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ANNUAL REPORT 2015 年報

輸送光明和动力的桥梁

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

CONTENTS

(I) **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. None of the directors, supervisors and senior management fails to guarantee the truthfulness, accuracy and completeness of the contents of this report.**

(II) **The Company's Chairman, Su Weiguo, Chief Financial Officer, Wang Shouguan and Head of Financial Section, Bai Lihai represent: guaranteeing the truthfulness and integrity of the financial report of the Annual Report.**

(III) **This report is considered and approved by the 17th meeting of the seventh session of the board held on 19 February 2016.**

(IV) **The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves.**

(V) **The Company's annual financial report is prepared under the PRC GAAP and is audited by Crowe Horwath China CPAs (special general partner) and it issued a standard unqualified audit report.**

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

(VII) **Unless otherwise stated, Renminbi is the only monetary unit in this report.**

1.	Legal Chinese name	:	東北電氣發展股份有限公司
	Legal English name	:	Northeast Electric Development Company Limited
	Chinese abbreviation	:	東北電氣
	English abbreviation	:	NEE
2.	Legal representative	:	Su Weiguo
3.	Executive directors	:	Su Weiguo, Wang Shouguan, Liu Qingmin, Jiao Liyuan
4.	Independent non-executive directors	:	Wang Yunxiao, Liang Jie, Liu Hongguang
5.	Supervisors	:	Liu Xuehou, Qiu Yongjian, Zhu Xinguang
6.	Secretary to the Board	:	Su Weiguo
	Representative for securities affairs	:	Zhu Xinguang
	Joint Company Secretary and authorized representative for receipt of summons and notices	:	Chen Yiping
	Business address and address for receipt of summons and notice in Hong Kong	:	Room 801 & 803, 8th Floor, Beverly House, No 93-107 Lockhart Road, Wanchai, Hong Kong
7.	Registered and office address	:	No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC
	Correspondence address	:	No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC
	Postal Code	:	115009
	Tel	:	0417-6897566 0417-6897567
	Fax	:	417-6897565
	Website	:	www.nee.com.cn
	E-mail address	:	nee@nee.com.cn nemm585@sina.com
8.	PRC newspapers for information disclosure	:	“Securities Times”
	Website containing the annual report	:	www.cninfo.com.cn www.hkexnews.hk www.nee.com.cn
	Place for inspection of annual report	:	Office of the Board of Directors

9. Place of listing, stock names and codes

H Share:			A Share:		
Hong Kong Stock Exchange			Shenzhen Stock Exchange		
Stock Name	:	Northeast Electric	Stock Name	:	Northeast Electric
Stock code	:	0042	Stock code	:	000585

10. Date of Company's first registration : 16 February 1993

Place of registration : No. 18, North Er Zhong Road, Tie Xi District, Shenyang, Liaoning Province, the PRC

Date of the Company's latest change of registration : 9 May 2014

Place of registration : No. 1, Xintai Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC

Registered number of corporate legal person business license : 210100402002708

Registered taxation number : 210804243437397

11 Auditing institutions

Auditing institutions : Ruihua CPAs (special general partner)

Office address : 4th Floor of Tower 2,No.16 Xisihuanzhong Road,Haidian District, Beijing

(I) Principal accounting data and financial indicators in the past five years prepared under the PRC GAAP

1. Principal accounting data and financial indicators

Unit: RMB

	2015	2014	Increase/decrease of the year over last year (%)	2013	2012	2011
Operating revenues (RMB)	151,639,578.32	197,439,030.24	-23.20	195,974,125.82	217,220,841.81	248,679,812.93
Net profit attributable to shareholders of listed company (RMB)	4,933,337.50	6,169,105.14	-20.03	9,886,802.75	11,140,994.81	-32,197,171.37
Net profit attributable to shareholders of listed company after extraordinary items (RMB)	-775,922.03	4,390,358.73	-117.67	3,229,217.03	680,708.05	-42,042,803.20
Net cash flow arising from operating activities (RMB)	-18,237,185.20	26,805,591.07	-168.04	31,448,167.32	-3,353,695.97	-33,808,267.97
Basic earnings per share (RMB/Share)	0.01	0.01	0.00	0.01	0.01	-0.04
Diluted earnings per share (RMB/Share)	0.01	0.01	0.00	0.01	0.01	-0.04
Earnings/net assets ratio (%)	1.68%	2.18%	decrease 0.5 percentage	3.60%	4.18%	-12.35%

	As at the end of 2015	As at the end of 2014	Increase/decrease at the end of 2015 over the end of 2014 (%)	As at the end of 2013	As at the end of 2012	As at the end of 2011
Total assets (RMB)	483,445,718.25	482,595,791.02	0.18	462,731,004.91	498,205,496.54	557,054,235.74
Net assets attributable to shareholders of listed company (Shareholders' fund attributable to shareholders of listed company) (RMB)	296,987,112.46	286,188,311.72	3.77	279,693,302.29	271,782,480.71	260,663,611.50

2. Differences in figures by domestic and foreign accounting standards

(1) Differences in net profits and net assets prepared under international accounting standards and PRC GAAP

□ Applicable √ Not applicable

There are no differences in net profits and net assets prepared under international accounting standards and PRC GAAP in the reporting period of the Company.

(2) Difference in net profits and net assets prepared under foreign accounting standards and PRC GAAP

□ Applicable √ Not applicable

3. Major financial indexes by quarter

Unit: RMB

	The first quarter	**The second quarter**	**The third quarter**	**The forth quarter**
Operating revenues	28,813,616.47	36,634,210.85	39,015,097.36	47,176,653.64
Net profit attributable to shareholders of listed company	-2,657,816.28	1,096,503.62	650,316.80	5,844,333.36
Net profit attributable to shareholders of listed company after extraordinary items	-2,666,759.88	1,059,606.73	600,570.55	230,660.57
Net cash flow arising from operating activities	-22,130,564.06	-28,972,483.81	-32,776,510.59	-18,237,185.20

Great differences exist between the above financial indexes or their sums and the related financial indexes in the quarter reports and semi-annual reports disclosed by the Company

□ Yes √ No

4. Extraordinary items and the related amount

Unit: RMB

Item	2015	2014	2013	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for assets impairment being written off)	15,994.18	139,391.69	191,898.47	Revenues in disposal of fixed assets
Government subsidy Included in the current profits and losses (closely related to business of the enterprise, excluding the government subsidy enjoyed fully or quantitatively according to uniform standards of the country)	106,670.00			Labor security subsidy received from the government
Profit and loss from debt restructuring			5,511,900.00	
Gains/losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operations	867,706.84	574,069.12	237,991.33	Banking interest income
Reversal of account receivable provision by single devaluation test	6,310,527.55	1,226,648.28		Recovering accounts receivable reserved for bad debts in the previous period
Other non-operating income and expense other than the above items	21,347.38	-106,416.11	61,015.21	
Other profit and loss items falling within the definition of extraordinary profit and loss			687,351.18	
Less: Effect of income tax	1,612,986.42	54,946.57	32,570.47	
Effect of minority interests (after tax)				
Total	5,709,259.53	1,778,746.41	6,657,585.72	--

(I) MANAGEMENT DISCUSSION AND ANALYSIS

In the reporting period, China's economy entered the new normal state and still maintained relatively stable growth, but the growth slowed down and the downward pressure continued to increase. The industry of the Company sees overcapacity and very fierce price competitiveness. Facing the grim situation, the business management level of the Company actively recognized and adapted itself to the new normal state of economic development, and energetically and properly coped with various unfavorable situations to realize stable production and business operation of the Company. In 2015, the operating incomes of the Company amounted to RMB151.74 million, with a decrease of 23.17% compared with the same period last year; the net profits attributable to shareholders of the parent company delivered RMB4.93 million, with a year-on-year decrease of RMB1.24 million.

Main work in the reporting period:

1. Share transfer and changes to the first major shareholder and actual controller

   On 21 December 2015, New Northeast Electric Investments Co., Ltd. (hereinafter referred to as "NNEI"), the first major shareholder of the Company, and Suzhou Tsing Chuang Trading Group Co., Ltd. (hereinafter referred to as "Suzhou Tsing Chuang") signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd. (hereinafter referred to as the "Share Transfer Agreement"), and NNEI planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.331% of the total equity of the Company) of the Company to Suzhou Tsing Chuang through agreement. This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 22 January 2016, the first major shareholder of the Company changed to Suzhou Tsing Chuang, and the actual controller changed to Liu Jun, who constitute concerted action persons together with Wang Zheng and Wu Yisha.

2. Significant asset reorganization

   This share transfer will be accompanied by significant asset reorganization. The Company is actively promoting implementation of the asset reorganization work, optimizing the Company's assets structure, and seeking investments in mergers and acquisitions or reorganizations that show good development prospects in intelligent software development, intelligent hardware R&D and production, mobile Internet business and other industries.

3. Production and operation situation of the Company

   (1) Both the operating income and net profit decreased as compared with the same period last year, and the operating performance was lower than excepted.

       The operating income dropped by 23.17% as compared with the same period last year, which was caused by factors such as great decrease of execution contracts of high voltage switch products in the current period, and deferred delivery of some contracts due to reasons on the part of customers.

The consolidated gross profit margin of products indicated a year-on-year increase of 2.22%, which was caused by product structure changes arising from increase in the gross profit margin of enclosed busbars and sharp decrease in contracts implemented in the current period for high voltage switch products.

The net profits attributable to shareholders of the parent company delivered RMB4.93 million, with a year-on-year decrease of RMB1.24 million, which was caused by the extraordinary profit and loss arising from bad debt provision reversal of other accounts receivable that was reserved for bad debts in the current period.

(2) Technical transformation was implemented to improve the equipment level.

To cope with the intense market competition in the reporting period, the Company updated and transformed the existing production equipment of enclosed busbars. Now, all the transformed equipment has arrived. Given that Fuxin Enclosed Busbar Co., Ltd., a wholly owned subsidiary, has always been conducting the demonstration work for the new plant construction project based on offsite relocation and investment, the Company planned to postpone this project and implement it together with the new plant construction project.

After the transformation, the existing equipment safety hazards will be eradicated to improve the quality and reputation of busbar products, enhance the production efficiency, expand the production capacity, boost the comprehensive competitiveness of products, and promote sustainable and stable development of the Company.

In the reporting period, the Company completed update and transformation of power capacitor winding equipment, solved the production “bottleneck” problem caused by the winding process, improved the product quality, electric performance and raw material utilization, reduced the production cost effectively, and boosted the product competitiveness.

(3) Research and development efforts were increased to enhance the product competitiveness.

In the reporting period, the Company completed development of new enclosed busbar products of large current nuclear power excitation common boxes, and fixed a series of problems such as heat dissipation, vibration, heat exchange, mechanical strength and support mode of all parts for enclosed busbars of high current common boxes under the self-cooling condition. At present, this new product has been put into actual application on the field to fill the domestic gap and reached the advanced level of similar products in the world.

In the reporting period, the Company carried out research and development of new compact assembling capacitors and completed the related demonstration and preparation work in the initial stage. Prototype production and type test can be performed when conditions are ready. Meanwhile, the Company completed optimization improvement for oil cups of impregnation process in the power capacitor manufacturing process, electric performance test and analysis of thin film, and probed into the relationship between the immersion time outside the tank and the external ambient temperature, and all the results have been applied to production and greatly improved the product quality and production efficiency.

(4) The Company further reinforced settlement of accounts receivable and other receivables and prevented financial risks.

The Company strengthened internal financial management and monitoring in the reporting period, put on an emphasis on key projects in the follow-up process, and prepared reasonable objectives and specific targeted measures, which played an active role in preventing financial risks and improving operating performance.

(II) Operation of the Company during the reporting period

1. Scope of principal operations and its operation

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

(2) Operational results for the year

The Company recorded operating revenue of RMB151,740,484.82, total profit of RMB7,662,979.35 and the net profit of RMB4,857,487.18.

2 Analysis of major controlling company and investee company

(1) Operation of major controlling company and investee company

Name	Industry	Major products or services	Registered capital	Percentage of share (%)	Total assets (RMB)	Net assets (RMB)	Operating revenues (RMB)	Operating profit (RMB)	Net profit (RMB)
Northeast Electric (Hong Kong) Limited	Trading	Trading	USD20,000,000	100	190,302,156.70	87,454,721.24	0	-630,081.33	-630,081.33
Great Talent Technology Limited	Investments	Investments	USD1.00	100	87,967,165.17	-82,702.22	0	-5,861.59	-5,861.59
Northeast Electric (Beijing) Limited	Sales	High-voltage switches	RMB 2,000,00 0	100	59,283,177.38	1,073,533.12	1,701,880.29	3,237,657.40	3,237,657.40
Shenyang Kaiyi Electric Co., Ltd.	Manufacture and sales	Electronic equipment	RMB 1,000,00 0	100	163,652,657.87	-7,441,867.72	0	-1,046,985.17	-998,815.07
Fuxin Enclosed Busbars Co., Ltd.	Manufacture	Enclosed busbars	USD8,500,000	100	107,923,788.33	65,184,746.83	47,386,554.26	689,829.88	680,676.95
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Manufacture	Power capacitor	USD15,450,000	100	218,587,265.69	163,199,831.94	102,028,706.72	7,096,654.93	6,311,481.89
Jinzhou Jinrong Electric Co., Ltd.	Manufacture	Dry-type capacitor	RMB 3,000,00 0	69.75	1,616,579.88	852,667.67	0	-250,744.86	-250,744.86

3. Acquiring and disposing subsidiaries are nothappened during the reporting period

None

(III) Analysis of principal businesses

1. Summary

The Company has been dedicated to R&D, design, production and sales businesses of products related to power transmission and transformation equipment in recent years.

Main products offered by the Company include power capacitors, enclosed busbars, etc. Products of the Company apply to the power system field and are used to improve voltage quality of the power system, enhance transmission capacity of the power transmission line and support transmission of the high power electric energy. These devices play an important role in the power system.

There were no material changes in the principal business of the Company in the reporting period.

2. Incomes and Costs

(1) Composition of operating incomes

Unit: RMB

	2015		2014		Year-on-year
		As a percentage of		As a percentage of	increase/decrease
	Amount	operating costs (%)	Amount	operating costs (%)	(%)
Total cost of sales	151,639,578.32	100	197,439,030.24	100	-23.20
By industry					
	151,639,578.32	100.00	197,439,030.24	100.00	-23.20
By product					
Enclosed busbars	47,369,246.56	31.24	58,182,658.51	29.47	1.77
Power capacitor	102,568,451.47	67.64	116,187,995.71	58.85	8.79
High-voltage switches	1,701,880.29	1.12	23,068,376.02	11.68	-10.56
By regions					
Northeast	90,555,152.55	59.72	111,986,871.70	56.72	-19.14
Central north	2,452,145.25	1.62	28,783,324.66	14.58	-91.48
Central	9,136,254.41	6.02	31,780,867.55	16.10	-71.25
Central east	22,637,008.30	14.93	9,624,554.30	4.87	135.20
Central south	3,475,577.43	2.29	2,165,053.80	1.10	60.53
Southwest	11,307,975.75	7.46	8,674,730.78	4.39	30.36
Northwest	12,075,464.63	7.96	4,423,627.45	2.24	172.98

(2) Is the revenues from the physical goods of the Company more than the revenue from the provision of labor services?

√ Yes □ No

Unit: RMB

By industry	Item	2015	2014	Year-on-year increase/decrease (%)
	Sales volume	102,568,451.47	113,828,241.04	-9.89
	Production volume	77,629,984.14	84,443,111.43	-8.07
Power capacitor	Stock volume	10,521,944.94	9,090,573.97	15.75
	Sales volume	47,369,246.56	58,182,658.51	-18.59
	Production volume	34,537,465.02	42,682,363.72	-19.08
Enclosed busbars	Stock volume	1,619,238.6	720,711.26	124.67
	Sales volume	1,701,880.29	23,068,376.02	-92.62
	Production volume	813,641.03	21,716,512.82	-96.25
High-voltage switches	Stock volume		512,820.51	

For change related data up more than 30% compared to the period

Enclosed busbars	Stock volume	1,619,238.60	720,711.26	124.67%	The increase of stock
	Sales volume	1,701,880.29	23,068,376.02	-92.62%	The decrease of sales
High-voltage switches	Production volume	813,641.03	21,716,512.82	-96.25%	The decrease of sales
	Stock volume		512,820.51		The sales of stock

(3) Fulfillment status of the Company's signed significant sales contracts as at the end of the reporting period

□ Applicable √ Not applicable

(4) Cost of sales

By industry and product

Unit: RMB

		2015		2014		
By industry	**Item**	**Amount**	**As a percentage of operating costs (%)**	**Amount**	**As a percentage of operating costs (%)**	**Year-on-year increase/ decrease (%)**
Transformation equipment	operating costs	111,164,012.39	100.00	149,130,956.13	100.00	-25.46

Unit: RMB

		2015		2014		
By product	**Items**	**Amount**	**As a percentage of operating costs (%)**	**Amount**	**As a percentage of operating costs (%)**	**Year-on-year increase/ decrease (%)**
Enclosed busbars	operating costs	33,638,937.68	30.26	42,683,342.05	28.62	-21.19
Power capacitor	operating costs	76,198,613.17	68.55	84,731,101.26	56.82	-10.07
High-voltage switches	operating costs	1,326,461.54	1.19	21,716,512.82	14.56	-93.89
Total		111,164,012.39	100.00	149,130,956.13	100.00	-25.46

Remark:

	2015			2014		
By product	Direct material	Direct labor	Manufacture expense	Direct material	Direct labor	Manufacture expense
Enclosed busbars	87.11%	6.59%	6.30%	92.48%	3.14%	4.38%
Power capacitor	79.39%	2.71%	17.90%	79.32%	2.70%	17.39%

(5) Information related to significant changes or adjustment of businesses, products or services of the Company in the reporting period

□ Applicable √ Not applicable

Major customers

Total sales of the top five customers (RMB)	126,690,034.61
Proportion of total sales of the top five customers over total sales for the year (%)	64.14%

The top five customers

No.	Name	Sales (RMB)	Percentage over the annual total amount of sales (%)
1	Yingkou Hongyue Machinery Co., Ltd.	44,203,537.51	29.13
2	Shenyang Kaidi Insulation Technology Co., Ltd.	23,022,495.30	15.17
3	Yingkou Chongzheng Electric Equipment Co., Ltd.	16,901,307.06	11.14
4	Shenhua Guohua Shouguang Power Generation Co. Ltd.	13,034,188.01	8.59
5	Material Equipment Branch (Naramizu Jiro), State Power Investment Corporation	8,418,803.41	5.55
Total	--	105,580,331.29	69.58

Major suppliers

Total purchases attributable to the top five suppliers (RMB)	33,893,375.95
Proportion of total purchases attributable to the top five suppliers over total purchases for the year (%)	39.64

The top five suppliers

No.	Name	Purchase (RMB)	Percentage over the annual total purchase (%)
1	Dandong Changxing Electric Appliance Co., Ltd.	10,334,136.15	12.09
2	Shenyang Taihua Copper Co., Ltd.	7,242,016.21	8.47
3	Tianjin Jinnanxin Yida Metal Mesh Factory	5,875,437.94	6.87
4	Sichuan Dongfang Insulation Materials Co., Ltd.	5,360,431.54	6.27
5	Shenyang Xinhuahao Aluminum Co. Ltd.	5,081,354.11	5.94
Total	--	33,893,375.95	39.64

3. Expenses

Unit: RMB

	2015	2014	Changes(%)	Reasons for changes
Sales expenses	14,538,306.66	16,326,228.43	-10.95	Decrease in the consulting fee and transportation expense of Fuxin Enclosed Company
Administrative expenses	25,465,615.48	27,725,953.49	-8.15	Decrease in the management expenses of Xinjinrong
Financial expenses	160,020.04	195,284.85	-18.06	Increase in the handling fee for issuing acceptance bills by Xinjinrong

4. R&D expenditure

Research and development efforts were increased to enhance the product competitiveness.

In the reporting period, the Company completed development of new enclosed busbar products of large current nuclear power excitation common boxes, and fixed a series of problems such as heat dissipation, vibration, heat exchange, mechanical strength and support mode of all parts for enclosed busbars of high current common boxes under the self-cooling condition. At present, this new product has been put into actual application on the field to fill the domestic gap and reached the advanced level of similar products in the world.

In the reporting period, the Company carried out research and development of new compact assembling capacitors and completed the related demonstration and preparation work in the initial stage. Prototype production and type test can be performed when conditions are ready. Meanwhile, the Company completed optimization improvement for oil cups of impregnation process in the power capacitor manufacturing process, electric performance test and analysis of thin film, and probe into the relationship between the immersion time outside the tank and the external ambient temperature, and all the results have been applied to production and greatly improved the product quality and production efficiency.

The R&D expenditure of this year is RMB 210,000.00. The research project is the nonsegregated phase bus duct of nuclear power and aims to make a breakthrough in the nuclear power bus. It accounts for 0.14% of the audited income of the last period.

5. Cash flows

Unit: RMB

Item	2015	2014	Year-on-year increase/ decrease (%)
Subtotal of cash inflows from operating activities	157,880,087.19	224,406,284.59	-29.65
Subtotal of cash outflows from operating activities	176,117,272.39	197,600,693.52	-10.87
Net cash flows from operating activities	-18,237,185.20	26,805,591.07	-168.04
Subtotal of cash inflows from investment activities	70,874,940.84	56,307,135.79	25.87
Subtotal of cash outflows from investment activities	72,777,385.33	63,790,467.27	14.09
Net cash flows from investment activities	-1,902,444.49	-7,483,331.48	-74.58
Subtotal of cash inflows from financing activities	9,000,000.00	9,000,000.00	0.00
Subtotal of cash outflows from financing activities	9,662,688.68	8,665,058.33	11.51
Net cash flows from financing activities	-662,688.68	334,941.67	-297.85
Net increase in cash and cash equivalents	-20,791,653.67	19,657,705.95	-205.77

Reasons for a year-on-year change for the relevant amounts:

Unit: RMB

Item	2015	2014	Change amount	Change (%)	Reasons for changes
I. Cash flow from operating activities					
Cash received from other operating activities	3,208,291.95	6,099,219.57	-2,890,927.62	47.40	Caused by decrease in the accounts receivable of transactions
Sub-total of cash inflows from operating activities	**157,880,087.19**	**224,406,284.59**	-66,526,197.40	-29.65	

Item	2015	2014	Change amount	Change (%)	Reasons for changes
Cash paid to goods purchased and labor service received	97,455,140.38	128,478,150.48	-31,023,010.10	-24.15	Caused by decrease in the payment of goods
Payments of taxes and surcharges	11,555,573.73	17,905,812.74	-6,350,239.01	-35.46	Caused by decrease in the corporate income tax and value added tax of Xinjinrong
Cash payments to other operating activities	38,959,817.11	22,348,283.95	16,611,533.16	74.33	Caused by paying the bank acceptance deposits
Sub-total of cash outflows for operating activities	**176,117,272.39**	**197,600,693.52**	-21,483,421.13	-10.87	
Net Cash Flow from operating activities	**-18,237,185.20**	**26,805,591.07**	-45,042,776.27	-168.04	
II. Cash flow from investing activities					
Cash from disinvestments	70,000,000.00	55,000,000.00	15,000,000.00	27.27	Caused by increase in the transactions of investing in bank products
Cash received from return of investments	867,706.84	607,135.79	260,571.05	42.92	Caused by increase in the product revenue
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	7,234.00	700,000.00	-692,766.00	-98.97	Caused by decrease in the cash received for disposal of fixed assets
Sub-total of cash inflows from investing activities	**70,874,940.84**	**56,307,135.79**	14,567,805.05	25.87	
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	2,777,385.33	10,790,467.27	-8,013,081.94	-74.26	Caused by equipment payment made by Fuxin in the last period
Cash paid for investment	70,000,000.00	53,000,000.00	17,000,000.00	32.08	Caused by increase in the transactions of investing in bank products
Sub-total of cash outflows	**72,777,385.33**	**63,790,467.27**	8,986,918.06	14.09	
Net Cash Flow from investing activities	**-1,902,444.49**	**-7,483,331.48**	5,580,886.99	-74.58	

Item	2015	2014	Change amount	Change (%)	Reasons for changes
III. Cash flow from financing activities					
Cash received by absorbing investment	9,000,000.00	9,000,000.00		0.00	
Sub-total of cash inflows	**9,000,000.00**	**9,000,000.00**		0.00	
Cash paid for repayments of debts	9,000,000.00	8,000,000.00	1,000,000.00	12.50	Caused by increase in the bank loan
Cash paid for distribution of dividends, profits and interest	662,688.68	665,058.33	-2,369.65	-0.36	
Sub-total of cash outflows	**9,662,688.68**	**8,665,058.33**	997,630.35	11.51	
Net Cash Flow from financing activities	**-662,688.68**	**334,941.67**	-997,630.35	-297.85	Caused by increase in the bank loan
IV. Effect of change of foreign currency rates on cash and cash equivalents	10,664.70	504.69	10,160.01	2013.12	
V. Net increase of cash and equivalent	-20,791,653.67	19,657,705.95	-40,449,359.62	-205.77	Caused by paying the bank acceptance deposits
Plus: Balance of cash and equivalent at beginning of period	122,394,679.36	102,736,973.41	19,657,705.95	19.13	
VI. Balance of Cash and equivalent by end of period	101,603,025.69	122,394,679.39	-20,791,653.67	-16.99	

(IV) Analysis of non-principal business

□ Applicable √ Not applicable

(V) Analysis of Assets and Liability

1. Significant changes in assets

Unit: RMB

	End of 2014		End of 2013			
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	Increase/ decrease (%)	Explanation for significant change
Monetary assets	123,417,163.19	25.53	124,218,516.86	25.74	-0.21	
Account receivables	134,014,154.00	27.72	123,555,550.88	25.60	2.12	Due to increase in the accounts receivable of customers
Inventories	28,181,314.33	5.83	33,991,443.14	7.04	-1.21	Due to decrease in WIP of Xinjinrong and Fuxin Enclosed Company
Long-term equity investments	41,020,089.96	8.48	38,633,931.35	8.01	0.47	Due to change in the exchange rate
Fixed assets	58,783,415.15	12.16	62,214,706.66	12.89	-0.73	Increase in depreciation
Construction in progress	6,070,928.55	1.26	302,416.04	0.06	1.20	Due to increase in the equipment purchased by Fuxin Enclosed Company for installation
Short-term borrowings	9,000,000.00	1.86	9,000,000.00	1.86	0.00	

2. Assets and liabilities accounted by fair value

□ Applicable √ Not applicable

(VI) REASONS ON SIGNIFICANT CHANGE IN PROFIT CONSTITUENTS, PRINCIPAL BUSINESS AND ITS STRUCTURE AND PROFITABILITY OF THE PRINCIPAL BUSINESS COMPARED TO THE PREVIOUS REPORTING PERIOD

There are no material changes in principal business and its structure and profitability of the principal Business.

(VII) INVESTMENTS DURING THE REPORTING PERIOD

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.

During the reporting period, the Company had no main projects invested by non-raised capital.

