>I. Cash</b>	27,390,012.36	45,095,840.09
Including: Cash on hand	87,907.44	25,258.50
Bank deposits ready to pay	27,302,104.92	42,062,384.22
Other cash assets ready to pay		8,197.37
Deposits with central bank ready to pay		-
Deposits with other banks		-
Inter-bank lending		-
<b>II. Cash equivalents</b>		-
Including: Bonds investment due within 3 months		-
<b>III. Balance of cash and equivalents by end of period</b>	27,390,012.36	42,095,840.09

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 details, please refer to Note V.1.

**VI. Associates and relative transactions****1. Parent company of the Company**

*Unit: RMB0'000*

Parent company	Relationship	Type	Place of registration	Legal representative	Business	Registered capital	Percentage of shares held by parent company (%)	Voting shares ratio held by parent company (%)	Ultimate controlling party of the Company	Organization code
New Northeast Electric Investments Co., Ltd.	Parent company	Limited	Yingkou	Dai Bing	Investment	13,500	24.06	24.06	Tian Li	73465110-1

Remarks of parent company:

1. There was no change in percentage of shares held by New Northeast Electric Investment Co., Ltd.
2. Of the shares held by New Northeast Electric Investment Co., Ltd of the Company, 110 million shares are pledged.

## 2. Subsidiaries of the Company

Full name of subsidiary	Relationship	Type	Place of registration	Legal representative	Business	Amount of contribution	Percentage of shares held by the Company (%)	Percentage of voting rights (%)	Organization code
Northeast Electric (Hong Kong) Limited	Wholly-owned subsidiary	Limited company	Hong Kong	Tian Jiang	Investment, trade	USD20 million	100	100	-
Great Talent Technology Limited	Wholly-owned subsidiary	Limited company	BVI	Wang Shan Kuan	Investment	USD1	100	100	-
Northeast Electric (Beijing) Co., Ltd	Wholly-owned subsidiary	Limited company	Beijing	Jia Shujie	Sales of machinery, electric products	RMB2 million	100	100	66216024-9
Shenyang Kaiyi Electric Co., Ltd	Wholly-owned subsidiary	Limited company	Shenyang	Jiao Liyuan	Manufacturing of high-voltage electric equipment	RMB1 million	100	100	79846962-4
Fuxin Enclosed Busbars Company Limited	Wholly-owned subsidiary	Limited company	Fuxin	Liu Qingmin	Production and sales of enclosed busbars	USD8.5 million	100	100	70168064-3
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd	Wholly-owned subsidiary	Limited company	Jinzhou	Liu Bing	Production of power capacitor	USD15.45 million	100	100	75278947-0
Jinzhou Jimrong Electric Co., Ltd	Holding subsidiary	Limited company	Jinzhou	Liu Bing	Manufacturing dry high-voltage capacitor	RMB2.0925 million	69.75	69.75	24203413-1
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Holding subsidiary	Limited company	Shenyang	Wang Haiyang	Metal box and drying equipment manufacturing	USD544,950	70	70	60460565-X

## 3. Associates and joint ventures

Company invested	Type	Place of registration	Legal representative	Business	Registered capital	Percentage of shares held by the Company (%)	Voting shares the invested company (%)	Total assets by end of period	Total liabilities by end of period	Total operating revenue of the period	Net profit of the period	Relationship	Organization code
Great Power Technology Limited	Limited company	BVI	Lo Yuet	Investment	USD12,626	20.80	20.80	156,710,117.89	25,645,264.05	131,064,853.84	-	Associate	-

Unit: RMB

**4. Account receivable/payable from/to associates***Unit: RMB*

<b>Items</b>	<b>Associate</b>	<b>Closing balance</b>	<b>Opening balance</b>
Dividends receivable	Great Power Technology Limited	7,066,546.27	7,027,538.11
Other payables	Great Power Technology Limited	652,160.00	648,560.00

**VII. Contingencies****1. Contingent liabilities due to unsettled litigation and arbitration and impact to financial reports**

China Great Wall Asset Management Corp Shenyang Rep. Office (the “Great Wall Asset”) sued Shenyang High-voltage Switchgears Limited (hereinafter referred to as “Shenyang High-Voltage”) on infringement of loan contract.

As at the end of the reporting period, there is no recent progress for the litigation disclosed in Annual Report 2011 dated 29 March 2012.

