



NEE

INTERIM REPORT 2013

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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Chapter 1 IMPORTANT NOTICE

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

Mr. Su Weiguo, Chairman of the Company, Mr. Wang Shouguan, Chief financial officer, and Mr. Bai Lihai, Chief accounting officer, hereby state to guarantee the truthfulness and completeness of the financial report of the Interim Report.

This report is considered and approved by the third meeting of the seventh session of the board held on 12 August 2013.

This report has been reviewed and confirmed by the Audit Committee of the Board of the Company.

The financial report for the six months ended 30 June 2013 of the Company and its subsidiaries (the "Group") has not been audited.

Interim Dividend: The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves.

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

Chapter 2 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: 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 City, Liaoning Province, the PRC
Office address: No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC
Post code: 115009
Company website: www.nee.com.cn
Email: nee@nee.com.cn
- (IV) **Legal representative:** Su Weiguo
- (V) **Secretary to the Board of Directors:** Su Weiguo (acting)
Joint company secretary and authorized representative for receipt of summons and notices in Hong Kong: Chen Yiping
Representative for securities affairs: Zhu Xingguang
Correspondence address: Room 510, No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province, the PRC
Tel: 0417-6897566 0417-6897567
Fax: 0417-6897565
Email: nemm585@sina.com
- (VI) **PRC newspapers for information disclosure:** "Securities Times"
Website containing the report and announcement: www.cninfo.com.cn www.hkexnews.hk
Company website: www.nee.com.cn
Place for inspection of the report: Office of the Board of Directors
- (VII) **Date of the Company's first registration:** 16 February 1993
Registered address: 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 City, Liaoning Province, the PRC
Registered number of corporate legal person business licence: 210100402002708
Registered taxation number: 210804243437397

Chapter 3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(I) Major financial data prepared under CASBE

Did the Company make retrospective adjustment to or restatement of the accounting data of prior years due to changes in accounting policies and correction of accounting errors?

Yes No

	The reporting period	The same period last year	Increase/decrease in the reporting period compared with the same period last year
Operating incomes (RMB)	75,063,533.14	57,527,813.22	30.48%
Net profits attributable to shareholders of listed company (RMB)	-447,480.75	-18,015,241.61	97.52%
Net profits attributable to shareholders of listed company after extraordinary items (RMB)	-493,591.21	-18,091,731.71	97.27%
Net cash flows from operating activities (RMB)	-3,237,346.92	-13,702,172.73	76.37%
Basic earnings per share (RMB/Share)	-0.0005	-0.0206	97.57%
Diluted earnings per share(RMB/Share)	-0.0005	-0.0206	97.57%
Weighted average return on net assets (%)	-0.17%	-7.15%	Increased by 6.98 percentage points

	As at the end of the reporting period	As at the end of the reporting period last year	Increase/decrease in the reporting period compared with the end of last year (%)
Total assets (RMB)	484,484,273.84	498,205,496.54	-2.75%
Net assets attributable to shareholders of listed company (RMB)	270,574,709.83	271,782,480.71	-0.44%

Description of differences on figures by domestic and foreign accounting standards:

No difference in net profits and net assets prepared under PRC GAAP and HKFRS.

(II) Extraordinary profit and loss items and amounts

Unit: RMB

Item	Amount	Remarks
Profit & loss on debt restructuring	14,885.10	-
Non-operating income or cost except items above	31,225.36	-
Total	46,110.46	-

Chapter 4 REPORT OF THE DIRECTORS

(I) MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the international economy situation remains in the doldrums and low growth. China's economy is the period of transforming and upgrading and its economic growth slackens again. Facing the pressure at home and abroad, the board of the Company continues to operate steadily and adheres to various management concepts as expanding market, adjusting structure, improving technology, reducing costs, controlling risks, increasing benefits and optimizing management in order to maintain steady growth of the Company's overall operating results against the competitive market.

(II) Analysis of principal businesses

1. Summary

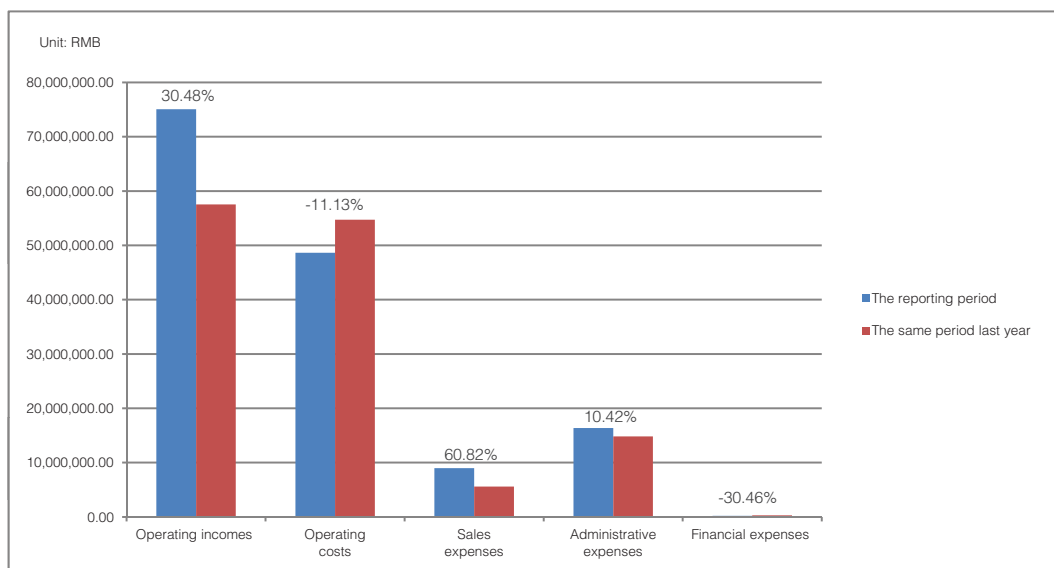
The operating incomes of the Company amounted to RMB75,063,533, with an increase of 30.48% compared with the same period last year and the net profits attributable to shareholders of the Company delivered RMB-447,480 with a year-on-year increase of RMB17,567,761.

Unit: RMB

	The reporting period	The same period last year	Increase/decrease in the reporting period compared with the same period	Reasons for the changes
Operating incomes	75,063,533.14	57,527,813.22	30.48%	Performed many contracts
Operating costs	48,648,037.88	54,737,923.42	-11.13%	Decrease in material price
Sales expenses	8,971,221.42	5,578,284.44	60.82%	Increase in incomes
Administrative expenses	16,354,117.36	14,810,949.09	10.42%	Increase in incomes
Financial expenses	196,033.63	281,906.53	-30.46%	Increase in interests
Income tax expenses	1,240,791.00	11,112.02	11,066.21%	Increase in profits of subsidiaries
Net cash flows from operating activities	-3,237,346.92	-13,702,172.73	76.37%	Increase in net cash flows from operating activities
Net cash flows from investment activities	-5,617,724.32	-709,346.95	-691.96%	Transformation of fixed assets
Net cash flows from financing activities	-303,530.38	-294,308.05	-3.13%	Increase in interests payable
Net increase in cash and cash equivalents	-9,158,601.62	-14,705,827.73	37.72%	Increase in net cash flows from operating activities

2. During the reporting period, the management of principal businesses is as follows:

- (1) The Company had made great achievements in sales expansion last year and many orders are carried down to this reporting period, which contributes to a main reason for the improved operating results during the reporting period. Meanwhile, it has recorded several new orders during the reporting period on the basis of the existing orders, consolidating the foundation for achieving sustainable development.
- (2) It proactively carries out market restructuring, optimizes product mix and increases the sales percentage of products with strong profitability. In addition, it enhances the control of operating costs, and the gross margin of leading products contributes to the improvement of operating results, representing a significant increase of about 35% compared with the same period last year.
- (3) It timely launches the special technological innovation projects of capacitor production equipment and testing equipment for factory tests by self-financing and actively implements them in an all-round way. The above technological innovation projects have been carried out orderly as planned, which are scheduled for completion by the end of the third quarter. Upon the completion, the overall competitiveness of capacitor products of the Company would increase significantly and it would realize the advancement, matching and automation of production equipment and updating of product testing methods, thus enhancing the competitiveness of products on the whole.
- (4) It continues to deepen system construction and follow up relevant laws and regulations, rules, policies and industry regulatory standards. In light of the actual situation of the Company, it also sorts out or revises relevant systems in a timely fashion, promotes the system framework of the Company, continuously enhances and improves the Company's internal control standards and governance level. Therefore, it has effectively controlled operating risks and the decisions and behaviors have rules to follow, which guarantees the normal operation and healthy development of the Company.
- (5) It highly emphasizes on the management of the relationship with investors. Except answering investors' questions by telephone and the interactive platform of Shenzhen Stock Exchange, it also holds special events on the investors' reception day and the "face to face" communication with investors deepens the understanding between investors and the Company.



(III) Operation of the Company during the reporting period

Incomes and profits from principal businesses by industry, product and region

Unit: RMB

Item	Operating incomes	Operating costs	Gross margin (%)	Increase/decrease in operating incomes compared with the same period last year (%)	Increase/decrease in operating cost compared with the same period last year (%)	Increase/decrease in gross margin compared with the same period last year (%)
By industry						
Electrical transmission and transformation	75,019,681.10	48,614,345.64	35.20%	30.41%	-11.19%	Increased by 30.35 percentage points
By product						
Enclosed busbar	23,041,415.02	17,838,757.36	22.58%	120.15%	121.37%	Decreased by 0.42 percentage points
Power capacitor	50,168,864.37	29,442,596.82	41.31%	137.05%	35.43%	Increased by 44.04 percentage points
High voltage switch circuit breaker	1,809,401.71	1,332,991.46	26.33%	-93.01%	-94.66%	Increased by 22.63 percentage points
By region						
Northeast	55,929,239.28	35,017,275.65	37.39%	493.05%	268.58%	Increased by 38.13 percentage points
North China	2,261,833.16	1,598,509.96	29.33%	-93.33%	-95.19%	Increased by 27.32 percentage points
Central China	2,429,972.65	1,475,944.58	39.26%	27.92%	6.75%	Increased by 12.05 percentage points
East China	1,881,420.90	1,104,149.71	41.31%	-31.46%	-57.42%	Increased by 35.79 percentage points
South China	2,091,499.32	1,840,910.40	11.98%	2.34%	16.67%	Decreased by 10.81 percentage points
Southwest	4,054,154.73	2,994,573.89	26.14%	33.18%	0.74%	Increased by 23.79 percentage points
Northwest	2,855,512.82	1,543,574.31	45.94%	79.42%	-5.61%	Increased by 48.7 percentage points
Others	3,516,047.40	3,073,099.38	12.6%	21.92%	64.73%	Decreased by 22.72 percentage points

(IV) Analysis of core competitiveness

The Company and its subsidiaries are the major bases of manufacturing, research and export of electrical transmission and transformation equipment in China and the major supplier of electrical transmission and transformation equipment in China. The Company's principal business is the manufacture and sale of system protection and transmission equipment including power capacitors and enclosed busbars.

During the reporting period, there was no material change of the core competitiveness of the Company.

(V) Analysis of investment

1. Operations and results of major controlling company and investee company

Unit: RMB

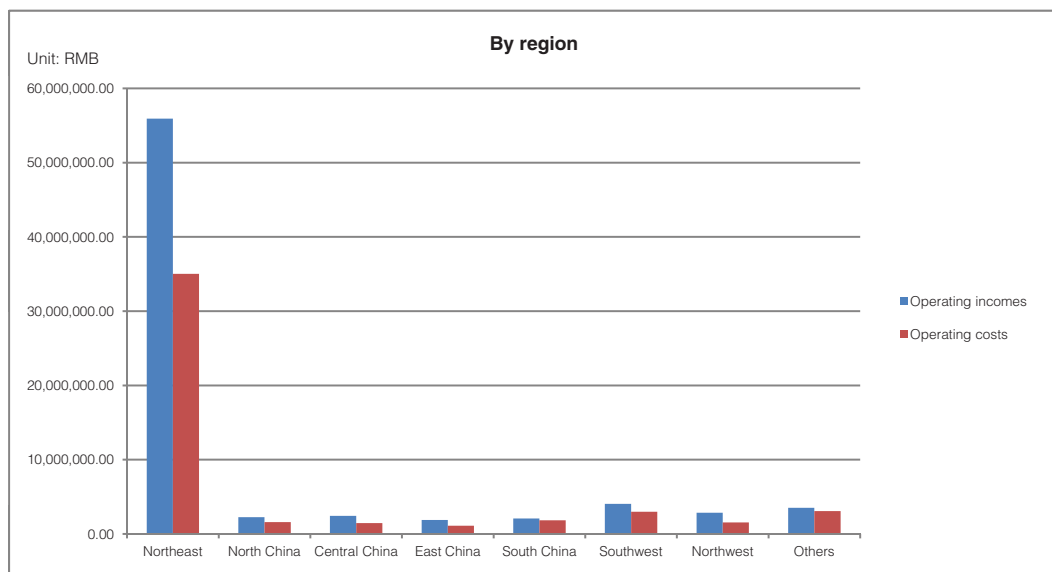
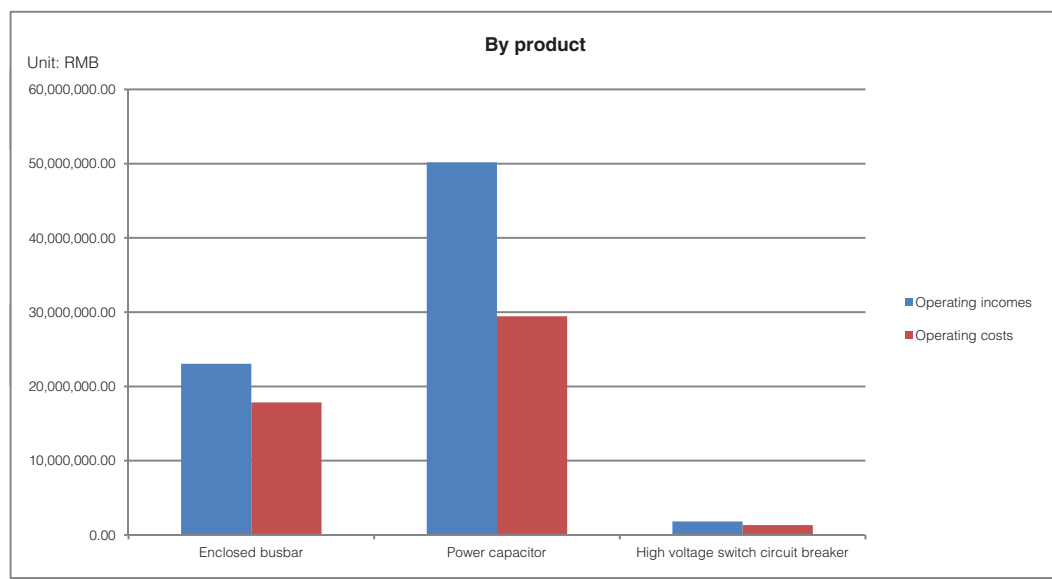
Name	Type of company	Industry	Principal products or services	Registered capital	Total assets	Net assets	Operating incomes	Operating profits	Net profits
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	Electrical machinery and equipment manufacturing	Enclosed busbar	8,500,000 USD	102,310,025.33	61,893,131.76	23,051,278.27	-2,139,967.27	-2,139,967.27
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	Electrical machinery and equipment manufacturing	Power capacitors	15,450,000 USD	229,444,967.42	151,519,507.50	50,202,853.16	4,930,395.92	3,722,372.98
Jinzhou Jimrong Electric Co., Ltd.	Subsidiary	Electrical machinery and equipment manufacturing	High-voltage capacitor	RMB3,000,000	2,779,542.40	2,422,857.19	0.00	-109,464.34	-109,464.34
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Subsidiary	Electrical machinery and equipment manufacturing	Desiccation equipment	778,500 USD	1,869,316.34	1,571,472.45	0.00	0.00	0.00
Northeast Electric (Beijing) Co., Ltd.	Subsidiary	Trading	Sales of machinery equipment	RMB2,000,000	54,075,262.43	-8,559,483.77	1,809,401.71	108,072.44	108,072.44
Northeast Electric (Hong Kong) Limited	Subsidiary	Investment holding and general trading	Investment holding and general trading	20,000,000 USD	183,102,268.22	87,078,014.54	0.00	-247,905.86	-247,905.86
Great Talent Technology Limited	Subsidiary	Investment holding and general trading	Investment holding and general trading	1 USD	83,637,746.53	-67,163.39	0.00	-6,507.04	-6,507.04
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Electrical machinery and equipment manufacturing	High-voltage equipment	RMB1,000,000	162,917,978.90	-4,753,056.97	0.00	-848,208.12	-848,309.20
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	Investee company	Electrical machinery and equipment manufacturing	Manufacture of switches controlling equipment	168,000,000 USD	3,927,242,568.44	909,305,060.19	869,331,675.88	-2,989,804.24	-3,751,612.24
Great Power Technology Limited	Investee company	Investment holding and general trading	Investment holding and general trading	12,626 USD	188,637,113.81	59,966,053.18	0.00	46,024.81	46,024.81



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

3. The investment of non-raised capital, progress and benefits of the main invested projects: Nil.

4. The diagram of incomes and profits from principal businesses by product and region.



(VI) Financial position and operating results during the reporting period

1. There are changes in profit components or sources of income during the reporting period

Unit: RMB

Item	Opening balance	Closing balance	Increase/decrease at the end of the period compared with the beginning of the period	Percentage	Explanation for changes
Bills receivable	2,694,000.00	0.00	-2,694,000.00	-100.00%	Bills discounted
Prepayment	7,112,829.64	21,921,290.01	14,808,460.37	208.19%	Increase in trade receivables prepaid
Construction in progress	228,933.81	2,024,207.73	1,795,273.92	784.19%	Innovation of production technology
Advances from customers	14,395,206.29	9,533,002.69	-4,862,203.60	-33.78%	Decrease in advances from customers
Taxes payable	7,588,667.87	1,384,677.56	-6,203,990.31	-81.75%	Timely payment of taxes
Business taxes and surcharges	234,574.69	549,874.02	315,299.33	134.41%	Increase in incomes
Asset impairment losses	0.00	379,100.00	379,100.00	100.00%	Accounts receivable of prior year recovered
Non-operating incomes	109,357.66	48,128.25	-61,229.41	-55.99%	No fixed assets disposed
Non-operating expenses	21,755.54	2,017.79	-19,737.75	-90.73%	Decrease in expense items

(VII) Prospect of the Company's future development

In the second half of the year, the Company would continue to organize production and operation in a scientific manner, reasonably control costs, orderly promote the technological innovation, and strive to achieve the operating goal set in the early year.



