



INTERIM REPORT 2015



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 thirteen meeting of the seventh session of the Board held on 17 August 2015.

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 2015 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.

The announce is made pursuant to the second paragraph of Rule 13.48 and Appendix 16 in the Rules Governing the listing of Securities on the Stock Exchange of Hong Kong Ltd.

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 A 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 (if any)	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, Bayuquan District, Yingkou City, Liaoning Province, the PRC (Postcode: 115009)	No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC (Postcode: 115009)
Tel	0417-6897566	0417-6897567
Fax	0417-6897565	0417-6897565
Email	nee@nee.com.cn	nemm585@sina.com



2.3 Joint company secretary and authorized representative for receipt of summons and notices in Hong Kong

Authorized representative	Chan Yiping
Tel	852-25299399
Address	Room 801-803 8/F, Beverly House 93-107 Lockhart Road, Wan Chai Hong Kong

2.4 The newspaper and website for information disclosure

PRC newspapers for information disclosure	"Securities Times"
Website containing the report and announcement	www.cninfo.com.cn www.hkexnews.hk
Company website	www.nee.com.cn
Place for inspection of the report	Office of the Board of Directors

2.5 The registration 's information of company

Date of the Company's first registration	16 February 1993
Registered address	No. 18, North Er Zhong Road, Tiexi District, Shenyang, Liaoning Province, the PRC
Date of the Company's latest change of registration	9 May 2011
Registered address	No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC
Registered number of corporate legal person business licence	210100402002708
Registered taxation number	210804243437397

Chapter 3 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 of last year
Operating revenues (RMB)	65,447,827.32	70,527,484.97	-7.20%
Net profits attributable to shareholders of listed company (RMB)	-1,561,312.66	-1,780,185.14	-12.29%
Net profits attributable to shareholders of listed company after extraordinary items (RMB)	-1,607,153.15	-1,814,273.38	-11.42%
Net cash flows arising operating activities (RMB)	-28,972,483.81	-25,964,240.26	11.59%
Basic earnings per share (RMB/Share)	-0.0018	-0.0021	-14.29%
Diluted earnings per share (RMB/Share)	-0.0018	-0.0021	-14.29%
Weighted average return on net assets	-0.55%	-0.63%	Increase 0.08 percentage
	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)	492,617,945.71	482,595,791.02	2.08%
Net assets attributable to shareholders of listed company (RMB)	284,589,558.82	286,188,311.72	-0.56%

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)	60,470.10	Profit on disposal of fixed assets
Profit and loss from debt restructuring	-35,200.00	loss from debt restructuring
Other non-operating income and expense other than the above items	20,570.39	--
Total	45,840.49	

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		95,447				
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	29.43%	256,995,998	0		
New Northeast ElectricInvestments Co., Ltd.	Domestic non-state owned legal person	9.33%	81,513,872	19,022	Pledged	50,000,000
Xia Chongyang	Domestic natural person	0.85%	7,380,000			
Zhang Jisong	Domestic natural person	0.48%	4,154,976			
Mou Xiuqing	Domestic natural person	0.42%	3,700,000			
Shenzhen Zhongda Software Development Co., Ltd.	Domestic non-state owned legal person	0.41%	3,550,000	3,550,000		
Xu Kaidong	Domestic natural person	0.29%	2,513,215			
Hu Li	Domestic natural person	0.25%	2,166,760		Pledged	1,539,599
Yang Ping	Domestic natural person	0.25%	2,164,400			
Yuan Donghong	Domestic natural person	0.24%	2,090,000			

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 carried out the registration of stocks with Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 31 March 2015. And its 50,000,000 A shares not subject to trading moratorium have been frozen since 31 March 2015.*
During the period from the date of 1 November 2010 to 10 June 2015, New Northeast Electric Investments Co., Ltd., by applying a centralized auction and bulk transactions in Shenzhen Stock Exchange, cumulatively reduced 130,513,778 shares not subject to trading moratorium, and currently holds 81,513,872 shares of the Company, accounting for 9.333% of general share capital of the Company.
- 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 2015, the Company did not issue any convertible securities, options, warrants or any other similar right.
- 7) *During the reporting period, there was no change in the share capital.*

3.4 Changes in controlling shareholders and De Facto controller: None.



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. Please refer to Annual Report 2014 for details.

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

- (1) On 2 March 2015, the Board the Company received the resignation application of Mr. Dong Liansheng, the executive director of the Company. Due to personal reasons, Mr. Dong Liansheng requested to quit the position of supervisor. The resignation of Mr. Dong Liansheng shall come into force since the date of 4 May 2015.
- (2) As approved by the Meeting of Shareholders Committee held on 4 May 2015, Mr. Zhu Xinguang was nominated as a candidate for a supervisor 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 2014 held on 4 May 2015 (please refer to the announcement dated 4 May 2015 for details).

4.3 Interest of directors, supervisors and senior management

As at 30 June 2015, 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 REPORT OF THE DIRECTORS

During the reporting period, the demand for power equipment investment drops a bit and the industrial growth is still under pressure due to the macroeconomic weakness, slow growth in electricity demand and other factors. In face of a complex and volatile business environment, the board of directors and management of the Company, on a basis of sound operation, actively responded to the challenges to achieve a stable and healthy development.

5.1 Analysis of principal businesses

(1) Summary

During the reporting period, the operating incomes of the Company amounted to RMB 65,450,000, with an decrease of 7.2 % compared with the same period last year, the operating profits amounted to RMB-1,300,000, and the net profits attributable to shareholders of the Company delivered RMB-1,560,000, nearly the same as the same period last year.

(2) During the reporting period, the main operation and management conditions are as follows:

1. The operating revenue fell by 7.2% year on year, and the consolidated gross profit margin of the products fell by 1.48% year on year, while the operating income rose steadily.
The slightly declined operating revenue is mainly due to the fierce price competition in the industry and a slowdown in the delivery of the orders.
The steadily risen operating income is mainly due to the strengthened cost control and financial management.
2. The technology, manufacturing and other sectors are constantly improved to meet the market demand and to provide customers with support and services in every aspects.
3. Adhere to product and technological innovation, enrich the varieties of the existing products, implement the R&D of reactive power compensation device for wind power generation and compact assembling power capacitor and other products, so as to reserve the relevant technologies. The quality of the current products should be constantly improved to meet the customers' requirements.
4. Continually implement transformation in technology and purchase the automatic rolling equipment with high-voltage power capacitors to meet the manufacturing needs, which can ease the bottleneck problem for the end-users of the capacitor products. The renovation and transformation of the enclosed bus production equipment is performed normally and orderly.



5.2 Operation of the Company during the reporting period

1. 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	65,388,863.20	47,496,180.95	27.36%	-7.26%	-5.32%	Decrease 1.49 percentage
By product						
Enclosed busbar	17,533,785.74	12,648,953.12	27.86%	-28.20%	-26.11%	Decrease 2.04 percentage
Power capacitor	42,990,817.65	33,869,791.93	21.22%	-6.72%	2.49%	Decrease 7.08 percentage
High-voltage switches	1,289,914.52	977,435.90	24.22%	--	--	--
By region						
Northeast	37,327,737.72	26,898,172.02	27.94%	-11.26%	-10.10%	Decrease 0.93 percentage
North China	1,578,636.74	1,189,437.90	24.65%	-84.18%	-82.75%	Decrease 6.23 percentage
Central China	8,454,427.18	6,207,888.83	26.57%	223.76%	231.54%	Decrease 1.73 percentage
East China	11,925,140.73	8,226,308.36	31.02%	162.61%	191.49%	Decrease 6.83 percentage
South China	2,856,333.07	2,422,111.17	15.20%	-39.91%	-25.77%	Decrease 16.16 percentage
Southwest	7,863.25	5,773.80	26.57%	-99.88%	-99.89%	Increase 8.71 percentage
Northwest	3,238,724.51	2,546,488.87	21.37%	100,948.15%	110,704.59%	Decrease 6.93 percentage

2. The top five customs

No.	Name	Sales (RMB)	Percentage over the reporting period total amount of sales
1	Yingkou Hongyue Machining Co.,Ltd.	14,478,136.71	22.12%
2	Yingkou Chongzheng Electric Equipment Co.,Ltd.	9,824,096.81	15.01%
3	STATE GRID Corporation of China	8,180,640.00	12.50%
4	Shenyang Kaidi Insulation Technology Co.,Ltd.	7,064,546.85	10.79%
5	Shenhua Guohua Shouguang Power Generation Company Limited	5,594,358.97	8.55%
Total	--	45,141,779.34	68.97%

3. the top five suppliers

No.	Name	Purchase (RMB)	Percentage over the reporting period total amount of purchase
1	Dandong Changxing Electric Appliance Co., Ltd.	6,428,846.15	11.04%
2	Sichuan Dongfang Insulation Materials Co., Ltd.	3,612,775.38	6.20%
3	Shenyang Taihua Copper Co., Ltd.	3,480,132.41	5.97%
4	Hangzhou Hansheng Technology Co., Ltd.	3,233,423.08	5.55%
5	Tianjin Jinnan Xinyida Metal Mesh Factory	3,113,649.03	5.35%
Total	--	19,868,826.05	34.11%



5.3 Analysis of core competitiveness

After years of improvement in product quality, brand culture, research and development capability, process technology, management services, marketing and many other aspects, the Company has certain advantages and is competent in the industry. The advantages and competence are as follows: 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 processing level; sound internal control system and standardized corporate administration; good financing platform and well-imaged in the capital market.

The Company implemented technological transformation actively during the reporting period. The technological transformation projects have been completed, which effectively enhanced the performance and quality of the company's products, improved production efficiency and production capacity and enhanced the overall competitiveness of the company's products.

5.4 Analysis of investment

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

Unit: RMB

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	178,426,029.61	82,660,189.19	0.00	-266,585.64	-266,585.64
Great Talent Technology Limited	Subsidiary	Investment	Investments	One USD	82,806,255.31	-74,702.70	0.00	-5,689.93	-5,689.93
Northeast Electric (Beijing) Limited	Subsidiary	Sales	High voltage switches	RMB 2,000,000.0	68,624,162.21	-2,259,473.26	1,289,914.52	-95,348.98	-95,348.98
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Manufacturing and sales	Electrical equipment	RMB 1,000,000.0	159,351,233.94	-6,881,607.70	0.00	-486,725.15	-438,555.05
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	manufacturing	Enclosed busbars	8,500,000 USD	101,754,541.15	63,216,480.33	17,533,785.74	-1,035,589.54	-1,035,589.54
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	manufacturing	Power capacitor	15,450,000 USD	216,021,281.90	157,773,524.29	46,185,706.59	1,194,864.93	885,174.24
Jinzhou Jinrong Electric Co., Ltd.	Subsidiary	manufacturing	Dry-type capacitor	RMB 3,000,000.0	1,766,785.16	1,410,272.50	0.00	-8,145.35	-8,145.35
Great Power Technology Limited	Investee company	investment and trading	Investment and trading	12,626 USD	185,853,271.97	185,740,054.57	0.00	0.00	0.00
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	Investee company	manufacturing	Switches Controlling Equipment	168,000,000 USD	3,080,992,895.61	894,744,152.33	850,334,178.85	-19,882,152.14	-19,286,791.84



(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: None.

5.5 Financial position and operating results during the reporting period

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	65,447,827.32	70,527,484.97	-7.20%	Decrease in the current implementation of contracts
Costs of sales	47,535,145.07	50,178,622.09	-5.27%	Decrease in incomes
Selling expenses	7,337,162.78	7,634,918.06	-3.90%	Achievements in control expenses
Administrative expenses	12,005,319.07	13,818,217.41	-13.12%	Achievements in control expenses
Finance expenses	193,002.91	14,155.56	1,263.44%	Decrease in interest incomes
Income tax expenses	307,358.08	231,611.51	32.70%	Increase in current profits
Net cash flow from operating activities	-28,972,483.81	-25,964,240.26	11.59%	Increase in acquisitions
Net cash flow from investing activities	-27,061,230.46	-63,987.87	42,191.19%	Increase in short-term financing
Net cash flow from financing activities	-336,983.73	669,412.86	-150.34%	Increase in loans
Net increase in cash and cash equivalents	-56,370,698.00	-25,358,815.27	120.60%	Increase in acquisitions

5.6 Prospect of the Company's future development

Being confronted with the complex and volatile business environment, all members of the Company hold a firm confidence, focus on the annual business objectives and work tasks, and strive to complete the annual given tasks. Work should be implemented from the following aspects:

1. To strengthen the operation of the marketing system, systematically control the product sale information, and timely give feedbacks and solve various problems occur at the scene, so as to meet the growing new needs of users.
2. To Strengthen and improve the overall budget system, to enhance the overall budget management level, so as to give full play to the strategic security and risk control functions of budget.
3. To focuses on the business and technology development; the management should perform hurtling plans and deployments to co-ordinate technology, products, investments, personnel and business development, so as to ensure the profitability and sustainable development of the company.
4. To enhance external strategic cooperation. Based on a long-term and win-win cooperation strategy, the management should enhance a management of suppliers with good quality, improve the overall supplier quality and delivery levels, so as to improve the cost competitiveness.

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 RMB86,280,000.

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 1.83% of the total assets. These bank loans bear fixed and floating interest rates.

The debt equity ratio of the Company was 3.16% (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 RMB8,460,000 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.

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 2015, the number of employees on the payroll of the company was 534, compared with 554 in 2014. 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-1,561,312.66, and the accrued profit distributable to shareholders at the end of the period was RMB-1,544,085,556.45. 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 2015.

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 18.64% of the audited net assets of the Company for 2014.

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 18.59% of the audited net assets of the Company for 2014 (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 RMB 5 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 2015 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 2015, 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 2015.

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 2015.

At the meeting held on 17 August 2015, the Audit Committee reviewed and approved the 2015 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 17 June to 17 August 2015).

