



NEE

INTERIM REPORT 2014

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 ninth meeting of the seventh session of the Board held on 7 August 2014.

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 2014 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.

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

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

Chapter 2 CORPORATE PROFILE

2.1 Basic information

Abbreviated name of A Shares	Northeast Electric	A Shares stock code	000585
Place of listing of the A Shares	Shenzhen Stock Exchange		
Abbreviated name of H Shares	Northeast Electric	H Shares stock code	0042
Place of listing of the H Shares	The Stock Exchange of Hong Kong Limited		
Legal Chinese name	東北電氣發展股份有限公司		
Chinese abbreviation	東北電氣		
Legal English name	Northeast Electric Development Co., Ltd		
English abbreviation	NEE		
Legal Representative	Su Weiguo		

2.2 Contact person and address

	Secretary to the Board of Directors	Representative for securities affairs
Name	Su Weiguo	Zhu Xinguang
Contact address	No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province, the PRC (Postcode: 115009)	No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province, the PRC (Postcode: 115009)
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Chapter 3 PRINCIPAL ACCOUNTING DATA AND CHANGES IN SHAREHOLDERS

3.1 Principal accounting data and financial indicators

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 revenues (RMB)	70,527,484.97	75,063,533.14	-6.04%
Net profits attributable to shareholders of listed company (RMB)	-1,780,185.14	-447,480.75	297.82%
Net profits attributable to shareholders of listed company after extraordinary items (RMB)	-1,814,273.38	-493,591.21	267.57%
Net cash flows arising operating activities (RMB)	-25,964,240.26	-3,237,346.92	702.02%
Basic earnings per share (RMB/Share)	-0.0021	-0.0005	320.00%
Diluted earnings per share (RMB/Share)	-0.0021	-0.0005	320.00%
Weighted average return on net assets (%)	-0.63%	-0.17%	Decreased by 0.46 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)	471,899,385.84	462,731,004.91	1.98%
Net assets attributable to shareholders of listed company (RMB)	285,708,039.59	279,693,302.29	2.15%

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.

3.2 Extraordinary profit and loss items and amounts

Unit :RMB

Item	Amount	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for asset impairment being written off)	74,059.43	Profit on disposal of fixed assets
Other non-operating income and expense other than the above items	-39,971.19	Loss on compensation
Total	34,088.24	--

3.3 Table of shareholdings of the top ten shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period							76,370
Shareholdings of the top ten shareholders							
Name of shareholders	Nature of shareholder	Shareholding percentage	Number of shares held	Number of untradable shares	Shares pledged or frozen		
					Status of shares	Qty	
HKSCC Nominees Limited	Foreign legal person	29.25%	255,429,998	0			
New Northeast Electric Investments Co., Ltd.	Domestic non-state owned legal person	24.06%	210,113,872	19,022	Pledged	170,000,000	
Li Yubin	Domestic natural person	0.62%	5,404,201	0			
Shenzhen Zhongda Software Development Co., Ltd.	Domestic non-state owned legal person	0.41%	3,550,000	3,550,000			
Xue Na	Domestic natural person	0.38%	3,309,782	0			
Hu Li	Domestic natural person	0.25%	2,166,760	0			
Wu Wei	Domestic natural person	0.19%	1,660,790	0			
Xu Yipin	Domestic natural person	0.19%	1,647,295	0			
Wang Dawei	Domestic natural person	0.19%	1,620,170	0			
Lin Fengsheng	Domestic natural person	0.16%	1,425,709	0			



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 provided in “Methods of Information Disclosure of Shareholding Changes of Listed Companies”.*
Based on the information that is publicly available to the Company as at the latest practicable date prior to the publishing of this report and within the knowledge of the Directors, there was sufficient public float of the Company’s shares.
- 2) *New Northeast Electric Investments Co., Ltd. has simultaneously pledged its 59,230,000, 50,770,000 and 36,000,000 A shares not subject to trading moratorium to Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 14 October 2013. And it carried out the registration of the pledged stocks with China Securities Depository and Clearing Corporation Limited Shenzhen Branch.*
New Northeast Electric Investments Co., Ltd. has pledged its 24,000,000 A shares not subject to trading moratorium to Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 7 November 2013. And it carried out the registration of the pledged stocks with China Securities Depository and Clearing Corporation Limited Shenzhen Branch.
- 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 2014, the Company did not issue any convertible securities, options, warrants or any other similar right.

3.4 Changes in controlling shareholders and De Facto controller: Nil

Chapter 4 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 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.

4.2 Re-election and resignation of directors, supervisors and senior management

- (1) On 19 February 2014, the Board the Company received the resignation application of Mr. Liu Bing, the executive director of the Company. Due to personal reasons, Mr. Liu Bing requested to quit the position of executive director. The resignation of Mr. Liu Bing shall come into force since the date of delivery to the board of directors of the Company.
- (2) On 18 February 2014, the Supervisory Committee of the Company received the resignation application of Ms. Jiao Liyuan, the supervisor of the Company. Due to our actual requirements of work, Ms. Jiao Liyuan requested to quit the position of supervisor. The resignation of Ms. Jiao Liyuan shall come into force since 17 April 2014.
- (3) As approved by the General Meeting of the Board held on 3 March 2014, Ms. Jiao Liyuan was nominated as a candidate for an executive director of the seventh session of the Board of Directors, with the term of office to 10 March 2016.
- (4) As approved by the Meeting of Supervisory Committee held on 3 March 2014, Mr. Qiu Yongjian was nominated as a candidate for a supervisor of shareholder of the seventh session of the Supervisory Committee, with the term of office to 10 March 2016.

The aforesaid matters have been considered and approved by the Annual General Meeting of 2013 held on 17 April 2014 (please refer to the report dated 17 April 2014 for details).



4.3 Interest of directors, supervisors and senior management

As at 30 June 2014, 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 5 MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, economic situation and market condition inside and outside China are complex and constantly changing, and economic growth in China slackens. The Company's electrical transmission and transformation industry has been in a steady market demand, fierce competition and overcapacity, therefore, our production and management is faced with tremendous pressure and challenges. Under the leadership of the Board and focusing on the production and operation plans, our management has taken effective actions, such as strengthening management, controlling costs, strictly controlling expenses, and improving the internal-control system, to maintain steady and healthy growth of the Company.

5.1 Analysis of principal businesses

(1) Summary

During the reporting period, the operating incomes of the Company amounted to RMB 70,530,000, with an decrease of 6% compared with the same period last year, the operating profits amounted to RMB-1,610,000, with a decrease of RMB2,320,000 compared with the same period last year, and the net profits attributable to shareholders of the Company delivered RMB-1,780,000, with a year-on-year decrease of RMB1,330,000.

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

1. It strengthens and optimizes customer resources. The Company comprehensively strengthens implementation of its sales strategy and improves concentration of its strategic key customers.
2. It encounters a slight decline in operation efficiency. During the reporting period, the operating profits of the Company amounted to RMB-1,610,000, with a year-on-year decrease of RMB 2,320,000. It is mainly due to the decrease in operating incomes and the consolidated gross margin of the products.



3. It improves the equipment level. Facing the fierce market competition, the Company needs to improve its equipment level of production process. After completion of the phase I technological transformation in 2013, the Company commenced the phase II transformation of the power capacitor project in the first half of this year. Under the phase II transformation project, air-conditioning units of the electrical branch, epoxy self-leveling floor of the clean room, and air shower are upgraded and transformed to improve the electrical performance and quality of products.
4. It deepens technological innovation. The Company modifies the models of the power capacitor product units to enhance market competitiveness. Currently, the prototype trial has been validated by the factory test and thermal stability test, and the modification transition plan will be completed this year.
5. It strengthens the internal control. The Company promotes construction of the internal control system, increases, revises and improves the internal control systems and processes, inspects the implementation of the systems and processes from time to time, optimizes the daily business process, strictly strengthens the internal audit work, and further standardizes the business operation to reduce operational risks.
6. It promotes the human resource management level. Taking human resources strategic planning as a main thread, the Company enriches its sources of recruitment, improves a mechanism under which new employees are developing with the help of old employees, and plans a career development path and promotion system for its employees to further strengthen the motivation and creativity of the employees.

5.2 Operation of the Company during the reporting period

(1) Incomes and profits from principal businesses by industry, product and region

Unit: RMB

	Operating incomes	Operating costs	Gross margin	Increase/ decrease in operating incomes compared with the same period last year(%)	Increase/ decrease in operating costs 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	70,508,786.50	50,165,274.04	28.85%	-6.01%	3.19%	-6.35%
By product						
Enclosed busbar	24,421,078.88	17,118,884.04	29.90%	5.99%	-4.04%	7.32%
Power capacitor	46,087,707.62	33,046,390.00	28.30%	-8.13%	12.24%	-13.01%
By region						
Northeast	42,063,267.84	29,920,964.83	28.87%	-24.79%	-14.55%	-8.52%
North China	9,976,106.53	6,895,919.69	30.88%	341.06%	331.40%	1.55%
Central China	2,611,346.04	1,872,420.31	28.30%	7.46%	26.86%	-10.96%
East China	4,540,991.01	2,822,193.50	37.85%	141.36%	155.60%	-3.46%
South China	4,753,651.98	3,262,863.77	31.36%	127.28%	77.24%	19.38%
Southwest	6,560,217.97	5,388,613.76	17.86%	26.14%	61.81%	-8.28%
Northwest	3,205.13	2,298.18	28.30%	-99.89%	-99.85%	-17.64%



5.3 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.

Through years of development, the Company continues to strengthen its core competitiveness in the following aspects: close association between industry development of the Company and macroeconomic policies of the State, and large market capacity; diversified and full-range main products and strong supporting capacity; wide application scope and market coverage of the products; advanced production equipment and strong manufacturing capabilities; strong technological strength and leading professional technological level; sound internal control system and standardized corporate governance; shared capital market platforms at domestic and overseas with qualified financing conditions.

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

5.4 Analysis of investment

(1) Operations and results of major controlling company and investee company

Name	Type of company	Industry	Major products or services	Registered capital	Total assets (RMB)	Net assets (RMB)	Operating revenues (RMB)	Operating profit (RMB)	Net profit (RMB)
Northeast Electric (Hong Kong) Limited	Subsidiary	Trading	Trading	20,000,000 USD	186,572,571.57	90,705,169.45	0.00	-204,492.23	-204,492.23
Great Talent Technology Limited	Subsidiary	Investment	Investments	One USD	83,343,434.88	-72,636.46	0.00	-5,684.95	-5,684.95
Northeast Electric (Beijing) Limited	Subsidiary	Sales	High voltage switches	RMB 2,000,000.00	49,104,345.79	-7,075,272.78	0.00	-696,895.28	-696,895.28
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Manufacturing and sales	Electrical equipment	RMB 1,000,000.00	158,535,690.90	-6,045,586.51	0.00	-696,134.76	-630,825.33
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	manufacturing	Enclosed busbars	8,500,000 USD	109,496,108.09	64,055,419.34	24,421,078.88	77,875.27	77,875.27
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	manufacturing	Power capacitor	15,450,000 USD	217,422,391.13	152,754,654.14	46,106,406.09	931,417.21	668,584.51
Jinzhou Jinrong Electric Co., Ltd.	Subsidiary	manufacturing	Dry-type capacitor	RMB 3,000,000.00	2,035,111.04	1,678,598.38	0.00	-106,705.34	-106,705.34
Great Power Technology Limited	Investee company	Investment and trading	Investment and trading	12,626USD	187,237,658.67	187,171,057.30	0.00	-30,207.37	-30,207.37
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	Investee company	manufacturing	Switches Controlling Equipment	168,000,000 USD	4,877,799,725.74	1,353,031,729.45	954,946,488.42	-15,649,932.42	-16,712,767.42



(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.

5.5 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

	The reporting period	The same period last year	Increase/ decrease in the reporting period compared with the same period last year	Reasons for changes
Sales income	70,527,484.97	75,063,533.14	-6.04%	Decrease in the current implementation of contracts
Costs of sales	50,178,622.09	48,648,037.88	3.15%	Decrease in incomes
Selling expenses	7,634,918.06	8,971,221.42	-14.90%	Decrease in incomes
Administrative expenses	13,818,217.41	16,354,117.36	-15.51%	Achievements in control expenses
Finance expenses	14,155.56	196,033.63	-92.78%	Increase in interest incomes
Income tax expenses	231,611.51	1,240,791.00	-81.33%	Decrease in current profits
Net cash flow from operating activities	-25,964,240.26	-3,237,346.92	702.02%	Increase in acquisitions
Net cash flow from investing activities	-63,987.87	-5,617,724.32	-98.86%	Decrease in fixed assets
Net cash flow from financing activities	669,412.86	-303,530.38	-320.54%	Increase in loans
Net increase in cash and cash equivalents	-25,358,815.27	-9,158,601.62	176.89%	Increase in acquisitions

5.6 Prospect of the Company's future development

In the second half of 2014, facing tough market situations and development opportunities, the Company is determined to make greater efforts to explore markets; intensify technological innovation and continuously improve product competitiveness; strengthen quality control and promote steady development of product quality; strengthen financial management and strive to increase the revenue and reduce the expenditure, cut down the cost and improve the efficiency; and strengthen risk prevention and project implementation to ensure completion of the annual objective, and strive to maintain steady and healthy development of the Company.