(VIII) Potential risks and corresponding measures

1. Downside risks from macro economy situation

The Company's industry is closely related to the state's policies on this industry and macro economy. In case of significant movements in the macro economy, the market competition would be worsened, imposing not only risks on recent operation of the Company but also the growth in the future.

It will keep a close eye on the changes of economic situation at home and abroad and take measures to prevent and avoid the risks arising from downside potential of macro economy. At the same time, it adheres to its consistent marketing strategies to vigorously expand markets, enhance improvements of operation and avoid risks.

2. Risks from market competition

During the reporting period, as impacted by the China's weak economy, slow growth in the demand of domestic electricity, continuous decrease in completed investments of electricity projects, especially the plunge in completed investments of thermal power and wind power compared from the same period last year, it will pose great difficulties and risks to the market expansion of the Company. The Company will make greater effort in market expansion. While maintaining the key customers and providing professional technological support to them, it will proactively tap new customers. It will also adopt technological innovation as the profit growth driver and the key customers as the profit source to boost its capability in shielding against risks.

3. Financial risk

During the reporting period, in the event the Company's accounts receivable could not be effectively recovered and managed, the Company may confront certain losses from bad debts or illiquid risk. It will further beef up its internal management and comprehensively reinforce the management of accounts receivable in all respects, increase the usage of capital and mitigate the risks from losses from bad debts of accounts receivable.

4. Risks from the increase in costs of human resource

In recent years, the costs of human resource are on the rise, which would cause trouble to the costs control of the Company. It is taking the initiative to carry out technological innovation and gradually implement automotive production to reduce the impact from the rising costs of human resource on the operation of the Company to some extent.

(IX) Analysis of the Company's financial position under Rules Governing the Listing OF Securities on Hong Kong Exchange Appendix 16

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

By the end of the year, the balance of monetary fund was RMB65,642,056.

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

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

By the end of the year, the Company had bank loans amounting to RMB8,000,000, representing 1.65% of the total assets. These bank loans bear fixed interest rate.

The debt equity ratio of the Company was 2.94% (debt equity ratio= total bank loan/total share capital and reserve * 100%).

By the end of the year, the Company had fixed asset and land with net book value of RMB9,000,000 as security.

To improve its financial management, the Company and its subsidiaries (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.

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.

Please refer to Notes to the Financial Statements for contingencies.

(X) Others

1. Business distribution

All of the Group's incomes and profits were from the domestic market; so the Company's management considers there is no need to prepare the divisional statement.

2. Taxation

The Main Taxation Category and Tax Rate of the Company

Category	Tax Base	Tax Rate
VAT	Taxable revenue after offsetting deductible input VAT	17%
Consumption tax	Taxable revenue	5%
Business tax	VAT and Business tax payable	7%
Urban construction & maintenance tax	VAT and Business tax payable	3%, 5%
Corporate income tax	Taxable income	Please refer to the execution of income tax rate of subsidiaries

The execution of income tax rate of subsidiaries

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%.

- (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., a wholly owned subsidiary of the company registered in HKSAR of P. R. China, its profits tax rate is 16.5%.
- (3) Gaocai Technology Co., Ltd. (referred to as Gaocai Tec) is a company wholly owned by the company's subsidiary – Northeast Electric (HK) Co., Ltd., and was registered in the British Virgin Islands. No enterprise income tax is imposed on it.

3. Net profit

	The reporting period	The same period last year
Net profits attributable to shareholders of listed company (RMB)	-447,480.75	-18,015,241.61

4. Earnings per share

	The reporting period	The same period last year
Basic earnings per share (RMB/Share)	-0.0005	-0.0206
Diluted earnings per share(RMB/Share)	-0.0005	-0.0206

5. Dividends

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 2013.

6. Share capital

	The reporting period	The same period last year
Total share capital (RMB)	873,370,000.00	873,370,000.00

7. Contingent liabilities

As at 30 June 2013, the Company did not have any material contingent liabilities.



Chapter 5 SIGNIFICANT EVENTS

(I) Personnel changes

Please refer to “Profiles of directors, supervisors and senior management” of Section 7.

(II) Staff of the Company and the remuneration policy

As at 30 June 2013, the number of employees on the payroll of the Company was 578, compared with 603 in 2012. 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 employees, 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-447,480.75, and the accrued profit distributable to shareholders at the end of the period was RMB-1,559,027,632.43. 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 2013.

(V) Material litigation and arbitration**Dispute of the Litigation against the Company Lodged by China Great Wall Asset Management Corp. Shenyang Office for Arrears of RMB351,750,000**

On 24 February 2009, Great Wall brought a lawsuit to Liaoning Higher Court against Shenyang High-voltage for the overdue liabilities of Great Wall, requesting the court to order Shenyang High-voltage to repay the liabilities including the principal of RMB351,750,000 and its interests. The trial is currently in session. Please refer to the extraordinary announcements of the Company dated 12 August 2009, 16 February 2011, 20 July 2011 and 29 January 2013.

During the reporting period, 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) During the reporting period, the Company has no acquisition nor disposal of assets**(VII) During the reporting period, the Company has no external investment nor investment in securities****(VIII) During the reporting period, the Company has not held any shares of other listed companies or any equities of such financial enterprises as commercial banks, securities companies, insurance companies, trust companies and futures companies. In addition, the Company has not shared in any proposed listed companies****(IX) Connected transactions**

There are no connected transactions nor claims and debts between the Company and the connected parties during the reporting period.

(X) Use of capital for connected parties

Controlling shareholders did not use any capital during the reporting period. Please refer to the Financial Statements for details on use of capital for other connected parties.



(XI) Significant contracts and their executions

1. During the reporting period, the Company did not enter into any material guarantee, trust, contractual or lease arrangement in respect of the assets of other companies nor did other companies enter into any trust, contractual or lease arrangement in respect of the assets of the Company nor have any fund management on trust or designated loan.
2. Guarantees:

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

As at the end of the reporting period, the actual bank occupation of external guarantee amount provided by the Company totaled RMB77,050,000, so the real amount that the Company should assume responsibility for guarantee was RMB77,050,000, representing 28.22% of the audited net assets of the Company for 2012.

External guarantees of the Company

By the end of the reporting period, the actual occupation of external guarantee amount was RMB77,050,000, including RMB52,900,000 for Jinzhou Power Capacitors Co., Ltd.; RMB24,150,000 for Shenyang Kingdom Hotel Co., Ltd.

There were no guarantees for the holding subsidiaries of the Company

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 19.46% of the audited net assets of the Company for 2012, which was translated into liabilities in total in 2007.

The Company doesn't have any other guarantees for its shareholder, De Facto controller and other parties concerned.

(XII) Implementation of commitments of the Company, shareholders and De Facto controller

To implement the A 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 Shenzhen Stock Exchange will not be less than RMB5 per share.

During the reporting period, New Northeast Electric Investments Co., Ltd. has strictly fulfilled the above commitments.

(XIII) Employment and dismissal of certified public accountants

Details for the employment and dismissal of certified public accountants

To improve the efficiency of information disclosure and reduce information disclosure costs, the Company will remove Shenzhen Pengcheng Certified Public Accountants Co., Ltd. (“Pengcheng CPAs”) and Ting Ho Kwan & Chan (“THKC”) respectively as the domestic auditors and overseas auditors of the Company and appoint Crowe Horwath China Certified Public Accountants (LLP) (“CHCC”) as the auditors of the Company for the year 2012, to audit the financial statements of the Company in accordance with China Auditing Standards, and prepare financial statements in accordance with China Accounting Standards, and to shoulder the duties as overseas auditors under the Amended Listing Rules of the Stock Exchange (including but not limited to the annual financial report and annual audit of related items). The aforesaid matters have been approved by the First Extraordinary General Meeting of 2013 held on 11 March 2013 (please refer to the announcement dated 11 March 2013 for details).

Crowe Horwath and RSM CPAs (中瑞岳華會計師事務所) (special general partner) have been merged upon approval by the industrial & commercial authorities due to business expansion. The merged CPAs uses the legal entity of Crowe Horwath, and is renamed as “Ruihua CPAs (瑞華會計師事務所) (special general partner)”, with effect from 1 July 2013. The change in the name of the CPAs does not constitute the change of auditors, which shall not be subject to the consideration of the General Meeting of Shareholders. (please refer to the announcement dated 11 July 2013 for details)

(XIV) Application for revoking the special treatment of the “Delisting Risk Warning”

On 11 March 2013, the Board of the Company submitted to Shenzhen Stock Exchange an Application for Revoking the Special Treatment of the “Delisting Risk Warning” on A Shares of the Company (Please refer to the related announcement published on the designated disclosure media on 12 March 2013). As reviewed and approved by Shenzhen Stock Exchange, “Delisting Risk Warning” on A shares of the Company will be revoked since 19 April 2013.



(XV) Independent directors' special representation and independent opinion on the fund occupation by connected parties and external 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 external 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 totaled RMB77,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB77,050,000, accounting for 28.22% of the audited net assets of the Company for 2012.

During the reporting period, the Company cautiously treated and handled the external guarantee matters and made complete information disclosure in accordance with relevant provisions of supervision departments, thus making full disclosure and effective control of external guarantee. It hasn't made any guarantee for its shareholders, De Facto 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. Wang Yunxiao, Ms. Liang Jie and Mr. Liu Hongguang

(XVI) 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 position, operation situation and connected transactions.

(XVII) 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.

(XVIII) Corporate governance

1. Code of Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code of Corporation Governance Practices for the period of six months ended 30 June 2013, and disclosed result report in accordance with these provisions. The Code of Corporation Governance Practices includes the clauses set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Audit Committee

The Company has established the audit committee in accordance with the 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 2013.

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 2013.

At the meeting held on 12 August 2013, the audit committee reviewed and approved the 2013 semi-annual financial records and results announcement.



3. Independent non-executive directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules 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.

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

During the reporting period, the Company has adopted a code of behavior on terms no less exacting than the required standard set out in the “Model Code” in connection with rules governing securities transactions of directors and supervisors. It was confirmed, upon specific enquiries, 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 two months prior to results announcement (the lock-up period is from 12 June to 12 August 2013).

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.

5. 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 assesses feasible operation plans.

(XIX) 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".

(XX) 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.

(XXI) 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, revealment 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.

(XXII) Subsequent events

Nil.

Chapter 6 CHANGES 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 was no change in the share capital.

Unit: Share

	Prior to changes		Increase/decrease (+, -)					After changes	
	Quantity	Proportion	New shares issued	Bonus	Transfer of capital reserve into share capital	Others	Subtotal	Quantity	Proportion
I. Shares subject to trading moratorium									
5. 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%
II. Shares not subject to trading moratorium									
1. Ordinary shares denominated in RMB	609,420,978	69.78%						609,420,978	69.78%
3. Foreign shares listed overseas	257,950,000	29.54%						257,950,000	29.54%
III. Total shares	873,370,000	100%						873,370,000	100%

(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 was 82,001					
Shareholders representing 5% or more of the shareholdings							
Name of shareholder	Nature of shareholder	Share holding	Number of shares as at the end of reporting period	Increase/decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen	
						Status	Quantity
HKSCC Nominees Limited	Foreign natural person	28.34%	247,523,998	-30,000	0		
New Northeast Electric Investments Co., Ltd.	Domestic non-state-owned legal person	24.06%	210,113,872	0	19,022	Pledged	110,000,000
Shenzhen Zhongda Software Development Co., Ltd.	Domestic non-state-owned legal person	0.41%	3,550,000	0	3,550,000		
Xue Na	Domestic natural person	0.29%	2,494,182	2,494,182	0		
Hu Li	Domestic natural person	0.25%	2,157,960	0	0		
Luo Zhiyu	Domestic natural person	0.23%	1,982,900	1,982,900	0		
Wu Wei	Domestic natural person	0.19%	1,660,690	1,660,690	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		
Shaanxi Qinjian Science and Technology Investment Co., Ltd.	Domestic non-state-owned legal person	0.16%	1,420,000	0	1,420,000		
Connections or concerted actions among the aforesaid shareholders		So far as the Company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as required in "Methods of Information Disclosure of Shareholding Changes of Listed Companies".					



Particulars about the top ten shareholders of shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium as at the end of reporting period	Type of shares	
		Type of shares	Quantity
HKSCC Nominees Limited	247,537,998	Foreign shares listed overseas	247,537,998
New Northeast Electric Investments Co., Ltd.	210,094,850	Ordinary shares denominated in RMB	210,094,850
Xue Na	2,494,182	Ordinary shares denominated in RMB	2,494,182
Hu Li	2,157,960	Ordinary shares denominated in RMB	2,157,960
Luo Zhiyu	1,982,900	Ordinary shares denominated in RMB	1,982,900
Wu Wei	1,660,690	Ordinary shares denominated in RMB	1,660,690
Xu Yipin	1,647,295	Ordinary shares denominated in RMB	1,647,295
Wang Dawei	1,620,170	Ordinary shares denominated in RMB	1,620,170
Fang Fuquan	1,367,223	Ordinary shares denominated in RMB	1,367,223
Xue Zhihua	1,306,477	Ordinary shares denominated in RMB	1,306,477
Connections or concerted actions among the top ten shareholders of circulating shares not subject to trading moratorium and between the top ten shareholders of circulating shares not subject to trading moratorium and the top ten shareholders	So far as the Company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as required in "Methods of Information Disclosure of Shareholding Changes of Listed Companies".		

Notes:

- 1) *So far as the Company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as required in “Methods of Information Disclosure of Shareholding Changes of Listed Companies”.*
- 2) *New Northeast Electric Investments Co., Ltd. has simultaneously pledged its 62,860,000 and 47,140,000 A shares subject to trading moratorium to Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch. And it carried out the registration of the pledged stocks with China Securities Depository and Clearing Corporation Limited Shenzhen Branch on 30 October 2012.*
- 3) *Save as disclosed above, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.*
- 4) *Purchase, sale or redemption of the Company’s listed securities*
During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares.
- 5) *Pre-emptive rights*
There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- 6) *Convertibles, options, warrants or other similar rights*
As of 30 June 2013, the Company did not issue any convertible securities, options, warrants or any other similar right.

(IV) Changes in controlling shareholders and De Facto controller: Nil



Chapter 7 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 current and resigned directors, supervisors, and senior management during the reporting period.

(II) Re-election and resignation of directors, supervisors and senior management

1. As approved by the General Meeting of the Board held on 14 January 2013, due to expiration of the term of office, Mr. Wu Qicheng and Xiang Yongchun resigned as independent directors; Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Liu Tongyan, Mr. Liu Qingmin, and Mr. Liu Bing were nominated as candidates for executive directors of the seventh session of the board of directors; Mr. Wang Yunxiao, Ms. Liang Jie and Mr. Liu Hongguang were nominated for candidates for independent directors of the seventh session of the board of directors, with the term of office to 10 March 2016.

As approved by the Meeting of Supervisory Committee held on 14 January 2013, due to expiration of the term of office, Mr. Bai Lihai resigned as Supervisor; Mr. Dong Liansheng and Ms. Jiao Liyuan were nominated as candidates for Supervisors of the seventh session of Supervisory Committee, with the term of office to 10 March 2016; Meanwhile, Mr. Liu Xuehou was elected as the Supervisor representing staff of the seventh session of Supervisory Committee.

The aforesaid matters have been considered and approved by the First Extraordinary General Meeting of 2013 held on 11 March 2013 (please refer to the announcement dated 14 January/11 March 2013 for details).

2. As approved by the General Meeting of the Board held on 11 March 2013, Mr. Su Weiguo and Mr. Wang Shouguan were elected as Chairman and Vice Chairman respectively; the term of office is the same as the Board (i.e. from 11 March 2013 to 10 March 2016, the same below). Mr. Wang Shouguan is appointed as General Manager of the Company and Mr. Liu Tongyan is appointed as Assistant General Manager and Financial Controller; Chairman, Mr. Su Weiguo will act on behalf of the secretary to the Board, till the Company officially appoints the secretary to the Board; Mr. Zhu Xinguan is appointed as Securities Affairs Representative.

3. On 6 May 2013, the Company received the resignation application of Mr. Liu Tongyan, the executive director and deputy general manager of the Company. Due to changes of work, Mr. Liu Tongyan requested to quit the position of executive director and deputy general manager. The resignation of Mr. Liu Tongyan shall come into force since the date of delivery to the board of directors of the Company.

(III) Interest of directors, supervisors and senior management

As at 30 June 2013, 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.



Chapter 8 FINANCIAL REPORT

(I) Auditors' Report

The Company's interim financial statements are not audited.

