NEE

INTERIM REPORT 2016

输送光明和动力的桥梁

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

CONTENTS

Chapter 1 IMPORTANT NOTICE

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

Mr. Su Jianghua, Chairman of the Company, Mr. Feng Xiaoyu, Chief financial officer, and Mr. Qian Kouming, Chief accounting officer, hereby state to guarantee the truthfulness and completeness of the financial report of the Interim Report.

This report is considered and approved by the fifth meeting of the eighth Board of Directors held on 18 August 2016.

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

The financial report for the six months ended 30 June 2016 of the Company and its subsidiaries (the “Group”) prepared according to China's Accounting Standards for Business Enterprises has not been audited.

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

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

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

The Report is made pursuant to the Rule 13.48 and the Appendix 16 in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd.

Chapter 2 CORPORATE PROFILE

2.1 Basic information

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

2.2 Contact person and address

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

3.1 Principal accounting data and financial indicators

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

☐ Yes √ No

	The reporting period	The same period last year	Increase/decrease in the reporting period compared with the same period of last year
Operating incomes (RMB)	34,502,030.11	65,447,827.32	-47.28%
Net profits attributable to shareholders of listed company (RMB)	-13,159,973.93	-1,561,312.67	-742.88%
Net profits attributable to shareholders of listed company after extraordinary items (RMB)	-13,366,253.69	-1,607,153.15	-731.67%
Net cash flows arising from operating activities (RMB)	-31,671,290.07	-28,972,483.81	-9.32%
Basic earnings per share (RMB/Share)	-0.0151	-0.0018	-738.89%
Diluted earnings per share (RMB/Share)	-0.0151	-0.0018	-738.89%
Weighted average return on net assets	-4.60%	-0.55%	decrease 4.05 percentage
Total assets (RMB)	454,728,451.37	483,445,718.25	-5.94%
Net assets attributable to shareholders of listed company (RMB)	285,845,351.12	296,987,112.46	-3.75%

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

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

3.2 Extraordinary profit and loss items and amounts

Unit: RMB

Item	Amount	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for asset impairment being written off)	-121,921.28	Revenues in disposal of fixed assets
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	328,972.60	Principal-guaranteed wealth management by banks
Other profit and loss items falling within the definition of extraordinary profit and loss	-771.56	Overdue payment
Total	206,279.76	--

3.3 Table of shareholdings of the top ten shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period: 86,538

Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholder	Shareholding percentage	Number of shares held	Number of untradable shares	Shares pledged or frozen	
					Status of shares	Qty
HKSCC Nominees Limited	Foreign legal person	29.43%	256,997,999	0		
Suzhou Tsing Chuang	Domestic non-state-owned legal person	9.33%	81,494,850			
Xu Kaidong	Domestic natural person	0.92%	8,000,000			
Shi Yubo	Domestic natural person	0.46%	4,050,400			
Donghai Funds-ICBC-Donghai Funds-ICBC-Xinlong No.78 Assets Management Plan	State-owned legal person	0.42%	3,669,000			
Shenzhen Zhongda Software Development Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000		
Li Jinlong	Domestic natural person	0.29%	2,507,284			
Hu Li	Domestic natural person	0.25%	2,166,760		Pledged	1,539,599
Wei Zifeng	Domestic natural person	0.24%	2,100,000			
Central Huijin Asset Management Ltd.	State-owned legal person	0.24%	2,078,800			

Notes:

1) *So far as the Company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as provided in "Methods of Information Disclosure of Shareholding Changes of Listed Companies".*
   Based on the information that is publicly available to the Company as at the latest practicable date prior to the publishing of this report and within the knowledge of the Directors, there was sufficient public float of the Company's shares.
2) *Save as disclosed above, Directors were not aware of any person (not being a Director, or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company or short positions in the shares pursuant to Section 336 of the SFO.*
3) *Purchase, sale or redemption of the Company's listed securities*
   During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
4) *Pre-emptive rights*
   There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
5) *Convertibles, options, warrants or other similar rights*
   As of 30 June 2016, the Company did not issue any convertible securities, options, warrants or any other similar right.

3.4 Changes in controlling shareholders and De Facto controller:

On 21 December 2015, New Northeast Electric Investment Co., Ltd ("New Northeast Electric Investment"), the first majority shareholder, entered into the Agreement on Share Transfer of Northeast Electric Development Co., Ltd (the "Agreement on Share Transfer") with Suzhou Tsing Chuang Trading Group Co., Ltd. (Suzhou Tsing Chuang), pursuant to which New Northeast Electric Investment transferred 81,494,850 shares of outstanding A shares not subject to trading moratorium (representing 9.331% of the company's share capital) to Suzhou Tsing Chuang.

The register and transfer procedures were finished on 22 January 2016 with Shenzhen Branch of CSDC. The first majority shareholder of the company has been changed to Suzhou Tsing Chuang, and the De Facto controller has been changed to Liu Jun. And Liu Jun, Wang Zheng and Wu Yisha constitute the persons acting in concert.

Chapter 4 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Shareholdings of directors, supervisors and senior management

There was no change in the number of shares held by the Company's current and resigned directors, supervisors, and senior management during the reporting period. Please refer to Annual Report 2015 for details.

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

On 25 January 2016, the Company has issued the notice of holding the second extraordinary shareholders meeting of 2016, which was held on 10 March 2016, selecting Su Jianghua, Su Weiguo, Wang Zheng, Liu Jun, Li Min and Feng Xiaoyu as directors, Zhang Luyang, Jin Wenhong, Qian Fengsheng as independent directors, who constituted the board of directors of the eighth session together.

Selected Li Dong, Wu Junyun as the supervisors of shareholder representatives, and they constituted the boards of supervisors of the eighth session with Qiu yongjian, the supervisor of employee representative, for a term of three years.

Meanwhile, directors Wang Shouguan, Liu Qingming, Jiao Liyuan, and the independent directors Wang Yunxiao, Liangjie, Liu Hongguang, along with supervisors Liu Xuehou, Zhu Xinguang have resigned due to the expiry of the term. The change of the personnel took effect from 11 March 2016.

4.3 Interest of directors, supervisors and senior management

As at 30 June 2016, at no time during the period under review had the Company been notified that any director, supervisor or member of senior management (including their spouses and children more than 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company and or associated corporations (within the meaning of the SFO), nor did they have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

Chapter 5 MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, as the pressure of economic downturn increased, and the issue of relatively excess capacity in the industry within which the Company operates became more prominent, the competition within the sector intensified, leading to increasing operating pressure for the Company. Facing the current operating environment, the Company made prudent study and judgments on the market condition to proactively respond to the impact of adverse factors, and laid a solid foundation for the continuous and smooth development of the Company by actively, consciously and continuously adhering to regulated operations.

5.1 Analysis of principal operations

5.1.1 Summary

During the reporting period, the Company recorded operating incomes of RMB34.50 million, with a decrease of RMB30.94 million from the same period last year; it recorded net profits of RMB-13.17 million, with a year-on-year decrease of RMB11.61 million.

5.1.2 During the reporting period, the management of principal operations is as follows:

(I) The Company recorded operating incomes of RMB34.50 million, with a decrease of RMB30.94 million from the same period last year.

Factors affecting the operating incomes include changes in sales volume and changes in the product sales mix, etc. In 2016, the overall demand for power equipment remained relatively low. Consequently, competition intensified in the power transmission and distribution industry in which the Company operated. Compared with figures of the same period in 2015, changes in the sales volume resulted in a reduction of RMB25.79 million in operating incomes. The amount of operating income reduction due to other factors such as changes in product sales mix was RMB5.15 million.

(II) The Company recorded net profits of RMB-13.17 million, with a year-on-year decrease of RMB11.61 million.

The main indicators affecting net margins include the changes in operating incomes, products' comprehensive profit margins, fees arising from three accounting items, investment revenues, non-operation incomes & expenditures, and tax incomes. Among others, affected by product sales volume and structured factors, the operating incomes in the first half of this year decreased by RMB30.94 million, resulting in net profits shrink of RMB8.47 million. The comprehensive profit margins declined by 7.94% from the prior year, with a subsequent drop of RMB2.76 million in net profits. Due to the assets restructuring during the reporting period, the management fees increased, with a year-to-year reduction of RMB2.72 million in net profits.

(III) The work of the substantial assets restructuring:

Commencement of substantial assets restructuring: On 28 November 2015, the Listed Company published the announcement on suspension of trading for the plan of substantial assets restructuring, confirming that the largest major shareholder of the Company would transfer the shares under agreement. Suzhou Tsing Chuang Trading Group Co., Ltd. ("Suzhou Tsing Chuang") and its parties acting in concert intended to dispose all or part of its stake in the Listed Company's existing electrical transmission and transformation business and purchase new business from the Listed Company in an asset swap. On 28 April 2016, the "Proposal of the Significant Asset Disposal" was considered and passed at the 3rd meeting of the 8th Board of Directors of the Listed Company, pursuant to which 100% stake of the wholly-owned subsidiary New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd was proposed to be disposed of.

Termination of acquisition and restructuring: On 9 May 2016, the Listed Company received the decision letter from The Stock Exchange of Hong Kong Limited ("The Stock Exchange"), which held that this transaction constitutes very substantial asset disposal under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange, and should be approved beforehand by the SEHK; while the Listed Company will be unable to maintain the sufficient business operation or assets required for the listing status at the SEHK after this very substantial asset sale. Therefore, the SEHK would not approve this Substantial Assets Disposal. According to the decision letter received from the SEHK and based on the consensus reached by the transaction parties through negotiation, the Listed Company decided to terminate this very substantial asset disposal.

(IV) Marketing: The Company has transformed values, changed sales strategy, integrated the existing sales management system, and discovered new market resource with the customers' needs in mind, in order to bring the Company out of the current situation of difficult operation as soon as possible.

(V) Research and Development: During the reporting period, the Company conducted the research on high-electric-field HV power capacitors. So far, compression tests on the components, product verification of units, and schematic design have been completed, and sample product trial manufacture has been conducted. The research on this product will improve the ratio characteristic of the power capacitor, increase its electric field, and reduce the size, thereby lowering the costs of the product. Meanwhile, the company actively organized design preparation for the reactive power compensation device used in wind farms to respond to the currently dynamic wind power market and expand product portfolio, and carried out research work on series compensation device to solve the voltage quality issue occurred on the load end caused by long-distance power transmission, especially the voltage fluctuation issue caused by the start-stop of heavy loads.

During the reporting period, the company has conducted research and development on triphase shunt-controlled micro-positive pressure device with smart touch screen for busbar products. The sample product trial manufacture for the device is expected to be completed in 2017. The device is designed to enable smart control for micro-positive pressure devices which are ancillary devices for busbar products, so as to enhance the competitiveness of the products.

(VI) Internal control management: During the reporting period, the Company closely observed the requirements of laws and regulations to strengthen internal control, improve risk mitigation and control, and enhance corporate governance capability, so as to ensure the achievement of the Company's business objectives.

(VII) Project construction: During the reporting period, the Company has approved the new plant construction project of the wholly owned subsidiary Fuxin Enclosed Busbar Co., Ltd. based on offsite relocation and investment. So far, the project has been officially kicked off. The works are being carried out in an orderly manner. The provincial Office of Land and Resources has approved the use of land. The geological survey, construction design, environmental assessment report, and equipment bidding have been completed. The Company will accelerate the construction of this project to ensure that it can be put into operation as soon as possible and generate profits.