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

None

6.21 Subsequent events

None



Chapter 7 FINANCIAL REPORTS (PREPARED UNDER THE PRC GAAP)

I. Financial Statements

1. CONSOLIDATED BALANCE SHEET (30 June 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Closing Balance	Opening Balance
Current Assets:			
Cash and deposits	1	86,277,818.86	124,218,516.86
Financial asset designated to be measured by fair value and which change is recorded in current incomes		-	-
Trading financial assets		-	-
Notes Receivable	2	350,000.00	2,300,000.00
Accounts Receivable	3	136,624,741.19	123,555,550.88
Prepayment	4	8,331,857.37	8,736,075.46
Interest Receivable		252,000.00	-
Dividend		-	-
Other Receivable	5	9,660,739.67	7,977,176.93
Inventory	6	46,764,079.00	33,991,443.14
Assets held for sale		-	-
Non-current asset due within 1 year	7	3,264.42	33,874.27
Other current asset	8	25,532,081.39	1,044,995.24
Total current assets		313,796,581.90	301,857,632.78
Non-current Assets:			
Financial assets available for sale	9	65,895,702.30	65,914,483.62

1. CONSOLIDATED BALANCE SHEET (30 June 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Closing Balance	Opening Balance
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments	10	38,621,198.17	38,633,931.35
Investment in real estate		-	-
Fixed Assets	11	59,150,311.23	62,214,706.66
Construction in progress	12	1,581,196.58	302,416.04
Material - construction		-	-
Liquidation of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible Assets	13	4,132,444.25	4,200,189.29
Development expenditures		-	-
Goodwill		-	-
Long-term deferred expenses	14	183,280.00	215,200.00
Deferred tax assets	15	9,257,231.28	9,257,231.28
Other non-current assets		-	-
Total non-current assets		178,821,363.81	180,738,158.24
Total Assets		492,617,945.71	482,595,791.02
Current Liabilities:			
Short-term Borrowings	18	9,000,000.00	9,000,000.00
Financial Liabilities designated to be measured by fair value and which change is recorded in current incomes			-
Trading financial liabilities			
Notes Payable	19	18,430,000.00	-

**1. CONSOLIDATED BALANCE SHEET (30 June 2015) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Closing Balance	Opening Balance
Accounts Payable	20	61,596,333.72	64,400,948.54
Receipts in advance	21	7,417,028.65	8,342,234.23
Employee compensation	22	2,544,249.28	2,464,590.18
Taxes Payable	23	809,103.68	1,943,688.03
Interest Payable			-
Dividends	24	40,017.86	40,017.86
Other Payables	25	47,043,968.03	49,065,850.82
Liabilities held for sale			-
Non-current liabilities due within 1 year			-
Other Liabilities			-
Total current liabilities		146,880,701.22	135,257,329.66
Non-current liabilities:			
Long-term Borrowings			-
Bonds Payable			-
Incl: Premium			
Perpetual			
Long-term Payables			-
Long-term Payable - Salaries&Benefits			-
Special Payables			-
Estimated Liabilities	26	60,721,078.25	60,721,078.25
Deferred Revenue			-
Deferred Liabilities - Income Tax			-
Other Non-Current Liabilities			-
Total Non-Current Liabilities		60,721,078.25	60,721,078.25

1. CONSOLIDATED BALANCE SHEET (30 June 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Closing Balance	Opening Balance
Total Liabilities		207,601,779.47	195,978,407.91
Shareholders' Equity:			
Share Capital	27	873,370,000.00	873,370,000.00
Other Equity Instruments			-
Incl: Premium			-
Perpetual			-
Capital reserve	28	883,422,403.92	883,422,403.92
Less: Treasury Stock			-
Other Comprehensive Income	29	-36,704,413.05	-36,666,972.81
Special Reserve			-
Surplus Reserve	30	108,587,124.40	108,587,124.40
Provision for general risk			-
Accumulated losses	31	-1,544,085,556.45	-1,542,524,243.79
Total equity attributable to the equity holders of the Company		284,589,558.82	286,188,311.72
Minority interests		426,607.42	429,071.39
Total shareholders' equity		285,016,166.24	286,617,383.11
Total liabilities and shareholders' equity		492,617,945.71	482,595,791.02

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

**2. CONSOLIDATED INCOME STATEMENT (Jan~Jun 2015)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Amount for the current period	Amount for the previous period
I. Total Operating Income		65,447,827.32	70,527,484.97
Incl.: Sales	32	65,447,827.32	70,527,484.97
II. Total Operating Cost		67,311,999.29	72,136,142.08
Incl.: Cost of Sales	32	47,535,145.07	50,178,622.09
Taxes & Surcharges	33	241,369.47	490,228.95
Expenses of Sales	34	7,337,162.78	7,634,918.06
Administrative expenses	35	12,005,319.07	13,818,217.41
Finance expenses	36	193,002.91	14,155.56
Assets Impairment loss			
Plus: Income of fair value variance (loss is posed as "-")			
Return on investments (loss is posed as "-")	37	561,912.93	-6,283.13
Including.: return on investments to associates and related parties			
III. Operational Profit (Loss is posed as "-")		-1,302,259.04	-1,614,940.24
Plus: Non-operating income	38	81,040.49	90,106.07
Including: income of disposal of non-current assets		60,470.49	74,059.43
Less: Non-operating expenses	39	35,200.00	56,017.83
Including: loss of disposal of non-current assets			
IV. Total Profit (Total loss is posed as "-")		-1,256,418.55	-1,580,852.00
Less: Income tax expenses	40	307,358.08	231,611.51
V. Net Profit (Net loss is posed as "-")		-1,563,776.63	-1,812,463.51
Net profit attributable to equity holders of the Company		-1,561,312.66	-1,780,185.14
Minority interests		-2,463.97	-32,278.37
VI. Net Other Comprehensive Income after tax	29	-37,440.24	7,794,922.44
Total Comprehensive Income Attributable to the Equity Holders of the Company			

2. CONSOLIDATED INCOME STATEMENT (Jan~Jun 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Amount for the current period	Amount for the previous period
(I) Other Comprehensive Income not to be re-categorized into Profit & Loss			
1. Remeasurement of Net Liabilities/Assets Variance of Defined Benefit Plans			
2. Shares of Other Comprehensive Income not to be re-categorized into Profit & Loss from invested Parties by Equity Methods			
(II) Other Comprehensive Income to be re-categorized into Profit & Loss		-37,440.24	7,794,922.44
1. Shares of Other Comprehensive Income to be re-categorized into Profit & Loss from invested Parties by Equity Methods			
2. Profit/Loss in fair value of available-for-sale financial assets			
3. Profit/Loss of held-to-maturity investments in re-categorized available-for-sale financial assets			
4. Effective portion of Profit/Loss from Cash Flow Hedge			
5. Differences of Exchange for Foreign Currency Report		-37,440.24	7,794,922.44
Net After-tax Comprehensive Income Attributable to Minority Interests			
VII. Total Comprehensive Income		-1,601,216.87	5,982,458.93
Total Comprehensive Income Attributable to the Equity Holders of the Company		-1,598,752.90	6,014,737.30
Total Comprehensive Income Attributable to the Minority Interests of the Company		-2,463.97	-32,278.37
VIII. Earnings per share			
(I) Basic earnings per share		-0.0018	-0.0021
(II) Diluted earnings per share		-0.0018	-0.0021

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

**3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2015)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities			
Cash received from sales of goods or rendering of services		62,812,509.37	81,972,219.58
Tax refunds received			
Cash received from other operating activities	42(1)	5,241,794.26	15,662,676.23
Sub-total of cash inflows from operating activities		68,054,303.63	97,634,895.81
Cash paid to goods purchased and labor service received		58,247,727.50	57,096,621.50
Cash paid to and for employees		11,902,037.95	12,720,692.34
Payments of taxes and surcharges		4,174,725.96	7,709,900.98
Cash payments to other operating activities	42(2)	22,702,296.03	46,071,921.25
Sub-total of cash outflows for operating activities		97,026,787.44	123,599,136.07
Net Cash Flow from operating activities		-28,972,483.81	-25,964,240.26
II. Cash flow from investing activities			
Cash from disinvestments		28,000,000.00	
Cash received from return of investments		309,912.93	
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 from investing activities		28,309,912.93	700,000.00
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		2,371,143.39	763,987.87
Cash paid for investment		53,000,000.00	
Net cash paid for subsidiaries and other operating units			

3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Note VI	Amount for the current period	Amount for the previous period
Cash paid relating to other investing activities			
Sub-total of cash outflows		55,371,143.39	763,987.87
Net Cash Flow from investing activities		-27,061,230.46	-63,987.87
III. Cash flow from financing activities			
Cash received by absorbing investment			
Incl: cash received by subsidiaries from minority shareholders			
Cash received from borrowings		3,000,000.00	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	3,000,000.00
Cash paid for repayments of debts		3,000,000.00	2,000,000.00
Cash paid for distribution of dividends, profits and interest		336,983.73	330,587.14
Incl: cash paid by subsidiaries to minority shareholders			
Cash paid relating to other financing activities			
Sub-total of cash outflows		3,336,983.73	2,330,587.14
Net Cash Flow from financing activities		-336,983.73	669,412.86
IV. Effect of change of foreign currency rates on cash and cash equivalents			
V. Net increase of cash and equivalent		-56,370,698.00	-25,358,815.27
Plus: Balance of cash and equivalent at beginning of period		124,218,516.86	107,965,560.91
VI. Balance of Cash and equivalent by end of period		67,847,818.86	82,606,745.64

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

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period											Total Shareholder' Equity	
	Shareholders' Equity attributable to shareholders of Parent Company												
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses		Minority Interests
		Premium	Perpetual	Others									
2. Extraction provision for general risk													
3. Distribution to shareholders													
4. Others													
(IV) Transfer within equity													
1. Transfer-in from capital reserves													
2. Transfer-in from surplus reserves													
3. Loss covered by surplus reserves													
4. Other													
(V) Special reserves													
1. Extraction of the special reserves													
2. Usage of the special reserves													
(VI) Others													
IV. Balance at end of Perio	873,370,000.00			883,422,403.92		-36,704,413.05	108,587,124.40	-1,544,085,556.45	426,607.42	285,016,166.24			

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year											Total Shareholder' Equity	
	Shareholders' Equity attributable to shareholders of Parent Company												
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses		Minority Interests
		Premium	Perpetual	Others									
2. Extraction provision for general risk													
3. Distribution to shareholders													
4. Others													
(IV) Transfer within equity													
1. Transfer-in from capital reserves													
2. Transfer-in from surplus reserves													
3. Loss covered by surplus reserves													
4. Other													
(V) Special reserves													
1. Extraction of the special reserves													
2. Usage of the special reserves													
(VI) Others													
IV. Balance at end of Period	873,370,000.00			883,422,403.92		-36,666,972.81		108,587,124.40		-1,542,524,243.79	429,071.39	286,617,383.11	

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

**5. COMPANY BALANCE SHEET (30 June 2015)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Closing Balance	Opening Balance
Current Assets:			
Cash and deposits		18,833.80	21,532.17
Financial asset designated to be measured by fair value and which change is recorded in current incomes			-
Trading financial assets			-
Notes Receivable			-
Accounts Receivable	1	7,508,886.88	10,443,950.96
Prepayment			-
Interest Receivable			-
Dividend			-
Other Receivable	2	343,707,391.30	353,177,765.95
Inventory			-
Assets held for sale			-
Non-current asset due within 1 year			-
Other current asset			-
Total current assets		351,235,111.98	363,643,249.08
Non-current Assets:			
Financial assets available for sale			-
Held-to-maturity investments			-
Long-term receivables			-
Long-term equity investments	3	90,413,551.10	90,413,551.10
Investment in real estate			-
Fixed Assets		72,646.79	81,148.52
Construction in progress			-
Material - construction			-

5. COMPANY BALANCE SHEET (30 June 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Closing Balance	Opening Balance
Liquidation of fixed assets			-
Productive biological assets			-
Oil and gas assets			-
Intangible Assets			-
Development expenditures			-
Goodwill			-
Long-term deferred expenses			-
Deferred tax assets			-
Other non-current assets			-
Total non-current assets		90,486,197.89	90,494,699.62
Total Assets		441,721,309.87	454,137,948.70
Current Liabilities:			
Short-term Borrowings			-
Financial Liabilities designated to be measured by fair value and which change is recorded in current incomes			-
Trading financial liabilities			-
Notes Payable			-
Accounts Payable		6,666,180.00	9,347,196.00
Receipts in advance		665,000.00	665,000.00
Employee Compensation		8,440.44	8,440.44
Taxes Payable		30,989.00	163,478.89
Interest Payable			-
Dividends			-
Other Payables		78,308,224.96	87,312,321.52
Liabilities held for sale			-

**5. COMPANY BALANCE SHEET (30 June 2015) (Continued)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Closing Balance	Opening Balance
Non-current liabilities due within 1 year			-
Other Liabilities			-
Total current liabilities		85,678,834.40	97,496,436.85
Non-current liabilities:			
Long-term Borrowings			-
Bonds Payable			-
Incl: Premium			-
Perpetual			-
Long-term Payables			-
Long-term Payable - Salaries&Benefits			-
Special Payables			-
Estimated Liabilities		60,721,078.25	60,721,078.25
Deferred Revenue			-
Deferred Liabilities - Income Tax			-
Other Non-Current Liabilities			-
Total Non-Current Liabilities		60,721,078.25	60,721,078.25
Total Liabilities		146,399,912.65	158,217,515.10
Shareholders' Equity:			
Share Capital		873,370,000.00	873,370,000.00
Other Equity Instruments			-
Incl: Premium			-
Perpetual			-
Capital reserve		979,214,788.45	979,214,788.45
Less: Treasury Stock			-
Other Comprehensive Income			-

5. COMPANY BALANCE SHEET (30 June 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Closing Balance	Opening Balance
Special Reserve			-
Surplus Reserve		108,587,124.40	108,587,124.40
Provision for general risk			-
Accumulated losses		-1,665,850,515.63	-1,665,251,479.25
Total shareholders' equity		295,321,397.22	295,920,433.60
Total liabilities and shareholders' equity		441,721,309.87	454,137,948.70

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

**6. COMPANY INCOME STATEMENT (Jan~Jun 2015)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Amount for the current period	Amount for the previous period
I. Total Operating Income	4	4,012,765.76	
Less: Cost of Sales	4	3,574,345.29	
Taxes & Surcharges		4,909.80	
Expenses of Sales			
Administrative expenses		1,031,676.52	960,482.67
Finance expenses		870.53	1,054.69
Assets Impairment loss			
Plus: 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 "-")		-599,036.38	-961,537.36
Plus: Non-operating income			
Incl: income of disposal of non-current assets			
Less: Non-operating expenses			
Incl: loss of disposal of non-current assets			
III. Total Profit (Total loss is posed as "-")		-599,036.38	-961,537.36
Less: Income tax expenses			
IV. Net Profit (Net loss is posed as "-")		-599,036.38	-961,537.36
V. Net Other Comprehensive Income after tax			
(I) Other Comprehensive Income not to be re-categorized into Profit & Loss			
1. Remeasurement of Net Liabilities/Assets Variance of Defined Benefit Plans			

