NEE

INTERIM REPORT 2017

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. Liu Daoqi, 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 fifteenth meeting of the eighth Board of Directors held on 25 August 2017.

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 2017 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 (if any)	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	Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC(Post Code: 213022)	Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC (Post Code: 213022)
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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)	17,612,476.66	34,502,030.11	-48.95%
Net profits attributable to shareholders of listed company (RMB)	-19,929,800.00	-13,159,973.93	-51.44%
Net profits attributable to shareholders of listed company after extraordinary items (RMB)	-20,411,197.57	-13,209,576.67	-54.52%
Net cash flows arising from operating activities (RMB)	27,720,853.31	-31,671,290.07	187.53%
Basic earnings per share (RMB/Share)	-0.0228	-0.0151	-50.99%
Diluted earnings per share (RMB/Share)	-0.0228	-0.0151	-50.99%
Weighted average return on net assets	-10.92%	-4.60%	decrease 6.32 percent
	As at the end of the reporting period	**As at the end of the reporting period last year**	**Increase/decrease in the reporting period compared with the end of last year**
Total assets (RMB)	350,078,364.92	401,830,329.21	-12.88%
Net assets attributable to shareholders of listed company (RMB)	182,502,739.44	202,789,879.48	-10.00%

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)	-139,079.29	
Profit and loss from debt restructuring	620,476.86	Waiver of partial payables
Total	481,397.57	–

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: 75,339

Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholder	Shareholding percentage	Number of shares held	Number of untraceable shares	Shares pledged or frozen	
					Status of shares	Qty
HKSCC Nominees Limited	Foreign legal person	29.42%	256,935,899			
Beijing Haihongyuan Investment Management Co., Ltd	Domestic non-state-owned legal person	9.33%	81,494,850			
Yang Xiuqin	Domestic natural person	3.20%	27,955,752			
Taida Hongli Funds-CMBC-TEDA Manulife Strategy Rating No. 31 Assets Management Plan	Fund	2.55%	22,314,561			
Tian Ya	Domestic natural person	0.74%	6,423,600			
Nanjing Fang Kai Enterprise Management Co., Ltd	Domestic non-state-owned legal person	0.45%	3,915,400			
Shi Yubo	Domestic natural person	0.43%	3,754,300			
Shenzhen Zhongda Software Development Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000		
Xu Kaidong	Domestic natural person	0.26%	2,253,000			
Hu Li	Domestic natural person	0.25%	2,166,760			

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".*
2) *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.*
3) *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.*
4) *Purchase, sale or redemption of the Company's listed securities*

   During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
5) *Pre-emptive rights*

   There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
6) *Convertibles, options, warrants or other similar rights*

   As of 30 June 2017, the Company did not issue any convertible securities, options, warrants or any other similar right.

3.4 Changes in controlling shareholders and actual controller

On 23 January 2017, Suzhou Tsing Chuang Trading Group Co., Ltd. (Has been renamed as Changzhou Tsing chuang Industrial Investment Group Co., Ltd. "Tsing Chuang Group") and Beijing Haihongyuan Investment Management Co., Ltd. ("Beijing Haihongyuan") signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd., and Tsing Chuang Group planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.33% of the total equity of the Company) of the Company to Beijing Haihongyuan through agreement. This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 13 February 2017, the first major shareholder of the Company changed to Beijing Haihongyuan, and the actual controller changed to Hainan Province Cihang Foundation. (For details, see the announcements issued by the Company on 23 January 2017 and 14 February 2017)

Chapter 4 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Shareholdings of directors, supervisors and senior management

Name	Position	Service Status	Shareholding at begin of period	Increase of Shareholding during current period	Decrease of Shareholding during current period	Shareholding at end of period
Liu Daoqi	Chairman	Incumbent	0	0	0	0
Bai Haibo	Director	Incumbent	0	0	0	0
Li Rui	Director, Manager	Incumbent	0	0	0	0
Song Xiang	Director	Incumbent	0	0	0	0
Bao Zongbao	Director	Incumbent	0	0	0	0
Zhang Xiangsheng	Director	Incumbent	0	0	0	0
Zhang Luyang	Independent Director	Incumbent	0	0	0	0
Jin Wenhong	Independent Director	Incumbent	0	0	0	0
Qian Fengsheng	Independent Director	Incumbent	0	0	0	0
Wang Jun	Supervisor	Incumbent	0	0	0	0
Li Dong	Supervisor	Incumbent	0	0	0	0
Qiu Yongjian	Supervisor	Incumbent	0	0	0	0
Su Weiguo	Vice general manager, Board Secretary	Incumbent	0	0	0	0
Feng Xiaoyu	Vice general manager, Financial manager	Incumbent	0	0	0	0
Su Jianghua	Chairman	Resigned Director	0	0	0	0
Wang Zheng	Director	Resigned Director	0	236,900	0	236,900
Liu Jun	Director	Resigned Director	0	0	0	0
Li Min	Director	Resigned Director	0	0	0	0
Wu Junyun	Supervisor	Resigned Supervisor	0	0	0	0