5.7 Analysis of the Company's financial position under Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited 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 RMB87,840,000.

There is no obvious seasonal pattern 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 RMB9,000,000, representing 1.91% of the total assets. These bank loans bear fixed and floating interest rates.

The debt equity ratio of the Company was 3.15% (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 RMB8,790,000 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.

For significant investment, acquisition or disposal of assets of the Group during the reporting period, see the section headed "Corporate Investment".

For classification of the Group's results, see the section headed "Operation during the reporting period".

For anticipated investment plan of the Group for the next year, see "Subsequent Events".



The effects of exchange rate risk on the Group were less as it chose RMB as its functional currency in assets and liabilities. The Group took the following measures to reduce the risk of currency fluctuation. First, it raised the prices of export products. Second, when signing export contracts involving a large amount, 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 lock in an exchange rate and avoid the risk.

Please refer to Notes to the Financial Statements for contingencies.

5.8 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	
Business tax	VAT and business tax payable	5%
Urban construction & maintenance tax	VAT and business tax payable	5%, 7%
Corporate income tax	Taxable income	Please refer to the execution of income tax rate of subsidiaries

The execution of income tax rate of subsidiaries

- 1 The Company and its subsidiaries such as Jinzhou Jinrong Electric Co., Ltd., Fuxin Enclosed Busbars Co., Ltd., New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd., and Northeast Electric (Beijing) Limited are subject to the corporate income tax rate of 25%.
- 2 For Northeast Electric (Hong Kong) Limited, a wholly owned subsidiary of the Company registered in HKSAR of the P. R. China, the profits tax rate is 16.5%.
- 3 Great Talent Technology Limited is a company wholly owned by the company's subsidiary – Northeast Electric (Hong Kong) Limited and was registered in the British Virgin Islands. No corporate income tax is imposed on it.
- 4 Shenyang Kaiyi Electric Co., Ltd., is subject to the verification and collection of enterprise income tax.

(3) Net profit

	The reporting period	The same period last year
Net profit attributable to shareholders of listed company (RMB)	-1,780,185.14	-447,480.75

(4) Earnings per share

	The reporting period	The same period last year
Basic earnings per share (RMB/Share)	-0.0021	-0.0005
Diluted earnings per share (RMB/Share)	-0.0021	-0.0005

(5) Dividends

No dividends was paid or proposed for the six months ended 30 June 2014 (or for the six months ended 30 June 2013), and no dividend was proposed from the end of the reporting period.

**(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 2014, the Company did not have any material contingent liabilities.

Chapter 6 SIGNIFICANT EVENTS

6.1 Personnel changes

Please refer to “Profiles of directors, supervisors and senior management” of Chapter 4.

6.2 Staff of the Company and the remuneration policy

As at 30 June 2014, the number of employees on the payroll of the company was 554, compared with 562 in 2013. 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.

6.3 Corporate governance structure

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

6.4 Profit distribution plan and its implementation

During the reporting period, the Company recorded net profit distributable to the parent company of RMB-1,780,185.14, and the accrued profit distributable to shareholders at the end of the period was RMB-1,550,473,534.07. 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 dividend paid during the reporting period, the directors do not resolve to pay the interim dividend for the period of six months ended 30 June 2014.

6.5 Material litigation and arbitration

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

6.6 During the reporting period, the Company has no acquisition nor disposal of assets



6.7 During the reporting period, the Company has no external investment nor investment in securities

6.8 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

6.9 Connected transactions

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

6.10 Use of capital of 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 of other connected parties.

6.11 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 RMB53,050,000, so the real amount that the Company should assume responsibility for guarantee was RMB53,050,000, representing 18.97% of the audited net assets of the Company for 2013.

External guarantees of the Company

By the end of the reporting period, the actual bank occupation of external guarantee amount provided by the company was RMB53,050,000, including RMB52,900,000 for the Jinzhou Power Capacitors Co., Ltd; RMB150,000 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 balance of guarantee of the Company for Jinzhou Power Capacitors Co., Ltd. with debt to assets ratio over 70% was RMB52,900,000, accounting for 18.92% of the audited net assets of the Company for 2013 (excluding minorities interests), 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.

6.12 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.

6.13 Employment and dismissal of certified public accountants

During the reporting period, there was no employment or dismissal of CPAs, and the audit institution of the Company in 2013 is Ruihua CPAs (special general partnership).



6.14 Independent directors' special representation and independent opinion on the fund occupation by connected parties and external guarantee of the Company

Independent directors Wang Yunxiao, Liang Jie, and Liu Hongguang believed that:

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 connected. 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 guarantees provided.

6.15 The Supervisory Committee's audit opinion

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

6.16 Purchase, sale and redemption of shares

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

6.17 Corporate governance

(I) Code on Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code on Corporate Governance Practices for the period of six months ended 30 June 2014, and disclosed result report in accordance with these provisions. The Code on Corporation Governance Practices includes the clauses set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(II) Audit Committee

The Company has established the Audit Committee in accordance with the Rule 3.21 of 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 2014.

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 2014.

At the meeting held on 7 August 2014, the Audit Committee reviewed and approved the 2014 semi-annual financial records and results report.

(III) Independent non-executive directors

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

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

During the reporting period, the Company has adopted a code of behavior on terms no less exacting than the required standard set out in the “Model Code” in connection with rules governing securities transactions of directors and supervisors. It was confirmed, upon specific 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 report (the lock-up period is from 7 June to 7 August 2014).

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

(V) Directors’ liability insurance

The requirement of “the issuer shall cover appropriate director liability insurance for directors” in Rule A.1.8 of the 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.

Additionally, in accordance with the requirement of Rule A.6.5 of the Corporate Governance Code, all of the directors are actively engaging in continuous profession development to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. The Company is also committed to arranging and funding suitable training to all directors and emphasizes the role, function and responsibility of director in listed company.

(VI) Shareholders’ rights

During the reporting period, the Company has strictly comply with the Code on Corporation Governance Practices and Section VIII “Shareholders’ Rights and Obligations” of the Articles of Association.

6.18 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".

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

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

During the reporting period, the Company strictly complied with the related regulations and requirements specified in the Guidelines for Fair Information Disclosure of Listed Companies of Shenzhen Stock Exchange. It has not solely disclosed, revealed, or divulged any significant private information to special objects in selective, private, or advance ways when the investors visited the Company for field survey or the media came to interview, thus ensuring the fairness of information disclosure.

Time of reception	Place of reception	Way of reception	Type of visitor	Visitor	Contents discussed and material provided
18 February 2014	Board Office of the Company	By phone	Individual	Investor	Production and management of the company
17 March 2014	Board Office of the Company	By phone	Individual	Investor	Production and management of the company
17 April 2014	Board Office of the Company	On the general meeting of shareholders	Individual	Investor	Annual report of financial cost
30 June 2014	Board Office of the Company	By phone	Individual	Investor	The forecast of operating results for the first half year

6.21 Subsequent events

Nil.



Chapter 7 FINANCIAL REPORTS (PREPARED UNDER THE PRC GAAP)

I. Financial Statements

1. CONSOLIDATED BALANCE SHEET (30 June 2014)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current Assets:		
Cash and deposits	87,835,333.14	107,965,560.91
Settlement excess reserve		
Inter-bank lending funds		
Trading financial assets		
Notes Receivable	340,000.00	40,000.00
Accounts receivables	123,520,330.04	121,290,113.35
Prepayments	1,278,453.64	1,448,055.55
Premiums Receivable		
Reinsurance Accounts Receivable		
Provision of cession receivable		
Interest receivable		33,066.67
Dividends receivable		
Other receivables	25,289,152.94	10,142,841.62
Redemptory monetary capital for sale		
Inventories	41,279,621.46	32,079,932.08
Non-current asset due within 1 year	1,158,190.36	2,694,021.76
Other current assets		
Total current assets	280,701,081.58	275,693,591.94

1. CONSOLIDATED BALANCE SHEET (30 June 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current Assets:		
“Issue entrusted loans and disbursements”		
Financial assets available for sale		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	112,000,614.02	104,228,374.95
Investment real estate		
Fixed assets	63,940,574.63	67,580,392.95
Construction in progress	143,192.74	-
“Engineering material”		
Liquidation of fixed assets		
Productive biological assets		
“Oil and gas assets”		
Intangible Assets	4,267,934.65	4,335,679.37
Development expenditures		
Goodwill		
Long-term deferred expenses	123,251.60	170,229.08
“Deferred tax assets”	10,722,736.62	10,722,736.62
Other non-current assets		
Total non-current assets	191,198,304.26	187,037,412.97
Total Assets	471,899,385.84	462,731,004.91
Current Liabilities:		
Short-term borrowings	9,000,000.00	8,000,000.00
Borrowing from the Central Bank		
Deposits from customers and interbank		

**1. CONSOLIDATED BALANCE SHEET (30 June 2014) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Inter-bank borrowing funds		
Trading financial liabilities		
Notes payable		
Accounts payable	52,287,103.08	50,492,644.44
Receipts in advance	11,330,001.87	9,283,263.47
Buyback Financial Assets sold		
Fees payable & commission		
Salaries payable	2,391,417.92	2,316,818.27
Tax payable	2,653,505.25	5,062,951.40
Interest payable		
Dividends payable	40,017.86	40,017.86
Other payables	47,260,446.02	46,580,874.56
Reinsurance account payable		
Reserve of Reinsurance Arrangement		
Acting trading securities		
Acting underwriting securities		
Non-current liabilities due within 1 year		
Other current liabilities		-
Total current liabilities	124,962,492.00	121,776,570.00
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Special payables		
Estimated liabilities	60,721,078.25	60,721,078.25

1. CONSOLIDATED BALANCE SHEET (30 June 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Deferred tax liability		
Other non-current liabilities		
Total non-current liabilities	60,721,078.25	60,721,078.25
Total liabilities	185,683,570.25	182,497,648.25
Shareholders' Equity:		
Share capital	873,370,000.00	873,370,000.00
Capital reserve	883,422,403.92	883,422,403.92
Less: treasury stock		
Special reserve		
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risk		
Accumulated losses	-1,550,473,534.07	-1,548,693,348.93
Translation reserve	-29,197,954.66	-36,992,877.10
Total equity attributable to the equity holders of the Company	285,708,039.59	279,693,302.29
Minority interests	507,776.00	540,054.37
Total shareholders' equity	286,215,815.59	280,233,356.66
Total liabilities and shareholders' equity	471,899,385.84	462,731,004.91

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

**2. CONSOLIDATED INCOME STATEMENT (Jan~Jun 2014)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Main operating income	70,527,484.97	75,063,533.14
Including: Sales income	70,527,484.97	75,063,533.14
Interest income		
Premium earned		
Fee and commission income		
II. Main operating costs	72,136,142.08	74,340,184.31
Including: Cost of sales	50,178,622.09	48,648,037.88
Interest expenses		
Fee and commission expense		
Surrender value		
Net payments for insurance claims		
Net insurance reserve paid		
Premium expenses		
Expenses of reinsurance		
Business tax and surcharges	490,228.95	549,874.02
Selling expenses	7,634,918.06	8,971,221.42
Administrative expenses	13,818,217.41	16,354,117.36
Finance expenses	14,155.56	196,033.63
Assets Impairment loss		-379,100.00
Add: Income of fair value variance (loss is posed as "-")		
Return on investments (loss is posed as "-")	-6,283.13	-9,262.00
Including: return on investments to associates and related parties	-6,283.13	-9,262.00
Exchange gain (loss is posed as "-")		

2. CONSOLIDATED INCOME STATEMENT (Jan~Jun 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
III. Operational Profit (Loss is posed as "-")	-1,614,940.24	714,086.83
Add: Non-operating income	90,106.07	48,128.25
Less: Non-operating expenses	56,017.83	2,017.79
Including: loss of disposal of non-current assets		
IV. Total Profit Total loss is posed as "-"	-1,580,852.00	760,197.29
Less: Income tax expenses	231,611.51	1,240,791.00
V. Net Profit Net loss is posed as "-"	-1,812,463.51	-480,593.71
Net profit attributable to equity holders of the Company	-1,780,185.14	-447,480.75
Minority interests	-32,278.37	-33,112.96
VI. Earnings per share		
(A) Basic earnings per share	-0.0021	-0.0005
(B) Diluted earnings per share	-0.0021	-0.0005
VII. Other Comprehensive Income	7,794,922.44	-760,290.13
VIII. Total Comprehensive Income	5,982,458.93	-1,240,883.84
Total Comprehensive Income Attributable to the Equity Holders of the Company	6,014,737.30	-1,207,770.88
Total Comprehensive Income of Minority shareholders	-32,278.37	-33,112.96

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

**3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2014)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities		
Cash received from sales of goods or rendering services	81,972,219.58	95,907,923.56
Net cash increased of customer deposit and trade deposit		
Net cash increased of borrowing funds from central bank		
Net cash increased of borrowing funds from other financial insititutions		
Cash received from original insurance premium		
Net cash received from reinsurance premium		
Net cash increased of deposit of insured and investment		
Net cash increased of trading financial assets disposal		
Interest, commission and fees received in cash		
Net cash increased of borrowing funds		
Net cash increased of buyback business		
Tax refunds received		
Cash received relating to other operating acitivities	15,662,676.23	28,898,830.24
Sub-total of cash inflows	97,634,895.81	124,806,753.80
Cash paid to goods purchased and labor service received	57,096,621.50	72,046,734.21
"Net cash increased of customer loans and disbursements"		
Net cash increased of deposit in central bank and other financial insititutions.		
Original insurance indemnity paid in cash		
Interest, commission and fees paid in cash		
Cash paid to policy dividend		
Cash paid to and for employees	12,720,692.34	13,468,428.77
Payments of taxes and surcharges	7,709,900.98	13,350,392.74