6. COMPANY INCOME STATEMENT (Jan~Jun 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Amount for the current period	Amount for the previous period
2. Shares of Other Comprehensive Income not to be re-categorized into Profit & Loss from invested Parties by Equity Methods			
(II) Other Comprehensive Income to be re-categorized into Profit & Loss			
1. Shares of Other Comprehensive Income to be re-categorized into Profit & Loss from invested Parties by Equity Methods			
2. Profit/Loss in fair value of available-for-sale financial assets			
3. Profit/Loss of held-to-maturity investments in re-categorized available-for-sale financial assets			
4. Effective portion of Profit/Loss from Cash Flow Hedge			
5. Differences of Exchange for Foreign Currency Report			
VI. Total Comprehensive Income		-599,036.38	-961,537.36

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

**7. COMPANY CASH FLOW STATEMENT (Jan~Jun 2015)**

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities			
Cash received from sales of goods or rendering of services		7,630,000.00	
Tax refunds received			
Cash received from other operating activities		12,652,642.41	5,732,327.48
Sub-total of cash inflows from operating activities		20,282,642.41	5,732,327.48
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		6,863,000.00	
Cash paid for investment		82,552.12	64,779.53
Net cash paid for subsidiaries and other operating units		135,752.21	79,378.19
Cash paid relating to other investing activities		13,204,036.45	5,583,712.82
Sub-total of cash outflows		20,285,340.78	5,727,870.54
Net Cash Flow from investing activities		-2,698.37	4,456.94
II. Cash flow from investing activities			
Cash from disinvestments			
Cash received from return of 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 from investing activities			
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 for subsidiaries and other operating units			

7. COMPANY CASH FLOW STATEMENT (Jan~Jun 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Note XV	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			
Incl: cash received by subsidiaries from minority shareholders			
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			
Incl: cash paid by subsidiaries to minority shareholders			
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 equivalent		-2,698.37	-481.06
Plus: Balance of cash and equivalent at beginning of period		21,532.17	19,189.62
VI. Balance of Cash and equivalent by end of period		18,833.80	18,708.56

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

8. COMPANY STATEMENT OF CHANGES IN EQUITY (30 June 2015) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the current period										Total Shareholders' Equity	
	Capital	Other Equity Instruments		Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses		
		Premium	Perpetual									Others
2. Extraction provision for general risk												
3. Distribution to shareholders												
4. Others												
(IV) Transfer within equity												
1. Transfer-in from capital reserves												
2. Transfer-in from surplus reserves												
3. Loss covered by surplus reserves												
4. Other												
(V) Special reserves												
1. Extraction of the special reserves												
2. Usage of the special reserves												
(VI) Others												
IV. Balance at end of Period	873,370,000.00			979,214,788.45				108,587,124.40		-1,665,850,515.63	295,321,397.22	



8. COMPANY STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year										Total Shareholders' Equity
	Capital	Other Equity Instruments		Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses	
		Premium	Perpetual								
I. Balance carried from last year	873,370,000.00	-	-	-	979,214,788.45	-	-	108,587,124.40	-	-1,665,096,871.42	296,075,041.43
Plus: Changes in accounting policies											-
Corrections to previous errors											-
Others											-
II. Balance at beginning of year	873,370,000.00				979,214,788.45	-	-	108,587,124.40	-	-1,665,096,871.42	296,075,041.43
III. Changes in the year (loss is "-")	-	-	-	-	-	-	-	-	-	-154,607.83	-154,607.83
(I) Total Comprehensive Income										-154,607.83	-154,607.83
(II) Increase/Decrease of Capital from Shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Common Shares											-
2. Other Equity Instrument											-
3. Shares paid taken into Shareholder's Equity											-
4. Others											-
(III) Distribution of profit	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves											-

8. COMPANY STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) (Continued)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Item	Amount for the previous year											Total Shareholders' Equity
	Capital	Other Equity Instruments		Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses	Total Shareholders' Equity	
		Premium	Perpetual									
2. Extraction provision for general risk												-
3. Distribution to shareholders												-
4. Others												-
(IV) Transfer within equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves												-
2. Transfer-in from surplus reserves												-
3. Loss covered by surplus reserves												-
4. Other												-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of the special reserves												-
2. Usage of the special reserves												-
(VI) Others												-
IV. Balance at end of Period	873,370,000.00	-	-	-	-	979,214,788.45	-	-	108,587,124.40	-1,665,251,479.25	295,920,433.60	

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

7.4 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	None	
Business tax	VAT and business tax payable	5%
Urban construction & maintenance tax	VAT and business tax payable	5%, 7%
Corporate income tax	Taxable income	25%
extra charges of education funds	VAT and business tax payable	3%, 5%

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)	-1,561,312.66	-1,780,185.14

**(4) Earnings per share**

	The reporting period	The same period last year
Basic earnings per share (RMB/Share)	-0.0018	-0.0021
Diluted earnings per share (RMB/Share)	-0.0018	-0.0021

(5) Dividends

No dividends was paid or proposed for the six months ended 30 June 2015 (or for the six months ended 30 June 2014: None), 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 2015, the Company did not have any material contingent liabilities.

II. Auditor's Report

The Company's interim financial statements are not audited, but have been reviewed and approved by the board of directors.

III. Company Overview

1. History of the Company

Northeast Electric Development Co., Ltd. (formerly known as Northeast Electricity Transmitting & Transformation Machinery Manufacturing Ltd.) ("the Company" or "Company") is a company limited by shares established by directed placement initiated by the Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited ("NET"), which approved by the Shenyang Corporate System Reformation Committee under approval: Shen Ti Gai Fa [1992]81. The company was officially founded on 18 February 1993 with 824.54 million shares which were adjusted to 585.42 million shares in 1995. In 1995, the company issued 257.95 million of H-shares in Hong Kong and was listed on the Hong Kong Stock Exchange on 6 July 1995. In the same year the company issued 30 million of A-shares in a public offering and was listed on the Shenzhen Stock Exchange on 13 December 1995.

Business license registration number: 210100402002708; Registered capital: RMB 873,370,000.00; Legal representative: Su Wei Guo; Business address: No.1 Xin Tai Road, Bayuquan District, Yingkou, Liaoning Province.

2. Principal Industry

Electrical machinery and equipment manufacturing industry.

3. Business scope

The company engages in production and sales of power transmission equipment and related accessories, provision of relevant after-sale services, and provision of power transmission technology developing, consulting, transferring and testing services.

4. Main products

Main products of the company are enclosed switchgear, high-voltage switch gear, 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 are approved in the meeting of the board of directors on 17 August 2015.

7. Scope of consolidation

All holding subsidiaries of the Company are consolidated.

IV. Basis of preparation of financial statements

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” - issued by Decree No.33 of the Ministry of Finance, amended by Decree No.28 of the Ministry of Finance - and 41 Specific Accounting Standards issued by the Ministry of Finance on 15 February 2006, and application guidelines, explanations and other relevant regulations which announced subsequently (together 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. Going concern

There are no events or situations causing significant doubts about the going concern consumption within 12 months since the end of the reporting period.

V. Significant accounting policies and accounting estimates

Reminder of specific accounting policies and accounting estimates

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” - issued by Decree No.33 of the Ministry of Finance, amended by Decree No.28 of the Ministry of Finance - and 41 Specific Accounting Standards issued by the Ministry of Finance on 15 February 2006, and application guidelines, explanations and other relevant regulations which announced subsequently (together 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.

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

The financial statements of the company for the year ended 30 June 2015 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 2015 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 are complied with the requirements of “Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2014 amendments)” issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and its accompanying notes.

2. Accounting period

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

3. Operating Cycle

A normal operating cycle starts from purchasing assets used to produce, and ends when cash or equivalent is realized. It's the Company's practice to set an operating cycle as 12 months, which is also the standard classification criteria for status of liquidity of both assets and liabilities.



4. Recording currency

The recording 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 recording 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 Combinations

Business combinations represent the consolidation of the transactions and events of two or more individual enterprises. Business combinations can be classified as business combination under common control and business combination 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 obtains the control of the other parties at the combination date is the acquiring party, other parties involve in the business combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquirer in a business combination shall be measured at their carrying amounts 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 capital 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 expense in the profit and loss at the period 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 obtains the control of the other parties at the combination date is the acquirer, other parties involve 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 including cash and non-cash assets, 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. For conditions that existed at the date of the acquisition and within 12 months of the acquisition date, when there are updated or new evidence which affect the fair value of the contingent assets and liabilities acquired or undertaken as consideration of the business combination, 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 at 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.

In relation to the deductible temporary difference acquired from the acquire which were not recognized as deferred tax assets due to non-fulfillment of the recognition criteria, for conditions that existed at the date of the acquisition and within 12 months of the acquisition date, when there are updated or new evidence that indicates future taxable profits will be available to utilize the deductible temporary differences, the relevant deferred tax assets shall be recognized and set-off against goodwill, when the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in profit or loss. Except for the above circumstances, deferred tax assets recognized in relation to business combination are recognized in profit or loss for the period.



For a business combination not involving enterprises under common control and achieved in stages, the company would determine whether the business combination shall be regarded as “a bundle of transactions” in accordance with “Interpretation 5 on Accounting Standards for Business Enterprises”(No. Caihui [2012] 19) and Rule 51 in “Decree 33, Accounting Standards for Business Enterprises - Consolidated Reports” (Refer to Note V 6(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 V 13 “Long term equity investment”; when the business combination is not regarded as “a bundle of transactions”, the accounting treatment for the business combination in company and 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. The other comprehensive income involved in the previously-held equity interest in the acquiree prior to the acquisition date are accounted on the same basis as the investee when disposing of their relative assets or liabilities (i.e. Except for the portion varied due to change of net liabilities or net assets under remeasurement of defined benefit plans, the rest are taken into the current Return on investment).

In the consolidated financial statements, the fair value of the previously-held equity interest in the acquiree is remeasured at the acquisition date, The difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income relating to the previously-held equity interest in the acquiree are accounted on the same basis as the investee when disposing of their relative assets or liabilities (i.e. Except for the portion varied due to change of net liabilities or net assets under remeasurement of defined benefit plans, the rest are taken into the current Return on investment).

6. Preparation method of consolidated financial statements

(1) Scope of consolidation

The consolidated scope of consolidated financial statements is determined based on the concept of control. Control is the power the Company has over the investee(s), that the Company enjoys variable return on investment by taking part in the investee's operating activities, and is able to affect the amount of return by using such power. The scope of consolidation includes the company and all of its subsidiaries. Subsidiaries are the entities controlled by the company.

(2) Preparation method of consolidated financial statements

Subsidiaries are consolidated from the date on which the company obtains control of their net assets and operating policies 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 and 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 individual 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 below 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 control to a subsidiary ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is remeasured at the date 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 acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income in relation to the subsidiary are accounted on the same basis as the investee when control cease (i.e. Except for changes due to net liabilities or net assets from such investee's re-measured defined benefits plan, the rest are reclassified as investment income during the period). Subsequent measurement of the remaining 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 V 13 "Long-term equity investments" or Note V 10 "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: (1) The transactions are entered into after considered the mutual consequences of each individual transaction; (2) The transactions needed to be considered as a whole in order to achieve a deal with commercial sense; (3) The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; (4) The result of an individual transaction is not economical, but it would be economical after taken 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 V 13 (2) (4)) 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 recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

7. Joint venture arrangement classification and relative accounting methods

Joint venture arrangement is the arrangement jointly controlled by two or more parties. The Company classifies such arrangement as joint-operation and joint venture according to the rights and obligations set out in the arrangement. Joint operation refers to the relative arrangement that the Company shares the assets as well as the liabilities of the invested entity. Joint venture refers to the arrangement that the Company shares only the net asset of the invested entity.

Equity method is adopted to accounted for investment in the joint ventures by the Company, details see Note IV.11.(2)②.

In Joint-operation, the Company recognize asset and liability singly held, and shared assets and liabilities pro rata shares in the invested entity by the Company. Income pro rata the Company's share in the joint operation production are recognized, as well as income from sales of products pro rata the Company's share in the joint operation. Moreover, expenses by the Company as well as shared expenses pro rata the Company's share are recognized.

When the Company, as a party in the joint operation, transfers or sells assets to, or purchase assets from the joint operation, only the relative profit or loss arising from such transaction attributable to other participating parties will be recognized by the Company before the relative asset is sold to a third party. If any loss occur due to such transaction and meet the criteria of <Accounting Standard for Business Enterprise No.8 - Impairment of assets>, the Company will recognize loss in full amount if it is the Company that transfers or sell assets to joint operation, and will recognize shared loss if it is the Company that purchase the assets from joint operation. (note: The transaction mentioned in this paragraph does not constitute a business transaction)



8. Definitions 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 transactions

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

(2) 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 recording 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 year, 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 recognized in other comprehensive income.

Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into the recording 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 recording currency using the spot rate on the date when fair value is determined and the resulting exchange differences will be recognized as in profit or loss or in other comprehensive income in the current year.

(3) 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 recognized as other comprehensive income under the item “exchange difference arising translation of foreign operations”, when the foreign operation is disposed, the exchange difference will be transferred to profit or loss during the period of disposal.

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 recognized as other comprehensive income. Such exchange difference listed under Shareholders’ Equity in Balance Sheet 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

A financial asset or financial liability is recognized when the Company becomes a party in the relative financial instrument contract. The financial asset or liability is measured by fair value when it's initially recognized. Transaction expenses of such financial asset or financial liability are accounted directly into Profit & Loss, when expenses of other types of financial instrument are classified in its initial recognized amount.

(1) Determination of fair value of financial assets and financial liabilities

Fair value is the amount at which the asset could be sold or an liability could be transferred between willing parties in an orderly transaction on a measurement date. The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. Quoted price in the active market represent quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency etc, which are the transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc.

(2) Classification, recognition and measurement of financial assets

Acquisition and disposal of financial assets in general are recognized and derecognized at the transaction dates. At initial recognition, financial assets can be classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The financial assets of initial recognition are accounted by fair value. In respect of the financial asset designated to be accounted by fair value and which change is recorded in the current profits & losses, the relevant transaction costs are directly recorded in the current profits & losses, while for any other financial asset, the relevant transaction costs are recorded in the initial recognition amount.

① Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and other financial assets which are designated to be measured in fair value at inception in which the changes in fair value are recognized in profit or loss.

Financial assets held for trading represents financial assets that met one of the following conditions:

- A. The purpose of obtaining the financial asset is for selling such asset in the short term;
- B. The assets was included in the portfolio of financial instruments which has objective evidence showing that the Company manages the portfolio so as to obtain short term gains;
- C. The assets is a derivative except for those derivatives which are designated as an effective hedging instrument, or are included in a financial guarantee contract, or are derivatives for which there are no quoted price in active market or the fair value of the underlying equity instruments cannot be measured reliably and the derivative have to be settled by delivering the underlying equity instrument.