(VIII) PROSPECT OF THE COMPANY'S FUTURE DEVELOPMENT

1. Industry development trend and competition pattern

(1) Power transmission and distribution industry

As the the reform of power system and power structure adjustment go deeper and deeper, the power demand has entered the "new normal state", and power grid construction focuses on ultra high voltage transmission lines. Meanwhile, the State has started construction of intelligent power grid. Due to influence by environmental factors, the power generation ratio of clean energy increases continuously, and thermal power units develop towards the direction of large capacity, high parameters and environmental protection type.

Owing to impact by the macro economic situation, increase and investment of the domestic electricity demand will also slow down along with expected slowdown in economic growth in China. It is predicted that the situation of overcapacity and fierce price competition in power transmission and transformation equipment manufacturing enterprises will not change in 2016, and the status of "high output, high cost and low benefit" will continue to remain as such.

(2) Intelligent hardware and mobile Internet industry

Along with rapid population of mobile Internet and intelligent terminals in the past two years, currently the global Internet has entered a new revolution in science and technology. Foreign capital giants in the Internet industry are expanding in the hardware field, setting layout frequently, and spending huge sums on the acquisition of intelligent hardware projects, yielding the fission effects of innovation and reform.

Under the great background that the domestic macro economy is in the "new normal state" and the government vigorously promotes transformation of the economic structure, home-made product substitution has become the general trend in the intelligent hardware and mobile Internet industry, especially the emerging industries of high growth that are powerfully supported by the State and can effectively promote the economic transformation, which will embrace a huge development space.

2. Company development strategy

The year of 2016 will see strategic transformation and restart of the Company. The Company will rely on its resource integration capability to implement strategic industrial layout, reinforce the business foundation, focus on accelerating business transformation, and create new values for the society and shareholders. The Company will enthusiastically promote significant asset reorganization and re-forge the Company's industrial structure.

3. Business plan of the new year

In 2016, the Company will fully use the capital market platform to adjust and change the main business and operating strategy, reinforce the sustained profitability and comprehensive competitive strength of the Listed Company, stimulate development of the Listed Company, and protect the interests of all the shareholders, especially small and medium shareholders as many as possible.

In view of uncertainty with significant asset reorganization of the Company and uncertainty with the specific implementation content and progress, the Company cannot accurately judge impact on the further operating performance of the Company.

The Company will put an emphasis on work in the following aspects in 2016:

(1) In accordance with related regulations of the Company Law and Articles of Association, the Company will convene the interim shareholders' general meeting to deliberate and elect the new session of the Board of Directors, and organize the new management team on 10 March 2016.

Suzhou Tsing Chuang Trading Group Co., Ltd., the new and first major shareholder, needs to make consideration based on business development of the Company and further improvement of the Company's governance structure. Members of the new management team will be younger, better educated and more professionally competent. With high flexibility, vitality and momentum, they are more willing to accept new things and help the Company to formulate a mechanism of constantly replenishing fresh blood as a public corporation, which will facilitate corporate development and innovation.

(2) The Company will actively promote implementation of the asset reorganization work, optimize the Company's assets structure, drive corporate development, and maximize shareholders' interests. The Company will rely on its resource integration capability to implement strategic industrial layout, reinforce the business foundation, focus on accelerating business transformation, and create new values for the society and shareholders.The Company will enthusiastically promote significant asset reorganization and re-forge the Company's industrial structure. After completion of the significant asset reorganization, the Company will be transformed to deal with intelligent software development, intelligent hardware R&D and production, and mobile Internet business.

(3) To guarantee smooth transition of production and business management, the Company will adjust and improve all basic management systems and personnel configuration after the reorganization. Meanwhile, it will strengthen management team construction and internal control construction, continuously enhance the enterprise operation management level, and lay a solid foundation for subsequent development of the Company.

(4) The Company's scale and strength will be further boosted, and financial situation will be improved. The Company will actively change the business development idea, gradually peel off the original business, invest in quality assets of intelligent software development, intelligent hardware R&D and production, and mobile Internet business, and expand the assets scale of the Listed Company to reinforce the business competitiveness and profitability of the Listed Company, further enhance the ability to withstand risks, and improve the core competitiveness of the Listed Company.

(5) The Company will actively promote implementation of the new plant construction project based on offsite relocation and investment for the wholly owned subsidiary Fuxin Enclosed Busbar Co., Ltd., strengthen fund and project management, and control the project quality and progress to ensure continuous production and operation activities of the Company. Moreover, it will combine this overall relocation project with technical transformation of the production equipment to improve the manufacturing process level, product quality, and production efficiency and capacity of busbar products, and boost the corporate image and comprehensive competitiveness.

The above-mentioned prospects for future development of the Company do not constitute the Company's substantive commitment to investors. Investors need to be aware of risks attached to investment.

4. Financial status

After completion of the significant asset reorganization matter in 2016, the Company will be transformed to focus on intelligent software development, intelligent hardware R&D and production, and mobile Internet business. The demand for funds will increase along with constant expansion of the Company's business scale. The Company will actively expand financing channels to ensure smooth sources of funding. In addition, it will further improve the financing structure to reduce the financial cost.

5. Risks in front of the Company and countermeasures

(1) Risk of strategic transformation

To ensure sustainable development of the Company in the medium and long terms, the Company is seeking strategic transformation, and deploying intelligent software development, intelligent hardware R&D and production, and mobile Internet business characterized by high speed growth, and other industries showing good prospects for development. If the Company fails to reach a consensus on cooperation with potential targets of investments in mergers and acquisitions or reorganizations or the related investments in mergers and acquisitions or reorganizations cannot be successfully implemented due to various reasons, the Company may be confronted whit the risk of slowdown in the strategic transformation process or even failure.

Countermeasures: The Company will spare no effort to promote the work related to this significant asset reorganization. Meanwhile, it will positively look for quality enterprises in the related fields, and complete merger and acquisition integration through multiple modes such as use of self-owned funds and financing to realize strategic transformation.

(2) Management risks

Along with deep promotion of the asset reorganization work, more and more affiliated companies that are newly established or acquired or take equity stakes will emerge. They show large differences in the aspects such as corporate culture, business mode and personnel management, and organization management and risk control become more difficult, so some management risk will exist.

Countermeasures: The Company will gradually set up and perfect the management system and risk control system according to characteristics of different enterprises, implant the relatively mature regulation system and standard operation of the Listed Company into each affiliated company, and reinforce enterprise management and risk control training to boost the management concepts and management levels of management teams at all levels.

(3) Risk of goodwill impairment

At present, the Company is planning the significant asset reorganization matter. After the transaction is completed, a large amount of goodwill will be formulated in the consolidated balance sheet, ad the Company needs to conduct an impairment test at the end of each year in the future. If the future operating conditions of the Company lag far behind the expected commitment performance due to overall depression of the industry or factors of placed assets, the Company will be confronted with the risk of goodwill impairment.

The Company will combine specific characteristics of Chinese market and general trend of global industry development, and work hard to be sufficiently forward-looking to do good jobs in market positioning, business expansion, product R&D, service import, etc.Meanwhile, it will reinforce financial and internal control management, discover risks timely and cope with them correctly, and minimize the possibility of generating the risk of goodwill impairment.

(IX) Social responsibilities:

The Company attaches importance to social responsibilities and constantly improves corporate governance. In practice, it pursues harmonious development between the enterprise and the employees, society and nature, pays back the community through concrete actions, and creates a harmonious corporate development environment. The most fundamental social responsibility of the Company is to guarantee the interests of all the shareholders, especially minority stockholders.

The Company defines the shareholders' meeting convening, holding and voting procedures in strict accordance with provisions and requirements of the Articles of Association and the Rules of Procedure of Shareholders' Meeting, and adopts a legitimate and effective manner to enable more shareholders to attend the shareholders' meeting and to ensure shareholders' information, participation and voting rights regarding major issues of the Company. The Company seriously performs the obligation of information disclosure and treats all the investors in line with the principles of fairness, justice and openness.

The Company reinforces investor relations management in accordance with the Regulations on Investor Relations Management, specifying that the board secretary of the Company is the person responsible for investor relations management and shall organize and carry out routine management of investor relations. During the reporting period, the Company strengthens communications with investors by using the interaction platform of investor relations and receiving calls, and promotes sustainable and healthy development of the Company jointly.

Do the Listed Company and its subsidiaries fall into the badly polluted industry defined by the environmental protection authority of the state: No.

Any administrative penalty received by the Company during the reporting period: No.

During the reporting period, the Company and its subsidiaries have not been included in the list of polluting enterprises released by environment protection department. There is no material environmental protection issues or other social security issues in the Company.

(X) Analysis of the Company's financial status under the Hong Kong Financial reporting Standards

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

At the end of the year, the balance of monetary fund was RMB123,417,163.19.

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

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

At the end of the year 2015, the Company had bank loans amounting to RMB9,000,000, representing 1.86% of the total assets. These bank loans bear floating interest rate.

The debt equity ratio of the Company was 1.03% (debt equity ratio= total bank loan/total share capital reserve * 100%).

At the end of the year 2015, the Company had fixed asset and land with net book value of RMB8,192,887.31 as security.

Please refer to Notes to the Consolidated Financial Statements for contingencies.

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

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

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

The prediction about the investment plan of the Group for the following year was detailed in "Subsequent Events".

The effects of exchange rate risk on the Group were less as it chose RMB as its functional currency in assets and liabilities.

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

(XI) Execution of resolutions of General Meeting by the Board of Directors

During the reporting period, the Board of Directors attentively executed the resolutions approved by the General Meeting and timely completed the tasks assigned by the General Meeting.

(XII) The performance of duties of the special committees of the Board of the Company

The performance of duties of the special committees of the Board of Directors of the Company is detailed in section VIII(vii) of this Annual Report.

(XIII) Financial summaries

The financial summaries are detailed in section III(i) of this Annual Report.

There is no material difference between PRC GAAP and Hong Kong Financial Reporting Standards.

(XIV) Reserve

Changes of reserves are detailed in Notes to the Financial Statements of this Annual Report.

(XV) Bank loans and other loans

Bank loans and other loans are detailed in Notes to the Financial Statements of this Annual Report.

(XVI) Fixed assets

Changes of fixed assets are detailed in Notes to the Financial Statements of this Annual Report.

(XVII) Retirement welfare

During the year, the Company adopted PRC GAAP No. 34 "Employee benefits", which standardized the Company's policy on staff welfare like retirement welfare plans. Since the Company only participated in the staff retirement insurance system regulated by the state government, the application of HKAS No. 34 did not impose significant impact on the Company's financial status.

(XVIII) Share capital

Changes of share capital are detailed in section 6(i) of this Annual Report.

(XIX) Pre-emptive right

There is no provision of pre-emptive right in accordance with the Articles of Association of the Company and PRC laws and regulations.

(XX) Impact of medical insurance scheme reform on the results of the Company

The scheme did not have any impact on the Company's results.

(XXI) Income tax: during the reporting period, the applicable income tax rate of the Company is 25%, and there is no assessable profits in Hong Kong. Please refer to the Notes of "Taxation" to the Financial Statements for details.

(XXII) Purchase, sale and redemption of shares

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

(XXIII) Resolution on the current year's profit distribution or the conversion of reserve into share capital

The Board of the Company proposed to distribute profit ended on 31 December 2015 as follows:

During the reporting period, the Company recorded net profit distributable to shareholders of the listed company of RMB4,933,337.50; and the accrued profit distributable to shareholders at the end of the year was RMB-1,537,590,906.29. Therefore, the Board resolved not to make any profit distribution and not to transfer any capital reserve into share capital during the reporting period.

The Company did not declare any cash dividends in the past three years.

Unit: RMB

Year	Amount (tax included)	Net profit attributable to shareholders of listed company in consolidated financial statements	Ratio of the cash dividends to the net profit attributable to shareholders of listed company in consolidated financial statements (%)
2015	0.00	4,933,337.50	0
2014	0.00	6,169,105.14	0
2013	0.00	9,886,802.75	0

(XXIV) Foreign exchange risk

Most of the revenue, expenditure, assets and liabilities of the Company are denominated in Renminbi and the Company is not subjected to any significant risks from fluctuation of foreign exchange.

(XXV) Independent directors' special representation and independent opinion

As current independent directors of the Seventh Session of the Board of Northeast Electric Development Co., Ltd (the "Company"), Wang Yunxiao, Liang Jie and Liu Hongguang have, in accordance with the relevant requirements set out in "Guidance Opinions on the Establishment of Independent Director System by Listed Companies", "Notice of Certain Issues in relation to the Regulation on Capital Flow between Listed Companies and its Connected Parties and External Guarantee of Listed Companies" (Zhen Jian Fa [2003]No. 56), "Notice on Regulation of External Guarantee Acts of Listed Companies" (Zhen Jian Fa [2005] No. 120) and based on the relevant information available by the Board to the Company, issued the following specific explanations and independent views after reviewing the information provided in a pragmatic manner on the basis that the information available are true, accurate and complete:

1. **Independent directors' opinion on self-assessment report of internal control of the Company**

   During the reporting period, the board of the Company revised, considered and adopted a series of management systems like the Internal Control System, which is improved and complete, and in accordance with the provisions of relevant national laws and regulations as well as the requirements of supervision departments. The Company's key internal control activities are conducted under the provisions of all internal control systems. The Company's internal control on subsidiaries, connected transactions, external guarantees, and use of raised capital, significant investments, debt restructuring and information disclosures is strict, full and effective, thus ensuring the normal business management of the Company with rationality, integrity and validity. The self-assessment report of internal control of the Company is in accordance with real conditions of the Company's internal control.

2. **Special representation and independent opinion on external guarantees**

   As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totaled RMB53,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB53,050,000, accounting for17.86% of the audited net assets of the Company for 2014. 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 risks. It hasn't made any guarantee for its shareholders, effective controller as well as the connected parties. From now on, the Company will continue to strictly execute the provisions of the Articles of Association to enhance management on external guarantee and to properly solve the problems of the guarantees provided.

3. **Independent opinion on connected transactions**

   The independent directors believe that there are no insider dealings between the Company and its associates or connected transactions that damage the interests of some of the shareholders or the Company existed. The Company has been operating legally and properly, and its financial conditions, transactions of asset acquisition and disposal and connected transactions are without problem.

4. **Independent opinion on Asset acquisition and disposal**

   The independent directors believe that there are no asset acquisition and disposal during the reporting period.

5. **Independent opinions on Fund Occupation of Connected Parties of the Company**

   During the reporting period, there is no appropriation of funds by the shareholders or their subsidiaries for non-operating purposes. At end of the reporting period, the connected party occupied the capital of the Company mainly for daily operations, and relevant affairs have fulfilled necessary decision-making process and obligation of information disclosure.

Independent directors will continuously keep en eye on capital flow between the Company, its shareholders and other connected parties as well as the external guarantees provided by the Company, and urge the Company to prevent and control risks to earnestly protect all shareholders' interest.

6. Independent opinion on nominating candidate for directors, independent directors, supervisors

The Company has carefully reviewed the Resolution on Electing Candidate for Directors, Independent Directors, Supervisors proposed on the 16th meeting of the Seventh Session of the Board of Directors and concluded as follows:

(1) The nomination process of candidate for directors is in compliance with Company Law and Articles of Association;

(2) After reviewing the candidate' biography, the candidate does not fall within the ambit of articles 57 or 58 of the Company Law and isn't identified by the China Securities Regulatory Commission as being prohibited from access to the securities market.

(3) The candidate has the corresponding qualifications and meets the requirements of relevant responsibilities;

(4) Resolution on Electing Candidate for Directors, Independent Directors, Supervisors is subject to consideration and approval by the General Meeting.

In conclusion, the independent directors agree to nominate Mr. Su Jianghua, Mr. Su Weiguo, Mr. Wang Zheng, Mr. Liu Jun, Mr. Li Min, Mr. Feng Xiaoyu, Mr. Zhang Luyang, Mr. Jin Wenhong, Mr. Qian Fengsheng, Mr. Li Dong, Mrs Wu Junyun as the candidate directors, independent directors, of the Seventh Session of the Company and will submit to the General Meeting for consideration.

7. Independent opinions on the Renewal of Auditors

Ruihua CPAs (special general partner) was appointed as the annual financial report auditor for 2015. According to its performance in auditing the 2015 Annual Report, we believe Ruihua CPAs (special general partner) has strong capacity to fulfill its duties and promptly communicate the issues in auditing. We agreed to renew the contract with Ruihua CPAs (special general partner) as the annual financial report auditor for 2016 and submitted to the General Meeting for consideration.

8. Independent opinion on the Proposal of Profit Distribution

During the reporting period, the Company recorded net profit distributable to shareholders of the listed company of RMB4,933,337.50, and the accrued profit distributable to shareholders at the end of the year was RMB-1,537,590,906.29. Therefore the Board resolved not to make any profit distribution and not to transfer any capital reserve into share capital during the reporting period.

The decision made by the Board that there would be no profit distribution in 2015 is reasonable, and no declaration of cash dividend meets the current actual situation of the Company. We have accepted the board's opinion, which will be submitted to the Company's General Meeting for consideration.

(XXVI) Whether the Company prepared and disclosed the profit forecast for the coming year: No.

By order of the Board
Su Weiguo
Chairman
19 February 2016

(I) Material litigation and arbitration

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

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

(III) During the reporting period, the Company has no investment in securities

(IV) During the reporting period, no shares of other listed companies or pre-public companies or equities of commercial banks, securities companies, insurance companies, trust companies and futures companies was held by the Company.

(V) Connected transactions

During the reporting period, there were no connected transactions nor claims and debts between the Company and the connected parties.

(VI) Use of capital for connected parties

Shareholders did not use any capital during the reporting period. Please see note "Relation and Transaction of Connected Parties" to the Financial Statements for details on use of capital for other connected parties.

(VII) Significant contracts and their execution

1. During the reporting period, the Company did not enter into any material 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. There was no entrusted loan.

2. Guarantees:

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

   As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totalled RMB53,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB53,050,000, accounting for 17.86% of the audited net assets of the Company for 2015.

(1) External guarantees of the Company

As at the end of the reporting period, the Company has provided guarantee of RMB 52,900,000.00 for loans granted to Jinzhou Power Capacitor Co., Ltd,RMB 150,000 for loans granted to Shenyang Kingdom Hotel.

(2) Guarantees for the holding subsidiaries of the Company Nil.

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

As at the end of the reporting period, the guarantee of the Company for Jinzhou Power Capacitors Co., Ltd with debt to assets ratio over 70% was RMB52,900,000, accounting for 17.82% of the audited net assets of the Company for 2015, which was translated into liabilities in total in 2007.

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

(VIII) Implementation of commitments of the Company, major shareholders and actual controllers

To implement the Share Reform Scheme of the Company smoothly, New Northeast Electric Investments Co., Ltd., the actual controller of the Company made a special undertaking that it will not sell or transfer the shares of Northeast Electric Development Co., Ltd on Shenzhen Stock Exchange within 36 months from the date for implementation of the Share Reform Scheme. Following the expiry of the said 36 months, the original Non-circulating Shares which are publicly sold on Shenzhen Stock Exchange will not be less than RMB5 per share.

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

Suzhou Tsing Chuang Trading Group Co., Ltd. made a special undertaking in the acquisition report or equity change report: it will avoid horizontal competition with the Listed Company; not buy or sell stocks of the Listed Company within 6 first months after signing of the Share Transfer Agreement; ensure independence of the Listed Company; strictly observe related regulations of CSRC on reduction of shares by major shareholders of listed companies.

During the reporting period, Suzhou Tsing Chuang Trading Group Co., Ltd. has strictly fulfilled the above commitments.

(IX) The Company has not issued any equity incentive plans

(X) During the reporting period, the Company, the Board of Directors and the directors has 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 management were not subject to any compulsory procedures.

(XI) No other significant events as listed in section 67 of the Securities Law and section 30 of Details for Administration on Information Disclosure of Listed Companies was happened during the reporting period.

(XII) Reception to the activities of field survey, communication and interview during the reporting period

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

(XIII) Subsequent events

(I) Share transfer and changes to the first major shareholder and actual controller

On 21 December 2015, New Northeast Electric Investments Co., Ltd. (hereinafter referred to as "NNEI"), the first major shareholder of the Company, and Suzhou Tsing Chuang Trading Group Co., Ltd. (hereinafter referred to as "Suzhou Tsing Chuang") signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd. (hereinafter referred to as the "Share Transfer Agreement"), and NNEI planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.331% of the total equity of the Company) of the Company to Suzhou Tsing Chuang through agreement. This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 22 January 2016, the first major shareholder of the Company changed to Suzhou Tsing Chuang, and the actual controller was changed to Liu Jun, who constitute concerted action persons together with Wang Zheng and Wu Yisha.

(II) Significant asset reorganization

This share transfer will be accompanied by significant asset reorganization. The Company is actively promoting implementation of the asset reorganization work, optimizing the Company's assets structure, and seeking investments in mergers and acquisitions or reorganizations that show good development prospects in intelligent software development, intelligent hardware R&D and production, mobile Internet business and other industries.

(III) On 25 January 2016, the Company issued the notice on the second extraordinary general meeting of 2016; on 10 March 2015, the Company convened a meeting to elect the eighth session of the Board of Directors consisting of executive directors Su Jianghua, Su Weiguo, Wang Zheng, Liu Jun, Li Min and Feng Xiaoyu and independent directors Zhang Luyang, Jin Wenhong and Qian Fengsheng. The elected eighth session of the Board of Supervisors consists of shareholder representative supervisors Li Dong and Wu Junyn and employee representative supervisor Chou Yongjian.

(I) Table of changes in share capital

Unit: shar

Class	Shares	Beginning of the year	Change (+/-)	End of the year
1	Shares subject to trading moratorium	5,999,022	0	5,999,022
	State-owned legal person shares	0	0	0
	Public legal person shares	5,999,022	0	5,999,022
2	Shares not subject to trading moratorium	867,370,978	0	867,370,978
	Domestic listed A Shares	609,420,978	0	609,420,978
	Overseas listed H Shares	257,950,000	0	257,950,000
3	Total shares	873,370,000	0	873,370,000

(II) Table of shareholdings of the top ten shareholders

Total number of shareholders at the end of the reporting period was 94,922

Unit: share

					Shares pledged or frozen	
Name of shareholders	Nature of shareholder	Percentage	Number of shares	Number of untradeable shares	Status of shares	Number
HKSCC Nominees Limited	Domestic natural person	29.42%	256,973,999	0		
New Northeast Electric Investment Co., Ltd.	Domestic non-state-owned legal person	9.33%	81,513,872	19,022		
Xu Kaidong	Domestic natural person	0.92%	8,000,000	0		
Shi Yubo	Domestic natural person	0.42%	4,050,400	0		
Donghai Funds – ICBC - Xinlong No.78 Asset Management Plan	Domestic non-state-owned legal person	0.42%	3,669,000	0		
Shenzhen Zhongda Software Development Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000		
Zeng Shaozhang	Domestic natural person	0.39%	3,383,200	0		
Liu Hui	Domestic natural person	0.31%	2,682,249	1,420,000		
Liang Liusheng	Domestic natural person	0.30%	2,615,500	0		-
Hu Li	Domestic natural person	0.25%	2,166,760	0		
Connections and concerted actions between the above shareholders:			So far as the company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as required in “methods of information disclosure of shareholding changes of listed companies”.			

Note:

1) So far as the Company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as required in "Methods of Information Disclosure of Shareholding Changes of Listed Companies".

2) Based on the information that is publicly available to the Company as at the latest practicable date prior to the printing of this annual report and within the knowledge of the Directors, there was sufficient public float of the Company's shares.

3) Save as disclosed above, Directors were not aware of any person (not being a Director or chief executive of the Company) having 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 shares

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 of pre-emptive rights in accordance with the laws of the PRC and the Articles of Association of the Company.

6) Convertibles, options, warrants or other similar rights

As of 31 December 2015, the Company did not issue any convertible securities, options, warrants or any other similar right.

(III) Information on the major shareholder and the actual controller

Name of the controlling shareholder	:	Suzhou Tsing Chuang Trading Group Co., Ltd.
Legal representative	:	Liu Jun
Incorporation date	:	7 August 2014
Registered capital	:	RMB800 million
Scope of business	:	Sales of textiles, garments, daily necessities, stationery, sports goods, electronic products, building materials, non-hazardous chemical products, hardware & electrical equipment, mechanical equipment, and metal materials; business information consultation; conference and exhibition services; planning of cultural and artistic exchange activities; computer graphic design; translation service for domestic enterprises; enterprise management consultation; investment consultation; technology development, technical consultation, technology transfer, and technical service in the field of computer science and technology
Equity structure	:	Suzhou Xiangbei Investment Co., Ltd.contributed RMB240,000,000, representing 30% of the registered capital; Shenzhen Qianhai Bright Fund Management Co., Ltd. Contributed RMB1,600,000,000, representing 20% of the registered capital; Shanghai Jingyun Investment Center (limited partnership) RMB2,000,000,000, representing 25% of the registered capital; Shanghai Jingquan Investment Center (limited partnership) RMB2,000,000,000, representing 25% of the registered capital.