3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cash payments relating to other operating activities	46,071,921.25	29,178,545.00
Sub-total of cash outflows	123,599,136.07	128,044,100.72
Net Cash Flow from operating activities	-25,964,240.26	-3,237,346.92
II. Cash flow from investing activities		
Cash received from return of investments		
Cash received from earnings on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	700,000.00	-
Net cash received in disposing subsidiaries and other operating units		
Cash received relating to other investing activities		
Sub-total of cash inflows	700,000.00	-
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	763,987.87	5,617,724.32
Cash paid for investment		
Net cash increased in hypothecated loan		
Net cash paid in disposing subsidiaries and other operating units		
Cash paid relating to other investing activities		
Sub-total of cash outflows	763,987.87	5,617,724.32
Net Cash Flow from investing activities	-63,987.87	-5,617,724.32

**3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2014) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period	Amount for the previous period
III. Cash flow from financing activities		
Cash received by absorbing investment		
Including: cash received by subsidiaries from minority shareholders		
Cash received from borrowings	3,000,000.00	
Cash received from bond issued		
Cash received relating to other financing activities		
Sub-total of cash inflows	3,000,000.00	-
Cash paid for repayments of debts	2,000,000.00	
Cash paid for distribution of dividends, profits and interest	330,587.14	303,530.38
Including: cash paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities		
Sub-total of cash outflows	2,330,587.14	303,530.38
Net Cash Flow from financing activities	669,412.86	-303,530.38
IV. Effect of change of foreign currency rates on cash and cash equivalents		
V. Net increase of cash and equivalents	-25,358,815.27	-9,158,601.62
Add: Balance at beginning of period of cash and equivalents	107,965,560.91	69,423,731.30
VI. Balance of Cash and equivalents by end of period	82,606,745.64	60,265,129.68

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

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2014)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period										Total shareholders' equity
	Attributable to the equity holders of the Company										
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Other	Minority Interests		
I. Balance at December 31, 2012	873,370,000.00	883,422,403.92			108,587,124.40			-1,548,693,348.93	-36,992,877.10	540,054.37	280,233,356.66
Add: Changes in accounting policies											-
Correction of errors											-
Other											-
II. Balance at January 1, 2013	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,548,693,348.93	-36,992,877.10	540,054.37	280,233,356.66	
III. Movements for the year (loss "-")	-	-	-	-	-	-	-1,780,185.14	7,794,922.44	-32,278.37	5,982,458.93	
A. Net profit							-1,780,185.14		-32,278.37	-1,812,463.51	
B. Other comprehensive income								7,794,922.44		7,794,922.44	
Sub-total of I. and II.	-	-	-	-	-	-	-1,780,185.14	7,794,922.44	-32,278.37	5,982,458.93	
C. Shareholder's investment and capital decreased	-	-	-	-	-	-	-	-	-	-	
1. Capital invested										-	
2. Dividend paid included in equity										-	
3. Other										-	
D. Distribution of profit	-	-	-	-	-	-	-	-	-	-	
1. Extraction of surplus reserves										-	



4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period										Total shareholders' equity	
	Attributable to the equity holders of the Company							Minority Interests	Other	Total shareholders' equity		
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses					
2. Extraction provision for general risk												
3. Distribution to shareholders												
4. Other												
E. Transfer within equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves												
2. Transfer-in from surplus reserves												
3. Loss covered by surplus reserves												
4. Other												
F. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of the special reserves												
2. Usage of the special reserves												
G. Other												
IV. Balance at December 31, 2013	873,370,000.00	883,422,403.92	-	-	-	108,587,124.40	-	-1,550,473,534.07	-29,197,954.66	507,776.00	286,215,815.59	

Legal representative: Su Weiguo

Chief financial officer: Wang Shouguan

Chief accounting officer: Bai Lihai

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (31 December 2013) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year										Total shareholders' equity
	Attributable to the equity holders of the Company							Minority Interests	Total shareholders' equity		
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses			Other	
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 errors											
Other											
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. Movements for the year (loss "+;")											
A. Net profit							9,886,802.75	-1,975,981.17	-697,414.63	7,213,406.95	
B. Other comprehensive income							9,886,802.75		-225,972.89	9,660,829.86	
Sub-total of I. and II.								-1,975,981.17		-1,975,981.17	
C. Shareholder's investment and capital decreased									-225,972.89	7,684,848.69	
1. Capital invested											
2. Dividend paid included in equity									-471,441.74	-471,441.74	
3. Other									-471,441.74	-471,441.74	
D. Distribution of profit											



4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (31 December 2013) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year										Total shareholders' equity	
	Attributable to the equity holders of the Company							Minority Interests	Total shareholders' equity			
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses			Other		
1. Extraction of surplus reserves												
2. Extraction provision for general risk												
3. Distribution to shareholders												
4. Other												
E. Transfer within equity	-		-									
1. Transfer-in from capital reserves												
2. Transfer-in from surplus reserves												
3. Loss covered by surplus reserves												
4. Other												
F. Special reserves	-		-									
1. Extraction of the special reserves												
2. Usage of the special reserves												
G. Other												
IV. Balance at December 31, 2013	873,370,000.00	863,422,403.92	-	-	108,587,124.40	-	-1,548,693,348.93	-36,992,877.10	540,054.37	280,233,356.66		

Legal representative: Su Weiguo

Chief financial officer: Wang Shouguan

Chief accounting officer: Bai Lihai

5. COMPANY BALANCE SHEET (30 June 2014)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current Assets:		
Cash and deposits	18,708.56	19,189.62
Trading financial assets		
Notes Receivable		
Accounts receivables		
Prepayments		
Interest receivable		
Dividends receivable		
Other receivables	352,887,412.53	354,263,352.53
Inventories		
Non-current asset due within 1 year		
Other current assets		
Total current assets	352,906,121.09	354,282,542.15
Non-current Assets:		
Financial assets available for sale		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	90,413,551.10	90,413,551.10
Investment real estate	-	-
Fixed assets	228,900.60	242,267.37
Construction in progress		
"Engineering material"		
Liquidation of fixed assets		
Productive biological assets		
"Oil and gas assets"		

**5. COMPANY BALANCE SHEET (30 June 2014) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Intangible Assets		
Development expenditures		
Goodwill		
Long-term deferred expenses		
"Deferred tax assets"		
Other non-current assets		-
Total non-current assets	90,642,451.70	90,655,818.47
Total Assets	443,548,572.79	444,938,360.62
Current Liabilities:		
Short-term borrowings		
Trading financial liabilities		
Notes payable		
Accounts payable		
Receipts in advance	665,000.00	665,000.00
Salaries payable	8,671.52	8,671.52
Tax payable	19,674.30	26,387.56
Interest payable		
Dividends payable		
Other payables	87,020,644.65	87,442,181.86
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	87,713,990.47	88,142,240.94

5. COMPANY BALANCE SHEET (30 June 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term borrowings		
Special payables		
Estimated liabilities	60,721,078.25	60,721,078.25
Deferred tax liability		
Other non-current liabilities		
Total non-current liabilities	60,721,078.25	60,721,078.25
Total liabilities	148,435,068.72	148,863,319.19
Shareholders' Equity:		
Share capital	873,370,000.00	873,370,000.00
Capital reserve	979,214,788.45	979,214,788.45
Less: treasury stock		
Special reserve		
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risk		
Accumulated losses	-1,666,058,408.78	-1,665,096,871.42
Total shareholders' equity	295,113,504.07	296,075,041.43
Total liabilities and shareholders' equity	443,548,572.79	444,938,360.62

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

**6. COMPANY INCOME STATEMENT (Jan~Jun 2014)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Main operating income		
Less: Cost of sales		
Business tax and surcharges		
Selling expenses		
Administrative expenses	960,482.67	1,024,321.78
Finance expenses	1,054.69	1,507.14
Assets Impairment loss		
Add: Income of fair value variance (loss is posed as "-")		
Return on investments (loss is posed as "-")		
Including.: return on investments to associates and related parties		
II. Operational Profit (Loss is posed as "-")	-961,537.36	-1,025,828.92
Add: Non-operating income		14,885.10
Less: Non-operating expenses		1,441.62
Including: loss of disposal of non-current assets		
III. Total Profit Total loss is posed as "-"	-961,537.36	-1,012,385.44
Less: Income tax expenses		
IV. Net Profit Net loss is posed as "-"	-961,537.36	-1,012,385.44
V. Earnings per share		
(A) Basic earnings per share		
(B) Diluted earnings per share		
VI. Other Comprehensive Income		
VII. Total Comprehensive Income	-961,537.36	-1,012,385.44

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

7. COMPANY CASH FLOW STATEMENT (Jan~Jun 2014)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities		
Cash received from sales of goods or rendering services	-	-
Tax refunds received	-	-
Cash received relating to other operating activities	5,732,327.48	11,877,941.40
Sub-total of cash inflows	5,732,327.48	11,877,941.40
Cash paid to goods purchased and labor service received		
Cash paid to and for employees	64,779.53	30,963.13
Payments of taxes and surcharges	79,378.19	84,139.21
Cash payments relating to other operating activities	5,583,712.82	11,757,293.53
Sub-total of cash outflows	5,727,870.54	11,872,395.87
Net Cash Flow from operating activities	4,456.94	5,545.53
II. Cash flow from investing activities		
Cash received from return of investments		
Cash received from earnings on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received in disposing subsidiaries and other operating units		
Cash received relating to other investing activities		
Sub-total of cash inflows	-	-
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	4,938.00	-
Cash paid for investment		
Net cash paid in disposing subsidiaries and other operating units		

**7. COMPANY CASH FLOW STATEMENT (Jan~Jun 2014) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid relating to other investing activities		
Sub-total of cash outflows	4,938.00	-
Net Cash Flow from investing activities	-4,938.00	-
III. Cash flow from financing activities		
Cash received by absorbing investment		
Cash received from borrowings		
Cash received from bond issued		
Cash received relating to other financing activities		
Sub-total of cash inflows	-	-
Cash paid for repayments of debts		
Cash paid for distribution of dividends, profits and interest		
Cash paid relating to other financing activities		
Sub-total of cash outflows	-	-
Net Cash Flow from financing activities	-	-
IV. Effect of change of foreign currency rates on cash and cash equivalents	-	
V. Net increase of cash and equivalents	-481.06	5,545.53
Add: Balance at beginning of period of cash and equivalents	19,189.62	30,575.58
VI. Balance of Cash and equivalents by end of period	18,708.56	36,121.11

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

8. COMPANY STATEMENT OF CHANGES IN EQUITY (30 June 2014)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period							Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	
I. Closing balance for the previous year	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,665,096,871.42	296,075,041.43
Add: Changes in accounting policies								-
Correction of errors								-
Other								-
II. Opening balance for the current year	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,665,096,871.42	296,075,041.43
III. Movements for the year (loss "-")								
A. Net profit	-	-	-	-	-	-	-961,537.36	-961,537.36
B. Other comprehensive income							-961,537.36	-961,537.36
Sub-total of I. and II.	-	-	-	-	-	-	-961,537.36	-961,537.36
C. Shareholder's investment and capital decreased	-	-	-	-	-	-	-	-
1. Capital invested								-
2. Dividend paid included in equity								-
3. Other								-



8. COMPANY STATEMENT OF CHANGES IN EQUITY (30 June 2014) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period							Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	
D. Distribution of profit	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves								-
2. Distribution to shareholders								-
3. Other								-
E. Transfer within equity	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves								-
2. Transfer-in from surplus reserves								-
3. Loss covered by surplus reserves								-
4. Other								-
F. Special reserves	-	-	-	-	-	-	-	-
1. Extraction of the special reserves								-
2. Usage of the special reserves								-
G. Other								-
IV. Balance at December 31, 2013	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,666,058,408.78	295,113,504.07

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

8. COMPANY STATEMENT OF CHANGES IN EQUITY (31 December 2013) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year							Total shareholders' equity
	Share capital	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	
I. Balance at December 31, 2012	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 errors								-
Other								-
II. Balance at January 1, 2013	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,669,901,305.55	291,270,607.30
III. Movements for the year (loss "-")								
A. Net profit							4,804,434.13	4,804,434.13
B. Other comprehensive income								
Sub-total of I. and II.							4,804,434.13	4,804,434.13
C. Shareholder's investment and capital decreased								
1. Capital invested								
2. Dividend paid included in equity								
3. Other								

8. COMPANY STATEMENT OF CHANGES IN EQUITY (31 December 2013) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year							Total shareholder's equity
	Share capital	Capital reserves	Less: Shares in store	Specific reserves	Surplus reserves	Provision for general risks	Retained profits	
D. Distribution of profit	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves								-
2. Distribution to shareholders								-
3. Other								-
E. Transfer within equity	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves								-
2. Transfer-in from surplus reserves								-
3. Loss covered by surplus reserves								-
4. Other								-
F. Special reserves	-	-	-	-	-	-	-	-
1. Extraction of the special reserves	-	-	-	-	-	-	-	-
2. Usage of the special reserves	-	-	-	-	-	-	-	-
G. Other	-	-	-	-	-	-	-	-
IV. Balance at December 31, 2013	873,370,000.00	979,214,788.45	-	-	108,587,124.40	-	-1,665,096,871.42	296,075,041.43

Legal representative: Su Weiguo

Chief financial officer: Wang Shouguan

Chief accounting officer: Bai Lihai

Description:

- 7.1 Description of changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year

There was no change in accounting policies or accounting estimates or accounting methods as compared to the financial report for the previous year.