Financial assets which met one of the following conditions can be designed as financial assets at fair value through profit or loss at inception:

- A. The designation can eliminate or substantially eliminate the inconsistencies between profit or loss from the financial assets arising from different measurement basis.
- B. The portfolio of financial assets and liabilities in which the financial asset belongs to are designated as measured at fair value in the risk management report or investment strategic report handed in to key management personnel.

Financial assets at fair value through profit or loss are subsequently measured at fair value. The gain or loss arising from fair value changes, dividend income and interest income arising from such financial assets are recognized in profit or loss.



(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to-maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

Held-to-maturity financial assets are subsequently measured using the effective interest method on the basis of amortized cost. The gain or loss on de-recognition, impairment or amortization are recognized in profit or loss.

Effective interest rate method means the amortized cost, periodic interest income or payment of financial assets or financial liabilities (including a portfolio of financial assets or financial liabilities) are calculated based the effective interest rate. Effective interest rate means the interest rate used for discounting the future expected cash flows of a financial asset or financial liability to its carrying amount.

When calculating the effective interest rate, the Company will estimate the future cash flows (except for considering loss arising from credit risk) of financial assets and liabilities based on all terms and conditions of the underlying contracts, at the same time considering the charges, transaction costs, discounts or premiums, etc paid or received by the parties involved in the financial assets or financial liabilities.

③ Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified by the Company as loans and receivables include bills receivable, accounts receivable, interest receivable, divided receivable and other receivables etc.

Loans and other receivables are subsequently measured at amortized cost using the effective interest rate method. The gain or loss arising from de-recognition, impairment or amortization are recognized in profit or loss in the current period.

④ Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments at initial recognition.

The closing cost of available-for-sale debt instruments are determined based on amortized cost method, which means the amount of initial recognition less the amount of principle already repaid, add or less the accumulated amortized amount arising from the difference between the amount due on maturity and the amount initially recognized using effective interest rate method, and less the amount of impairment losses recognized. The closing cost of available-for-sale equity instruments is equal to its initial acquisition cost.

Available-for-sale financial assets subsequently measured at fair value, the gains or losses arising from changes in fair value, except for impairment losses and exchange difference related to monetary financial assets and amortized cost which are recognized in Profit & Loss, are recognized as other comprehensive income and reclassified to Profit & Loss when the financial assets are de-recognized. However, subsequent measurement is calculated at cost for the equity instrument investment with no fair value quote or reliable measurement in the active market, and for those derivative financial assets linked with and settleable when deliver by such equity instrument.

The dividend income received or receivable when holding available- for-sale financial assets are recognized as investment income.



(3) Impairment of financial assets

The Company assesses the carrying amounts of financial assets other than those at fair value through 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 immaterial 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.

① Impairment losses on held-to-maturity investments and loans and receivables

Impairment loss is recognized 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 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 recognized shall be reversed. However the reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been if the impairment had not been recognized at the date when the impairment is reversed.

② Impairment losses on available-for-sale financial assets

If there are objective evidences shows the fair value of available-for-sale financial asset has a significant decline and this decline is not temporary, impairment loss shall be recognized. Significant decline means the relative fair value drops over 20% accumulatively. Non-temporary decline means the period when the relative fair value drops exceeds 12 months.

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

If there are objective evidences show 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 recognized shall be reversed, impairment losses recognized for equity instruments classified as available-for-sale are reversed through other comprehensive income, while impairment losses recognized for debt instruments classified as available-for-sale are reversed through current profit or loss.

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



(4) **Recognition and measurement on transfer of financial assets**

Financial assets shall be de-recognized when one of the following conditions is met:

- ① The contractual right for receiving cash flows from the financial asset is terminated;
- ② The financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee.
- ③ The financial asset is transferred; the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and the control over the financial asset is not ceased, the financial asset and the related financial liabilities should be recognized base on the degree of continuing involvement. The degree of continuing movement means the level of risks bore by the Company resulting from the change in value of the financial asset.

When the de-recognition criteria is met and the financial asset is wholly transferred, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

When the de-recognition criteria is met and the financial asset is partially transferred, the carrying amount of the financial asset transferred and retained should be apportioned based on fair value, the difference between the carrying amount of the transferred portion and the sum of the consideration received and the cumulative changes in fair value of the transferred portion that had been recognized directly in equity and the apportioned carrying amount, is recognized in profit or loss.

For financial assets that are transferred with recourse or endorsement, the Company need to determined whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognized. If the risk and rewards of ownership of the financial asset have been retained, the financial assets shall not be de-recognized. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall assess whether the control over the financial asset is retained, and the financial assets shall be accounting for according to the above paragraphs.

(5) **Classification and measurement of financial liabilities**

Financial liabilities at initial recognition are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities are initially recognized at fair value. For financial liabilities at fair value through profit or loss, the relevant transaction costs are recognized in current profit or loss, for other financial liabilities, the relevant transaction costs are recognized in the amount of initial recognition.

① Financial liabilities at fair value through profit or loss

The classification and conditions for financial liabilities classified as held for trading and designated as financial liabilities at fair value through profit or loss at inception is the same as financial assets classified as held for trading and designated as financial asset at fair value through profit or loss at inception.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. The gain or loss arising from fair value changes, dividend income and interest expenses arising from such financial liabilities are recognized in profit or loss.



② Other financial liabilities

Financial liabilities for derivatives which have no quoted price in active market or the fair value of the underlying equity instruments cannot be measured reliably and the derivative have to be settled by delivering the underlying equity instrument are subsequently measured at cost. Other financial liabilities are subsequently measured on amortized cost using effective interest rate method, the gain or loss on de-recognition and amortization is recognized in current profit or loss.

③ Financial guarantee contract

For the financial guarantee contract not classified as financial liability measured by its fair value and taken into the current Profit & Loss, it is recognized initially by its fair value, and is measured subsequently with the higher value between its initial recognized amount and the amount calculated by the regulations in <Accounting Standard for Business Enterprises No. 13 - Contingencies> less accumulated amortization stipulated in <Accounting Standard for Business Enterprises No. 14 - Revenue>.

(6) De-recognition of financial liabilities

A financial liability shall be derecognized or partly derecognized when the current obligation is discharged or partly discharged. When the Company (debtor) and the creditor have signed a contract which use a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the existing financial liability, the existing financial liability shall be de-recognized, and the new financial liability shall be recognized at the same time.

When financial liability is derecognized or partly derecognized, the difference between the carrying amount of the derecognized portion of the financial liability and the consideration paid (include transfer of non-monetary assets or undertaking of new financial liabilities) shall be recognized in profit or loss.

(7) Derivatives and embedded derivatives

Derivatives are measured at fair value at the signing date of underlying contract on initial recognition, and are subsequently measured at fair value. Change in the fair value of derivatives are accounted into the Profit & Loss for the period.

For combined instruments contain embedded derivatives which are not designated as financial assets or financial liabilities at fair value through profit or loss, and the embedded derivative and the main contract does not have a material relation in terms of risk and economic attributes, and when an individual instrument which is the same as the embedded derivative can be defined as derivative, the embedded derivative shall be separated from the combined instrument and treated as an individual derivative. If the embedded derivative cannot be separately measured at acquisition or subsequent balance sheet date, the combined instrument shall be designated as financial assets or financial liabilities at fair value through profit or loss.

(8) Offsetting financial assets and financial liabilities

When the Company has the legal right to offset recognized financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented on the balance sheet after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately on the balance sheet.

(9) Equity instruments

An equity instrument is a contract that proves the residual interest of the assets after deducting all liabilities in the Company. Change to share equity is accounted when the Company issue (including refinance), buyback, sell or cancel equity instrument. Relative change to fair value of the equity instrument is not recognized. Transaction expenses relating to such transaction is deducted from share equity.

The distribution made by the Company to the owner of equity instrument (except for dividend) shall be deducted from shareholders' equity. Fair value change of equity instruments shall not be recognized by the Company.

**11. Receivables****(1) Single significant accounts receivable with separate bad debt provision**

Basis or monetary level for determination of single significant accounts receivable	Receivables comprise accounts receivable and other receivables, etc. The Company considers receivables with amounts over RMB 1 million as individually significant.
Provision for single significant accounts receivable with separate bad debt provision	The Company assesses individually significant receivables for impairment on individual basis, financial assets which is not impaired on individual basis will be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics. For receivables that are individually impaired, the receivable will not be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics.

(2) Accounts receivable provided for bad debts by credit risk characteristics group

Group	Method for making bad debt provision
Group of aging	Aging analysis method
Group 2	Amount due from subsidiaries(internal current account)

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

applicable not applicable

Age of accounts	Provision ratio used for accounts receivable(%)	Provision ratio used for other receivables(%)
2-3	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) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

Item	Method of provision
Reason for making separate assessment	There are objective evidence that the Company will not be able to collect the amount
Method of provision	Based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

12. Inventories

(1) Classifications of inventories

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

(2) Costing of inventories

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

(3) Basis for determining net realizable values of inventories and method for making 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 and estimated costs necessary to make the sale 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 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 cost, the original provision should be reversed and recognized in profit or loss.

(4) The Company adopts the perpetual inventory system.



13. Long-term equity investments

Long-term equity investments in this section refers to those with which the Company exercise single or joint control over the invested entity, or has significant influence on its operation.

Long-term equity investments fall out of this category are classified either as available-for-sale financial asset or as financial asset measured by its fair value and is accounted into the current Profit & Loss by its changed value. For detailed accounting policy see Note IV.8 "Financial Instruments".

(1) Recognition of cost of investment

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 and loss**

The Company use equity method for accounting of the long-term equity investment which enjoys joint control or significant control over the invested entity, excepting co-undertakings. Moreover, the Company use cost method to account long-term equity investment that has control over the invested entity.

① 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 recognized. Such cost of investment shall be adjusted when investment are added or discontinued.

② Long-term equity investment accounted for using equity method

For long-term equity investment accounted for using 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.



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. In respect of other comprehensive income of the invested entity, the book value of the long-term equity investment, which has been adjusted accordingly, is confirmed as the other comprehensive income. In respect of any other change in the owner's equity to the invested entity other than net profit or loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and recorded in the Shareholders' equity. Where the long-term equity investment is subsequently dealt with, the amount recorded in the Shareholders' equity shall be transferred into investment income in proportion or as a whole.

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 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 recognized.

③ Acquisition of minority interest

When preparing consolidated financial statements, the difference between the increased 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 surplus, when capital surplus is insufficient, the excess shall be adjusted to retained profits.

④ Disposal of long-term equity investment

When preparing consolidated financial statements, when the parent company disposes part of its 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 recognized in shareholders' equity; when the parent company disposes part of its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at Note V 6 (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 recognized in profit or loss; for long-term equity investment accounted for using equity method, the other comprehensive income originally accounted into shareholders' equity will be accounted on the same basis as the invested entity while disposing relative asset or liability according to its proportion. Shareholders' equity recognized by the invested entity due to change to such item other than net profit/or loss, other comprehensive income or profit distribution, will be accounted into the current Profit & Loss.

(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.



14. Fixed assets

(1) Recognition criteria

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year. Fixed assets are recognized when the following conditions are met:

- ① it is probable that future economic benefits that are associated with the fixed asset will flow to the company
- ② the cost can be measured reliably

(2) Depreciation categories

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 derecognized or classified as non-current assets held for sale (except for fully depreciated fixed assets and land which is accounted for separately). Without taking impairment provision into consideration, based on the fixed asset categories, expected useful life and estimated residual value, the annual depreciation rates used are as following:

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

Residual value represents the proceeds from disposal less cost of disposal of a fixed asset the Company can receive when fixed asset is fully depreciated.

The impairment loss assessment method and provision method of fixed asset is detailed at Note V 18 "Impairment on non-current assets".

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.

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.

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.

(3) Basis for identification of fixed assets held under a finance lease and its measurement

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

15. Construction in progress

Construction in progress is measured at actual cost. When construction in progress is ready for its intended use, all actual costs incurred are transferred into fixed assets. When construction in progress is ready for its intended use but the actual cost is not yet determined, the estimated cost according to the construction budget or actual costs incurred up to the date when the construction in progress is ready for its intended use should be transferred into fixed asset and depreciated according to the company's accounting policy. The cost of the fixed asset will be adjusted when the actual cost of the fixed asset is determined, however, no adjustments will be made with regard to the amount depreciated since the construction in progress is transferred into fixed asset.

The impairment loss assessment method and provision method of construction in progress is detailed at Note V.18 "Impairment loss on non-current assets".



16. Borrowing costs

Borrowing costs include loan interests, discount or premium amortization, other supplementary costs and certain foreign exchange differences that occurred from the borrowings in foreign currencies. Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset is capitalized as part of the cost of the asset, borrowing costs are started to be capitalized when expenditures for the qualifying asset have been incurred, borrowing costs have been incurred and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization ceases when the qualifying assets are ready for its intended use or at a state that is saleable. Other borrowing costs are recognized in current profit or loss.

Borrowing costs arising from specific borrowings is capitalized after deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings. For general borrowings, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The capitalization rate is calculated based on the weighted average effective interest rate.

During the capitalization period, exchange differences related to specific borrowings denominated in foreign currency are capitalized as part of the cost of the qualifying asset. Exchange differences related to general borrowings denominated in foreign currency are recognized in current profit or loss.

Qualifying assets represent fixed assets, investment properties, inventories etc. that necessarily take a substantial period of time to get ready for their intended use or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

17. Intangible assets

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company.

Intangible assets are initially stated at cost. Outgoings related to intangible assets are recognized as cost of intangible assets if it is probable that future economic benefits attributable to the asset will flow to the Company and the amount of outgoings can be measured reliably. Otherwise, the outgoings are expensed in profit or loss as incurred.

Land use rights acquired are usually accounted for as intangible assets. Cost of self-constructed buildings and structures and the relevant land use rights are separately accounted for as fixed assets and intangible assets. If the buildings and structures are acquired, the consideration for acquisition shall be apportioned between land use rights and buildings, if the consideration cannot be apportioned reasonably; both the land use rights and buildings are accounted for as fixed assets.

Intangible assets with finite useful lives are amortized at cost less residual value and accumulated impairment using the straight-line method over their useful lives since it is ready for use. Intangible assets with infinite useful life would not be amortized.

For an intangible asset with a finite useful life, the useful life and amortization method are reviewed at each year-end, relevant adjustments will be regarded as a change in accounting estimates. In addition, intangible asset with a infinite useful life are reviewed, if there are objective evidence that the economic benefit derived from the intangible asset is finite, then the life of that intangible asset would be estimated and it would be amortized in accordance with the accounting policies in relation to intangible assets with finite useful life.