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

Name	Position	Type	Date	Reason
Liu Daoqi	Chairman, Director	elected	11 May 2017	The needs for alternate directors
Bai Haibo	Director	elected	11 May 2017	The needs for alternate directors
Li Rui	Director, Manager	elected	11 May 2017	The needs for alternate directors
Song Xiang	Director	elected	11 May 2017	The needs for alternate directors
Bao Zongbao	Director	elected	5 June 2017	The needs for alternate directors
Zhang Xiangsheng	Director	elected	5 June 2017	The needs for alternate directors
Wang Jun	Supervisor	elected	5 June 2017	The needs for alternate supervisors and shareholder representatives
Su Jianghua	Chairman	Resigned	12 May 2017	The needs of the Company for business development
Wang Zheng	Director	Resigned	21 April 2017	The needs of the Company for business development
Liu Jun	Director	Resigned	21 April 2017	The needs of the Company for business development
Li Min	Director	Resigned	21 April 2017	The needs of the Company for business development
Su Weiguo	Vice Chairman, Director	Resigned	21 April 2017	The needs of the Company for business development
Feng Xiaoyu	Director	Resigned	12 May 2017	The needs of the Company for business development
Wu Junyun	Supervisor	Resigned	5 June 2017	The needs of the Company for business development

4.3 Interest of directors, supervisors and senior management

As at 30 June 2017, 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, even if the domestic economy is relatively stable, the manufacturing industry of transmission and distribution equipment that the Company operated in had experienced the relatively excess capacity and the intensified market competition, as influenced by the structural adjustment in the macroeconomy, causing increasingly heavier operation pressure to the Company. In such background, with the leadership of the board of directors, the management of the Company overcome hardship and difficulties, braved ahead and adopted an operation conduct of down to earth and making steady progress, and thus achieved various established targets.

5.1 Analysis of principal operations

5.1.1 Summary

During the reporting period, the Company recorded operating incomes of RMB17.61 million, with a decrease of RMB16.89 million from the same period last year; it recorded net profits of RMB-20.28 million, with a year-on-year decrease of RMB7.11 million.

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

I. Operating incomes, expenses incurred and net profits

1. The operating incomes decreased by 48.95%, that is, RMB16.89 million from the same period of last year. The operating profits decreased RMB2.44 million due to drop in income. The year-on-year decrease of the operating income mainly consists in the shrink of market demand caused by the economic structural adjustment, the slumped contract performance in terms of high voltage equipment products and the postponed delivery under some contracts due to the customer's reason.

2. The expenses increased RMB4.31 million for three items in total during the reporting period. The main reason is that the losses arising out of the shutdown of some workshops of subsidiaries have been recognized as the management fees and the remunerations of directors and supervisors have been increased due to the adjustment in payment schedule.

3. The losses in assets impairment have been increased from the same period of last year, which leads to a year-on-year decrease of net profits by RMB160,000. This was mainly because of the provision for the bad debts.

4. The non-operating expenses during the reporting period have been increased RMB20,000 on a year-on-year basis, and the non-operating incomes increased RMB620,000, causing an increase of net profits by RMB600,000. This is mainly because of the waiver of partial payables.

5. The return of investment has been decreased RMB330,000 on a year-on-year basis, causing a decrease of net profits by RMB330,000. This is mainly because the Company has not purchased the principal and interest guaranteed banking products.

6. The operating taxes and the surcharges increased RMB470,000. This is mainly because the land use tax has been accounted for as such item, and further caused the net profits decreasing RMB470,000.

II. The Company will focus on the following work during the reporting period:

1. On 23 January 2017, Tsing Chuang Group and Beijing Haihongyuan signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd., and Tsing Chuang Group planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.33% of the total equity of the Company) of the Company to Beijing Haihongyuan through agreement. This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 13 February 2017, the first major shareholder of the Company changed to Beijing Haihongyuan, and the actual controller changed to Hainan Province Cihang Foundation.