- 7.2 Description of retrospective restatement of major accounting errors in the reporting period

There was no change in retrospective restatement of major accounting errors in the reporting period.

- 7.3 Description of changes in coverage of the consolidated statements as compared to the financial report for the previous year

There is no change in coverage of the consolidated statements as compared to the financial report for the previous year



II. Auditor's Report

The Company's interim financial statements are not audited

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 were adjusted to 585.42 million shares in 1995. The Company issued 257.95 million H-shares in Hong Kong in 1995, which were listed on the Hong Kong Exchanges and Clearing Ltd. on 6 July of the same year. In that same year the Company issued 30 million A-shares, which were 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.

2. Principal industry

Electrical equipment and machinery manufacturing industry.

3. Business scope

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

4. Main products

Main products of the company are enclosed switchgear, high-voltage switch, power capacitor, enclosed busbar and other system protection and transmission equipment.



5. Parent company of the company

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

6. The financial statements were considered and approved by the board of directors on 7 August 2014.

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

1. Basis of the 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 in accordance with the requirements of “Accounting Standards for Business Enterprises – Basic Standards” and 41 Specific Accounting Standards (including new terms revised and added in 2014) issued by the Ministry of Finance on 15 February 2006, and application guidelines, explanations and other relevant regulations subsequently promulgated (collectively referred to as the “Accounting Standards for Business Enterprises”), and the disclosure requirements in accordance with the “Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2010 amendments)” issued by China Securities Regulatory Commission.

2. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the company for the year ended 30 June 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as at 30 June 2014 and of its operating results, cash flows and other information for the year then ended. In addition, all material aspects of the financial statements of the company comply with the requirements of “Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2010 amendments)” issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and its accompanying notes.

3. Accounting period

The accounting period of the company is divided into annual and interim, and the interim accounting period represents a reporting period which is shorter than an annual accounting period. The annual accounting period of the company commences on 1 January and ends on 31 December each year.

4. Recording currency

The functional currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), which is the currency of the primary economic environment in which they operate. The functional currency of the subsidiaries incorporated outside mainland China is Hong Kong Dollar (HKD), which is the currency of the primary economic environment in which they operate. The financial statement of the company is represented in RMB.

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

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For business combination under common control, the party that obtains the control of the other parties on the combination date is the acquiring party, other parties involving in the business combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains the control of the party being acquired. Assets and liabilities that are obtained by the acquiring party in a business combination shall be measured at their carrying amount at the combination date as recorded by the party being acquired.

The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve (or share premium). If the share premium under capital reserve (or capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Expenses that are directly attributable to business combination are recognised in the profit and loss for the period in which they are incurred.



(2) **Business combination not under common control**

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For business combination not under common control, the party that obtains the control of the other parties at the combination date is the acquirer; other parties involving in the business combination are the acquirees. The combination date is the date on which the acquirer effectively obtains control of the acquirees.

For business combination not under common control, the cost of business combination is the fair value of consideration paid, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date. Costs that are directly attributable to the business combination such as audit fee, legal services fee, consultancy fee and other relevant expenses incurred by the company as acquirer are expensed in the profit or loss in the period incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognised amount of equity securities or debt securities. Contingent consideration shall be recorded as the combination cost based on its fair value on the acquisition date. Should any new or further evidence arises within 12 months after the acquisition date and makes it necessary to adjust the contingent consideration on the acquisition date, the goodwill arising from the business combination shall be amended accordingly. The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current year after a review of computation for the identifiable assets, liabilities or fair value of the liabilities and combination cost.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred tax assets due to non-fulfillment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognised in the profit or loss of the period.

For a business combination not involving enterprises under common control and achieved in stages, the company shall determine whether the business combination shall be regarded as “a bundle of transactions” in accordance with “Interpretation 5 on Accounting Standards for Business Enterprises” (Refer to note IV 4(2)). When the business combination is regarded as “a bundle of transactions”, the accounting treatment for the business combination shall be in accordance with the previous paragraphs and note IV 4, 10 “Long term equity investment”; when the business combination is not regarded as “a bundle of transactions”, the accounting treatment for the business combination in the company's and the consolidated financial statements shall be as follows:

In the company's financial statements, the initial cost of the investment shall be the sum of the carrying amount of its previously-held equity interest in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. Other comprehensive income involved in the previously-held equity interest of the acquiree prior to the acquisition date shall be reclassified as investment income upon disposal of the investment.

In the consolidated financial statements, the previously-held equity interest of the acquiree is re-measured according to the fair value at the acquisition date; the difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

6. Accounting policies related to loss of control arising from disposal of equity in series transactions: inapplicable



7. Preparation of consolidated financial statements

(1) Preparation of consolidated financial statements

Subsidiaries are consolidated from the date on which the company obtains their net assets and actual control over their operating decisions, and are deconsolidated from the date that such control ceases. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the company. For subsidiaries acquired from a business combination not under common control, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements.

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to company are recognised as minority interests and profits and losses attributable to minority interests. Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders are presented separately in the consolidated income statement under the net profit line item. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When the control over a subsidiary is ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is re-measured on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since the acquisition date, is recognised as the investment income from the loss of control. Other comprehensive incomes in relation to the equity investment of the subsidiary are reclassified as investment income during the period when the control ceases. Subsequent measurement of the remaining equity interests shall be in accordance with relevant accounting standards such as “Accounting Standards for Business Enterprises 2 – Long-term Equity Investments” or “Accounting Standards for Business Enterprises 22 – Financial Instruments Recognition and Measurement”, which are detailed in Note IV 10 “Long-term equity investments” or Note IV 7 “Financial instruments”.

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal in commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; (iv) The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as “disposal of a portion of an interest in a subsidiary which does not lead to loss of control” (detailed in Note IV 10 (2) (iv)) and “disposal of a portion of an interest in a subsidiary which lead to loss of control” (detailed in previous paragraph). When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognised as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

(2) The accounting treatment method for equity transactions of the same subsidiary in two consecutive accounting periods

Comply with the “Accounting Standards for Business Enterprises 2 – Long-term Equity Investments”.



8. Recognition of cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term (usually mature with three months since acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign currency translation

(1) Foreign currency business

(i) Foreign currency transactions

Foreign currency transactions are, on initial recognition, translated to the functional currency using the exchange rates prevailing at the dates of the transactions, except when the Company carries on a business of currency exchange or involves in currency exchange transactions, at which the actual exchange rates would be used.

(ii) Foreign currency translations for foreign-currency monetary items and foreign-currency non-monetary items

At the balance sheet date, monetary items denominated in foreign currency are translated into the functional currency using the spot rate of the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for (i) those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets; (ii) exchange difference arising from changes in carrying amount of available for sale foreign-currency monetary items other than changes in amortized cost, which is recognised in other comprehensive income.

Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into the functional currency at the balance sheet date using the spot rate at the date of the transactions. Non-monetary items denominated in foreign currency that are measured at fair value are translated into the functional currency using the spot rate on the date when fair value is determined and the resulting exchange differences will be recognised as fair value change (including exchange difference) in profit or loss or in other comprehensive income as capital reserve in the current year.

(2) Translation of foreign currency financial statements

For the purpose of preparing consolidated financial statements involving foreign operations, the exchange difference arising from monetary items involved in the net investment to the foreign operation will be recognised as “exchange difference arising translation of foreign operations” under shareholders’ equity items, when the foreign operation is disposed, the exchange difference will be transferred to profit or loss during the period of disposal.

The following displays the methods for translating financial statements involving foreign operations into the statements in RMB: The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders’ equity items, the items other than “undistributed 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 of the transaction dates. Opening balance of undistributed profits is equal to the closing balance of undistributed profits after translation in last year; closing balance of undistributed profit is computed according to the items in profit distribution after translation. The exchange difference arising from translation of assets, liabilities and equity items are recognised in other comprehensive income and is shown separately under shareholders’ equity in the balance sheet, such exchange difference will be reclassified to profit or loss in current year when the foreign operation is disposed according to the proportion of disposal.

The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

The opening balances are presented as the balances after translation in the financial statements of last year.

10. 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) Classifications of financial instruments

Financial assets and financial liabilities are initially classified into five categories: financial assets or financial liabilities measured at fair value in which the changes are recognised in 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 recognises 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 recognised at fair value. For financial assets or financial liabilities measured at fair value in which the changes are recognised in profit or loss for the period, the relevant transaction costs are directly recognised in profit or loss for the period; for other financial assets or financial liabilities, the relevant transaction costs are recognised in the initial recognition amount. Details are as follows:

- (i) Financial assets or financial liabilities measured at fair value in which the changes are recognised in profit or loss for the period

Financial assets or financial liabilities comprise trading financial assets or liabilities designated at fair value in which the changes are recognised in profit or loss. 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 assets or liabilities designated at fair value in which the changes are recognised in profit or loss are designated based on an enterprise's risk management and strategic investment need.

Such financial assets or financial liabilities shall be measured at fair value subsequently. Unless it is used as an 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.

Held-to-maturity 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 recognised in current profit or loss. Upon disposal of held-to-maturity investments, difference between consideration received and the carrying amount 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 by 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 and 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 by using the effective interest rate method and recognised as interest income. 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 recognised in profit or loss, are recognised as other comprehensive income in capital reserve until the financial assets are derecognised or impaired upon which the cumulative gains or losses are transferred out from capital reserve to profit or loss. Dividends or interest income derived from available-for-sale financial assets is recognised in profit or loss.

(v) Other financial liabilities

Other financial liabilities represent those financial liabilities not measured at fair value in which the changes are recognised in profit or loss for the period.

Other financial liabilities are measured at amortized cost or at cost. Any gains or losses arising from amortization or derecognition of other financial liability shall be accounted into profit or loss for the period.



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

- (i) Recognition of a certain item of financial asset is terminated if the Company transfers almost all of the risks and reward of such asset to the transferee or gives up control over such asset without transferring or retaining almost all of the risks and reward of such asset.
- (ii) If the transfer of financial asset meets the derecognition criteria, the difference between the followings shall be accounted into current profit or loss:
 - A. carrying value of the transferred financial asset;
 - B. the sum of consideration received and total accumulated fair value changes under shareholders equity.
- (iii) If the partial transfer of financial asset meets the derecognition condition, the entire carrying value of the transferred financial asset shall be allocated pro rata between the derecognised and current recognised parts based on their fair value, and difference between the followings shall be accounted into current profit or loss:
 - A. carrying amount of the derecognised part;
 - B. the sum of consideration received due to this transfer and total accumulated fair value changes under shareholders equity of this derecognised part.
- (iv) If the transfer of the financial asset does not meet the derecognised condition, such financial asset shall be recognised and the consideration received shall be recognised as financial liability.
- (v) For the financial asset transferred but continuous involvement is maintained, financial asset and financial liability shall be recognised based on the degree of continuous involvement.

(4) Derecognition conditions for financial liabilities

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 with debtors 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**

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 recognised 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 showing that the value of this financial asset is recovered and it relates to the matters happened after the impairment loss recognition (for example, credit ratings of debtors are upgraded, etc.), the impairment loss recognised 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 recognised 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 recognised. If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in shareholders' equity is removed from capital reserve and recognised in profit or loss. The cumulative loss that is removed from capital reserve is the difference between its acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognised in profit or loss.



If there are objective evidences showing that the value of available-for-sale debt instrument is recovered and it relates to the matters happened after the impairment loss recognition, the impairment loss recognised shall be reversed and accounted in current profit or loss. Impairment losses recognised for equity instrument investments classified as available-for-sale are reversed through equity rather than profit or loss.

Recognition criteria for impairment losses on available-for-sale financial assets

The Company assesses the carrying amounts of financial assets other than those measured at fair value with changes recognised in profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When the amount of a financial asset is material, the financial asset will be assessed for impairment losses on individual basis, for the amount of a financial asset which is individually not material; the financial asset will be assessed for impairment losses on individual basis or assessed for impairment losses collectively together with a portfolio of financial assets which has similar credit risks characteristics. The financial asset which is not considered as impaired when assessed on individual basis (included financial asset which the individual amount is material or not), will be assessed for impairment losses again on collective group basis together with a portfolio of financial assets which has similar credit risk characteristics. The financial assets which are considered as individual impaired will not be assessed for impairment losses on collective group basis together with a portfolio of financial assets which has similar credit risk characteristics.

(i) Impairment losses on held-to-maturity investments and loans and receivables

Impairment loss is recognised in profit or loss according to the differences between the carrying amounts based on cost or amortized cost and present value of estimated future cash flow. When a financial asset is impaired, if there are objective evidences showing that the value of this financial asset is recovered and it is objectively related to the matters happened after the impairment loss recognition, the impairment loss recognised shall be reversed. However, a carrying amount of the financial asset after the reversal shall not exceed the amortized cost that would have been if the impairment had not been recognised at the date when the impairment is reversed.