The impairment loss assessment method and provision method of intangible asset

The impairment loss assessment method and provision method of intangible asset is detailed at Note V.18 "Impairment loss on non-current assets".



(2) **Research and development**

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 recognized in profit or 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 are recognized in current profit or loss:

- 1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- 2) management intends to complete the intangible asset, and to use or sell it;
- 3) 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;
- 4) there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets; and
- 5) 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 recognized in profit or loss as incurred.

18. Impairment on non-current assets

At balance sheet date, the Company will assess whether there are any indications of impairment on non-current and non-financial assets such as fixed assets, construction in progress, intangible asset with finite useful life, investment properties accounted for using cost model, long-term equity investments in joint ventures and associates. If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated and impairment test will be performed. Impairment test will be performed on goodwill, intangible asset with infinite useful life and intangible asset which are not yet ready for use 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. 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 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 disposal of the asset using an appropriate discount rate. Provision for asset impairment is determined and recognized 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.

When performing impairment test on goodwill that is separately presented in the financial statements, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

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



19. Long-term deferred expenses

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

- (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 useful life of the asset, whichever is shorter.
- (3) Decoration that are qualified to be capitalized in relation to fixed asset acquired under finance lease, amortized over the remaining time until the next decoration, lease term or remaining useful life of the fixed asset, whichever is shorter.

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

20. Employee compensation

(1) Accounting treatment of short-term employee compensation

Short-term employee compensation include wage, bonus, allowances and subsidies, employee welfare expenditures, medical insurance expenditures, maternity insurance expenditures, work injury insurance expenditures, housing accumulation fund expenditures, labor union expenditures and employee education expenses, non-monetary welfare, etc. During the accounting period that an employee's providing services to the Company, The Company recognize the relative short-term employee compensation incurred as liabilities, and will account for in the current Profit & Loss or relative cost of asset. Non-monetary welfare will be measured by fair value.

(2) **Accounting treatment of welfare post resignation**

Welfare post resignation mainly comprise of defined provision plan, which include basic endowment insurance, unemployment insurance. The relative payables will be accounted for in the relative cost of asset or the current Profit & Loss.

(3) **Accounting treatment of welfare post cancellation of labor relationship**

The relative employee compensation liabilities due to cancellation of labor relationship are recognized and taken into the current Profit & Loss, when the Company cancels the labor relationship with any employee prior to the expiration of the relevant labor contract, or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, on the earlier date between the date that Company cannot withdraw the relative compensation, or date that the Company recognize reconstruction of cost involving payment of compensation for the cancellation of the labor relationship with the employee.

Internal retirement plan adopts the same principles as the above mentioned compensation for the cancellation of the labor relationship with the employee. The Company account for the wage and social insurance payables incurred from the date the relative employee cease services to the Company to his/her date of expected retirement to the internally-retired employee into the current Profit & Loss (i.e. compensation for the cancellation of the labor relationship with the employee), when requirements for recognition of provision are met.

(4) **Accounting treatment of other long-term compensation**

For the other long-term employee compensation meeting criteria of defined provision plan, relative defined plan accounting policies will be adopted; otherwise policies of defined benefit plan will be adopted.



21. Provision

Provision is made when there is an obligation in relation to contingent events and the following conditions are met:

- (1) the Company has a present obligation
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation
- (3) the amount of the obligation can be measured reliably.

At balance sheet date, a provision is measured at the best estimate of the expenditures 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.

If the expenditures required to settle the provision is expected to be wholly or partially compensated by third party, and the compensation is expected to be received, the compensation is recognized as asset but should exceed the carrying amount of the provision.

22. Stock payment

None

23. Preferred stock, sustainability debt and other financial Instruments

None

24. Revenue

(1) Revenue from sales of goods

Revenue from sales of goods are recognized when the risk and reward of ownership of goods is transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(2) Revenue from the rendering of services

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

The outcome of rendering of services can be measured reliably when all of the following conditions are met:

- ① The amount of revenue can be measured reliably;
- ② It is probable that the economic benefit associated with the transaction will flow to the Company
- ③ The percentage of completion of service can be measured reliably
- ④ The cost incurred and to be incurred for rendering the service can be measured reliably.

When the outcome of rendering of services could not be measured reliably, when the costs incurred are expected to be recovered, revenues are recognized to the extent that the costs incurred that are expected to be recovered, and an equivalent amount is charged to profit or loss as service cost; when the costs incurred are not expected to be recovered, the costs incurred are recognized in profit or loss and no service revenue is recognized.



(3) Revenue from construction contracts

On the balance sheet date, when the outcome of construction contracts could be measured reliably, related revenue and cost for the construction contract is recognized according to the percentage of completion.

The outcome of construction contract can be measured reliably when all of the following conditions are met:

- ① The amount of total contract sum can be measured reliably;
- ② It is probable that the economic benefit associated with the contract will flow to the Company
- ③ The actual contract cost incurred can be clearly distinguished and measured reliably
- ④ The percentage of completion of the contract and the cost expected to be incurred in order to complete the contract can be measured reliably

When the outcome of a construction contract could not be measured reliably, but the contract cost incurred is recoverable, revenues are recognized to the extent that the actual costs incurred that are expected to be recovered, and an equivalent amount is charged to profit or loss as contract cost; when the costs incurred are not recoverable, the costs incurred are recognized in profit or loss and no contract revenue is recognized. When the factor that causes the outcome of construction contract does not exist anymore, the relevant revenue and cost of construction contract is recognized based on percentage of completion.

When the expected total contract cost exceeds the expected total contract revenue, the expected loss shall be recognized in current profit and loss.

(4) Revenue from transfer of asset use rights

The revenue is recognized on accrual basis based on the relevant contract or agreement.

(5) Interest income

Interest income is measured based on the time and effective interest rates for the Company to transfer the right to use its cash.

25. Government Grant

(1) Basis of determining and accounting of asset-related government grant

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.

(2) Basis of determining and accounting of income-related government grant

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.

26. Deferred tax assets/ deferred tax liabilities

(1) Current income tax

At balance sheet date, current tax payables (or recoverable) in relation to current or prior period are calculated based on the amount of expected income tax payable (or recoverable) under applicable tax laws. Current tax expense is calculated based on taxable income which is adjusted from current accounting profit before tax under applicable tax laws.

(2) Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are calculated and recognized based on the temporary difference arising between the tax bases of assets and liabilities and their carrying amounts.



No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax liability is recognized for the taxable 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 (or deductible loss). Deferred tax liabilities are not recognized for taxable temporary differences arising from investments in subsidiaries, joint ventures and associates if the Company 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. Apart from the above exceptions, the Company recognizes deferred tax liabilities arising from all other taxable temporary differences.

No deferred tax asset is recognized for the deductible 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 (or deductible loss). Deferred tax assets are not recognized for deductible temporary differences arising from investments in subsidiaries, joint ventures and associates if it is probable that the temporary difference will not reverse in the foreseeable future, or it is not probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized. Apart from the above exceptions, the Company recognizes deferred tax assets arising from all other deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized.

In respect of deductible losses and tax credits that can be carry forward to future years, deferred tax assets are only recognized for to the extent that it is probable that taxable profit will be available in the future against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates according to the applicable tax laws that are expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced when it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. When it is probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized, the previously written down amount shall be reversed.

(3) **Income tax expense**

Income tax expense comprises current income tax expense and deferred tax expense.

Apart from current tax and deferred tax arising from transactions and events related to other comprehensive income or shareholders' equity are recognized in other comprehensive income or directly in equity, and deferred tax arising from business combination which adjusts the carrying amount of goodwill, all other current income tax expense and deferred tax expense or income are recognized in current profit or loss.

27. Leases

(1) **Accounting of operating lease**

- ① 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.

- ② 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

- ① 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.

The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses.

- ② 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.

28. Other accounting policy and accounting estimates

None

29. Changes in significant accounting policy and accounting estimates

- (1) Changes in accounting policy
 applicable √ not applicable
- (2) Changes in accounting estimates
 applicable √ not applicable

30. Other

VI. Tax

1. Major types of tax and tax rates

Types of tax	Tax base tax rate	tax rate
Value-added tax	on taxable revenue after offsetting deductible input VAT	17%
Consumption tax	None	
Business tax	on taxable turnover amount	5%
City maintenance and construction tax	on amount of turnover tax paid	5% or 7%
Enterprise income tax	on taxable income	25%
Education surcharge	on amount of turnover tax paid	3% or 5%

2. Tax concessions

- (1) The profit tax rate for Northeast Electric (HK) Co., Ltd., a wholly owned subsidiary of the company registered in HKSAR of PRC is 16.5%.
- (2) Gaocai Technology Co., Ltd., 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

**VII. Notes to Consolidated Financial Statements****1. Cash and deposits***Unit: RMB*

Item	Amount by the end of period	Amount by the beginning of period
Cash on hand	15,993.26	13,589.96
Bank deposits	67,831,825.60	122,368,443.14
Other cash equivalents	18,430,000.00	1,836,483.76
total	86,277,818.86	124,218,516.86

Remark: Other cash equivalents to RMB 18,430,000.00 is the security deposits for Bank acceptance.

2. Notes receivables**(1) Classification of notes receivables***Unit: RMB*

Types	Amount by the end of period	Amount by the beginning of period
Bankers' acceptance notes	350,000.00	2,300,000.00
Total	350,000.00	2,300,000.00

3. Accounts receivable

(1) Accounts receivable by categories are analyzed as follows:

Unit: RMB

Type	Amount by the end of period						Amount by the beginning of period					
	Carrying amount		Bad-debt provision		Book value		Carrying amount		Bad-debt provision		Book value	
	Amount	Percentage (%)	Amount	Percentage (%)			Amount	Percentage (%)	Amount	Percentage (%)		
Subject to provision by groups with risk characteristics	166,147,225.58	100.00%	29,522,484.39	17.77%	136,624,741.19		153,078,035.27	100.00%	29,522,484.39	19.29%	123,555,550.88	
Total	166,147,225.58	100.00	29,522,484.39	17.77	136,624,741.19		153,078,035.27	100.00	29,522,484.39	19.29	123,555,550.88	

Individually significant and subject to separate provision

 applicable not applicable

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

 applicable not applicable



Unit: RMB

Age of Account	Amount by the end of period		
	Accounts Receivable	Bad-debt provision	Percentage
The subitem within 1 year			
Within 1 year	97,684,571.33		
1 – 2 years	32,569,281.24		
2 – 3 years	4,906,073.05	1,962,429.22	40%
3 – 4 years	8,568,111.97	5,140,867.18	60%
4-5 years	13,801,268.67	13,801,268.67	100%
Over 5 years	8,617,919.32	8,617,919.32	100%
Total	166,147,225.58	29,522,484.39	17.77%

Specification for this composition:

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.

- (2) There is no counting and drawing, recovery or reversal of bad debts during the reporting period;
- (3) There is no actual write-off of receivables during the reporting period.

(4) The five largest accounts receivable are listed as follows:

Unit: RMB

Serial number	Name of company	Relationship	Amount	Age	Percentage to total Accounts Receivable
1	Shenyang Kaidi Insulation Technology Co. Ltd.	Non-related	26,347,447.21	Within 1 year	15.86%
2	State Grid Beijing Power Co.	Non-related	19,562,338.90	Within 1 year	11.77%
3	Yingkou Hongyue Machinery Co. Ltd.	Non-related	14,274,066.88	Within 1 year	8.59%
4	Yingkou Chongzheng Electric Equipment Co. Ltd.	Non-related	10,362,785.23	Within 1 year	6.24%
5	State Grid Power Co.	Non-related	9,571,348.80	Within 1 year	5.76%
	Total		80,117,987.02		48.22%

4. Prepayments

(1) Prepayments are listed by ages:

Unit: RMB

Age of Account	Amount by the beginning of period		Amount by the beginning of period	
	Amount	Percentage (%)	Amount	Percentage
Within 1 year	8,236,857.37	98.86%	8,641,075.46	98.91%
1 - 2 years	95,000.00	1.14%	95,000.00	1.09%
Total	8,331,857.37	--	8,736,075.46	--



(2) Companies with outstanding significant balance in Prepayment as of Dec. 31, 2014

Unit: RMB

Serial number	Name of company	Relations	Amount	Age	Percentage to total Accounts Receivable
1	Liaoning Xinming Transformer Co. Ltd.(note 1)	Non-related	7,900,000.00	Within 1 year	94.82%
2	Shanghai Heyun International Trade Co., Ltd.	Non-related	130,320.00	Within 1 year	1.56%
3	Jinzhou Huaneng Power Equipment Co., Ltd	Non-related	95,000.00	Within 1 year	1.14%
4	Rongxin Power Electronic Co., Ltd	Non-related	51,946.00	Within 1 year	0.62%
5	Fuxin Electric Power Supply Company of Liaoning Electric Power Company	Non-related	38,625.43	Within 1 year	0.46%
	Total		8,215,891.43		98.61%

5. Interest receivable

(1) Interest receivable by categories

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period
Fixed time depoist	252,000.00	
Total	252,000.00	

6. Other receivables

(1) Other receivables by categories are analyzed as follows:

Unit: RMB

Type	Amount by the end of period				Amount by the beginning of period				
	Carrying amount		Bad-debt provision		Carrying amount		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and subject to separate provision	94,031,821.51	88.42%	94,031,821.51	100.00%	94,031,821.51	89.84%	94,031,821.51	100.00%	-
Subject to provision by risk groups	12,318,639.23	11.58%	2,657,899.56	21.58%	10,635,076.49	10.16%	2,657,899.56	24.90%	7,977,176.93
Total	106,350,460.74	100.00	96,689,721.07	90.92	104,666,898.00	100.00	96,689,721.07	92.38	7,977,176.93

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

√ applicable not applicable



Unit: RMB

Name of company	Amount by the end of period			Reason for provision
	Carrying amount	Bad-debt provision	Percentage of provision (%)	
Benxi Steel (Group) Co. Ltd.	76,090,000.00	76,090,000.00	100.00%	
Jinzhou Power Capacity Co. Ltd	17,941,821.51	17,941,821.51	100.00%	
Total	94,031,821.51	94,031,821.51	--	--

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

applicable not applicable

Unit: RMB

Age of receivables	Amount by the end of period		
	Other receivables	Bad-debt provision	Percentage of provision
the subitem within 1 year			
Within 1 year	7,627,033.68		
1 -2 years	2,021,604.39		
2 - 3 years	16,836.00	6,734.40	40.00%
3 - 4 years	5,000.00	3,000.00	60.00%
Over 5 years	2,648,165.16	2,648,165.16	100.00%
Total	12,318,639.23	2,657,899.56	21.58%