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



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

For other contingent liabilities by providing guarantees, please refer to Note V. 23 Estimated liabilities.

## **3. Other contingent liabilities and impact on financial reports:**

(1) Up to 30 June 2012, RMB1,924,536.33 of undue bank accepted bills has been endorsed by the Company. For details please refer to Note V. 2 (3) under Item of Bills Receivable.

(2) By end of 30 June 2012, the Company has issued Performance Bonds of RMB17,012,497.50.

## **VIII. Commitments and other significant events**

1. **There's no major commitment during the period**

2. **Other significant events**

## **IX. Post balance sheet events**

Nil.



## X. Major notes to parent company's financial statements

### 1. Accounts receivable

#### (1) Disclosure of accounts receivable by types:

Unit: RMB

Types	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Single significant accounts receivable provided for bad debts	-	-	-	-
Accounts receivable provided for bad debts by group				
Group of aging	179,400.00	100.00%	179,400.00	100%
Subtotal of groups	179,400.00	100.00%	179,400.00	100%
Single insignificant accounts receivable provided for bad debts	-	-	-	-
<b>Total</b>	<b>179,400.00</b>	<b>100.00%</b>	<b>179,400.00</b>	<b>100%</b>

Types	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Single significant accounts receivable provided for bad debts	-	-	-	-
Accounts receivable provided for bad debts by group				
Group of aging	179,400.00	100.00%	179,400.00	100%
Subtotal of groups	179,400.00	100.00%	179,400.00	100%
Single insignificant accounts receivable provided for bad debts	-	-	-	-
<b>Total</b>	<b>179,400.00</b>	<b>100.00%</b>	<b>179,400.00</b>	<b>100%</b>

Remarks of account receivable types:

The Company has set the criteria for single significant account receivable as RMB1 million, according to the scale of operation, character of the operation and status 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 aging of over 4 years.

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

**(3) Account Receivables of insignificant amount with high risk after method of credit risk combination:**

*Unit: RMB*

Age	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
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 write-off of account receivables during the period.**

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

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

**(7) There's no other receivables not complied with conditions of termination of recognition during the period.**



## 2. Other receivables

## (1) Disclosure of other receivables by classification:

Unit: RMB

Types	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Single significant accounts receivable provided for bad debts	76,090,000.00	100%	76,090,000.00	100.00%
Other receivables provided for bad debts by group				
Group of aging	389,130,520.17	100%	842,497.67	0.27%
Subtotal of groups	389,130,520.17	100%	842,497.67	0.27%
Single insignificant accounts receivable provided for bad debts	-	-	-	-
Total	465,220,520.17	100.00%	76,932,497.67	-

Unit: RMB

Types	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion
Single significant accounts receivable provided for bad debts	76,090,000.00	100.00%	76,090,000.00	100.00%
Other receivables provided for bad debts by group				
Group of aging	389,763,207.01	100.00%	842,497.67	0.22%
Subtotal of groups	389,763,207.01	100.00%	842,497.67	0.22%
Single insignificant accounts receivable provided for bad debts	-	-	-	-
Total	465,853,207.01	100.00%	76,932,497.67	-

Remarks of other account receivable types:

The Company has set the criteria for single significant accounts 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 aging of over 4 years.

**(2) Other accounts receivable provided for bad debts among the groups:**

*Unit: RMB*

Age	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion		Amount	Proportion	
Within 1 year	1,942,523.67	0.50%		13,322,868.71	3.42%	-
1-2 years	16,639,420.00	4.28%		16,639,420.00	4.27%	-
2-3 years	72,675,812.26	18.68%		72,675,812.26	18.65%	-
3-4 years	7,255.34	0.00%		7,255.34	0.01%	-
Over 4 years	297,865,508.90	76.55%	842,497.67	287,117,850.70	73.65%	842,497.67
Total	389,130,520.17	100.00%	842,497.67	389,763,207.01	100%	842,497.67