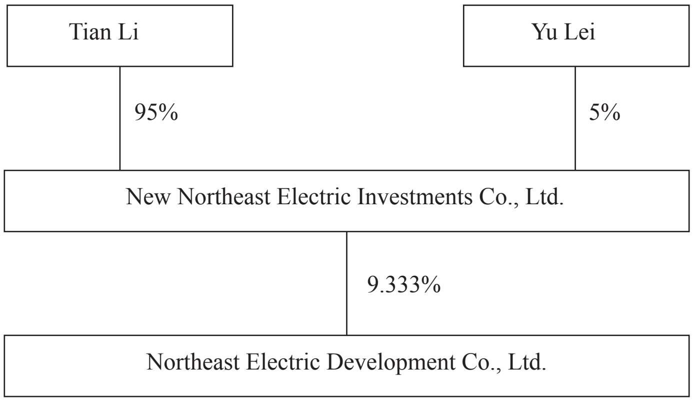
(IV) Framework of asset rights and controlling relationship between the Company and the actual controller

Share transfer before the disclosing date of the annual report, description of changes to the first major shareholder and actual controller

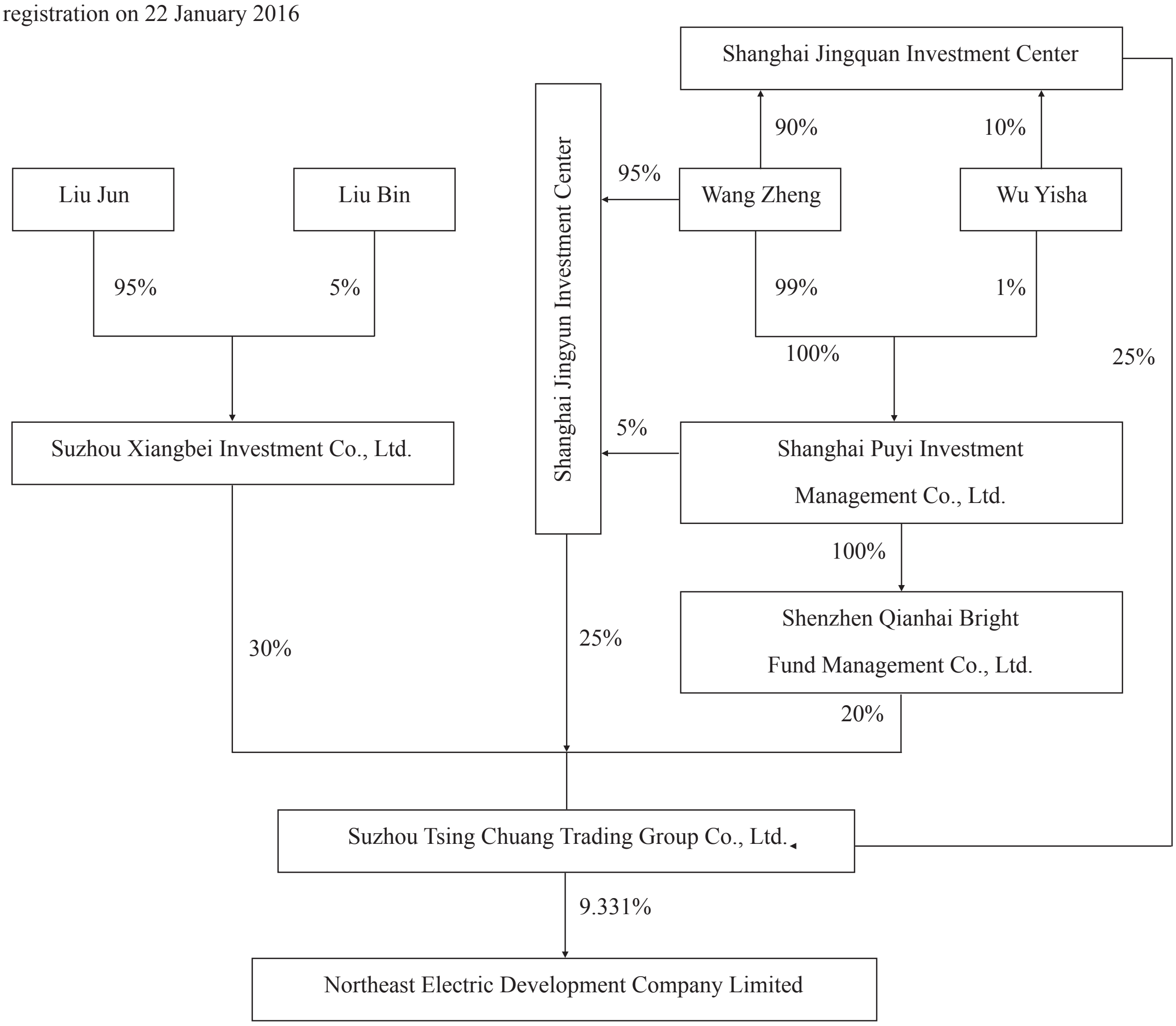
On 21 December 2015, New Northeast Electric Investments Co., Ltd. (hereinafter referred to as "NNEI"), the first major shareholder of the Company, and Suzhou Tsing Chuang Trading Group Co., Ltd. (hereinafter referred to as "Suzhou Tsing Chuang") signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd. (hereinafter referred to as the "Share Transfer Agreement"), and NNEI planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.331% of the total equity of the Company) of the Company to Suzhou Tsing Chuang through agreement.

This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 22 January 2016, the first major shareholder of the Company changed to Suzhou Tsing Chuang, and the actual controller was changed to Liu Jun, who constitute concerted action persons together with Wang Zheng and Wu Yisha.

Block diagram of property right and control relationships between companies and the actual controller prior to the share transfer:



Block diagram of property right and control relationships between companies and the actual controller after the share transfer registration on 22 January 2016



(V) Introduction to other corporate shareholders holding over 10% of the Company's shares:

During the reporting period, there have been no corporate shareholders holding over 10% of the Company's shares in the Company.

(I) Profile of directors, supervisors, senior management

1. Basic information

Name	Sex	Age	Position	Terms of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Remuneration (RMB0'000)
Su Weiguo	M	54	Chairman	2008/7/6-2016/3/10	0	0	25.5
Wang Shouguan	M	72	Vice Chairman	2007/3/7-2016/3/10	0	0	14.3
Liu Qingmin	M	53	Director	2004/9/27-2016/3/10	0	0	18.1
Jiao Liyuan	F	53	Director	2014/4/17-2016/03/10	0	0	19
Wang Yunxiao	M	70	Independent Director	2010/3/8-2016/3/10	0	0	6
Liang Jie	F	55	Independent Director	2013/3/11-2016/3/10	0	0	6
Liu Hongguang	M	49	Independent Director	2013/3/11-2016/3/10	0	0	6
Dong Liansheng	M	69	Resigned Supervisor	2004/8/13-2015/5/4	0	0	1.0
Liu Xuehou	M	60	Supervisor	2010/3/8-2016/3/10	0	0	22.3
Qiu Yongjian	M	52	Supervisor	2014/4/17-2016/3/10	0	0	14.5
Zhu Xinguang	M	48	Supervisor	2015/5/4-2016/3/10	0	0	7.9

Note:

1) *The remuneration of these staff includes all kinds of insurance and accumulation fund paid in accordance with the state and local policies. The total remuneration of top five persons amounts to RMB992,000.*

2) *None of directors, supervisors and senior management had been granted equity interest as an incentive by the Company during the reporting period.*

3) *As at the balance sheet date or at any time during the year, none of the directors and supervisors of the Company was directly or indirectly interested in any material contract of the Company other than the service contracts of directors and supervisors.*

4) *Save as disclosed above, none of any other directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 31 December 2015.*

5) *Save as those set out in the register required to be maintained by directors and supervisors under the SFO of Hong Kong, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors had any interest which was required to be recorded in the register under the SFO.*

6) *Save as disclosed above, none of the directors, supervisors and senior management or any of their associates, as at 31 December 2015, had any interest in the shares of the Company or its associated corporations (as defined in the SFO). None of the directors and supervisors or their spouse or children under the age of 18 was granted any right to acquire securities of the Company or had exercised any such right.*

7) *Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2015, had any interest or short positions in the shares, underlying share and debentures of the Company or its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.*

2. Directors and supervisors holding positions in the shareholders unit

During the reporting period, no directors or supervisors held position in the shareholder's company.

3. Biographical details of directors, supervisors and senior management in the past 5 years

(1) Executive Directors

Mr. Su Weiguo ("Mr. Su"), born in 1962, a senior economist, graduated from Harbin University of Science and Technology in Heat Treatment and later from Dalian Marine University in International Economics with a bachelor degree in Engineering and a master degree in Law. He was the section chief of the Business Management Department, deputy general manager, secretary of the Board of Directors, general manager and chairman of Northeast Electric Development Co., Ltd., and the section chief of Business Management Department, assistant president and deputy general manager of Northeast Electric Power Transmission and Transformation Equipment Group, and the general manager of Tieling Copper Industry Co., Ltd., and the chairman of Shenyang Furukawa Cable Co., Ltd., which is a Sino-Japanese joint venture. He is currently the chairman of the Company. Mr. Su has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

Mr. Wang Shouguan ("Mr. Wang"), born in 1944, university graduate, graduated from Beijing Iron and Steel College with major in Metallurgical Machinery Design and Manufacturing. He has served as the vice mayor of Yingkou City, the deputy director of the Department of Foreign Trade and Economic Cooperation of Liaoning Province. Now he is vice chairman and general manager of the Company and vice chairman of the New Northeast Electric Investments Co., Ltd. Mr. Wang has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

Mr. Liu Qingmin ("Mr. Liu"), born in 1963, professor senior engineer with a master degree of engineering, graduated from Liaoning Technology & Engineering University specializing in Mechanical Manufacturing in Mechanical Department. He has served as the Engineer of Science and Technology, Sales Director, Chief Engineer, Vice General Manager, General Manager of Fuxin Enclosed Busbars Company Limited . Now he is the executive director and general manager of that company. Mr. Liu has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

Ms. Jiao Liyuan ("Ms. Jiao"), born in 1963, associate degree, graduated from Shenyang Radio & TV University in Industrial Enterprise Adminstrative Management. He ever worked as an employee at the Quality Management Department and chief of Quality Assurance Department of Shenyang Transformer Factory; supervisor of the Technical Quality Department, deputy director of General Management Department, director of General Management Department and director of HR Department of the Company. Now, he acts as the chairman and general manager of New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. Ms. Jiao has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

(2) Independent Directors

Mr. Wang Yunxiao ("Mr. Wang"), born in 1946, senior accountant, graduated from Northeast University of Finance and Economics majoring in Accounting. He has served as assistant to the general manager and vice general manager of Liaoning Provincial Trust and Investment Company and general manager of Dalian Seaside Garden Company. Mr. Wang has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

Liang Jie ("Ms. Liang"), born in 1961, graduated from a graduate course. She served as the Instructor and Deputy Director of accounting major of School of Economics and Management of Shenyang University of Technology, the Associate Professor and Director of accounting major of School of Management of Shenyang University of Technology, and the Assistant Dean and Professor of School of Economics and Management of Shenyang University of Technology. Currently, she is a member of the Party general branch of School of Management of Shenyang University of Technology, and Independent Director of Mega-info Media Co., Ltd. Ms. Liang has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

Liu Hongguang ("Mr. Liu"), born in 1967, a senior economist. He is studying doctoral degree in technical economics and management in Dalian University of Technology. He has studied architecture and environmental engineering in Shenyang Agricultural University, and technical economics and management in Dalian University of Technology, and has respectively obtained a bachelor's degree in engineering and master's degree in business management. He had served the positions of Branch Deputy Manager of Shenyang Branch of China Construction Bank, General Manager of the Banking Division of Shenyang Branch of Hua Xia Bank, General Manager of the Banking Division and Financial Institutions Division of Dalian Branch of Guangdong Development Bank, Executive Director of Advanced Technology Materials (Dalian, Shenyang) Co., Ltd., General Manager of Yuan Zhong Leasing Co., Ltd.. He currently serves in Zhongrong International Trust Co., Ltd. as Chief Executive Officer. Mr. Liu has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

(3) Shareholders Representative Supervisor

Mr. Liu Xuehou ("Mr. Liu"), male, born in 1965, postgraduate, graduated from Dalian University of Technology in Computer. He has served as vice general manager, vice secretary of party committee, and chairman of trade union of New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd. from February, 2005. Mr. Liu has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

Mr. Zhu Xinguang ("Mr. Zhu"), born in 1970, senior engineer, graduated from Shenyang University of Technology in high-voltage electrical apparatus of electric engineering with a bachelor of engineering in 1992. He has successively served as a technician in the design division of Shenyang High Voltage Switchgear Co., Ltd and the secretary, deputy director, and director to the GM office of the Company. Currently, he is the assistant of general manager, office director of the Board and representative for securities affairs, and Director of Internal Auditing Department of the Company. Mr. Zhu has been recognized for his enterprise management skills and professional qualifications of more than 20 years. Mr. Zhu has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

(4) Supervisor Representing Staff

Mr. Qiu Yongjian ("Mr. Qiu"), born in 1964, senior engineer, graduated from Shenyang University of Technology in high-voltage electrical apparatus with a bachelor degree. He has successively served as a technician in the design division, the design team leader, and the chief in the technology division of Fuxin Enclosed Busbar Co., Ltd. Currently, he is the director, deputy general manager and chief engineer of Fuxin Enclosed Busbar Co., Ltd. and the supervisor of the Company. Mr. Qiu has not any equity interest in the Company and has not had any relationship with any the first major shareholder of the Company. He has never been punished by China Securities Regulatory Commission and other authorities concerned or disciplined by any stock exchanges. He has had corresponding qualifications and quality to exercise his functions and powers without any actions prohibited by laws and regulations such as the Company Law and the Articles of Association.

4. Annual remuneration

(1) Policy making procedure for remuneration of directors, supervisors and senior management: the remuneration committee under the Board of the Company, in accordance with the duties of directors, supervisors and senior management, the Company's performance and remuneration level of relevant positions in the trade, is responsible for establishing and reviewing the Company's plans and proposals of remuneration.

(2) Remuneration basis of directors, supervisors and senior management: The Company's remuneration committee, in accordance with remuneration management system and annual performance appraisal, has established remuneration standard based on positions and duties. During the reporting period, all directors' remuneration was not over RMB3,000, 000 per annum; each supervisor's not over RMB50, 000; all independent directors' remuneration was not over RMB750, 000 per annum.

(3) Save as the service contracts of directors and supervisors, none of the directors or supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. Re-election and resignation of directors, supervisors and senior management during the reporting period

(1) On 2 March, 2014, Mr. Dong Liansheng resigned as the supervisor and the chairman of Supervisor Committee in the Company due to personal retirement. As the resignation of Mr. Dong Liansheng caused the number of supervisors less than the quorum, the Company will promptly elect new supervisor in compliance with the requirement of the Company Law and the Articles of Association. Before the newly elected supervisor takes office, Mr. Dong Liansheng will continue to perform the duties of supervisor (please refer to announcement dated 2 March, 2015 for details).

Mr. Dong Liansheng regined formally on May 4 2015.

(2) As approved by the 9th meeting of the Seventh Session of the Board of Directors held on 16 March 2015, Mr.Liu Xuehou was nominated as the chairman of the Supervisor Committee, and his term of office is the same as the Supervisor Committee until 10 March 2016.

(3) As approved by the 9th meeting of the Seventh Session of the Supervisory Committee held on 16 March, 2015, Mr. Zhu Xinguang was nominated as the candidate for supervisor of the Session of the Supervisory Committee, and his term of office is the same as the Supervisory Committee until 10 March 2016. Such proposal has already been submitted to the annual general meeting on 4 May, 2015 for consideration and approve (please refer to announcement dated 4 May, 2015 for details).

6. Interest of directors, supervisors and senior management

As at 31 December 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.

(II) Staff of the Company and remuneration policy

Occupational structure of the Company's staff:		**Education level of company's staff:**	
Salesman:	41	Bachelor degree or higher:	105
Technical staff:	42	College:	132
Financial staff:	16	Technical certificate:	43
Administrative staff:	122	Others:	299
Production staff:	268		
Others:	90		
Total:	579	Total:	579

As at the end of the reporting period, the number of employees on the payroll of the Company was 579. 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.

During the reporting period, none of the Company's retired employees have needed expenses paid by the Company.

(I) Corporate Governance

During the reporting period, the Company has strictly complied with provisions of the Company Law and Securities Law and other laws, regulations and regulatory documents to further improve its corporate governance structure and normalize its daily operation for better corporate standardization. By the end of the reporting period, the Company's actual corporate governance has met the requirements of regulatory documents on corporate governance of listed companies issued by China Securities Regulatory Commission.

1. Shareholders and general meeting of shareholders

The Company has strictly complied with the provision and requirement of the Company Law of the People's Republic of China, Articles of Association and Rule of Procedure of General Meeting to convene shareholders' meeting, normalize its voting procedure, and ensure its legality by employing lawyers to witness the meeting. The Company can ensure fair treatment toward all shareholders, especially minority shareholders and the full exercise of their own rights. Professional lawyers have been employed to serve as a witness at the meeting and issue their legal opinion.

2. Relationship between major shareholders and the listed company

The Company's major shareholders have strictly complied with the Company Law of the People's Republic of China, Articles of Association and Code of Conduct of the Major Shareholder to normalize their behaviors, exercise their rights according to law, as well as assume their corresponding obligations. During the reporting period, they had no behaviors to directly or indirectly interfere with the company's decisions or business activities by circumventing the general meeting of shareholders. The Company's Board of Directors, Supervisory Committee and relevant departments can work normally and independently.

3. Directors and the Board of Directors

The Company's directors have complied with the Company Law of the People's Republic of China, Articles of Association and Rule of Procedure of the Board Meeting to work, seriously attend relevant meetings, actively participate in trainings, and have a deep understanding of relevant laws and regulations. The Company has strictly complied with the election procedure as specified in Articles of Association to complete the election at expiration of office terms. At present, the Company has 7 directors, of whom there are 3 independent directors. Each of the elected directors has participated in relevant trainings organized by securities regulators. The composition of the Board of Directors has met requirements of relevant laws, regulations and the Articles of Association. The independent directors have, in accordance with the provisions of systems including Detailed Working Rules of Independent Directors, fulfilled their duties independently, attended the Company's Board Meetings and GMS, and expressed their independent opinions on the Company's significant matters so as to ensure the Company's normal operation.

4. Supervisors and the Supervisory Committee

The Company's Supervisory Committee has worked in light of relevant provisions of the Company Law, Articles of Association, and Rule of Procedure of Meeting of the Supervisory Committee, and its supervisors have been recommended, voted and elected in accordance with relevant laws and regulations. The supervisors have seriously fulfilled their duties, and supervised the Company's financial situation and the legality and compliance of significant matters, thus safeguarding the legal rights and interests of the Company and its shareholders.

5. Information disclosure and transparency

Pursuant to the Administrative Measures for the Matters Regarding Information Disclosure and Investor Relations Management System, the Company has seriously fulfilled its information disclosure obligation. Securities Times and www.cninfo.com.cn have been designated as the newspapers and website to disclose the Company's information, thus ensuring truthful, accurate, complete and timely information disclosure, as well as enabling all of the Company's shareholders to have equal chances for information.

6. Stakeholders

In accordance with Information Management Rules, the Company has strengthened the confidential work of internal information, prevented insiders miusing the right of information, revealing inside information and executing insider dealings. The Company can fully respect and safeguard the legal rights and interests of the stakeholders, and realized the coordination and balance of interests among shareholders, staff and society so as to jointly push the Company's stable and sound growth.

7. Performance assessments and incentive and disciplinary systems

The Company has established a series of performance assessments and incentive and disciplinary systems. Its appointment of senior management is open and transparent, meeting the requirements of relevant laws and regulations.

8. Establishment and execution of internal audit system

The Company's Board of Directors has set up the Audit Committee, whose executive office is internal audit department. The internal audit department exercises its rights of audit supervision within the authorized scope of the Audit Committee. Pursuant to Internal Control Supervision and Checking System, the department has checked the Company's accounting books and related assets, and analyzed and evaluated its capital operation, assets employment and other financial operation, therefore making its assets real and full. The execution of internal audit has enabled the Company to avoid operation risks and enhance its economic benefit.

Whether there is difference between corporate governance and the requirements of the Company Law and relevant provisions of China Securities Regulatory Commission

□ Yes √ No

There is no difference between corporate governance and the requirements of the Company Law and relevant provisions of China Securities Regulatory Commission.

(II) EXECUTION OF DUTIES BY INDEPENDENT DIRECTORS DURING THE REPORTING PERIOD

1. Execution of duties by independent directors

During the reporting period, the Company's independent directors, in accordance with related provisions of Work System of Independent Directors, earnestly implemented relevant duties, positively understood the Company's situation in production and operation, paid closer attention to changes in operating strategies of the Company, and actively asked responsible persons for information when in doubt.

Each independent directors paid active attention to participating in board meetings and general meetings of shareholders during the reporting period. At these meetings, each of them made objective and fair judgments of such matters as investment strategies, assets acquisition, appointment of management, foreign guarantee from financial, legal and operating aspects, and presented their professional advice, issued independent opinions, thus playing an active role in the Board's scientific decision-making and the Company's sound development.

As independent directors, they have effectively protected the lawful rights and interests of the Company and medium and small investors.

2. Board meetings attendance of independent directors

Name of directors	Position of directors	Number of attendance required	Number of attendance in person	Number of attendance by communication	Number of attendance by proxy	Number of absence	Two consecutive absences in person
Wang Yunxiao	Independent director	4	1	3	0	0	No
Liang Jie	Independent director	4	1	3	0	0	No
Liu Hongguang	Independent director	4	1	3	1	0	No

3. The dissenting opinions of independent directors to related matters of the Company

During the reporting period, the independent directors considered various resolutions in the Board meeting seriously and no dissenting opinion to the approved resolutions.

4 Other remarks on execution of duties by independent directors

Acceptance of Company-related recommendations made by independent directors

Description of accepted or unaccepted Company-related recommendations made by independent directors

The Company's independent directors, strictly in accordance with provisions of Articles of Association and Work System of Independent Directors and other laws and regulations, kept an eye on the standard operation of the Company, independently implemented duties, presented their professional advice on such matters as the improvement of the Company's system and its daily operation and decision making, issued independent and fair opinions about the engagement of annual report auditor, directors and supervisors and the election of senior management during the reporting period, thus playing their due role in improving the Company's supervision mechanism and safeguarding the legal rights and interests of the Company and its shareholders.

(III) Lindependence of business, personnel, assets, organizational structure, and finance among the company and its major shareholders

The Company operated independently from its major shareholders in terms of business, personnel, assets, organizational structure and finance.

1. Independence of business

The Company' business has been absolutely independent from that of its major shareholders. The Company has been responsible for its own management decisions, profits and losses, independent of any shareholder or any other related party. It has been complete and independent in business structure.

2. Independence of personnel

The Company has an independent and complete human resources management system. Pursuant to the provision of relevant policies issued by the state, the Company has established a perfect personnel management system, and implemented the labor contract system to all the staff so as to systemize and normalize the personnel management. Independent management has been carried out in staff's social security and remuneration. Senior management and the chairman are all fulltime employees, earning their remuneration from the Company. They have held any position neither in a shareholding company holding over 5% of the Company's equity or its subsidiaries, nor in other enterprises same or similar to the Company's business.

3. Independence of assets

The Company's assets have been complete. None of the Company's capital, assets or other resources has been utilized without payment by any major shareholder, actual controller or any other enterprise under its control.

4. Independence of organization structure

The Company's organization structure has been sound, and absolutely independent from that of its major shareholders. The Board of Directors, Supervisory Committee and general manager have operated independently, having no affiliation with the function department of any major shareholder. The Company has established and improved its decision system and internal control system to realize effective operation.

5. Independence of financial affairs

The Company has set up an independent financial department, and established an independent financial accounting and management system. It has opened accounts in the bank and paid taxes according to law independently.

(IV) Industry competitiveness

□ Applicable √ Not applicable

(V) Assessment and incentive mechanism for senior management

The Company has established a series of performance assessments and incentive and disciplinary systems. Its appointment of senior management is open and transparent, meeting the requirements of relevant laws and regulations. The Company's remuneration committee, in accordance with remuneration management system and annual performance appraisal, has established remuneration standard based on positions and duties of directors, supervisors and senior management.

(VI) Relationship between general meeting and investors

1. During the reporting period, the company held one annual general meeting of shareholders:

The Company issued the notice on 16 March 2015 and convened the 2014 annual general meeting of shareholders on 4 May 2015 (please refer to the Announcements dated 16 March 2015 and 4 May 2015 for details).

2. Relationship between investors and market value management

The Office of the Board undertakes the exclusive responsibility for managing relationship with investors. A set of "Methods of Management of Investors" was formulated for standard operation.

On 31 December 2015, market value of Company H shares was HK$19.040,000,000,000. For details about categories of shareholders and their shareholdings, please refer to section 6 (2) of this Annual Report.

(VII) Corporate Governance

The Company has fully complied with the provisions of Code of Corporation Governance Practice as set out in Appendix 14 to the Listing Rules of Hong Kong Exchanges and Clearing Limited and certain proposed code of best practice. The Board of Directors has also thoroughly reviewed the internal control system during the reporting period and is of the opinion that the system is effective and sufficient and secured the achievement of the targets of the Company's operation and regulations.

According to the requirement of Rule C. 1.3 of Corporate Governance Code, all of the directors have their responsibility for preparing the accounts.

1. Independent Non-executive Directors and Confirmation of Independence

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

Pursuant to Rule 3.13 of the Listing Rules to the Stock Exchange, the Company has received from each of these independent non-executive directors the confirmation of independence. The Company considers Mr. Wang Yunxiao, Ms. Liang Jie and Mr. Liu Hongguang to be independent from the Company.

2. Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")

During the reporting period, the Company has adopted a code of behavior on terms no less exacting than the required standard set out in the Model Code in connection with rules governing securities transactions of directors and supervisors. It was confirmed, upon specific enquires, that no director or supervisor of the Company has breached the standards as required by the Model Code as stated in Appendix 10 to the Listing Rules in relation to securities transactions by directors.

The Board of Directors has formulated a written guideline for transactions of securities of listed companies by "directors and related employees". The Board of Directors has given written notices in advance to directors stating that no transactions of company securities should be carried out within 60 days prior to results announcement.

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

3. Liability insurance and continuous professional development of directors

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

Additionally, according to the requirement of Rule A. 6.5 of 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.

4. Board of Directors

As of the announcement of this Annual Report, the 7th session of the Board of Directors comprises 7 directors, including 4 executive directors, namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Liu Qingmin and Ms.Jiao Liyuan and 3 independent directors namely Mr. Wang Yunxiao, Ms. Liang Jie and Mr. Liu Hongguang. The term of the Board of Directors will expire on 10 March 2016.

The Company has set up Audit Committee, Strategic Development Committee, Remuneration Committee, Nomination Committee and Investment Management Committee pursuant to the Listing Rules. Work of all committees was carried out orderly in accordance with the rules of work. The functions of those committees includes but not limited to following aspects:

(a) develop and review an issuer's policies and practices on corporate governance and make recommendations to the Board;

(b) review and monitor the training and continuous professional development of directors and senior management;

(c) review and monitor an issuer's policies and practices on compliance with legal and regulatory requirements;

(d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) review an issuer's compliance with the code and disclosure in the Corporate Governance Report;

All directors of the Board shall regard shareholders' interests as their top priority and discharge their duties as directors to the best of their ability pursuant to related legislation and regulations. Duties and major work of the Board of Directors include: to decide on operating plans and investment plans of the Company, to formulate profits appropriation plans and supplemental compensation plans, to draw up capital operation plans and put into force the resolutions made in the general meeting.

Chairman of the Board of Directors ensures that all directors discharge their duties and engage in timely discussions about relevant matters of importance so as to ensure that the Board operates effectively. The Chairman also has talks with independent non-executive directors separately in order to thoroughly understand their views and opinions about the Company's operation and work of the Board of Directors.

Office of the Board of Directors provides full service to directors. It provides directors with sufficient information allowing them to understand on timely basis to the Company's position. Certain modes are used to maintain effective liaison with shareholders to ensure that shareholders' views can be conveyed to the board of directors.

The Company has complied with the Listing Rules to appoint sufficient independent non-executive directors as fully required including appointment of independent non-executive directors with appropriate professional qualifications including accounting or related financial management expertise. The independent non-executive directors are totally independent of each other. They come from business management and financial sectors with ample experience in their own professions, providing time and honest professional advice to facilitate stable operation and development of the Company while taking up responsibility for supervision and co-ordination so as to protect interests of the Company and shareholders.

The Company has, in accordance with the provision of Rule 3.13 of the Listing Rules, required each of the independent non-executive directors to submit their annual confirmation of independence, and considered the independence of independent non-executive director.

Notices on board meetings were ensured to be sent 7 days prior to each meeting. Proposals of the Board were sent in advance to directors to give them sufficient time to study all the proposals. Staffs were sent to each meeting for exclusive recording purposes. All matters passed in the meetings became resolutions, and records were kept pursuant to related legislation and regulations.

Remunerations for directors of 2015 totaled RMB 946,689.48 including basic salary, results-pegged salary, incentive salary and insurance (or bonus paid on discretion). Independent non-executive directors were only paid remuneration without any other salaries or returns. For details about remuneration of each director, please refer to the Report section 7 (1).

Please see note vi(22)(4) to financial statements for details of information on top 5 person of highest compensation.