- (2) There is no counting and drawing, recovery or reversal of bad debts during the reporting period;
- (3) There is no actual write-off of receivables during the reporting period.
- (4) Categories of other receivables by nature of the amounts

Type	Carrying Amount at the end of period	Carrying Amount at the beginning of period
Other receivables with significant single amount;	94,031,821.51	94,031,821.51
Other receivables of insignificant single amount but of higher composition risk after being composed by the feature of the credit risks.	12,318,639.23	10,635,076.49
Total	106,350,460.74	104,666,898.00

- (5) Top 5 of Other Receivables:

Unit: RMB

Name of company	Relations	Amount	Age	Percentage in total other receivables(%)	Balance of Bad-debt provision
Benxi Steel (Group) Co. Ltd.	Non-related	76,090,000.00	Over 4 years	71.55	76,090,000.00
Jinzhou Power Capacity Co. Ltd	Non-related	17,941,821.51	Over 4 years	16.87	17,941,821.51
Security deposit	Security deposit for tender	5,003,723.42	Within 1 year	4.70	
Zhang cheng	Petty cash	1,383,333.63	Within 1 year	1.30	
Gui wen kai	Petty cash	840,168.80	Within 1 year	0.79	
Total		101,259,047.36		95.21	94,031,821.51



7. Inventories

(1) Classification of inventories

Unit: RMB

Item	Amount by the end of period			Amount by the beginning of period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Raw material	20,280,969.20	296,623.04	19,984,346.16	15,886,791.07	296,623.04	15,590,168.03
Work in progress	9,012,635.12		9,012,635.12	9,880,918.34		9,880,918.34
Finished goods	21,061,039.42	3,293,941.70	17,767,097.72	11,814,298.47	3,293,941.70	8,520,356.77
Total	50,354,643.74	3,590,564.74	46,764,079.00	37,582,007.88	3,590,564.74	33,991,443.14

(2) Provisions for decline in value

Unit: RMB

Item	Amount by the beginning of period	Increase of provision during the period		Decrease of provision during the period		Amount by the end of period
		Provision	Other	Reverse/Write off	Other	
Raw material	296,623.04					296,623.04
Finished goods	3,293,941.70					3,293,941.70
Total	3,590,564.74					3,590,564.74

8. Non-current asset due within 1 year

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period
Improvement expenditures for fixed assets rented	3,264.42	33,874.27
Total	3,264.42	33,874.27

9. Other current assets*Unit: RMB*

Item	Amount by the end of period	Amount by the beginning of period
Bank financial products	25,000,000.00	
Premium for property insurance	532,081.39	1,044,995.24
Total	25,532,081.39	1,044,995.24

10. Available-for-sale financial assets**(1) Details of available-for-sale financial assets***Unit: RMB*

Item	Amount by the end of period			Amount by the beginning of period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Available-for-sale equity	73,249,235.69	7,353,533.39	65,895,702.30	73,268,017.01	7,353,533.39	65,914,483.62
Measured by cost	73,249,235.69	7,353,533.39	65,895,702.30	73,268,017.01	7,353,533.39	65,914,483.62
Total	73,249,235.69	7,353,533.39	65,895,702.30	73,268,017.01	7,353,533.39	65,914,483.62

(2) There's no available-for-sale financial assets measured by fair value by end of period.



(3) Available-for-sale financial assets measured by cost

Unit: RMB

Investee	Book balance		Provision for decline in value		Cash dividend for the period
	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	
Shenyang Zhaoli High-Voltage Electric Equipment Co Ltd	73,268,017.01	73,249,235.69	7,353,533.39	7,353,533.39	6.89%
total	73,268,017.01	73,249,235.69	7,353,533.39	7,353,533.39	--

11. Long-term equity investments

Unit: RMB

Parties receiving investment	Amount by the beginning of period	Increase/decrease during the period					Amount by the end of period	Balance of Provision for decline in value at end of period
		Increase in investment	Decrease in investment	Profit/loss for investment by Method of Equity	Adjustment to other comprehensive income	Other change to equity		
I. Cooperative								
II. Associates								
WeiDa High-voltage Electric Co. Ltd.	38,633,931.35			-12,733.18			38,621,198.17	13,173,277.06
Total	38,633,931.35			-12,733.18			38,621,198.17	13,173,277.06

12. Fixed Assets**(1) Fixed assets***Unit: RMB*

Item	Buildings	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount				
1. Balance at beginning of period	48,193,147.57	88,118,892.07	21,119,460.03	157,431,499.67
2. Increment for the period		618,751.74	13,611.11	632,362.85
(1) Purchase		316,335.70	13,611.11	329,946.81
(2) Transferred from Construction in progress		302,416.04		302,416.04
3. Decrement for the Year		130,699.84	754,354.64	885,054.48
(1) Disposal or write-off		130,699.84	754,354.64	885,054.48
4. Balance at end of period	48,193,147.57	88,606,943.97	20,378,716.50	157,178,808.04
II. Accumulated depreciation				
1. Balance at beginning of period	34,981,196.61	44,393,843.42	14,014,123.24	93,389,163.27
2. Increment	384,484.68	2,452,826.09	544,957.61	3,382,268.38
(1) Provision	384,484.68	2,452,826.09	544,957.61	3,382,268.38
3. Decrement		102,683.00	467,881.58	570,564.58
(1) Disposal or write-off		102,683.00	467,881.58	570,564.58
4. Balance at end of period	35,365,681.29	46,743,986.51	14,091,199.27	96,200,867.07



III. Provision for Impairment				
1. Balance at beginning of period	317,644.79	1,509,984.95		1,827,629.74
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of period	317,644.79	1,509,984.95		1,827,629.74
IV. Book balance				
1. Book balance at end of period	12,509,821.49	40,352,972.51	6,287,517.23	59,150,311.23
2. Book balance at beginning of period	12,894,306.17	42,215,063.70	7,105,336.79	62,214,706.66

- (2) There is no temporarily idle fixed asset during the reporting period.
- (3) There is no fixed asset acquired under financial lease during the reporting period.
- (4) There is no fixed asset leased out under operating lease during the reporting period.
- (5) There is no fixed asset with certificate of title to be obtained.

13. Construction in progress*Unit: RMB*

Item	Amount by the end of period			Amount by the beginning of period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Winding machine	1,581,196.58		1,581,196.58			
Elevators Installation				302,416.04		302,416.04
Total	1,581,196.58		1,581,196.58	302,416.04		302,416.04

14. Intangible Assets**(1) Intangible Assets***Unit: RMB*

Item	Land use rights	Patent	Software	Total
I. Book balance				
1. Balance at beginning of period	6,774,501.05	450,000.00	207,000.00	7,431,501.05
2. Increment	-	-	-	-
(1) Purchase	-	-	-	-
3. Decrement	-	-	-	-
(1) Disposal of assets	-	-	-	-
4. Balance at end of period	6,774,501.05	450,000.00	207,000.00	7,431,501.05



II. Accumulated amortization				
1. Balance at beginning of period	2,574,311.76	450,000.00	207,000.00	3,095,821.68
2. Increment	67,745.04	-	-	67,745.04
(1) Amortization	67,745.04	-	-	67,745.04
3. Decrement	-	-	-	-
(1) Disposal of assets	-	-	-	-
4. Balance at end of period	2,642,056.80	450,000.00	207,000.00	3,299,056.80
III. Provision for impairment				
1. Balance at beginning of period	-	-	-	-
2. Increment	-	-	-	-
(1) Provision	-	-	-	-
3. Decrement	-	-	-	-
(1) Disposal of assets	-	-	-	-
4. Balance at end of period	-	-	-	-
IV. Book Balance				
1. Book balance at end of period	4,132,444.25	-	-	4,132,444.25
2. Book balance at beginning of period	4,200,189.29	-	-	4,200,189.29

- (2) There is no intangible asset with certificate of title to be obtained

15. Development expenditure*Unit: RMB*

Item	Amount by the beginning of period	Increment for the period	Dncrement for the period	Amount by the end of period
Research and development expenditure	0.00	72,306.89	72,306.89	0.00
Total	0.00	72,306.89	72,306.89	0.00

16. Long-term deferred expenses*Unit: RMB*

Item	Balance at beginning of period	Increment	Amortization	Other decrement	Balance at end of period
Improvement expenditures for fixed assets rented	215,200.00		31,920.00		183,280.00
Total	215,200.00		31,920.00		183,280.00

17. Deferred tax assets**(1) Deferred tax assets recognized***Unit: RMB*

Item	Amount by the end of period		Amount by the beginning of period	
	Deductible temporary difference	Deferred tax assets	Deferred tax assets	Deductible temporary difference
Provision for impairment for assets	37,028,925.10	9,257,231.28	37,028,925.10	9,257,231.28
Total	37,028,925.10	9,257,231.28	37,028,925.10	9,257,231.28



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

Unit: RMB

Item	Deferred tax assets and liabilities offset amount by the end of the period	Deferred tax assets and liabilities after mutually offset by end of the period	Deferred tax assets and liabilities offset amount at beginning of the period	Deferred tax assets and liabilities after mutually offset at beginning of the period
Deferred tax assets		9,257,231.28		9,257,231.28

18. Short-term borrowings

(1) Classification

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period
Bank borrowings, secured	9,000,000.00	9,000,000.00
Total	9,000,000.00	9,000,000.00

19. Notes Payable*Unit: RMB*

Item	Amount by the end of period	Amount by the beginning of period
Bank accepted bills of exchange	18,430,000.00	
Total	18,430,000.00	

The total bills payable that is due by the end of the period but is not paid is RMB0.00.

20. Accounts Payable**(1) Details of Accounts payable***Unit: RMB*

Age of accounts	Amount by the end of period	Amount by the beginning of period
Within 1 year	38,498,288.05	52,402,162.23
1 - 2 years	15,318,169.12	4,371,472.50
2 -3 years	937,207.76	685,425.46
Over 3 years	6,842,668.79	6,941,888.35
Total	61,596,333.72	64,400,948.54

(2) Significant accounts payable aged over 1 year

Accounts payable aged over 1 year mainly represents unsettled balance of goods purchased.

21. Receipts in advance**(1) Details***Unit: RMB*

Age of accounts	Amount by the end of period	Amount by the beginning of period
Within 1 year	3,466,252.78	4,470,458.36
1 - 2 years	3,071,568.37	2,992,568.37
2 -3 years		
Over 3 years	879,207.50	879,207.50
Total	7,417,028.65	8,342,234.23

(2) Analysis of receipt in advance with significant amount aged over 1 year*Unit: RMB*

Name	Amount	Reason for unsettlement
China Power Investment Corporation Material & Equipment Branch	2,955,000.00	Receipts in advance for goods as per contract
Total	2,955,000.00	--

**22. Employee compensation****(1) Details of employee compensation***Unit: RMB*

Item	Amount by the beginning of period	Increment	Decrement	Amount by the end of period
I. Short-term compensation	2,379,464.72	10,106,864.66	10,028,465.49	2,457,863.89
II. Post resignation benefit - designed provision plan	85,125.46	2,171,928.45	2,170,668.52	86,385.39
Total	2,464,590.18	12,278,793.11	12,199,134.01	2,544,249.28

(2) Short-term compensation are analyzed as follows:*Unit: RMB*

Item	Amount by the beginning of period	Increment	Decrement	Amount by the end of period
I. Wages, bonuses, allowances, subsidies		7,497,368.10	7,497,368.10	
II. Welfare expenses		418,394.79	418,394.79	
III. Social insurances	8,019.33	923,498.35	923,418.87	8,098.81
Incl: 1. Medical insurance		719,946.76	719,867.28	79.48
2. Work injury insurance	5,912.43	131,179.01	131,179.01	5,912.43
3. Maternity insurance	2,106.90	72,372.58	72,372.58	2,106.90
IV. Housing accumulation fund	253,009.11	1,132,023.40	1,132,198.40	252,834.11
V. Labor union expenditure and employee education expenses	2,118,436.28	135,580.02	57,085.33	2,196,930.97
Total	2,379,464.72	10,106,864.66	10,028,465.49	2,457,863.89

(3) Designed provision plan listed as follows:

Unit: RMB

Item	Amount by the beginning of period	Increment	Decrement	Amount by the end of period
I. Basic endowment insurance	81,084.97	2,042,336.44	2,041,136.51	82,284.90
II. Unemployment insurance	4,040.49	129,592.01	129,532.01	4,100.49
Total	85,125.46	2,171,928.45	2,170,668.52	86,385.39

23. Tax payable*Unit: RMB*

Item	Amount by the end of period	Amount by the beginning of period
Value-added Tax	915,034.47	1,431,875.07
Enterprise Income Tax	-343,751.31	67,372.08
Individual Income Tax	21,419.78	44,295.78
City maintenance and construction Tax	77,463.94	144,769.56
Tenure Tax	59,149.50	59,149.50
Housing Property Tax	20,614.66	20,614.66
Education Surcharge	43,088.29	108,894.49
Other	16,084.35	66,716.89
Total	809,103.68	1,943,688.03

24. Dividends payable*Unit: RMB*

Item	Amount by the end of period	Amount by the beginning of period
Common stock dividends	40,017.86	40,017.86
Total	40,017.86	40,017.86



25. Other payables

(1) Details of other payables

Unit: RMB

Age of account	Amount by the end of period	Amount by the beginning of period
Within 1 year	5,382,681.69	7,404,564.48
1 - 2 years	1,123,235.07	1,123,235.07
2 - 3 years	762,738.79	762,738.79
Over 3 years	39,775,312.48	39,775,312.48
Total	47,043,968.03	49,065,850.82

26. Estimated liabilities

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period	Forming reason
Parties being guaranteed	60,721,078.25	60,721,078.25	
Total	60,721,078.25	60,721,078.25	--

Other descriptions include relevant important assumptions and estimates descriptions of critical accrued liabilities.