5.2 Operation of the Company during the reporting period

1. Principal operations by industry, product and region

Unit: RMB

	Operating incomes	Operating costs	Gross margin	Increase/ decrease in operating incomes compared with the same period last year	Increase/ decrease in operating costs compared with the same period last yea	Increase/ decrease in gross margin compared with the same period last year
By industry						
Electrical transmission and transformation	34,502,030.11	27,800,764.17	19.42%	-47.24%	-41.47%	-7.94%
By product						
Enclosed busbar	15,607,743.75	12,081,389.11	22.59%	-10.98%	-4.49%	-5.27%
Power capacitor	18,894,286.36	15,719,375.06	16.80%	-56.05%	-53.59%	-4.42%
High-voltage switches				-100.00%	-100.00%	-24.22%
By region						
Northeast	21,051,700.54	17,006,856.35	19.21%	-43.60%	-36.77%	-8.73%
North China	5,896,556.47	4,714,050.60	20.05%	273.52%	296.33%	-4.60%
Central China	238,131.21	201,516.87	15.38%	-97.18%	-96.75%	-11.19%
East China	6,405,155.88	5,057,038.42	21.05%	-46.29%	-38.53%	-9.97%
South China	593,180.85	520,257.89	12.29%	-79.23%	-78.52%	-2.91%
Southwest	262,871.79	253,174.94	3.69%	3,243.04%	4,284.89%	-22.88%
Northwest	54,433.37	54,434.37	0.00%	-98.32%	-97.86%	-21.37%

2. The top five customers

No.	Name	Sales (RMB)	Percentage over the reporting period total amount of sales
1	Customer 1	9,493,174.36	27.51%
2	Customer 2	4,401,709.41	12.76%
3	Customer 3	3,316,250.85	9.61%
4	Customer 4	3,006,837.6	8.71%
5	Customer 5	2,993,589.74	8.68%
Total	--	23,211,561.96	67.28%

3. The top five suppliers

No.	Name	Purchase (RMB)	Percentage over the reporting period total amount of purchase
1	Supplier 1	4,009,549.38	19.52%
2	Supplier 2	1,530,254.63	7.45%
3	Supplier 3	1,397,912.81	6.81%
4	Supplier 4	1,102,406.2	5.37%
5	Supplier 5	699,306.21	3.40%
Total	--	8,739,429.23	42.55%

5.3 Analysis of core competitiveness

After years of improvement in product quality, brand culture, research and development capability, process technology, management services, marketing and many other aspects, the Company has certain advantages and is competent in the industry. The advantages and competence are as follows: close association between industry development of the Company and macroeconomic policies of the state, and large market capacity; diversified and full-range main products and strong supporting capacity; wide application scope and market coverage of the products; advanced production equipment and strong manufacturing capabilities; strong technological strength and leading professional processing level; sound internal control system and standardized corporate administration; good financing platform and well-imaged in the capital market.

There were no material changes in the core competitiveness of the Company during the reporting period.

5.4 Analysis of investment

5.4.1 Operations and results of major controlling company and investee company

Unit: RMB

Name	Type of company	Industry	Major products or services	Registered capital	Total assets (RMB)	Net assets (RMB)	Operating incomes (RMB)	Operating profits (RMB)	Net profit (RMB)
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	manufacturing	Power capacitor	15,450,000 USD	198,097,083.55	155,721,712.87	18,894,286.36	-7,527,003.69	-7,526,481.50
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	manufacturing	Enclosed busbars	8,500,000 USD	101,931,857.42	63,924,392.50	15,607,743.75	-1,259,060.58	-1,260,354.33

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

5.4.3 The investment of non-raised capital, progress and benefits of the main invested projects: None.

5.5 Financial position and operating results during the reporting period

Unit: RMB

	The reporting period	The same period last year	Increase/ decrease in the reporting period compared with the same period last year	Reasons for changes
Operating incomes	34,502,030.11	65,447,827.32	-47.28%	Sluggish market, fierce price competition
Costs of sales	27,800,764.17	47,535,145.07	-41.52%	Decrease in incomes
Sales expenses	5,136,946.00	7,337,162.78	-29.99%	Decrease in incomes
Administrative expenses	14,728,271.23	12,005,319.07	22.68%	——
Finance expenses	-25,497.39	193,002.91	-113.21%	Increase in interests income from time deposit
Income tax expenses		307,358.08	-100.00%	Losses in aggregate in the 1st and 2nd quarters of the year
Net cash flow from activities	-31,671,290.07	-28,972,483.81	-9.32%	——
Net cash flow from investing activities	-7,817,965.48	-27,061,230.46	71.11%	Decrease in the investment of principal-guaranteed wealth management by banks
Net cash flow from financing activities	-273,399.02	-336,983.73	18.87%	——
Net increase in cash and cash equivalents	-39,754,780.39	-56,370,698.00	29.48%	——
Monetary assets	69,742,582.80	123,417,163.19	-43.49%	Decrease in sales proceeds collection (cash)
Notes receivable	1,130,000.00	2,109,500.00	-46.43%	Decrease in sales proceeds collection (acceptance)
Other receivables	10,459,083.02	7,059,843.56	48.15%	Re- categorization adjustment to taxes payable, personal loan
Other current assets	428,135.31	1,042,604.52	-58.94%	Amortized rental
Notes payable	6,588,600.00	20,508,400.00	-67.87%	Decrease in purchase funds
Tax payable	804,749.33	1,984,295.27	-59.44%	Decrease in enterprise income tax, VAT.
Investment income (loss is posed as "-")	328,972.60	561,912.93	-41.45%	Decrease in purchase of principal-guaranteed wealth management products by banks
Cash received from sales of goods or rendering of services	24,790,439.47	62,812,509.37	-60.53%	Decrease in sales volume, difficulty in funds recovery
Cash paid to goods purchased and labor service received	29,174,874.27	58,247,727.50	-49.91%	Decrease in purchase volume

5.6 Prospect of the Company's future development

Being confronted with pressure of the constantly changing global economy and the "L-shaped" development trajectory of the Chinese economy, the management of the Company focuses on the annual business objectives and work tasks, rises to the challenges and achieves the best outcome. Work should be implemented from the following aspects:

1. Build on the enhanced management capability and optimized processes to further strengthen internal control, establish a sound management system, and continuously solidify fundamental management, shift control upward and management downward, thereby improving the risk prevention and control system to minimize the operation risks of the Company.

2. Facing the complex external environment caused by the sluggish macro economy and the operating pressure and risks prevailing in the industry, the management of the Company responds proactively by transforming values, changing sales strategies, adjusting and optimizing customer base, integrating the traditional bidding market, and striving to develop industry clients and corporate clients. Further, the management improves monitoring on contract performance, product quality, and after-sale services to burnish the image of the Company.

3. Continue to deepen the comprehensive budget management, proactively optimize operating model, increase capacity, and reduce costs. Improve fundamental financial management, and actively implement the promotion and transition of the new "business tax to value -added tax" policy.

4. Focus on the business and technology trends and persist in the matching of research and development with the market, aiming at achieving significant breakthroughs in new technologies, new structures and new processes.

5. As the growth of the Chinese economy slows, the traditional industry arrives at a critical point of industry structure adjustment and transformation & upgrade. The Company will be well-poised to actively get access to the new industry and extend its reach, in an attempt to achieve an accelerated implementation of the transformation strategy, thereby promoting the development of the Company and maximizing shareholders' interests.

5.7 Analysis of the Company's financial position under Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited Appendix 16

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

By the end of the year, the balance of monetary fund was RMB69,740,000.

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

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

By the end of the year, the Company had bank loans amounting to RMB9,000,000, representing 1.98% of the total assets. These bank loans bear fixed interest rates.

The debt equity ratio of the Company was 3.14% (debt equity ratio= total bank loan/total share capital and reserve * 100%).

By the end of the year, the Company had fixed asset and land with net book value of RMB8,060,000 as security.

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

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

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

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

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

Please refer to Notes to the Financial Statements for contingencies.

Chapter 6 SIGNIFICANT EVENTS

6.1 Personnel changes

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

6.2 Staff of the Company and remuneration policy

As at 30 June 2016, the number of employees on the payroll of the company was 554, compared with 579 by the end of 2015. The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. The Company has different rates of remuneration for different employees, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

6.3 Corporate governance structure

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

6.4 Profit distribution plan and its implementation

The Board of Directors proposed that the profit as of 30 June 2016 is distributed as follows:

During the reporting period, the Company recorded the net profit attributable to the parent company of RMB-13,159,973.9, and the accrued profit attributable to shareholders at the end of this period was RMB-1,550,750,880.22.

As there was no dividend paid during the reporting period, the directors resolve not to pay the interim dividend for the period of six months ended 30 June 2016, and not to transfer any capital reserve into share capital.

6.5 Material litigation and arbitration

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

6.6 Acquisition and disposal of assets of the Company in the reporting period

6.6.1 Framework Agreement on Equity Acquisition and Its Suspension

Upon consideration and approval of the 3rd meeting of the 8th Board of Directors held on 28 April 2016, the Company entered into a Share Acquisition Framework Agreement with Conditions for Effectiveness (the "Framework Agreement") with Shanghai Xianke Investment Management Center (Limited Partnership), under which the Company intended to acquire 55% of shares of Godin Cyberspace Security Technology Co., Ltd. at the consideration of RMB22 million. The Framework Agreement provided that "the formal agreement on the equity purchase shall be entered into following the completion of the internal approval procedures of Party A such as approval of the Board of Director and General Meeting of Shareholders." (For details, see the Announcement published on 29 April 2016). As the Company and Shanghai Xianke Investment Management Center (Limited Partnership) failed to reach an agreement on the business specifics of the equity acquisition after negotiation and therefore could not enter into the formal acquisition agreement, the Company decided to suspend the acquisition upon agreement of both parties and the approval of the 5th meeting of the 8th Board of Directors held on 18 August 2016.

6.6.2 Offsite relocation of north plant of affiliated company and government's relocation compensation transaction

On 12 January 2016, Fuxin Enclosed Busbar Co., Ltd. ("Fuxin Enclosed Company"), a wholly owned subsidiary of Northeast Electric Development Co., Ltd., entered into an Agreement on Attracting Business and Investment with Xihe District People's Government of Fuxin City (the "Government"), reaching a consensus on offsite relocation of north plant and government's relocation compensation matter. The main content was as follows: Fuxin Enclosed Company planned to replace the land of 15,174 square meters, house property of 4,500 square meters and affiliated real estate facilities at the north plant with the land of 40,000 square meters, house property of 17,831 square meters and affiliated real estate facilities located at the industrial base at Sihe Town, Xihe District of Fuxin City on the whole, and invest to construct a new plant project with the annual output of 20 million KW enclosed busbars. The transaction value was RMB50 million. (For details, see the Announcement published on 12 January 2016). Currently, the project is undergoing the public listing-for-sale procedure of land.

6.7 During the reporting period, the Company has no investment in securities

6.8 During the reporting period, the Company has not held any shares of other listed companies or any equities of such financial enterprises as commercial banks, securities companies, insurance companies, trust companies and futures companies. In addition, the Company has not shared in any proposed listed companies.

6.9 Connected transactions

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

6.10 Use of capital of connected parties

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

6.11 Significant contracts and their executions

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

6.11.2 Guarantees:

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

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

External guarantees of the Company

By the end of the reporting period, the actual bank occupation of external guarantee amount provided by the company was RMB53, 050,000, including RMB52, 900,000 for the Jinzhou Power Capacitors Co., Ltd; RMB150,000 for Shenyang Kingdom Hotel Co., Ltd.

There were no guarantees for the holding subsidiaries of the Company.

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

As at the end of the reporting period, the balance of guarantee of the Company for Jinzhou Power Capacitors Co., Ltd. with debt to assets ratio over 70% was RMB52,900,000, accounting for 17.81% of the audited net assets of the Company for 2015 (excluding minorities interests), which was translated into liabilities in total in 2007.

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

6.12 Implementation of commitments of the Company, shareholders and De Facto controller

The first majority shareholder of the Company Suzhou Tsing Chuang made a special undertaking that the listing price of shares of Northeast Electric it held on Shenzhen Stock Exchange shall be no less than RMB5 per share. During the reporting period, Suzhou Tsing Chuang has strictly fulfilled the above commitments.

6.13 Employment and dismissal of certified public accountants

During the reporting period, there was no employment or dismissal of CPAs, and the audit institution of the Company in 2015 is Ruihua CPAs (special general partnership).

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

Independent directors Zhang Luyang, Jin Wenhong, and Qian Fengsheng believed that:

During the reporting period, the Company cautiously treated and handled the external guarantee matters and made complete information disclosure in accordance with relevant provisions of supervision departments, thus making full disclosure and effective control of external guarantee. It hasn't made any guarantee for its shareholders, De Facto controller as well as the parties connected. From now on, the Company will continue to strictly execute the provisions of the Articles of Association to enhance management on external guarantee and to properly solve the guarantees provided.

6.15 The Supervisory Committee's audit opinion

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

6.16 Purchase, sale and redemption of shares

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

6.17 Corporate governance

(I) Code on Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code on Corporate Governance Practices for the period of six months ended 30 June 2016, and disclosed result report in accordance with these provisions. The Code on Corporation Governance Practices includes the clauses set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(II) Audit Committee

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

The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the unaudited semi-annual accounts for the period of six months ended 30 June 2016.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the unaudited semi-annual records for the period of six months ended 30 June 2016.