5. Meeting of the Board of Directors

During the reporting period, a total of 4 regular board meetings were held, with full attendance by all directors or their proxies on their behalf:

(1) The 11th meeting of the Seventh Session of the Board of Directors was held on 16 March 2015 to consider and approve announcement on the 2014 Annual Report, 2014 Profit Distribution, Reappointment of Auditors for the Year 2015, the Work Report on Director's Work for the Year 2014, the Work Report of the General Manager for the Year 2014, the Self-assessment Report of the Company's Internal Control, Considered and approved Proposal on Adjusting Members of Special Committees of the Board, the Amendments to Articles of Association, Considered and approved Proposal on Modifying Some of Management Systems, the proposal of 2014 annual general meeting of shareholders to be held on 4 May 2015.

(2) The 12th meeting of the Seventh Session of the Board of Directors was held on 20 April 2015 to consider and approve the First Quarterly Report of 2015.

(3) The 13th meeting of the Seventh Session of the Board of Directors was held on 17 August 2015 to consider and approve the Interim Report for the Period of Six Months Ended 30 June 2015, the Net Profit Distribution Plan for the Period of Six Months Ended 30 June 2015.

(4) The 14th meeting of the Seventh Session of the Board of Directors was held on 27 October 2015 to consider and approve the Third Quarterly Report of 2015.

6. Strategic Development Committee

Duties and major work of the Committee include scrutiny and assessment of the Company's development, financial budget, and investment and business operations. By the end of this report, the chief member of the Committee is Mr. Su Weiguo, while other members include Mr. Liu Qingmin, and Mr. Liu Hongguang. In 2015, the committee convened one committee meeting, which was attended by all members of the committee.

7. Nomination Committee

Duties and major work of the Committee include assessment of performance of directors and senior management, nomination of candidates for executive directors and independent directors, to review regularly the framework, membership and work of the board of directors. By the end of this report, the chief member of the Committee is Mr. Liu Hongguang, while other members include Mr. Wang Yunxiao and Mr. Su Weiguo. In 2015, the committee convened one committee meeting, which was attended by all members of the committee.

8. Remuneration Committee

Duties and major work of the Committee include formulation of remuneration policies for directors and senior management and approval of terms of directors' service contracts. In 2015, the committee convened one committee meetings all of which were attended by all members. Chief member of the Committee is Mr. Wang Yunxiao, while other members include, Mr. Wang Shouguan and Ms. Liang Jie.

The Remuneration Committee of the Board has reviewed the remunerations disclosed by the Company's directors, supervisors, and senior management.

The Remuneration Committee, in accordance with relevant laws and regulations of China Securities Regulatory Commission and Shenzhen Stock Exchange, Company's internal control system, and relevant provisions made by the Company, has reviewed the remunerations disclosed by the Company's directors, supervisors and senior management and given the following review opinions:

For this year, the remuneration committee has assessed the performance of the Company's directors, supervisors and senior management on the basis of the major scope of duties of the Company's directors, supervisors and senior management, annual operating incomes of the Company in 2015 and the realization of indicators for performance appraisal, to determine the rates of remuneration for the salaried directors, supervisors and senior management for this year in the Company. The remuneration committee opines that the remuneration of directors, supervisors and senior management disclosed in the Company's Annual Report 2015 complies with the provisions of relevant national laws and regulations as well as the Company's Remuneration Management System. The Company had no breach of laws and regulations or inconsistencies with the Contract on Assessing Management Responsibilities.

9. Audit Committee

Duties and main work of the Committee include scrutiny of the Company's financial reports, appointment of independent auditors, approval of auditing and audit-related services and monitoring of internal financial reporting procedure and management policies. By the end of this report, the committee comprised three independent non-executive directors of the Company, namely Mr. Wang Yunxiao, Ms. Liang Jie, and Mr. Liu Hongguang, and Wang Yunxiao as a professional accountant, was appointed as the presiding member.

The committee convenes two meetings a year at least. Together with the management, it shall review the accounting principles, internal control systems and other financial affairs to ensure the integrity, justice and accuracy of the Financial statements and other related materials. In 2015, the committee convened four meetings to audit the Annual Report, Interim Financial Report and the First and Third Quarterly Reports respectively, with three independent directors, debriefing the internal control, and issuing relevant auditors' report and opinion.

The audit committee, in accordance with the relevant provisions of listing rules and the Company, has performed the following duties earnestly and diligently:

(1) Negotiating with the auditor of the Company on the plan, content and schedule of the audit of 2015 and establishing audit procedure of the 2015 Annual Report of the Company;

(2) Thoroughly reviewing the Company's primary financial statement and giving its own audit opinions before the auditor enters;

(3) Communicating and exchanging with certified public accountants in charge of the audit of the Company on the problems found in the course of the audit and the time to submit the audit report when the auditor enters;

(4) Reviewing the 2015 financial statements of the Company again and giving written audit opinions after the auditor gives its primary audit opinions.

The audit committee has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Company and have studied matters relating to auditing, internal controls and financial reporting. The audit committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the audited annual accounts.

In addition, the Audit Committee reviewed and approved the audited financial accounts and results announcement of 2015 in the board meeting of the Company on 19 February 2016.

10. Investment Management Committee

Duties and major work of the Committee include scrutiny and assessment of the Company's strategic plans on annual investment return. By the end of this report, the chief member of the Committee is Mr. Su Weiguo, while other members include Mr. Wang Shouguan and Mr. Liu Hongguang. In 2015, the committee convened one committee meeting, which was attended by all members of the committee.

11. Remunerations of Auditors

Considered and approved through the annual general meeting of shareholders of 2014 convened on 4 May 2015 appoint Ruihua CPAs (special general partner) as the auditors of the Company, with total remuneration of RMB800,000.

12. Shareholder's rights

(a) Shareholders' rights to convene an extraordinary general meeting:

Pursuant to the Article 69 of the Articles of Association, shareholders holding more than 10% (including 10%) of the outstanding shares with voting right of the Company may demand in writing to convene an extraordinary general meeting.

(b) Shareholders may propose to the Board of Directors procedures for making enquiries and the Company provides adequate information to ensure such enquiries be properly resolved. The Company enhanced its investor relations management in accordance with Management System of Investor Relations, and designated the secretary of the Board being responsible for the management of investor relations to conduct day-to-day investor relations management work. During the reporting period, the Company strengthened communication with investors and promoted continuous and healthy development of the Company in way of interactive investors' platform, phone call and etc.

(c) Shareholders' right to put forward proposed procedures and adequate contact information at the shareholders' general meetings:

Pursuant to the Article 73 of the Articles of Association, at the shareholders' general meeting of the Company, shareholders holding more than 3% (including 3%) of the total voting shares of the Company are entitled to put forward new proposals in written form. The Company shall include those matters which are within the scope of duties of the shareholders' general meeting into the agenda.

The original copies of all company documents and announcements which have been disclosed are kept in the office of the secretary of the Board for inspection.

In conclusion, during the reporting period, the Company has strictly complied with the provisions in Corporate Governance Code and Section VIII "Shareholders' Rights and Obligations" of the Articles of Association.

(VIII) Meeting of the supervisory Committee

The supervisory committee comprises 3 members including 1 supervisor, who is elected by staff, to represent company staff. The supervisory committee is responsible for supervising the board of directors and its members and senior management to prevent their abuse of power or infringement upon lawful interests of shareholders, the Company and company staff.

In 2015, the Supervisory Committee reviewed the Company's financial status and corporate operation pursuant to law and senior management's discharge of duties. According to the principle of honesty, the committee members carried out their work proactively. During the reporting period, the supervisory committee has convened four meetings with full attendance, details of which are as follows:

1. The 9th meeting of the seventh Session of the Supervisory Committee was held on 16 March 2015, to consider and approve:

   Considered and approved Proposal on Election of Liu Xuehou as the Chairman of Supervisory Committee, the work report on supervisor board for the year 2014, announcement on the 2014 Annual Report, 2014 Profit Distribution, the Self-assessment Report of the Company's Internal Control, nominate Mr. Zhu Xinguangas the as Shareholder Representative Supervisor have been submitted to the 2014 annual general meeting of shareholders.

2. The 10th meeting of the Seventh Session of the Supervisory Committee was held on 20 April 2015 to consider and approve the 2015 First Quarterly Report.

3. The 11th meeting of the Seventh Session of the Supervisory Committee was held on 17 August 2015 to consider and approve the Interim Report for the Period of Six Months Ended 30 June 2015, written audit opinions about Interim Report 2015 and its summary.

4. The 12th meeting of the Seventh Session of the Supervisory Committee was held on 27 October 2015 to consider and approve the 2015 Third Quarterly Report.

(VIV) The supervisory committee provided independent opinion on the related matters of the company

1. The Company's legal operation

The supervisory committee opines that during the reporting period, the Company has established a fairly comprehensive corporate governance framework and internal control system. Decision-making procedure of the Annual General Meeting and each of the board meetings are lawful. Directors, independent directors, managers and other senior management strictly observe the law in performing their duties. They had no acts in breach of discipline, law, Articles of Association nor had damaged interests of the Company.

2. The Company's financial status

The Supervisory Committee opines that during the reporting period, the financial department of the Company has established a sound internal control and management system by attentively performing related accounting system and codes of the State to integrate operation and financial management, so as to protect interests of investors. The 2015 financial statements truly reflect the Company's financial status and operating results. The auditors' report with an opinion qualified issued by the Company's auditor is true and objective in all material aspects, which truly reflects the Company's financial status and operating results in 2015.

3. Asset acquisitions and disposals

During the reporting period, the company has no acquisition and disposal of assets.

4. Connected transaction

The supervisory committee opines that no insider dealings between the associates of the Company and connected transactions that damage the interests of some of the shareholders or the Company are found.

5. Self-assessment of the Company's internal control

The Company's Supervisory Committee, in accordance with the relevant provisions as specified in the Guideline for Internal Control and the Notice of concerning Doing a Good Job for the 2015 Annual Report of the Listed Companies published by Shenzhen Stock Exchange, gives the following opinions on self-assessment of the Company's internal control:

(1) In accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange, the Company, under the basic principles of internal control, has established and improved the internal control systems covering all of links of the Company based on its own real situation, ensuring its normal business activities and protecting the security and integrity of its assets.

(2) The Company has a whole internal control organization with an internal audit department and complete staff, ensuring full and effective implementation and supervision of key internal control activities.

(3) During the reporting period, the Company had no breach of the Guideline for Internal Control of Shenzhen Stock Exchange and the System of Internal Control of the Company.

The Supervisory Committee opines that the self-assessment of internal control of the Company is full, true and correct, which reflects the real situation of the Company's internal control.

6. The insider management rules established by the Company

During the reporting period, the Information Management Rules were considered and approved by the Board of Directors. In strict accordance with the rules, the Company established the Insider Archives for directors, supervisors, senior management members and insiders regarding inside information to ensure that the inside information of the Company was kept and disclosed in a fair, open and impartial way so as to prevent insider trading and other illegal actions.

7. The Company's External Guarantee

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 17.86% of the audited net assets of the Company for 2015. 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.

8. Description of Fund Occupation of Connected Parties of the Company

During the reporting period, there is no appropriation of funds by the shareholders or their subsidiaries for non-operating purposes. At end of the reporting period, the connected party occupied the capital of the Company mainly for daily operations, and relevant affairs have fulfilled necessary decision-making process and obligation of information disclosure.

The Supervisory Committee will continuously keep an eye on capital flow between the Company, its shareholders and other connected parties as well as the external guarantees provided by the Company, and urge the Company to prevent and control risks to earnestly protect all shareholders' interest.

By order of the Board
Liu Xuehou
Chairman of the Supervisory Committee

19 February 2016

(I) Establishment and improvement of the company's internal control system

Pursuant to the requirements of the Company Law, Securities Law, Listed Company Governing Rules, Basic Code of Corporate Internal Control and other relevant national laws and regulations, as well as the Application Guidelines on Corporate Internal Control issued by five ministries including Ministry of Finance, the Company has fulfilled relevant obligations in the light of the actual operating situation. Report of Corporate Internal control for 2015 is as follows:

1. Master plan for the establishment of internal control

Pursuant to the requirements of the Company Law, Securities Law, Basic Code of Corporate Internal Control, and Internal Control Guidance for Listed Companies, the Company has formulated and improved the internal control system and enhanced the business management level and risk prevention abilities. The fundamental objectives of internal control are:

(1) To set up and perfect the internal organizational structure to meet the requirements of modern management, form a scientific decision-making mechanism, implementation mechanism and supervision mechanism, and ensure the achievement of company operation and management goals;

(2) To establish effective risk control systems, strengthen risk management, and guarantee the healthy operation of the business activities of the company;

(3) To establish favorable corporate internal economic environment, prevent and timely discover and correct all errors, fraud, and ensure the safety and integrity of the company's property;

(4) To standardize the Company's accounting behavior, ensure the truthfulness and integrity of accounting information and improve the quality of accounting information;

(5) To ensure the implementation of national relevant laws and regulations and the Company's internal control system.

2. Work plans on the establishment of a sound internal control system and its implementation

During the reporting period, under the guidance of the Board, the Company has formulated detailed work plans of internal control in the light of business and features and actual situation of the Company. It has take pertinent measures for risk assessment and carried out relevant decisions, fully mobilizing the enthusiasm of each function, emphasizing on the importance of internal control on the management, and systematically combing the existing management system and workflow. It supplements and perfects the production, technology and comprehensive quality management system, and clarifies responsibilities and authorities, and improves the corresponding authorization and accountability systems, to ensure the corporate management organization is clearly divided in terms of responsibilities, with sound functions.

3. The status of the setup of the internal control inspection and supervision department

The audit department of the Company is responsible for financial auditing and the implementation of process execution of the subordinate departments and subsidiaries to ensure the quality of internal control execution. The audit committee of the Board of the Company audits regularly or irregularly conducts risk review in key areas, and will report important risks to management or the board of directors to urge the improvement and perfection. It has effectively prevented the risk of business decision-making and management to guarantee the standardized operation and healthy development of the Company.

4. The status on implementation of Self-evaluation work on internal supervision and internal control

The audit department of the Company is responsible for organizing and coordinating the establishment and implementation of internal control system, internal supervision and assessment, strengthening communication supervision and inspection work between the audit committee of the board and effectively implementing internal control self assessment review and supervision responsibilities, including internal control review, financial revenue, economic benefit, economic responsibility, special audit and risk monitoring. It regularly or irregularly conducts internal controls auditing assessment of the Company and subordinate units. According to the Company's arrangement, it will carry out spot check on relevant units without notice, and effectively monitor the entire operating risk of the Company. For details, please refer to the Report of Internal Control Self-assessment.

5. The Board's arrangements for internal control work

The Board has an audit committee which is responsible for the communication supervision and review between domestic and overseas auditing, the inspection and supervision of effective implementation and self-assessment of internal control, hear the implementation status of each system and process in the Company on a irregular basis, and irregularly organize the domestic audit institution to check the implementation of internal control.

6. Perfection of internal control system on financial accounting to financial statements

In accordance with the laws and regulations of the Accounting Standards for Corporate and Internal Control Guidance for Listed Companies, the Company has established and improved the internal control system relating to the financial report and enhanced budget management, contract management, and basic accounting and performance assessment. The Company and its subsidiaries have implemented the unified financial management system, improved and strengthened the accounting and financial management functions and authorities, and revised certain financial management system according to the related regulations.

(II) The Board's representation about the responsibilities for internal control

According to the internal control system, it is the responsibility of the Board of the Company to set up and effectively implement internal control, assess its effectiveness and truthfully disclose assessment report of internal control. The Supervisory Committee is responsible for monitoring the establishment and implementation of the internal control system by the Board. The management bears the responsibility of organizing and leading the daily operation of corporate internal control. The Board of Directors, Supervisory Committee, directors, supervisors and senior management of the Company hereby warrant that there are no false representations, misleading statements or material omissions contained in this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of its content.

The goals of corporate internal control is to ensure the legal and compliance operation, safeguarding the safety of assets, the truthfulness and completeness of the financial report and relevant information, and to perk up the operation efficiency and results of the Company and promote the materialization of the development strategies of the Company. Due to the inherent constraints of internal control, only reasonable guarantees could be offered in respect of the above targets. In addition, as the changes of situations might lead to inappropriate internal control or less compliance with control policies or procedures, there is risk to speculate the effectiveness of future internal control based on internal control assessment result.

The directors opine, operation of the internal control system of the Company has been effective from 1 January 2015 to the end of the reporting period. The Company will constantly comply with the requirements of the Basic Standard for Enterprise Internal Control, the Guidelines for Enterprise Internal Control, and the Guidelines for Enterprise Internal Control Assessment and other relevant laws and regulations and take the actual demand of corporate development into consideration, to strengthen the establishment and management of internal control, enhance the execution of internal control, pinpoint weak links in time, effectively improve the capacity of risk prevention of the Company and foster the steady and sound growth of the Company.

(III) Basis of establishing internal control of financial reports

In accordance with the laws and regulations of the Accounting Standards for Corporate and Internal Control Guidance for Listed Companies, the Company has established and improved the internal control system relating to the financial report and enhanced budget management, contract management, and basic accounting and performance assessment. The Company and its subsidiaries have implemented the unified financial management system, improved and strengthened the accounting and financial management functions and authorities, and developed a series of financial management system according to the related regulations.

Relevant Reports on Internal Control Disclosed by the Company:

(1) Disclosure of the self-assessment report on internal control: Yes

(2) Disclosure of the audit report on internal control over financial reporting issued by auditors: Yes

(3) Disclosure of corporate social responsibility report: Yes

The aforesaid reports are made available on the specified information disclosure website for the Company.

(IV) Self-Assessment Report of Internal Control

1. Significant deficiency in internal control found by self-assessment report of internal control during the reporting period: There is no significant deficiency in internal control of the Company during the reporting period.

2. Disclosure date of the full self-assessment report of internal control: 20 February 2016

3. Disclosure index of the full self-assessment report on internal control: For details, please refer to the 2015 Self-assessment Report of Internal Control disclosed on 20 February 2016.

(V) Assessment and incentive mechanism for senior management

The Company has adopted position-related salary system and floating annual salary system for senior management. The floating annual salary was linked with the Company's overall results. The senior management was assessed on basis of overall individual performance and the realization of assigned operational target.

(VI) Management of information disclosure

The Company attaches particular importance to truthfulness, timeliness, fairness, impartiality and openness of information disclosure, and complies with stipulations pertaining to disclosure under the Listing Rules. All information disclosed to outsiders (including annual, interim results, the first quarterly results and the third quarterly results) must be reviewed and approved by the Board of Directors. For related contents of financial statements disclosed, the Chief Accountant must ensure that they are in compliance with the Accounting Principles adopted and related legislation which require that the Company's results and financial status are reflected truthfully and fairly.

(VII) The responsible system for material errors in annual report information disclosure established by the company

The responsible system for material errors in annual report information disclosure has been implemented, by the system, the confirmation of responsibility and investigation of annual report information disclosure has been cleared. During the reporting period, there are no correction of material accounting errors, addition of omitted material information and revision of results forecast.

(VIII) The insider management rules established by the Company

During the reporting period, according to the Information Management Rules, the Company inform relevant insiders (including controlling shareholder) of filling out Insider Archives, including, without limitation, name, title, ID card number, securities account, working unit, time of accessing to inside information, particulars of inside information, stage of inside information, registering time, registrar and non-disclosure terms. Also such information is reported to CSRC Liaoning Bureau and Shenzhen Stock Exchange for filing, to ensure that the inside information of the Company was kept and disclosed in a fair, open and impartial way so as to prevent insider trading and other illegal actions.

Within 60 days before the disclosure of regular reports, the Company will inform relevant persons of prohibition from dealing in securities of the Company by way of letters on the Reminder of dealing in shares of the Company by the Directors, Supervisors, Senior Management Personnel and their relative 60 days within the price-sensitive period before the results announcement, Also, the board office, finance department, the internal auditors, and the external auditors and other related personnel are trained and reminded, and asked to fill in the Insider Archieves, to maintain fair information disclosure.

After self-check by the Company, there were no insiders traded the shares of the Company before the disclosure of the significant price-sensitive internal information during the reporting period.

瑞华会计师事务所
Ruihua
Certified Public Accountants

Ruihua Certified Public Accountants

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Auditor's Report

Ruihua Shen Zi [2016] 48190002

Shareholders of Northeast Electric Development Co., Ltd,

We have audited the accompanying financial statements of Northeast Electric Development Company Limited ("the Company"), which comprise the consolidated and company balance sheets as at 31 December 2015, the consolidated and company income statements, the consolidated and company cash flows statements and the consolidated and company statements of changes in equity for the year then ended, and notes to the financial statements.

I. Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of the financial statements, including: (1) preparation and fair presentation of financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

II. Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements of the Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or errors. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Opinion

In our opinion, the financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respects, the consolidated and company financial positions as at 31 December 2014 and the consolidated and company results of operations and cash flows for the year ended 31 December 2014.

Ruihua Certified Public Accountants	Certified Accountant of PRC
	Renzhi, Liu
Beijing, P.R.C	Certified Accountant of PRC
	Zihua, Xin
Feburary 19, 2016	

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note VI	2015-12-31	2014-12-31
Current Assets:			
Cash and deposits	1	123,417,163.19	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	2,109,500.00	2,300,000.00
Accounts Receivable	3	134,014,154.00	123,555,550.88
Prepayment	4	385,450.80	8,736,075.46
Interest Receivable		-	-
Dividend		-	-
Other Receivable	5	7,059,843.56	7,977,176.93
Inventory	6	28,181,314.33	33,991,443.14
Assets held for sale		-	-
Non-current asset due within 1 year	7	16,960.00	33,874.27
Other current asset	8	1,042,604.52	1,044,995.24
Total current assets		**296,226,990.40**	**301,857,632.78**
Non-current Assets:			
Financial assets available for sale	9	69,446,681.85	65,914,483.62
Held-to-maturity investments		-	-
Long-term receivables		-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	**Note VI**	**2015-12-31**	**2014-12-31**
Long-term equity investments	10	41,020,089.96	38,633,931.35
Investment in real estate		-	-
Fixed Assets	11	58,783,415.15	62,214,706.66
Construction in progress	12	6,070,928.55	302,416.04
Material - construction		-	-
Liquidation of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible Assets	13	4,064,699.21	4,200,189.29
Development expenditures		-	-
Goodwill		-	-
Long-term deferred expenses	14	490,645.27	215,200.00
Deferred tax assets	15	7,342,267.86	9,257,231.28
Other non-current assets		-	-
Total non-current assets		**187,218,727.85**	**180,738,158.24**
Total Assets		**483,445,718.25**	**482,595,791.02**
Current Liabilities:	**18**	**9,000,000.00**	**9,000,000.00**
Short-term Borrowings		-	-
Financial Liabilities designated to be measured by fair value and which change is recorded in current incomes		-	-
Trading financial liabilities	19	20,508,400.00	-
Notes Payable		-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note VI	2015-12-31	2014-12-31
Accounts Payable	20	37,336,706.17	64,400,948.54
Receipts in advance	21	7,738,572.04	8,342,234.23
Employee compensation	22	2,628,964.40	2,464,590.18
Taxes Payable	23	1,984,295.27	1,943,688.03
Interest Payable		-	-
Dividends		40,017.86	40,017.86
Other Payables	24	45,647,350.73	49,065,850.82
Liabilities held for sale		-	-
Non-current liabilities due within 1 year		-	-
Other Liabilities		-	-
Total current liabilities		**124,884,306.47**	**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	25	500,000.00	-
Estimated Liabilities	26	60,721,078.25	60,721,078.25
Deferred Revenue		-	-
Deferred Liabilities - Income Tax		-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note VI	2015-12-31	2014-12-31
Other Non-Current Liabilities		-	-
Total Non-Current Liabilities		**61,221,078.25**	**60,721,078.25**
Total Liabilities		**186,105,384.72**	**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	-30,801,509.57	-36,666,972.81
Special Reserve		-	-
Surplus Reserve	30	108,587,124.40	108,587,124.40
Provision for general risk		-	-
Accumulated losses	31	-1,537,590,906.29	-1,542,524,243.79
Total equity attributable to the equity holders of the Company		296,987,112.46	286,188,311.72
Minority interests		353,221.07	429,071.39
Total shareholders' equity		**297,340,333.53**	**286,617,383.11**
Total liabilities and shareholders' equity		**483,445,718.25**	**482,595,791.02**

Legal Representative Su weiguo (Director) Chief Financial Officer Wang shouguan (Director) Chief Accounting Officer Bai lihai

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items		Note VI	2015-12-31	2014-12-31
I.	**Total Operating Income**		**151,740,484.82**	**197,513,503.68**
	Incl.: Sales	32	151,639,578.32	197,439,030.24
II.	**Total Operating Cost**		**145,080,656.61**	**188,818,916.68**
	Incl.: Cost of Sales	32	111,227,611.19	149,168,407.74
	Taxes & Surcharges	33	1,137,825.47	1,266,151.81
	Expenses of Sales	34	14,538,306.66	16,326,228.43
	Administrative expenses	35	25,465,615.48	27,725,953.49
	Finance expenses	36	160,020.04	195,284.85
	Assets Impairment loss	37	-7,448,722.23	-5,863,109.64
	Plus: Income of fair value variance (loss is posed as "-")		-	-
	Return on investments (loss is posed as "-")	38	859,139.58	566,830.89
	Including.: return on investments to associates and related parties		-8,567.26	-7,238.23
III.	**Operational Profit (Loss is posed as "-")**		**7,518,967.79**	**9,261,417.89**
	Plus: Non-operating income	39	237,736.07	502,456.99
	Including: income of disposal of non-current assets		65,365.76	295,155.64
	Less: Non-operating expenses	40	93,724.51	469,481.41
	Including: loss of disposal of non-current assets		49,371.58	155,763.95
IV.	**Total Profit (Total loss is posed as "-")**		**7,662,979.35**	**9,294,393.47**
	Less: Income tax expenses	41	2,805,492.17	3,236,271.31
V.	**Net Profit (Net loss is posed as "-")**		**4,857,487.18**	**6,058,122.16**

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items		Note VI	2015-12-31	2014-12-31
	Net profit attributable to equity holders of the Company		4,933,337.50	6,169,105.14
	Minority interests		-75,850.32	-110,982.98
VI.	**Net Other Comprehensive Income after tax**		**5,865,463.24**	**325,904.29**
	Total Comprehensive Income Attributable to the Equity Holders of the Company		5,865,463.24	325,904.29
	(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		5,865,463.24	325,904.29
	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			

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items		Note VI	2015-12-31	2014-12-31
	5. Differences of Exchange for Foreign Currency Report		5,865,463.24	325,904.29
	6. Others			
	Net After-tax Comprehensive Income Attributable to Minority Interests			
VII.	**Total Comprehensive Income**		**10,722,950.42**	**6,384,026.45**
	Total Comprehensive Income Attributable to the Equity Holders of the Company		10,798,800.74	6,495,009.43
	Total Comprehensive Income Attributable to the Minority Interests of the Company		-75,850.32	-110,982.98
VIII.	**Earnings per share**			
	(I) Basic earnings per share	42	0.01	0.01
	(II) Diluted earnings per share	42	0.01	0.01

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Prepared by: Northeast Electric Development Co., Ltd.