2. For the purpose of raising funds, extending the shareholders base and enhancing the Company's capital strength, H share private placement was initiated twice during the reporting period. 155,830,000 new H shares were issued to HNA Hotel Group (Hong Kong) Co., Limited at the price of HK$2.40 per subscription share and was eventually approved by the second extraordinary general meeting of shareholders in 2017, the class meeting of the holders of A shares and the class meeting of the holders of H shares. The subscription will timely inject capital to the Company and promote the development of the Company's business.

3. The Company has transformed values, changed the sales strategy, integrated the existing sales management system, and explored new market resources with the customers' need in mind, in order to pull the Company out of the current difficult conditions as soon as possible.

4. The Company closely observes 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.

5. The offsite relocation and investment of the new plant construction project of the wholly owned subsidiary Fuxin Enclosed Busbar Co., Ltd. has been carried out in an orderly manner. So far, the main building of the plant has been completed and the supporting infrastructure nearly comes to a close and equipment procurement and relocation are all conducted as scheduled. The construction of this project can enhance the Company's overall equipment level and manufacturing capability, achieving the upgrading of strategies and industrial structure.

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	17,612,476.66	13,354,978.21	24.17%	-48.95%	-51.96%	4.75%
By product						
Enclosed busbar	15,980,406.02	12,124,583.33	24.13%	2.39%	0.36%	1.53%
Power capacitor	1,632,070.64	1,230,394.88	24.61%	-91.36%	-92.17%	7.81%
High-voltage switches						
By region						
Northeast	607,745.09	508,945.48	16.26%	-97.11%	-97.01%	-2.96%
North China	695,152.22	508,888.55	26.79%	-88.21%	-89.20%	6.74%
Central China	137,555.56	88,825.31	35.43%	-42.24%	-55.92%	10.05%
East China	7,303,746.80	4,636,076.57	36.52%	14.03%	-8.21%	15.37%
South China	0.00	0.00	0.00%	-100.00%	-100.00%	
Southwest	8,868,277.00	7,612,242.29	14.16%	3,273.61%	2,906.71%	10.47%
Northwest	0.00	0.00	0.00%	-100.00%	-100.00%	

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; certain product development capabilities and investment and financing capabilities.

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 invest 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)
Northeast Electric Development (Hong Kong) Limited	Subsidiary	Trading	Trading	USD20,000,000	47,735,290.65	33,127,480.22	0.00	-810,383.40	-810,383.40
Great Talent Technology Limited	Subsidiary	Investments	Investments	USD1	83,736,317.96	6,391,608.91	0.00	-6,929.32	-6,929.32
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Electronic equipment	Electronic equipment	RMB1,000,000	175,226,361.63	-12,652,705.96	0.00	-1,685,349.21	-1,685,349.21
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	Manufacturing	Enclosed Busbars	USD8,500,000	170,701,178.16	51,812,670.85	15,980,406.02	-1,776,717.29	-1,776,717.29
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	Manufacturing	Power capacitor	USD15,450,000	154,663,550.67	117,842,753.97	1,632,070.64	-10,055,075.39	-9,573,677.82
Jinzhou Jinrong Electric Co., Ltd.	Subsidiary	Manufacturing	Dry-type capacitor	RMB3,000,000	2,442,682.45	723,900.87	0.00	-130,386.93	-130,386.93
Shanghai KaiXin Internet Technology Development Co., Ltd	Subsidiary	Information Technology	Internet technology	RMB10,000,000	6,867,280.26	-56,266.33	0.00	-54,299.01	-54,299.01
Northeast Electric (Chengdu) Power Engineering Design Co., Ltd	Subsidiary	Electricity	Power Engineering	RMB10,000,000	15,924,138.99	9,213,273.99	0.00	-645,359.04	-645,359.04

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

Item	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	17,612,476.66	34,502,030.11	-48.95%	The significant decrease in the number of contracts due to the declined market demand caused by economic structural changes
Costs of sales	13,354,978.21	27,800,764.17	-51.96%	Sales decline
Sales expenses	3,235,411.25	5,136,946.00	-37.02%	Sales decline
Administrative expenses	20,287,891.80	14,728,271.23	37.75%	Loss due to downtime of some production plants and the increase of staff's wages
Finance expenses	626,905.77	-25,497.39	2,558.71%	Increased borrowings
Net cash flow from activities	27,720,853.31	-31,671,290.07	187.53%	Amounts due from former subsidiaries
Net cash flow from investing activities	-1,065,152.91	-7,817,965.48	86.38%	No wealth management products during the period
Net cash flow from financing activities	-21,741,382.17	-273,399.02	-7,852.25%	Repayment of borrowings
Net increase in cash and cash equivalents	4,902,415.72	-39,754,780.39	112.33%	Amounts due from former subsidiaries; repayment of borrowings

5.6 Prospects for the second half of the year

Centered on the annual business objectives and work tasks, the Company's management strive to achieve a breakthrough at the operating level and reverse the situation of performance decline by enhancing the operation efficiency and core competitiveness. In the second half of 2017, the Company will focus on the following work:

1. The Company will further improve the corporate governance structure, drive the management team to shift in thinking, make exploration and innovation actively, broaden sources of income and cut expenditure, and stimulate vitality, energy and creativity of the management team.