At the meeting held on 18 August 2016, the Audit Committee reviewed and approved the 2016 semi-annual financial records and results report.

(III) Independent non-executive directors

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

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

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

The Board of Directors has formulated a written guideline for transactions of securities of listed companies by "directors and related employees". The Board of Directors has given written notices in advance to insiders (including the Company's directors, supervisors, senior management and controlling shareholders, actual controllers as well as connected parties, as defined in the Listing Rules) stating that purchase and sales of shares of the Company shall comply with relevant regulations and forbidding the insider purchase or sales of shares with inside information: no transactions of the company securities shall be carried out during the price-sensitive time within two months prior to results report (the lock-up period is from 18 June to 18 August 2016).

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

(V) Directors' liability insurance

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

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

(VI) Shareholders' rights

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

6.18 Income tax

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

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

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

None

6.21 Subsequent events

1. Suspension of acquiring 55% of shares of Godin Cyberspace Security Technology Co., Ltd.

   Upon consideration and approval of the 3rd meeting of the 8th Board of Directors held on 28 April 2016, the Company entered into a Share Acquisition Framework Agreement with Conditions for Effectiveness (the "Framework Agreement") with Shanghai Xianke Investment Management Center (Limited Partnership), under which the Company intended to acquire 55% of shares of Godin Cyberspace Security Technology Co., Ltd. at the consideration of RMB22 million. The Framework Agreement provided that "the formal agreement on the equity purchase shall be entered into following the completion of the internal approval procedures of Party A such as approval of the Board of Director and General Meeting of Shareholders." (For details, see the Announcement published on 29 April 2016). As the Company and Shanghai Xianke Investment Management Center (Limited Partnership) failed to reach an agreement on the business specifics of the equity acquisition after negotiation and therefore could not enter into the formal acquisition agreement, the Company decided to suspend the acquisition upon agreement of both parties and the approval of the 5th meeting of the 8th Board of Directors held on 18 August 2016.

2. Changes in shareholding of the biggest shareholder leading to changes of relationship of persons acting in concert

   On 1 August 2016, the Notice from Suzhou Tsing Chuang Trading Group Co., Ltd. (hereinafter referred to as

   "Suzhou Tsing Chuang"), the biggest shareholder, declared that changes in shareholding of Suzhou Tsing Chuang led to changes of relationship of persons acting in concert. On 1 August 2016, Su Jianghua, and Liujun signed an agreement to act in concert and constituted a relationship of persons acting in concert. Meanwhile, Liujun and Wangzheng and Wu Yisha signed a Termination Agreement on Acting in Concert, and the three parties agreed to terminate the relationship of persons acting in concert. The changes in shareholding does not affect the shareholding structure of Suzhou Tsing Chuang, and the De Facto controller is still Liujun. (See the Announcement published on 4 August 2016).

Chapter 7 FINANCIAL REPORTS (PREPARED UNDER THE PRC GAAP)

I. Financial Statements

1. CONSOLIDATED BALANCE SHEET (30 June 2016)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and deposits	69,742,582.80	123,417,163.19
Settlement funds		
Loans to banks and other financial institutions		
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable	1,130,000.00	2,109,500.00
Accounts receivable	149,631,746.23	134,014,154.00
Prepayment	69,883.31	385,450.80
Premiums receivable		
Receivable from reinsurers		
Reinsurance contract reserves receivable		
Interest receivable		
Dividend		
Other receivable	10,459,083.02	7,059,843.56
Purchase and sell-back of financial assets		
Inventory	29,572,203.43	28,181,314.33
Assets held for sale		
Non-current asset due within 1 year	4,240.00	16,960.00
Other current asset	428,135.31	1,042,604.52
Total current assets	**261,037,874.10**	**296,226,990.40**

1. CONSOLIDATED BALANCE SHEET (30 June 2016) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current assets:		
Loans and advances		
Financial assets available for sale	78,667,421.12	69,446,681.85
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	41,847,542.24	41,020,089.96
Investment in real estate		
Fixed assets	55,230,182.83	58,783,415.15
Construction in progress	6,070,928.52	6,070,928.55
Material - construction		
Liquidation of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	3,996,954.17	4,064,699.21
Development expenditures		
Goodwill		
Long-term deferred expenses	535,280.53	490,645.27
Deferred income tax assets	7,342,267.86	7,342,267.86
Other non-current assets		
Total non-current assets	**193,690,577.27**	**187,218,727.85**
Total assets	**454,728,451.37**	**483,445,718.25**
Current liabilities:		
Short-term borrowings	9,000,000.00	9,000,000.00
Borrowings from the Central Bank		
Receipt of deposits and deposits from other banks		
Borrowings from banks and other financial institutions		

1. CONSOLIDATED BALANCE SHEET (30 June 2016) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable	6,588,600.00	20,508,400.00
Accounts payable	36,823,780.82	37,336,706.17
Receipts in advance	7,557,996.54	7,738,572.04
Financial assets sold for repurchase		
Fee and commission payable		
Employee compensation	2,683,169.02	2,628,964.40
Taxes payable	804,749.33	1,984,295.27
Interest payable		
Dividends	40,017.86	40,017.86
Other payables	43,819,854.97	45,647,350.73
Reinsured accounts payable		
Reserves for insurance contract		
Securities brokerage services		
Securities underwriting services		
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other liabilities		
Total current liabilities	**107,318,168.54**	**124,884,306.47**
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Premium		
Perpetual		
Long-term payables		

1. CONSOLIDATED BALANCE SHEET (30 June 2016) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Long-term payable – salaries & benefits		
Special payables	500,000.00	500,000.00
Estimated liabilities	60,721,078.25	60,721,078.25
Deferred revenue		
Deferred liabilities - income tax		
Other non-current liabilities		
Total non-current liabilities	**61,221,078.25**	**61,221,078.25**
Total liabilities	**168,539,246.79**	**186,105,384.72**
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Incl.: Premium		
Perpetual		
Capital reserve	883,422,403.92	883,422,403.92
Less: Treasury stock		
Other comprehensive income	-28,783,296.99	-30,801,509.57
Special reserve		
Surplus reserve	108,587,124.40	108,587,124.40
Provision for general risk		
Retained profits	-1,550,750,880.21	-1,537,590,906.29
Total equity attributable to the equity holders of the Company	**285,845,351.12**	**296,987,112.46**
Minority interests	343,853.46	353,221.07
Total shareholders' equity	**286,189,204.58**	**297,340,333.53**
Total liabilities and shareholders' equity	**454,728,451.37**	**483,445,718.25**

Legal representative: Su Jianghua Chief financial officer: Feng Xiaoyu Chief accounting officer: Qian Kouming

2. COMPANY BALANCE SHEET

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and deposits	4,521.68	2,658.47
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	1,244,511.79	1,244,511.79
Prepayment		
Interest receivable		
Dividend		
Other receivable	338,848,313.35	342,198,702.69
Inventory		
Assets held for sale		
Non-current asset due within 1 year		
Other current asset		
Total current assets	**340,097,346.82**	**343,445,872.95**
Non-current assets:		
Financial assets available for sale		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	90,413,551.10	90,413,551.10
Investment in real estate		
Fixed assets	49,834.42	23,528.65
Construction in progress		
Material - construction		
Liquidation of fixed assets		
Productive biological assets		

2. COMPANY BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Oil and gas assets		
Intangible assets		
Development expenditures		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		
Total non-current assets	**90,463,385.52**	**90,437,079.75**
Total assets	**430,560,732.34**	**433,882,952.70**
Current liabilities:		
Short-term borrowings		
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Prepayment	665,000.00	665,000.00
Employee compensation	8,576.52	8,576.52
Taxes payable	44,376.99	31,456.26
Interest payable		
Dividends		
Other payables	78,073,085.29	78,156,633.29
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other liabilities		
Total current liabilities	**78,791,038.80**	**78,861,666.07**

2. COMPANY BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Premium		
Perpetual		
Long-term payables		
Long-term payable – salaries & benefits		
Special payables		
Estimated liabilities	60,721,078.25	60,721,078.25
Deferred revenue		
Deferred liabilities - income tax		
Other non-current liabilities		
Total non-current liabilities	**60,721,078.25**	**60,721,078.25**
Total liabilities	**139,512,117.05**	**139,582,744.32**
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
Retained profits	-1,670,123,297.56	-1,666,871,704.47
Total shareholders' equity	**291,048,615.29**	**294,300,208.38**
Total liabilities and shareholders' equity	**430,560,732.34**	**433,882,952.70**

3. CONSOLIDATED INCOME STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	34,502,030.11	65,447,827.32
Incl.: Sales	34,502,030.11	65,447,827.32
Interest income		
Earned premiums		
Fee and commission income		
II. Total operating cost	47,877,651.41	67,311,999.30
Incl.: Cost of sales	27,800,764.17	47,535,145.07
Interest expense		
Fee and commission expenses		
Surrenders		
Net amount of compensation payout		
Net amount of reserves for reinsurance contract		
Expenditures dividend policy		
Reinsurance Expense		
Taxes & Surcharges	178,557.21	241,369.47
Expenses of Sales	5,136,946.00	7,337,162.78
Administrative expenses	14,728,271.23	12,005,319.07
Finance expenses	-25,497.39	193,002.91
Assets Impairment loss	58,610.19	
Plus: Income of fair value variance (loss is posed as "-")		
Return on investments (loss is posed as "-")	328,972.60	561,912.93
Incl.: return on investments to associates and related parties		
Exchange gains (loss is posed as "-")		

3. CONSOLIDATED INCOME STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
III. Operational Profit (Loss is posed as "-")	-13,046,648.70	-1,302,259.05
Plus: Non-operating income	522.19	81,040.49
Incl.: income of disposal of non-current assets		60,470.49
Less: Non-operating expenses	123,215.03	35,200.00
Incl.: loss of disposal of non-current assets	121,921.28	
IV. Total Profit (Total loss is posed as "-")	-13,169,341.54	-1,256,418.56
Less: Income tax expenses		307,358.08
V. Net Profit (Net loss is posed as "-")	-13,169,341.54	-1,563,776.64
Net profit attributable to equity holders of the Company	-13,159,973.93	-1,561,312.67
Minority interests	-9,367.61	-2,463.97
VI. Net other comprehensive income after tax	2,018,212.58	-37,440.24
Total comprehensive income attributable to the equity holders of the Company	2,018,212.58	-37,440.24
(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	2,018,212.58	-37,440.24
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		

3. CONSOLIDATED INCOME STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
5. Differences of exchange for foreign currency report	2,018,212.58	-37,440.24
6. Others		
Net after-tax comprehensive income attributable to minority interests		
VII. Total comprehensive income	-11,151,128.96	-1,601,216.88
Total comprehensive income attributable to the equity holders of the Company	-11,141,761.35	-1,598,752.91
Total comprehensive income attributable to the minority interests of the Company	-9,367.61	-2,463.97
VIII. Earnings per share		
(I) Basic earnings per share	-0.0151	-0.0018
(II) Diluted earnings per share	-0.0151	-0.0018

With business combinations under common control for the current period, the net profit of the acquiree before the combination is: RMB, and the net profit of the acquiree in the previous period is: RMB

Legal representative: Su Jianghua Chief financial officer: Feng Xiaoyu Chief accounting officer: Qian Kouming

4. COMPANY INCOME STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	0.00	4,012,765.76
Less: Cost of sales	0.00	3,574,345.29
Taxes & surcharges		4,909.80
Expenses of sales		
Administrative expenses	3,250,457.45	1,031,676.52
Finance expenses	1,135.64	870.53
Assets impairment loss		
Plus: Income of fair value variance (loss is posed as “-”)		
Return on investments (loss is posed as “-”)		
Incl.: return on investments to associates and related parties		
II. Operational Profit (Loss is posed as “-”)	-3,251,593.09	-599,036.38
Plus: Non-operating income		
Incl.: income of disposal of non-current assets		
Less: Non-operating expenses		
Incl.: loss of disposal of non-current assets		
III. Total Profit (Total loss is posed as “-”) -	-3,251,593.09	-599,036.38
Less: Income tax expenses		
IV. Net Profit (Net loss is posed as “-”)	-3,251,593.09	-599,036.38
V.Net other comprehensive income after tax		
(I) Other comprehensive income not to be re-categorized into profit & loss		
1. Remeasurement of net liabilities/assets variance ofdefined benefit plans		
2. Shares of other comprehensive income not to be re-categorized into profit & loss from invested parties by equity methods		