(II) FINANCIAL STATEMENT

Unit in the Notes to the Financial Statements: RMB

1. CONSOLIDATED BALANCE SHEET

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Current assets:		
Cash and bank balances	65,642,056.44	81,295,428.80
Settlement excess reserve		
Funds offered in inter-bank markets		
Tradable financial assets		
Bills receivable		2,694,000.00
Accounts receivable	140,397,234.21	152,791,168.72
Prepayment	21,921,290.01	7,112,829.64
Premium receivable		
Reinsurance receivable		
Reserve of reinsurance arrangement receivable		
Interests receivable		
Dividends receivable		
Other receivables	25,325,300.69	23,429,153.27
Redemptory Monetary Capital for Sale		
Inventories	45,967,889.06	40,832,173.31

1. CONSOLIDATED BALANCE SHEET (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Non-current assets due within 1 year		
Other current assets		
Total current assets	299,253,770.41	308,154,753.74
Non-current assets:		
Deposits and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	105,443,843.18	107,224,888.88
Investment property		
Fixed assets	59,591,759.70	62,775,673.37
Construction in Progress	2,024,207.73	228,933.81
Material of works		
Liquidation of fixed assets		
Productive bio-material assets		
Assets of oil and gas		
Intangible assets	4,403,424.45	4,471,169.49
Expenditures of development		
Goodwill		
Long-term deferred expenses	4,447,059.72	6,029,868.60
Deferred income tax assets	9,320,208.65	9,320,208.65
Other non-current assets		
Total non-current assets	185,230,503.43	190,050,742.80
Total assets	484,484,273.84	498,205,496.54

**1. CONSOLIDATED BALANCE SHEET (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Current liabilities:		
Short-term borrowings	8,000,000.00	8,000,000.00
Borrowings from central bank		
Deposits received & by inter-banks		
Funds received from inter-bank markets		
Tradable financial liabilities		
Bills payable		
Accounts payable	62,836,292.95	59,772,901.29
Advances from customers	9,533,002.69	14,395,206.29
Selling of buyback financial assets		
Fees payable & commission		
Employee compensation payable	2,368,304.95	2,191,310.77
Taxes payable	1,384,677.56	7,588,667.87
Interest payable		
Dividends payable	40,017.86	40,017.86
Other payables	43,821,833.71	48,476,364.50
Reinsurance payable		
Reserve of insurance arrangement		
Payments of entrusted purchase & selling stocks		
Payments of entrusted underwriting stocks		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	127,984,129.72	140,464,468.58

1. **CONSOLIDATED BALANCE SHEET (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term accounts payable		
Specific payables		
Accrued liabilities	84,721,078.25	84,721,078.25
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	84,721,078.25	84,721,078.25
Total liabilities	212,705,207.97	225,185,546.83
Owners' equity (or shareholders' equity):		
Paid-up capital (or share capital)	873,370,000.00	873,370,000.00
Capital reserves	883,422,403.92	883,422,403.92
Less: Shares in store		
Specific reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risks		
Retained profits	-1,559,027,632.43	-1,558,580,151.68
Difference of exchange of foreign-currency report	-35,777,186.06	-35,016,895.93
Total equity attributable to the owners of the parent company	270,574,709.83	271,782,480.71
Minority interests	1,204,356.04	1,237,469.00
Total owners' equity (or shareholders' equity)	271,779,065.87	273,019,949.71
Total liabilities and owners' equity (or shareholders' equity)	484,484,273.84	498,205,496.54

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

**2. BALANCE SHEET (PARENT COMPANY)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Current assets:		
Cash and bank balances	36,121.11	30,575.58
Tradable financial assets		
Bills receivable		
Accounts receivable		
Prepayment		
Interests receivable		
Dividends receivable		
Other receivables	362,784,079.44	364,599,007.23
Inventories		
Non-current assets due within 1 year		
Other current assets		
Total current assets	362,820,200.55	364,629,582.81
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	91,251,518.10	91,251,518.10
Investment property		
Fixed assets	293,261.86	324,390.45
Construction in progress		
Material of works		
Liquidation of fixed assets		
Productive bio-material assets		
Assets of oil and gas		

2. BALANCE SHEET (PARENT COMPANY) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Intangible assets		
Expenditures of development		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	91,544,779.96	91,575,908.55
Total assets	454,364,980.51	456,205,491.36
Current liabilities:		
Short-term borrowings		
Tradable financial liabilities		
Bills payable		
Accounts payable		
Advances from customers	665,000.00	665,000.00
Employee compensation payable	8,724.67	8,524.67
Taxes payable	20,013.17	12,817.59
Interest payable		
Dividends payable		
Other payables	78,691,942.56	79,527,463.55
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	79,385,680.40	80,213,805.81

**2. BALANCE SHEET (PARENT COMPANY) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term accounts payable		
Specific payables		
Accrued liabilities	84,721,078.25	84,721,078.25
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	84,721,078.25	84,721,078.25
Total liabilities	164,106,758.65	164,934,884.06
Owners' equity (or shareholders' equity):		
Paid-up capital (or share capital)	873,370,000.00	873,370,000.00
Capital reserves	979,214,788.45	979,214,788.45
Less: Shares in store		
Specific reserves		
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risks		
Retained profits	-1,670,913,690.99	-1,669,901,305.55
Difference of exchange of foreign-currency report		
Total owners' equity (or shareholders' equity)	290,258,221.86	291,270,607.30
Total liabilities and owners' equity (or shareholders' equity)	454,364,980.51	456,205,491.36

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

3. CONSOLIDATED INCOME STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Total operating incomes	75,063,533.14	57,527,813.22
Including: Operating incomes	75,063,533.14	57,527,813.22
Interest incomes		
Earned premium		
Charges and commissions		
II. Total operating costs	74,340,184.31	75,643,638.17
Including: Operating costs	48,648,037.88	54,737,923.42
Interest expenses		
Charges and commission expenses		
Surrender value		
Net amount of payouts		
Net provision drawn for insurance arrangement		
Policy dividend expenses		
Reinsurance expenses		
Business taxes and surcharges	549,874.02	234,574.69
Sales expenses	8,971,221.42	5,578,284.44
Administrative expenses	16,354,117.36	14,810,949.09
Financial expenses	196,033.63	281,906.53
Asset impairment losses	-379,100.00	
Add: Incomes from changes in fair value (loss is represented by "-")		
Incomes from investment (loss is represented by "-")	-9,262.00	-13,142.79
Including: Investment incomes from associates and joint ventures	-9,262.00	-13,142.79
Exchange gains (loss is represented by "-")		

**3. CONSOLIDATED INCOME STATEMENT (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
III. Operating profits (loss is represented by "-")	714,086.83	-18,128,967.74
Add: Non-operating incomes	48,128.25	109,357.66
Less: Non-operating expenses	2,017.79	21,755.54
Including: Loss from the disposal of non-current assets		
IV. Total profits (total loss is represented by "-")	760,197.29	-18,041,365.62
Less: Income tax expenses	1,240,791.00	11,112.02
V. Net profits (net loss is represented by "-")	-480,593.71	-18,052,477.64
Including: Net profits realised by consolidated parties before consolidation		
Total profits attributable to the owners of the parent company	-447,480.75	-18,015,241.61
Minority interests	-33,112.96	-37,236.03
VI. Earnings per share:	--	--
(I) Basic earnings per share	-0.0005	-0.0206
(II) Diluted earnings per share	-0.0005	-0.0206
VII. Other comprehensive incomes	-760,290.13	499,104.55
VIII. Total comprehensive incomes	-1,240,883.84	-17,553,373.09
Total comprehensive incomes attributable to owners of the parent company	-1,207,770.88	-17,516,137.06
Total comprehensive incomes attributable to minority shareholders	-33,112.96	-37,236.03

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

4. INCOME STATEMENT (PARENT COMPANY)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Operating incomes	0.00	1,000,000.00
Less: Operating costs	0.00	0.00
Business taxes and surcharges	0.00	55,000.00
Sales expenses		
Administrative expenses	1,024,321.78	952,918.98
Financial expenses	1,507.14	4,949.10
Asset impairment losses		
Add: Incomes from changes in fair value (loss is represented by "-")		
Incomes from investment (loss is represented by "-")		
Including: Investment incomes from associates and joint ventures		
II. Operating profits (loss is represented by "-")	-1,025,828.92	-12,868.08
Add: Non-operating incomes	14,885.10	
Less: Non-operating expenses	1,441.62	200.00
Including: Loss from the disposal of non-current assets		
III. Total profits (total loss is represented by "-")	-1,012,385.44	-13,068.08
Less: Income tax expenses		
IV. Net profits (net loss is represented by "-")	-1,012,385.44	-13,068.08
V. Earnings per share:	--	--
(I) Basic earnings per share		
(II) Diluted earnings per share		
VI. Other comprehensive incomes	0.00	0.00
VII. Total comprehensive incomes	-1,012,385.44	-13,068.08

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai



5. CONSOLIDATED CASH FLOW STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from the sales of goods and the rendering of services	95,907,923.56	88,240,630.82
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 arrangement		
Net amount received under reinsurance business		
Net increase of insured funds and investment		
Net increase of disposal of tradable financial assets		
Cash of interests, fees and commissions received		
Net increase of funds received in inter-bank market		
Net increase of funds of buyback business		
Refund of taxes and surcharges		
Other cash receipts relating to operating activities	28,898,830.24	6,381,369.02
Subtotal of cash inflows from operating activities	124,806,753.80	94,621,999.84
Cash paid for goods and services	72,046,734.21	55,690,858.80
Net increase of customer loans and advances		
Net increase of deposits with central bank and inter-bank		
Cash of payout under insurance arrangement		
Cash of interests, fees and commissions paid		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	13,468,428.77	11,848,115.37

5. CONSOLIDATED CASH FLOW STATEMENT (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Taxes paid	13,350,392.74	6,978,828.39
Other cash payments relating to operating activities	29,178,545.00	33,806,370.01
Subtotal of cash outflows from operating activities	128,044,100.72	108,324,172.57
Net cash flows from operating activities	-3,237,346.92	-13,702,172.73
II. Cash flows from investment activities:		
Cash received from disposal of investments		
Cash received from returns on investments		
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 business entities		
Other cash receipts relating to investment activities		
Subtotal of cash inflows from investment activities		96,985.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	5,617,724.32	806,331.95
Cash paid to acquire investment		
Net increase of pledged loans		
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash payments relating to investment activities		
Subtotal of cash outflows from investment activities	5,617,724.32	806,331.95
Net cash flows from investment activities	-5,617,724.32	-709,346.95

**5. CONSOLIDATED CASH FLOW STATEMENT (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
III. Cash flows from financing activities:		
Cash received for new investments		
Including: Cash received from absorbing minority shareholder's investment by subsidiaries		
Cash received from borrowing		
Cash received by issuing bonds		
Other cash receipts relating to financing activities		
Subtotal of cash inflows from financing activities		
Cash repayments of amount borrowed		
Cash payments for distribution of dividends, profits or interest expenses	303,530.38	294,308.05
Including: Subsidiaries' payment for minority shareholder's interests and profits		
Other cash payments relating to financing activities		
Subtotal of cash outflows from financing activities	303,530.38	294,308.05
Net cash flows from financing activities	-303,530.38	-294,308.05
IV. Effect of changes in exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-9,158,601.62	-14,705,827.73
Add: Opening balance of cash and cash equivalents	69,423,731.30	42,095,840.09
VI. Closing balance of cash and cash equivalents	60,265,129.68	27,390,012.36

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

6. CASH FLOW STATEMENT (PARENT COMPANY)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities:		
Cash received from the sales of goods and the rendering of services		1,000,000.00
Refund of taxes and surcharges		
Other cash receipts relating to operating activities	11,877,941.40	28,255,933.96
Subtotal of cash inflows from operating activities	11,877,941.40	29,255,933.96
Cash paid for goods and services		
Cash paid to and on behalf of employees	30,963.13	1,184.31
Taxes paid	84,139.21	20,952.38
Other cash payments relating to operating activities	11,757,293.53	29,247,743.56
Subtotal of cash outflows from operating activities	11,872,395.87	29,269,880.25
Net cash flows from operating activities	5,545.53	-13,946.29
II. Cash flows from investment activities:		
Cash received from disposal of investments		
Cash received from returns on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business entities		
Other cash receipts relating to investment activities		
Subtotal of cash inflows from investment activities		
Cash paid to acquire fixed assets, intangible assets and other long-term assets		5,450.00
Cash paid to acquire investment		
Net cash paid for acquisition of subsidiaries and other business entities		

**6. CASH FLOW STATEMENT (PARENT COMPANY) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Other cash payments relating to investment activities		
Subtotal of cash outflows from investment activities		5,450.00
Net cash flows from investment activities		-5,450.00
III. Cash flows from financing activities:		
Cash received for new investments		
Cash received from borrowing		
Cash received by issuing bonds		
Other cash receipts relating to financing activities		
Subtotal of cash inflows from financing activities		
Cash repayments of amount borrowed		
Cash payments for distribution of dividends, profits or interest expenses		
Other cash payments relating to financing activities		
Subtotal of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of changes in exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	5,545.53	-19,396.29
Add: Opening balance of cash and cash equivalents	30,575.58	31,891.38
VI. Closing balance of cash and cash equivalents	36,121.11	12,495.09

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period										Total owner's equity	
	Equity attributable to the owners of the parent company											Minority interests
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	Others				
I. Closing balance for the previous year	873,370,000.00	883,422,403.92			108,587,124.40		-1,558,580,151.68	-35,016,895.93	1,237,469.00	273,019,949.71		
Add: Changes in accounting policies												
Correction of previous errors												
Others												
II. Opening balance for the current year	873,370,000.00	883,422,403.92			108,587,124.40		-1,558,580,151.68	-35,016,895.93	1,237,469.00	273,019,949.71		
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")												
(I) Net profits							-447,480.75	-760,290.13	-33,112.96	-1,240,883.84		
(II) Other comprehensive incomes							-447,480.75		-33,112.96	-480,593.71		
Subtotal of above (I) and (II)							-447,480.75	-760,290.13	-33,112.96	-1,240,883.84		
(III) Capital injection and reduction by owners												
1. Capital injection by owner												
2. Amount of shares payment credited to owner's equity												
3. Others												



7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period										Total owner's equity	
	Equity attributable to the owners of the parent company							Retained profits	Others	Minority interests		
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks						
(IV) Profit distribution												
1. Provision of surplus reserves												
2. Provision for general risks												
3. Distribution to owners (or shareholders)												
4. Others												
(V) Internal transfer of owner's equity												
1. Transfer of capital reserves into capital (or share capital)												
2. Transfer of surplus reserves into capital (or share capital)												
3. Surplus reserves used for remedying loss												
4. Others												
(VI) Specific reserves												
1. Amount provided for the current period												
2. Amount expended for the current period												
(VII) others												
IV. Closing balance for the current period	873,370,000.00	883,422,403.92			108,587,124.40		-1,559,027,632.43	-35,777,186.06	1,204,356.04		271,779,065.87	

7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year (audited)										Total owner's equity
	Equity attributable to the owners of the parent company										
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	Others	Minority interests		
I. Closing balance for the previous year	873,370,000.00	883,422,403.92			108,587,124.40		-1,569,721,146.49	-34,994,770.33	1,342,370.43		262,005,981.93
Add: Retrospective adjustments arising from the consolidation of enterprises under common control											
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Opening balance for the current year	873,370,000.00	883,422,403.92			108,587,124.40		-1,569,721,146.49	-34,994,770.33	1,342,370.43		262,005,981.93
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")											
(I) Net profits							11,140,994.81	-22,125.60	-104,901.43		11,013,967.78
(II) Other comprehensive incomes											
Subtotal of above (I) and (II)							11,140,994.81	-22,125.60	-104,901.43		11,036,093.38
(III) Capital injection and reduction by owners											
1. Capital injection by owner											
2. Amount of shares payment credited to owner's equity											
3. Others											



7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year (audited)										Total owner's equity		
	Equity attributable to the owners of the parent company											Minority interests	
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	Others					
(IV) Profit distribution													
1. Provision of surplus reserves													
2. Provision for general risks													
3. Distribution to owners (or shareholders)													
4. Others													
(V) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4. Others													
(VI) Specific reserves													
1. Amount provided for the current period													
2. Amount expended for the current period													
(VII) others													
IV. Closing balance for the current period	873,370,000.00	883,422,403.92			108,587,124.40	-1,558,580,151.68	-35,016,895.93	1,237,469.00	273,019,949.71				

Legal representative: Su Weiguo

Chief financial officer: Wang Shouguan

Chief accounting officer: Bai Lihai

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period							Total owner's equity
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	
I. Closing balance for the previous year	873,370,000.00	979,214,788.45			108,587,124.40		-1,669,901,305.55	291,270,607.30
Add: Changes in accounting policies								
Correction of previous errors								
Others								
II. Opening balance for the current year	873,370,000.00	979,214,788.45			108,587,124.40		-1,669,901,305.55	291,270,607.30
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")								
(I) Net profits							-1,012,385.44	-1,012,385.44
(II) Other comprehensive incomes							-1,012,385.44	-1,012,385.44
Subtotal of above (I) and (II)							-1,012,385.44	-1,012,385.44
(III) Capital injection and reduction by owners								
1. Capital injection by owner								
2. Amount of shares payment credited to owner's equity								
3. Others								



8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period							Total owner's equity
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	
(IV) Profit distribution								
1. Provision of surplus reserves								
2. Provision for general risks								
3. Distribution to owners (or shareholders)								
4. Others								
(V) Internal transfer of owner's equity								
1. Transfer of capital reserves into capital (or share capital)								
2. Transfer of surplus reserves into capital (or share capital)								
3. Surplus reserves used for remedying loss								
4. Others								
(VI) Specific reserves								
1. Amount provided for the current period								
2. Amount expended for the current period								
(VII) others								
IV. Closing balance for the current period	873,370,000.00	979,214,788.45			108,587,124.40		-1,670,913,690.99	290,258,221.86

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year (audited)							Total owner's equity
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	
I. Closing balance for the previous year	873,370,000.00	979,214,788.45			108,587,124.40		-1,677,703,161.56	283,468,751.29
Add: Changes in accounting policies								
Correction of previous errors								
Others								
II. Opening balance for the current year	873,370,000.00	979,214,788.45			108,587,124.40		-1,677,703,161.56	283,468,751.29
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")								
(I) Net profits							7,801,856.01	7,801,856.01
(II) Other comprehensive incomes								
Subtotal of above (I) and (II)							7,801,856.01	7,801,856.01
(III) Capital injection and reduction by owners								
1. Capital injection by owner								
2. Amount of shares payment credited to owner's equity								
3. Others								



8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year (audited)							Total owner's equity
	Paid-up capital (or share capital)	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	
(IV) Profit distribution								
1. Provision of surplus reserves								
2. Provision for general risks								
3. Distribution to owners (or shareholders)								
4. Others								
(V) Internal transfer of owner's equity								
1. Transfer of capital reserves into capital (or share capital)								
2. Transfer of surplus reserves into capital (or share capital)								
3. Surplus reserves used for remedying loss								
4. Others								
(VI) Specific reserves								
1. Amount provided for the current period								
2. Amount expended for the current period								
(VII) others								
IV. Closing balance for the current period	873,370,000.00	979,214,788.45			108,587,124.40		-1,669,901,305.55	291,270,607.30

Legal representative: Su Weiguo

Chief financial officer: Wang Shouguan

Chief accounting officer: Bai Lihai

(III) Basic information of the Company

1. 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 18 February 1993, with 824.54 million shares, which adjusted to 585.42 million shares in 1995. The Company issued 257.95 million H-shares in Hong Kong in 1995, and on 6 July 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 13 December 1995.

Business license registration number: 210100402002708; Registered capital: RMB873,370,000.00; Legal representative: Su Weiguo; Business address: No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC.