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Items	Note VI	2015-12-31	2014-12-31
I. Cash flow from operating activities			
Cash received from sales of goods or rendering of services		154,671,795.24	218,307,065.02
Tax refunds received		-	-
Cash received from other operating activities	43(1)	3,208,291.95	6,099,219.57
Sub-total of cash inflows from operating activities		**157,880,087.19**	**224,406,284.59**
Cash paid to goods purchased and labor service received		97,455,140.38	128,478,150.48
Cash paid to and for employees		28,146,741.17	28,868,446.35
Payments of taxes and surcharges		11,555,573.73	17,905,812.74
Cash payments to other operating activities	43(2)	38,959,817.11	22,348,283.95
Sub-total of cash outflows for operating activities		**176,117,272.39**	**197,600,693.52**
Net Cash Flow from operating activities		**-18,237,185.20**	**26,805,591.07**
II. Cash flow from investing activities			
Cash from disinvestments		70,000,000.00	55,000,000.00
Cash received from return of investments		867,706.84	607,135.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,234.00	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		**70,874,940.84**	**56,307,135.79**
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		2,777,385.33	10,790,467.27
Cash paid for investment		70,000,000.00	53,000,000.00

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Unit: RMB

Items	Note VI	2015-12-31	2014-12-31
Net cash paid for subsidiaries and other operating units		-	-
Cash paid relating to other investing activities		-	-
Sub-total of cash outflows		**72,777,385.33**	**63,790,467.27**
Net Cash Flow from investing activities		**-1,902,444.49**	**-7,483,331.48**
III. Cash flow from financing activities			
Cash received by absorbing investment		-	-
Incl: cash received by subsidiaries from minority shareholders		-	-
Cash received from borrowings		9,000,000.00	9,000,000.00
Cash received from bond issued		-	-
Cash received relating to other financing activities		-	-
Sub-total of cash inflows		**9,000,000.00**	**9,000,000.00**
Cash paid for repayments of debts		9,000,000.00	8,000,000.00
Cash paid for distribution of dividends, profits and interest		662,688.68	665,058.33
Incl: cash paid by subsidiaries to minority shareholders		-	-
Cash paid relating to other financing activities		-	-
Sub-total of cash outflows		**9,662,688.68**	**8,665,058.33**
Net Cash Flow from financing activities		**-662,688.68**	**334,941.67**
IV. Effect of change of foreign currency rates on cash and cash equivalents		**10,664.70**	**504.69**
V. Net increase of cash and equivalent		**-20,791,653.67**	**19,657,705.95**
Plus: Balance of cash and equivalent at beginning of period		122,394,679.36	102,736,973.41
VI. Balance of Cash and equivalent by end of period		**101,603,025.69**	**122,394,679.36**

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2015													
	Shareholders' Equity attributable to shareholders of Parent Company												Minority Interests	Total Shareholder' Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses	Others		
		Premium	Perpetual	Others										
I. Balance from last year	**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**
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections to previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
business combinations under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of year	**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**
III. Changes in the year (loss is "-")	**-**	**-**	**-**	**-**	**-**	**-**	**5,865,463.24**	**-**	**-**	**-**	**4,933,337.50**	**-**	**-75,850.32**	**10,722,950.42**
(I) Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**5,865,463.24**	**-**	**-**	**-**	**4,933,337.50**	**-**	**-75,850.32**	**10,722,950.42**
(II) Increase/Decrease of Capital from Shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Common Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Other Equity Instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Shares paid taken into Shareholder's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2015													
	Shareholders' Equity attributable to shareholders of Parent Company												Minority Interests	Total Shareholder' Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses	Others		
		Premium	Perpetual	Others										
(III) Distribution of profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**	-	**-30,801,509.57**	-	**108,587,124.40**	-	**-1,537,590,906.29**	-	**353,221.07**	**297,340,333.53**

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2014													
	Shareholders' Equity attributable to shareholders of Parent Company												Minority Interests	Total Shareholder' Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses	Others		
		Premium	Perpetual	Others										
I. Balance from last year	**873,370,000.00**	**-**	**-**	**-**	**883,422,403.92**	**-**	**-36,992,877.10**	**-**	**108,587,124.40**	**-**	**-1,548,693,348.93**	**-**	**540,054.37**	**280,233,356.66**
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections to previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
business combinations under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at beginning of year	**873,370,000.00**	**-**	**-**	**-**	**883,422,403.92**	**-**	**-36,992,877.10**	**-**	**108,587,124.40**	**-**	**-1,548,693,348.93**	**-**	**540,054.37**	**280,233,356.66**
III. Changes in the year (loss is "-")	**-**	**-**	**-**	**-**	**-**	**-**	**325,904.29**	**-**	**-**	**-**	**6,169,105.14**	**-**	**-110,982.98**	**6,384,026.45**
(I) Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**325,904.29**	**-**	**-**	**-**	**6,169,105.14**	**-**	**-110,982.98**	**6,384,026.45**
(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2014													
	Shareholders' Equity attributable to shareholders of Parent Company												Minority Interests	Total Shareholder' Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Provision for general risk	Accumulated Losses	Others		
		Premium	Perpetual	Others										
1. Extraction of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note XV	2015-12-31	2014-12-31
Current Assets:			
Cash and deposits		2,658.47	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	1,244,511.79	10,443,950.96
Prepayment		-	-
Interest Receivable		-	-
Dividend		-	-
Other Receivable	2	342,198,702.69	353,177,765.95
Inventory		-	-
Assets held for sale		-	-
Non-current asset due within 1 year		-	-
Other current asset		-	-
Total current assets		**343,445,872.95**	**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		-	-

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note XV	2015-12-31	2014-12-31
Fixed Assets		23,528.65	81,148.52
Construction in progress		-	-
Material - construction		-	-
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		**90,437,079.75**	**90,494,699.62**
Total Assets		**433,882,952.70**	**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		-	9,347,196.00
Receipts in advance		665,000.00	665,000.00

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note XV	2015-12-31	2014-12-31
Employee Compensation		8,576.52	8,440.44
Taxes Payable		31,456.26	163,478.89
Interest Payable		-	-
Dividends		-	-
Other Payables		78,156,633.29	87,312,321.52
Liabilities held for sale		-	-
Non-current liabilities due within 1 year		-	-
Other Liabilities		-	-
Total current liabilities		**78,861,666.07**	**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		-	-

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Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note XV	2015-12-31	2014-12-31
Other Non-Current Liabilities		-	-
Total Non-Current Liabilities		**60,721,078.25**	**60,721,078.25**
Total Liabilities		**139,582,744.32**	**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		-	-
Special Reserve		-	-
Surplus Reserve		108,587,124.40	108,587,124.40
Provision for general risk		-	-
Accumulated losses		-1,666,871,704.47	-1,665,251,479.25
Total shareholders' equity		**294,300,208.38**	**295,920,433.60**
Total liabilities and shareholders' equity		**433,882,952.70**	**454,137,948.70**

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items		Note XV	2015-12-31	2014-12-31
I.	**Total Operating Income**	**4**	**9,016,765.76**	**22,368,163.22**
	Less: Cost of Sales	4	8,193,422.21	20,008,408.55
	Taxes & Surcharges		11,314.76	39,780.00
	Expenses of Sales		-	-
	Administrative expenses		2,382,891.89	2,331,459.47
	Finance expenses		638.37	2,074.16
	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 "-")**		**-1,571,501.47**	**-13,558.96**
	Plus: Non-operating income		-	-
	Incl: income of disposal of non-current assets		-	-
	Less: Non-operating expenses		48,723.75	141,048.87
	Incl: loss of disposal of non-current assets		48,723.75	141,048.87
III.	**Total Profit (Total loss is posed as "-")**		**-1,620,225.22**	**-154,607.83**
	Less: Income tax expenses		-	-
IV.	**Net Profit (Net loss is posed as "-")**		**-1,620,225.22**	**-154,607.83**
V.	**Net Other Comprehensive Income after tax**		**-**	**-**
	(I) Other Comprehensive Income not to be re-categorized into Profit & Loss		-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items		Note XV	2015-12-31	2014-12-31
	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		-	-
	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		-	-
	6. Others			
VI.	Total Comprehensive Income		-1,620,225.22	-154,607.83

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note XV	2015-12-31	2014-12-31
I. Cash flow from operating activities			
Cash received from sales of goods or rendering of services		7,630,000.00	15,726,800.00
Tax refunds received		-	-
Cash received from other operating activities		9,193,914.50	18,910,010.27
Sub-total of cash inflows from operating activities		**16,823,914.50**	**34,636,810.27**
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		6,890,368.91	14,066,000.25
Cash paid for investment		1,127,836.21	1,036,565.45
Net cash paid for subsidiaries and other operating units		287,114.78	310,374.26
Cash paid relating to other investing activities		8,530,668.30	19,209,679.60
Sub-total of cash outflows		**16,835,988.20**	**34,622,619.56**
Net Cash Flow from investing activities		**-12,073.70**	**14,190.71**
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		-	-
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		6,800.00	11,902.11
Cash paid for investment		-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Note XV	2015-12-31	2014-12-31
Net cash paid for subsidiaries and other operating units			-
Cash paid relating to other investing activities		-	-
Sub-total of cash outflows		**6,800.00**	**11,902.11**
Net Cash Flow from investing activities		**-6,800.00**	**-11,902.11**
III. Cash flow from financing activities			
Cash received by absorbing investment		-	-
Cash received from borrowings		-	-
Cash received from bond issued		-	-
Cash received relating to other financing activities		-	-
Sub-total of cash inflows		-	-
Cash paid for repayments of debts		-	-
Cash paid for distribution of dividends, profits and interest		-	-
Cash paid relating to other financing activities		-	-
Sub-total of cash outflows		-	-
Net Cash Flow from financing activities		-	-
IV. Effect of change of foreign currency rates on cash and cash equivalents		**-**	**53.95**
V. Net increase of cash and equivalent		**-18,873.70**	**2,342.55**
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		**2,658.47**	**21,532.17**

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2015											
	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	Others								
I. Balance carried from last year	**873,370,000.00**	**-**	**-**	**-**	**979,214,788.45**	**-**	**-**	**-**	**108,587,124.40**	**-**	**-1,665,251,479.25**	**295,920,433.60**
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**	**-**	**-1,665,251,479.25**	**295,920,433.60**
III. Changes in the year (loss is "-")	-	-	-	-	-	-	-	-	-	-	**-1,620,225.22**	**-1,620,225.22**
(I) Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	**-1,620,225.22**	**-1,620,225.22**
(II) Increase/Decrease of Capital from Shareholders	-	-	-	-	-	-	-	-	-	-	-	-
1. Common Shares	-	-	-	-	-	-	-	-	-	-	-	-
2. Other Equity Instrument	-	-	-	-	-	-	-	-	-	-	-	-
3. Shares paid taken into Shareholder's Equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2015											
	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	Others								
(III) Distribution of profit	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
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**		**-1,666,871,704.47**	**294,300,208.38**

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	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
	Year 2014											
		Premium	Perpetual	Others								
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**Year 2013**	**-**	**-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	-	-	-	-	-	-	-	-	-	-	-	-

Date: Dec. 31, 2015

Prepared by: Northeast Electric Development Co., Ltd.

Unit: RMB

Item	Year 2014											
	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	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**		**-1,665,251,479.25**	**295,920,433.60**

Northeast Electric Development Co., Ltd.

For the year ended 31 December 2015

(All amounts expressed in RMB unless otherwise specified)

I. 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.

I. Company Overview *(Continued)*

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 on Feburary 19, 2016 in the 17th meeting of the 7th board of directors.

7. The results of 7 subsidiaries of the Company have been consolidated in the Financial Statements of Year 2015. There is no change in the Company's scope of consolidation compared with last year. Details please see Note 8 "Disclosures of equity in other entities".

II. Basics of preparation of financial statements

The financial statements of the company have been prepared based on the actual transactions and events on a going concern basis 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.

The Company has prepared its financial accounting by Accrual Basis, according to the regulations of the relative Accounting Standards. Except for some financial instruments, the Financial Statements are valued at historical cost. Impairment of Assets Reserves are allocated once such impairment happens.

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

The financial statements of the company for the year ended 31 December 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as at 31 December 2014 and of its operating results, cash flows and other information for the year then ended. In addition, all material aspects of the financial statements of the company 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.

IV. Significant accounting policies and accounting estimates

1. 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.

2. 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.

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. 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

4. Accounting treatment for business Combinations *(Continued)*

(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 aquire 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

4. Accounting treatment for business Combinations *(Continued)*

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

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 IV 5(2)). When the business combination is regarded as "a bundle of transactions", the accounting treatment for the business combination shall be in accordance with the previous paragraphs and Note IV (11) "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 variated 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 variated 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).

5. 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.

The Company will re-evaluate the definition once any relative element change due to facts or circumstances change.

IV. Significant accounting policies and accounting estimates *(Continued)*

5. Preparation method of consolidated financial statements *(Continued)*

(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.

IV. Significant accounting policies and accounting estimates *(Continued)*

5. Preparation method of consolidated financial statements *(Continued)*

(2) Preparation method of consolidated financial statements *(Continued)*

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 IV 11 "Long-term equity investments" or Note IV 8 "Financial instruments".

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions:

(i) The transactions are entered into after considered the mutual consequences of each individual transaction;

(ii) The transactions needed to be considered as a whole in order to achieve a deal with commercial sense;

(iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series;

(iv) The result of an individual transaction is not economical, but it would be economical after 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 IV 11 (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.

IV. Significant accounting policies and accounting estimates *(Continued)*

6. 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.

7. 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

7. Foreign currency translation *(Continued)*

(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.

All the translation difference due to foreign currency exchange listed under Shareholders' equity in Balance Sheet and attributable to the parent company are reclassified into the Profit & Loss for the period, when the Company cease control over its overseas operations when disposing all or part of offshore shareholders' equity, or with other reasons.

The Company takes the exchange difference from its overseas operations related foreign currency reports into Minority Interests but not in the Profit & Loss for the period, when it's percentage of shares decline but still remains control over the relative operations when disposing part of the equity investment or due to other reasons. Such exchange difference are taken into the current Profit & Loss when the share equity disposed are with the Company's associate or joint venture.

IV. Significant accounting policies and accounting estimates *(Continued)*

8. 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.

(i) 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 shot 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;

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

(2) Classification, recognition and measurement of financial assets *(Continued)*

(i) Financial assets at fair value through profit or loss *(Continued)*

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.

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

(2) Classification, recognition and measurement of financial assets *(Continued)*

(ii) Held-to-maturity investments *(Continued)*

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

(iii) 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.

(iv) 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 settlable when deliver by such equity instrument.

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

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

(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 ton collective group basis together with a portfolio of financial assets which has similar credit risk characteristics.

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

Impairment loss is 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.

(ii) 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

(3) Impairment of financial assets *(Continued)*

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

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:

(i) The contractual right for receiving cash flows from the financial asset is terminated;

(ii) The financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee.

(iii) 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

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

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 potion 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.

(i) 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

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

(ii) 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 subsequent 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.

(iii) 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

8. Financial Instruments *(Continued)*

(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 divided) shall be deducted from shareholders' equity. Fair value change of equity instruments shall not be recognized by the Company.

IV. Significant accounting policies and accounting estimates *(Continued)*

9. Receivables

Receivables comprise accounts receivable and other receivables, etc.

(1) Recognition standard of bad debt provision

Bad debt provision is accrued when evidence shows impairment on receivables during the Company's checkup of book values of receivables on balance sheet date:

(i) Debtor(s) in serious financial situation;

(ii) Debtor(s) default (ie. Default on repayment of interest or principal or overdue);

(iii) Debtor(s) very likely go bankrupt or undergo reconstruction financially;

(iv) Other proof evidencing impairment on receivables.

(2) Recognition and provision method of receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

The Company considers receivables with amounts over RMB 1 million as individually significant.

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.

(3) Grouping basis and method of provision on receivables that are subject to provision for bad debts collectively on credit risk characteristics:

(i) Basis for grouping is as follows:

Group	Grouping basis
Group 1	Individual insignificant accounts receivable, other receivables, and individual significant accounts which not impaired on individual basis will be assessed for impairment on collective basis based on aging
Group 2	Amount due from subsidiaries (internal current account)

IV. Significant accounting policies and accounting estimates *(Continued)*

9. Receivables *(Continued)*

(3) Grouping basis and method of provision on receivables that are subject to provision for bad debts collectively on credit risk characteristics: *(Continued)*

(ii) Methods of determining provision for bad debts by grouping are as follows:

Group	Method of provision
Group 1	Aging analysis method
Group 2	No provision would be made

(iii) The provision ratios used under the aging analysis method for the above groupings are as follows:

Age of accounts	Provision ratio used for accounts receivable (%)	Provision ratio used for other receivables (%)
Within 1 year		
1-2 years		
2-3 years	40	40
3-4 years	60	60
Over 4 years	100	100

(4) 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.

(5) Reversal of bad-debt provision

Should circumstances prove that value of a certain account receivable is recovered, and the recovery is due to events post loss, then the relative Loss for decline in value will be reversed and accounted into Profit & Loss, with its book value not exceeding its book balance less amortization should there be no provision for decline in value on the date of reversal.

IV. Significant accounting policies and accounting estimates *(Continued)*

10. 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

11. 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".

Joint control refers to the shared control over an invested entity by the relative arrangement, and agreement must be reached by the control sharing parties before any activity under the arrangement. Significant influence refers to the right the Company has to join in the decision making process for financial and business operation policies of the invested entity, while unable to control or sharing joint control with other parties over such decision makings.

(1) Recognition of cost of investment

For long-term equity investment resulting from merger of enterprises under the same control, the Company regards the share of the book value of the its equity of the merged enterprise as the initial cost of such investment. The difference between the initial cost of the long-term equity investment, non-cash assets transferred and the total book value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is by issuing equity securities, on the date of merger, the Company regards the share of the book value of the controlling party's equity of the merged enterprise as the initial cost of the long-term equity investment. Total face value of the stocks issued are regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For a business combination realized by two or more transactions of exchange and ultimately under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the share of the book value of the controlling party's equity of the merged enterprise as the initial cost of the long-term equity investment on the date of merger. Difference between the initial cost of the long-term equity investment and the sum of book value of long-term equity investment plus new consideration paid for the share in the invested entity on the date of merger shall offset capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. Equity investment acquired before the date of merger are not accounted for the period due to they are accounted by method of equity or are classified as available-for-sale financial assets.

IV. Significant accounting policies and accounting estimates *(Continued)*

11. Long-term equity investments *(Continued)*

(1) Recognition of cost of investment *(Continued)*

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. For a business combination realized by two or more transactions of exchange and ultimately not under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regard the sum of book value of the equity investment of the invested entity plus added cost of investment as the initial cost of investment. For such book value of the equity investment, if it is accounted by method of equity, then the relative other comprehensive income is not accounted for the period; if it is classified as available-for-sale financial asset, the difference between its fair value and book value, together with the accumulated change to fair value which was originally accounted as other comprehensive income will be taken into Profit & Loss for the current period.

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 recognized in profit or loss as incurred

For long-term equity investments acquired other than through a business combination, the investment shall be initially recognized at cost, the cost of investment varies between different ways of acquisition, which is recognized 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. For long-term equity investment with significant influences, or enjoys joint control over the invested entity without constituting control by adding investment, its cost of investment is the sum of fair value of equity investment plus newly added cost of investment, according to the regulations in <Accounting Standard for Business Enterprises No. 22 - Recognition and measurement of financial instruments>.

IV. Significant accounting policies and accounting estimates *(Continued)*

11. Long-term equity investments *(Continued)*

(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.

In addition, the financial statements on company level use cost method to account for long-term investments which the Company has control over the investee)

(i) Long-term equity investment accounted for using cost method

Long-term equity investments accounted for using the cost method are measured at the initial investment costs, apart from the consideration paid for the acquisition of investment or cash dividend declared but not yet paid or appropriated profits which included in the consideration, investment income for the period shall include cash dividend declared by the investee or appropriated profit recognized. Such cost of investment shall be adjusted when investment are added or discontinued.

(ii) 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.

For long-term equity investment accounted for using equity method, return on investment and other comprehensive income are recognized separately according to the share in the invested entity's net profit/or loss and its other comprehensive income, with the book value adjusted for the long-term equity investment by the Company. Book value of the long-term equity investment will be deducted according to the announced profit to be distributed by the invested entity or the share of cash dividend. Changes to shareholders' equity other than net profit/or loss, other comprehensive and profit distribution cause book value of long-term equity investment to be adjusted, and taken into capital reserve. Net profit of the invested entity are recognized after adjustment on the basis of fair value of all recognizable assets of the invested entity on acquisition. Accounting policies and accounting period of the invested entity will be adjusted

IV. Significant accounting policies and accounting estimates *(Continued)*

11. Long-term equity investments *(Continued)*

(2) Subsequent measurement and recognition of profit and loss *(Continued)*

(ii) Long-term equity investment accounted for using equity method *(Continued)*

according to the Company's relative regulations if that entity adopted different policies. Meanwhile return on investment and other comprehensive income are adjusted accordingly. For transactions between the Company and its associates and joint ventures not constituting business transactions by transferring or selling assets, relative unrealized profit/or loss on internal transactions attributable to the Company pro rata will be offset, and return on investment will be recognized on such basis. However if such realized loss on internal transactions are classified as loss on decline in value of asset, then the relative loss are not to be offset. Furthermore, if such assets transfer are classified as business transactions, fair value of the asset transferred are recognized as initial cost of investment, and the difference between initial cost of investment and book value of asset transferred are taken in full amount into the current Profit & Loss, if the investing party obtain long-term equity investment but not control over the invested entity. The difference between consideration of assets sold to associate or joint venture and book value of the asset are taken in full amount into the current Profit & Loss, if the transaction is classified as a business transaction. If the assets purchased from associate and joint venture are classified as business transactions, then full amount of profit or loss relating to the transaction are recognized, according to the regulations in <Accounting Standard for Business Enterprise No. 20 - Business Combination>.

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.

(iii) 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

11. Long-term equity investments *(Continued)*

(2) Subsequent measurement and recognition of profit and loss *(Continued)*

(iv) 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 IV 5 (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.

For the remaining equity accounted with cost method after partial disposal, the same basis as the invested entity while disposing relative asset or liability will be used for the other comprehensive income recognized using equity method before the investment, or recognized by the regulations of financial instrument recognition and measurement, and such income will be transferred to the current Profit & Loss proportionately. Changes to shareholders' equity other than those caused by net profit/or loss, other comprehensive income or profit distribution will be taken into the current Profit & Loss.

For the remaining share equity after partial disposal which cause the Company to lose control over the invested entity, equity method will be used to account and adjust for the remaining share equity as if they are accounted by the same method upon acquisition, if such equity enable the Company exercise joint control or significant influences over the invested entity. If not, the difference between fair value on the date of losing control and book value will be taken into the current Profit & Loss, according to the regulations of financial instrument recognition and measurement. For the other comprehensive income recognized by equity method or by financial instruments recognition and measurement before the Company took control of the invested entity, the same basis the invested entity while disposing relative asset or liability will be adopted for accounting when the Company lose control over the investee, changes to shareholders' equity in the net asset of invested entity recognized by equity method, other than net profit/or loss, other comprehensive income and profit distribution will be carried forward to the current

IV. Significant accounting policies and accounting estimates *(Continued)*

11. Long-term equity investments *(Continued)*

(2) Subsequent measurement and recognition of profit and loss *(Continued)*

(iv) Disposal of long-term equity investment *(Continued)*

Profit & Loss. Meanwhile, other comprehensive income and other shareholders' equity will be carried proportionately if the remaining share equity is accounted by equity method; and will be carried in full amount if the remaining share equity is accounted by financial instrument recognition and measurement.

The remaining share equity after partial disposal that cause the Company to lose joint control or significant influences over the invested entity are accounted by financial instrument recognition and measurement, difference between fair value of such equity on the date of losing control or significant influence and book value will be taken into the current Profit & Loss. Other comprehensive income recognized using equity method for the previous share equity investment will be accounted using the same basis as the invested entity while disposing the relative asset or liability, full amount of shareholders' equity recognized by other change to shareholders' equity other than net profit or loss, other comprehensive income or profit distribution will be taken into return on investment for the period when equity method stops being adopted.

When the Company lose control over the invested entity through two or more disposing transactions, if such transactions are classified as "a bundle of transactions", then they will be accounted as one transaction of control-losing asset disposal, difference between each amount of disposal and book value of relative share equity will be recognized as other comprehensive income first, and altogether will be taken into the current Profit & Loss when the control is lost.

12. 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)(ii).

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.

IV. Significant accounting policies and accounting estimates *(Continued)*

12. Joint venture arrangement classification and relative accounting methods *(Continued)*

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)

13. Investment properties

Investment properties, which are properties held to earn rental or capital appreciation or both, including land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

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

The Company adopts the cost model for subsequent measurement of the investment properties, and they are depreciated or amortized on a basis consistent with the Company adopts for buildings and land use rights.

Impairment loss assessment and provision for impairment loss for investment properties are detailed at Note IV.19 “Impairment loss on non-current assets”.

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

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

IV. Significant accounting policies and accounting estimates *(Continued)*

14. Fixed assets

(1) Recognition criteria for fixed asset

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:

(i) it is probable that future economic benefits that are associated with the fixed asset will flow to the company

(ii) the cost can be measured reliably

(2) Depreciation for different categories of fixed assets

Fixed assets are depreciated by categories using the straight-line method. Depreciation starts from the date when the fixed asset is available for its intended use and ceases when the fixed asset is 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

Remark:

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.

(3) Impairment loss assessment and provision for fixed assets

The impairment loss assessment method and provision method of fixed asset is detailed at Note IV 19 "Impairment on non-current assets".

IV. Significant accounting policies and accounting estimates *(Continued)*

14. Fixed assets *(Continued)*

(4) 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.

(5) Other explanations

There is an annual review over the usage life, estimated residual value and depreciation method by the end of each year. If there is a change of expected useful life and estimated residual value, an adjustment will be made if necessary.

Repair costs will be capitalized if the recognition criteria of fixed asset is satisfied, and charged to current profit and loss when the recognition criteria is not satisfied.

Repair cost which is capitalized should be depreciated separately on straight line basis over the expected useful life or the time until next repair, whichever is shorter.

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 IV.19 "Impairment loss on non-current assets".

IV. Significant accounting policies and accounting estimates *(Continued)*

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.

IV. Significant accounting policies and accounting estimates *(Continued)*

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.

(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 met all of the following conditions are recognized in current profit or loss:

IV. Significant accounting policies and accounting estimates *(Continued)*

17. Intangible assets *(Continued)*

(2) Research and development *(Continued)*

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset, and to use or sell it;

(iii) it can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, if the intangible asset is to be used internally, the usage of it can be demonstrated;

(iv) there are adequate technical, financial and other resources to complete the development and the ability to use of sell the intangible assets; and

(v) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

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

(3) Impairment loss assessment and provision for intangible assets

The impairment loss assessment method and provision method of intangible asset is detailed at Note IV.19 "Impairment on non-current assets".

18. Long-term deferred expenses

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

IV. Significant accounting policies and accounting estimates *(Continued)*

19. 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

20. 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.