**(3) Single insignificant account receivable provided for bad debts.**

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

**(5) There're no other accounts receivable from company holding 5% or over voting shares of the company.**

**(6) Nature 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 V.6.(6).



**(7) Top 5 customers of other receivable are:***Unit: RMB*

<b>Company name</b>	<b>Relationship</b>	<b>Amount</b>	<b>Age</b>	<b>Ratio over total other receivables (%)</b>
Northeast Electric (Hong Kong) Limited	Wholly-owned subsidiary	123,166,166.77	Over 4 years	26.47
Fuxin Enclosed Busbars Company Limited	Wholly-owned subsidiary	42,541,749.35	2 to 3 years	9.14
Shenyang Kaiyi Electric Co., Ltd	Wholly-owned subsidiary	141,660,574.17	Within 3 year	30.45
Benxi Steel (Group) Co., Ltd	Non-associate	76,090,000.00	Over 4 years	16.36
Northeast Electric (Beijing) Co., Ltd	Wholly-owned subsidiary	41,873,199.80	2 to 3 years	9.00
<b>Total</b>		<b>425,331,690.09</b>		<b>91.43</b>

**(8) Other receivables from associates are accounts from wholly-owned subsidiaries.****(9) There's no other receivables not complied with conditions of termination of recognition during the period.**

### 3. Long-term equity investment

Unit: RMB

Company invested	Method of calculation	Initial investment cost	Opening balance	Increase/decrease	Closing balance	Percentage of shares held of the invested company (%)	Voting shares percentage in the invested company (%)	Reason for difference between percentages of shares held and voting shares	Provision for devaluation during the period	Cash dividends
Northeast Electric (Hong Kong) Limited	Method of cost	156,699,451.63	90,413,551.10	-	90,413,551.10	100	100	-	66,285,900.53	-
Shenyang Gaodongjia Desiccation Equipment 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	0	-	0	10	10	-	100,000.00	-
<b>Total</b>	--	<b>157,737,418.63</b>	<b>91,251,518.10</b>	<b>-</b>	<b>91,251,518.10</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

Statements of long-term investment are investment in subsidiaries calculated through method of cost.

**4. Return on investment***Unit: RMB*

<b>Items</b>	<b>Amount of this period</b>	<b>Amount of last period</b>
Return on long-term equity investment by method of cost	-	-
Return on long-term equity investment by method of equity		
Return on investment by disposal of long-term equity investment		
Return on investment from transactional financial assets		
Return on investment from investments held till due during yielding period		
Return on investment from saleable financial assets in hold		
Return on investment from transactional financial assets		
Return on investment from investments held till due during yielding period		
Return on investment from saleable financial assets		
Others		
Total		

**5. Supplementary information to cash flow**
*Unit: RMB*

Supplementary information	Amount of the period	Amount of last period
<b>1. Operational activity cash flow adjusted by net profit:</b>		
Net profit	-13,068.08	-2,568,636.35
Plus: Provision for assets devaluation		
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	59,528.25	54,304.19
Amortization of intangible assets		
Amortization of long term expenses payable		
Loss on disposal of fixed assets, intangible assets and other long term assets ("-" refers to gain)		
Loss on discarding fixed assets ("-" refers to gain)		
Loss on changes in fair value ("-" refers to gain)		
Financial expenses ("-" refers to gain)		
Loss on investments ("-" refers to gain)		
Decrease of deferred income tax assets ("-" refers to increase)		
Increase of deferred income tax liabilities ("-" refers to decrease)		
Decrease of inventories ("-" refers to increase)		
Decrease of operational accounts receivable ("-" refers to increase)	632,686.84	2,009,533.52
Increase of operational accounts payable ("-" refers to decrease)	-693,093.30	513,612.65
Others		
Net cash flow from operating activities	-13,946.29	8,814.01
<b>2. Major investment and financing activities not affecting cash:</b>		
Debts changed as capital		
Convertible corporate bonds due within 1 year		
Lease financing fixed assets		
<b>3. Changes of cash and equivalents:</b>		
Cash at end of period	12,495.09	47,300.93
Less: cash at beginning of period	31,891.38	38,486.92
Plus: cash equivalents at end of period		
Less: cash equivalents at beginning of period		
Net increase of cash and equivalents	-19,396.29	8,814.01