Parent company of the Company is New Northeast Electric Investment Co., Ltd., which is also the ultimate holding company of the Group.

2. Principal industry

Mechanical and electrical equipment manufacturing industry.

3. Business scope

The company engages in production and sales of electricity transmitting and transforming equipments and related accessories, provision of relevant after-sale services, and provision of electricity transforming technology developing, consulting, transferring and experimenting services.

4. Major products

Major products of the company are gas insulated switchgear, high-tension switch, power capacitor, enclosed busbar and other system protection and transmission equipment.



(IV) Accounting policies and accounting estimates adopted by the Company and prior period errors

1. Basis of preparation of financial statements

The financial statements of the company have been prepared based on the actual transactions and events on a going concern basis and in accordance with the requirements of “Accounting Standards for Business Enterprises – Basic Standards” and 38 Specific Standards issued by the Ministry of Finance in February 2006, and application guidelines, explanations and other relevant regulations.

2. Declaration on compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial positions, operating results, cash flows and other relevant information of the Company.

3. Accounting period

The accounting period commences on 1 January and ends on 31 December each year.

4. Functional currency

The functional currency of the company is Renminbi (“RMB”).

5. Accounting treatment for business combination under common control and not under common control

(1) Business combination under common control

Business combination under common control is accounted for using pooling of interest method. Assets and liabilities obtained by the absorbing party in the business combination shall be measured at their carrying values at the combination date as recorded by the party being absorbed, except for necessary adjustments arising from difference in accounting policies adopted. The difference between the carrying value of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) and the carrying value of the net assets obtained shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Expenses that are directly attributable to business combination such as audit fee, legal services fee and consultancy fee are expensed in the profit or loss in the period incurred. Commissions and other charges paid for issuance of debentures or undertake of liabilities for the purpose of business combination shall be included in the initial amount recognized for the debentures or liabilities undertaken. Commissions and other charges paid for issuance of equity securities for the purpose of business combination shall be deducted from capital reserve. If the capital reserve is not sufficient to absorb the commissions and charges, any excess shall be adjusted against retained earnings.

(2) Business combination not under common control

Business combination not under common control is accounted for using pooling of interest method. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date. Expenses such as audit fee, legal services fee and consultancy fee and other relevant expenses incurred by the company as acquirer are expensed in the profit or loss in the period incurred. Transaction costs for debt and equity securities issued for the purpose of business combination shall be included in the initial recognized amount of the debt and equity securities issued. The cost of investment acquired in a business combination shall be the cost of business combination determined on the acquisition date. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets acquired, the excess of the fair value of net identifiable assets acquired over the cost of business combination will be recognized in current profit or loss after a review of computation.



6. Preparation of consolidated financial statements

(1) Scope of consolidation

The consolidated scope of consolidated financial statements is determined based on the concept of control, and comprise the company and its subsidiaries.

For subsidiaries obtained during the reporting period through a business combination involving entities under common control, the subsidiaries will be recognized in consolidated financial statements from the beginning of the period. For subsidiaries acquired during the reporting period through a business combination not involving entities under common control, the subsidiaries will be recognized in consolidated financial statements from the date of acquisition. For subsidiaries disposed during the reporting period, the subsidiaries will be de-consolidated from the date of disposal.

(2) Preparation of consolidated financial statements

Consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries and other relevant information of the Company and its subsidiaries, long-term equity investments are adjusted according to equity method. Where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity not attributable to the Company are recognized as minority interests and presented separately in the consolidated financial statements under equity. Where the amount of losses for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against minority interests.

7. Recognition of cash and cash equivalents

For the purpose of preparing the cash flow statement, investments which are short-term (mature within three months), highly liquid, readily convertible to known amount of cash and subject to insignificant risk of changes in value are regarded as cash equivalents.

8. Foreign currency business and translation of foreign currency reports

(1) Foreign currency businesses

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

On each balance sheet date, foreign-currency monetary items are translated into RMB using the spot rates at the balance sheet date, exchange differences arising from these translations are recognized in profit or loss as finance cost. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of transactions. Non-monetary items denominated in foreign currency that are measured at fair value are translated into RMB using the spot rate at the date when fair value is determined and the exchange differences arising from which are recognized in profit or loss, except for those arising from the available-for-sale non-monetary items which should be recognized in capital surplus.

(2) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates at the balance sheet date. Among the shareholders' equity items, the items other than "retained profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates or similar rates at the transaction dates. The cash flows of overseas operations are translated at the spot exchange rates or similar rates at the dates of the cash flows occurred. The effect of exchange rate changes on cash is presented separately in the cash flows statement.

Exchange differences arising from translation of foreign currency financial statements shall be disclosed as a separate line item under shareholders' equity in the balance sheet.



9. Financial instruments

Financial instruments refer to the contracts which give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

(1) Classification of financial instruments

Financial asset and financial liability are initially classified into five categories: financial asset or financial liability at fair value through profit or loss, held-to-maturity investments, receivables, available-for-sale financial assets and other financial liabilities.

(2) Recognition reasons and measurement method for financial instruments

Recognition basis: The company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

Measurement: Financial assets and financial liabilities are initially recognized at fair value. For financial asset and financial liability at fair value through profit and loss, the relevant transaction costs are directly recognized in profit or loss; for other financial assets and financial liabilities, the relevant transaction costs are recognized in the initial recognition amount. Details are as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss comprise trading financial assets or liabilities and those designated at fair value through profit or loss at inception. Trading financial assets includes stocks, bonds and funds acquired or incurred principally for the purpose of selling in the short term; derivative financial instruments. Financial asset or liability designated at fair value through profit or loss are designated based on enterprise's risk management and strategic investment need.

These financial assets or financial liabilities are subsequently measured at fair value. Unless it is used as effective hedging tool, realized and unrealized gain or loss are accounted into current profit and loss.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets whose maturity and redemption amount are fixed or ascertained and in respect of which the company has clear intentions and ability to hold until maturity.

Such financial assets are subsequently measured using the effective interest method on the basis of amortized cost. Gains or losses arising from derecognition, impairment or amortization are recognized in current profit or loss. Upon disposal of held-to-maturity investments, difference between sales proceeds and the carrying value of investment shall be accounted as investment gain or loss.

(iii) Receivables

Receivables represent the receivables arising from sales of products or provision of services to external customers, including accounts receivable, other receivables and long-term receivables.

Initial recognition of receivables is based on the contracted or agreed price of goods or services, it is measured at amortized costs using the effective interest rate method. Upon collection or disposal of receivables, the difference between the amount received and the carrying value shall be included in the current profit or loss.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those financial assets that are not classified in any of the above categories. Subsequent to initial recognition, these financial assets are measured at fair value. The discount or premium of the financial asset is amortized using the effective interest rate method. Gains and losses arising from fair value changes in available-for-sale financial assets, except for impairment losses and foreign currency monetary item's translation differences which are recognized in profit or loss, are recognized as other comprehensive income in capital reserves until the financial assets are derecognized or impaired upon which the cumulative gains or losses are transferred out from capital reserves to profit or loss. Dividends or interest income derived from available-for-sale financial assets is recognized in profit or loss.



(v) Other financial liabilities

Other financial liabilities represent those financial liabilities not measured at fair value through profit or loss.

Other financial liabilities are measured at amortized cost or at cost. Any gain or loss arising from amortization or derecognition of other financial liability shall be accounted into current profit or loss.

(3) Recognition reasons and measurement method for transfer of financial assets

- (i) Recognition of a certain item of financial asset is terminated when the Company transfers almost all of the risks and reward of such asset to the transferee or give up control over such asset.
- (ii) If the transfer of financial asset is completed and the derecognition criteria are satisfied, difference between the followings shall be accounted into current profit or loss:
 - A. carrying value of transferred financial asset;
 - B. the sum of value received and total accumulated fair value change under shareholders' equity.
- (iii) If the partial transfer of financial asset satisfied the derecognition condition, the entire carrying value of transferred financial asset shall be divided pro rata between the derecognized and current recognized parts based on their fair value, difference between the followings shall be accounted into current profit or loss:
 - A. carrying value of the derecognized part;
 - B. the sum of value received due to this transfer and total accumulated fair value change under shareholders' equity of this derecognized part.
- (iv) If the transfer does not satisfy the derecognition condition, the recognition shall be continued. The value received shall be recognized as financial liability.
- (v) For the financial asset transferred but continuous involvement is maintained, financial asset and financial liability shall be recognized at the same time according to the degree of continuous involvement.

(4) Derecognition conditions for financial liabilities

- (i) Recognition of financial liabilities will only cease or cease in part when current obligation arising from financial liabilities of the Company have been dissolved in whole or in part.
- (ii) The creditors enter into an agreement that the existing financial liabilities would be replaced by the new financial liabilities, which are essentially different from the existing financial liabilities in terms of contractual provisions. Recognition of existing financial liabilities shall cease and that of new financial liabilities shall commence.

(5) Recognition for fair value of financial assets and financial liabilities

- (i) For financial assets or financial liabilities traded in an active market, fair value is determined based on the quoted price in such market;
- (ii) For financial instruments where there is no active market, fair value is determined using valuation techniques.

(6) Impairment test method and impairment provision of financial assets (excludes receivables)

All carrying value of financial assets (excludes receivables) shall be assessed at balance sheet dates. Provision for impairment shall be made when there is an objective evidence showing that such financial assets impairs.

- (i) Held-to-maturity investments

Impairment loss is recognized according to the differences between carrying value and present value of estimated future cash flow. It shall be subject to the measure method of impairment losses in receivables.

If there are objective evidences show the value of this financial asset is recovered and it related to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed and accounted in current profit or loss. However, the reversal shall not result in a carrying value of the financial asset that exceeds what the amortized cost would have been and had the impairment not been recognized at the date when the impairment is reversed.



(ii) Available-for-sale financial assets

If there are objective evidences showing that the fair value of available-for-sale financial asset has a significant decline and this decline is not temporary, impairment loss shall be recognized. If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized directly in capital reserves is removed from capital reserves and recognized in profit or loss. The cumulative loss that is removed from capital reserves is the difference between its acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss.

If there are objective evidences showing the value of available-for-sale debt instrument is recovered and it related to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed and accounted in current profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss. Fair value gains that arise after the impairment are directly recognized in other comprehensive income, but not profit and loss.

10. Recognition standard and bad debt provision for accounts receivable

- (1) Single significant accounts receivable with separate bad debt provision
- (2) Accounts receivable provided for bad debts by group
- (1) Single significant accounts receivable with separate bad-debt provision

Basis or monetary level for determination of single significant accounts receivable	RMB1,000,000
Provision for single significant accounts receivable with separate bad debt provision	The Company conducts impairment tests in respect of its single significant accounts receivable and makes bad debt provision when there is objective evidence of impairment.

- (2) Accounts receivable provided for bad debts by group

Name	Method for making bad debt provision by group	Basis for selection
Group of aging	Aging Analysis of Accounts	Single insignificant accounts, other receivables, single significant accounts which there is no objective evidence for impairment and provided for bad debt by group based on aging

The provisions for bad debt are made based on Aging Analysis of Accounts:

Age of Account	Percentage of Provision for Accounts Receivable	Percentage of Provision for Other Receivables
Within 1 year (including 1 year)	0%	0%
1-2 years	0%	0%
2-3 years	40%	40%
over 3 years	40%	40%
3-4 years	60%	60%
4-5 years	100%	100%
over 5 years	100%	100%

(3) Single insignificant accounts receivable with separate bad debt provision

Reason for making separate bad debt provision	Obvious evidence that the amount is irrecoverable.
Method of provision	According to the difference between the future cash flow and carrying value of such Accounts Receivable

11. Inventories

(1) Classification of inventories

Inventories are classified as finished goods, raw materials, work in progress, and low-value consumable stores.

(2) Valuation of inventories

Valuation: Weighted average

Cost is determined using the weighted average method.



(3) Determination of net realizable value and provision for diminution in value of inventories

Net realizable value for finished goods, merchandise and materials held for sale is the estimated selling price in the ordinary course of business, less the estimated expenses necessary to make the sale and the related taxes.

Net realizable value of materials held for use in the production is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated expenses necessary to make the sale and the related taxes.

The net realizable value of the inventories held to satisfy sales or service contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices (market prices). Inventories at the end of the year are stated at the lower of cost or net realizable value. Provision for decline in value is made and recognized as expenses when the net realizable value is lower than cost.

The Company executes the complete check at balance sheet dates, with provision or adjustment for impairment of inventory according to the cost of inventories and the net realizable value. If the costs measured at single inventory item are lower than net realisable value, the difference between the two is accounted into provision for diminution in value of inventories and included into the current profit or loss. The recognition of net realisable value shall take account of the price and cost fluctuation of the inventory held for certain purpose at balance sheet date, as well as the effects in the future. Should the factors causing any write-down of the inventories do not exist any more, the amount of write-down will be recovered and be reversed from the provision for diminution in value of inventories that has been made. The reversed amount will be included in the current profits and losses.

(4) Inventory system

Inventory system: Perpetual

(5) Amortization of low-value consumables stores and packing materials

Low-value consumables stores

Amortization method: One time amortization

Packaging materials

Amortization method: One time amortization

12. Long-term equity investment

(1) Recognition of investment cost

(i) Long-term equity investments obtained through a business combination involving entities under common control. The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the subsidiary's equity at the combination date after adjusting difference in accounting policies adopted by the subsidiary. (ii) Long-term equity investments cost of a long-term equity investment obtained through business combinations involving entities not under common control. The initial investment cost of a long-term equity investment obtained through a business combination involving entities not under common control is the cost of business combination at the acquisition date. For business combinations involving entities not under common control achieved in stage, the initial investment cost should be the sum of the carrying value of equity investments in the acquiree held prior to the date of acquisition and the cost of additional investment on the date of acquisition. (iii) Long-term equity investments acquired other than through a business combination: For long-term investments obtained with cash considerations, initial costs are measured at the consideration paid. For long-term equity investments obtained with issuance of equity securities, initial costs are measured at fair value of the securities issued (excluding the declared dividend not yet be paid). For a long-term equity investment contributed by investor, the initial investment cost shall be the value, if not being unfair, as agreed by the contract or agreement governing the investment. For long-term equity investments obtained by transfer of non-monetary assets, when the fair value of the transferred assets can be reliably determined, the initial investment cost should be measured by the fair value of the transferred assets, unless there is concrete evidence that the fair value of acquired asset is more reliable. When the fair values of the transferred assets and acquired assets cannot be reliably determined, the initial investment cost should be measured by the carrying value of the transferred asset plus the relevant tax payable for obtaining the long-term equity investments. For long-term equity investments obtained by debt reorganization, fair value is used as the basis to measure the initial investment costs.

(2) Subsequent measurement and recognition of profit & loss

The cost method is used for the investments in subsidiaries and when the Company does not jointly control or has significant influence over the investee, and the long-term equity investments are not quoted in active markets, and have no reliably measurable fair values. Long-term equity investment with common control or significant influence on the investee is accounted for using equity method. Long-term equity accounted for using equity method. (i) The initial cost of long-term equity investment which is greater than its share of fair value of the investee's identifiable net assets is stated without adjustment. The shortfall of the

initial cost from its share of fair value of the investee's identifiable net assets is credited to the current profit and loss account against the cost of the long-term equity investment. (ii) Upon acquiring long-term equity investment by the Company, it shall, in accordance with the attributable share of the net profits or losses of the investee, recognize the investment profits or losses and adjust the carrying value of the long-term equity investment. When recognizing the Company's share of the net profit or loss of the invested entity, the Company makes adjustments based on fair values of the investees' identifiable assets and liabilities at the acquisition date and in accordance with the Company's accounting policy and accounting period to investee's net profits which also eliminates profit or loss from intertransactions with associates and joint ventures attributed to investor which is calculated pro rata on the basis of share percentage (except that loss from inter-group transactions deemed as asset impairment loss, which shall be fully recognized). (iii) The net loss from the investment in investee is reorganised to the extent that the carrying value of the long-term equity investment and other long-term interest in substance in the investee are written down till nil, unless the Company is under an obligation to bear additional loss. In the event that net profit is recorded by the investee in the future, recognition of the Company's share of the investee's net profit may be resumed after recovering its share of unrecognised loss. (iv) When the investees appropriate profit or declare dividends, the carrying value of long-term equity investments are reduced correspondingly by the share of the distribution. (v) For other changes of shareholders' equity other than net profits or losses of jointly controlled enterprises or associates, the company adjusts the carrying value of the long-term equity investment and recognizes it in shareholders' equity.

(3) Basis for recognition of equity investment with joint control or significant influences on the invested entity

(i) Joint control is the contractual agreed sharing of control over an investee's economic activity, and exists only when the strategic financial and operating decisions relating to the activity require unanimous consent of the parties sharing the control. (ii) 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. When the company directly or indirectly via its subsidiaries holds over 20% but lower than 50% of voting rights of the investee, unless there are obvious evidences that the company cannot participate in the financial and operating policy decision of the investee and therefore cannot have significant influence over the investee, the company is deemed to have significant influence over the investee. When the company holds less than 20% of voting rights of the investee, it is deemed to have no significant influence over the investee, unless there are obvious evidences that the company can participate in the financial and operating policy decision of the investee and exercise significant influence over the investee.