21. 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:

(i) The amount of revenue can be measured reliably;

(ii) It is probable that the economic benefit associated with the transaction will flow to the Company

IV. Significant accounting policies and accounting estimates *(Continued)*

21. Revenue *(Continued)*

(2) Revenue from the rendering of services *(Continued)*

(iii) The percentage of completion of service can be measured reliably

(iv) 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:

(i) The amount of total contract sum can be measured reliably;

(ii) It is probable that the economic benefit associated with the contract will flow to the Company;

(iii) The actual contract cost incurred can be clearly distinguished and measured reliably;

(iv) 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

21. Revenue *(Continued)*

(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.

22. Government Grant

Government grants are transfers of monetary or non-monetary assets from the government to the Company at nil consideration, except for the investment made to the Company by the government at a capacity of an owner. Government grant can be classified as asset-related government grant and income-related government grant.

When government grants are received in the form of monetary assets, they are measured at the amount received or receivable. When the grant is in the form of non-monetary assets, it is measured at fair value. When fair value cannot be measured reliably, it is measured at a nominal amount. Government grant measured at nominal amount are recognized in the current profit or loss.

Asset-related government grant is recognized as deferred income and is amortized evenly in profit or loss over the useful lives of related assets. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Company in the subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss in the periods in which the related costs are recognized; where the grant is a compensation for related expenses or loss already incurred by the Company, the grant shall be recognized immediately in profit or loss for the current year.

When the government grant previously recognized are needed to be repaid, the carrying amount of deferred income in relation to the government grant shall be reversed, when the amount of repayment exceeds the carrying amount of deferred income, the excess shall be recognized in profit or loss. When there are balances of deferred income relating to the government grant, the amount of repayment are directly recognized in profit or loss.

IV. Significant accounting policies and accounting estimates *(Continued)*

23. 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.

IV. Significant accounting policies and accounting estimates *(Continued)*

23. Deferred tax assets/ deferred tax liabilities *(Continued)*

(2) Deferred tax assets and deferred tax liabilities *(Continued)*

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.

24. Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, the ownership of the asset may or may not transferred at the end of the lease. An operating lease is a lease other than a finance lease.

(1) The company as a lessee in operating lease

Operating lease rental expenses are recognized on straight line basis to relevant asset cost or current profit or loss. Direct cost at the inception of lease is recognized in profit or loss. Contingent rentals are recognized in profit or loss based on actual occurrence.

IV. Significant accounting policies and accounting estimates *(Continued)*

24. Leases *(Continued)*

(2) The company as a lessor in operating lease

Operating lease rental income is recognized in profit or loss on straight line basis. Material direct cost at the inception of lease is capitalized when incurred, and are amortized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rentals are recognized in profit or loss based on actual occurrence.

(3) The company as a lessee in finance lease

At the inception of lease, the leased asset is recorded at 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 and the minimum lease payments is accounted for as unrecognized finance charge. In addition, direct cost in relation to the negotiation of the lease and signing of lease contract can be capitalized to the recorded amount of the leased asset. Minimum lease payments less unrecognized finance charge are presented in the balance sheet separately as long-term liability or long-term liability which due within one year.

Unrecognized finance charge is amortized using the effective interest method over the period of the lease. Contingent rentals are recognized in profit or loss based on actual occurrence.

(4) The company as a lessor in finance lease

At the inception of lease, the finance lease receivable is recognized as the sum of the minimum lease receipts and initial direct costs, at the same time recording the unguaranteed residual value; The difference between the sum of minimum lease receipts, initial direct costs and unguaranteed residual value and the sum of their present value are unrecognized interest income. Finance lease receivable less unrecognized interest income is presented in the balance sheet separately as long-term receivables and long-term receivables due within one year.

Unrecognized interest income is amortized using the effective interest method over the period of the lease. Contingent rentals are recognized in profit or loss based on actual occurrence.

IV. Significant accounting policies and accounting estimates *(Continued)*

25. Classified held-to-maturity assets

When a certain non-current asset can be sold immediately under the circumstances by the common practice, and the Company has passed a resolution to disposed an non-current asset, and has signed an irrevocable contract with transferee, and the transfer shall be completed within one year, then the non-current asset shall be accounted for as asset held for sale, which will not be depreciated or amortized starting from the date of re-classification, and is stated at the lower of its carrying amount or its fair value less costs to dispose. Non-current assets held for sale include individual asset and disposal group. If a disposal group is a group of asset, and goodwill arising from business combination is allocated to the group of asset in accordance with "Accounting standards for business enterprise 8 – Impairment of assets", or the disposal group is an operation operating but such asset, then the disposal group includes goodwill arising from business combination.

Single non-current asset classified as available-for-sale asset or assets grouped in disposing group should be listed separately in Balance Sheet under Current Assets. Liabilities grouped in disposing group and those relating to transferring asset should be listed separately in Balance Sheet under Current Liabilities.

When an asset or disposal group previously recognized as assets held for sale no longer satisfy the conditions to be regarded as assets held for sale, the Company ceased to account for the asset as asset held for sale, and the asset is measured at the lower of :

(1) The carrying amount of the asset or disposal group prior to be classified as assets held for sale, adjusted for depreciation, amortization or impairment as if they are never being classified as assets held for sale;

(2) The recoverable amount of the asset or disposal group at the date where the decision of not disposing the asset or disposal group was made.

IV. Significant accounting policies and accounting estimates *(Continued)*

26. Employee compensation

Employee compensation of the Company mainly comprise short-term employee compensation, welfare post resignation, welfare post cancellation of the labor relationship, and other long-term compensation, including:

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.

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.

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.

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.

IV. Significant accounting policies and accounting estimates *(Continued)*

27. Profit distributions

Dividends or distributions of profits proposed in the profit appropriation plan which will be considered and approved after the balance sheet date, are not recognized as a liability at the balance sheet date but disclosed in the notes separately.

28. Segment Reports

The Company determines the operating segments on the basis of internal structure, management requirements and internal reporting system, and determines reporting segments based on the operating segments. Two or more operating segments can be aggregated into one operating segment if the segments have similar economic characteristics and the segments are similar in each of the following respects:

(1) the nature of each product and service;

(2) the nature of production process;

(3) the type or class of customers for their products and services;

(4) the methods used to distribute their products or provide their services;

(5) the influence brought by law, administrative regulations on production and provision of services.

29. Changes in significant accounting policy and accounting estimates

(1) Changes in accounting policy

There is no change in accounting policy in this reporting period.

(2) Changes in accounting estimates

The company has no changes in accounting e during the year.

30. Prior periods adjustments

The company has no prior periods adjustments for the year.

V. Tax

1. Major types of tax and tax rates

Types of tax	Tax base and tax rate
Value-added tax	17 % on taxable revenue after offsetting deductible input VAT
Business tax	5% on taxable turnover amount
City maintenance and construction tax	5% or 7% on amount of turnover tax paid
Education surcharge	3% or 5% on amount of turnover tax paid
Enterprise income tax	25% on taxable income

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

VI. Notes to Consolidated Financial Statements

Unless otherwise specified, 'beginning of period' refers to January 1, 2015, 'end of period' refers to December 31, 2015, 'last year' refers to Year 2014, 'this year' refers to Year 2015 in the following notes (including Notes to the Company's Financial Reports).

1. Cash and deposits

Item	December 31, 2015	December 31, 2014
Cash on hand	3,840.46	13,589.96
Bank deposits	101,586,492.51	122,368,443.14
Other cash equivalents	21,826,830.22	1,836,483.76
total	**123,417,163.19**	**124,218,516.86**
Incl: total overseas deposits	407,555.60	325,886.25

Remark:

(1). Other cash and deposit amounting to RMB 1,305,737.50 is the security deposits for performance guarantee deposited in a designated bank, and RMB20,508,400.00 is deposits for Bank Acceptance Notes. All of the above security deposits mature over three months.

(2). Overseas deposits represent deposits with banks in HongKong, which are not restricted.

2. Notes receivables

(1) Classification of notes receivables

Types	December 31, 2015	December 31, 2014
Bankers' acceptance notes	2,109,500.00	2,300,000.00
Total	**2,109,500.00**	**2,300,000.00**

(2) Notes endorsed and not matured by report date

Item	De-recognized amount by end of year	Non-Derecognized amount by end of year
Bankers' acceptance notes	1,810,000.00	
Commercial acceptance notes		
Total	**1,810,000.00**	

(3) At the end of reporting period, the company has no pledged notes receivables.

VI. Notes to Consolidated Financial Statements *(Continued)*

3. Accounts receivable

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

	Balance at end of Year				
	Carrying amount		Bad-debt provision		Book value
Type	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and subject to separate provision					
Subject to provision by groups with risk characteristics					
Aging combination	160,288,985.49	100.00	26,274,831.49	16.39	134,014,154.00
Sub-total	160,288,985.49	100.00	26,274,831.49	16.39	134,014,154.00
Individually significant and subject to separate provision					
Total	**160,288,985.49**	**100.00**	**26,274,831.49**	**16.39**	**134,014,154.00**

(Cont'd)

	Balance at beginning of Year				
	Carrying amount		Bad-debt provision		Book value
Type	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and subject to separate provision					
Subject to provision by groups with risk characteristics					
Aging combination	153,078,035.27	100.00	29,522,484.39	19.29	123,555,550.88
Sub-total	153,078,035.27	100.00	29,522,484.39	19.29	123,555,550.88
Individually significant and subject to separate provision					
Total	**153,078,035.27**	**100.00**	**29,522,484.39**	**19.29**	**123,555,550.88**

VI. Notes to Consolidated Financial Statements *(Continued)*

3. Accounts receivable *(Continued)*

(2) Accounts receivables that the related provisions for bad debts using the Aging Analysis Method are analyzed as follows:

	Balance at end of Year		
Age of Account	**Accounts Receivable**	**Bad-debt provision**	**Percentage (%)**
Within 1 year	114,353,042.95		
1 – 2 years	15,969,176.86		
2 – 3 years	4,737,245.55	1,894,898.22	40.00
3 – 4 years	2,123,967.17	1,274,380.31	60.00
Over 4 years	23,105,552.96	23,105,552.96	100.00
Total	**160,288,985.49**	**26,274,831.49**	**16.39**

(3) Details of annual allotment, retrieval and reversal of provision.

In this reporting period, total of RMB-3,247,652.90 bad debt provision has been accrued, retrieval or reversal RMB0.

(4) There are no write-off of trade receivables during the reporting period.

(5) There are no receivables from shareholders holding 5% or above voting shares of the company.

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

Name of company	**Relationship**	**Amount**	**Age**	**Percentage to total Accounts Receivable (%)**	**Balance of Bad Debt Provision**
Shenyang Kaidi Insulation Technology Co. Ltd.	Non-related	33,809,691.79	Within 2 year	21.09	
Yingkou Hongyue Machinery Co. Ltd.	Non-related	32,779,406.40	Within 1 year	20.45	
Yingkou Chongzheng Electric Equipment Co. Ltd.	Non-related	14,813,121.23	Within 2 year	9.24	
Shenhua Guohua Shouguang Power Co. Ltd.	Non-related	8,387,500.00	Within 1 year	5.23	
Huaneng Xinjiang Power Development Corp. Luntai Thermal Power Plant	Non-related	6,293,000.00	Within 1 year	3.93	
Total		**96,082,719.42**		**59.94**	

VI. Notes to Consolidated Financial Statements *(Continued)*

4. Prepayments

(1) Prepayments are listed by ages:

	Balance at end of Year		Balance at beginning of Year	
Age of Account	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Within 1 year	384,863.12	99.85	8,641,075.46	98.91
1 - 2 years	587.68	0.15	95,000.00	1.09
Total	**385,450.80**	**100.00**	**8,736,075.46**	**100.00**

(2) Companies with outstanding significant balance in Prepayment as of Dec. 31, 2015

Name of company	Relations	Amount	Age	Reason for unsettlement
Fuxin Heating Corporation	Non-related	267,591.26	Within 1 year	Prepayment for heating
Liaoning Power Corp. Fuxin Power Plant	Non-related	97,112.85	Within 1 year	Prepayment for electricity
Total		**364,704.11**		

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

VI. Notes to Consolidated Financial Statements *(Continued)*

5. Other receivables

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

	Balance at end of Year				
	Carrying Amount		Bad-debt provision		Book value
Type	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and subject to separate provision	87,721,293.96	90.19	87,721,293.96	100.00	
Subject to provision by risk groups					
Aging combination	9,541,409.10	9.81	2,481,565.54	26.01	7,059,843.56
Sub-total	9,541,409.10	9.81	2,481,565.54	26.01	7,059,843.56
Individually insignificant but subject to separate provision					
Total	**97,262,703.06**	**100.00**	**90,202,859.50**	**92.74**	**7,059,843.56**

(Cont'd)

	Balance at beginning of Year				
	Carrying Amount		Bad-debt provision		Book value
Type	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and subject to separate provision	94,031,821.51	89.84	94,031,821.51	100.00	
Subject to provision by risk groups					
Aging combination	10,635,076.49	10.16	2,657,899.56	24.99	7,977,176.93
Sub-total	10,635,076.49	10.16	2,657,899.56	24.99	7,977,176.93
Individually insignificant but subject to separate provision					
Total	**104,666,898.00**	**100.00**	**96,689,721.07**	**92.38**	**7,977,176.93**

VI. Notes to Consolidated Financial Statements *(Continued)*

5. Other receivables *(Continued)*

(2) Other receivables that the related provisions for bad debts is provided on grouping basis using the Aging Analysis Method are analyzed as follows:

	Balance at end of Year		
Age of receivables	**Other receivables**	**Bad-debt provision**	**Percentage of provision (%)**
Within 1 year	5,484,214.18		
1 -2 years	1,538,283.82		
2 - 3 years	56,695.94	22,678.38	40.00
3 - 4 years	8,320.00	4,992.00	60.00
Over 4 years	2,453,895.16	2,453,895.16	100.00
Total	**9,541,409.10**	**2,481,565.54**	**26.01**

(3) Details of annual allotment, retrieval and reversal of provision.

Total of RMB-176,334.02 has been accrued for this period, with RMB6,310,527.55 retrieved or reversed.

Including the following:

Name of Company	Amount of Retrieved or Reversed	Means of Retrieval
Jinzhou Power Capacitor Co. Ltd	6,310,527.55	Transfer of Creditor's Rights and Rents Offset
Total	**6,310,527.55**	

Note:

The Company retrieved receivables from Jinzhou Power Capacitor Co Ltd. with methods of transfer of creditor's rights, rents offset, etc, and thus reversed the relative bad debt provision accured.

(4) There are no write-off of other receivables during the reporting period.

(5) There are no other receivables from shareholders holding 5% or above voting shares of the Company.

VI. Notes to Consolidated Financial Statements *(Continued)*

5. Other receivables *(Continued)*

(6) Other receivables categorized by nature are as follows:

Nature	Amount at end of period	Amount at beginning of period
Lawsuits(See Note VI 5 (9))	76,090,000.00	76,090,000.00
Current Account	14,736,437.50	21,583,130.52
Deposits for Bidding	3,914,477.42	4,649,746.42
Other	2,521,788.14	2,344,021.06
Total	**97,262,703.06**	**104,666,898.00**

(7) Details of Other receivable bad debt provision on individually provision-accuring receivables with significant amount:

Name of company	Book Value	Bad debt provision	Rate of provision(%)	Reason
Benxi Steel (Group) Co. Ltd	76,090,000.00	76,090,000.00	100.00	See Note VI. 5(9)a
Jinzhou Power Capacitor Co. Ltd.	11,631,293.96	11,631,293.96	100.00	See Note VI. 5(9)b
Total	**87,721,293.96**	**87,721,293.96**		

(8) Top 5 of Other Receivables:

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	78.23	76,090,000.00
Jinzhou Power Capacity Co. Ltd	Non-related	11,631,293.96	Over 4 years	11.96	11,631,293.96
Xintai (Liaoning) Precision Equipment Co., Ltd.	Non-related	600,000.00	Within 1-2 year	0.62	
Fuxin Aluminum Alloy Factory	Non-related	534,518.86	Over 4 years	0.55	534,518.86
Chongqing Power Material Co.	Non-related	386,948.00	Within 1 year	0.40	
Total		**89,242,760.82**		**91.76**	**88,255,812.82**

VI. Notes to Consolidated Financial Statements *(Continued)*

5. Other receivables *(Continued)*

(9) Nature or contents of other receivables of significant amount:

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

(2) By end of period there are receivables due from Jinzhou Power Capacity Co. Ltd of RMB 17,941,821.51. The Company has made full amount of provision due to unhealthy financial position and no operation activities of Jinzhou Power Capacity Co. Ltd.

(3) Receivables from Xintai (Liaoning) Precision Equipment Co. Ltd. Are payment for vehicles by Kaiyi Electric - a subsidiary of the Company.

VI. Notes to Consolidated Financial Statements *(Continued)*

6. Inventories

(1) Classification of inventories

	Balance at end of Year		
Item	**Book balance**	**Provision for decline in value**	**Book value**
Raw material	14,737,707.31	796,257.45	13,941,449.86
Work in progress	5,292,476.45	422,258.63	4,870,217.82
Finished goods	13,616,492.16	4,246,845.51	9,369,646.65
Total	**33,646,675.92**	**5,465,361.59**	**28,181,314.33**

(Cont'd)

	Balance at beginning of Year		
Item	**Book balance**		**Book balance**
Raw material	15,886,791.07	296,623.04	15,590,168.03
Work in progress	9,880,918.34		9,880,918.34
Finished goods	11,814,298.47	3,293,941.70	8,520,356.77
Total	**37,582,007.88**	**3,590,564.74**	**33,991,443.14**

(2) Provisions for decline in value

Item	Balance at beginning of Year	Increase of provision during the period		Decrease of provision during the period		Balance at beginning of Year
		Provision	**Other**	**Reverse/Write off**	**Other**	
Raw material	296,623.04	499,634.41				796,257.45
Finished goods	3,293,941.70	1,363,899.20		410,995.39		4,246,845.51
Work in Progress		422,258.63				422,258.63
Total	**3,590,564.74**	**2,285,792.24**		**410,995.39**		**5,465,361.59**

(3) Analysis for provisions for declaine in value and its reversal

Item	Basis for provisions	Reason for reversal of provision during the period	Ratio of reversed amount to relative balance of inventory at end of Year
Raw material	Net realizable value lower than cost		
Finished goods	Net realizable value lower than cost	Decline provision transferred when sold	
Work in Progress	Net realizable value lower than cost		

VI. Notes to Consolidated Financial Statements *(Continued)*

7. Non-current asset due within 1 year

Item	Balance at end of year	Balance at beginning of year	Remark
Improvement expenditures for fixed assets rented	16,960.00	33,874.27	
Total	**16,960.00**	**33,874.27**	

Note:

Non-current asset due within 1 year represents improvement expenditures for fixed assets rented by New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd., a wholly owned subsidiary of the Company.

8. Other current assets

Item	Balance at end of year	Balance at beginning of year	Remark
Rental fees	1,016,618.01	1,016,618.08	
Premium for property insurance	25,986.51	28,377.16	
Total	**1,042,604.52**	**1,044,995.24**	

Other current assets are composed mainly of prepaid rentals of lands, buildings, and machinery by Jinzhou Power Capacity Co. Ltd for the Year of 2016., such rentals are covered by current account.

9. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

	December 31, 2015			December 31, 2014		
Item	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Available-for-sale liability						
Available-for-sale equity	77,242,503.69	7,795,821.84	69,446,681.85	73,268,017.01	7,353,533.39	65,914,483.62
Incl.: measured by fair value						
Measured by cost	77,242,503.69	7,795,821.84	69,446,681.85	73,268,017.01	7,353,533.39	65,914,483.62
Other						
Total	**77,242,503.69**	**7,795,821.84**	**69,446,681.85**	**73,268,017.01**	**7,353,533.39**	**65,914,483.62**

VI. Notes to Consolidated Financial Statements *(Continued)*

9. Available-for-sale financial assets *(Continued)*

(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

	Book balance				Provision for decline in value					
Investee	December 31, 2014	increment	Decrement	December 31, 2015	December 31, 2014	Increment	Decrement	December 31, 2015	% of share	Cash dividend for the year
Shenyang Zhaoli High-Voltage Electric Equipment Co Ltd	73,268,017.01	3,974,486.68		77,242,503.69	7,353,533.39	442,288.45		7,795,821.84	6.89	
total	**73,268,017.01**	**3,974,486.68**		**77,242,503.69**	**7,353,533.39**	**442,288.45**		**7,795,821.84**		

(4) Change to impairment on available-for-sale assets for the year

Classification of available-for-sale assets	available-for-sale equity	available-for-sale liabilities	Total
Balance of provision allocated at beginning of year	7,353,533.39		
Increment	442,288.45		
Inclu: transfer from other comprehensive income	442,288.45		
Decrement			
Incl: reversal due to rise in fair value after date			
Balance of provision allocated at end of year	7,795,821.84		

(5) Notes to available-for-sale financial assets

(i) Increment of book value and bad debt provision in the period is due to foreign currency translation difference resulting from changes in exchange rates.

(ii) Shenyang Zhaoli High-voltage Electric Equipment Co Ltd is a non-listed company set up in Shenyang, P.R.C.

VI. Notes to Consolidated Financial Statements *(Continued)*

10. Long-term equity investments

(1) Classification of long-term equity investments

		Increase/decrease during the year				
Parties receiving investment	**Balance at beginning of year**	**Increase in investment**	**Decrease in investment**	**Profit/loss for investment by Method of Equity**	**Adjustment to other comprehensive income**	**Other change to equity**
I. Associates						
WeiDa High-voltage Electric Co. Ltd.	38,633,931.35			-8,567.26	2,394,725.87	
Total	**38,633,931.35**			**-8,567.26**	**2,394,725.87**	

(Cont'd)

	Increase/decrease during the year				
Parties receiving investment	**Cash dividend declared/or profit**	**Provision for decline in value**	**Other**	**Balance at beginning of year**	**Balance of Provision for decline in value at end of Year**
I. Associates					
WeiDa High-voltage Electric Co. Ltd.				41,020,089.96	13,989,823.20
Total				**41,020,089.96**	**13,989,823.20**

Remark:

(i) *Increment to long-term equity investment for the period is due to foreign currency translation difference of RMB2,394,725.87, and decrement to the item is due to loss on investment RMB8,567.26 recognized by equity method for investment to Weida High-voltage Electric Co., Ltd.*

(ii) *The invested entities are non-listed companies established in British Virgin Islands.*

VI. Notes to Consolidated Financial Statements *(Continued)*

10. Long-term equity investments *(Continued)*

(2) Investment to associates

Investee	Type of enterprise	Place of registration	Legal representative	Nature of business	Capital	Percentage of share held by the Company(%)	Voting percentage in Investee by the Company(%)
Weida High-Voltage Electric Co., Ltd.	Limited company	British Virgin Islands	LoYuet	Investment/ share holding	USD12,626	20.80	20.80

(Cont'd)

Investee	Total asset by end of Year	Total liability by end of Year	Total net asset by end of Year	Total operating income for the Year	Net profit for the Year	Relations	Organization Code
Weida High-Voltage Electric Co., Ltd.	198,024,992.62	813,021.65	197,211,970.97		-41,188.76	Significant influence	

(3) Provision for impairment on long-term equity investment

Item	Balance at beginning of Year	Increment	Decrement	Balance at end of Year
Weida High-voltage Electric Co., Ltd	13,173,277.06	816,546.14		13,989,823.20
Total	**13,173,277.06**	**816,546.14**		**13,989,823.20**

Remark:

Increase in Provision for impairment on long-term equity investment was due to exchange difference arising from translation of foreign currency financial statements.

11. Fixed Assets

(1) Fixed assets

Item	Buildings	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount				
1. Balance at beginning of Year	48,193,147.57	88,118,892.07	21,119,460.03	157,431,499.67
2. Increment for the Year		2,290,086.79	1,534,262.89	3,824,349.68
(1) Purchase		1,987,670.75	1,534,262.89	3,521,933.64

VI. Notes to Consolidated Financial Statements *(Continued)*

11. Fixed Assets

(1) Fixed assets

Item	Buildings	Machinery & equipment	Motor vehicles & others	Total
(2) Transferred from Construction in progress		302,416.04		302,416.04
3.Decrement for the Year		134,952.84	2,430,954.74	2,565,907.58
(1) Disposal or write-off		134,952.84	2,430,954.74	2,565,907.58
(2) Transferred to Construction in progress				
4. Balance at end of Year	48,193,147.57	90,274,026.02	20,222,768.18	158,689,941.77
II. Accumulated depreciation				
1. Balance at beginning of Year	34,981,196.61	44,393,843.42	14,014,123.24	93,389,163.27
2. Increment	768,969.36	4,934,970.87	1,186,853.00	6,890,793.23
(1) Provision	768,969.36	4,934,970.87	1,186,853.00	6,890,793.23
3. Decrement		106,808.41	2,094,251.21	2,201,059.62
(1) Disposal or write-off		106,808.41	2,094,251.21	2,201,059.62
(2) Transferred to Construction in Progress				
4. Balance at end of Year	35,750,165.97	49,222,005.88	13,106,725.03	98,078,896.88
III. Provision for Impairment				
1. Balance at beginning of Year		1,509,984.95	317,644.79	1,827,629.74
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of Year		1,509,984.95	317,644.79	1,827,629.74
IV. Book balance				
1.Book balance at end of Year	12,442,981.60	39,542,035.19	6,798,398.36	58,783,415.15
2.Book balance at beginning of Year	13,211,950.96	42,215,063.70	6,787,692.00	62,214,706.66

Remark:

Total depreciation during the period is RMB6,890,793.23.

VI. Notes to Consolidated Financial Statements *(Continued)*

11. Fixed Assets *(Continued)*

(2) Fixed assets with restricted ownership

As at 31 December 2015, buildings with net book value of RMB4,128,188.10 are pledged to Bank of China, Fuxin Branch by Fuxin Enclosed Busbar Co., Ltd. - a subsidiary of the Company - for a loan of RMB 9million.

(3) There is no temporarily idle fixed asset during the reporting period.

(4) There is no fixed asset acquired under financial lease during the reporting period.

(5) There is no fixed asset leased out under operating lease during the reporting period.

(6) There is no fixed asset held-for-sale by the end of period.

(7) There is no fixed asset with certificate of title to be obtained.

(8) All buildings belong to the Company are located in China, which land use rights are within 50 years.

12. Construction in progress

	Balance at end of Year			Balance at beginning of Year		
Item	**Book balance**	**Provision for impairment**	**Book value**	**Book balance**	**Provision for impairment**	**Book value**
Equipment to be installed	6,070,928.55		6,070,928.55	302,416.04		302,416.04
Total	**6,070,928.55**		**6,070,928.55**	**302,416.04**		**302,416.04**

Remark:

Balance in this item by end of year is RMB6,041,025.64 – equipment purchased by Fuxin Enclosed Busbar Co. Ltd. Such equipments are still to be installed due to its North Plant move. Details see Note XIV.2.