(ii) Impairment losses on available-for-sale financial assets

If it can be determined based on related factors that the fair value of available-for-sale financial asset has a significant decline and this decline is not temporary, impairment loss shall be recognised.

If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in capital reserve is removed from capital reserve and recognised in profit or loss. The cumulative loss that is removed from capital reserve is the difference between its acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognised in profit or loss.

If there are objective evidences showing that the value of available-for-sale financial asset is recovered and it is related to the matters happened after the impairment loss recognition, the impairment loss recognised shall be reversed; impairment losses recognised for equity instruments classified as available-for-sale are reversed through other comprehensive income, while impairment losses recognised for debt instruments classified as available-for-sale are reversed through current profit or loss.

The impairment losses recognised on investment in equity instruments which fair value cannot be measured reliably and do not have a quoted price in active market, or derivatives that are linked with the equity instruments and have to be settled by delivery underlying equity instruments shall not be reversed.

(7) For undue held-to-maturity investments reclassified as available-for-sale financial assets, explain the basis of change in holding intention or ability

Inapplicable

**11. Recognition standard and bad debt provision for accounts receivable****(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

applicable inapplicable

Age of account	Percentage of Provision for Accounts Receivable	Percentage of Provision for Other Receivables
2-3 years	40.00%	40.00%
Over 3 years	60.00%	60.00%
3-4 years	60.00%	60.00%
4-5 years	100.00%	100.00%
Over 5 years	100.00%	100.00%

(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

12. Inventories

(1) Classification of inventories

Inventories are classified as raw materials, work in progress, finished goods and goods in transit, etc.

(2) Valuation of inventories

Valuation: Weighted average

Inventories are recorded at actual costs on acquisition. Cost of inventories comprises purchase cost, processing cost and other costs. Cost for consuming and delivery of inventories is determined using the weighted average method.

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

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion, estimated selling expenses, and related taxes. The assessment on the net realizable value of inventories shall be made based on concrete evidence obtained, the purpose of holding inventories and the effect of subsequent events.

At balance sheet date, inventories are stated at the lower of cost or net realizable value. Provision for decline in the value of inventories is made when the carrying amounts of the inventories are over their net realizable value. Amount of provision for the decline in the value of inventories is determined at the excess amount of the carrying amounts of an inventory item over its net realizable value.

When an inventory is impaired, if the factors that give rise to the provision previously do not exist anymore which result in a net realizable value of the inventory higher than its carrying amount, the original provision should be reversed and recognised in profit or loss.

(4) Inventory system

The Company adopts the perpetual inventory system.

(5) Amortization of low-value consumables stores and packaging materials: One time amortization



13. Long-term equity investments

(1) Recognition of investment cost

The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the carrying amount of the Company's share of the subsidiary's equity at the combination date. For a long-term equity investment obtained through a business combination involving entities not under common control, the cost of business combination includes the sum of assets paid by the acquirer, liabilities paid or undertaken and the fair value of equity securities issued; Transaction costs such as audit fee, legal service fee, consultancy fee and other relevant costs incurred by the acquirer for the purpose of business combination are recognised in profit or loss as incurred; the transaction costs for the issuance of equity securities or debt securities by the acquirer for the purpose of business combination shall be recorded in the initial recognised amount of the equity securities or debt securities. For long-term equity investments acquired other than through a business combination, the investment shall be initially recognised at cost, the cost of investment varies between different ways of acquisition, which is recognised based on the actual amount of cash consideration paid by the Company, fair value of equity instruments issued by the Company, value of investment contracts or agreement made, fair value or original carrying amount of non-monetary assets transferred or the fair value of the long-term equity investments, etc. The costs directly attributable to the acquisition of long-term equity investments, taxes or other necessary expenses are also included in the cost of investment.

(2) Subsequent measurement and recognition of profit & loss

The cost method is used for an investment and when the Company does not have joint control or significant influence over the investee, and the long-term equity investments are not quoted in active markets, and have no reliably measurable fair values. The equity method is used to account for long-term equity investments when the Company has joint control or significant influence over the investee. The long-term equity investment would be accounted as available-for-sale financial assets or financial assets at fair value through profit or loss when the Company does not have control, joint control or significant influence and the fair value of the long-term equity investment can be reliably measured. In addition, the financial statements at the Company level use the cost method to account for long-term investments which the Company has control over the investee. (i) Long-term equity investment accounted for using cost method. Long-term equity investments accounted for using the cost method are measured at the initial investment costs, apart from the consideration paid for the acquisition of investment or cash dividend declared but not

yet paid or appropriated profits which included in the consideration, investment income for the period shall include cash dividend declared by the investee or appropriated profit recognised. (ii) Long-term equity investment accounted for using equity method. For long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the initial investment cost of the long-term equity investment will not be adjusted; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current year and the cost of the long-term equity investment is adjusted accordingly. For long-term equity investment accounted for using the equity method, gain or loss on investment represents the amount of net profit or loss recognised by the investee shared by the Company. 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, for unrealized profits or loss arising from inter-transactions with associates and joint ventures, the Company eliminates the unrealized profit or loss attributed to the Company on a pro rata basis of share percentage. However, unrealized loss from inter-transactions between the Company and the investee which is regarded as transferred asset impairment loss in accordance with "Accounting Standards for Business Enterprises 8 – Impairment of Assets" shall not be eliminated. The share of other comprehensive income of investee will be recognised in the other comprehensive income of the Company under capital reserve and the carrying amount of long-term equity investment will be adjusted accordingly. The Company discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the company's net investment in the investee is reduced to zero, except to the extent that the company has an obligation to assume additional losses, where the expected liabilities are determined according to expected obligation and recognised into current investment loss. Where net profits are subsequently made by the investee, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognised. (iii) Acquisition of minority interest. When preparing consolidated financial statements, the difference between the increase in long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) calculated under the new ownership ratio shall be adjusted to the capital reserve, when capital reserve is insufficient, the excess shall be adjusted to retained profits. (iv) Disposal of long-term equity investment. When preparing consolidated financial statements, when the parent company disposes



part of its long-term equity investment in a subsidiary without loss of control, the difference between the consideration received and the share of net asset for the disposed portion of long-term equity investment shall be recognised in shareholders' equity; when the parent company disposes part of its long-term equity investment in a subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at Note IV 4 (2) "Preparation of consolidated financial statements". For disposal of long-term equity investment in other situations, the difference between the considerations received and the carrying amount of the disposed investment shall be recognised in profit or loss; for long-term equity investment accounted for by using equity method, the other comprehensive income recognised in shareholder's equity shall be reclassified to profit or loss on pro rata basis upon disposal. The retained interest is recognised at its carrying amount as long-term equity investment or other relevant financial assets, and subsequently measured in accordance with the accounting policies on long-term equity investment or financial assets previously stated. When the retained interest which originally accounted for under cost method changed to be accounted for under equity method, restatement shall be made in accordance with relevant standards.

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

Control refers to the power to govern the financial and operating policies of an enterprise, so as to obtain benefits from its operating activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the significant financial and operating decisions relating to the activity require the unanimous consent of the parties sharing 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 assessing whether the investor has control or significant influence over an investee, potential voting rights of the investee such as convertible bonds and executable options held by the investor and other parties have been taken into consideration.

(4) Method of impairment testing and provision

At each balance sheet date, the Company assesses whether there are any indications of impairment on long-term equity investments. If there are indications of impairment, the recoverable amount of the investment will be estimated. If the recoverable amount of the asset is lower than its carrying amount, the difference is recognised in profit or loss as impairment. Impairment loss on long-term equity investment will not be reversed in subsequent accounting period once they are recognised.

14. Investment properties

Investment properties are properties held to earn rental or for capital appreciation or both. Investment properties include land use rights that have already been leased out, land use rights held for sale after capital appreciation, buildings that have already been leased out, etc. Investment properties are measured initially at cost.

Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Company and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Company adopts the cost model for subsequent measurement of the investment properties, and they are depreciated or amortized on the same basis as that adopted by the Company for buildings and land use rights.

For details on impairment loss assessment and provision for impairment loss for investment properties, refer to Note IV 17 "Impairment loss on non-current and non-financial assets".

When the owner-occupied property or inventories are transferred to the investment property or when the investment property is transferred to the owner-occupied property, the recognised amount after transfer shall be the carrying amount of the property before such transfer.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property less its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

**15. 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 recognised 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

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease, the ownership of the asset may or may not be transferred. At the inception of lease, the leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

When it can be reasonably determined that the ownership of a leased asset 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 by categories 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 derecognised or classified as non-current assets held for sale (except for fully depreciated and continually used 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 of the fixed assets are as following:

Category	Useful life(year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	20-40	3.00%	2.43%-4.85%
Machinery and equipment	8-20	3.00%	4.85%-12.13%
Electronic equipment	3-6	3.00%	16.17%-32.33%
Transportation equipment	6-17	3.00%	5.71%-16.17%

(4) Impairment loss testing and provision for fixed assets

Impairment test will be performed on fixed assets each year, regardless of whether any indications for impairment exist.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of net amount 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. Fair value of an asset is determined based on the transaction amount in arm's length transaction; when there are no transactions but has an active market for the asset, the fair value is determined based on the bid price in the market; when there are no transactions and active market for the asset, the fair value is estimated based on the best information available. Costs to sell include legal fee, taxes, logistics charges and other expenses that incurred directly to bring the asset to saleable condition. Present value of the future cash flows expected to be derived from the asset is calculated by discounting the expected future cash flows from continuous use of the asset and final disposal of the asset using an appropriate discount rate. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(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 of the fixed assets will be charged to the fixed assets costs 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 of the fixed assets which can be capitalized should be depreciated separately on straight-line basis over the expected service life or the time until next repair, whichever is shorter.



16. 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 according to project budget, cost or actual cost, 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.

17. Borrowing costs

(1) Recognition principles for borrowing cost capitalization

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 recognised as costs of relevant assets; other borrowing costs are recognised 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 recognised in the current profit and 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, capitalization of the borrowing costs of that part shall be suspended.

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

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 effective interest method, and an adjustment shall be made to the amount of interests in each period.

**18. Biological assets**

Nil.

19. Oil and gas assets

Nil.

20. 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 the land usage

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

The intangible assets of which the economic outcome for the Company could not be forecast 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 circumstances 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 recognised on intangible assets devaluation shall not be reversed in a subsequent accounting period.

(5) Specific standard for classifying the research phase and development phase of the Company's internal research and development project

(6) Accounting of the expenditure on an internal research and development project

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in the profit and loss in the period in which it is incurred.

Expenditure on the development phase is capitalized as intangible assets only if all of the following conditions are satisfied; expenditure on the development phase which cannot meet all of the following conditions is recognised in the current profit and loss:

- (i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) Management intends to complete the intangible asset, and to use or sell it;
- (iii) It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, if the intangible asset is to be used internally, the usage of it can be demonstrated;
- (iv) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets; and
- (v) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures on research and development which cannot be distinguished between the research phase and development phase are recognised in the profit and loss as incurred.

21. Long-term deferred expenses

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



- (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, which 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.

22. Assets transfer with repurchase conditions

23. Provisions

(1) Recognition standard for the provisions

Provisions for unsettled litigations, product warranties, onerous contracts and disposal of oil and gas assets etc. are recognised 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 recognised 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 recognised due to the recognition criteria are not met, the related expenses are charged to profit and loss when they are incurred.

24. Share-based payments and equity instruments: NA

25. Shares repurchase of the Company: NA

26. Income

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

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

(4) When the revenue from the rendering of services and construction contracts are recognised according to the percentage of completion, the basis and method of contract completion is determined.



27. Government grant

(1) Classification

Government grant can be classified as asset-related government grant and income-related government grant. Government grants are recognised 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, it is measured at nominal amount.

(2) Accounting policy

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

Government grants measured at nominal amount are recognised immediately in the profit and 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 recognised as deferred income, and included in the periods in which the related costs are recognised; where the grant is a compensation for related expenses or loss already incurred by the enterprise, the grant shall be recognised immediately in the profit and loss for the current year.

28. Deferred income tax assets and deferred income tax liabilities

(1) Recognition basis of deferred income tax assets

Deferred tax assets are recognised 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 and loss; (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised 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 recognised except for the following situations: (i) No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised 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 recognised 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 recognised 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.

29. Operating lease and finance lease

(1) Accounting of operating lease

- (i) As the lessee of operating leases, rental payments under operating leases are recognised 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 Company are charged to current profit and loss.

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

- (ii) As the lessor of operating leases, rental income from operating leases is recognised in profit and 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 recognised in profit and loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit and 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 unrecognised 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 unrecognised finance income and is recognised 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.

(3) **Accounting of leaseback after sale**

30. Assets held for sale

(1) **Recognition basis of assets held for sale**

Non-current assets meet the following criteria shall be recognised as assets held for sale: (i) The resolution has been made to dispose this non-current asset; (ii) There is an irrecoverable transfer agreement that has been made between the Company and the transferee; (iii) 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 recognised 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.