**XI. Supplementary Information****1. Details of current extraordinary profit and loss***Unit: RMB*

Items	Amount	Notes
Profits and losses on disposal of non-current assets		
Tax return/exemption with ultra vires approval/or no official approval	-	-
Government subsidy taken into profit and 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 and 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 and loss of non-monetary asset swap	-	
Profit and loss entrusting third party to invest or manage asset	-	
Provisions for devaluation of assets due to force majeure such as natural disaster	-	
Profit and loss on debt restructuring	-	
Expenses of reorganization of enterprise, such as accommodation of employees, integration	-	
Profit and loss over difference between fair value and inappropriate transaction price	-	
Net profit & loss of the period of subsidiaries under the same controlling party	-	
Profit and loss by contingent events non-related to normal business of the company	-	
Except for effective hedging, profit and loss of holding transactional financial assets, of variation of fair value of financial assets, of disposal of financial assets, transactional financial liabilities, saleable financial assets	-	
Reverse of account receivable provision by single devaluation test	-	
Profit and loss on entrusted loans	-	
Profit and loss by follow-up fair value of invested real estate	-	
Impact on profit and loss of the period by one-time adjustment according to Law of tax, of accounting, and legal regulations	-	
Trustee fee by entrusted operations	-	
Non-operating income or cost except items above	87,602.12	
Other items complied with definitions of extraordinary profit and loss		
Effect on income tax	11,112.02	
Impact on minority interests (after tax)		
<b>Total</b>	<b>76,490.10</b>	

## 2. Difference on figures by domestic and foreign accounting standards

Difference in net profit and net asset in financial reports by the Hong Kong Financial Reporting Standards and the PRC Accounting Standards

Unit: RMB

	Net profit		Net asset	
	Amount of the period	Amount of last period	Closing balance	Opening balance
Under the PRC Accounting Standards	-18,015,241.61	20,036,777.87	244,452,608.84	262,005,981.93
Adjusted items and amounts under the Hong Kong Financial Reporting Standards:				
Intangible assets-utility model and software amortization				
Under the Hong Kong Financial Reporting Standards	-18,578,241.61	19,495,121.58	252,927,608.84	271,043,981.93

## 3. Return on net assets and earnings per share

Unit: RMB

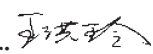
Profit in the period	Weighted average net assets return ratio (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	-7.15	-0.0206	-0.0206
Net profit attributable to common shareholders of the Company after extraordinary items	-7.18	-0.0207	-0.0207

Legal representative: 

Su Weiguo

Chief financial officer: 

Liu Tongyan

Chief accounting officer: 

Wang Hongling

Date: 22 August 2012

## FINANCIAL STATEMENT

**Consolidated Financial statements prepared under the Hong Kong Financial Reporting Standards (unaudited)**

### Condensed consolidated income statement

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	II.3	57,527	145,730
Cost of sales		(54,972)	(104,749)
Gross profit		2,555	40,981
Other income		156	26,274
Sales expenses		(5,578)	(18,920)
Administrative expenses		(14,868)	(25,699)
Profit from operations	II.4	(17,735)	22,635
Financial cost		(856)	(906)
Investment income from associates		(13)	(1,732)
Profit before taxation		(18,604)	19,997
Taxation	II.5	(11)	(871)
Profit after taxation		(18,615)	19,126
Minority interests		(37)	(369)
Net Profit attributable to shareholders		(18,578)	19,495
Earnings per share — basic	II.7	(2.13)cent	2.23cent

## Condensed Consolidated Comprehensive Income Statement

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit of current period	(18,615)	19,126
Exchange differences arising on translation of foreign operations other comprehensive loss during the reporting period	499	(877)
Total of comprehensive income	(18,116)	18,249
Of which:		
Profit attributed to shareholders of the parent company	(18,079)	18,618
Minority interests	(37)	(369)



**Condensed Consolidated Balance Sheet**

As at 30 June 2012

		<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
		<i>RMB'000</i>	<i>RMB'000</i>
	<b>Notes</b>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		66,528	69,606
Prepaid lease payments		4,539	4,607
Interests in associates		39,941	39,728
Available-for-sale investments		69,917	69,575
Other prepayments		3,038	3,491
Deferred tax assets		9,074	9,074
		193,037	196,081
<b>Current assets</b>			
Inventories		45,824	49,658
Accounts receivables and other receivables	II.8	209,344	254,629
Non-current assets to be disposed		0	0
Pledged bank deposits		17,012	14,589
Bank balance and cash		27,391	42,096
Current tax refundable		3,835	3,835
		303,406	364,807
<b>Current liabilities</b>			
Amounts due to associates		652	648
<b>Accounts payable to the investees</b>		3,252	3,252
Accounts payables and other payables	II.9	124,371	171,067
Bank borrowings		8,000	8,000
Provision for litigation losses		-	-
Financial guarantee contracts		94,430	94,173