4. COMPANY INCOME STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
(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	-3,251,593.09	-599,036.38
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. CONSOLIDATED CASH FLOW STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	24,790,439.47	62,812,509.37
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash from original insurance contract premium		
Net cash from reinsurance business		
Net increase in insured deposit and investment		
Net increase of financial assets at fair value through current profit or loss		
Cash from interest, fees and commissions		
Net increase in borrowings		
Net increase in repurchasing business funds		
Tax refunds received		
Cash received from other operating activities	1,867,638.79	5,241,794.26
Sub-total of cash inflows from operating activities	**26,658,078.26**	**68,054,303.63**
Cash paid to goods purchased and labor service received	29,174,874.27	58,247,727.50
Net increase in customer loans and advances		
Net increase in deposits of central bank and other banks		
Cash paid for original insurance contract compensation payment		
Cash paid for interest, fees and commissions		
Cash paid for policy dividend		
Cash paid to and for employees	10,980,792.84	11,902,037.95
Payments of taxes and surcharges	5,429,278.00	4,174,725.96
Cash payments to other operating activities	12,744,423.22	22,702,296.03

5. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Sub-total of cash outflows for operating activities	**58,329,368.33**	**97,026,787.44**
Net Cash Flow from operating activities	**-31,671,290.07**	**-28,972,483.81**
II. Cash flow from investing activities:		
Cash from disinvestments	32,000,000.00	28,000,000.00
Cash received from return of investments	328,972.60	309,912.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	25,389.00	
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	**32,354,361.60**	**28,309,912.93**
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	172,327.08	2,371,143.39
Cash paid for investment	40,000,000.00	53,000,000.00
Net increase of mortgaged loans		
Net cash paid for subsidiaries and other operating units		
Cash paid relating to other investing activities		
Sub-total of cash outflows	**40,172,327.08**	**55,371,143.39**
Net cash flow from investing activities	**-7,817,965.48**	**-27,061,230.46**
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Incl.: cash received by subsidiaries from minority shareholders		
Cash received from borrowings	3,000,000.00	3,000,000.00
Cash received from bond issued		
Cash received relating to other financing activities		
Sub-total of cash inflows	**3,000,000.00**	**3,000,000.00**

5. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid for repayments of debts	3,000,000.00	3,000,000.00
Cash paid for distribution of dividends, profits and interest	273,399.02	336,983.73
Incl.: cash paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities		
Sub-total of cash outflows	**3,273,399.02**	**3,336,983.73**
Net cash flow from financing activities	**-273,399.02**	**-336,983.73**
IV. Effect of changes in foreign currency rates on cash and cash equivalents	**7,874.18**	
V. Net increase of cash and cash equivalents	**-39,754,780.39**	**-56,370,698.00**
Plus: Balance of cash and cash equivalents at beginning of period	101,603,025.69	124,218,516.86
VI. Balance of cash and cash equivalents at end of period	**61,848,245.30**	**67,847,818.86**

6. COMPANY CASH FLOW STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities		
Cash received from sales of goods or rendering of services		7,630,000.00
Tax refunds received		
Cash received from other operating activities	4,125,194.36	12,652,642.41
Sub-total of cash inflows from operating activities	**4,125,194.36**	**20,282,642.41**
Cash paid to goods purchased and labor service received		6,863,000.00
Cash paid to and for employees	207,108.32	82,552.12
Payments of taxes and surcharges	250,118.97	135,752.21
Cash payments to other operating activities	3,632,406.03	13,204,036.45
Sub-total of cash outflows for operating activities	**4,089,633.32**	**20,285,340.78**
Net cash flow from operating activities	**35,561.04**	**-2,698.37**
II. Cash flow from investing activities:		
Cash from disinvestments		
Cash received from return of investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received in disposing subsidiaries and other operating units		
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities		
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	33,697.83	
Cash paid for investment		
Net cash paid for subsidiaries and other operating units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	**33,697.83**	
Net cash flow from investing activities	**-33,697.83**	

6. COMPANY CASH FLOW STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
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 changes in foreign currency rates on cash and cash equivalents		
V. Net increase of cash and cash equivalents	**1,863.21**	**-2,698.37**
Plus: Balance of cash and cash equivalents at beginning of period	2,658.47	21,532.17
VI. Balance of cash and cash equivalents at end of period	**4,521.68**	**18,833.80**

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company											Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained profits		
		Premium	Perpetual	Others									
I. Balance from last year	873,370,000.00				883,422,403.92		-30,801,509.56		108,587,124.40		-1,537,590,906.29	353,221.07	297,340,333.54
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		-30,801,509.56		108,587,124.40		-1,537,590,906.29	353,221.07	297,340,333.54
III. Changes in the year (loss is "-")							2,018,212.58				-13,159,973.93	-9,367.61	-11,151,128.96
(I) Total comprehensive income							2,018,212.58				-13,159,973.93	-9,367.61	-11,151,128.96
(II) Increase/ Decrease of capital from shareholders													
1. Common shares													

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company											Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained profits		
		Premium	Perpetual	Others									
2. Other equity instrument													
3. Shares paid taken into shareholder's equity													
4. 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													

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company											Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained profits		
		Premium	Perpetual	Others									
3. Loss covered by surplus reserves													
4. Others													
(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		-28,783,296.98		108,587,124.40		-1,550,750,880.22	343,853.46	286,189,204.58

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company											Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained profits		
		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													

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company											Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained profits		
		Premium	Perpetual	Others									
2. Other equity instrument													
3. Shares paid taken into shareholder's equity													
4. 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													

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company											Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained profits		
		Premium	Perpetual	Others									
3. Loss covered by surplus reserves													
4. Others													
(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

8. COMPANY STATEMENT OF CHANGES IN EQUITY

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period										
	Capital share	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Premium	Perpetual	Others							
I. Balance from last year	873,370,000.00				979,214,788.45				108,587,124.40	-1,666,871,704.47	294,300,208.38
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	-1,666,871,704.47	294,300,208.38
III. Changes in the year (loss is "-")										-3,251,593.09	-3,251,593.09
(I) Total comprehensive income										-3,251,593.09	-3,251,593.09
(II) Increase/Decrease of capital from shareholders											
1. Common shares											
2. Other equity instrument											
3. Shares paid taken into shareholder's equity											
4. Others											
(III) Distribution of profit											
1. Extraction of surplus reserves											

8. COMPANY STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period										
	Capital share	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Premium	Perpetual	Others							
2. Distribution to shareholders											
3. Others											
(IV) Transfer within equity											
1. Transfer-in from capital reserves											
2. Transfer-in from surplus reserves											
3. Loss covered by surplus reserves											
4. Others											
(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	-1,670,123,297.56	291,048,615.29

8. COMPANY STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the previous period										
	Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Premium	Perpetual	Others							
I. Balance 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											
(III) Distribution of profit											
1. Extraction of surplus reserves											

8. COMPANY STATEMENT OF CHANGES IN EQUITY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the previous period										
	Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Premium	Perpetual	Others							
2. Distribution to shareholders											
3. Others											
(IV) Transfer within equity											
1. Transfer-in from capital reserves											
2. Transfer-in from surplus reserves											
3. Loss covered by surplus reserves											
4. Others											
(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

II. Description

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

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

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

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

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

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

7.4 Others

7.4.1 Business distribution

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

7.4.2 Taxation

The Main Taxation Category and Tax Rate of the Company

Category	Tax Base	Tax Rate
VAT	Taxable revenue after offsetting deductible input VAT	17%
Consumption tax	None	
Business tax	VAT and business tax payable	5%
Urban construction & maintenance tax	VAT and business tax payable	5%, 7%
Corporate income tax	Taxable income	25%
Extra charges of education funds	VAT and business tax payable	5%

The execution of income tax rate of subsidiaries

(1) The Company and its subsidiaries such as Jinzhou Jinrong Electric Co., Ltd., Fuxin

Enclosed Busbars Co., Ltd., New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd., and Northeast Electric (Beijing) Limited are subject to the corporate income tax rate of 25%.

(2) For Northeast Electric (Hong Kong) Limited, a wholly owned subsidiary of the Company registered in HKSAR of the P. R. China, the profits tax rate is 16.5%.

(3) Great Talent Technology Limited is a company wholly owned by the company's subsidiary– Northeast Electric (Hong Kong) Limited and was registered in the British Virgin Islands. No corporate income tax is imposed on it.

(4) Shenyang Kaiyi Electric Co., Ltd., is subject to the verification and collection of enterprise income tax.

7.4.3 Net profit

	The reporting period	The same period last year
Net profit attributable to shareholders of listed company (RMB)	-13,159,973.93	-1,561,312.66

7.4.4 Earnings per share

	The reporting period	The same period last year
Basic earnings per share (RMB/Share)	-0.0151	-0.0018
Diluted earnings per share (RMB/Share)	-0.0151	-0.0018

7.4.5 Dividends

No dividends was paid or proposed for the six months ended 30 June 2016 (or for the six months ended 30 June 2015: None), and no dividend was proposed from the end of the reporting period.

7.4.6 Share capital

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

7.4.7 Contingent liabilities

As at 30 June 2016, the Company did not have any material contingent liabilities.

III. Auditors' Report

This Interim Report has not been audited, but it has been reviewed and approved by the Board of Directors.

IV. 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: 912100002434373977T; Registered capital: RMB 873,370,000.00; Legal representative: Su Jiang Hua; Business address: No.1 Xin Tai Road, Xiong Yue Town, Bayuquan District, Yingkou, Liaoning Province.

2. Principal Industry

Electrical machinery and equipment manufacturing industry.

3. Business scope

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

4. Main products

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

5. Parent company of the company

The parent company of the company is Suzhou Tsing Chuang, which is also the ultimate holding company of the Group.

6. The financial statements are approved on 18 August 2016 in the 5th meeting of the 8th Board of Directors.

7. The results of 7 holding subsidiaries of the Company have been consolidated in the Financial Statements for Year 2016. There is no change in the Company's scope of consolidation compared with last year.

V. Basics of preparation of financial statements

1. Basics of preparation

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.76 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 (2014 amendments)" issued by China Securities Regulatory Commission.

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

2. Going concern

After years of improvement in product quality, brand culture, research and development capability, process technology, management services, marketing and many other aspects, the Company has certain advantages and is competent in the industry. The advantages and competence are as follows: close association between industry development of the Company and macroeconomic policies of the state, and large market capacity; diversified and full-range main products and strong supporting capacity; wide application scope and market coverage of the products; advanced production equipment and strong manufacturing capabilities; strong technological strength and leading professional processing level; sound internal control system and standardized corporate administration; good financing platforms and a well-imaged reputation in capital market.

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

VI. Significant accounting policies and accounting estimates

Reminder of specific accounting policies and accounting estimates

The financial statement prepared by the Company is compliant with the Accounting Starndards for Business Enterprises, which truly and completely present the financial position, operating results, cash flows and other related information of the Company.

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

The financial statements of the company for the year ended 30 June 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as at 30 June 2016 and of its operating results, cash flows and other information for the 2nd quarter of 2016. In addition, all material aspects of the financial statements of the company are complied with the requirements of "Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2014 amendments)" issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and its accompanying notes.

2. Accounting period

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

3. Operating Cycle

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

4. Recording currency

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

5. Accounting treatment for business Combinations

6. Preparation method of consolidated financial statements

(1) Scope of consolidation

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

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

(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 recognized as minority interests and profits and losses attributable to minority interests. Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders are presented separately in the consolidated income statement below the net profit line item. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When control to a subsidiary ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is remeasured at the date control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income in relation to the subsidiary are accounted on the same basis as the investee when control cease (i.e.Except for changes due to net liabilities or net assets from such investee's re-measured defined benefits plan, the rest are reclassified as investment income during the period). Subsequent measurement of the remaining interests shall be in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises 2 –Long-term Equity Investments" or "Accounting Standards for Business Enterprises 22 –Financial Instruments Recognition and Measurement".

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" and "disposal of a portion of an interest in a subsidiary which lead to loss of control" (detailed in previous paragraph). When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

7. Joint venture arrangement classification and relative accounting methods

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

Equity method is adopted to account for investment in the joint ventures by the Company. In Joint-operation, the Company recognizes asset and liability singly held, and shared assets and liabilities pro rata shares in the invested entity by the Company. Income pro rata the Company's share in the joint operation production are recognized, as well as income from sales of products pro rata the Company's share in the joint operation. Moreover, expenses by the Company as well as shared expenses pro rata the Company's share are recognized.