(4) Method of impairment testing and provision

For the impairment loss assessment and provision on the long-term investments in subsidiaries, jointly controlled enterprises and associates, please refer to the method of assets impairment. Details are as follows: The following method of impairment recognition applies to the long-term equity investments on subsidiaries, associates and joint control entities investment properties stated at cost, fixed assets, construction in process, productive biological assets, intangible assets, goodwill, oil and gas mine use rights and other relevant assets (except for inventories, investment property stated at fair value, deferred tax asset, financial asset): (i) Indication of impairment is assessed on balance sheet dates. If there is an indication, the recoverable value shall be estimated and the impairment test shall be taken. No matter there is an indication of impairment, the test shall be taken annually for goodwill arising from business combination, intangible assets with indefinite life and intangible assets under development. (ii) Recoverable value is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Company estimates recoverable value for individual assets. When it is difficult to estimate individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. (iii) The definition of cash generating units is determined on the basis of whether the cash generating units generate cash flows which are largely independent of those from other cash generating units. Where the carrying value of an asset or a cash generating unit exceeds its recoverable value, the asset or cash generating unit is considered impaired and is written down to its recoverable value. The difference between the carrying value and recoverable value is recognized in the current period's profit or loss and provision for impairment is made accordingly. (iv) In connection with impairment tests for goodwill, the carrying value of the goodwill arising from business combination is allocated to relevant cash generating units from the date of acquisition on a reasonable basis. If it is difficult to allocate such goodwill to a relevant cash generating unit, it should be allocated to relevant cash generating unit group. A relevant cash generating unit or cash generating unit group is defined as one which can benefit from the synergies of the business combination and is no larger than the reporting segments determined by the Group. In connection with impairment tests for cash generating unit or cash generating unit groups that comprise goodwill, where indications of impairment exist in a cash generating unit or cash generating unit group related to goodwill, impairment tests should be performed first on cash generating units or cash generating unit groups that do not comprise goodwill and recognize impairment loss after estimating the recoverable value. Then impairment tests on cash generating units or cash generating unit groups that comprise goodwill should be performed and the carrying value and recoverable value should be compared. (v) Impairment loss once recognized, shall not be reversed in the following accounting period. For the impairment loss assessment and recognition on the other long-term equity investments not quoted in an active market and whose fair value cannot be reliably measured, please refer to method of impairment provision for financial assets.



13. Investment properties

Investment property is held to earn rentals or for capital appreciation or both. Investment properties of the Company include leased land use rights; land use rights held for sale after appreciation; leased buildings.

Investment properties are initially recognized at cost, and depreciated or amortized according to the accounting policies applicable to fixed assets and intangible assets.

The company adopts the cost model for subsequent measurement of investment properties, for accounting policies related to impairment loss of investment properties, please refer to detailed description of assets impairment.

14. Fixed assets

(1) Recognition criteria of fixed assets

Fixed assets are tangible assets that are held for using the production or supply of goods or services, for rental to others, or for administrative purposes, and have service lives more than one accounting year. Fixed assets will be recognized when: (i) The economic benefits pertinent to the fixed asset are likely to flow into the Company; (ii) The cost of the fixed asset can be measured reliably.

(2) Recognition and measurement of fixed assets acquired under finance leases

The leased asset is recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

(3) Depreciation for fixed assets

Fixed assets are depreciated using the straight-line method. Depreciation starts from the date when the fixed asset is available for its intended use and ceases when the fixed asset is derecognized or classified as non-current assets held for sale (except for fully depreciated fixed assets and land which is accounted for separately). Without taking impairment provision into consideration, based on the fixed asset types, expected service life and estimated residual value, the annual depreciation rates used are as following:

Category	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	40	3%	2.43%
Machinery and equipment	20	3%	4.85%
Electronic equipment	6	3%	16.7%
Transportation equipment	17	3%	5.71%

(4) Impairment loss testing and provision for fixed assets

For the impairment loss testing and provision, please refer to description of assets impairment.

(5) Other explanations

- (i) There is an annual review over the service life, estimated residual value and depreciation method by the end of each year. If there is a change of expected service life and original estimate, an adjustment will be made if necessary. The estimated net residual value is subject to adjustment based on the change, if any, as compared to the original estimate.
- (ii) Repair costs will be capitalized if the recognition criteria of fixed asset is satisfied, and charged to current profit and loss when the recognition criteria is not satisfied.
- (iii) Repair costs which are capitalized should be depreciated separately on straight line basis over the expected service life or the time until next repair, whichever is shorter.



15. Construction in progress

(1) Categories of construction in progress

It is measured project by project.

(2) Criteria and time for construction in progress being transferred to the fixed asset

A construction in progress is transferred to fixed assets at actual cost when it has reached the working condition for its intended use. When a construction in progress is ready for its intended use but the actual cost is not yet determined, the estimated cost incurred up to the date when the construction-in-progress is ready for its intended use should be transferred into fixed asset and depreciated according to the company's accounting policy. The cost of the fixed asset will be adjusted when the actual cost of the fixed asset is determined, however, no adjustments will be made with regard to the amount depreciated since the construction-in-progress is transferred into fixed asset.

(3) Impairment loss testing and provision for construction in progress

For the impairment loss testing and provision for construction in progress, please refer to description of assets impairment.

16. Borrowing costs

(1) Recognition principles for borrowing cost capitalisation

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale. Borrowing costs comprise interest incurred on borrowings, amortization of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of a qualifying asset for capitalization, it shall be capitalized and recognized as costs of relevant assets. Other borrowing costs are recognized as expenses based on the amount incurred and charged to the current profit and loss.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (i) Having incurred expenditure to assets, including the expenditure incurred by way of cash payment, transfer of non-cash assets or debts bearing interest for the acquisition and construction of fixed assets or production activities for qualifying for capitalization of assets;
- (ii) Borrowing costs have been incurred;
- (iii) Having commenced the acquisition and construction or production activities which enable the assets reach the working condition for its intended use or sale.

(2) Borrowing costs during capitalization

The borrowing costs that are directly attributable to the acquisition and construction of qualifying asset are capitalized before the asset is substantially ready for its intended use or sale. Borrowing costs incurred afterwards are recognized in profit or loss.

(3) Capitalization suspended

Where acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended by the Company. If part of the project or asset is ready to be used individually, that part's capitalization of borrowing costs shall be suspended.

(4) Measurement method for the amount of borrowing cost capitalisation

Amount of borrowing costs capitalized is computed quarterly.

Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalized is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

For the general borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.



Where there is any discount or premium for the borrowings, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined based on the effect interest method, and an adjustment shall be made to the amount of interests in each period.

17. Intangible assets

(1) Calculation of intangible assets

Intangible assets are calculated at real costs of acquisitions

(2) Estimation of service life for intangible assets with certain service life

The service life estimated by the Company according to the years of land usage term

Items	Estimated service life	Basis
land	50	Estimated by the term shown on the certificate for land usage

(3) Judging basis of the intangible assets with uncertain service life

The intangible assets that could not forecast the economic outcome for the Company should be deemed as intangible assets with uncertain service life.

(4) Provision for intangible assets impairment

By end of the reporting period, capability of bringing about economic outcome for the Company by intangible assets is checked up, and provisions are set by difference between their carrying value and recoverable value if any of the following signs exist: (i) Other new technology has replaced a certain intangible asset so its capability to bring about economic outcome has been greatly hampered; (ii) Market price has plummeted to a great extent during the period, and is expected no recovery within the rest of the amortization periods; (iii) Legal protection time has due for a certain intangible asset, estimate of recoverable value of such asset is conducted when there's still usable value. Such recoverable value is reported as carrying value of the relative intangible asset if it's less than the original carrying value, with the difference minus reported as loss of asset in the profit & loss of the period, provision of depreciation is accrued accordingly; (iv) 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

Long-term deferred expenses are expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period. Long term deferred expenses includes:

- (1) Prepaid rental for operating lease, amortized over the lease term.
- (2) Expenditures paid for improvement of fixed assets under operating lease, amortized over the lease term or remaining service life of the asset, whichever is shorter.
- (3) Decoration that is capitalized in relation to fixed asset acquired under finance lease, amortized over the remaining time until the next decoration, lease term or remaining service life, whichever is shorter.

For long-term deferred expenses which will not benefit the company in subsequent period, the carrying value of the long-term deferred expenses is transferred to current profit and loss.

19. Provisions

(1) Recognition standard for the provisions

Provisions for unsettled litigations, product warranties, onerous contracts and disposal of oil and gas assets etc. are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

(2) Measurement method of provisions

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

When provisions are recognized in respect of the disposal of oil and gas assets, the provisions should be included in the cost of the oil and gas assets, the amount of provisions should be based on the estimated future economic outflows according to the relevant regulations.

When provisions in respect of the disposal of oil and gas assets are not recognized due to the recognition criteria are not met, the related expenses are charged to profit or loss when they are incurred.

20. Income

(1) Specific judging standard for recognition time of the sales income 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.

(2) Recognition basis of the revenue from transfer of assets use rights

Revenue from transfer the right to use assets is recognized when it is probable that the economic benefits associated with the transfer will flow to the Company and the amount of revenue can be measured reliably. The amount of revenue is measured as follows:

- (i) Interest income is measured based on the time and effective interest rates for the Company to transfer the right to use its cash.
- (ii) Royalty fee is measured based on the relevant contracts or agreement.

(3) Recognition basis of the revenue from the rendering of services

On the balance sheet dates, when transaction result of the rendering of services could be measured reliably, related revenue from rendering of services is recognized according to the percentage of completion. Total revenue for the rendering of services is determined according to amounts stipulated in contracts or agreements received or receivable by workers, unless such amounts are deemed unfair.

When transaction result of the rendering of services could not be measured reliably, the treatments are as follows:

- (i) if the costs incurred are expected to be recoverable, revenues are recognized to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost.
- (ii) if the costs incurred are not expected to be recoverable, the costs incurred are recognized in profit or loss and no service revenue is recognized.

21. Government Grant

(1) classification

Government grant can be classified as asset-related government grant and income-related government grant. Government grants are recognized when the Company fulfills the conditions attaching to them and are able to receive them. When government grants are received in the form of monetary assets, they are measured at the amount received or receivable (When there is concrete evidence that the government is paid on fixed amount, the government grant can be measured at the amount receivable, otherwise the government grant should be measured at the amount actual received). When the grant is in the form of non-monetary assets, it is measured at fair value. When fair value cannot be measured reliably, nominal amount is assigned.

(2) Accounting method

Asset-related government grant is recognized as deferred income and is amortized evenly in profit or loss over the service lives of related assets.

Government grants measured at nominal amount are recognized immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the enterprise in the subsequent periods, the grant shall be recognized as deferred income, and included in the periods in which the related costs are recognized; where the grant is a compensation for related expenses or loss already incurred by the enterprise, the grant shall be recognized immediately in profit or loss for the current year.

22. Deferred income tax assets and deferred income tax liabilities

(1) Recognition basis of deferred income tax assets

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except: (i) where the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

(2) Recognition basis of deferred income tax liabilities

All deferred tax liabilities arise from taxable temporary difference are recognized except for the following situations: (i) No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit. (ii) No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit. (iii) Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, jointly controlled entities and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

23. Operating lease and finance lease

(1) Accounting of operating lease

- (i) As lessee of operating leases, rental payments under operating leases are recognized as costs or expenses on a straight-line basis over the lease term (including rent-free periods). Initial direct costs that are attributable to an operating lease incurred by the Group are charged to current profit or loss.

When the lessor bears the lease related expenses which shall be undertaken by the Company, the Company shall deduct part of the expense from the rent and amortize the net amount over the lease term.

- (ii) As lessor of operating leases, rental income from operating leases is recognized in profit or loss on a straight-line basis over the lease term (including rent-free periods). Initial direct costs with significant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.

(2) Accounting of finance lease

- (i) When the Company is a lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge and is amortized using the effective interest method over the period of the lease.
- (ii) When the Company is a lessor, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognized finance income and is recognized as rental income over the period of the lease. Initial direct costs shall be deducted from the total lease receivables and amortized over the lease term.



24. Assets held for sale

(1) Recognition basis of assets held for sale

Non-current assets meet the following criteria shall be recognized as assets held for sale: (1) The resolution has been made to dispose this non-current asset; (2) There is an irrecoverable transfer agreement that has been made between the Company and the transferee; (3) The whole transfer shall be completed within one year.

(2) Accounting of assets held for sale

Assets held for sale should be stated at the amount equal to the lower of the fair value less costs to sell and the carrying value. Any excess of the original carrying value over the fair value less costs to sell is recognized as an asset impairment loss.

Intangible assets and other non-current assets meet conditions to be the held for sale shall be treated according to the same principles above.

25. Other significant accounting policies, accounting estimations and preparation method of financial statements

Employees' salaries and wages

The employees' wages, bonuses, allowances and subsidies, welfare, social insurance, housing fund, etc., are recognized in the accounting period while they provide service. If it is matured one year after the balance sheet date and the effect of discounting is material, it shall be stated at present value.

(V) Tax

1. Major types of tax and tax rates of the Company

Types of tax	Tax base	Tax rate
Value-added tax	Taxable revenue after offsetting deductible input VAT	17%
Consumption tax	Taxable turnover amount	5%
Business tax	Amount of VAT and business tax paid	7%
City maintenance and construction tax	Amount of VAT and business tax paid	3%, 5%
Enterprise income tax	Taxable income	See the income tax rate executed by the subsidiaries for detail

2. Tax concession and approval documents

Enterprise Income Tax Rates for the Company and its subsidiaries Jinzhou Jinrong Electric Co., Ltd., Fuxin Enclosed Busbar Co., Ltd., Shenyang Kaiyi Electric Co., Ltd., New Northeast Electric (Jingzhou) Capacitor Co., Ltd. and Northeast Electric (Beijing) Co., Ltd. are 25%.

- (1) Enterprise Income Tax Rates for the Company and its subsidiaries Jinzhou Jinrong Electric Co., Ltd., Fuxin Enclosed Busbar Co., Ltd., Shenyang Kaiyi Electric Co., Ltd., New Northeast Electric (Jingzhou) Capacitor Co., Ltd. and Northeast Electric (Beijing) Co., Ltd. are 25%.
- (2) Northeast Electric (HK) Co., Ltd. a wholly owned subsidiary of the Company registered in HKSAR of P. R. China, its profits tax rate is 16.5%.
- (3) Gaocai Technology Co., Ltd. (referred to as Gaocai Tec) is a Company wholly owned by the Company's subsidiary – Northeast Electric (HK) Co., Ltd., and was registered in the British Virgin Islands. No enterprise income tax is imposed on it.



(VI) Business Combination and the Consolidated Financial Statements

1. Subsidiaries

(1) Subsidiaries obtained through incorporation or investment

Unit: RMB

Name of Subsidiary	Type	Place of Registration	Nature of Business	Registered Capital	Business Scope	Paid-up Capital by end of period	Ending balance of other item which forms substantially a part of net investments in the subsidiaries	Share holding	Voting right	Consolidated or not (Y/N)	Minority interest	Amount in profit or loss attributed to the minority shareholders	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 (HK) Co., Ltd.	Wholly owned subsidiary	HK	TRADE	USD20M	INVESTMENT, TRADE			100%	100%	Y			
Gaocai Technology Co., Ltd.	Wholly owned subsidiary	BVI	INVESTMENT	USD1.00	INVESTMENT			100%	100%	Y			
Northeast Electric (Beijing) Co., Ltd.	Wholly owned subsidiary	BEIJING	SALES	RMB2M	SALES OF MACHINERY, ELECTRONIC EQUIPMENT, HARDWARES AND ETC			100%	100%	Y			
Shenyang Kaiji Electric Co., Ltd.	Wholly owned subsidiary	SHENYANG	MANUFACTURING	RMB1M	MANUFACTURING OF HIGH-VOLTAGE ELECTRIC EQUIPMENT, SWITCH CONTROLLING EQUIPMENT, POWER CAPACITOR, ETC			100%	100%	Y			
Fuxin Enclosed Busbar Co., Ltd.	Wholly owned subsidiary	FUXIN	MANUFACTURING	USD8.50M	MANUFACTURING OF ENCLOSED BUSBAR			100%	100%	Y			

(2) Subsidiaries acquired through business combination involving enterprises under common control

Unit: RMB

Name of Subsidiary	Type	Place of Registration	Nature of Business	Registered Capital	Business Scope	Paid-up Capital by end of period	Ending balance of other item which forms substantially a part of net investments in the subsidiaries	Share holding	Voting Right	Consolidated or not (Y/N)	Minority Interest	Amount in profit or loss attributed to the minority shareholders	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 Capacitor Co., Ltd.	Wholly owned subsidiary	Jin zhou	MANU-FACTURING	USD15.45M	Manufacturing, Power capacitor, compensator for reactive power, etc			100%	100%	Y			
Jinzhong Electric Appliance Co., Ltd.	Controlling subsidiary	Jin zhou	MANU-FACTURING	RMB3M	HV Dry type Capacitor Banks			69.75%	69.75%		732,914.30		

(3) Subsidiaries acquired through business combination involving enterprises not under common control

Unit: RMB

Name of Subsidiary	Type	Place of Registration	Nature of Business	Registered Capital	Business Scope	Paid-up Capital by end of period	Ending balance of other item which forms substantially a part of net investments in the subsidiaries	Share holding	Voting Right	Consolidated or not (Y/N)	Minority Interest	Amount in profit or loss attributed to the minority shareholders	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.	Controlling subsidiary	SHENYANG	MANU-FACTURING	USD778,500.00	Manufacturing, Of Metal Box, Drier, etc			70%	70%	Y	471,441.74		



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

Unit: RMB

Name	Major business dealings with the company	Major assets and liabilities by end of period recognized in the consolidated statement
-	-	-

3. Remark for the change of the 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.

(VII) Notes to Major Items of 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:	--	--	16,889.99	--	--	11,550.91
RMB	--	--	9,290.82	--	--	3,951.74
USD	1,209.00	6.29%	7,599.17	1,209.00	6.29%	7,599.17
Deposits:	--	--	63,201,666.45	--	--	69,412,180.39
RMB	--	--	62,667,655.64	--	--	68,654,524.88
USD				213.09	6.29%	1,339.40
HKD	668,975.70	0.80%	534,010.81	932,744.79	0.81%	756,316.11
Others:	--	--	2,423,500.00	--	--	11,871,697.50
RMB	--	--	2,423,500.00	--	--	11,871,697.50
Total	--	--	65,642,056.44	--	--	81,295,428.80

2. Tradable financial assets

There are no tradable financial assets during the reporting period

3. 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	0.00	2,694,000.00
Total	0.00	2,694,000.00

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

(3) There are no bills transferred to accounts receivable due to failure of performing obligations of the drawer during the reporting period, and by end of period undue bills endorsed other parties by the Company

4. Accounts receivable

(1) Receivables by categories are analyzed as follows

Unit: RMB

Types	Amount by end of period				Amount at beginning of period			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Accounts receivable provided for bad debts by group								
Group of aging	174,793,094.45	100%	34,395,860.24	19.68%	187,566,128.96	100%	34,774,960.24	18.54%
Subtotal of groups	174,793,094.45	100%	34,395,860.24	19.68%	187,566,128.96	100%	34,774,960.24	18.54%
Total	174,793,094.45	--	34,395,860.24	--	187,566,128.96	--	34,774,960.24	--

Remarks of account receivable types

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

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

There are no single significant accounts receivable with bad debt provision by end of period