**Condensed Consolidated Balance Sheet (Continued)**

As at 30 June 2012

		<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
		<i>RMB'000</i>	<i>RMB'000</i>
	<b>Notes</b>	<i>(Unaudited)</i>	<i>(Audited)</i>
Government grants		-	200
Tax payable			
current liabilities		230,705	277,340
<b>Net current assets</b>		<u>72,701</u>	<u>87,467</u>
<b>Total assets less current liabilities</b>		<u>265,738</u>	<u>283,548</u>
<b>Share capital and reserves</b>			
Share capital	II.10	873,370	873,370
Reserves		<u>(621,747)</u>	<u>(603,668)</u>
Equity attributed to equity holders of the parent company		251,623	269,702
Minority interests		1,304	1,341
<b>Total equity</b>		<u><u>252,927</u></u>	<u><u>271,043</u></u>
Non-current liabilities			
Financial guarantee contracts		<u>12,811</u>	<u>12,505</u>
		12,811	12,505
<b>Net assets</b>		<u>252,927</u>	<u>271,043</u>



## Condensed Consolidated Statement of Changes in Equity

	Equity attributed to equity holders of the company										
	Share capital	Capital reserves	Capital contribution	Public welfare		Discretionary Reserves	Exchange reserves	Accumulated losses		Minority Interests	Total
				Statutory Reserves	Reserves			losses	Total		
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 2012	873,370	511,060	186,419	81,631	-	32,699	(35,083)	(1,390,638)	269,702	1,341	271,043
Exchange gains and losses	-	-	-	-	-	-	499	-	-	-	499
Net Profit of current period	-	-	-	-	-	-	-	(18,578)	(18,578)	(37)	(18,615)
Total comprehensive income	-	-	-	-	-	-	499	(18,578)	(18,079)	(37)	(18,116)
At 30 June 2012	873,370	511,060	186,419	81,631	-	32,699	(34,584)	(1,409,216)	251,623	1,304	252,927
At 1 January 2011	873,370	511,060	186,419	81,631	-	32,699	(23,207)	(1,346,991)	314,981	1,796	316,777
Exchange gains and losses	-	-	-	-	-	-	(877)	-	-	-	(877)
Net Profit of current period	-	-	-	-	-	-	-	19,495	19,495	(369)	19,126
Total comprehensive income	-	-	-	-	-	-	(877)	19,495	18,618	(369)	18,249
Others	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2011	873,370	511,060	186,419	81,631	-	32,699	(24,804)	(1,327,496)	333,599	1,427	335,026

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash outflows (inflows) from operating activities	(13,702)	(23,602)
Net cash outflows (inflows) from investing activities	(709)	(40)
Net cash outflows (inflows) from financing activities	(294)	(13,338)
<b>Increase (decrease) of cash and cash equivalents</b>	<b>(14,706)</b>	<b>(36,980)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>42,096</b>	<b>53,884</b>
Effects of exchange rate changes	-	(1,129)
<b>Cash and cash equivalents at the end of the period</b>		
Bank balance and cash	27,390	42,096

## II. Notes to the condensed financial statements

The condensed interim financial statements for the six months ended 30 June 2012 of the Company and its subsidiaries (the “Group”) are not audited, but have been reviewed and approved by the audit committee.

### (I) Bases of preparation:

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 2012 are consistent with those followed in preparing the financial statements for the year ended 31 December 2011.

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 2011.

**New standards, amendments and interpretations to standards are mandatory for the first time for the financial year beginning 1 January 2011, which were not related to the Group at present and had no material impact on the results and the financial position of the Group.**

Disclosure under the HKAS 1 (Revised)	and HKFRS 7, and there were some exemption for its first application.
HKAS 24 (Revised)	Connected person Disclosures
HKAS 32 (Revised)	Classification of allotment
HK (IFRIC) - Int 14	Prepayments of a minimum funding requirement
HK (IFRIC) - Int 19	Offset of Financial Liabilities with Equity Instruments

In addition, the HKICPA issued amendments to the existing standards according to the annual improved items. Such amendments are expected to have no material impact on the results and the financial position of the Group, except for the amendment of HKAS 34 Interim Financial Report.