When the Company, as a party in the joint operation, transfers or sells assets to, or purchases 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 losses 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 sells assets to joint operation, and will recognize shared loss if it is the Company that purchases the assets from joint operation. (Note: The transaction mentioned in this paragraph does not constitute a business transaction)

8. Definitions of Cash and Cash equivalents

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

9. Foreign currency translation

(1) Foreign currency transactions

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

(2) Foreign currency translations for foreign-currency monetary items and foreign-currency nonmonetary items

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

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

(3) Translation of foreign currency financial statements

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

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. Opening balance of undistributed profits is equal to the closing balance of undistributed profits after translation in last year; closing balance of undistributed profit is computed according to the items in profit distribution after translation. The exchange difference arising from translation of assets, liabilities and equity items are recognized as other comprehensive income. Such exchange difference listed under Shareholders' Equity in Balance Sheet will be reclassified to profit or loss in current year when the foreign operation is disposed according to the proportion of disposal.

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

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

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 ceases 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 is taken into the current Profit & Loss when the share equity are disposed with the Company's associate or joint venture.

10. Financial Instruments

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

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

Fair value is the amount at which the asset could be sold or a 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 represents 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.

① Financial assets at fair value through profit or loss

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

Financial assets held for trading represent 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; 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 to which the financial asset belongs 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.

② 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 financial assets are subsequently measured using the effective interest method on the basis of amortized cost. The gain or loss on de-recognition, impairment or amortization are recognized in profit or loss.

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

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

③ Loans and receivables

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

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

④ Available-for-sale financial assets

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

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

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

(3) Impairment of financial assets

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

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

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

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

② Impairment losses on available-for-sale financial assets

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

If there are objective evidences showing 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.

If there are objective evidences showing 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 in active market, or derivatives that have to be settled by delivery underlying equity instruments shall not be reversed.

(4) Recognition and measurement on transfer of financial assets

Financial assets shall be de-recognized when one of the following conditions is met: ① The contractual right for receiving cash flows from the financial asset is terminated; ② The financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee. ③ The financial asset is transferred; the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset.

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

When the de-recognition criteria are 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 are 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 accounted for according to the above paragraphs.

(5) Classification and measurement of financial liabilities

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

① Financial liabilities at fair value through profit or loss

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

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

② Other financial liabilities

Financial liabilities for derivatives which have no quoted price in active market or the fair value of the underlying equity instruments cannot be measured reliably and the derivatives 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, and the gain or loss on de-recognition and amortization is recognized in current profit or loss.

③ Financial guarantee contract

For the financial guarantee contract not classified as financial liability at fair value through profit or 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 uses 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 derecognized, and the new financial liability shall be recognized at the same time.

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

(7) Derivatives and embedded derivatives

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

For combined instruments containing 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 do 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 issues (including refinance), buys back, sells or cancels equity instrument. Relative change to fair value of the equity instrument is not recognized. Transaction expenses relating to such transaction is deducted from share equity.

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

11. Receivables

(1) Single significant accounts receivable with separate bad debt provision

Basis or monetary level for determination of single significant accounts receivable	Determination and provision for single significant accounts receivable with separate bad debt provision The Company considers receivables with amounts over RMB1 million as individually significant.
Provision for single significant accounts receivable with separate bad debt provision	The Company assesses individually significant receivables for impairment on individual basis, financial assets which are not impaired on individual basis will be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics. For receivables that are individually impaired, the receivable will not be assessed for impairment collectively with a portfolio of financial assets which share similar credit risk characteristics.

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

Group	Method for making bad debt provision
Group of aging	Aging analysis method

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

√ applicable ☐ not applicable

Age of accounts	Provision ratio used for accounts receivable(%)	Provision ratio used for other receivables(%)
2-3	40.00	40.00
3-4 years	60.00	60.00
Over 4 years	100.00	100.00

(3) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

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

12. Inventories

(1) Classifications of inventories

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

(2) Costing of inventories

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

(3) Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories

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

On the 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 decline in the value of inventories is determined at the excess amount of the carrying amounts of an inventory item over its net realizable value.

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

(4) The Company adopts the perpetual inventory system.

13. Classified as 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 in such asset group, 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 disposal group and 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 classified as assets held for sale; (2) The recoverable amount of the asset or disposal group on the date when the decision of not disposing the asset or disposal group was made.

14. 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 falling out of this category are classified either as available-for-sale financial asset or as financial assets at fair value through profit or loss. For detailed accounting policy see Note V. 10 "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 share 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 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.

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 regards 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 recognised at cost, the cost of investment varies between different ways of acquisition, which is recognised based on the actual amount of cash consideration paid by the Company, fair value of equity instruments issued by the Company, value of investment contracts or agreement made, fair value or original carrying amount of non-monetary assets transferred or the fair value of the long-term equity investments, etc. The costs directly attributable to the acquisition of long-term equity investments, taxes or other necessary expenses are also included in the cost of investment. 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>.

(2) Subsequent measurement and recognition of profit and loss

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

① Long-term equity investment accounted for using cost method

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

② Long-term equity investment accounted for using equity method

For long-term equity investment accounted for using equity method, where the initial investment cost exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the initial investment cost of the long-term equity investment will not be adjusted; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current year and the cost of the long-term equity investment is adjusted accordingly.

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 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 unrealized loss on internal transactions is 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.

③ Acquisition of minority interest

When preparing consolidated financial statements, the difference between the increased in long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) calculated under the new ownership ratio shall be adjusted to the capital surplus, when capital surplus is insufficient, the excess shall be adjusted to retained profits.

④ Disposal of long-term equity investment

When preparing consolidated financial statements, when the parent company disposes part of its subsidiary without loss of control, the difference between the consideration received and the share of net asset for the disposed portion of long-term equity investment shall be recognized in shareholders' equity; when the parent company disposes part of its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at Note V 6 "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 causes the Company to lose full 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 enables the Company to exercise joint control or significant influences over the invested entity. If not, the difference between the fair value upon the date of losing control and the 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 takes 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 loses 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 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 causes the Company to lose joint control or significant influences over the invested entity are accounted by financial instrument recognition and measurement, difference between the fair value of such equity upon the date of losing control or significant influence and the 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 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 loses control over the invested entity through two or more disposing transactions, if such transactions are defined 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 the 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.

15. Investment properties

16. 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. A fixed asset is initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

(2) Depreciation categories

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

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).

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

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.

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 variance between expected useful life and estimated residual value, an adjustment to the usage life will be made if necessary. If there is a variance between the estimated residual value and the original estimations, an adjustment to the estimated residual value will be made if necessary. Repair costs will be capitalized if the recognition criteria of fixed asset is satisfied, and charged to current costs and expenses during the occurrence 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.

17. 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.

18. 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 costs and expenses.

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, and 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.

19. Biological assets

20. Oil and gas assets

21. Intangible assets

(1) Measurement method, useful life, and impairment test

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 selfconstructed 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 an infinite useful life are reviewed, if there are objective evidence that the economic benefit derived from the intangible asset is finite, then the life of that intangible asset would be estimated and it would be amortized in accordance with the accounting policies in relation to intangible assets with finite useful life.

The impairment loss assessment method and provision method of intangible asset is detailed at Note V.22 “Impairment loss on long-term assets”.

(2) Research and development

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

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred.

Expenditure on the development phase is capitalized as intangible assets only if all of the following conditions are satisfied, expenditure on the development phase which cannot met all of the following conditions are recognized in current profit or loss:

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

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

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

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

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

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

22. Impairment on non-current assets

On the 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.

23. 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.

24. Employee compensation

(1) Accounting treatment of short-term employee compensation

The employee compensation mainly includes: short-term employee compensation, welfare post resignation, welfare post cancellation of labor relationship and other long-term employee compensation.

Short-term employee compensation includes 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 recognizes the relative short-term employee compensation incurred as liabilities, and will account for in the current profit & loss or relative cost of asset. Non-monetary welfare will be measured by fair value.

(2) Accounting treatment of welfare post resignation

Welfare post resignation mainly comprises of defined provision plan, including basic endowment insurance, unemployment insurance. The relative payables will be accounted for in the relative cost of asset or the current profit & loss.

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

The relative employee compensation liabilities due to cancellation of labor relationship are recognized and taken into the current Profit & Loss, when the Company cancels the labor relationship with any employee prior to the expiration of the relevant labor contract, or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, on the earlier date between the date that Company cannot withdraw the relative compensation, or date that the Company recognizes reconstruction of cost involving payment of compensation for the cancellation of the labor relationship with the employee. Nonetheless, where the payment for welfare post cancellation of labor relationship may not be made within twelve (12) months after the end of the annual report period, it shall be treated as other long-term compensation.

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

(4) Accounting treatment of other long-term compensation

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

25. 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.

On the 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 not exceed the carrying amount of the provision.

26. Stock payment

27. Preferred stock, sustainability debt and other financial Instruments

28. Revenue

(1) Revenue from sales of goods

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

(2) Revenue from the rendering of services

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

The outcome of rendering of services can be measured reliably when all of the following conditions are met: (1) The amount of revenue can be measured reliably; (2) It is probable that the economic benefit associated with the transaction will flow to the Company; (3) The percentage of completion of service can be measured reliably; (4) The cost incurred and to be incurred for rendering the service can be measured reliably.

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

When the Company has entered into a contract or an agreement comprising both the sale of goods and the rendering of services, if the sale of goods and the rendering of services can be independently identifiable and measurable, they will be accounted for separately. If the sale of goods and the rendering of services cannot be separately identifiable, or cannot be separately measurable despite being separately identifiable, both the sale of goods and the rendering of services will be accounted for as the sale of goods.

(3) Revenue from construction contracts

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

The outcome of construction contract can be measured reliably when all of the following conditions are met: (1) The amount of total contract sum can be measured reliably; (2) It is probable that the economic benefit associated with the contract will flow to the Company; (3) The actual contract cost incurred can be clearly distinguished and measured reliably; (4) The percentage of completion of the contract and the cost expected to be incurred in order to complete the contract can be measured reliably.

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

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

(4) Revenue from transfer of asset use rights

The revenue is recognized on accrual basis under 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.

29. Government Grant

(1) Basis of determining and accounting of asset-related 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 classifi ed 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 profi t or loss.

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

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

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

30. Deferred tax assets/ deferred tax liabilities

(1) Current income tax

On the 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.

On 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.

31. Leases

(1) Accounting of operating lease

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 fi nance 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 profi t or loss. Contingent rentals are recognized in profi t or loss based on actual occurrence.

② The company as a lessor in operating lease

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

(2) Accounting of finance lease

① 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 fi nance 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 fi nance charge are presented in the balance sheet separately as longterm liability or long-term liability which due within one year.

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

② The company as a lessor in fi nance lease

At the inception of lease, the fi nance 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 profi t or loss based on actual occurrence.

32. Other accounting policy and accounting estimates

33. Changes in significant accounting policy and accounting estimates

34. Other

VII. Tax

1. Major types of tax and tax rates

Types of tax	Tax base	Tax rate
VAT	Taxable revenue after offsetting deductible input VAT	17%
Consumption tax	None	
Business tax	VAT and business tax payable	5%
Urban construction & maintenance tax	VAT and business tax payable	5%,7%
Corporate income tax	Taxable income	25%

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

VIII. Notes to Consolidated Financial Statements

1. Cash and deposits

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Cash on hand	3,827.51	3,840.46
Bank deposits	61,844,417.79	101,586,492.51
Other cash equivalents	7,894,337.50	21,826,830.22
total	69,742,582.80	123,417,163.19

Other remarks:

By end of the period, deposits under performance guarantees in the banks total RMB1,305,737.50, and deposits for bank accepted bills total RMB6,588,600.00. Time limit of the above-mentioned deposits is all over 3 months.