2. The Company will change the business development idea positively, and actively grasped the opportunity to adjust the industrial structure gradually and promote industrial upgrade, so as to improve the sustained operation capacity, profitability and asset quality and maximize the interests of shareholders.

3. The Company will improve the working standards and internal control system in strict compliance with the standard operation requirements of listed companies, establish a sound enterprise operation organization mechanism, perfect all the internal control systems constantly, and reinforce risk control measures to reduce business risks.

4. The Company will change the marketing strategies, adjust and optimize the customer base, cultivate the traditional bidding market deeply, and spare no effort to develop industry users and enterprise users, and strive to achieve breakthroughs in some new fields. Meanwhile, the Company will enhance the profitability of leading products, stabilize the market share and presence of leading products and enhance the Company's image.

5. The Company will speed up the construction of the new plant project of Fuxin Enclosed Busbar Co., Ltd., one of its wholly owned subsidiary. Moreover, the Company will carry out technical transformation of production equipment in conjunction with this overall relocation project, with a view to improving the technological level, product quality, production efficiency and productivity regarding the manufacturing of busbar products, and boosting the corporate image and comprehensive competitiveness.

6. The Company will actively endeavor to obtain approval of private placement of H Shares from domestic and overseas regulatory authorities. The Company will further optimize its principal operations through equity financing and seek new business opportunities, thus enhancing the core competitiveness and sustainable development capacity.

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 RMB30,497,087.16.

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 RMB8,000,000, representing 2.29% of the total assets. These bank loans bear fixed and floating interest rates.

The debt equity ratio of the Company was 4.27% (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 RMB57,193,840.96 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 2017, the number of employees on the payroll of the company was 581, compared with 540 by the end of 2016. 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 2017 is distributed as follows:

During the reporting period, the Company recorded the net profit attributable to the parent company of RMB-19,929,800.00, and the accrued profit attributable to shareholders at the end of this period was RMB-1,657,014,460.40. Therefore, the Board resolved not to make any profit distribution and not to transfer any capital reserve into share capital during the reporting period.

As there was no dividend paid during the reporting period, the directors do not resolve to pay the interim dividend for the period of six months ended 30 June 2017.

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 litigation and claims.

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

None

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 25.52% of the audited net assets of the Company for 2016.

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 25.45% of the audited net assets of the Company for 2016 (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

Beijing Haihongyuan made the following commitments in the acquisition report or equity change report: Avoid horizontal competition with the listed company; reduce and normalize the connected transactions with the listed company; maintain independence of the listed company after the acquisition; strictly abide by the CSRC's related regulations on reduction of shares held by major shareholders of listed companies.

During the reporting period, Beijing Haihongyuan 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 2017, 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 2017.

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 2017.

At the meeting held on 25 August 2017, the Audit Committee reviewed and approved the 2017semi-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 inquires, 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 25 June to 25 August 2017).

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 asses-sable 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. Additional issuance of H-shares

On 5 April 2017, HNA Hotel Group (Hong Kong) Company Limited, the person acting in concert of Beijing Honghaiyuan, entered into Share Subscription Agreement with the Listed Company, based on which HNA Hotel Group (Hong Kong) Company Limited proposed to subscribe the H-shares additionally allotted and issued by Northeast Electric Development Company Limited. Beijing Honghaiyuan and HNA Hotel Group (Hong Kong) Company Limited, the person acting in concert, both are the subsidiaries of HNA Group. (For details, see the announcement published by the Company on 5 April 2017)

The additional issuance of the H-share scheme has been resolved by the second Extraordinary General Meeting and the Class Meeting of the shareholders in 2017 subject to the approval for application from regulators both domestically and internationally before implementation. (For details, see the announcement on resolutions of shareholders' meeting published on 5 June 2017)

The Company received Acceptance Notice of the Application for Administrative Permission from the China Securities Regulatory Commission ("CSRC") (No.171506) issued by the CSRC on 4 August 2017. (For details, see the Announcement on Obtaining CSRC's Acceptance of Application for Non-public H-Shares Issuance published by the Company on 7 August 2017)

2. Proceeding on settlement fee of employees of the original subsidiary

To solve the settlement of employees of the subsidiary, i.e. Shenyang High Voltage Switchgear Co., Ltd. ("Shengao Company"), the Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi State-owned Bureau") signed the "Agreement on the Proper Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd." and the "Supplementary Agreement on the Proper Resettlement of Employees of Shengao Co., Ltd." with the Company and the Shengao Company on 30 June 2008 and 28 November 2008. According to the agreements, the total employee resettlement fee is RMB132.39 million and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. ("Xin Shengao Company") shall provide joint and several guarantees for the resettlement fee payable by the Company.