31. Asset securitization business: NA

32. Hedge accounting: NA

33. Changes in significant accounting policy and accounting estimates

Changes in significant accounting policy and accounting estimates in the reporting period

Yes No

(1) Changes in accounting policy

Changes in significant accounting policy in the reporting period

Yes No

(2) Changes in accounting estimates

Changes in significant accounting estimates in the reporting period

Yes No

34. Correction of prior errors

Correction of prior errors found in the reporting period

Yes No

(1) Retroactive restatement method

Prior periods errors found by the retroactive restatement method in the reporting period

Yes No

(2) Prospective application method

Prior periods error found by the prospective application method in the reporting period

Yes No

35. 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 provident fund, etc., are recognised in the accounting period in which 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	Nil	0
Business tax	Taxable turnover amount	5%
City maintenance and construction tax	Amount of turnover tax paid	5%, 7%
Enterprise income tax	Taxable income	25%
Education surcharge	Amount of turnover tax paid	3%, 5%

2. Tax concession and approval documents

- (1) The profit tax rate for Northeast Electric (HK) Co., Ltd., a wholly owned subsidiary of the Company registered in HKSAR of P.R. China, is 16.5%.
- (2) Great Talent Technology Limited, a company wholly owned by the Company's subsidiary – Northeast Electric (HK) Co., Ltd., was registered in the British Virgin Islands and no enterprise income tax is imposed on it.

3. Other explanations

Shenyang Kaiyi Electric., Co., Ltd., a subsidiary of the Company, is subject to the verification and collection of enterprise income tax.

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	Shareholding	Voting Right	Consolidated or not (Y/N)	Minority Interest	Minority interest used to offset profit and loss attributed to the minority shareholders	Excess of opening balance of minority interest in a subsidiary over loss attributable to minority interest of that subsidiary during the year which offset with shareholders' equity of the Company
Northeast Electric (HK) Co., Ltd.	Wholly owned subsidiary	HK	TRADE	USD20M	INVESTMENT, TRADE	USD20M		100.00%	100.00%	Y			
Great Talent Technology Limited	Wholly owned subsidiary	BVI	INVESTMENT	USD1.00	INVESTMENT	USD1.00		100.00%	100.00%	Y			
Northeast Electric (Beijing) Limited	Wholly owned subsidiary	BEIJING	SALES	RMB2M	SALES OF MACHINERY, ETC	RMB2M		100.00%	100.00%	Y			
Shenyang Kaiyi Electric Co., Ltd.	Wholly owned subsidiary	SHEN YANG	MANU-FACTURING	RMB1M	MANU-FACTURING AND SALE OF ELECTRICAL EQUIPMENT	RMB1M		100.00%	100.00%	Y			
Fuxin Enclosed Busbar Co., Ltd.	Wholly owned subsidiary	FUXIN	MANU-FACTURING	USD8.50M	MANU-FACTURING OF ENCLOSED BUSBAR	USD8.50M		100.00%	100.00%	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	Shareholding	Voting Right	Consolidated or not (Y/N)	Minority Interest	Minority interest used to offset profit and loss attributed to the minority shareholders	Excess of opening balance of minority interest in a subsidiary over loss attributable to minority interest of that subsidiary during the year which offset with shareholders' equity of the Company
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd.	Wholly owned subsidiary	Jinzhou	Manufacturing	USD15.45M	Manufacturing of power capacitor	USD15.45M		100.00%	100.00%	Y			
Jinzhou Jinrong Electric Appliance Co., Ltd.	Controlling subsidiary	Jinzhou	Manufacturing	RMB3M	Manufacturing of dry capacitor	RMB3M		69.75%	69.75%	Y	507,776.03		

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

3. Remark for the change of the scope of consolidation: Nil

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

5. No consolidation under the same controlling party during the period: Nil

6. No consolidation under the different controlling party during the period: Nil
7. No less subsidiary by selling equity stocks: Nil
8. No retro-purchase during the period: Nil
9. No consolidation by merger during the period: Nil
10. Exchange rates of principal financial statements of off-shore entities



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:	--	--	12,662.08	--	--	9,304.85
RMB	--	--	12,662.08	--	--	9,304.85
Deposits:	--	--	85,399,171.06	--	--	102,715,071.55
RMB	--	--	85,182,560.26	--	--	102,346,636.36
HKD	272,895.50	0.79375	216,610.80	466,975.47	0.7862	367,136.12
USD				212.17	6.0969	1,299.07
Others:	--	--	2,423,500.00	--	--	5,241,184.51
RMB	--	--	2,423,500.00	--	--	5,241,184.51
Total	--	--	87,835,333.14	--	--	107,965,560.91

Other cash and deposit amounting to RMB 2,805,087.50 is the security deposits for performance guarantee deposited in a designated bank. All of the above security deposits mature over three months.

2. Tradable financial assets: Nil

3. Notes receivable

(1) Classification of notes receivable

Unit: RMB

Types	Amount by end of period	Amount at beginning of period
Bank accepted bills of exchange	340,000.00	40,000.00
Total	340,000.00	40,000.00

(2) Notes transferred into accounts receivable due to failure of performing obligations of the drawer during the reporting period, and by end of period undue notes endorsed to other parties by the Company

Notes transferred into accounts receivable due to failure of performing obligations of the drawer during the reporting period: Nil

Undue bills endorsed to other parties by the Company

Unit: RMB

Issuing entity	Issuing date	Maturity date	Amount	Remark
Tai'an Kerui Electric Co., Ltd.	20 January 2014	20 July 2014	40,000.00	Loan
Jinzhou Shiji Tongli Electric Co., Ltd.	14 March 2014	14 September 2014	300,000.00	Loan
Total	--	--	340,000.00	--

4. Dividends receivable: Nil

5. Interests receivable

Unit: RMB

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
	33,066.67		33,066.67	0.00
Total	33,066.67		33,066.67	



6. Accounts receivable

(1) Receivables by categories are analysed 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	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Accounts receivable provided for bad debts by group								
Group of aging	158,281,209.42	100.00%	34,760,879.38	20.75%	156,050,992.73	100.00%	34,760,879.38	22.28%
Subtotal of groups	158,281,209.42	100.00%	34,760,879.38	20.75%	156,050,992.73	100.00%	34,760,879.38	22.28%
Total	158,281,209.42	--	34,760,879.38	--	156,050,992.73	--	34,760,879.38	--

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. Accounts receivable with insignificant balance but have obvious evidence that the chance of recovery is slim are regarded as single insignificant accounts receivable but subject to separate provision.

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	Percentage		Amount	Percentage	
Within 1 year						
Including	--	--	--	--	--	--
Within 1 year	97,066,405.71	61.33%	0.00	89,581,017.21	57.40%	0.00
Subtotal within 1 year	97,066,405.71	61.33%	0.00	89,581,017.21	57.40%	0.00
1 - 2 years	13,644,938.00	8.62%		13,351,358.12	8.56%	
2 - 3 years	9,927,591.21	6.27%	8,421,966.07	21,054,915.17	13.49%	8,421,966.07
Over 3 years		0.00%				
3 - 4 years	6,530,668.17	4.13%	8,587,183.37	14,311,972.29	9.17%	8,587,183.37
4 - 5 years	31,111,606.33	19.66%	17,751,729.94	17,751,729.94	11.38%	17,751,729.94
Over 5 years		0.00%			0.00%	
Total	158,281,209.42	--	34,760,879.38	156,050,992.73	--	34,760,879.38

(2) Top five customers in terms of accounts receivable

Unit: RMB

Company	Relationship	Amount	Term	Proportion of total receivables
Shenyang kaidi Insulation Technology Limited Company	Non-associate	25,733,670.37	Within 1 year	16.23%
Yingkou Hong Yue Machinery Processing Co., Ltd.	Non-associate	15,090,955.62	Within 1 year	9.52%
Yingkou Chongzheng Electric Equipment Co., Ltd.	Non-associate	13,220,039.77	Within 1 year	8.34%
Beijing Supplies Branch of Shenhua Guoneng Energy Group Corporation Limited	Non-associate	8,910,000.00	Within 1 year	5.62%
Zhejiang Zheneng Zhongmei Zhoushan Coal and Electricity Co., Ltd.	Non-associate	8,167,250.00	Within 1 year	5.15%
Total	--	71,121,915.76	--	44.86%

7. Other receivables

(1) Other receivables by categories are analysed 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	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Other single significant accounts receivable with bad debt provision	95,258,469.79	77.34%	95,258,469.79	100.00%	95,258,469.79	88.19%	95,258,469.79	100.00%
Other accounts receivable provided for bad debts by group								
Group of aging	27,907,310.88	22.66%	2,618,157.94	9.38%	12,760,999.56	11.81%	2,618,157.94	20.52%
Subtotal of groups	27,907,310.88	22.66%	2,618,157.94	9.38%	12,760,999.56	11.81%	2,618,157.94	20.52%
Total	123,165,780.67	--	97,876,627.73	--	108,019,469.35	--	97,876,627.73	--



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. Accounts receivable with insignificant balance but have obvious evidence that the chance of recovery is slim are regarded as single insignificant accounts receivable but subject to separate provision.

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	100.00%	The supreme court decided against us as the age of the receivables is too long to be recovered
Jinzhou Power Capacitors Co., Ltd.	19,168,469.79	19,168,469.79	100.00%	Adverse assets status and non-operation of the company
Total	95,258,469.79	95,258,469.79	--	--

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	Percentage		Amount	Percentage	
Within 1 year						
Including						
Within 1 year	23,938,180.73	85.78%		8,791,869.72	8.14%	
Subtotal within 1 year	23,938,180.73	85.78%		8,791,869.72	8.14%	
1 - 2 years	1,253,193.90	4.49%		1,244,693.08	1.16%	
2 - 3 years	83,897.21	0.30%	36,959.21	92,398.03	0.08%	36,959.21
3 - 4 years	127,100.00	0.46%	76,260.00	127,100.00	0.12%	76,260.00
4 - 5 years	2,504,939.04	8.98%	2,504,938.73	2,504,938.73	90.51%	2,504,938.73
Total	27,907,310.88	--	2,618,157.94	12,760,999.56	--	2,504,938.73

(2) Top five customers in terms of other receivables

Unit: RMB

Company	Relationship	Amount	Term	Proportion of total other receivables
Benxi Steel (Group) Co., Ltd.	Non-associate	76,090,000.00	Over 5 years	61.78%
Jinzhou Power Capacitors Co., Ltd.	Non-associate	19,168,469.79	Over 5 years	15.56%
Yingkou Branch of Shanghai Pudong Development Bank	Non-associate	13,000,000.00	Within 1 year	10.55%
Bidding deposit	Non-associate	2,635,030.00	Within 1 year	2.14%
Union	Non-associate	765,306.00	Within 1 year	0.62%
Total	--	111,658,805.79	--	90.66%

8. Prepayments

(1) Prepayments are listed by age

Unit: RMB

Age of account	Amount by end of period		Amount at beginning of period	
	Amount	Percentage	Amount	Percentage
Within 1 year	1,237,660.42	96.81%	1,361,136.33	96.81%
1 - 2 years	18,969.50	1.48%	18,969.50	1.48%
2 - 3 years	8,834.27	0.69%	1,500.27	0.69%
Over 3 years	12,989.45	1.02%	66,449.45	1.02%
Total	1,278,453.64	--	1,448,055.55	--



(2) Top five companies in terms of prepayments

Unit: RMB

Company	Relationship	Amount	Age	Reason for unsettlement
Suzhou Shengtian Special Electrical Appliance Co., Ltd.	Non-associate	231,000.00	Within 1 year	Prepayment for materials
Sunten Electric Equipment Co. Ltd.	Non-associate	162,000.00	Within 1 year	Prepayment for materials
Jinzhou Yongjia Chemical Co., Ltd. (Lingrong Fine Chemical Plant)	Non-associate	104,394.98	Within 1 year	Prepayment for materials
Jinzhou Huaneng Electric Power Equipment Co., Ltd.	Non-associate	95,000.00	Within 1 year	Prepayment for materials
Jinzhou Bide Metal Products Co., Ltd.	Non-associate	70,000.00	Within 1 year	Prepayment for materials
Total	--	662,394.98	--	--

9. Inventories

(1) Classification of inventories

Unit: RMB

Items	Amount by end of period			Amount at beginning of period		
	Book balance	Provisions for devaluation	Carrying value	Book balance	Provisions for devaluation	Carrying value
Raw material	17,593,135.03	63,717.14	17,529,417.89	15,606,125.60	63,717.14	15,542,408.46
Work in progress	6,716,076.18		6,716,076.18	5,473,756.22		5,473,756.22
Finished goods	19,998,782.98	2,964,655.59	17,034,127.39	14,028,422.99	2,964,655.59	11,063,767.40
Total	44,307,994.19	3,028,372.73	41,279,621.46	35,108,304.81	3,028,372.73	32,079,932.08

(2) Provisions for devaluation of inventories

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	63,717.14				63,717.14
Finished goods	2,964,655.59				2,964,655.59
Total	3,028,372.73				3,028,372.73

(3) Analysis of provisions for devaluation of inventories

Items	Basis for provisions	Reason for reversal of provision during the period	Ratio of reversed amount to total balance of inventory
Raw material	Net realizable value lower than cost		
Finished goods	Net realizable value lower than cost		

10. Other current assets: Nil**11. Available-for-sale financial assets: Nil****12. Held-to-maturity investments: Nil****13. Long-term accounts receivable: Nil**



14. 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 profits of the period
I. joint ventures							
II. associates							
Great Power Technology Limited	20.80%	20.80%	186,984,494.36	97,738.41	186,886,755.95	24.53	-30,207.37