2. Notes receivables

(1) Classification of notes receivables

Unit: RMB

Types	Amount by end of period	Amount by beginning of period
Bankers' acceptance notes	1,130,000.00	2,109,500.00
Total	1,130,000.00	2,109,500.00

(2) Pledged notes receivables of the company at the end of reporting period

None

(3) Notes receivables endorsed and not matured at the end of reporting period

Unit: RMB

Items	De-recognized amount by end of year	Non-derecognized amount by end of year
Bankers' acceptance notes	930,000.00	
Total	930,000.00	

3. Accounts receivable

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

Unit: RMB

Type	Amount by end of period					Amount by beginning of period				
	Book balance		Bad-debt provision			Book balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	Book value	Amount	Percentage (%)	Amount	Percentage (%)	Book value
Subject to provision by groups with risk characteristics	175,928,335.51	100.00%	26,296,589.28	14.95%	149,631,746.23	160,288,985.49	100.00%	26,274,831.49	16.39%	134,014,154.00
Total	175,928,335.51	100.00%	26,296,589.28	14.95%	149,631,746.23	160,288,985.49	100.00%	26,274,831.49	16.39%	134,014,154.00

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

√ applicable ☐ not applicable

Unit: RMB

Age of Account	Amount by end of period		
	Accounts Receivable	Bad-debt provision	Percentage
The subitem within 1 year			
	111,471,958.54		
Within 1 year	111,471,958.54		
1 – 2 years	32,575,579.82		
2 – 3 years	7,205,977.01	2,882,390.80	40.00%
Over 3 years	24,674,820.14	23,414,198.48	94.55%
3 – 4 years	3,151,554.16	1,890,932.50	60.00%
Over 4 years	21,523,265.98	21,523,265.98	100.00%
Total	175,928,335.51	26,296,589.28	

Specification for this composition:

The company has set the criteria for single significant accounts receivable as RMB1 million, according to the scale of operation, nature of the operation and status of customers' settlement. Accounts receivable with insignificant balance but have obvious evidence that the chance of recovery is slim are regarded as single insignificant accounts receivable but subject to separate provision.

(2) Counting and drawing, recovery or reversal of bad debts during the reporting period

The counting and drawing of bad debts is RMB21,757.79; the recovery or reversal of bad debts is RMB0.00.

(3) Top five accounts receivable are listed as follows:

Serial number	Name of company	Relationship	Amount	Age	Percentage to total Accounts Receivable
1	Shenyang Kaidi Insulation Technology Co. Ltd.	Non-related	37,312,191.79	Within 2 years	21.21%
2	Yingkou Hongyue Machinery Co. Ltd.	Non-related	36,659,419.90	Within 1 year	20.84%
3	Yingkou Chongzheng Electric Equipment Co. Ltd.	Non-related	25,040,135.23	Within 2 years	14.23%
4	China Power Investment Corporation Material & Equipment Branch	Non-related	4,925,000.00	Within 1 year	2.80%
5	Inner Mongolia Xilin Gol Baiyinhua Coal and Electricity Co., Ltd Chifeng City Cogeneration Branch	Non-related	4,644,000.00	Within 1 year	2.64%
	Total		108,580,746.92		61.72%

4. Prepayments

(1) Prepayments are listed by ages:

Unit: RMB

Age of Account	Amount by end of period		Amount by beginning of period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	60,121.62	86.03%	384,863.12	99.85%
1 - 2 years	9,761.69	13.97%	587.68	0.15%
Total	69,883.31	--	385,450.80	--

(2) Top five companies with outstanding significant balance in prepayment are listed as follows:

Name of company	Relationship	Amount	Age	Percentage to total prepayments
Fuxin Electric Supply Company of Liaoning Electric Power Co., Ltd	Non-related	57,481.62	Within 1 year	82.25%
Fuxin Xinyuan Electric Power Equipment Co., Ltd	Non-related	7,334.00	Within 1 year	10.49%
Total		64,815.62		92.75%

5. Other receivables

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

Uint: RMB

Type	Amount by end of period					Amount by beginning of period				
	Book balance		Bad-debt provision			Book balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	Book value	Amount	Percentage (%)	Amount	Percentage (%)	Book value
Individually significant and subject to separate provision	87,721,293.96	87.11%	87,721,293.96	100.00%	0.00	87,721,293.96	90.19%	87,721,293.96	100.00%	0.00
Subject to provision by risk groups	12,977,500.96	12.89%	2,518,417.94	19.41%	10,459,083.02	9,541,409.10	9.81%	2,481,565.54	26.01%	7,059,843.56
Total	100,698,794.92	100.00%	90,239,711.90	89.61%	10,459,083.02	97,262,703.06	100.00%	90,202,859.50	92.74%	7,059,843.56

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

√ applicable ☐ not applicable

Uint: RMB

Name of company	Amount by end of period			
	Other receivables	Bad-debt provision	Percentage of provision (%)	Reason for provision
Benxi Steel (Group) Co. Ltd.	76,090,000.00	76,090,000.00	100.00%	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.
Jinzhou Power Capacity Co. Ltd	11,631,293.96	11,631,293.96	100.00%	The company has made full amount of provision due to unhealthy financial position and non-operation activities.
Total	87,721,293.96	87,721,293.96	--	--

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

√ applicable ☐ not applicable

Unit: RMB

Age of receivables	Amount by end of period		
	Other receivables	Bad-debt provision	Percentage of provision
Subitems within 1 year			
Within 1 year	2,787,346.42	0.00	
Within 1 year	2,787,346.42	0.00	
1 -2 years	7,582,827.43		
2 - 3 years	147,981.94	59,192.78	40.00%
Over 3 years	90,180,639.12	90,180,519.12	
3 - 4 years	300.00	180.00	60.00%
Over 4 years	90,180,339.12	90,180,339.12	100.00%
Total	100,698,794.92	90,239,711.90	

(2) Counting and drawing, recovery or reversal of bad debts during the reporting period

The counting and drawing of bad debts is RMB36,852.40; the recovery or reversal of bad debts is RMB0.00.

(3) Other receivables categorized by nature are as follows

Unit: RMB

Nature	Carrying Amount at end of period	Carrying Amount at beginning of period
Lawsuits	76,090,000.00	76,090,000.00
Current account	20,692,334.50	17,258,225.64
Deposits for bidding	3,916,460.42	3,914,477.42
Total	100,698,794.92	97,262,703.06

(4) Top five other receivables are listed as follows

Unit: RMB

Name of company	Nature	Amount at end of the year	Age	Percentage in total other receivables(%)	Balance of Bad-debt provision
Benxi Steel (Group) Co. Ltd.	Lawsuits	76,090,000.00	Over 4 years	75.56%	76,090,000.00
Jinzhou Power Capacity Co. Ltd	Current account	11,631,293.96	Over 4 years	11.55%	11,631,293.96
Xintai (Liaoning) Precision Equipment Co., Ltd.	Current account	600,000.00	1-2 years	0.60%	
Fuxin Aluminum Alloy Factory	Current account	534,518.86	Over 4 years	0.53%	534,518.86
Shenzhen Hotel	Current account	234,822.00	Within 1 year	0.23%	
Total	--	89,090,634.82	--	88.47%	88,255,812.82

6. Inventories

(1) Classification of inventories

Unit: RMB

Item	Amount by end of period			Amount by beginning of period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Raw material	16,932,570.01	796,257.45	16,136,312.56	14,737,707.31	796,257.45	13,941,449.86
Work in progress	3,380,007.34	422,258.63	2,957,748.71	5,292,476.45	422,258.63	4,870,217.82
Finished goods	14,724,987.67	4,246,845.51	10,478,142.16	13,616,492.16	4,246,845.51	9,369,646.65
Total	35,037,565.02	5,465,361.59	29,572,203.43	33,646,675.92	5,465,361.59	28,181,314.33

(2) Provisions for decline in value

Unit: RMB

Item	Amount by beginning of period	Increase of provision during the period		Decrease of provision during the period		Amount by end of period
		Provision	Other	Reverse/ Write off	Other	
Raw material	796,257.45					796,257.45
Work in progress	422,258.63					422,258.63
Finished goods	4,246,845.51					4,246,845.51
Total	5,465,361.59					5,465,361.59

7. Non-current asset due within 1 year

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Improvement expenditures for fixed assets rented	4,240.00	16,960.00
Total	4,240.00	16,960.00

8. Other current assets

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Rental expense	428,135.31	1,016,618.01
Premiums for property insurance		25,986.51
Total	428,135.31	1,042,604.52

9. Available-for-sale financial assets

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

Unit: RMB

Item	Amount by end of period			Amount by beginning of period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Available-for-sale equity:	86,616,099.29	7,948,678.17	78,667,421.12	77,242,503.69	7,795,821.84	69,446,681.85
Measured by cost	86,616,099.29	7,948,678.17	78,667,421.12	77,242,503.69	7,795,821.84	69,446,681.85
Total	86,616,099.29	7,948,678.17	78,667,421.12	77,242,503.69	7,795,821.84	69,446,681.85

(2) Available-for-sale financial assets at fair value by the end of period

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

Unit: RMB

Investee	Book balance				Provision for decline in value				% of share	Cash dividend for the period
	Amount by beginning of period	Increment	Decrement	Amount by end of period	Amount by beginning of period	Increment	Decrement	Amount by end of period		
Shenyang Zhaoli High-Voltage Electric Equipment Co Ltd	77,242,503.69	1,373,595.60		78,616,099.29	7,795,821.84	152,856.33		7,948,678.17	6.89%	
Principal-guaranteed banking products		8,000,000.00		8,000,000.00						
Total	77,242,503.69	9,373,595.60		86,616,099.29	7,795,821.84	152,856.33		7,948,678.17	--	

(4) Change to impairment on available-for-sale assets for reporting period

Unit: RMB

Type	Available-for-sale equity	Available-for-sale liabilities		Total
Balance of provision allocated at beginning of year	7,795,821.84			7,795,821.84
Current provision	152,856.33			152,856.33
Incl: transfer-in from other comprehensive income	152,856.33			152,856.33
Balance of provision allocated at beginning of year	7,948,678.17			7,948,678.17

10. Long-term equity investment

Unit: RMB

Parties receiving investment	Amount by beginning of period	Increase/decrease during the period								Amount by end of period	Balance of Provision for decline in value at end of period
		Increase in investment	Decrease in investment	Profit/loss for investment by Method of Equity	Adjustment to other comprehensive income	Other change to equity	Cash dividend declared/or profit	Provision for decline in value	Other		
I. Cooperative											
II. Associates											
WeiDa High-voltage Electric Co. Ltd.	41,020,089.96				827,452.27					41,847,542.23	14,272,024.22
Subtotal	41,020,089.96				827,452.27					41,847,542.23	14,272,024.22
Total	41,020,089.96				827,452.27					41,847,542.23	14,272,024.22

11. Fixed assets

Unit: RMB

Item	Buildings	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount:				
1. Balance at beginning of period	48,193,147.57	90,274,026.02	20,222,768.18	158,689,941.77
2. Increment for current period				
(1) Purchase		4,936.75	59,390.33	64,327.08
(2) Transferred from Construction in progress				
(3) Increment from business combination				
3. Decrement for the Year			481,055.49	481,055.49
(1) Disposal or write-off			481,055.49	481,055.49
4. Balance at end of period	48,193,147.57	90,278,962.77	19,801,103.02	158,273,213.36
II. Accumulated depreciation				
1. Balance at beginning of period	35,750,165.97	49,222,005.88	13,106,725.03	98,078,896.88
2. Increment	384,484.68	2,507,428.15	591,589.12	3,483,501.95
(1) Provision	384,484.68	2,507,428.15	591,589.12	3,483,501.95
3. Decrement			346,998.04	346,998.04
(1) Disposal or write-off			346,998.04	346,998.04
4. Balance at end of period	36,134,650.65	51,729,434.03	13,351,316.11	101,215,400.79
III. Provision for Impairment				
1. Balance at beginning of period		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 period		1,509,984.95	317,644.79	1,827,629.74
IV. Book balance				
1. Book balance at end of period	12,058,496.92	37,039,543.79	6,132,142.12	55,230,182.83
2. Book balance at beginning of period	12,442,981.60	39,542,035.19	6,798,398.36	58,783,415.15

12. Construction in progress

Unit: RMB

Item	Amount by end of period			Amount by beginning of period		
	Book balance	Provision for impairment	Book value	Book balance	Provision	Book value
Equipment to be installed	6,070,928.52		6,070,928.52	6,070,928.55		6,070,928.55
Total	6,070,928.52		6,070,928.52	6,070,928.55		6,070,928.55