VI. Notes to Consolidated Financial Statements *(Continued)*

13. Intangible Assets

Item	Land use rights	Patent	Software	Total
I. Book balance				
1. Balance at beginning of Year	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 Year	6,774,501.05	450,000.00	207,000.00	7,431,501.05
II. Accumulated amortization				
1. Balance at beginning of Year	2,574,311.76	450,000.00	207,000.00	3,231,311.76
2. Increment	135,490.08			135,490.08
(1) Amortization	135,490.08			135,490.08
3. Decrement				
(1) Disposal of assets				
4. Balance at end of Year	2,709,801.84	450,000.00	207,000.00	3,366,801.84
III. Provision for impairment				
1. Balance at beginning of Year				
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal of assets				
4. Balance at end of Year				
IV. Book Balance				
1. Book balance at end of Year	4,064,699.21			4,064,699.21
2. Book balance at beginning of Year	4,200,189.29			4,200,189.29

VI. Notes to Consolidated Financial Statements *(Continued)*

13. Intangible Assets *(Continued)*

Remarks:

(1) Amortization of the year totalled RMB135,490.08

(2) As at 31 December 2015, land use right of RMB4,064,699.21 are pledged to Bank of China, Fuxin Branch by Fuxin Enclosed Busbar Company Limited - a wholly own subsidiary of the Company for loan of RMB 9 million.

(3) All land use rights belong to the Company are located in China, with useful life within 42 years.

14. Long-term deferred expenses

Item	Balance at beginning of Year	Increment	Amortization	Other decrement	Balance at end of Year	Reasons for other decrement
Improvement expenditures for fixed assets rented	215,200.00	345,000.00	75,340.00	16,960.00	467,900.00	Reclassified to non-current asset due within 1 year
Property Insurance premium		25,588.43	2,843.16		22,745.27	
Total	**215,200.00**	**370,588.43**	**78,183.16**	**16,960.00**	**490,645.27**	

15. Deferred tax assets

(1) Deferred tax assets recognized

Item	December 31, 2015 Deferred tax assets	December 31, 2015 Deductible temporary difference	December 31, 2014 Deferred tax assets	December 31, 2014 Deductible temporary difference
Provision for impairment for assets	7,342,267.86	29,369,071.44	9,257,231.28	37,028,925.10
Total	**7,342,267.86**	**29,369,071.44**	**9,257,231.28**	**37,028,925.10**

(2) Details of deductible temporary difference

Item	December 31, 2015	December 31, 2014
Bad-debt provision	25,698,156.20	35,226,847.06
Provision for decline in value of inventory	3,670,915.24	1,802,078.04
Total	**29,369,071.44**	**37,028,925.10**

VI. Notes to Consolidated Financial Statements *(Continued)*

15. Deferred tax assets *(Continued)*

(3) Details of Income Deferred Tax Asset not yet recognized

Item	Amount at end of year	Amount at beginning of year
Offsettable temporary difference	160,840,100.52	161,039,964.48
Offsettable loss	33,829,580.58	34,498,510.66
Total	**194,669,681.10**	**195,538,475.14**

(4) Income Tax Asset not yet recognized offsettable with loss which due in next period

Year	Balance at end of year	Balance at beginning of year	Note
2015		677,152.38	
2016	37,415,199.34	37,415,199.34	
2017	420,345.51	420,345.51	
2018	774,309.89	774,309.89	
2019	366,885.87	366,885.87	
2020	674,968.71		
Total	**39,651,709.32**	**39,653,892.99**	

16. Details of provisions for asset impairment

Item	December 31, 2014	Increment	Decrement		December 31, 2015
			Reversal	Other	
I. Bad debt provision	126,212,205.46	-3,423,986.92	6,310,527.55		116,477,690.99
II. Provision for decline in value of inventory	3,590,564.74	2,285,792.24		410,995.39	5,465,361.59
III. Provision for decline in value of available-for-sale financial assets	7,353,533.39			-442,288.45	7,795,821.84
IV. Provision for impairment of long-term equity investment	13,173,277.06			-816,546.14	13,989,823.20
V. Provision for impairment of fixed assets	1,827,629.74				1,827,629.74
Total	**152,157,210.39**	**-1,138,194.68**	**6,310,527.55**	**-847,839.20**	**145,556,327.36**

VI. Notes to Consolidated Financial Statements *(Continued)*

16. Details of provisions for asset impairment *(Continued)*

Note:

'Other' in Decline Provision for Inventory is provision for resales. Conversion difference due to change in exchange rates from foreign currency reports result in the balances of Long Term Equity Decline Provision, Decline Provision of financial assets available for sales.

17. Assets with restricted ownership or right of use

Item	December 31, 2014	Increment	Decrement	December 31, 2015
Intangible asset - Land use rights	4,200,189.29		135,490.08	4,064,699.21
Fixed asset - buildings	4,388,950.98		260,762.88	4,128,188.10
Other cash and deposit	1,823,837.50	39,138,400.00	19,148,100.00	21,814,137.50
Total	**10,412,977.77**	**39,138,400.00**	**19,544,352.96**	**30,007,024.81**

Remark:

Details of restriction on land use rights and buildings are shown in Note VI.13(2) and Note VI.11(2), details of restriction on cash and deposits are shown in Note VI.1. Increase in the reporting period are deposits for Bank Acceptance Notes issued by New Jin Rong; Decrease in the period is arising from amortization of land use rights, accumulated depreciation of buildings and maturity of secured deposit.

VI. Notes to Consolidated Financial Statements *(Continued)*

18. Short-term borrowings

(1) Classification

Item	December 31, 2015	December 31, 2013
Bank borrowings, secured	9,000,000.00	9,000,000.00
Total	**9,000,000.00**	**9,000,000.00**

Remark:

According to the terms of borrowings, borrowings are classified as secured loans, pledged loans and guaranteed loans. Details of security under secured loan and their amounts are shown in Note VI.13(2) and Note VI.11(2).

The secured loan was obtained from Bank of China, Fuxin Branch by Fuxin Enclosed Busbar Company Limited - a wholly owned subsidiary of the Company amounting to RMB 9 million. This loan was drawn in installments and would be repaid at maturity date altogether. Interest rate of the loan is 25% above the one-year benchmark lending rate announced by People's Bank of China. Lending period of the loan is from Mar. 11, 2015 to November 10, 2016.

(2) As at December 31, 2015, there are no matured short-term borrowings unpaid.

19. Notes Payable

Type	Amount at end of year	Amount at beginning of year
Commercial Acceptance Notes		
Bank Acceptance Notes	20,508,400.00	
Total	**20,508,400.00**	

Notes

Payable at end of period is Bank Acceptance Notes issued by New Jin Rong-subsidiary of the Company at Postal Savings Bank of China Jinzhou Branch, issue dates are between July 14 to December 18, 2015, and due dates are between January 14 to June 18, 2016. These notes are subject to 100% cash deposits.

VI. Notes to Consolidated Financial Statements *(Continued)*

20. Accounts Payable

(1) Details of Accounts payable

Age of accounts	December 31, 2015	December 31, 2014
Within 1 year	25,068,581.43	52,402,162.23
1 - 2 years	7,857,164.27	4,371,472.50
2 -3 years	1,492,264.52	685,425.46
Over 3 years	2,918,695.95	6,941,888.35
Total	**37,336,706.17**	**64,400,948.54**

(2) There are no accounts payable to shareholders or associates holding 5% or above voting shares of the Company.

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

21. Receipts in advance

(1) Details

Age of accounts	December 31, 2015	December 31, 2014
Within 1 year	5,338,886.52	4,470,458.36
1 - 2 years	1,508,700.02	2,992,568.37
2 -3 years	11,828.00	
Over 3 years	879,157.50	879,207.50
Total	**7,738,572.04**	**8,342,234.23**

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

(3) Analysis of receipt in advance with significant amount aged over 1 year.

Name	Amount	Reason for unsettlement
Hebei Zhuozhou Jingyuan Thermal Power Co Ltd	1,500,000.00	Receipts in advance for goods as per contract

Remark:

Receipts in advance aged over 1 year are mainly advanced payments for enclosed busbar as per contract, which is 40% of the total RMB3,750,000.00 contract amount.

VI. Notes to Consolidated Financial Statements *(Continued)*

22. Employee compensation

(1) Details of employee compensation

Item	December 31, 2014	Increment	Decrement	December 31, 2015
I. Short-term compensation	2,379,464.72	24,486,842.49	24,322,002.30	2,544,304.91
II. Post resignation benefit - designed provision plan	85,125.46	3,824,272.90	3,824,738.87	84,659.49
Total	**2,464,590.18**	**28,311,115.39**	**28,146,741.17**	**2,628,964.40**

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

Item	December 31, 2014	Increment	Decrement	December 31, 2015
I. Wages,bonuses,allowances,subsidies		19,772,428.84	19,772,428.84	
II. Welfare expenses		1,686,971.38	1,686,971.38	
III. Social insurances	8,019.33	1,592,527.99	1,592,486.55	8,060.77
Incl: 1.Medical insurance		1,214,000.05	1,213,958.61	41.44
2.Work injury insurance	5,912.43	251,536.37	251,536.37	5,912.43
3.Maternity insurance	2,106.90	126,991.57	126,991.57	2,106.90
IV. Housing accumulation fund	253,009.11	1,160,584.20	1,147,664.20	265,929.11
V. Labor union expenditure and employee education expenses	2,118,436.28	274,330.08	122,451.33	2,270,315.03
Total	**2,379,464.72**	**24,486,842.49**	**24,322,002.30**	**2,544,304.91**

Note:

There's no employee compensation in arrears.

VI. Notes to Consolidated Financial Statements *(Continued)*

22. Employee compensation *(Continued)*

(3) Designed provision plan listed as follows:

Item	December 31, 2014	Increment	Decrement	December 31, 2015
I. Basic endowment insurance	81,084.97	3,666,675.88	3,667,268.98	80,491.87
II. Unemployment insurance	4,040.49	157,597.02	157,469.89	4,167.62
Total	**85,125.46**	**3,824,272.90**	**3,824,738.87**	**84,659.49**

Note:

The Company has joined Endowment insurance plan and Unemployment insurance plan that are set up by the Government, and pay for employees accordingly. The Company takes no further payment obligation than these.

(4) Remuneration of directors, supervisor and senior managerial personnel

		Total remuneration	
Name	**Position**	**Year 2015**	**Year 2014**
Su Weiguo	Chairman	255,273.20	316,066.35
Wang Shouguan	Vice Chairman	142,857.12	142,857.12
Liu Bing	Director (resigned)		98,000.00
Liu Qingmin	Director	180,756.32	183,172.00
Wang Yunxiao	Independent Director	59,523.60	47,619.04
Liang Jie	Independent Director	59,523.60	47,619.04
Liu Hongguang	Independent Director	59,523.60	47,619.04
Dong Liansheng	Supervisor (resigned)	9,502.38	5,952.38
Jiao Liyuan	Director	189,232.04	197,023.57
Liu Xuehou	Chairman of Supervisors	223,775.50	223,888.00
Qiu Yongjian	Supervisor	144,719.06	123,148.00
Zhu Xinguang		77,814.33	
Total		**1,402,500.75**	**1,432,964.54**

VI. Notes to Consolidated Financial Statements *(Continued)*

22. Employee compensation *(Continued)*

Note:

Zhu Xinguang is a newly-elected Director in March, 2015. Former Chairman of Supervisors Dong Liansheng resigned in the same month.

(5) Details of the five individuals with highest remuneration during the period are shown in Note VI.22(4).

23. Tax payable

Item	December 31, 2015	December 31, 2014
Enterprise Income Tax	511,176.33	67,372.08
Value-added Tax	982,388.00	1,431,875.07
City maintenance and construction Tax	187,744.69	144,769.56
Education Surcharge	137,796.94	108,894.49
Individual Income Tax	38,927.73	44,295.78
Tenure Tax	59,149.50	59,149.50
Housing Property Tax	20,535.95	20,614.66
Other	46,576.13	66,716.89
Total	**1,984,295.27**	**1,943,688.03**

(1) The profit tax rate of Northeast Electric (HK) Co., Ltd., a wholly owned subsidiary of the Company registered in HKSAR of PRC is 16.5%. There is no profit tax in the current year as it is sufferring from operating losses.

(2) Gaocai Technology Co., Ltd., a wholly owned subsidiary of the Company is registered in the British Virgin Islands. No enterprise income tax is imposed on it.

VI. Notes to Consolidated Financial Statements *(Continued)*

24. Other payables

(1) Details of other payables

Age of account	December 31, 2015	December 31, 2014
Current Account	37,737,164.96	40,765,017.10
Shipment expenses	4,732,053.27	4,346,486.57
Purchase of equipments	111,685.38	580,915.38
Other	3,066,447.12	3,373,431.76
Total	**45,647,350.73**	**49,065,850.81**

(2) Details of other payables to shareholders holding 5% or above voting shares of the Company or balance with related parties are shown in Note X.4 Payables to related parties.

(3) Other payables with significant amount aged over 1 year represent current account balance not yet settled.

Item	Amount at end of year	Reason for overdue
Shenyang Transformer Co. Ltd/	26,695,903.10	Creditor not yet collect

25. Special Payables

Item	Amount at end of period	Amount at beginning of year
Demolition Compensation	500,000.00	
Total	**500,000.00**	

Note:

This item shows compensation for demolition received by Fuxin Enclosed Busbar Co. Ltd – subsidiary of the Company from Sihe Town Xihe District Government, Fuxin City.

26. Estimated liabilities

Parties being guaranteed	December 31, 2014	Increment	Decrement	December 31, 2015
Jinzhou Power Capacitor Co. Ltd	60,721,078.25			60,721,078.25
Total	**60,721,078.25**			60,721,078.25

VI. Notes to Consolidated Financial Statements *(Continued)*

26. Estimated liabilities *(Continued)*

Remark:

(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.

VI. Notes to Consolidated Financial Statements *(Continued)*

27. Share Capital

	December 31, 2014		Increment/Decrement (+/-)					December 31, 2015	
Item	Amount	Ratio	New shares issued	Stock dividend	Reserve to shares	Others	Sub total	Amount	Ratio
I. Shares subject to trading restriction									
1. State-owned shares									
2.State-owned legal person owned shares									
3. Other domestic shares	5,999,022.00	0.69%						5,999,022.00	0.69%
Include.:Domestic non-state-owned legal shares	5,999,022.00	0.69%						5,999,022.00	0.69%
Sub-total	5,999,022.00	0.69%						5,999,022.00	0.69%
II. shares not subject to trading restriction									
1. Ordinary share in RMB	609,420,978.00	69.78%						609,420,978.00	69.78%
2. Foreign shares listed overseas	257,950,000.00	29.53%						257,950,000.00	29.53%
Sub-total	867,370,978.00	99.31%						867,370,978.00	99.31%
III. Total shares	**873,370,000.00**	**100.00%**						**873,370,000.00**	**100.00%**

Remark:

There are no changes of share capital in the current year.

28. Capital reserve

Item	December 31, 2014	Increment	Decrement	December 31, 2015
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**

Remark:

There are no changes of capital reserve in the current year.

VI. Notes to Consolidated Financial Statements *(Continued)*

29. Other Comprehensive Income (OCI)

		Amount incurred during the period					
Item	**December 31, 2014**	**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**	**December 31, 2015**
I. OCI not to be re-classified into Profit & Loss							
Incl.: Change to net liabilities/ assets due to remeasurement of defined benefit plan							
Share of OCI not to be re-classified into Profit & Loss in invested entity							
II. OCI to be reclassified into Profit & Loss	**-36,666,972.81**	**5,865,463.24**			**5,865,463.24**		**-30,801,509.57**
Incl.: Share of OCI not to be re-classified into Profit & Loss in invested entity							
Profit or loss due to change in fair value of available-for-sale financial assets							
Profit or loss on held-to-maturity financial assets reclassified as available-for-sale financial assets							
Effective portion of cash flow hedge							
Foreign currency translation difference	-36,666,972.81	5,865,463.24			5,865,463.24		-30,801,509.57
Total OCI	**-36,666,972.81**	**5,865,463.24**			**5,865,463.24**		**-30,801,509.57**

VI. Notes to Consolidated Financial Statements *(Continued)*

30. Surplus reserves

Item	December 31, 2014	Increment	Decrement	December 31, 2015
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**

Remark:

There's no change to surplus reserves for the period.

31. Accumulated losses

Item	Year 2015	Year 2014	Ratio of appropriation or distribution
Accumulated losses at the end of last year	-1,542,524,243.79	-1,548,693,348.93	
Adjustment for accumulated losses at the beginning of the year			
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	4,933,337.50	6,169,105.14	
Less: Appropriation for statutory surplus reserve			
Appropriation for optional surplus reserve			
Ordinary shares dividends payable			
Ordinary shares dividends converted to equity			
Accumulated losses at end of period	-1,537,590,906.29	-1,542,524,243.79	

VI. Notes to Consolidated Financial Statements *(Continued)*

32. Revenue and cost of sales

(1) Revenue and cost of sales

	Year 2015		Year 2014	
Item	**Income**	**Cost**	**Income**	**Cost**
Main business	151,639,578.32	111,164,012.39	197,439,030.24	149,130,956.13
Other business	100,906.50	63,598.80	74,473.44	37,451.61
Total	**151,740,484.82**	**111,227,611.19**	**197,513,503.68**	**149,168,407.74**

(2) Main business (by products)

	Year 2015		Year 2014	
Products	**Business income**	**Cost of sale**	**Business income**	**Cost of sale**
Enclosed Busbar	47,369,246.56	33,638,937.68	58,182,658.51	42,683,342.05
Power Capacitor	102,568,451.47	76,198,613.17	116,187,995.71	84,731,101.26
High-voltage Switchgear	1,701,880.29	1,326,461.54	23,068,376.02	21,716,512.82
Total	**151,639,578.32**	**111,164,012.39**	**197,439,030.24**	**149,130,956.13**

(3) Main business (by regions)

	Year 2015		Year 2014	
Products	**Business income**	**Cost of sale**	**Business income**	**Cost of sale**
Northeast	90,555,152.55	66,633,422.35	111,986,871.70	80,829,434.81
Central North	2,452,145.25	1,891,378.18	28,783,324.66	25,624,291.33
Central	9,136,254.41	6,798,368.35	31,780,867.55	23,681,587.19
Central East	22,637,008.30	17,038,530.13	9,624,554.30	6,960,623.36
Central South	3,475,577.43	2,990,914.04	2,165,053.80	1,501,872.57
Southwest	11,307,975.75	6,968,768.15	8,674,730.78	7,975,043.63
Northwest	12,075,464.63	8,842,631.19	4,423,627.45	2,558,103.24
Total	**151,639,578.32**	**111,164,012.39**	**197,439,030.24**	**149,130,956.13**

VI. Notes to Consolidated Financial Statements *(Continued)*

32. Revenue and cost of sales *(Continued)*

(4) Business income from top 5 customers

Period	Amount	Ratio of total business income (%)
Year 2015	105,580,331.29	69.58
Year 2014	126,690,034.61	64.14

(5) Purchase from top 5 suppliers

Period	Amount	Ratio of total business income (%)
Year 2015	33,893,375.95	39.64
Year 2014	55,377,697.93	42.09

Remark:

The Company engages in production and sales of power transmission equipment, which mainly operates in one segment and thus no segment reporting is required.

33. Business tax and surcharges

Item	Year 2015	Year 2014
Business tax	1,000.00	8,250.00
City maintenance and construction tax	662,205.30	730,461.05
Education Surcharges	474,620.17	527,440.76
Total	**1,137,825.47**	**1,266,151.81**

34. Sales expenses

Item	Year 2015	Year 2014
Transportation fee	6,331,304.06	6,873,982.87
Consultation fee	2,259,875.44	3,649,056.62
Employee compensation	1,438,790.93	1,457,731.74
Travelling expense	1,989,098.40	2,182,414.54
Bidding fee	847,356.00	384,026.40
Material Consumption	595,935.20	292,124.00
After-Sales services Expenses	360,103.50	491,702.45
Entertainment fee	383,580.70	518,463.69
Other	332,262.43	476,726.12
Total	**14,538,306.66**	**16,326,228.43**

VI. Notes to Consolidated Financial Statements *(Continued)*

35. Administrative expenses

Item	Year 2015	Year 2014
Incl: Employee compensation	14,823,546.45	15,130,495.62
Office expenses	2,823,835.03	3,283,770.68
Depreciation expenses	2,353,377.66	2,559,190.73
Agency fee	1,320,473.41	1,527,169.57
Heating expenses	1,033,814.65	1,173,419.02
Taxes	1,065,435.61	1,127,742.63
Entertainment	655,722.78	748,921.80
Travelling expense	526,796.36	797,583.83
Intangible assets amortization	405,857.17	808,088.71
Rents & leases	397,252.00	520,480.82
Others	59,504.36	49,090.08
Total	**25,465,615.48**	**27,725,953.49**

36. Finance expenses

Item	Year 2015	Year 2014
Interest Expenses	662,688.68	665,058.33
Less: Interest Income	566,734.77	507,245.40
Exchange difference	-21.73	-53.95
Bank charges	64,087.86	37,525.87
Total	**160,020.04**	**195,284.85**

Remark:

Interest expenses represents interest arising from bank loan which would be paid at maturity date, details of the bank loan are shown in Note VI 18 (1) short-term borrowings

VI. Notes to Consolidated Financial Statements *(Continued)*

37. Assets impairment loss

Item	Year 2015	Year 2014
Bad debt expenses	-9,734,514.47	-6,425,301.65
Provision for decline in value on inventory	2,285,792.24	562,192.01
Total	**-7,448,722.23**	**-5,863,109.64**

38. Return on investments

(1) Details of return on investment

Item	Year 2015	Year 2014
Return on long-term equity investment by equity method	-8,567.26	-7,238.23
Return on available-for-sale financial assets	867,706.84	574,069.12
Total	**859,139.58**	**566,830.89**

Note:

Return on available-for-sale financial assets represents gains from banks' wealth investment products purchased by the Company.

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

Investee	Year 2015	Year 2014	Reason for change
WeiDa High-voltage Electric Co. Ltd	-8,567.26	-7,238.23	Due to change in WeiDa's net profit/loss
Total	**-8,567.26**	**-7,238.23**	

VI. Notes to Consolidated Financial Statements *(Continued)*

39. Non-operating income

Item	Year 2015	Year 2014	Amounts included in the current extraordinary profit & loss
Gain on disposal of non-current assets	65,365.76	295,155.64	65,365.76
Include: Gain on disposal of fixed assets	65,365.76	295,155.64	65,365.76
Gain on disposal of intangible assets			
Subsidy from Government	106,670.00		106,670.00
Others	65,700.31	207,301.35	65,700.31
Total	**237,736.07**	**502,456.99**	**237,736.07**

Note:

Balance of Government subsidy is subsidy to New Jin Rong – subsidiary of the Company, by Jinzhou municipal human resources and Social Security Bureau as subsidy of Steading Posts 2015.

40. Non-operating expenses

Item	Year 2015	Year 2014	Amounts included in the current extraordinary profit & loss
Loss on disposal of non-current assets	49,371.58	155,763.95	49,371.58
Include: loss on disposal of fixed assets	49,371.58	155,763.95	49,371.58
Loss on disposal of intangible assets			
Fines on late payment	9,152.93	245,748.46	9,152.93
Other	35,200.00	67,969.00	35,200.00
Total	**93,724.51**	**469,481.41**	**93,724.51**

41. Income tax expense

Item	Year 2015	Year 2014
Current income tax expense in accordance with applicable tax laws and regulations	890,528.75	1,770,765.97
Deferred income tax expense	1,914,963.42	1,465,505.34
Total	**2,805,492.17**	**3,236,271.31**

VI. Notes to Consolidated Financial Statements *(Continued)*

42. Basic earnings per share and diluted earnings per share

(1) Details of basic earnings per share and diluted earnings per share

	December 31, 2015		December 31, 2014	
Profit for the period	**Basic earnings per share**	**Diluted earnings per share**	**Basic earnings per share**	**Diluted earnings per share**
Net Profit attributable to Ordinary Shareholders of the Company	0.01	0.01	0.01	0.01
Extraordinary Profit & Loss attributable to Ordinary Shareholders	-0.001	-0.001	0.005	0.005

Remark:

There are no diluted potential ordinary shares in the reporting period, therefore, the amount of diluted earnings per share are equal to basic earnings per share.

(2) Calculations of basic earnings per share and diluted earnings per share

(i) When calculating basic earnings per share, net profit attributable to ordinary shareholders of the company are as follows:

Item	Year 2015	Year 2014
Net Profit attributable to Ordinary Shareholders of the Company	4,933,337.50	6,169,105.14
Incl: Net profit from continuing operations	4,933,337.50	6,169,105.14
Net profit from discontinuing operations		
Net profit attributable to ordinary shareholders after deduction of extraordinary profit & loss	-775,922.03	4,390,358.73
Incl: Net profit from continuing operations	-775,922.03	4,390,358.73
Net profit from discontinuing operations		

(ii) When calculating basic earnings per share, the denominator is the weighted average number of ordinary shares outstanding, which is calculated as follows:

Item	Year 2015	Year 2014
Number of ordinary shares outstanding of the Company at the beginning of the year	873,370,000.00	873,370,000.00
Plus: Weighted average number of ordinary shares issued in current year		
Less: Weighted average number of ordinary shares buyback in current year		
Weighted average number of ordinary shares outstanding of the Company at the end of the year	873,370,000.00	873,370,000.00

VI. Notes to Consolidated Financial Statements *(Continued)*

43. Notes to Cash Flow report

(1) Cash received from other operating activities

Item	Year 2015	Year 2014
Current Account	1,222,967.19	1,187,687.81
Performance guarantee deposits	518,100.00	3,404,750.00
Interest Income	566,734.77	507,245.40
Bidding guarantee deposits	229,545.00	951,805.00
Governement Subsidy	606,670.00	
Other	64,274.99	47,731.36
Total	**3,208,291.95**	**6,099,219.57**

(2) Cash paid to other investment activities

Item	Year 2015	Year 2014
Bank guarantee deposits	20,508,400.00	
Cash expenses	17,523,086.98	20,491,160.49
Current Account	919,177.20	1,601,375.00
Other	9,152.93	255,748.46
Total	**38,959,817.11**	**22,348,283.95**

VI. Notes to Consolidated Financial Statements *(Continued)*

44. Supplementary information to cash flows statement

(1) Reconciliation from net profit to cash flows from operating activities

Item	Year 2015	Year 2014
I Reconciliation from net profit to cash flows from operating activities		
Net profit	4,857,487.18	6,058,122.16
Plus: Provisions for assets impairment	-7,448,722.23	-5,863,109.64
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive bio-assets	6,890,793.23	7,085,556.25
Amortization of intangible assets	135,490.08	135,490.08
Amortization of long term deferred expenses	112,057.43	2,796,354.73
Loss on disposal of fixed assets, intangible assets and other non-current assets (gain is shown as "-")	-64,717.93	-139,391.69
Loss on write-off of fixed assets (gain is shown as "-")	48,723.75	
Loss on changes in fair value (gain is shown as "-")		
Finance costs (gain is shown as "-")	662,688.68	665,058.33
Loss on investments (gain is shown as "-")	-859,139.58	-566,830.89
Decrease in deferred tax assets (increase is shown as "-")	1,914,963.42	1,465,505.34
Increase in deferred tax liabilities (decrease is shown as "-")		
Decrease in inventories (increase is shown as "-")	3,524,336.57	-2,473,703.07
Decrease in operating receivables (increase is shown as "-")	-18,424,529.85	5,637,317.62
Increase in operating payables (decrease is shown as "-")	-9,586,615.95	12,005,221.85
Other		
Net cash flows generated from operational activities	-18,237,185.20	26,805,591.07
II Significant non-cash investment and financing activities		
Debts changed to capital		
Convertible bonds mature within 1 year		
Fixed assets acquired under finance lease		

VI. Notes to Consolidated Financial Statements *(Continued)*

42. Supplementary information to cash flows statement *(Continued)*

(1) Reconciliation from net profit to cash flows from operating activities *(Continued)*

Item	Year 2015	Year 2014
Ⅲ Changes in cash and cash equivalents:		
Cash at the end of period	101,603,025.69	122,394,679.36
Less: cash at the beginning of period	122,394,679.36	102,736,973.41
Plus: cash equivalents at the end of period		
Less: cash equivalents at beginning of period		
Net increase in cash and cash equivalents	-20,791,653.67	19,657,705.95

(2) Composition of cash and cash equivalents

Item	December 31, 2015	December 31, 2014
I. Cash	101,603,025.69	122,394,679.36
Incl: Cash on handd	3,840.46	13,589.96
Bank Deposits available on demand	101,586,492.51	122,368,443.14
Other cash assets available on demand	12,692.72	12,646.26
Deposits with Central Bank available on demand		
Deposits with other banks		
Inter-bank lending		
II. Cash equivalents		
Incl: Bond investments mature within 3 months		
III. Balance of cash and cash equivalents by end of period	101,603,025.69	122,394,679.36

Remark:

Performance guarantee deposits pledged to the bank amounting to RMB1,305,737.50, and Bank Acceptance Notes deposits of RMB20,508,400.00 are not included in the balance of cash and cash equivalents at the end of period.