- (1) The company has provided guarantee for the bank loan of RMB 13,000,000.00 between Bank of China Jinzhou Branch and the company's subsidiary –"Jinrong", and thus undertake obligation of joint guarantee. Bank of China Jinzhou Branch has filed a lawsuit in Feb. 2005 to the District Court of Jinzhou City Liaoning Province, asking for "Jinrong"'s repayment of RMB13,000,000.00 and the relative interests, along with request that the company undertake joint obligation of repayment. The subject District Court has ruled in May 2005 that the company should undertake the joint obligation of repayment of the captioned loan principal and interests. The company has not filed for appeal, and the Ruling has been effective. Intermediate Court of Liaoning Province Jinzhou City has issued Enforcement Notice No. (2005)Jin Zhi Zi Di 89 in Sep., 2005. And on Jun. 23, 2010 the Court has made Enforcement Ruling No. (2005) JinZhiYiZiDi89, sealing up High-voltage parallel connection Capacitors owned by Jinrong, including 35 boxes of 140 sets of BFM6.61-299IW, 24 boxes totalling 96 sets of BFM2.11.5J3-300IW, 65 boxes of 240 sets of BFM3.11.5J3-300IW. The company has accordingly estimated liabilities of RMB14,464,500.00. Up to the date of report approval, the above-mentioned repayment has not yet been made.

- (2) The company has provided guarantee for loans of RMB17,000,000.00 between Jinzhou Power Capacitor Co., Ltd. (later referred as Jin Cap) and Jinzhou City Commercial Bank. The bank has launched lawsuit to the Intermediate Court of Jinzhou City against Jin Cap for repayment of principal of RMB17,000,000.00 and relative interests of RMB2,890,000.00, and asking for the company to assume repayment. The court has sentenced the company to assume joint liability for repaying RMB17,000,000.00 and relative interests of RMB2,890,000.00 by Ruling no. (2007)Jin Min San Chu Zi Di 00049 in Jun. 2007, which has come into effectiveness for the company has not appealed. The company therefore estimate liability of RMB19,890,000.00. intermediary Court of Jinzhou city issued an order of Enforcement to the Company on Mar. 5 2008, requesting execution of obligations. Up till the reporting date, the company has not paid the above mentioned liability.
- (3) The company provide guarantee and assume joint liability for loans of RMB22,900,000.00 from ICBC Jinzhou City Sub-branch to Jin Power Cap., which loan agreement amount is RMB42,900,000.00. ICBC Jinzhou City Sub-branch has sued against Jin Cap in Dec. 2006 to the Intermediate Court of Jinzhou City, for the borrower to repay loan principal of RMB22,900,000.00 and relative interest of RMB3,466,578.25, and for the company to assume joint repayment. The Court has sentenced by Ruling No. (2007) Jin Min San Chu Zi 00019 that the company should take up joint obligation to repay loan principal of RMB22,900,000.00 and loan interest of RMB3,466,578.25. On Apr. 14, 2008, the Intermediate Court of Jinzhou City issued Enforcement Notice, requesting the Company to take the captioned liabilities. On 25 August 2010, the Intermediate Court of Jinzhou City issued (2008) Jin Zhi Yi Zi 00067 execution notice, confiscated the 10% equity interest in Shenyang Kaiyi Electric Co., Ltd. held by the company. Therefore the company has estimated liability of RMB26,366,578.25. The company has not paid the above mentioned debt by the report date.

**27. Share Capital***Unit: RMB*

Item	Amount by the beginning of period	Increment/Decrement (+/-)					Amount by the end of period
		New shares issued	Stock dividend	Reserve to shares	Others	Sub total	
Total shares	873,370,000.00						873,370,000.00

28. Capital reserve*Unit: RMB*

Item	Amount by the beginning of period	Increment	Decrement	Amount by the end of period
Share premium	115,431,040.00			115,431,040.00
Others reserve	767,991,363.92			767,991,363.92
Total	883,422,403.92			883,422,403.92

29. Other Comprehensive Income*Unit: RMB*

Item	Amount by the beginning of period	Amount incurred during the period					Amount by the end of period
		Amount before income tax	Less:previous Other Comprehensive Income converted to current Profit & Loss	Less: income tax	Attributable to parent company after tax	Attributable to minority interests after tax	
II. OCI to be reclassified into Profit & Loss	-36,666,972.81	-37,440.24			-37,440.24		-36,704,413.05
Foreign currency translation difference	-36,666,972.81	-37,440.24			-37,440.24		-36,704,413.05
Total	-36,666,972.81	-37,440.24			-37,440.24		-36,704,413.05

30. Surplus reserves*Unit: RMB*

Item	Amount by the beginning of period	Increment	Decrement	Amount by the 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

31. Accumulated losses*Unit: RMB*

Item	Amount by the end of period	Amount by the beginning of period
Accumulated losses at the end of last year	-1,542,524,243.79	-1,548,693,348.93
Accumulated losses at the beginning of the year after adjustment	-1,542,524,243.79	-1,548,693,348.93
Add: Net Profit attributable shareholders of the Company for the year	-1,561,312.66	6,169,105.14
Accumulated losses at end of period	-1,544,085,556.45	-1,542,524,243.79



32. Revenue and cost of sales

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Business income	Cost of sale	Business income	Cost of sale
Main business income	65,388,649.52	47,496,180.95	70,508,786.50	50,178,622.09
Other business income	59,177.80	38,964.12	18,698.47	
Total	65,447,827.32	47,535,145.07	70,527,484.97	50,178,622.09

33. Business tax and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Business tax	1,000.00	
City maintenance and construction tax	139,806.37	285,966.89
Education Surcharges	100,563.10	204,262.06
Total	241,369.47	490,228.95

34. Sales expenses*Unit: RMB*

Item	Amount for the current period	Amount for the previous period
Employee compensation	705,581.80	732,415.18
Consultation fee	950,943.40	900,000.00
Transportation fee	2,388,361.35	2,499,608.18
Bidding fee	265,234.00	153,486.40
Advertising fee	800,000.00	900,000.00
Commission fee	800,000.00	600,000.00
Travelling expense	855,026.40	871,373.04
Sail service charge	108,430.00	182,153.36
Administrative expenses	58,363.00	127,450.71
Repair cost	3,331.00	10,948.91
Material consumption	176,003.33	37,984.20
Welfare expenses	18,890.60	15,089.18
Business entertainment	37,576.50	478,947.69
others	169,421.40	125,461.21
Total	7,337,162.78	7,634,918.06

**35. Administrative expenses***Unit: RMB*

Item	Amount for the current period	Amount for the previous period
Employee compensation	4,624,934.93	4,488,794.03
Heating fee service fee, telephone bill, repair cost	229,846.51	605,397.41
Travelling expense	221,290.46	201,283.82
Depreciation cost	872,251.01	981,833.98
Business entertainment	212,843.88	331,857.20
Labor union dues, educational fund	56,118.25	114,032.65
Material consumption	196,761.09	248,096.33
Administrative expenses	178,660.04	301,449.09
Labor insurance, property insurance	2,141,660.13	2,094,590.57
Agency fee	416,017.82	301,939.63
taxxes	504,243.51	481,529.49
Technology and development of cost	72,306.89	142,089.08
Housing fund	362,027.20	402,407.00
Others	1,916,357.35	3,122,917.13
Total	12,005,319.07	13,818,217.41

36. Finance expenses*Unit: RMB*

Item	Amount for the current period	Amount for the previous period
Interest Expenses	340,189.57	323,952.46
Less: Interest Income	171,828.66	325,615.69
Exchange difference		
Bank charges	24,642.00	15,818.79
Total	193,002.91	14,155.56

37. Return on investments*Unit: RMB*

Item	Amount for the current period	Amount for the previous period
Return on long-term equity investment by equity method		-6,283.13
Return on available-for-sale financial assets	561,912.93	
Total	561,912.93	-6,283.13

38. Non-operating income*Unit: RMB*

Item	Amount for the current period	Amount for the previous period	Amounts included in the current extraordinary profit & loss
Gain on disposal of non-current assets	60,470.49	74,059.43	81,040.49
Include: Gain on disposal of fixed assets	60,470.49	74,059.43	60,470.49
Others	20,570.39	16,046.64	20,570.39
Total	81,040.49	90,106.07	81,040.49

39. Non-operating expenses*Unit: RMB*

Item	Amount for the current period	Amount for the previous period	Amounts included in the current extraordinary profit & loss
Loss on disposal of non-current assets			
Include: loss on disposal of fixed assets			
Fines on delayed payment	35,200.00	-	35,200.00
Other		56,017.83	-
Total	35,200.00	56,017.83	35,200.00

**40. Income tax expense****(1) Income tax expense***Unit: RMB*

Item	Amount for the current period	Amount for the previous period
Current income tax expense in accordance with applicable tax laws and regulations	307,358.08	231,611.51
Total	307,358.08	231,611.51

(2) Income tax expense*Unit: RMB*

Item	Amount for the current period
Income before tax	-1,256,418.55
Income tax expense	307,358.08

41. Other comprehensive income

For details, see Note VII, 29.

42. Cash flow statement**(1) Cash received from other operating activities***Unit: RMB*

Item	Amount for the current period	Amount for the previous period
Performance guarantee deposits	3,583,608.00	4,694,967.72
Interest Income	353,416.99	196,031.74
Current account		111,500.00
Bank financial products		9,000,000.00
Insurance fee		30,000.00
Other	1,304,769.27	1,630,176.77
Total	5,241,794.26	15,662,676.23

(2) Cash paid to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Transportation fee	2,477,153.05	2,521,471.04
Business entertainment	367,419.24	501,052.40
Material consumption	250,000.00	158,276.91
Water and electricity	1,200,000.00	1,130,000.00
Travelling expense	1,124,392.86	1,081,056.86
repair cost	145,075.60	315,687.70
Administrative expenses	284,626.19	417,235.62
Bidding fee	262,534.00	224,226.40
telephone bill	72,397.70	97,176.10
Audit fee	98,132.00	547,000.00
Legal fare	100,000.00	124,339.62
Cash deposit	4,435,917.00	4,989,719.26
Personal loan	3,483,615.27	2,521,733.45
Contacts cash		2,980,000.00
After-sail service fee	108,430.00	171,836.50
Director expenses	367,332.26	440,359.50
Bank financial products		19,000,000.00
Related expenses of A share H share	177,774.90	177,055.11
Others	7,747,495.96	8,673,694.78
Total	22,702,296.03	46,071,921.25

**43. Supplementary information to cash flows statement****(1) Reconciliation from net profit to cash flows from operating activities***Unit: RMB*

Item	Amount for the current period	Amount for the previous period
① Reconciliation from net profit to cash flows from operating activities		
Net profit	-1,563,776.63	-1,812,463.51
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive bio-assets	2,811,703.80	3,620,002.52
Amortization of intangible assets	67,745.04	67,744.72
Amortization of long term deferred expenses	31,920.00	1,582,808.88
Loss on disposal of fixed assets, intangible assets and other non-current assets(gain is shown as "-")	-81,040.49	-74,059.43
Finance costs(gain is shown as "-")	193,002.91	14,155.56
Loss on investments(gain is shown as "-")	-561,912.93	6,283.13
Decrease in inventories(increase is shown as "-")	-12,772,635.86	-9,199,689.38
Decrease in operating receivables(increase is shown as "-")	-12,675,210.13	-20,920,387.90
Increase in operating payables(decrease is shown as "-")	-4,422,279.52	751,365.15
Net cash flows generated from operational activities	-28,972,483.81	-25,964,240.26
② Significant non-cash investment and financing activities		
③ Changes in cash and cash equivalents:	-	-
Cash at the end of period	67,847,818.86	82,606,745.64
Less: cash at the beginning of period	124,218,516.86	107,965,560.91
Net increase in cash and cash equivalents	-56,370,698.00	-25,358,815.27

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period
① Cash	67,847,818.86	124,218,516.86
Incl: Cash on hand	15,993.26	13,589.86
Bank Deposits available on demand	67,831,825.60	122,368,443.14
Other cash assets available on demand		1,836,483.76
③ Balance of Cash and equivalents at end of Year	67,847,818.86	124,218,516.86

44. Statement of Changes in Equity notes

None

45. The assets of the ownership or use right is restricted

Unit: RMB

Items	Amount by the end of period	reason
Cash and deposits	18,430,000.00	For the bank acceptance
Fixed Assets	4,258,569.54	Security for the loan
Intangible Assets	4,200,189.61	Security for the loan
Total	26,888,759.15	--

46. Foreign currency monetary items

Unit: RMB

Item	Foreign currency amount by the beginning of period	Exchange rate	Translated RMB amount by the end of period
HongKong dollars	197,454.50	0.7886	155,712.62
Total	197,454.50	0.7886	155,712.62



VIII. Disclosure of equity in other entities

1. Equity in subsidiary

(1) Composition of the Group

Unit: RMB

Name of Subsidiary	Operating location	Location of registration	Nature of business	Percentage of shares held by the Company(%)		Means of acquisition
				Direct	Indirect	
Northeast Electric (HK) Co Ltd	HK	HK	Investment/Trade	100.00	-	Set up by investment
Gaocai Technology Co., Ltd.	BVI	BVI	Investment	-	100.00	Set up by investment
Northeast Electric (Beijing) Co Ltd	Beijing	Beijing	Sales of machinery, etc	-	100.00	Set up by investment
Shenyang Kaiyi Electric.,Co., Ltd.	Shenyang	Shenyang	Manufacturing, sales of electrical equipment, power capacitor, etc	10.00	90.00	Set up by investment
Fuxin Enclosed Busbar Co Ltd	Fuxin	Fuxin	Manufacturing of enclosed busbar	-	100.00	Set up by investment
New Northeast Electric (Jinzhou) Power Capacitor Co	Jinzhou	Jinzhou	Manufacturing power capacitor	-	100.00	Business combination under common control
Jinzhou Jinrong Electric Appliance	Jinzhou	Jinzhou	Dry type capacitor banks, etc	-	69.75	Business combination under common control

(2) Information on non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Share percentage of minority shareholder	Profit/loss attributable to minority shareholders	Dividends paid to minority shareholders for the period	Accumulated minority interests by end of period
Jinzhou Jinrong Electric Appliance Co. Ltd	30.25%	-2,463.97	-	426,607.42

(3) principal accounting information on non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Amount by the end of period				Amount by the beginning of period			
	Current Assets	Non-current assets	Total assets	Total liabilities	Current Assets	Non-current assets	Total assets	Total liabilities
Jinzhou Jinrong Electric Appliance Co., Ltd.	1,444,625.21	322,159.95	1,766,785.16	356,312.66	1,444,752.91	330,207.60	1,774,930.51	356,512.66

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Jinzhou Jinrong Electric Appliance Co., Ltd.		-8,145.35		74,904.96		-106,705.34		6.57



2. Equity in associates

(1) Basic information of associates

Unit: RMB

Name of company	Principle operating location	Location of registration	Nature of business	Share percentage held(%)		Accounting methods
				direct	indirect	
Weida High-voltage Electric Co. Ltd	Hong Kong	BVI	investment		20.80%	Equity methods

(2) Main information of significant associates

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period
Current Assets	185,853,271.97	185,853,271.97
Total assets	185,853,271.97	185,853,271.97
Current liabilities	113,217.41	113,217.41
Total liabilities	113,217.41	113,217.41
Share in net asset pro rata shares held	38,633,931.35	38,508,920.68
Book value of equity investment to associate	38,633,931.35	38,508,920.68

IX. Risks related to financial instrument

Financial instruments the Company invested mainly include equity investment, borrowings, accounts receivables, and accounts payables, see Note V. for details. The following will show the risks relating to these financial instruments and the risk management policies the Company adopted to reduce the relative risks. Management of the Company manage and supervise the exposures of these financial instruments to ensure that they are within control.