13. Intangible assets

Unit: RMB

Item	Land use rights	Patent	Software	Total
I. Book balance				
1. Balance at beginning of period	6,774,501.05	450,000.00	207,000.00	7,431,501.05
2. Increment				
(1) Purchase				
(2) Internal research and development				
(3) Increment from cooperative				
3. Decrement				
(1) Disposal of assets				
4. Balance at end of period	6,774,501.05	450,000.00	207,000.00	7,431,501.05
II. Accumulated amortization				
1. Balance at beginning of period	2,709,801.84	450,000.00	207,000.00	3,366,801.84
2. Increment	67,745.04			67,745.04
(1) Provision	67,745.04			67,745.04
3. Decrement				
(1) Disposal of assets				
4. Balance at end of period	2,777,546.88	450,000.00	207,000.00	3,434,546.88

Item	Land use rights	Patent	Software	Total
III. Provision for impairment				
1. Balance at beginning of period				
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal of assets				
4. Balance at end of period				
IV. Book Balance				
1. Book balance at end of period	3,996,954.17			3,996,954.17
2. Book balance at beginning of period	4,064,699.21			4,064,699.21

14. Long-term deferred expenses

Unit: RMB

Item	Balance at beginning of period	Increment	Amortization	Other decrement	Balance at end of period
Improvement expenditures for fixed assets rented	467,900.00	108,000.00	59,100.00		516,800.00
Property insurance	22,745.27		4,264.74		18,480.53
Total	490,645.27	108,000.00	63,364.74		535,280.53

15. Deferred tax assets/deferred tax liabilites

(1) Deferred tax assets recognized

Unit: RMB

Item	Amount by end of period		Amount by beginning of period	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment for assets	29,369,071.44	7,342,267.86	29,369,071.44	7,342,267.86
Total	29,369,071.44	7,342,267.86	29,369,071.44	7,342,267.86

(1) Deferred tax liabilities recognized

Unit: RMB

Item	Amount by end of period		Amount by beginning of period	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities

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

Unit: RMB

Item	Deferred tax assets and liabilities offset amount by the end of the period	Deferred tax assets or liabilities after mutually offset by end of the period	Deferred tax assets and liabilities offset amount at beginning of the period	Deferred tax assets or liabilities after mutually offset at beginning of the period
Deferred tax assets		7,342,267.86		7,342,267.86

(4) Details of deferred tax asset unrecognized

Unit: RMB

Item	Amount at end of year	Amount at beginning of year
Deductible temporary difference	116,245,866.11	116,187,255.92
Deductible loss	52,821,050.86	39,651,709.32
Total	169,066,916.97	155,838,965.24

(5) Deductible loss of deferred tax asset unrecognized due in next period

Unit: RMB

Year	Balance at end of year	Balance at beginning of year	Note
2016	50,584,540.88	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	674,968.71	
Total	52,821,050.86	39,651,709.32	--

16. Short-term borrowings

Unit: RMB

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

17. Notes Payable

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Bank accepted bills of exchange	6,588,600.00	20,508,400.00
Total	6,588,600.00	20,508,400.00

18. Accounts Payable

(1) Details of Accounts payable

Unit: RMB

Age of accounts	Amount by end of period	Amount by beginning of period
Within 1 year	27,408,390.30	25,068,581.43
1 - 2 years	5,217,636.41	7,857,164.27
2 -3 years	1,451,275.20	1,492,264.52
Over 3 years	2,746,478.91	2,918,695.95
Total	36,823,780.82	37,336,706.17

(2) Significant accounts payable aged over 1 year

Unit: RMB

Item	Amount	Reason for unsettlement

Other remarks:

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

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

19. Receipts in advance

(1) Details

Unit: RMB

Age of accounts	Amount by end of period	Amount by beginning of period
Within 1 year	5,157,666.00	5,338,886.52
1 - 2 years	1,500,645.02	1,508,700.02
2 -3 years	8,700.02	11,828.00
Over 3 years	890,985.50	879,157.50
Total	7,557,996.54	7,738,572.04

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

Unit: RMB

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

20. Employee compensation

(1) Details of employee compensation

Unit: RMB

Item	Amount by beginning of period	Increment	Decrement	Amount by end of period
I. Short-term compensation	2,544,304.91	9,830,596.44	9,775,760.42	2,599,140.93
II. Post resignation benefit - designed provision plan	84,659.49	1,617,187.49	1,617,818.89	84,028.09
Total	2,628,964.40	11,447,783.93	11,393,579.31	2,683,169.02

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

Unit: RMB

Item	Amount by beginning of period	Increment	Decrement	Amount by end of period
I. Wages,bonuses,allowances,subsidies		8,057,490.82	8,049,709.82	7,781.00
II. Welfare expenses		384,166.76	384,166.76	
III. Social insurances	8,060.77	728,817.56	728,859.00	8,019.33
Incl: 1. Medical insurance	41.44	588,941.36	588,982.80	
2. Work injury insurance	5,912.43	102,270.87	102,270.87	5,912.43
3. Maternity insurance	2,106.90	37,605.33	37,605.33	2,106.90
IV. Housing accumulation fund	265,929.11	537,664.00	556,682.00	246,911.11
V. Labor union expenditure and employee education expenses	2,270,315.03	122,457.30	56,342.84	2,336,429.49
Total	2,544,304.91	9,830,596.44	9,775,760.42	2,599,140.93

(3) Designed provision plan is listed as follows:

Unit: RMB

Item	Amount by beginning of period	Increment	Decrement	Amount by end of period
I. Basic endowment insurance	80,491.87	1,540,208.43	1,540,803.15	79,897.15
II. Unemployment insurance	4,167.62	76,979.06	77,015.74	4,130.94
Total	84,659.49	1,617,187.49	1,617,818.89	84,028.09

21. Tax payable

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Value-added Tax	561,452.10	982,388.00
Enterprise Income Tax		511,176.33
Individual Income Tax	92,543.98	38,927.73
City Maintenance and Construction Tax	39,301.65	187,744.69
Education Surcharge	31,766.19	137,796.94
Tenure Tax	59,149.50	59,149.50
Housing Property Tax	20,535.91	20,535.95
Other		46,576.13
Total	804,749.33	1,984,295.27

22. Dividends payable

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Total	40,017.86	40,017.86

23. Other payables

Unit: RMB

Age of account	Amount by end of period	Amount by beginning of period
Within 1 year	3,914,239.09	6,476,647.24
1 - 2 years	790,789.65	1,900,361.42
2 - 3 years	559,265.94	443,294.29
Over 3 years	38,555,560.29	36,827,047.78
Total	43,819,854.97	45,647,350.73

24. Special Payables

Unit: RMB

Item	Amount by beginning of period	Increment	Decrement	Amount by end of period	Forming reason
Demolition Compensation	500,000.00			500,000.00	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.
Total	500,000.00			500,000.00	--

25. Estimated liabilities

Unit: RMB

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

Other remarks include relevant important assumptions and estimates of critical accrued liabilities:

(1) The Company has provided guarantee for the bank loan of RMB13,000,000.00 between Bank of China Jinzhou Branch and the Company's subsidiary –"Jinrong", and thus undertakes obligation of joint guarantee. Bank of China Jinzhou Branch has filed a lawsuit in Feburary 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 undertakes 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 September 2005. And on 23 June 2010 the Court has made Enforcement Ruling No. (2005) Jin Zhi Yi Zi Di 89, 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. (hereinafter referred to 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 June 2007, which has come into effectiveness for the company has not appealed. The Company therefore estimates liability of RMB19,890,000.00. intermediary Court of Jinzhou city issued an order of Enforcement to the Company on 5 March 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 December 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 14 April 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.

26. Share Capital

Unit: RMB

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

27. Capital reserve

Unit: RMB

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

28. Other Comprehensive Income

Unit: RMB

Item	Amount by beginning of period	Amount incurred during the period					Amount by end of period
		Amount before income tax	Less: previous Other Comprehensive Income converted to current Profit & Loss	Less: Income tax	Attributable to parent company after tax	Attributable to minority interests after tax	
II. OCI to be reclassified into Profit & Loss	-30,801,509.57	2,018,212.58			2,018,212.58		-28,783,296.99
Foreign currency translation difference	-30,801,509.57	2,018,212.58			2,018,212.58		-28,783,296.99
Total	-30,801,509.57	2,018,212.58			2,018,212.58		-28,783,296.99

29. Surplus reserves

Unit: RMB

Item	Amount by beginning of period	Increment	Decrement	Amount by end of period
Statutory surplus reserve	80,028,220.48			80,028,220.48
Optional surplus reserve	28,558,903.92			28,558,903.92
Total	108,587,124.40			108,587,124.40

30. Accumulated losses

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
Accumulated losses at the end of last year	-1,537,590,906.29	-1,542,524,243.79
Accumulated losses at the beginning of the year after adjustment	-1,537,590,906.29	-1,542,524,243.79
Add: Net Profit attributable shareholders of the Company for the year	-13,159,973.93	4,933,337.50
Accumulated losses at end of period	-1,550,750,880.21	-1,537,590,906.29

31. Revenue and cost of sales

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Business income	Cost of sale	Business income	Cost of sale
Principal business	34,441,615.32	27,764,545.51	65,388,649.52	47,496,180.95
Other business	60,414.79	36,218.66	59,177.80	38,964.12
Total	34,502,030.11	27,800,764.17	65,447,827.32	47,535,145.07

32. Business tax and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Business tax		1,000.00
City maintenance and construction tax	104,224.20	139,806.37
Education Surcharges	74,333.01	100,563.10
Total	178,557.21	241,369.47

33. Sales expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Transportation fee	516,603.35	2,388,361.35
Consultation fee	1,145,108.49	1,750,943.40
Employee compensation	699,836.79	705,581.80
Travelling expense	683,285.69	855,026.40
Bidding fee	852,820.00	265,234.00
Material consumption	81,843.19	176,003.33
After-sales services expenses	901,449.50	908,430.00
Business entertainment	137,126.00	37,576.50
Others	118,872.99	250,006.00
Total	5,136,946.00	7,337,162.78

34. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	7,945,930.13	7,128,622.26
Office expenses	344,710.62	178,660.04
Depreciation expenses	863,614.18	872,251.01
Agency fee	1,036,337.78	416,017.82
Heating expenses	383,299.70	229,846.51
Taxes	447,422.52	504,243.51
Business entertainment	473,411.10	212,843.80
Travelling expense	378,743.28	221,290.46
Intangible assets amortization	67,745.04	102,928.50
Rents & leases	211,000.02	198,626.00
Others	2,576,056.86	1,939,989.16
Total	14,728,271.23	12,005,319.07

35. Finance expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	269,785.78	340,189.57
Less: interest income	316,401.54	171,826.66
Exchange difference		
Bank charges	21,118.37	24,642.00
Total	-25,497.39	193,002.91

36. Assets impairment loss

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Bad debt expenses	58,610.19	
Total	58,610.19	

37. Return on investments

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Return on available-for-sale financial assets	328,972.60	561,912.93
Total	328,972.60	561,912.93

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

38. Non-operating income

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amounts included in the current extraordinary profit & loss
Gain on disposal of non-current assets		60,470.49	
Include: Gain on disposal of fixed assets		60,470.49	
Others	522.19	20,570.39	522.19
Total	522.19	81,040.49	522.19

39. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amounts included in the current extraordinary profit & loss
Loss on disposal of non-current assets	121,921.28		121,921.28
Include: loss on disposal of fixed assets	121,921.28		121,921.28
Other	1,293.75	35,200.00	1,293.75
Total	123,215.03	35,200.00	123,215.03

40. Income tax expense

(1) Income tax expense

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expense		307,358.08
Total		307,358.08

(2) Reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the current period
Income before tax	-13,169,341.54

41. Cash flow statement

(1) Cash received from other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Current account	1,441,135.25	1,262,867.20
Performance guarantee deposits	56,517.00	3,583,608.00
Interest income	316,401.54	353,416.99
Other	53,585.00	41,902.07
Total	1,867,638.79	5,241,794.26

(2) Cash paid to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cash expenses	9,050,201.36	7,926,635.00
Current account	3,694,221.86	14,775,661.03
Total	12,744,423.22	22,702,296.03