**As for the amendments, new standards and interpretations that have been issued but not yet effective during the accounting period by the end of 30 June 2012, the Directors of the Company anticipate that the application of these new standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.**

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

HKFRS 12 (Revised) Deferred income tax: recovery of related assets	Effective on or after 1 July 2012
HKFRS 9 Financial Instruments	Effective on or after 1 July 2013
HKFRS 10 Consolidated Financial Statements	Effective on or after 1 July 2013
HKFRS 11 Joint Arrangements	Effective on or after 1 July 2013
HKFRS 12 Disclosure on Equity of Other Entities	Effective on or after 1 July 2013
HKFRS 13 Fair Value Calculation	Effective on or after 1 July 2013

**(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) Operating profits**

	<b>The Group</b>	
	<b>For the six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating profits after deducting the following items:		
Depreciation and amortization	5,467	5,817
Recorded as:		
Interest income on bank deposits	68	110

**(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 (2011: 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.

The Company and its subsidiaries had no taxable profit in Hong Kong; therefore there was no provision for the income tax (2011: Nil).

As at 30 June 2012, the Company and the Group had no significant deferred tax (2011: 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 2012.

**(VII) Earnings per share**

The calculation of earnings per share is based on the net Profit attributable to shareholders of RMB -18,578,000 (2011: RMB19,495,000) and the total number of shares in issue amounting to 873,370,000 shares (2011: 873,370,000 shares) at the end of the period.

**(VIII) Accounts receivable and other accounts receivable**

## 1. Accounts and bills receivable

	As at 30 June 2012	As at 31 December 2011
	<i>RMB '000</i>	<i>RMB '000</i>
Accounts and bills receivable	151,404	196,423
Less: Impairment loss	(26,683)	(26,683)
Net accounts and bills receivable	124,721	169,740
Amounts due from Bengang Group	76,090	76,090
Other receivables	93,952	88,306
Less: Impairment loss	(104,995)	(104,995)
Other receivables, net	65,047	59,401
Prepayment	15,547	21,952
Less: Prepayment over 1 year	(3,038)	(3,491)
Dividends receivable	7,067	7,027
	19,576	25,488
Accounts receivable and other Accounts receivable, net	209,344	254,629





The directors 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:

	<b>The Group</b>	
	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	81,630	116,115
1 to 2 years	38,271	46,842
2 to 3 years	4,458	6,960
Over three years	27,045	26,506
	151,404	196,423

The amounts within 1 year presented in the aging analysis above represented accounts and bills receivable 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 2012, the impairment provision of total account receivable and other accounts receivable is RMB133,171,000 (2011: RMB129,315,000). 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:

	<b>The Group</b>	
	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	-	-
1 to 2 years	95	95
2 to 3 years	8,273	8,273
Over three years	124,803	124,803
	133,171	133,171

**The changes in the impairment loss are as follows:**

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January		
Impairment loss recognized		
Accounts unrecoverable repealed	-	
At the end of the period	133,171	133,171

**(IX) Accounts payable and other accounts payable**

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts and bills payable	57,286	72,506
Other accounts payable	67,085	98,561
Total accounts payable and other accounts payable	124,371	171,067

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

	As at 30 June 2012	As at 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	32,523	41,516
1 to 2 years	10,882	17,254
2 to 3 years	2,621	2,251
Over three years	11,250	11,485
Total	57,286	72,506



The directors considered that the book values of account payable and other receivables 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.

98% of accounts payable and other accounts payable of the Group are denominated in RMB.

### (X) Share capital

Changes in share capital structure are as below from 1 January 2012 to 30 June 2012:

*Unit: Share*

Items	Amount at the beginning of the period	Increase/decrease during the period (+/-)					Subtotal	Amount at the end of the period
		Allotment	Bonus	Capitalization of surplus reserve	Others			
I. Shares subject to trading moratorium								
1. State-owned legal-person shares	-	-	-	-	-	-	-	-
2. Other domestic shares	5,999,022	-	-	-	-	-	-	5,999,022
Including: domestic legal person share	5,999,022	-	-	-	-	-	-	5,999,022
Total of shares subject to trading moratorium	5,999,022	-	-	-	-	-	-	5,999,022
II. Shares not subject to trading moratorium								
1. Common shares in RMB (A shares)	609,420,978	-	-	-	-	-	-	609,420,978
2. Foreign shares listed overseas (H shares)	257,950,000	-	-	-	-	-	-	257,950,000
Total shares not subject to trading moratorium	867,370,978	-	-	-	-	-	-	867,370,978
III. Total shares	873,370,000	-	-	-	-	-	-	873,370,000

**(XI) Post balance sheet events and contingencies**

## 1. Post balance sheet events

Nil.