Sensitivity analysis is adopted by the Company to analyze possible impact on the current Profit & Loss or Shareholders' equity by the reasonable and possible variations of risks. Since any variation of a risk seldom happen isolatedly, relativity between variables will cause significant influences on the ultimate impacted amount of a changed variable of risk, so the following statement is based on supposition that each variable happens independently.

Goal and policies of risk management

The goal of risk management of the Company is to achieve balance between risk and income, reducing the negative impacts on the operations to the lowest level, and maximizing interests and shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyze all the risks that the Company confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

1. Market risks

(1) foreign currency risks

Foreign currency risks is the risks of loss caused by variations in exchange rates. The main foreign currency risks for the Company involve HK dollar. Subsidiaries established overseas - Northeast Electric (HK) Co. Ltd., Gaocai Technology Co., Ltd. use HK dollar as recording currency for their financial statements, while the rest of the Company's major activities are accounted in RMB. In the statements dated on June 30, 2015, only daily expenses reported with no purchases or sales for these subsidiaries.



On 30 June, 2015, impacts on the current Profit & Loss and Shareholders' equity are as follows, supposing HK dollars against RMB appreciate or depreciate 0.5% while all other variables remain unchanged:

Unit: RMB

Item	Change in Exchange rate	Amount for the current period		Amount for the previous period	
		Impacts on profit	Impacts on shareholder' equity	Impacts on profit	Impacts on shareholder' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	-1,361.38	412,937.43	-4,374.27	415,815.16
Translation from foreign currency reports	Depreciate 0.5% against RMB	1,361.38	-412,937.43	4,374.27	-415,815.16

(2) Risks of interest rates

Risks related to changes in financial instruments' cash flow due to interest rates' variation mainly involve floating interest rates of bank borrowings (see Note V.18 for details), and the Company's present policy is to maintain the floating interest rates of these borrowings.

The following chart shows the possible before-tax impacts on the current Profit & Loss and Shareholders' Equity on the report date June 30, 2015. supposing bank borrowings' floating interest increase or decrease 50 basis points while all other variants remain unchanged:

Unit: RMB

Item	Change in interest rate	Amount for the current period		Amount for the previous period	
		Impacts on profit	Impacts on shareholder' equity	Impacts on profit	Impacts on shareholder' equity
Short-term borrowing	Increase by 0.5%	-44,388.88	-44,388.88	-40,222.00	-40,222.00
Short-term borrowing	Decrease by 0.5%	44,388.88	44,388.88	40,222.00	40,222.00

2. Credit risks

On June 30, 2015, The principle exposure of credit risks comes when the other Party of the contract doesn't carry out its obligations so as to cause loss on the financial assets investment and financial guarantee undertaken by the Company.

A special team has been set up to be in charge of setting credit amounts, approving credit limits and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue creditor's rights. Moreover, the Company supervisors every single receivable on every Balance Sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables. Therefore, the management of the Company considers the credit risks greatly reduced.

Working capital of the Company has been deposited with banks with high credit ratings, so there's low risk for those capital.

(1) Notes receivable

Notes receivable for the Company mainly comprise of Bankers' acceptance notes receivable, which the Company exercise strict management and continuous supervision to make sure there will be no significant bad debt risk for the Company.

(2) Accounts receivable

The Company only conducts transactions with a recognized third party with good credit. All the customers with credit settlements will be reviewed for their credit according to the Company's policy. Furthermore, the Company will keep continuous supervision on the relative balance of receivables so that the Company won't be confronted with significant bad debt risks.

Staff are trained to strengthen risk awareness, risk management procedures are improved continuously. Measures are used to improve internal control over customers' credit policy management, which adjustment require necessary review procedure.



Detailed transaction entries and accounting are requested by the Company. Payment records of customers are used as important reference for their credit evaluation. Dynamic management are exercised over customers' information, updated information of customers' are required for relative credit policy to the customers.

Management of the Company considers credit risks facing by the Company greatly reduced because it only conducts transactions with recognized third party with good credit, and manage concentration of credit risks by customer.

(3) **Other receivables**

Other receivables of the Company consists mainly of petty cash, guarantee deposits, etc. The Company manage all these receivables with relative business operations to make sure no significant bad debt risk will occur.

X. Related parties and Related parties transaction

1. Parent company of the Company

Unit: RMB

Parent Company	Place of Registration	Business Nature	registered capital	Percentage of shares held by Parent Company (%)	Voting shares ratio held by Parent Company (%)
New Northeast Electric Investment Co Ltd	Ying Kou	Investment	RMB135M	9.33	9.33

Description of the parent company of the Company

1. New Northeast Electric Investments Co., Ltd. has carried out the registration of stocks with Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 31 March 2015. And its 50,000,000 A shares not subject to trading moratorium have been frozen since 31 March 2015.
2. During the period from the date of 1 November 2010 to 10 June 2015, New Northeast Electric Investments Co., Ltd., by applying a centralized auction and bulk transactions in Shenzhen Stock Exchange, cumulatively reduced 130,513,778 shares not subject to trading moratorium, and currently holds 81,513,872 shares of the Company, accounting for 9.333% of general share capital of the Company.

The substantial controller of the company is Tlan Li.

2. Subsidiary of the Company

Details are shown in Note VIII.1 "Equity in subsidiary"

3. Associate of the Company

Details are shown in Note VIII.2 "Equity in associate"

4. Connected transactions

(1) Key managerial personnel compensation

Unit: RMB

Item	Amount by the end of period	Amount by the beginning of period
Employee compensation	716,482.27	678,946.26

**5. Payables of associate***Unit: RMB*

Item	Name of associate	Amount by the end of period	Amount by the beginning of period
Other payables	Weida High-voltage Electric Co Ltd.	296,186.63	296,224.19

6. Commitment of related party

None

XI. Stock payment**1. General information about stock payment** Applicable Not applicable**2. Equity-settled share-based payment** Applicable Not applicable**3. Cash-settled share-based payment** Applicable Not applicable

4. Modification and termination of stock payment

5. Others

XII. Commitment and contingencies

1. Critical commitment

Critical commitment about the existence of balance sheet

None

2. Contingencies

(1) Important contingencies about the existence of balance sheet

1. As of 30 June 2015, the Company does not have any contingent liability arise from pending litigation and arbitration.
2. As of 30 June 2015, the Company provides a guarantee for the RMB52.9 million bank loads of Jinzhou Power Capacitors Co., Ltd. For the forming of the guarantee liability, see Note VII, 26 Estimated liabilities.

(2) Important contingencies that do not need to be disclosed by the Company

3. Others: None



XIII. Subsequent events of balance sheet

- 1. Important non-adjusting events: None**

- 2. Profit distribution: None**

- 3. Sales return: None**

- 4. Other descriptions of subsequent events of balance sheet: None**

XIV. Major notes to parent company level financial statements**1. Accounts receivable**

(1) Accounts receivables by categories are analyzed as follows:

Unit: RMB

Types	Amount by the end of period					Amount by the beginning of period				
	Carrying amount		Provision for bad debt		Book value	Carrying amount		Provision for bad debt		Book value
	Amount	Ratio(%)	Amount	Ratio		Amount	Ratio(%)	Amount	Ratio	
Subject to provision by group of risk characteristics	7,688,286.88		179,400.00	2.34%	7,508,886.88	10,623,350.96		179,400.00	1.72%	10,443,950.96
Total	7,688,286.88		179,400.00	2.34%	7,508,886.88	10,623,350.96		179,400.00	1.72%	10,443,950.96

Single significant accounts receivable with separate bad debt provision at end of period

 applicable not applicable

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

 applicable not applicable*Unit: RMB*

Age of account	Amount by the beginning of period		
	Accounts receivable	Bad-debt provision	Ratio of provision
The subitem within 1 year			
Within 1 year	7,508,886.88		-
1 - 2 years	-	-	-
2 -3 years	-	-	-
3 - 4 years	-	-	-
Over 4 years	179,400.00	179,400.00	100.00%
Total	7,688,286.88	179,400.00	2.34%



- (2) There is no counting and drawing, recovery or reversal of bad debts during the reporting period;
- (3) There is no actual write-off of receivables during the reporting period.
- (4) Companies with significant balance in accounts receivable by end of period:

Unit: RMB

number	Name of company	Amount	Percentage in total accounts receivable	bad-debt provision	Age
1	Shenyang Kaidi Insulation Technology Co. Ltd	6,463,560.00	84.07%		Within 1 year
2	Yingkou Chongzheng Electric Equipment Co Ltd.	842,551.00	10.96%		Within 1 year
3	Yingkou Hongyue Machinery Co. Ltd.	202,775.88	2.64%		Within 1 year
4	Total	10,443,950.96	2.64%		

2. Other receivables

- (1) Other receivables by categories are analyzed as follows:

Unit: RMB

Types	Amount by the end of period					Amount by the beginning of period				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Ratio	Amount	Ratio of provision(%)		Amount	Ratio(%)	Amount	Ratio of provision(%)	
Individually significant and subject to separate provision	76,090,000.00	18.12%	76,090,000.00	100.00%		76,090,000.00	17.71%	76,090,000.00	100.00%	
Subject to provision by group with risk characteristics	343,981,333.53	81.88%	273,942.23	0.08%	343,707,391.30	353,451,708.18	82.29%	273,942.23	0.06%	353,177,765.95
Total	420,071,333.53	100.00%	76,363,942.23	17.78	343,707,391.30	429,541,708.18	100.00%	76,363,942.23	17.73	353,177,765.95

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

applicable not applicable

Unit: RMB

Other receivables	Amount by the end of period			
	Other receivables	Bad-debt provision	Accrual percentage	Accrual reason
Benxi Steel (Group) Co Ltd.	76,090,000.00	76,090,000.00	100.00%	Litigation is completed, no receivable amount
Total	76,090,000.00	76,090,000.00	--	--

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

applicable not applicable

Unit: RMB

Age of account	Amount by the end of period		
	Other receivables	Bad-debt provision	Percentage of bad-debt provision
Within 1 year	74,467.19	-	-
Over 5 years	273,942.23	273,942.23	100.00%
Total	348,409.42	273,942.23	78.63%

- (2) There is no counting and drawing, recovery or reversal of bad debts during the reporting period;
- (3) There is no actual write-off of receivables during the reporting period.



(4) Other receivables by categories are analyzed as follows:

Unit: RMB

Types	Amount by the end of period	Amount by the beginning of period
Individually significant and subject to separate provision	76,090,000.00	76,090,000.00
Subject to provision by group with risk characteristics		
Aging combination	348,409.42	340,409.42
Internal current account	343,632,924.11	353,111,298.76
Sub-total		
Individually insignificant but subject to separate provision		
Total	420,071,333.53	429,541,708.18

(5) The largest five other receivables are analyzed as follows:

Unit: RMB

Name of Company	Relations	Amount	Age	Percentage over total other receivables	Bad-debt provision balance
Shenyang Kaiyi Electric Co Ltd	Wholly-owned subsidiary	162,271,933.64	Within 1 years	43.09%	-
Northeast Electric (HK) Co Ltd	Wholly-owned subsidiary	123,166,166.17	Within 1 years	32.71%	-
Benxi Steel (Group) Co Ltd.	Non-related	76,090,000.00	Over 4 years	20.21%	76,090,000.00
Northeast Electric (Beijing) Co Ltd	Wholly-owned subsidiary	52,860,591.00	Within 1 years	14.04%	-
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd	Wholly-owned subsidiary	4,034,717.35	Within 1 years	1.07%	-
Total		418,423,408.16			76,090,000.00

3. Long-term equity investments

Unit: RMB

Item	Amount by the end of period			Amount by the beginning of period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Investment to subsidiary	156,799,451.63	66,385,900.53	90,413,551.10	156,799,451.63	66,385,900.53	90,413,551.10
Total	156,799,451.63	66,385,900.53	90,413,551.10	156,799,451.63	66,385,900.53	90,413,551.10

(1) Investment to subsidiary

Unit: RMB

Investee	Amount by the beginning of period	Increment	Decrement	Amount by the end of period	Bad-debt provision at current period	Bad-debt provision balance
Northeast Electric (HK) Co	156,699,451.63			156,699,451.63		66,285,900.53
Shenyang Kaiyi Electric Co Ltd	100,000.00			100,000.00		100,000.00-
Total	156,799,451.63			156,799,451.63		66,385,900.53

4. Revenue and cost of sales

Unit: RMB

Products	Amount for the current period		Amount for the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Power capacitor	4,012,765.76	3,574,345.29		
Total	4,012,765.76	3,574,345.29		



XV. Supplementary information

1. Details of extraordinary profit& loss

applicable not applicable

Unit: RMB

Item	Amount for the current period	Note
Profit & loss on disposal of non-current asset	60,470.10	Profit on disposal of fixed asset
Profit & loss on debt restructuring	-35,200.00	loss on debt restructuring
Other items complied with definitions of extraordinary profit & loss	20,570.39	
Total	45,840.49	

Extraordinary profit and loss items of the Company are recognized in accordance with “Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public- Extraordinary profit and loss”, and the extraordinary profit and loss items listed in the “Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public- Extraordinary profit and loss” shall be classified as recurrent profit and loss with a specified reason.

applicable not applicable

2. Return on net assets and earnings per share

Unit: RMB

Profit for the period	Weighted average return on net assets	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders	-0.55%	-0.0018	-0.0018
Net profit attributable to ordinary shareholders after deduction of extraordinary profit and loss.	-0.55%	-0.0018	-0.0018

3. The differences between accounting data and under the accounting standards

- (1) Difference in net profits and net assets prepared under international accounting standards and PRC GAAP
 Applicable Not applicable
- (2) Difference in net profits and net assets prepared under foreign accounting standards and PRC GAAP
 Applicable Not applicable
- (3) Description of differences on figures by domestic and foreign accounting standards: For reconciliation of data audited by a foreign audit institution, the name of such foreign audit institution should be stipulated.

4 Others



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 originals of all of the documents and announcements of the Company which have been disclosed during the reporting period.
- (III) Original of the interim report of the Company.



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