15. 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 during the period	Cash dividends
Great Power Technology Limited	Equity method	48,584,913.80	38,508,920.68	292,667.80	38,801,588.48	20.80%	20.80%		13,128,191.69	
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	Cost method	92,317,655.00	65,719,454.27	7,479,571.27	73,199,025.54	6.89%	6.89%		7,329,112.56	
Total	--	--	104,228,374.95	7,772,239.07	112,000,614.02	--	--	--	20,457,304.25	0.00

16. Investment properties: Nil

17. 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:	160,287,800.77	652,930.94		1,496,211.61	159,444,520.10
Including: Houses and buildings	48,193,147.57				48,193,147.57
Machinery and equipment	87,487,344.18	641,574.14		72,932.35	88,055,985.97
Transportation equipment	24,607,309.02	11,356.80		1,423,279.26	23,195,386.56
--	Book balance at beginning of period	Increase during the period	Provisions during the period	Decrease during the period	Book balance by end of period
II. Accumulated depreciation:	90,879,778.08		3,617,533.35	820,995.70	93,676,315.73
Including: Houses and buildings	34,193,411.69		391,988.13		34,585,399.82
Machinery and equipment	41,278,406.70		2,655,844.88	47,584.27	43,886,667.31
Transportation equipment	15,407,959.69		569,700.34	773,411.43	15,204,248.60
--	Book balance at beginning of period			--	Book balance by end of period
III. Total net carrying value	69,408,022.69			--	65,768,204.37
Including: Houses and buildings	13,999,735.88			--	13,607,747.75
Machinery and equipment	46,208,937.48			--	44,169,318.66
Transportation equipment	9,199,349.33			--	7,991,137.96
IV. Total provision for impairment	1,827,629.74			--	1,827,629.74
Including: Houses and buildings	317,644.79			--	317,644.79
Machinery and equipment	1,509,984.95			--	1,509,984.95
V. Total carrying value	67,580,392.95			--	63,940,574.63
Including: Houses and buildings	13,682,091.09			--	13,290,102.96
Machinery and equipment	44,698,952.53			--	42,659,333.71
Transportation equipment	9,199,349.33			--	7,991,137.96

Total depreciation during the period is RMB3,617,533.35. There was no construction in progress transferred into fixed assets during the period.

**18. Construction in progress***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
Goods lifts	60,153.66		60,153.66			
Lifts	83,039.08		83,039.08			
Total	143,192.74		143,192.74			

19. Material of works: Nil**20. Liquidation of fixed assets: Nil****21. Productive biological assets: Nil****22. Oil and gas assets: Nil****23. Intangible 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	6,774,501.05			6,774,501.05
Land use rights	6,774,501.05			6,774,501.05
II. Total accumulated amortization	2,438,821.68	67,744.72		2,506,566.40
Land use rights	2,438,821.68	67,744.72		2,506,566.40
III. Total net carrying value	4,335,679.37	-67,744.72		4,267,934.65
Land use rights	4,335,679.37	-67,744.72		4,267,934.65
Land use rights				
Total carrying value	4,335,679.37	-67,744.72		4,267,934.65
Land use rights	4,335,679.37	-67,744.72		4,267,934.65

Amortization during the period is RMB67,744.72.

24. Goodwill: Nil**25. 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
Improvement expenditures for fixed assets rented	170,229.08		46,977.48		123,251.60	
Total	170,229.08		46,977.48		123,251.60	--

26. Deferred income tax assets and deferred income tax liabilities**(1) Deferred tax assets and liabilities without taking into consideration the offsetting of balances**

Deferred income tax assets and liabilities recognized

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Deferred income tax assets:		
Provisions for assets impairment	10,722,736.62	10,722,736.62
Subtotal	10,722,736.62	10,722,736.62
Deferred income tax liabilities:		

(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 income tax assets	10,722,736.62	42,890,946.46	10,722,736.62	42,890,946.46

**27. 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	
I. Bad debt provision	132,637,507.11				132,637,507.11
II. Provisions for devaluation of inventories	3,028,372.73				3,028,372.73
V. Provision for impairment of long-term equity investment	20,457,304.25	0.00	0.00	0.00	20,457,304.25
VII. Provision for impairment of fixed assets	1,827,629.74				1,827,629.74
Total	157,950,813.83				157,950,813.83

28. Other non-current assets: Nil**29. Short-term borrowings**

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
Bank borrowings, secured	9,000,000.00	8,000,000.00
Total	9,000,000.00	8,000,000.00

30. Tradable financial liabilities: Nil**31. Notes payable: Nil**

32. Accounts payable*Unit: RMB*

Items	Amount by end of period	Amount at beginning of period
Within 1 year	40,644,472.57	40,051,697.91
1 - 2 years	4,184,251.41	2,744,573.33
2 - 3 years	887,147.86	1,163,917.46
Over 3 years	6,571,231.24	6,532,455.74
Total	52,287,103.08	50,492,644.44

33. Advances*Unit: RMB*

Items	Amount by end of period	Amount at beginning of period
Within 1 year	9,740,794.37	6,851,055.97
1 - 2 years	710,000.00	1,553,000.00
2 - 3 years	53,560.00	196,340.00
Over 3 years	825,647.50	682,867.50
Total	11,330,001.87	9,283,263.47

**34. 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	421.11	8,084,673.71	8,085,094.82	
II. Staff welfare		1,044,335.32	1,044,335.32	
III. Social insurance	100,773.30	2,308,734.58	2,346,039.70	63,468.18
Including: 1. Basic medical insurance	314.77	709,417.15	705,961.21	3,770.71
2. Basic endowment insurance	88,117.04	2,132,687.02	2,133,559.55	87,244.51
3. Work injury insurance	5,912.43	64,467.61	69,732.96	647.08
4. Maternity insurance	2,337.98	35,286.45	37,162.27	462.16
5. Unemployment insurance	4,091.08	140,264.61	139,559.73	4,795.96
IV. Housing provident funds	254,756.00	1,520,373.24	1,518,799.44	256,329.80
VI. Others	1,960,867.86	190,462.61	79,710.53	2,071,619.94
Total	2,316,818.27	13,148,579.46	13,073,979.81	2,391,417.92

There's no long outstanding salaries payable to employees.

There are RMB2,038,167.70 of union expenses and employees education expenses, no non-current welfare, and no compensation paid for severing labor relation.

35. Taxes payable*Unit: RMB*

Items	Amount by end of period	Amount at beginning of period
Value-added tax	1,992,860.75	1,762,756.90
Enterprise income tax	223,819.68	2,844,286.52
Individual income tax	21,711.49	32,873.09
City maintenance and construction tax	193,465.78	171,259.75
Education surcharge	96,455.73	126,021.99
Tenure tax	59,149.50	59,149.50
Housing property tax	20,614.66	6,072.17
Others	45,427.66	60,531.48
Total	2,653,505.25	5,062,951.40

36. Interests payable: Nil**37. Dividends payable***Unit: RMB*

Company	Amount by end of period	Amount at beginning of period	Reason for unpayment over 1 year
Dividends payable to ordinary shares	40,017.86	40,017.86	
Total	40,017.86	40,017.86	--

**38. Other payables***Unit: RMB*

Items	Amount by end of period	Amount at beginning of period
Within 1 year	3,945,347.12	4,482,578.20
1 - 2 years	941,038.23	920,108.34
2 - 3 years	2,966,380.60	884,075.16
Over 3 years	39,407,680.07	40,294,112.86
Total	47,260,446.02	46,580,874.56

39. Estimated liabilities*Unit: RMB*

Items	Amount at beginning of period	Increase during the period	Decrease during the period	Amount by end of period
Guarantee for loans	60,721,078.25			60,721,078.25
Total	60,721,078.25			60,721,078.25

Remarks: Please refer to related representation in Annual Report 2013

40. Non-current liabilities due within 1 year: Nil

41. Other current liabilities: Nil

42. Long-term borrowings: Nil

44. Long-term accounts payable: Nil

45. Special payables: Nil

46. Other non-current liabilities: Nil

47. 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

48. Treasury stock: inapplicable**49. Special reserve: inapplicable****50. 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

51. 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

**52. Provision for general risk: inapplicable****53. Retained profit***Unit: RMB*

Items	Amount	Ratio of withdrawal or distribution
Retained profit at beginning of year after adjustment	-1,548,693,348.93	--
Add: Net profits attributable to shareholders of the Company for the year	11,140,994.81	--
Retained profit at end of period	-1,550,473,534.07	--

54. 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	70,508,786.50	75,019,681.10
Other income	18,698.47	43,852.04
Operating costs	50,178,622.09	48,648,037.88

(2) Principal operations (by industry)*Unit: RMB*

Industry	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Electrical transmission and transformation	70,508,786.50	50,165,274.04	75,019,681.10	48,614,345.64
Total	70,508,786.50	50,165,274.04	75,019,681.10	48,614,345.64

(3) Principal operations (by product)

Unit: RMB

Product	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Enclosed busbar	24,421,078.88	17,118,884.04	23,041,415.02	17,838,757.36
Power capacitor	46,087,707.62	33,046,390.00	50,168,864.37	29,442,596.82
High voltage switch, circuit breaker			1,809,401.71	1,332,991.46
Total	70,508,786.50	50,165,274.04	75,019,681.10	48,614,345.64

(4) Principal operations (by region)

Unit: RMB

District	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Northeast China	42,063,267.84	29,920,964.83	55,929,239.28	35,017,275.65
North China	9,976,106.53	6,895,919.69	2,261,833.16	1,598,509.96
Central China	2,611,346.04	1,872,420.31	2,429,972.65	1,475,944.58
East China	4,540,991.01	2,822,193.50	1,881,420.90	1,104,149.71
South China	4,753,651.98	3,262,863.77	2,091,499.32	1,840,910.40
Southwest China	6,560,217.97	5,388,613.76	4,054,154.73	2,994,573.89
Northwest China	3,205.13	2,298.18	2,855,512.82	1,543,574.31
Others			3,516,048.24	3,073,099.38
Total	70,508,786.50	50,165,274.04	75,019,681.10	48,648,037.88



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

Unit: RMB

Name	Income from principal operations	Percentage of total operating income
Shenyang kaidi Insulation Technology Limited Company	21,741,082.12	30.83%
Yingkou Chongzheng Electric Equipment Co., Ltd.	11,169,263.33	15.84%
Jiaozuo Busbar	8,461,538.49	12.00%
Yingkou Hong Yue Machinery Processing Co., Ltd.	5,376,850.44	7.62%
Vinh Tan Power Station in Vietnam	3,868,708.70	5.49%
Total	50,617,443.08	71.78%

55. Contracts income: Nil**56. Business tax and surcharges***Unit: RMB*

Items	Amount for the current period	Amount for the previous period	Ratio of tax
Business tax		0.00	5%
City maintenance and construction tax	285,966.89	320,759.85	7%
Education surcharge	204,262.06	137,468.51	3%
Others		91,645.66	
Total	490,228.95	549,874.02	--

57. Sales expenses*Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Including: Employees' salaries and wages	732,415.18	664,777.80
Consulting	900,000.00	2,745,600.00
Transportation	2,499,608.18	1,972,114.63
Bidding	153,486.40	106,289.65
Advertising	900,000.00	1,002,000.00
Travelling	871,373.04	713,498.90
Sales service	182,153.36	126,531.70
Office expenses	127,450.71	57,439.00
Repair and maintenance	10,948.91	9,035.90
Material consumption	37,984.20	97,874.60
Others	1,219,498.08	1,476,059.24
Total	7,634,918.06	8,971,221.42

**58. Administrative expenses***Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Salaries & welfare	4,488,794.03	4,838,276.84
Depreciation	981,833.98	1,213,682.86
Entertainment	331,857.20	753,076.24
Material consumption	248,096.33	373,008.05
Union expenses and employees education expenses	114,032.65	188,043.74
Office expenses	301,449.09	203,864.28
Labor insurance and property insurance	2,094,590.57	1,930,446.31
Auditing, evaluation, lawsuit, consulting	301,939.63	2,508,750.41
Housing provident funds	402,407.00	338,833.00
Heating, service, telephone, repair and maintenance	605,397.41	730,787.60
Travelling	201,283.82	326,734.60
Others	3,122,917.13	2,329,227.05
Housing property tax, stamp tax, etc.	481,529.49	499,984.62
Development expenditure	142,089.08	119,401.76
Total	13,818,217.41	16,354,117.36

59. Financial expenses*Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Interest expenses	323,952.46	309,687.47
Less: interest income	325,615.69	129,707.17
Loss on exchange		
Bank commission charges	15,818.79	16,053.33
Total	14,155.56	196,033.63

60. Incomes from changes in fair value: Nil**61. Return on investments**

(1) Details of return on investments

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Return on long-term equity investment under equity method	-6,283.13	-9,262.00
Total	-6,283.13	-9,262.00

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

Unit: RMB

Company invested	Amount for the current period	Amount for the previous period	Reason for change

(3) 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
Great Power Technology Limited	-6,283.13	-9,262.00	Decrease in operation losses
Total	-6,283.13	-9,262.00	--

62. 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

**63. 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	74,059.43		74,059.43
Including: Gain on disposal of fixed assets	74,059.43		
Gain on debt reconstruction		14,885.10	
Others	16,046.64	33,243.15	16,046.64
Total	90,106.07	48,128.25	90,106.07

The non-operating income is mainly revenues in disposal of fixed assets.