VI. Notes to Consolidated Financial Statements *(Continued)*

45. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Foreign currency balance at end of year	Exchange rate	Translated RMB balance at end of year
Cash			
US dollars	58.00	6.4936	376.63
Total	**58.00**	**6.4936**	**376.63**

(2) Exchange rate of offshore entities major reporting items

	Items on Balance Sheet	
Item	**December 31, 2015**	**December 31, 2014**
Northeast Electric (HK) Co. Ltd.	HKD1.00 = RMB0.8378	HKD1.00 = RMB0.7889
Gaocai technology Co. Ltd.	HKD1.00 = RMB0.8378	HKD1.00 = RMB0.7889
	Income, expenses, cash flow items	
Item	**Year 2014**	**Year 2013**
Northeast Electric (HK) Co. Ltd.	HKD1.00 = RMB0.8134	HKD1.00 = RMB0.7876
Gaocai technology Co. Ltd.	HKD1.00 = RMB0.8134	HKD1.00 = RMB0.7876

Note:

Northeast Electric (HK) Co. Ltd. is a company set up in HongKong by the Company, Gaocai technology Co. Ltd. is a company set up in British Virgin Islands by the Company.

VII. Merge and Consolidated Financial Statements

There's no change in the scope of consolidation for the reporting period.

VIII. Disclosure of equity in other entities

1. Equity in subsidiary

(1) Composition of the Group

Name of Subsidiary	Operating location	Location of registration	Nature of business	Percentage of shares held by the Company Direct	Percentage of shares held by the Company Indirect	Means of acquisition
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

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	-75,850.32		353,221.07

VIII. Disclosure of equity in other entities *(Continued)*

2. Equity in associates

(1) Basic information of associates

Name of company	Principle operating location	Location of registration	Share percentage held(%)	Nature of business
Weida High-voltage Electric Co. Ltd	BVI	BVI	20.80	Investment

(2) Main information of significant associates accounting by Equity Method

Item	December 31, 2015	December 31, 2014
Current Assets	198,024,992.62	185,853,271.97
Incl: Cash and equivalents	528,382.03	502,009.41
Non-current assets		
Total assets	198,024,992.62	185,853,271.97
Current liabilities	813,021.65	113,217.41
Non-current liabilities		
Total liabilities	813,021.65	113,217.41
Net asset	197,211,970.97	185,740,054.57
Share in net asset pro rata shares held	41,020,089.96	38,633,931.35
Book value of equity investment to associate	41,020,089.96	38,633,931.35
Operating income		
Net profit	-41,188.76	-34,799.17

(3) Risk information relating to equity in associates

(i) Significant restriction to fund transferrability

Nil

(ii) Shared portion of excessive loss in associate

Nil

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 December 31, 2015, only daily expenses reported with no purchases or sales for these subsidiaries.

On December 31, 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:

		Year 2015		Year 2014	
Item	Change in Exchange rate	Impacts on profit	Impacts on shareholder' equity	Impacts on profit	Impacts on shareholder' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	-2,908.45	448,622.14	-2,794.01	414,444.55
Translation from foreign currency reports	Depreciate 0.5% against RMB	2,908.45	-448,622.14	2,794.01	-414,444.55

IX. Risks related to financial instrument *(Continued)*

1. Market risks *(Continued)*

(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 December 31, 2015, supposing bank borrowings' floating interest increase or decrease 50 basis points while all other variants remain unchanged:

		Year 2015		Year 2014	
Item	**Change in interest rate**	**Impacts on profit**	**Impacts on shareholder' equity**	**Impacts on profit**	**Impacts on shareholder' equity**
Short-term borrowing	Increase by 0.5%	-45,736.11	-45,736.11	-44,388.88	-44,388.88
Short-term borrowing	Decrease by 0.5%	45,736.11	45,736.11	44,388.88	44,388.88

2. Credit risks

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.

IX. Risks related to financial instrument *(Continued)*

2. Credit risks *(Continued)*

(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.

3. Risk of liquidity

The Company maintains sufficient cash and cash equivalents with continuous supervision to satisfy operation needs and reduce impact on cash flow, which meet the requirement of management of liquidity risks. Management of the Company supervises utilization of bank borrowings to make sure relative borrowing contracts are honored.

X. Related parties and Related parties transaction

1. Parent company of the Company

Parent Company	Relationship	Type	Place of Registration	Legal Rep.	Business Nature
New Northeast Electric Investment Co., Ltd.	Parent Company	Limited	Ying Kou	He Yaohui	Investment

(Cont'd)

Parent Company	Registered Capital	Percentage of shares held by Parent Company (%)	Voting shares ratio held by Parent Company (%)	Ultimate controlling party of the company	Organization Code
New Northeast Electric Investment Co., Ltd.	135M	9.333	9.333	Tian Li	73465110-1

Remark:

(1) New Northeast Electric Investment Co., Ltd. decreases its shares in the Company from 24.06% to 9.333% during the period.

(2) 80,000,000 shares of unrestricted circulated A shares held by New Northeast Electric Investment Co Ltd are pledged to Shanghai Pudong Development Bank Shenyang Branch (50 million share) and Bank of Dalian Yingkou Branch (30 million shares) separately. Procedures of Pledge Release is completed for these pledged shares on January 11, 2016.

(3) Changes in ultimate control of the Company is explained in Note. XIV.1.

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"

X. Related parties and Related parties transaction *(Continued)*

4. Payables of associate

Item	Name of associate	December 31, 2015	December 31, 2014
Other payables	Weida High-voltage Electric Co Ltd.	314,585.66	296,224.19
Total		**314,585.66**	**296,224.19**

5. Key managerial personnel compensation

Item	Year 2015	Year 2014
Employee compensation	1,402,500.75	1,432,964.54

XI. Contingent Events

1. Up to Dec.31, 2015, there are no contingent liabilities due to litigation.

2. Up to Dec.31, 2015, the Company has provided guarantee of RMB 52,900,000.00 for loans granted to Jinzhou Power Capacitor Co., Ltd, details are shown in Note VI. 24 "Estimated Liabilities".

3. Other contingent liabilities and relevant impacts on financial statements

   (1) Up to Dec. 31, 2015, RMB 1,810,000.00 of Bank Acceptance Notes which are not yet matured have been endorsed by the Company. Up to the reporting day, RMB 410,000.00 of the notes were paid.

   (2) Up to Dec. 31, 2015, the Company has issued Performance Guarantee of RMB 7,674,087.50 with Bank of China Fuxin Branch and China Construction Bank Jinzhou Branch.

XII. Commitment

There’s no material commitment during the period.

XIII. Post Balance Sheet Date Events

1. Changes in Ultimate Control of the Company please see Note XIV. 1.

2. On January 25, 2016, in the 16th meeting of 7th Board of Directors, rule No.141 of the Company's Charter is approved – "Board of Directors is constituted by 8 directors" is changed to "Board of Directors is constituted by 9 directors", others items remain unchanged. Also approved is the proposal of the 8th candidates of Board Directors (including independent directors). Such proposal is subject to approval by the 2nd temporary shareholders' meeting in 2016.

3. Demolition Compensation to Fuxin Enclosed Busbar Co. is detailed in Note XIV. 2.

XIV. Other major events

1. Significant asset reconstruction

On November 27, 2015, the Company was notified by the shareholder of largest shares – Xin Northeast Electric Investment Co Ltd (mentioned below as New North Investment) that its planning to transfer 81.4949 million of the Company's unrestricted circulating shares (9.331% of total circulating shares) to Suzhou Qingchuang Trade Group Ltd. (mentioned below as Suzhou Qingchuang) and its Concerted-action Party. Suzhou Qingchuang thus becomes the shareholder with largest shares of the Company.

On December 21, 2015, Xin North Investment signed <Transfer Agreement re Northeast Electric Development Co. Ltd. shares between New Northeast Electric Investment Ltd. and Suzhou Qingchuang Trade Group Ltd.>, by this agreement, Suzhou Qingchuang has 81,494,850 shares of the Company, for the price of RMB800 million.

On January 22, 2016, registration procedures of the above mentioned shares transfer is completed with China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. Henceforth, Suzhou Qingchuang becomes the Shareholder with largest shares of the Company, thus Parent Company of the Company, with 81,494,850 shares, which takes up 9.331% of total shares issued. Liu Jun becomes Person of Ultimate Control of the Company. Wang Zheng, Wu Yisha and Liu Jun become persons in concerted action.

Meanwhile the Company is going to sell all or part of shares of subsidiaries including shares of New Northeast Electric (Jinzhou) Power Capacitor Co, Ltd., in return to buy shares in companies specialized in smart software development, smart hardware research and production, and mobile internet business.

XIV. Other major events *(Continued)*

2. Compensation for Demolition to subsidiary of the Company – Fuxin Enclosed Busbar Co. Ltd.

On January 12, 2016, Fuxin Enclosed Busbar Co. Ltd – a wholly-owned subsidiary of the Company, signed <Agreement of attracting business> with the People's Government of Xihe District, Fuxin City. Terms and conditions are agreed by both parties regarding construction of the new plant of Fuxin Enclosed and its old plant move. Main contents are as follows:

(1) Fuxin Enclosed swaps it north plant area – a total of 15,174 sq.m land, 4500 sq.m buildings and attached real estates on 77 Dongfeng Road, for a 40,000 sq.m land, 17,831 sq.m buildings and attached real estates located in the Industrial Zone in Sihe Town, Xihe District, Fuxin City. Fuxin Enclosed will invest and construct a new plant project which ultimately has the annual production capacity of 20 million KW enclosed busbar. Estimated construction investment of the new plant amounts to RMB 50 million, including RMB 12 million on land, RMB38 million on production, buildings and attached real estate. Funding sources include compensation for demolition of 77 Dongfeng Road, rest will be resolved by Enterprise Development Fund of People's Government of Xihe District, Fuxin City. Contruction expenses will be calculated by prices of settlement and equipment purchase.

(2) Construction of the new plant is estimated to be finished within 1 year. Assets of the North Plant will be transferred to the local Government according to law, after completion of the new plant.

Up to December 31, 2015, Fuxin Enclosed received RMB500,000 from the People's Government of Xihe District, Fuxin City for the demoliotion compensation.

3. Accumulated profit

There is no accumulated profit available for distribution up to December 31, 2015.

XV. Major notes to Financial Statements of the Company

1. Accounts receivable

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

	December 31, 2015				
	Carrying amount		Provision for bad debt		
Types	**Amount**	**Ratio(%)**	**Amount**	**Ratio(%)**	**Book value**
Individually significant and subject to separate provision					
Subject to provision by group of risk characteristics					
Aging combination	1,423,911.79	100.00	179,400.00	12.60	1,244,511.79
Sub-total	1,423,911.79	100.00	179,400.00	12.60	1,244,511.79
Individually insignificant but subject to separate provision					
Total	**1,423,911.79**	**100.00**	**179,400.00**	**12.60**	**1,244,511.79**

(Cont'd)

	December 31, 2014				
	Carrying amount		Provision for bad debt		
Types	**Amount**	**Ratio(%)**	**Amount**	**Ratio(%)**	**Book value**
Individually significant and subject to separate provision					
Subject to provision by group of risk characteristics					
Aging combination	10,623,350.96	100.00	179,400.00	1.69	10,443,950.96
Sub-total	10,623,350.96	100.00	179,400.00	1.69	10,443,950.96
Individually insignificant but subject to separate provision					
Total	**10,623,350.96**	**100.00**	**179,400.00**	**1.69**	**10,443,950.96**

XV. Major notes to company level financial statements *(Continued)*

1. Accounts receivable *(Continued)*

(2) Accounts receivables that the related provisions for bad debts are based on grouping

	December 31, 2015		
Age of account	**Accounts receivable**	**Bad-debt provision**	**Ratio of provision(%)**
1 - 2 years	1,244,511.79		
Over 4 years	179,400.00	179,400.00	100.00
Total	**1,423,911.79**	**179,400.00**	**12.60**

(3) Details of accural, retrieval and reversal of bad debt provision.

Balance of bad debt provision in this item is RMB 0.

(4) There are no write off of trade receivables.

(5) There are no receivables from shareholders holding 5% or above voting shares of the company

(6) Companies with significant balance in accounts receivable by end of period:

Name of company	relations	Amount	Age	Percentage in total accounts receivable(%)	Bad-debt provision balance
Shenyang Kaidi Insulation Technology Co. Ltd	Non-related	401,960.79	1-2 years	28.23	
Yingkou Chongzheng Electric Equipment Co Ltd	Non-related	842,551.00	1-2 years	59.17	
Total		**1,244,511.79**		**87.40**	

XV. Major notes to company level financial statements *(Continued)*

2. Other receivables

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

	December 31, 2015				
	Book balance		Bad-debt provision		
Types	Amount	Ratio(%)	Amount	Ratio of provision(%)	Book value
Individually significant and subject to separate provision	76,090,000.00	18.18	76,090,000.00	100.00	
Subject to provision by group with risk characteristics					
Aging combination	347,668.10	0.08	273,942.23	78.79	73,725.87
Internal current account	342,124,976.82	81.74			342,124,976.82
Sub-total	342,472,644.92	81.82	273,942.23	0.08	342,198,702.69
Individually insignificant but subject to separate provision					
Total	**418,562,644.92**	**100.00**	**76,363,942.23**	**18.24**	**342,198,702.69**

(Cont'd)

	December 31, 2014				
	Book balance		Bad-debt provision		
Types	Amount	Ratio(%)	Amount	Ratio of provision(%)	Book value
Individually significant and subject to separate provision	76,090,000.00	17.71	76,090,000.00	100.00	
Subject to provision by group with risk characteristics					
Aging combination	340,409.42	0.08	273,942.23	80.47	66,467.19
Internal current account	353,111,298.76	82.21			353,111,298.76
Sub-total	353,451,708.18	82.29	273,942.23	0.08	353,177,765.95
Individually insignificant but subject to separate provision					
Total	**429,541,708.18**	**100.00**	**76,363,942.23**	**17.78**	**353,177,765.95**

XV. Major notes to company level financial statements *(Continued)*

2. Other receivables *(Continued)*

(2) Other receivables that the related provisions for bad debts is provided on grouping basis using the Aging Analysis Method are analyzed as follows:

	December 31, 2015		
Age of account	**Other receivables**	**Bad-debt provision**	**Percentage of bad-debt provision(%)**
Within 1 year	25,562.84		
1 - 2 years	48,163.03		
Over 4 years	273,942.23	273,942.23	100.00
Total	**347,668.10**	**273,942.23**	**78.79**

(3) Accural, Retrieval and Reversal of bad debt provision in the period.

Bad debt provision for this item is RMB 0.

(4) There are no write off of other receivables during reporting period.

(5) There are no other receivables from shareholders holding 5% or above voting shares of the Company during the reporting period.

(6) The largest five other receivables are analyzed by nature as follows:

Nature of Accounts	Balance at end of period	Balance at beginning of year
Lawsuit (see Note VI.5 (9))	76,090,000.00	76,090,000.00
Current Account with subsidiaries	342,124,976.82	353,111,298.76
Other	347,668.10	340,409.42
Total	**418,562,644.92**	**429,541,708.18**

XV. Major notes to company level financial statements *(Continued)*

2. Other receivables *(Continued)*

(7) Top five Other Receivables customers by end of period:

Name of company	Relationship	Amount	Age	Percentage in total Other Receivables (%)	Balance of bad debt provision
Shenyang Kaiyi Electric Ltd.	Wholly owned subsidiary	156,267,103.64	Within 4 years	37.33	
Northeast Electric (HK) Ltd.	Wholly owned subsidiary	123,166,166.77	Over 4 years	29.43	
Benxi Steel (Group) Ltd.	Not related	76,090,000.00	Over 4 years	18.18	76,090,000.00
Northeast Electric (Beijing) Ltd.	Wholly owned subsidiary	52,860,591.00	Within 4 years	12.63	
New Northeast Electric (Jinzhou) Power Capacitor Ltd.	Wholly owned subsidiary	9,831,115.41	Within 4 years	2.35	
Total		**418,214,976.82**		**99.92**	**76,090,000.00**

Remark:

For nature of receivables due from Benxi Steel (Group) Ltd. please see Note VI. 5.(9).

(8) Other receivable due from related parties of RMB342,124,976.82 are current account from the Company's subsidiaries, details are shown in Note XV.2 (7).

3. Long-term equity investments

(1) Classification

	December 31, 2015			December 31, 2014		
Item	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**

XV. Major notes to company level financial statements *(Continued)*

3. Long-term equity investments *(Continued)*

(2) Investment to subsidiary

Investee	Accounting method	Cost of Investment	December 31, 2014	Increment/ Decrement	December 31, 2015
Northeast Electric (HK) Co	Cost Method	156,699,451.63	90,413,551.10		90,413,551.10
Shenyang Kaiyi Electric Co Ltd	Cost Method	100,000.00			
Total			**90,413,551.10**		**90,413,551.10**

(Cont'd)

Investee	Percentage of shares held (%)	Percentage of voting rights held(%)	Reason for difference between percentages of shares held and voting rights held	Provision for impairment	Provision during the period	Cash dividends
Northeast Electric (HK) Co Ltd	100.00	100.00		66,285,900.53		
Shenyang Kaiyi Electric Co Ltd	10.00	10.00		100,000.00		
Total				**66,385,900.53**		

Note:

Intermediate Court of Liaoning Province Jinzhou City sealed up 10% equity of Shenyang Kaiyi Electric Co Ltd, which was owned by the Company, details are shown in Note VI 26(3).

(3) Provision for impairment of long-term equity investment

Item	December 31, 2014	Increment	Decrement	December 31, 2015
Northeast Electric (HK) Co Ltd	66,285,900.53			66,285,900.53
Shenyang Kaiyi Electric Co Ltd	100,000.00			100,000.00
Total	**66,385,900.53**			**66,385,900.53**

XV. Major notes to company level financial statements *(Continued)*

4. Revenue and cost of sales

(1) Revenue and cost of sales

	Amount in this period		Amount in last period	
Item	**Income**	**Cost**	**Income**	**Cost**
Main business	9,016,765.76	8,193,422.21	22,368,163.22	20,008,408.55
Other business				
Total	**9,016,765.76**	**8,193,422.21**	**22,368,163.22**	**20,008,408.55**

(2) Main operations (by products)

	Year 2015		Year 2014	
Products	**Operating income**	**Operating cost**	**Operating income**	**Operating cost**
Power capacitor	9,016,765.76	8,193,422.21	22,368,163.22	20,008,408.55
Total	**9,016,765.76**	**8,193,422.21**	**22,368,163.22**	**20,008,408.55**

Note:

Power capacitors sold by the Company are purchased from its subsidiary - New Jinrong.

XV. Major notes to company level financial statements *(Continued)*

4. Revenue and cost of sales *(Continued)*

(3) Main operations (by districts)

	Year 2015		Year 2014	
District	**Operating income**	**Operating cost**	**Operating income**	**Operating cost**
Northeast	9,016,765.76	8,193,422.21	22,368,163.22	20,008,408.55
Total	**9,016,765.76**	**8,193,422.21**	**22,368,163.22**	**20,008,408.55**

(4) Operating income from top 5 customers:

Period	Amount	Percentage in total operating income for the period
Year 2015	9,016,765.76	100.00
Year 2014	22,368,163.22	100.00

5. Supplementary information to cash flows statement

Supplementary Information	Year 2015	Year 2014
(1)Reconciliation from net profit to cash flows from operating activities		
Net Profit	-1,620,225.22	-154,607.83
Add: Provisions for assets impairment		
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of production bio-assets	15,696.12	31,972.09
Amortization of intangible assets		
Amortization of long term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other non-current assets (gain is shown as "-")		141,048.87
Loss on write-off of fixed assets (gain is shown as "-")	48,723.75	
Loss on changes in fair value (gain is shown as "-")		
Finance costs (gain is shown as "-")		
Loss on investments (gain is shown as "-")		
Decrease in deferred tax assets (increase is shown as "-")		

XV. Major notes to company level financial statements *(Continued)*

5. Supplementary information to cash flows statement *(Continued)*

Supplementary Information	Year 2015	Year 2014
Increase in deferred tax liabilities (decrease is shown as "-")		
Decrease in inventories (increase is shown as "-")		
Decrease in operating receivables (increase is shown as "-")	8,059,447.34	-9,358,364.38
Increase in operating payables (decrease is shown as "-")	-6,515,715.69	9,354,141.96
Others		
Net cash flows generated from operational activities	-12,073.70	14,190.71
(2) Significant non-cash investment and financing activities		
Debts changed to capital		
Convertible bonds mature within 1 year		
Fixed assets acquired under finance lease		
(3) Changes in cash and cash equivalents:		
Cash at the end of period	2,658.47	21,532.17
Less: cash at the beginning of period	21,532.17	19,189.62
Add: cash equivalents at the end of period		
Less: cash equivalents at the beginning of period		
Net increase in cash and cash equivalents	-18,873.70	2,342.55

XVI. Supplementary information

1. Details of extraordinary profit& loss

Item	Year 2015	Year 2014
Profit & loss on disposal of non-current asset	15,994.18	139,391.69
Tax return/exemption with ultra vires approval/or no official approval		
Government grant taken into profit & loss of the period(except for those closely related to business of the company and those granted by the government in fixed amount or quantity according national standards)	106,670.00	
Fund appropriation fees charged on non-financial enterprise taken into profit& loss of the period		
Revenue generated when cost of investment is less than fair value of identifiable net assets acquired when acquiring subsidiary, associates, or joint venture		
Profit & loss of non-monetary asset swap		
Profit & loss entrusting third party to invest or manage asset		
Force majeure, for example, provision for impairment on assets due to natural disaster		
Profit & loss on debt restructuring		
Expenses on reorganization of enterprise		
Profit & loss over difference between fair value and inappropriate transaction price		
Net Profit & Loss arising from business combination under common control in relation to the period from the beginning of the year to the date of combination		
Profit & loss by contingent events non-related to normal business of the company		
Except for effective hedging related to the operation of the company, profit & loss arising from fair value change on financial assets or liabilities held for trading, disposal of financial assets or liabilities held for trading or available-for-sale securities	867,706.84	574,069.12
Reverse of account receivable provision under separate impairment test	6,310,527.55	1,226,648.28
Profit & loss on entrusted loans		

XVI. Supplementary information *(Continued)*

1. Details of extraordinary profit& loss *(Continued)*

Item	Year 2015	Year 2014
Profit & loss on subsequent measurement at fair value for investment properties		
Impact on profit & loss by non-recurring adjustment according to Law of tax, of accounting, and legal regulations		
Trustee fee by entrusted operations		
Other Incomes and Expenses except for the above-mentioned	21,347.38	-106,416.11
Other items complied with definitions of extraordinary profit & loss		
Sub total	7,322,245.95	1,833,692.98
Amount of impact on Income Tax	-1,612,986.42	-54,946.57
Impact on Minority Interests (after tax)		
Total	**5,709,259.53**	**1,778,746.41**

Remark:

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" (CSRC Announcement [2008] No.43)

2. Return on net assets and earnings per share

		Earnings per share (RMB/share)	
Profit for the period	**Weighted average return on net assets**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to ordinary shareholders	1.675%	0.01	0.01
Net profit attributable to ordinary shareholders after deduction of extraordinary profit and loss.	-0.263%	-0.001	-0.001

Remark:

Calculations of basic earnings per share and diluted earnings per share are detailed in Notes VI.42.

XVI. Supplementary information *(Continued)*

3. Explanation of fluctuation and reasons in the consolidated financial statements

(1) Balance Sheet Items

Items	Variation between beginning and end of period	Variation percentage between beginning and end of period(%)	Notes
Prepayments	-8,350,624.66	-95.59	Due to equipment bought by Fuxin transferred to construction in progress
Construction in progress	5,768,512.51	1907.48	Same as above
Long-term deferred expenses	275,445.27	128.00	Due to increase of improvement expenses on rented fixed assets
Notes Receivable	20,508,400.00		Due to increase of Bank Acceptance Notes
Accounts payable	-27,064,242.37	-42.02	Mainly composed by payment of goods by subsidiary in Beijing and New Jinrong.

(2) Income Statement and Cash Flow Statement Items

Items	Variation between beginning and end of period	Variation percentage between beginning and end of period	Notes
Cash from return on investment	292,308.69	51.57	Due to increase of wealth investment products by banks
Non-operating income	-264,720.92	-52.69	Resulting from decrease of profit from disposal of fixed assets in the period
Non-operating expenses	-375,756.90	-80.04	Due to decrease of loss from disposal of fixed assets
Other Comprehensive Income	5,539,558.95	1699.75	Due to rise of HK dollar exchange rate which caused increase in conversion difference
Cash received relating to other operating activities	-2,890,927.62	-90.11	Caused mainly by decrease in performance guarantee deposits matured
Payment of taxes	-6,350,239.01	-54.95	Decreasse in income tax, value-added tax result in change of this item
Cash payments relating to other operating activities	16,611,533.16	42.64	Increase of deposits for Bank Acceptance Notes in this period compose main changes in this item
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	-8,013,081.94	-288.51	The decrease of purchase/construction of fixed assets expense

Northeast Electric Development Co., Ltd.

Feburary 19, 2016

Legal Representative:	Su Weiguo	Chief Financial Officer:	Wang Shouguan	Chief Accounting Officer:	Bai Lihai
Date:	February 19, 2016	Date:	February 19, 2016	Date:	February 19, 2016

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

(I) Accounting Statements bearing signatures and seals of the Chairman, Chief Accountant and Head of Financial Department of the Company;

(II) Originals of auditor's reports bearing seals of the Accountants and signatures and seals of the Certified Public Accountants;

(III) Originals of all the Company's documents and originals of announcements, which have been disclosed on the newspapers designated by China Securities Regulatory Commission(CSRC) during the reporting period;

(IV) Original of the annual report of the Company.

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