Unit: RMB

Age of Account	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						
Including:	--	--	--	--	--	--
Subtotal within 1 year	106,572,884.03	60.97%		98,495,193.67	52.51%	
1 – 2 years	23,915,148.17	13.68%		37,846,550.54	20.18%	
2 – 3 years	12,720,930.45	7.28%	5,233,880.18	25,321,960.45	13.5%	10,128,784.18
3 – 4 years	2,081,508.60	1.19%	1,446,288.36	3,140,620.60	1.67%	1,884,372.36
4 – 5 years	11,903,446.38	6.81%	11,568,726.38	22,761,803.70	12.14%	22,761,803.70
Over 5 years	17,599,176.82	10.07%	16,146,965.32			
Total	174,793,094.45	--	34,395,860.24	187,566,128.96	--	34,774,960.24

There are no single insignificant accounts receivable with separate bad debt provision during the reporting period

(2) There is no reversal or collection of accounts receivable

Unit: RMB

Content of accounts receivable	Reason of reversal and collection	Recognition basis of previous bad debt provision	Accumulated provision for bad debt before reversal or collection	Reversed or collected amount
Collecting the accounts receivable of previous years	Collecting the wiped accounts	Provision by proportion over 4 years	379,100.00	379,100.00
Total	--	--	379,100.00	--

Bad debt provision for single significant accounts receivable or insignificant accounts but with individual devaluation test is conducted

(3) There's no write-off of accounts receivable during the period

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

(5) Top five of accounts receivable customers are

Unit: RMB

Company	Relationship	Amount	Term	Proportion of total (%)
Yinkou An Tai Equipment and Parts Co., Ltd.	Non-associate	34,941,693.33	Within 1 year	20.55%
Yinkou Hong Yue Machinery Processing Co., Ltd.	Non-associate	28,080,271.50	Within 1 year	16.51%
Jiangsu Electric Power Company	Non-associate	10,165,350.00	1-2 years	5.98%
Huaneng Yimin Coal and Electricity Co., Ltd.	Non-associate	5,968,800.00	Within 1 year	3.51%
Shanxi Electric Power Company	Non-associate	5,355,010.00	2-3 years	3.15%
Total	--	84,511,124.83	--	49.7%

(6) There are no receivables from associates during the period

(7) There's no termination of recognized accounts receivable

(8) There is no securitized accounts receivable

5. Other receivables

(1) Other receivables by categories are analyzed as follows

Unit: RMB

Types	Amount by end of period				Amount at beginning of period			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Other single significant accounts receivable with provision of bad debt	95,259,294.20	77%	95,259,294.20	100%	95,259,294.20	78.2%	95,259,294.20	100%
Other accounts receivable provided for bad debts by group								
Group of aging	28,450,545.90	23%	3,125,245.21	10.98%	26,554,398.48	21.8%	3,125,245.21	11.77%
Subtotal of groups	28,450,545.90	23%	3,125,245.21	10.98%	26,554,398.48	21.8%	3,125,245.21	11.77%
Total	123,709,840.10	--	98,384,539.41	--	121,813,692.68	--	98,384,539.41	--

Remarks of other accounts receivable types

The Company has set the criteria for other single significant accounts receivable as RMB1 million, according to the scale of operation, nature of the operation and status of customers' settlement.

Other single insignificant accounts receivable with separate bad debt provision have obviously indicated that the account is unrecoverable.

Other single significant accounts receivable with bad debt provision by the end of the period

Unit: RMB

Contents	Book balance	Bad debt account	Ratio of provision	reason
Benxi Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00	100%	Refer to notes
Jinzhou Power Capacity Co., Ltd.	19,169,294.20	19,169,294.20	100%	Adverse assets status and non-operation of the company
Total	95,259,294.20	95,259,294.20	--	--

Note: By end of year, principal owed from Benxi Steel (Group) Co., Ltd.(referred as Ben Steel) of RMB76,090,000.00 is included in other receivables, which receivables occurred in May and September 2005, by Liaoning Trust & Investment Co. (hereinafter referred to as Liao Trust) repaying principals of RMB74,424,671.45 deposited with them by the Company with their receivables from Ben Steel of RMB76,090,000.00 by the approval related governments in Liaoning Province. The company has taken receivables from Ben Steel into other receivables, surplus to the original deposit has been taken into bad debt provision. On 16 Dec. 2005, High Court of Liaoning Province has made ultimate ruling (No.(2005) Liao Min Er Zhong Zi Di 220), that Ben Steel had owed the Company RMB15,900,000.00 and related interest. The Company had applied for Enforcement. As a result Intermediate Court of Shenyang has established the case and delivered Enforcement Notice to Ben Steel on 10 Mar. 2006. On 30 Mar. 2006, The Intermediate Court of Shenyang has made first ruling concerning the remaining principals by Rulings Nos. of (2005) Shen Zhong Min Si He Chu Zi Di 21, 22 and 23, that Ben Steel should repay the Company principal of RMB60,190,000.00 and related interest. On 30 Apr. 2006, Ben Steel has appealed to High Court of Liaoning Province. On 14 May 2008, High Court of Law of Liaoning Province has ordered retry of the case to Shenyang City Medium Court of Law by Rulings of 214th, 215th, 216th of (2006) Liao Min Er Zhong Zi, revocating Rulings of 21rd, 23rd, 22nd of Shen Zhong Min Si He Chu Zi by the latter Court of Law. On 9 Jun. 2009 the City Medium Court of Law has refuted the Company's case by rulings of (2008) Shen Zhong Min Si Chu Zi No.143, 144 and 145, and the Company has appealed to the Provincial High Court. On 26 and 29 Oct. 2009, the Provincial High Court has made final rulings of (2009) Liao Min Er Zhong Zi No. 182, 183 and 184, sustaining previous rulings. The Company may appeal for retrial by providing evidence and facts if still holding objections. The Company objects the Ruling and appealed for retrial. The Supreme Court of the People made Civil Rulings No (2010) Min Shen Zi Di 1144, 1145 and 1146 on 13 Dec. 2010, overruled retrial appeal of the Company. Since the other receivable is long outstanding and the chance of recovery is remote, the company has made a provision in full for this other receivable.

Other receivables are analysed by aging to set up bad debt provision in the group

Unit: RMB

Age of Account	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						
Including:						
Subtotal within 1 year	12,338,425.43	43.37%		7,986,623.13	30.08%	
1 – 2 years	12,895,848.91	45.33%		15,247,548.92	57.42%	
2 – 3 years	194,415.62	0.68%	119,871.86	299,679.65	1.13%	119,871.86
3 – 4 years	39,242.74	0.14%	22,760.15	37,933.58	0.14%	22,760.15
4 – 5 years	1,393,072.30	4.9%	1,393,072.30	2,982,613.20	11.23%	2,982,613.20
Over 5 years	1,589,540.90	5.59%	1,589,540.90			
Total	28,450,545.90	--	3,125,245.21	26,554,398.48	--	3,125,245.21

- (2) There is no other account receivable reversed or collected during the reporting period
- (3) There's no other write-off accounts receivable during the period
- (4) There're no other accounts receivable from the Company holding 5% or over voting shares of the Company
- (5) There are no characteristics or contents of other significant receivables
- (6) Top five of other receivable customers

Unit: RMB

Company	Relationship	Amount	Term	Proportion of total receivables
Benxi Steel (Group) Co., Ltd.	Non-associate	76,090,000.00	Over 4 years	61.51%
Jinzhou Power Capacity Co., Ltd.	Non-associate	19,158,634.92	Over 4 years	15.49%
New Northeast Electric Group Development Co., Ltd.	Non-associate	13,000,000.00	1-2 years	10.51%
Zhang Cheng	Non-associate	2,858,000.00	Within 1 year	2.31%
Union	Non-associate	742,546.00	Within 2 year	0.6%
Total	--	111,849,180.92	--	90.42%

- (7) There are no other receivables from associates during the period
- (8) There's no termination of other receivables
- (9) There is no other securitized receivables,

6. Prepayments

- (1) Prepayments are listed by age

Unit: RMB

Age of Account	Amount by end of period		Amount at beginning of period	
	Amount	Proportion	Amount	Proportion
Within 1 year	21,711,733.05	99.05%	6,795,272.68	95.54%
1 – 2 years	9,399.27	0.04%	9,399.27	0.12%
2 – 3 years	66,592.45	0.3%	66,592.45	0.94%
Over 3 years	133,565.24	0.61%	241,565.24	3.4%
Total	21,921,290.01	--	7,112,829.64	--

Remarks of the age of account of prepayments

- (2) Top five companies of prepayment:

Unit: RMB

Company	Relationship	Amount	Age	Reason for unsettlement
New Northeast Electric (Shengyang) High-Voltage Equipment Co., Ltd.	Non-associate	17,000,046.76	Within 1 year	Prepayment for goods
Shaanxi Aerospace Electrical and Environmental Engineering Design Institute Co., Ltd.	Non-associate	1,288,383.00	Within 1 year	Prepayment for materials
Wujiang City Hangzhou Electric Co. Ltd.	Non-associate	733,200.00	Within 1 year	Prepayment for materials
Wuxi Southern Logistics Equipment Co., Ltd.	Non-associate	645,000.00	Within 1 year	Prepayment for materials
Shanghai Jiata High-voltage Electrical Equipment Co., Ltd.	Non-associate	412,500.00	Within 1 year	Prepayment for materials
Total	--	20,079,129.76	--	--

- (3) There're no prepayments from the Company holding 5% or over voting shares of the Company



7. Inventories

(1) Classification of inventories

Unit: RMB

Items	Amount by end of period			Amount at beginning of period		
	Book balance	Provision for devaluation	Carrying value	Book balance	Provision for devaluation	Carrying value
Raw material	18,280,796.32	71,485.28	18,209,311.04	19,606,255.83	71,485.28	19,534,770.55
Work in progress	10,041,327.45		10,041,327.45	9,668,853.47		9,668,853.47
Finished goods	19,629,044.86	2,512,027.94	17,117,016.92	14,140,577.23	2,512,027.94	11,628,549.29
Goods in transit	600,233.65		600,233.65			
Total	48,551,402.28	2,583,513.22	45,967,889.06	43,415,686.53	2,583,513.22	40,832,173.31

(2) Provisions for devaluation

Unit: RMB

Type of inventory	Book balance at beginning of period	Provisions during the period	Decrease during the period		Book balance by end of period
			Reverse	Set-off	
Raw material	71,485.28				71,485.28
Finished goods	2,512,027.94				2,512,027.94
Total	2,583,513.22				2,583,513.22

8. Investments in joint ventures and associates

Unit: RMB

Company invested	Share holding	Voting shares percentage in the invested company	Total assets by end of period	Total liabilities by end of period	Net assets by end of period	Total operating revenue of the period	Net profit of the period
I. joint ventures							
II. associates							
Weida High-Voltage Electric Co., Ltd.	20.8%	20.8%	188,637,113.81	59,966,053.18	128,671,060.63	0.00	46,024.81

9. Long-term equity investments

Classification

Unit: RMB

Company invested	Accounting method	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	Provision for devaluation during the period	Cash dividends
Weida High-Voltage Electric Co., Ltd.	Equity method	42,847,035.48	39,724,888.88	709,842.76	39,015,046.12	20.8%	20.8%		13,301,018.93		
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	Cost method	216,055,412.40	67,500,000.00	1,071,202.94	66,428,797.06	6.89%	6.89%		7,418,878.92		
Total	--	258,902,447.88	107,224,888.88	1,781,045.70	105,443,843.18	--	--	--	20,719,897.85		

**10. Fixed assets****(1) Fixed assets***Unit: RMB*

Items	Book balance at beginning of period	Increase during the period		Decrease during the period	Book balance by end of period
I. Total original cost:	150,911,253.14	390,288.42		431,614.26	150,869,927.30
Including: Houses and buildings	48,193,147.57				48,193,147.57
Machinery and equipment	77,569,744.32	390,288.42		423,200.35	77,536,832.39
Transportation equipment	25,148,361.25			8,413.91	25,139,947.34
Electronic equipment					
Others					
--	Book balance at beginning of period	Increase during the period	Provisions during the period	Decrease during the period	Closing balance
II. Accumulated depreciation:	86,237,950.03		3,311,592.64	169,004.81	89,380,537.86
Including: Houses and buildings	33,402,309.41		397,976.08		33,800,285.49
Machinery and equipment	38,525,066.99		2,315,977.64	166,361.44	40,674,683.19
Transportation equipment	14,310,573.63		597,638.92	2,643.37	14,905,569.18
Electronic equipment					
Others					
--	Book balance at beginning of period			--	Total net carrying value of intangible assets for the current period
III. Total net carrying value	64,673,303.11			--	61,489,389.44
Including: Houses and buildings	14,790,838.16			--	14,392,862.08
Machinery and equipment	39,044,677.33			--	36,862,149.20
Transportation equipment	10,837,787.62			--	10,234,378.16
Electronic equipment				--	
Others				--	

Items	Book balance at beginning of period	Increase during the period	Decrease during the period	Book balance by end of period
IV. Total provision for impairment	1,897,629.74		--	1,897,629.74
Including: Houses and buildings	317,644.79		--	317,644.79
Machinery and equipment	1,509,984.95		--	1,509,984.95
Transportation equipment	70,000.00		--	70,000.00
Electronic equipment			--	
Others			--	
V. Total carrying value	62,775,673.37		--	59,591,759.70
Including: Houses and buildings	14,473,193.37		--	14,075,217.29
Machinery and equipment	37,534,692.38		--	35,352,164.25
Transportation equipment	10,767,787.62		--	10,164,378.16
Electronic equipment			--	
Others			--	

- (2) There is no temporarily idle fixed asset during the period
- (3) There is no fixed asset acquired under financial lease during the period
- (4) There is no fixed asset leased out under operating lease during the period
- (5) There's no fixed asset held-for-sale during the period
- (6) There's no fixed asset with certificate of title to be obtained

Remarks: Net carrying value of buildings of RMB4,802,690.24 are pledged to Bank of China, Fuxin Branch by Fuxin Enclosed Busbar Company Limited – a wholly owned subsidiary of the Company is for loan of RMB8 million.



11. Construction in progress

Details

Unit: RMB

Items	Amount by end of period			Amount at beginning of period		
	Book balance	Provision for devaluation	Carrying value	Book balance	Provision for devaluation	Carrying value
Reconstruction of mutual inductor plant	228,933.81		228,933.81	228,933.81		228,933.81
Technological innovation of the production of power capacitor	1,795,273.92		1,795,273.92			
Total	2,024,207.73		2,024,207.73	228,933.81		228,933.81

12. Intangible assets

(1) Details

Unit: RMB

Items	Book balance at beginning of period	Increase during the period	Decrease during the period	Book balance by end of period
I. Total original cost	7,431,501.05			7,431,501.05
Utility model patent	450,000.00			450,000.00
Software	207,000.00			207,000.00
Land use rights	6,774,501.05			6,774,501.05
II. Total accumulated amortization	2,960,331.56	67,745.04		3,028,076.60
Utility model patent	450,000.00			450,000.00
Software	207,000.00			207,000.00
Land use rights	2,303,331.56	67,745.04		2,371,076.60
III. Total net carrying value	4,471,169.49	-67,745.04		4,403,424.45
Utility model patent				
Software				

Items	Book balance at beginning of period	Increase during the period	Decrease during the period	Book balance by end of period
Land use rights	4,471,169.49	-67,745.04		4,403,424.45
Utility model patent				
Software				
Land use rights				
Total carrying value	4,471,169.49	-67,745.04		4,403,424.45
Utility model patent				
Software				
Land use rights	4,471,169.49	-67,745.04		4,403,424.45

Amortization during the period is RMB67,745.04.

Remarks: Net carrying value of buildings of RMB4,196,424.73 are pledged to Bank of China, Fuxin Branch by Fuxin Enclosed Busbar Company Limited – a wholly owned subsidiary of the Company is for loan of RMB8 million.