(2) Government subsidies accounted for as current profit and loss: Nil**64. Non-operating expenses***Unit: RMB*

Items	Amount for the current period	Amount for the previous period	Amount accounted to current extraordinary profit and loss
Others	56,017.83	2,017.79	56,017.83
Total	56,017.83	2,017.79	56,017.83

65. Income tax expense*Unit: RMB*

Items	Amount for the current period	Amount for the previous period
Income tax of the period by the tax law and relative regulations	231,611.51	1,240,791.00
Total	231,611.51	1,240,791.00

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

Items	Calculation	Amount for the previous period	Amount for the current period
Net profits attributable to ordinary shareholders of the Company	P0	-447,480.75	-1,780,185.14
Extraordinary profit and loss attributable to ordinary shareholders of the Company	F		34,088.24
Net profits attributable to ordinary shareholders of the Company after extraordinary profit and loss	$P0'=P0-F$		-1,814,273.38
Impact on net profits attributable to ordinary shareholders of the Company by dilution	V		
Net profits 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	-1,780,185.14
Impact on net profits to ordinary shareholders of the Company after deduction of extraordinary profit and loss by dilution	V'		
Net profits 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 period	Si		
Shares decreased by buyback 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	$S=S0+S1+Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$	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 per share	$X2=S+X1$	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	-0.00204
Basic earnings per share contributable to ordinary shareholders after deduction of extraordinary profit and loss	$EPS0'=P0' \div S$	-0.0005	-0.00208
Diluted earnings per share attributable to ordinary shareholders of the Company	$EPS1=P1 \div X2$	-0.0005	-0.00208
Diluted earnings per share attributable to ordinary shareholders after deduction of extraordinary profit and loss	$EPS1'=P1' \div X2$	-0.0005	-0.00208

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

Items	Amount for the current period	Amount for the previous period
Exchange difference on translation of financial statements	7,794,922.44	-760,290.13
Total	7,794,922.44	-760,290.13

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

Items	Amount
Deposit	4,694,967.72
Interest income	196,031.74
Paid cash	111,500.00
Received from wealth management	9,000,000.00
Insurance premium	30,000.00
Others	1,630,176.77
Total	15,662,676.23

(2) Cash payments relating to other operating activities

Unit: RMB

Items	Amount
Transportation	2,521,471.04
Entertainment	501,052.40
Material consumption	158,276.91
Utilities	1,130,000.00
Travelling	1,081,056.86
Repair and maintenance	315,687.70
Office expenses	417,235.62
Bidding	224,226.40
Telephone	97,176.10
Auditing	547,000.00
Lawsuit	124,339.62
Deposit	4,989,719.26
Personal loans	2,521,733.45
Transfer inside the Company	0.00
After-sales service	171,836.50
Directors	440,359.50
Wealth management	19,000,000.00
Fees for A and H shares	177,055.11
Others	8,673,694.78
Total	46,071,921.25

**69. Supplementary information to cash flows statement****(1) Supplementary information to cash flows statement***Unit: RMB*

Supplementary information	Amount for the current period	Amount at beginning of period
1. Reconciliation from net profits to cash flows from operating activities:	--	--
Net profits	-1,812,463.51	-480,593.71
Add: Provision for assets impairment		-379,100.00
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	3,620,002.52	3,142,587.84
Amortization of intangible assets	67,744.72	67,745.04
Amortization of long-term deferred expenses	1,582,808.88	1,582,808.88
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is represented by "-")	-74,059.43	
Financial expenses (gain is represented by "-")	14,155.56	196,033.63
Loss on investments (gain is represented by "-")	6,283.13	
Decrease of inventories (increase is represented by "-")	-9,199,689.38	-5,135,715.75
Decrease of operational accounts receivable (increase is represented by "-")	-20,920,387.90	10,303,535.74
Increase of operational accounts payable (decrease is represented by "-")	751,365.15	-12,534,648.59
Net cash flows from operating activities	-25,964,240.26	-3,237,346.92
2. Significant non-cash investment and financing activities:	--	--
3. Changes in cash and cash equivalents:	--	--
Closing balance in cash	82,606,745.64	60,265,129.68
Less: opening balance in cash	107,965,560.91	69,423,731.30
Net increase in cash and cash equivalents	-25,358,815.27	-9,158,601.62

(2) Information about subsidiaries or other business entities acquired or disposed during the reporting period: Nil

(3) Composition of cash and cash equivalents

Unit: RMB

Items	Amount by end of period	Amount at beginning of period
I. cash	82,606,745.64	107,965,560.91
Including: Cash on hand	12,662.08	9,304.85
Bank deposits ready to pay	85,399,171.06	102,715,071.55
Other cash assets ready to pay	2,423,500.00	5,241,184.51
III. Balance of cash and cash equivalents by end of period	82,606,745.64	107,965,560.91

70. Notes to items of statements of changes in equity: Nil

VIII. Accounting of the business in asset securitization

1. Provision for explanation for major trading arrangements, its accounting, and bankruptcy isolation of assets securitization: Nil
2. Information on special purpose vehicles for which the Company has no control but undertakes the risk: Nil

**IX. 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 voting 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	RMB135M	24.06%	24.06%	Tian Li	73465110-1

Remarks of the parent company

1. New Northeast Electric Investments Co., Ltd. has simultaneously pledged its 59,230,000, 50,770,000 and 36,000,000 A shares not subject to trading moratorium to Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 14 October 2013. And it carried out the registration of the pledged stocks with China Securities Depository and Clearing Corporation Limited Shenzhen Branch.
2. New Northeast Electric Investments Co., Ltd. has pledged its 24,000,000 A shares not subject to trading moratorium to Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 7 November 2013. And it carried out the registration of the pledged stocks with China Securities Depository and Clearing Corporation Limited Shenzhen Branch.

2. Subsidiaries of the Company

Name of Subsidiary	Type	Type	Place of Registration	Legal representative	Nature of Business	Registered capital	Shareholding	Voting right	Organization code
Northeast Electric (HK) Co., Ltd.	Controlling subsidiary	Limited	HK	Tian Jiang	Investment, trade	USD20M	100.00%	100.00%	
Great Talent Technology Limited	Controlling subsidiary	Limited	BVI	Wang Shankuan	INVESTMENT	USD1.00	100.00%	100.00%	
Northeast Electric (Beijing) Limited	Controlling subsidiary	Limited	Beijing	Jia Shujie	Sales of machinery, electric products	RMB2M	100.00%	100.00%	66216024-9
Shenyang Kaiyi Electric Co., Ltd.	Controlling subsidiary	Limited	Shenyang	Lin Bin	Manufacturing of high voltage electric equipment	RMB1M	100.00%	100.00%	79846962-4
Fuxin Enclosed Busbar Co., Ltd.	Controlling subsidiary	Limited	Fuxin	Liu Qingmin	Production and sales of enclosed busbars	USD8.50M	100.00%	100.00%	70168064-3
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Controlling subsidiary	Limited	Jinzhou	Jiao Lijuan	Manufacturing of power capacitor	USD15.45M	100.00%	100.00%	75278947-0

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									
Great Power Technology Limited	Limited	BVI	LoYuet	Investment holding	USD 12626.00	20.80%	20.80%	Associates	

**4. Other connected parties of the Company: Nil****5. Connected transactions: Nil****6. Receivables and payables for connected parties**

Receivables of listed companies from connected parties: Nil

Payables of listed companies to connected parties

Unit: RMB

Items	Connected parties	Amount by end of period	Amount at beginning of period
Other payables	Great Power Technology Limited	298,045.31	295,210.36
Total		298,045.31	295,210.36

X. Share-based payment: Nil**XI. Contingent events: Nil****XII. Commitment: Nil****XIII. Post balance sheet date events: Nil****XIV. Other significant events: Nil**

XV. Major notes of financial statements of parent company**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	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Accounts receivable provided for bad debts by group								
	179,400.00	100.00%	179,400.00	100.00%	179,400.00	100.00%	179,400.00	100.00%
Subtotal of groups	179,400.00	100.00%	179,400.00	100.00%	179,400.00	100.00%	179,400.00	100.00%
Total	179,400.00	--	179,400.00	--	179,400.00	--	179,400.00	--

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	Percentage		Amount	Percentage	
Within 1 year						
Including	--	--	--	--	--	--
4 - 5 years	179,400.00	100.00%	179,400.00	179,400.00	100.00%	179,400.00
Total	179,400.00	--	179,400.00	179,400.00	--	179,400.00

**2. 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	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Other single significant accounts receivable with bad debt provision	76,090,000.00	17.73%	76,090,000.00	100.00%	76,090,000.00	17.67%	76,090,000.00	100.00%
Other accounts receivable provided for bad debts by group								
Group of aging	353,161,354.76	82.27%	273,942.23	0.06%	354,537,294.76	82.33%	273,942.23	17.73%
Subtotal of groups	353,161,354.76	82.27%	273,942.23	0.06%	354,537,294.76	82.33%	273,942.23	17.73%
Total	429,251,354.76	--	76,363,942.23	--	430,627,294.76	--	76,363,942.23	--

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	100.00%	The lawsuit was settled that the receivables were not recoverable.
Total	76,090,000.00	76,090,000.00	--	--

3. Long-term equity investments: Nil**4. Operating income and operating cost: Nil****5. Return on investments: Nil**

6. Supplementary information to cash flows statement*Unit: RMB*

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profits to cash flows from operating activities:	--	--
Net profits	-961,537.36	-1,012,385.44
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	18,304.77	31,128.59
Decrease of operational accounts receivable (increase is represented by "-")	1,375,940.00	1,814,927.79
Increase of operational accounts payable (decrease is represented by "-")	-428,250.47	-828,125.41
Net cash flows from operating activities	4,456.94	5,545.53
2. Significant non-cash investment and financing activities:	--	--
3. Changes in cash and cash equivalents:	--	--
Closing balance in cash	18,708.56	36,121.11
Less: opening balance in cash	19,189.62	30,575.58
Net increase in cash and cash equivalents	-481.06	5,545.53

7. Assets and liabilities recorded by evaluated value under retro-purchase: Nil**XVI. Supplementary information****1. Details of current extraordinary profit and loss***Unit: RMB*

Items	Amount	Remarks
Profit and loss on disposal of non-current assets (including the write-off part of provision for asset impairment)	74,059.43	Profit on disposal of fixed asset
Non-operating income or cost except items above	-39,971.19	Loss on compensation
Total	34,088.24	--

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

- (1) Difference in net profits and net assets prepared under IAS and PRC GAAP: inapplicable
- (2) Difference in net profits and net assets prepared under foreign accounting standards and PRC GAAP

Unit: RMB

	Net profits attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	Amount for the current period	Amount for the previous period	Amount by end of period	Amount at beginning of period
Under the PRC GAAP	-1,780,185.14	-447,480.75	285,708,039.59	279,693,302.29
Item and amount adjusted under foreign accounting standards				

- (3) Description of difference on figures by domestic and foreign accounting standards: No difference

3. Return on net assets and earnings per share*Unit: RMB*

Profits during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	-0.63%	-0.0021	-0.0021
Net profits attributable to ordinary shareholders of the Company after extraordinary items	-0.64%	-0.0021	-0.0021

4. Description of difference in major items of accounting statements of the Company

Items	Opening balance	Closing balance	Change of amount	Percentage	Reason
Notes receivable	40,000.00	340,000.00	300,000.00	750.00%	Accepted bills of exchange
Interests receivable	33,066.67	0	-33,066.67	-100.00%	Recovered interests
Other receivables	10,142,841.62	25,289,152.94	15,146,311.32	149.33%	Increase of purchased wealth management products and borrowings
Non-current assets due within 1 year	2,694,021.76	1,158,190.36	-1,535,831.40	-57.01%	Increase of amortization of deferred expenses
Taxes payable	5,062,951.40	2,653,505.25	-2,409,446.15	-47.59%	Decrease of income tax payable
Financial expenses	14,155.56	196,033.63	-181,878.07	-92.78%	Increase in interests
Asset impairment losses	-	-379,100.00	379,100.00	-100.00%	No asset impairment losses in the period
Incomes from investment (loss is represented by "-")	-6,283.13	-9,262.00	2,978.87	-32.16%	Decrease in operation losses of Great Power Technology Limited
Income tax expenses	231,611.51	1,240,791.00	-1,009,179.49	-81.33%	Decrease of income tax payable in the period
Other cash receipts relating to operating activities	16,362,676.23	28,898,830.24	-12,536,154.01	43.38%	Mainly, decrease of refund of matured security deposits and current accounts
Taxes paid	7,709,900.98	13,350,392.74	-5,640,491.76	42.25%	Decrease of paid taxes
Cash payments relating to other operating activities	46,071,921.25	29,178,545.00	16,893,376.25	57.90%	Increase of purchased wealth management products and borrowings
Cash paid to acquire fixed assets, intangible assets and other long-term assets	763,987.87	5,617,724.32	-4,853,736.45	-86.40%	Having not purchased fixed assets in bulk in the period
Cash received from acquisition of borrowings	3,000,000.00	-	3,000,000.00	100.00%	Increase of borrowings from banks in the period
Cash paid to repay the liabilities	2,000,000.00	-	2,000,000.00	100.00%	Repaying borrowings from banks



Chapter 8 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.



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