## 2. Contingencies

## (1) Contingent liabilities due to unsettled litigation and arbitration and impact to financial reports

China Great Wall Asset Management Corp Shenyang Rep. Office (the “Great Wall Asset”) sued Shenyang High-voltage Switchgears Limited (hereinafter referred to as ‘Shenyang High-Voltage’) for 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 RMB351.75 million. On 15 July 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 in 2003 and 2004 respectively, which were Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd. (“Zhaoli High-voltage”), New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited Co Ltd (“NNE Isolators”), Shenyang Suntime Storage and Logistics Co Ltd (the “Suntime Storage”) and Shenyang Chengtai Energy Co Ltd.(the “Chengtai Energy”). The Company has acquired shares of NNE (Isolators), Suntime Storage and Chengtai Energy in 2004. Great Wall Asset sued Shenyang High-Voltage to Liaoning Provincial High Court (hereinafter referred to as “Liao High Court”) for repayment of RMB351.75 million on 24 February 2009, and again on 18 May 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 21 July 2009. On 15 December 2010, Liaoning Higher Court issued the civil written order ((2009) Liao Min Er Chu Zi No.12) and rejected Great Wall Asset’s appeal. If Great Wall Asset objected to this order, they may appeal for retrial by providing facts, evidence and relative ground. On 11 February 2011, Great Wall Asset appealed to the Supreme People’s Court of the PRC. On 30 June 2011, the Supreme People’s Court of the PRC issued the civil judgment ((2011) Min Er Zhong Zi No.44) and quashed the civil judgment ((2009) Liao Min Er Chu Zi No.12) and remanded the case to Liaoning High People’s Court for retrial. During the retrial, Great Wall Asset changed its claim against the Company and such case is under trial.

The Company is of the opinion that Great Wall Asset’s claim against the Company to bear joint liability has no facts and legal basis, nor does it have impacts on the financial position.



## (2) Contingent Liability by providing guarantee and impact on financial reports

It was estimated that the contingent liabilities by providing guarantee for other units was RMB84,722,000.

## (3) Other contingent liabilities and impact on financial reports:

A. As at 30 June 2012, RMB1,925,000 of undue bank accepted bills has been endorsed by the Company.

B. As at 30 June 2012, the Company has issued Performance Bonds of RMB17,012,000.

**(XII) Related transactions**

## 1. Controlling shareholders of the Group:

Name of related party	Place of registration	Principal activities	Relationship	Nature	Shareholding ratio
New Northeast Electric Investment Co., Ltd	Yingkou, the PRC	Equity investment, etc.	shareholder	Limited company	24.06%

## 2. Associates with transactions:

Great Power Technology Limited	British Virgin Islands	Investment	Associate	Limited company	20.8%
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## 3. Creditors' rights and debts between the Group, its associates and subsidiaries during the period:

*Unit: RMB'000*

Name of related party	As at 30 June 2012		As at 31 December 2011	
	Amount	Percentage	Amount	Percentage
<b>Dividends receivable:</b>				
Great Power Technology Limited	7,066	100%	7,027	100%
<b>Other payables:</b>				
Great Power Technology Limited	652	0.98%	648	0.66%



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

地址：中國遼寧省營口市鮫魚圈區新泰路1號  
網址：[www.nee.com.cn](http://www.nee.com.cn)  
電郵：[nee@nee.com.cn](mailto:nee@nee.com.cn)  
電話：(86) 0417-6897566 6897567  
傳真：(86) 0417-6897565  
郵編：115009

Address : No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC  
Website : [www.nee.com.cn](http://www.nee.com.cn)  
E-mail : [nee@nee.com.cn](mailto:nee@nee.com.cn)  
Tel : (86) 0417-6897566 6897567  
Fax : (86) 0417-6897565  
Zip : 115009