13. Long-term deferred expenses

Unit: RMB

Items	Amount at beginning of period	Increment	Amortization	Other decrement	Amount by end of period	Reasons for other decrement
Rents for buildings	1,353,690.05		369,380.10		984,309.95	
Rents for machinery	3,450,000.00		900,000.00		2,550,000.00	
Rents for lands	210,833.21		55,000.02		155,833.19	
Improvement expenditures for fixed assets rented	1,015,345.34		258,428.76		756,916.58	
Total	6,029,868.60		1,582,808.88		4,447,059.72	--

14. Deferred income tax assets and deferred income tax liabilities

(1) Deferred tax assets and liabilities without taking into consideration the offsetting of balances

Deferred tax assets and deferred liabilities recognized

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Deferred tax assets:		
Provision for impairment for assets	9,320,208.65	9,320,208.65
Subtotal	9,320,208.65	9,320,208.65
Deferred tax liabilities:		

Details of deferred tax assets not recognized

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Deductible temporary difference	206,120,322.93	206,120,322.93
Deductible loss	241,582,635.42	241,582,635.42
Total	447,702,958.35	447,702,958.35

Deductible loss that are not yet recognized as deferred tax assets are due in the following years listed below

Unit: RMB

Year	Amount by end of period	Amount at beginning of period	Notes
2013	6,397,409.63	6,397,409.63	
2014	7,651,714.29	7,651,714.29	
2015	178,321,012.30	178,321,012.30	
2016	46,554,999.71	46,554,999.71	
2017	2,657,499.49	2,657,499.49	
Total	241,582,635.42	241,582,635.42	--

Details of taxable differences and deductible differences

Unit: RMB

Items	Amount of temporary difference	
	By end of the period	At beginning of the period
taxable differences		
deductible differences		
Bad debt provision	36,278,359.26	36,278,359.26
Provision for decline in value of inventory	1,002,475.33	1,002,475.33
Subtotal	37,280,834.59	37,280,834.59

(2) Deferred tax assets and liabilities taking into consideration the offsetting of balances

The items combined from deferred tax assets and liabilities mutually deducted

Unit: RMB

Items	Deferred tax assets and liabilities after mutually offset by end of the period	Deductible or taxable temporary difference after mutually offset by end of the period	Deferred tax assets and liabilities after mutually offset at beginning of the period	Deductible or taxable temporary difference after mutually offset at beginning of the period
Deferred tax assets	9,320,208.65		9,320,208.65	

15. Details of provisions for assets impairment

Unit: RMB

Items	Book balance at beginning of period	Increase during the period	Decrease during the period		Book balance by end of period
			Reverse	Set-off	
Bad debt provision	133,272,604.44		379,100.00		132,893,504.44
Provision for decline in value of inventory	2,583,513.22				2,583,513.22
Provision for impairment of long-term equity investment	21,091,870.15		371,972.30		20,719,897.85
Provision for impairment of fixed assets	1,897,629.74				1,897,629.74
Total	158,845,617.55		751,072.30		158,094,545.25

**16. Short-term borrowings**

(1) Classification

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Bank borrowings secured	8,000,000.00	8,000,000.00
Total	8,000,000.00	8,000,000.00

17. Accounts payable

(1) Accounts payable

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Within 1 year	53,989,698.42	44,382,540.91
1 – 2 years	1,774,356.77	3,492,634.80
2 – 3 years	821,756.61	1,356,229.03
Over 3 years	6,250,481.15	10,541,496.55
Total	62,836,292.95	59,772,901.29

- (2) There's no accounts payable to shareholders holding 5% or above voting shares of the Company

18. Advances

(1) Advances

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Within 1 year	6,479,753.29	10,954,208.79
1 – 2 years	2,296,159.40	2,758,130.00
2 – 3 years	91,590.00	17,367.50
Over 3 years	665,500.00	665,500.00
Total	9,533,002.69	14,395,206.29

- (2) There's no advance from shareholders holding 5% or above voting shares of the Company

19. Salaries and benefits payable to employees

Unit: RMB

Items	Book balance at beginning of period	Increase during the period	Decrease during the period	Book balance by end of period
I. Salaries, bonus, subsidies and grants	106.34	7,991,677.24	7,991,677.24	106.34
II. Staff welfare	62,636.11	125,607.00	125,607.00	62,636.11
III. Social insurance	143,698.65	3,032,620.89	3,077,707.58	98,611.96
1. Basic medical insurance	10,954.37	694,700.11	705,254.48	400.00
2. Supplementary medical insurance				
3. Basic retirement insurance	110,617.26	1,940,875.26	1,969,867.63	81,624.89
4. Annuity				
5. Unemployment insurance	11,325.21	210,266.44	213,422.91	8,168.74
6. Work injury insurance	8,080.34	119,522.17	121,690.08	5,597.66
7. Maternity insurance	2,721.47	67,256.91	67,472.48	2,505.90
IV. Housing funds	431,500.34	1,012,888.00	1,015,608.00	428,780.34
V. Termination benefits	1,553,369.33	281,060.29	56,259.42	1,778,170.20
VI. Others				0.00
Total	2,191,310.77	12,443,853.42	12,266,859.24	2,368,304.95

20. Tax payable

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Value-added tax	977,549.34	5,672,769.22
Enterprise income tax	150,092.84	906,939.79
Individual income tax	22,108.73	36,821.46
City maintenance and construction tax	86,067.69	487,790.63
Education Surcharges	39,721.79	211,823.32
Tenure tax	59,149.50	59,149.50
Housing property tax	20,614.66	20,614.66
Others	29,373.01	192,759.29
Total	1,384,677.56	7,588,667.87

**21. Dividends payable***Unit: RMB*

Company	Amount by end of period	Amount at beginning of period	Reason for unpayment over 1 year
	40,017.86	40,017.86	
Total	40,017.86	40,017.86	--

22. Other payables**(1) Other payables***Unit: RMB*

Items	Amount by end of period	Amount at beginning of period
Within 1 year	2,648,900.97	4,112,599.00
1 – 2 years	4,043,041.56	3,545,367.19
2 – 3 years	3,192,586.35	2,940,372.74
Over 3 years	33,937,304.83	37,878,025.57
Total	43,821,833.71	48,476,364.50

- (2) There're no other accounts payable to shareholders holding 5% or above voting shares of the company

23. Estimated liability*Unit: RMB*

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
Guarantee for loans	84,721,078.25			84,721,078.25
Total	84,721,078.25			84,721,078.25

Remarks

- (1) The Company has provided guarantee for the loan agreement between Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited (“NET”) (former shareholder of the company) and China Ever Bright Bank Co., Ltd., principal of which loan is RMB30,000,000.00, and the company therefore undertake obligation of joint guarantee. In 2001 China Ever Bright Bank Co., Ltd has filed a lawsuit against “NET” to the 1st District Court of Beijing City, and requesting the debtor to repay principal of RMB26,402,000.00 and overdue interests of RMB4,591,929.00, and for the Company to undertake joint obligation to repay. The Court has ruled on 19 Apr. 2002 that the Company should undertake joint obligation of repayment of the above-mentioned principal and overdue interest. The Company has appealed to the Higher People’s Court of Beijing City on 15 Aug. 2002. On 13 May 2003, the Higher People’s Court of Beijing City has made final judgment the 1st sentence should be carried on. The Company has estimated liabilities of RMB30,993,929.00. On 14 Jul. 2008 China Everbright Bank, China Everbright Bank Co., Ltd. Beijing Branch made joint declaration of equity transfer on People’s Court Daily with China Great Wall Asset Management Corporation Beijing Representative Office (hereunder referred to as ‘Great Wall Asset Beijing Rep Office’), transferring creditor’s rights worth of RMB26,402,000.00 to the latter. On 3 Dec. 2009, Great Wall Asset Beijing Rep Office signed Creditor’s Rights Transfer Agreement with Liaoning Shun Long Commercial & Trade Co., Ltd. (hereunder referred to as ‘Shun Long Comm Trade’), transferring the above-mentioned rights to ‘NET’ to Shun Long Comm Trade at the price of RMB10,750,000.00, leaving the latter to recover such rights. Shun Long Comm Trade sent a Communication Letter to the Company on 29 Nov. 2010, asking for repayment of the above-mentioned debts including principal of RMB26,402,000.00, and interest accrued of RMB30,505,683.26. On 31 Dec. 2010 the Company has signed Repayment Agreement with Shun Long Comm Trade, stipulating repayment of RMB10,000,000.00 before 31 Dec. 2012 by the Company, and repayment of RMB14,000,000.00 before 31 Dec. 2013, then the rest of the principal, interest and relative interest penalties are to be exempted. The Company therefore will be exempted from obligations of guarantee to China Everbright Bank, and own right of claim to the Borrower - ‘NET’. By 31 December 2012, the Company has repaid RMB24,000,000.00 which is written in the repayment agreement. Thus the guarantee liability of this estimated liability has been exempted. RMB 6,993,929.00 non-operating income from gains of debt restructuring was recognized by the Company.



- (2) The Company has provided guarantee for the bank loan of RMB13,000,000.00 between Bank of China Jinzhou Branch and the Company's subsidiary –“Jinrong”, and thus undertake obligation of joint guarantee. Bank of China Jinzhou Branch has filed a lawsuit in Feb. 2005 to the District Court of Jinzhou City Liaoning Province, asking for “Jinrong”'s repayment of RMB13,000,000.00 and the relative interests, along with request that the Company undertake joint obligation of repayment. The subject District Court has ruled in May 2005 that the Company should undertake the joint obligation of repayment of the captioned loan principal and interests. The Company has not filed for appeal, and the Ruling has been effective. Intermediate Court of Liaoning Province Jinzhou City has issued Enforcement Notice No. (2005)Jin Zhi Zi Di 89 in Sep., 2005. And on 23 Jun. 2010 the Court has made Enforcement Ruling No. (2005) JinZhiYiZiDi89, sealing up High-voltage parallel connection Capacitors owned by Jinrong, including 35 boxes of 140 sets of BFM6.61-299IW, 24 boxes totalling 96 sets of BFM2.11.5J3-300IW, 65 boxes of 240 sets of BFM3.11.5J3-300IW. The Company has accordingly estimated liabilities of Rmb14,464,500.00. Up to the date of report approval, the above-mentioned repayment has not yet been made.
- (3) The Company has provided guarantee for loans of RMB17,000,000.00 between Jinzhou Power Capacitor Co., Ltd. (later referred as Jin Cap) and Jinzhou City Commercial Bank. The bank has launched lawsuit to the Intermediate Court of Jinzhou City against Jin Cap for repayment of principal of RMB17,000,000.00 and relative interests of RMB2,890,000.00 in March 2007, and asking for the Company to assume repayment. The court has sentenced the Company to assume joint liability for repaying RMB17,000,000.00 and relative interests of RMB2,890,000.00 by Ruling no. (2007)Jin Min San Chu Zi Di 00049 in Jun. 2007, which has come into effectiveness for the Company has not appealed. The Intermediate Court of Jinzhou City issued execution notice, asking the Company to assume the liability. The Company therefore estimate liability of RMB19,890,000.00. Up to the reporting date, the Company has not paid the above mentioned liability.
- (4) The Company has provided guarantee for Jindu Hotel for loans of RMB24,000,000.00 from ICBC Shenyang City Sub-branch, assuming joint liability. As the loan is overdue, the bank has sued Jundu Hotel to the Intermediate Court of Shenyang City for repayment of loan principal of RMB24,000,000.00 and relative interests, and for the Company to assume joint obligation to repay. Ruling No.(2003)Shen Zhong Min(3)Chu Zi Di 94 by the Court has ruled the Company to take up joint obligation of repaying RMB24,000,000.00 and relative interests. The Higher Court of Shenyang City Liaoning Province has maintained the above first ruling by its Ruling No.(2003)Liao Min Er He Zhong Zi Di 160. Jindu Hotel's license was revoked on 29 Oct. 2010, and China Industrial & Commercial Bank of China Shenyang City Yinxin Sub-branch has signed Creditor's Rights Transfer Agreement with China Great

Wall Asset Management Corporation (hereunder referred to as 'Great Wall Asset Corp'), transferring the above-mentioned rights to the latter. The Company has estimated liability of RMB24,000,000.00 according to the Rulings. Up to the reporting date, the Company has not paid up the mentioned liability.

- (5) City Sub-branch to Jin Power Cap., which loan agreement amount is RMB42,900,000.00. ICBC Jinzhou City Sub-branch has sued against Jin Cap in Dec. 2006 to the Intermediate Court of Jinzhou City, for the borrower to repay loan principal of RMB22,900,000.00 and relative interest of RMB3,466,578.25, and for the Company to assume joint repayment. The Court has sentenced by Ruling No. (2007) Jin Min San Chu Zi 00019 that the Company should take up joint obligation to repay loan principal of RMB22,900,000.00 and loan interest of RMB3,466,578.25 on 18 July 2007. On 14 Apr. 2008, the Intermediate Court of Jinzhou City issued Enforcement Notice, requesting the Company to take the captioned liabilities. Therefore the Company has estimated liability of RMB26,366,578.25. The Company has not paid the above mentioned debt by end of reporting date.

24. Share capital

Unit: RMB

	Amount at beginning of period	Increase/decrease (+, -)					Amount by end of period
		New shares issued	Bonus	Transfer of capital reserve into share capital	others	Subtotal	
Total shares	873,370,000.00						873,370,000.00

25. Capital reserve

Unit: RMB

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
Capital premium (Share premium)	115,431,040.00			115,431,040.00
Others	767,991,363.92			767,991,363.92
Total	883,422,403.92			883,422,403.92

**26. Surplus reserve***Unit: RMB*

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
Statutory surplus reserve	80,028,220.48			80,028,220.48
Optional surplus reserve	28,558,903.92			28,558,903.92
Total	108,587,124.40			108,587,124.40

27. Retained profit*Unit: RMB*

Items	Amount	Ratio of withdrawal or distribution
Retained profit of last year before adjustment	-1,558,580,151.68	--
Retained profit at beginning of year after adjustment	-1,558,580,151.68	--
Add: Net Profit attributable to shareholders of the Company for the year	-447,480.75	--
Retained profit at end of period	-1,559,027,632.43	--

28. Operating income and cost**(1) Operating income and cost***Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Income from principal operations	75,019,681.10	57,527,813.22
Other income	43,852.04	49,407.68
Operating cost	48,648,037.88	54,737,923.42

(2) Principal operations (by business)

Unit: RMB

Business	Amount for the current period		Amount for the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Electric transmission and transformation	75,019,681.10	48,614,345.64	57,527,813.22	54,737,923.42
Total	75,019,681.10	48,614,345.64	57,527,813.22	54,737,923.42

(3) Principal operations (by product)

Unit: RMB

Product	Amount for the current period		Amount for the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Enclosed busbar	23,041,415.02	17,838,757.36	10,466,046.16	8,058,436.30
Power capacitor	50,168,864.37	29,442,596.82	21,163,989.14	21,740,225.11
High voltage switch and circuit breaker	1,809,401.71	1,332,991.46	25,897,777.92	24,939,262.01
Others				
Total	75,019,681.10	48,614,345.64	57,527,813.22	54,737,923.42

(4) Principal operations (by district)

Unit: RMB

District	Amount for the current period		Amount for the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Northeast China	55,929,239.28	35,017,275.65	9,430,731.93	9,500,677.85
North China	2,261,833.16	1,598,509.96	33,889,405.40	33,210,001.89
Central China	2,429,972.65	1,475,944.58	1,899,587.66	1,382,681.81
East China	1,881,420.90	1,104,149.71	2,744,887.43	2,593,186.70
South China	2,091,499.32	1,840,910.40	2,043,690.61	1,577,937.67
Southwest China	4,054,154.73	2,994,573.89	3,044,119.65	2,972,610.92
Northwest China	2,855,512.82	1,543,574.31	1,591,504.22	1,635,324.34
Others	3,516,048.24	3,073,099.38	2,883,886.32	1,865,502.24
Total	75,019,681.10	48,648,037.88	57,527,813.22	54,737,923.42



(5) Operating income from the top five customers of the Company Unit: RMB

Name	Income from principal operations	Percentage of total operating income
Yinkou An Tai Equipment and parts Co., Ltd.	22,423,840.78	29.87%
Yinkou Hong Yue Machinery Processing Co., Ltd.	21,331,133.50	28.42%
Huaneng Yimin Coal and Electricity Co., Ltd.	5,668,376.06	7.55%
Hubei Electric Power Company Maintenance Branch	4,358,995.20	5.81%
Guodian Harbin Thermal Power Corporation	4,239,316.29	5.65%
Total	58,021,661.83	77.3%

29. Business tax and surcharges

Unit: RMB

Items	Amount for the current period	Amount for the previous period	Ratio of tax
Business tax		50,000.00	5%
City maintenance and construction tax	320,759.85	107,251.90	7%
Education Surcharges	137,468.51	60,388.49	3%
Others	91,645.66	16,934.30	
Total	549,874.02	234,574.69	--

30. Sales expenses

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Transportation	1,972,114.63	625,829.65
Travelling	713,498.90	623,915.70
Office expenses	57,439.00	144,220.21
Wages	664,777.80	620,227.71
Advertising	1,002,000.00	100,000.00
Material Consumption	97,874.60	174,287.34
Repairment and maintenance	9,035.90	16,632.83
Loading and Unloading	0.00	
Installation	0.00	
Exhibition	1,200,000.00	
Rents & Leases	0.00	
Sales service	126,531.70	294,854.50
Consultation	2,745,600.00	556,000.00
Bidding	106,289.65	739,888.70
Entertainment	0.00	
Welfare	0.00	
Meeting	0.00	
Others	276,059.24	1,682,427.80
Total	8,971,221.42	5,578,284.44

**31. Administrative expenses***Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Salaries & Welfare	4,838,276.84	4,682,200.36
Depreciation	1,213,682.86	1,379,474.43
Entertainment	753,076.24	842,902.20
Material Consumption	373,008.05	246,752.13
Union expenses and employees education expenses	188,043.74	154,245.46
Office expenses	203,864.28	448,680.39
Labor insurance and property insurance	1,930,446.31	1,720,233.61
Auditing, Evaluation, Lawsuit, Consulting	2,508,750.41	1,231,740.00
Housing funds	338,833.00	309,975.00
Heating, Service, Telephone, Repairment and maintenance	730,787.60	997,778.67
Travelling	326,734.60	519,750.76
Others	2,329,227.05	1,868,372.57
Housing property tax, Stamp tax, etc.	499,984.62	187,145.87
R & D for new products	119,401.76	221,697.64
Total	16,354,117.36	14,810,949.09

32. Finance expenses*Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Interest expenses	309,687.47	293,450.67
Interest income	-129,707.17	-68,243.33
Loss on exchange		35.30
Bank commission charges	16,053.33	56,663.89
Discounted bills tax		
Total	196,033.63	281,906.53

33. Return on investments

(1) Details of return on investment

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Return on long-term equity investment under equity method	-9,262.00	-13,142.79
Total	-9,262.00	-13,142.79

(2) Return on long-term equity investment under equity method

Unit: RMB

Company invested	Amount for the current period	Amount for the previous period	Reason for change
Weida High-Voltage Electric Co., Ltd.	-9,262.00	-13,142.79	Decrease in operation losses of Weida High-Voltage Electric Co., Ltd.
Total	-9,262.00	-13,142.79	--

34. Assets impairment loss

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Bad debt loss	-379,100.00	
Total	-379,100.00	

**35. Non-operating income****(1) Non-operating income***Unit: RMB*

Items	Amount for the current period	Amount for the previous period	Amount accounted to current extraordinary profit and loss
Gain on disposal of non-current assets	0.00	96,985.00	0.00
Including: Gain on disposal of fixed assets	0.00	96,985.00	0.00
Gain on disposal of intangible assets	0.00	0.00	0.00
Gain on debt reconstruction	14,885.10	0.00	14,885.10
Gain on non-currency assets exchange	0.00	0.00	0.00
Accepting donations	0.00	0.00	0.00
Government Grant	0.00	0.00	0.00
Income of fine	6,050.00	1,100.00	6,050.00
Income from sales of scrap	27,193.15	11,272.66	27,193.15
Total	48,128.25	109,357.66	48,128.25

36. Non-operating expenses*Unit: RMB*

Items	Amount for the current period	Amount for the previous period	Amount accounted to current extraordinary profit and loss
Expense of fine	1,542.70	200.00	1,542.70
Others	475.09	21,555.54	475.09
Total	2,017.79	21,755.54	2,017.79

37. Income tax expense*Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Income tax of the period by law of tax and relative regulations	1,240,791.00	11,112.02
Total	1,240,791.00	11,112.02

38. Calculations of basic earnings per share and diluted earnings per share

Items	Calculation	Amount for the current period	Amount for the previous period
Net profit attributable to ordinary shareholders of the Company	P0	-447,480.75	-18,015,241.61
Extraordinary profit and loss attributable to ordinary shareholders of the Company	F		
Net profit attributable to ordinary shareholders of the Company after extraordinary profit and loss	$P0' = P0 - F$		
Impact on Net Profit attributable to Ordinary Shareholders of the Company by dilution	V		
Net profit to ordinary shareholders of the Company, adjusted by Enterprise Accounting Standards and relative regulations with consideration of impact by diluted potential ordinary shares.	$P1 = P0 + V$	-447,480.75	-18,015,241.61
Impact on net profit to ordinary shareholders of the Company after deduction of extraordinary profit and loss by dilution	V'		
Net profit attributable to ordinary shareholders of the Company after deduction of extraordinary profit and loss adjusted by Enterprise Accounting Standards and relative regulations with consideration of impact by diluted potential ordinary shares	$P1' = P0' + V'$		
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		
Accumulated No. of months from next month of decreasing shares till end of reporting period	Mj		
Weighted average ordinary shares issued abroad	$S = S0 + S1 + Si \times Mi - M0 - Sj \times Mj + M0 - Sk$	873,370,000.00	873,370,000.00
Add: weighted average ordinary shares supposing diluted potential ordinary shares changed to ordinary shares	X1	-	-
Average ordinary shares to calculate diluted earnings pershare	$X2 = S + X1$	873,370,000.00	873,370,000.00
Including: weighted average ordinary shares increased by convertible company bonds			
Weighted average ordinary shares increased by stock warrants			
Weighted average ordinary shares increased by implementing buyback			
Basic earnings per share attributable to ordinary shareholders of the Company	$EPS0 = P0 \div S$	-0.0005	-0.0206
Basic earnings per share contributable to ordinary shareholders after deduction of extraordinary profit and loss	$EPS0' = P0' \div S$	-0.0005	-0.0206
Diluted earnings per share attributable to ordinary shareholders of the Company	$EPS1 = P1 \div X2$	-0.0005	-0.0206
Diluted earnings per share attributable to ordinary shareholders after deduction of extraordinary profit and loss	$EPS1' = P1' \div X2$	-0.0005	-0.0206

**39. Other comprehensive income***Unit: RMB*

Items	Amount for the current period	Amount for the previous period
4. Exchange difference on translation of financial statements	-760,290.13	499,104.55
Subtotal	-760,290.13	499,104.55
Total	-760,290.13	499,104.55

Remarks

The exchange difference on translation of financial statement is arising from the translation of financial statements of North East Electric (HongKong) Co., Ltd. and Gao Cai Technology Co., Ltd.