42. Supplementary information to cash flows statement

(1) Supplementary information to cash flows statement

Unit: RMB

Item	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities:	--	--
Net profit	-13,169,341.54	-1,563,776.64
Plus: Provisions for assets impairment	58,610.19	
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive bio-assets	3,483,501.95	2,811,703.80
Amortization of intangible assets	67,745.04	67,745.04
Amortization of long term deferred expenses	63,364.74	31,920.00
Loss on disposal of fixed assets, intangible assets and other non-current assets(gain is shown as "-")	121,921.28	-81,040.49
Finance costs(gain is shown as "-")	269,785.78	193,002.91
Loss on investments(gain is shown as "-")	-328,972.60	-561,912.93
Decrease in inventories(increase is shown as "-")	-1,390,889.10	-12,772,635.86
Decrease in operating receivables(increase is shown as "-")	1,245,760.95	-12,675,210.12
Increase in operating payables(decrease is shown as "-")	-22,092,776.76	-4,422,279.52
Net cash flows generated from operational activities	-31,671,290.07	-28,972,483.81
2. Significant non-cash investment and financing activities:	--	--
3. Changes in cash and cash equivalents: -	--	--
Cash at the end of period	61,848,245.30	67,847,818.86
Less: cash at the beginning of period	101,603,025.69	124,218,516.86
Net increase in cash and cash equivalents	-39,754,780.39	-56,370,698.00

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Amount by end of period	Amount by beginning of period
① Cash	61,848,245.30	101,603,025.69
Incl: Cash on hand	6,530.36	3,840.46
Bank Deposits available on demand	61,841,714.94	101,599,185.23
③ Balance of Cash and equivalents at end of Year	61,848,245.30	101,603,025.69

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

Unit: RMB

Items	Amount by end of period	reason
Cash and deposits	7,894,337.50	Security deposits for bank accepted bills and for performance guarantee
Fixed Assets	4,062,997.38	Security for the loan
Intangible Assets	3,996,954.17	Security for the loan
Total	15,954,289.05	--

44. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Foreign currency balance at end of year	Exchange rate	Translated RMB balance at end of year
Incl: US dollars	58.00	6.6312	384.61

Other remarks:

(2) Explanation on offshore entities, including disclosures of significant offshore entities about the main business places, recording currency and the basis for the selection, and reasons for changes of the recording currency

√ Applicable ☐ not applicable

Item	Items on balance sheet	
	30 June 2016	31 December 2015
Northeast Electric (HK) Co. Ltd.	HKD1.00 = RMB0.8547	HKD1.00 = RMB0.8378
Gaocai technology Co. Ltd.	HKD1.00 = RMB0.8547	HKD1.00 = RMB0.8378
Item	Income, expenses, cash flow items	
	Second quarter of year 2016	Year 2015
Northeast Electric (HK) Co. Ltd	HKD1.00 = RMB0.8463	HKD1.00 = RMB0.8134
Gaocai technology Co. Ltd.	HKD1.00 = RMB0.8463	HKD1.00 = RMB0.8134

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.

IX. Changes in consolidation scope

None

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

(2) Information on non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Share percentage of minority shareholder	Profit/loss attributable to minority shareholders	Dividends paid to minority shareholders for the period	Accumulated minority interests by end of period
Jinzhou Jinrong Electric Appliance Co. Ltd	30.25%	-9,367.61		343,853.46

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

Unit: RMB

Name of subsidiary	Amount by end of period						Amount by beginning of period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jinzhou Jinrong Electric Appliance Co., Ltd.	1,186,143.10	307,061.65	1,493,204.75	356,499.08		356,499.08	1,209,600.46	314,571.61	1,524,172.07	356,499.08		356,499.08

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the previous period			
	Operating income	Net profit	Total Comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total Comprehensive income	Cash flows from operating activities
Jinzhou Jinrong Electric Appliance Co., Ltd.	0.00	-30,967.32	-30,967.32	13,403.84	0.00	-8,145.35	-8,145.35	23,458.65

2. Equity in associates

(1) Basic information of associates

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

(2) Main information of significant associates

Unit: RMB

	Amount by end of period/ Amount for the current period	Amount by beginning of period/ Amount for the previous period
Current Assets	201,081,074.99	197,105,094.92
Total assets	201,081,074.99	197,105,094.92
Current liabilities	357,780.58	350,794.40
Total liabilities	357,780.58	350,794.40
Share in net asset pro rata shares held	41,750,426.52	40,924,894.51
Book value of equity investment to associate	41,847,542.23	41,020,089.96

XI. Risks related to financial instrument

Financial instruments the Company invested mainly include equity investment, borrowings, accounts receivables, and accounts payables, see notes to the Consolidated Balance Sheet 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 manages and supervises 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 of 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 are 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 30 June 2016, only daily expenses reported with no purchases or sales for these subsidiaries.

On 30 June 2016, 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:

Item	Change in Exchange rate	Amount for the current period		Amount for the previous period	
		Impacts on profit	Impacts on shareholders' equity	Impacts on profit	Impacts on shareholders' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	-1,111.88	508,372.89	-1,361.38	412,937.43
Translation from foreign currency reports	Depreciate 0.5% against RMB	1,111.88	-508,372.89	1,361.38	-412,937.43

(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, 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 30 June 2016, supposing bank borrowings' floating interest increase or decrease 50 basis points while all other variants remain unchanged:

Item	Change in interest rate	Amount for the current period		Amount for the previous period	
		Impacts on profit	Impacts on shareholder' equity	Impacts on profit	Impacts on shareholder' equity
Short-term borrowing	Increase by 0.5%	-22,500.00	-22,500.00	-22,868.06	-22,868.06
Short-term borrowing	Decrease by 0.5%	22,500.00	22,500.00	22,868.06	22,868.06

2. Credit risks

On 30 June 2016, 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 supervises 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 is low risk for those capital.

(1) Notes receivable

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

(2) Accounts receivable

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

Staffs 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 requires 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 consist mainly of petty cash, guarantee deposits, etc.

The Company manages all these receivables with relative business operations to make sure no significant bad debt risk will occur.

3. Risks of liquity

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.

XII. Disclosure of fair value

None

XIII. Related parties and related parties transaction

1. Parent company of the Company

Parent Company	Place of registration	Business nature	Registered capital	Percentage of shares held by Parent Company(%)	Voting shares ratio held by Parent Company(%)
Suzhou Tsing Chuang Trading Group Co., Ltd.	NO. 58, South Tiancheng Road, HSR New Town, Suzhou City	Trade, information consultation, technical service	0.8 billion	9.33%	9.33%

2. Subsidiary of the Company

Details are shown in Note IX.1 “Equity in subsidiary”.

3. Associate of the Company

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

XIV. Stock payment

None

XV. Commitment and contingencies

1. Contingencies

(1) Important contingencies about the existence of balance sheet

1. As of 30 June 2016, the Company does not have any contingent liability arising from pending litigation and arbitration.
2. As of 30 June 2016, the Company provides a guarantee for the RMB52.9 million bank loads of Jinzhou Power Capacitors Co., Ltd. For the forming of the guarantee liability, see Estimated Liabilities.

XVI. Subsequent events of balance sheet

None

XVII Other important events

None

XVIII. Major notes to parent company's financial statements

1. Accounts receivables

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

Unit: RMB

Types	Amount by end of period					Amount by beginning of period				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Ratio(%)	Amount	Ratio(%)	Book value	Amount	Ratio(%)	Amount	Ratio(%)	Book value
Subject to provision by group of risk characteristics	1,423,911.79	100.00%	179,400.00	12.60%	1,244,511.79	1,423,911.79	100.00%	179,400.00	12.60%	1,244,511.79
Total	1,423,911.79	100.00%	179,400.00	12.60%	1,244,511.79	1,423,911.79	100.00%	179,400.00	12.60%	1,244,511.79

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

√ applicable ☐ not applicable

Unit: RMB

Age of account	Amount by end of period		
	Accounts receivable	Bad-debt provision	Ratio of provision
Subitem within 1 year			
Within 1 year	1,244,511.79		
Subtotal within 1 year	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%

(2) Provision, recovery or reversal of bad debts during the reporting period

The provision of bad debt is RMB0.00; the recovery or reversal of bad debts is RMB0.00.

(3) Top five accounts receivables are listed as follows:

Companies with significant balance in accounts receivables by end of period:

Name of company	Relationship	Amount	Age	Percentage in total accounts receivable	bad-debt provision
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	-

2. Other receivables

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

Unit: RMB

Type	Amount by end of period					Amount by beginning of period				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and subject to separate provision	76,090,000.00	18.33%	76,090,000.00	100.00%		76,090,000.00	18.18%	76,090,000.00	100.00%	
Subject to provision by risk groups	339,122,255.58	81.67%	273,942.23	0.08%	338,848,313.35	342,472,644.92	81.82%	273,942.23	8.00%	342,198,702.69
Total	415,212,255.58	100.00%	76,363,942.23	18.39%	338,848,313.35	418,562,644.92	100.00%	76,363,942.23	18.24%	342,198,702.69

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

√ applicable ☐ not applicable

Unit: RMB

Name of company	Amount by end of period			
	Other receivables	Bad-debt provision	Percentage of provision (%)	Reason for provision
Benxi Steel (Group) Co. Ltd	76,090,000.00	76,090,000.00	100.00%	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.
Total	76,090,000.00	76,090,000.00	--	--

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

√ applicable ☐ not applicable

Unit: RMB

Age of receivables	Amount by end of period		
	Other receivables	Bad-debt provision	Percentage of provision
Subitem within 1 year			
Within 1 year (including subsidiary)	338,805,150.30		
Subtotal within 1 year	338,805,150.30		
1 -2 years	43,163.03		
Over 4 years	273,942.23	273,942.20	100.00%
Total	339,122,255.58	273,942.20	0.08%

(2) Provision, recovery or reversal of bad debts during the reporting period

The provision of bad debt is RMB0.00; the recovery or reversal of bad debts is RMB0.00.

(3) Other receivables categorized by nature are as follows

Unit: RMB

Nature	Book balance at end of period	Book balance at beginning of period
Lawsuits	76,090,000.00	76,090,000.00
Current account with subsidiaries	338,673,155.82	342,124,976.82
Others	449,099.76	347,668.10
Total	415,212,255.58	418,562,644.92

(4) Top five other receivables are listed as follows

Unit: RMB

Name of company	Nature	Amount at end of the year	Age	Percentage in total other receivables(%)	Balance of Bad-debt provision
Shenyang Kaiyi Electric.,Co., Ltd.	Current account	153,357,137.64	Within 4 years	36.93%	
Northeast Electric (HK) Co., Ltd	Current account	123,166,166.77	Over 4 years	29.66%	
Benxi Steel (Group) Co., Ltd.	Lawsuits	76,090,000.00	Over 4 years	18.33%	76,090,000.00
Northeast Electric (Beijing) Co., Ltd	Current account	52,860,591.00	Within 4 years	12.73%	
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd	Current account	9,289,260.41	Within 4 years	2.24%	
Total	--	414,763,155.82	--	99.89%	76,090,000.00

3. Long-term equity investments

(1) Long-term equity investments

Unit: RMB

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

(2) Investment to subsidiary

Unit: RMB

Investee	Amount by beginning of period	Increment	Decrement	Amount by end of period	Provision for impairment at current period	Balance of provision for impairment
Northeast Electric (HK) Co., Ltd	156,699,451.63			156,699,451.63		66,285,900.53
Shenyang Kaiyi Electric Co., Ltd	100,000.00			100,000.00		100,000.00
Total	156,799,451.63			156,799,451.63		66,385,900.53

4. Revenue and cost of sales

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Main business	0.00	0.00	4,012,765.76	3,574,345.29
Other business	0.00	0.00		
Total	0.00	0.00	4,012,765.76	3,574,345.29

XIX. Supplementary information

1. Details of extraordinary profit & loss

√ applicable ☐ not applicable

Unit: RMB

Item	Amount for the current period	Note
Profit & loss on disposal of non-current asset	-121,921.28	Disposal of fixed accounts
In addition to the effective hedging business related to normal operations, also include financial assets held for trading and financial liabilities held for trading at fair value through profit or loss, and returns on the disposal of financial assets held for trading and financial abilities held for trading, and financial assets available-for-sale	328,972.60	Principal-guaranteed banking products
Other items complied with definitions of extraordinary profit & loss	-771.56	Fines on late payment
Total	206,279.76	--

2. Return on net assets and earnings per share

Profit for the period	Weighted average return on net assets	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders	-4.60%	-0.0151	-0.0151
Net profit attributable to ordinary shareholders after deduction of extraordinary profit and loss	-4.68%	-0.0151	-0.0151

Chapter 8 LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

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

(I) Accounting Statements bearing signatures and seals of the Chairman, Chief Accountant and Head of Financial Department of the Company;

(II) The originals of all of the documents and announcements of the Company which have been disclosed on the newspapers designated by China Securities Regulatory Commission (CSRC) during the reporting period;

(III) Original of the interim report of the Company.

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