40. Notes to cash flows statement**(1) Cash received from other operating activities***Unit: RMB*

Items	Amount
Current accounts	16,991,319.07
Recovery of bidding deposit	11,777,804.00
Interest Income	129,707.17
Total	28,898,830.24

Remarks: Deposits are bidding deposits received from suppliers of subsidiary – Fuxin Enclosed Busbar Company Limited and New Jin Cap. and refund of security deposits for letter of guarantees.

(2) Cash paid to other operating activities*Unit: RMB*

Items	Amount
Current accounts	9,252,176.22
Deposit	5,981,030.00
Expenses paid by cash	13,945,338.78
Total	29,178,545.00

Remarks: Current accounts are mainly for repayments of payables. Cash Deposits are bidding deposits paid to customer by subsidiary – Fuxin Enclosed Busbar Company Limited and New Jin Cap. and security deposits paid for letter of guarantee.

41. Supplementary information to cash flows statement

(1) Supplementary information to cash flows statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities:	--	--
Net profit	-480,593.71	-18,052,477.64
Add: Provision for assets impairment	-379,100.00	
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	3,142,587.84	3,827,887.09
Amortization of intangible assets	67,745.04	67,744.76
Amortization of long term deferred expenses	1,582,808.88	1,582,808.88
Financial expenses (gain is represented by "-")	196,033.63	281,906.53
Loss on investments (gain is represented by "-")	9,262.00	13,142.79
Decrease of inventories (increase is represented by "-")	-5,135,715.75	3,834,815.49
Decrease of operational accounts receivable (increase is represented by "-")	10,303,535.74	14,849,309.21
Increase of operational accounts payable (decrease is represented by "-")	-12,543,910.59	-20,019,707.72
Net cash flows generated from operational activities	-3,237,346.92	-13,702,172.73
2. Significant non-cash investment and financing activities:	--	--
3. Changes in cash and cash equivalents:	--	--
Closing balance in cash	60,265,129.68	27,390,012.36
Less: opening balance in cash	69,423,731.30	42,095,840.09
Net increase in cash and cash equivalents	-9,158,601.62	-14,705,827.73



(2) Composition of cash and cash equivalents

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
I. cash	60,265,129.68	69,423,731.30
Including: Cash on hand	16,889.99	11,550.91
Bank deposits ready to pay	63,201,666.45	69,412,180.39
Other cash assets ready to pay	2,423,500.00	11,871,697.50
III. Balance of cash and cash equivalents by end of period	60,265,129.68	69,423,731.30

(VIII) Related parties and related parties transactions

1. Parent company of the Company

Parent company	Relationship	Type	Place of Registration	Legal representative	Nature of Business	Registered Capital	Percentage of shares held by parent company	Percentage of shares held by parent company	Ultimate controlling party of the Company	Organization code
New Northeast Electric Investments Co., Ltd.	Controlling shareholder	Limited	Ying Kou	He Yaohui	INVESTMENT	135 million	24.06%	24.06%	Tian Li	73465110-1

Remarks of parent company

New Northeast Electric Investment Co., Ltd. pledged the unrestricted circulated A Shares of 62,860,000 shares and 47,140,000 shares of the Company held by it to Shanghai Pudong Development Bank Shenyang Branch. Those pledged shares have been registered with the China Securities Registration and Settlement Co., Ltd. Shenzhen branch on 30 October 2012. The pledge period starts from 30 October 2012 and until New Northeast Electric Investment Co., Ltd. completed the pledge rescinding registration. By 31 December 2012, New Northeast Electric Investment Co., Ltd. holds 210,113,872 A shares of the Company, representing 24.06% of the Company's total share; the accumulated pledged shares are 110,000,000 shares represents 52.35% of its shares holding on the Company, and 12.59% of the Company's total share.

2. Subsidiaries of the Company

Name of Subsidiary	Type	Type	Place of Registration	Legal representative	Nature of Business	Registered Capital	Share holding	Voting right	Organization code
Northeast Electric (HK) Co., Ltd.	Controlling subsidiary	Limited	HK	Tian Jiang	Investment, trade	USD20M	100%	100%	
Gaocai Technology Co., Ltd.	Controlling subsidiary	Limited	BVI	Wang Shankuan	Investment, trade	USD1.00	100%	100%	
Northeast Electric (Beijing) Co., Ltd.	Controlling subsidiary	Limited	Beijing	Jia Shujie	Sales of machinery, electric products	RMB2M	100%	100%	66216024-9
Shenyang Kaiyi Electric Co., Ltd.	Controlling subsidiary	Limited	Shenyang	Jiao Liyuan	Manufacturing of high voltage electric equipment	RMB1M	100%	100%	79846962-4
Fuxin Enclosed Busbar Co., Ltd.	Controlling subsidiary	Limited	Fuxin	Liu Qingmin	Production and sales of enclosed busbars	USD8.50M	100%	100%	70168064-3
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd.	Controlling subsidiary	Limited	Jin zhou	Liu Bing	Production of power capacitor	USD15.45M	100%	100%	75278947-0
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Controlling subsidiary	Limited	Shenyang	Wang Haiyang	Manufacturing of Metal Box, Drier, etc	USD778,500.00	70%	70%	60460565-X

3. Associates and joint ventures

Company invested	Type	Place of Registration	Legal representative	Nature of business	Registered capital	Share holding	Voting shares percentage in the invested company	Relationship	Organization code
I. joint ventures									
II. associates									
Weida High-Voltage Electric Co., Ltd.	Limited	BVI	LoYuet	Investment holding	USD12,626.00	20.8%	20.8%	Associates	

**(IX) Share-based payment: Nil****(X) Contingent Events****1. Contingent Liabilities due to litigations and impacts to the Financial Reports**

China Great Wall Asset Management Corp Shenyang Rep. Office (hereinafter referred to as 'Great Wall Asset') vs. Shenyang High-voltage Switches Co., Ltd. (hereinafter referred to as 'Shenyang High Switches') on infringement of RMB351,750,000.00 loan contract.

Shenyang High Switches has signed 41 loan contracts during the period 1986 to 2003 with ICBC Liaoning Province Branch Shenyang Shifudalu Sub-branch and other financial institutions, totaling loans of RMB35.175 million. On 15 Jul. 2005, ICBC Liaoning Province Branch signed <Transfer of Creditor's Rights> with Great Wall Asset, transferring the relative rights. Shenyang High Switches started up joint ventures with tangible assets and land-use rights, which are New Northeast Group Electric High-voltage Equipment Co., Ltd. (hereinafter referred to as 'New Shen High'), New Northeast Electric (Shenyang) High-voltage Insulate Switches Co., Ltd. (hereinafter referred to as 'Shenyang High Insulate'), Shenyang Xintai Warehouse Logistics Co., Ltd. (hereinafter referred to as 'Xintai Warehouse') and Shenyang Chengtai Energy Co., Ltd. (hereinafter referred to as 'Chengtai Energy'). The Company has acquired shares of Shenyang High Insulate, Xintai Warehouse and Chengtai Energy. Great Wall Asset sued Shenyang High Switches to Liaoning Provincial High Court (hereinafter referred to as 'Liao High Court') for repayment of RMB35,175 million on 24 Feb. 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 Switches' loans. The Company has received subpoena for court appearance (Ref. (2009) Liao Min Er Chu Zi No.12) from Liao High Court on 21 Jul. 2009. Civil Ruling of No. (2009) Liao Min Er Chu Zi Di12 by Supreme Court of Liaoning Province rejected Great Wall Asset's lawsuit appeal. If Great Wall Asset objects to this ruling, they may appeal for retrial by providing facts, evidence and relative ground. On 11 Feb. 2011, Great Wall Asset appealed to the Supreme Court of the People. On 30 Jun. 2011, the Supreme Court has made the Civil Ruling No. (2011) Min Er Chu Zi 44, setting aside Judgment No. (2009) Liao Min Er Chu Zi 12, and requesting Supreme Court of Liaoning Province for Retrial. The lawsuit has been finalized by 31 December 2012. And civil judgment (2011) Liao Min Er Chu Zi No.31 has been issued on 24 December 2012. The court rejected petition judgment as that plaintiff Great Wall Asset demanded the Company to bear the joint liability of Shenyang High Switches' debt without facts and legal evidence. The copy of civil petition of appeal has been received by the Company due to Great Wall Asset lodged an appeal after the court decision.

Judgment on the case of the Company: The Company shall not be accused by Shenyang High Switches and need not to assume the joint and several liabilities in accordance with the economic exchanges between the Company and Shenyang High Switches and the legal advice of the lawyer. And the litigation will not generate any negative impact on financial position and profits during the reporting period..The lawyers of the Company will actively respond to the court's retrial procedures. And the Company shall timely perform the obligations of information disclosure if any progress has been made.

2. Contingent liability by providing guarantee and relevant impact on financial statements

For other contingent liabilities by providing guarantees, please refer to Estimated Liabilities for detail.

Other contingent liabilities and relevant impacts on financial statements

- (1) As of 31 Dec. 2012, RMB12,968,040.00 of bank acceptance notes which are not yet matured has been endorsed by the Company.
- (2) As of 31 Dec. 2012, the Company has issued Performance Guarantee of RMB7,122,310.00 with Bank of China Fuxin Branch.

(XI) Commitment

1. There's no major commitment during the period

2. Performance of commitment during the prior period

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 Noncirculating 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) Major notes to financial statements of parent company****1. Accounts receivable****(1) Accounts receivable***Unit: RMB*

Types	Amount by end of period				Amount at beginning of period			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Accounts receivable provided for bad debts by group								
Group of aging	179,400.00	100%	179,400.00	100%	179,400.00	100%	179,400.00	100%
Subtotal of groups	179,400.00	100%	179,400.00	100%	179,400.00	100%	179,400.00	100%
Total	179,400.00	--	179,400.00	--	179,400.00	--	179,400.00	--

Remarks of account receivable types

There are no single significant accounts receivable with bad debt provision by end of period

Receivables are analysed by aging to set up bad debt provision in the group

Unit: RMB

Age of Account	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						
Including:	--	--	--	--	--	--
4 – 5 years	179,400.00	100%	179,400.00	179,400.00	100%	179,400.00
Total	179,400.00	--	179,400.00	179,400.00	--	179,400.00

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

2. Other receivables

(1) Other receivables

Unit: RMB

Types	Amount by end of period				Amount at beginning of period			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Other single significant accounts receivable with provision of bad debt	76,090,000.00	17.31%	76,090,000.00	100%	76,090,000.00	17.23%	76,090,000.00	100%
Other accounts receivable provided for bad debts by group								
Group of aging	363,599,577.11	82.77%	815,497.67	1.06%	365,414,504.90	82.77%	815,497.67	0.22%
Subtotal of groups	363,599,577.11	82.77%	815,497.67	1.06%	365,414,504.90	82.77%	815,497.67	0.22%
Total	439,689,577.11	--	76,905,497.67	--	441,504,504.90	--	76,905,497.67	--

Remarks of other accounts receivable types

The Company has set the criteria for other single significant accounts receivable as RMB1 million, according to the scale of operation, nature of the operation and status of customers' settlement.

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

There are no other single significant accounts receivable with provision of bad debt by the end of the period

Unit: RMB

Contents	Book balance	Bad debt account	Ratio of provision (%)	reason
Benxi Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00	100%	Refer to the notes of the consolidation of other receivables
Total	76,090,000.00	76,090,000.00	--	--



Other receivables are analysed by aging to set up bad debt provision in the group

Unit: RMB

Age of Account	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						
Including:	--	--	--	--	--	--
	45,017,407.85	12.38%		37,952,323.64	10.39%	
Subtotal within 1 year	45,017,407.85	12.38%		37,952,323.64	10.39%	
1 – 2 years	1,896,502.96	0.52%		12,762,826.96	3.49%	
2 – 3 years				16,639,420.00	4.55%	
3 – 4 years	88,455,232.26	24.33%		72,675,812.26	19.89%	
4 – 5 years	105,414,154.35	28.99%	815,497.67	225,384,122.04	61.68%	815,497.67
Over 5 years	122,816,279.69	54.7%				
Total	363,599,577.11	--	815,497.67	365,414,504.90	--	815,497.67

- (4) There're no other accounts receivable from the Company holding 5% or over voting shares of the Company
- (5) There are no characteristics or contents of other significant receivables

(6) Top five of other receivable customers

Unit: RMB

Company	Relationship	Amount	Term	Proportion of total receivables
Shenyang Kaiyi Electric Co., Ltd.	Wholly owned subsidiary	153,273,182.46	Over 1-4 years	34.86%
Northeast Electric (HK) Co., Ltd.	Wholly owned subsidiary	123,166,166.77	Over 1-4 years	28.01%
Benxi Steel (Group) Co., Ltd.	Non-associate	76,090,000.00	Over 4 years	12.09%
Northeast Electric (Beijing) Co., Ltd.	Wholly owned subsidiary	53,173,199.80	1-3 years	7.62%
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd.	Wholly owned subsidiary	33,506,376.35	Over 4 years	17.31%
Total	--	439,208,925.38	--	99.89%

(7) Other receivables due from related parties

Unit: RMB

Company	Relationship	Amount	Proportion of total receivables
Shenyang Kaiyi Electric Co., Ltd.	Wholly owned subsidiary	153,273,182.46	34.12%
Northeast Electric (HK) Co., Ltd.	Wholly owned subsidiary	123,166,166.77	27.9%
Northeast Electric (Beijing) Co., Ltd.	Wholly owned subsidiary	53,173,199.80	11.22%
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd.	Wholly owned subsidiary	33,506,376.35	8.94%
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Controlling subsidiary	7,255.34	0%
Total	--	363,126,180.72	82.18%



3. Long-term equity investments

Unit: RMB

Company invested	Accounting method	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	Provision for devaluation during the period	Cash dividends
Northeast Electric (HK) Co., Ltd.	Cost method	156,699,451.63	90,413,551.10		90,413,551.10	100%	100%		66,285,900.53		
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Cost method	837,967.00	837,967.00		837,967.00	70%	70%				
Shenyang Kaiyi Electric Co., Ltd.	Cost method	100,000.00				100%	100%		100,000.00		
Total	--	157,637,418.63	91,251,518.10		91,251,518.10	--	--		66,385,900.53		

4. Supplementary information to cash flows statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities:	--	--
Net profit	-1,012,385.44	-13,068.08
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	31,128.59	59,528.25
Decrease of operational accounts receivable (increase is represented by "--")	1,814,927.79	632,686.84
Increase of operational accounts payable (decrease is represented by "--")	-828,125.41	-693,093.30
Net cash flows generated from operational activities	5,545.53	-13,946.29
2. Significant non-cash investment and financing activities:	--	--
3. Changes in cash and cash equivalents:	--	--
Closing balance in cash	36,121.11	12,495.09
Less: opening balance in cash	30,575.58	31,891.38
Net increase in cash and cash equivalents	5,545.53	-19,396.29

(XIII) Supplementary Information

1. Details of current extraordinary profit and loss

Unit: RMB

Items	Amount	Notes
Profit & loss on debt restructuring	14,885.10	
Other Incomes and Expenses except for the above-mentioned	31,225.36	
Total	46,110.46	--

2. Difference on figures by domestic and foreign accounting standards

There are no differences of net profit and net asset attributable to the Company in the consolidated financial statement prepared in accordance with China Accounting Standards and Hong Kong Financial Reporting Standards.

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 ordinary shareholders of the Company	-0.17%	-0.0005	-0.0005
Net profit attributable to common shareholders of the Company after extraordinary items	-0.19%	-0.0005	-0.0005



Chapter 9 LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

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

- (I) The interim report as signed by the Chairman;
- (II) The financial report as signed and sealed by legal representative, person in charge of accounting function and person in charge of accounting department;
- (III) The originals of all of the documents and announcements of the Company which have been disclosed during the reporting period.

Board of Directors of Northeast Electric Development Co., Ltd.

12 August 2013



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

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