The Company received the "Notice of Appearance" (Liao 01 Min Chu [2017] No. 430), the bill of indictment, and other related litigation materials served by Liaoning Shenyang Municipal Intermediate People's Court (hereinafter referred to as "the Court") on 5 July 2017: Tiexi State-owned Bureau has brought a lawsuit to the Court, applying to the Court to rule according to laws that the 1st defendant shall repay all the arrears of RMB28.53 million, interest of RMB7,788,690 and liquidated damages of RMB1,426,500, totaling RMB37,745,190, to the Company; Shengao Company shall bear joint liability for the aforementioned debt of the Company; and Xin Shengao Company shall provide joint and several guarantee for the aforementioned debt of the Company. See the Announcement published on 7 July 2017 for details.

Chapter 7 Financial Reports (prepared under the PRC GAAP)

I. Financial Statements

1. CONSOLIDATED BALANCE SHEET (30 June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and deposits	30,497,087.16	27,600,371.44
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable	1,208,875.00	2,618,650.00
Accounts receivable	134,991,816.08	136,074,792.34
Prepayment	10,356,964.68	543,352.21
Interest receivable	0.00	
Dividend		
Other receivable	13,034,743.31	71,024,930.24
Inventory	12,920,539.44	14,991,583.86
Assets held for sale		
Non-current asset due within 1 year	0.00	0.00
Other current asset	1,781,550.22	2,410,131.45
Total current assets	**204,791,575.89**	**255,263,811.54**
Non-current assets:		
Financial assets available for sale	54,204,904.29	55,074,754.24
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	24,743,218.68	25,000,000.00

1. CONSOLIDATED BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Investment in real estate		
Fixed assets	40,330,077.46	41,844,623.66
Construction in progress	6,701,252.61	6,415,346.77
Material - construction		
Liquidation of fixed assets	629,668.46	629,668.46
Productive biological assets		
Oil and gas assets		
Intangible assets	16,863,763.50	17,063,511.60
Development expenditures		
Goodwill	72,097.15	72,097.15
Long-term deferred expenses	1,741,806.88	466,515.79
Deferred income tax assets	0.00	
Other non-current assets		
Total non-current assets	**145,286,789.03**	**146,566,517.67**
Total assets	**350,078,364.92**	**401,830,329.21**
Current liabilities:		
Short-term borrowings	8,000,000.00	29,000,000.00
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable	40,000.00	1,845,000.00
Accounts payable	27,895,590.19	34,672,564.45
Receipts in advance	3,663,737.12	7,654,564.12
Employee compensation	2,840,737.66	3,199,858.76

1. CONSOLIDATED BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Taxes payable	972,292.00	794,793.64
Interest payable	0.00	42,777.77
Dividends	40,017.86	40,017.86
Other payables	44,976,088.15	45,371,142.65
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other liabilities		
Total current liabilities	**88,428,462.98**	**122,620,719.25**
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Premium		
Perpetual		
Long-term payables		
Long-term payable – salaries & benefits		
Special payables	13,692,600.00	10,609,500.00
Estimated liabilities	60,721,078.25	60,721,078.25
Deferred revenue		
Deferred liabilities – income tax		
Other non-current liabilities		
Total non-current liabilities	**74,413,678.25**	**71,330,578.25**
Total liabilities	**162,842,141.23**	**193,951,297.50**

1. CONSOLIDATED BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
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	-25,862,328.48	-25,504,988.44
Special reserve		
Surplus reserve	108,587,124.40	108,587,124.40
Provision for general risk		
Retained profits	-1,657,014,460.40	-1,637,084,660.40
Total equity attributable to the equity holders of the Company	**182,502,739.44**	**202,789,879.48**
Minority interests	4,733,484.25	5,089,152.23
Total shareholders' equity	**187,236,223.69**	**207,879,031.71**
Total liabilities and shareholders' equity	**350,078,364.92**	**401,830,329.21**

2. COMPANY BALANCE SHEET (30 June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and deposits	3,935.07	49,760.27
Financial assets at fair value through current profit or loss	–	–
Derivative financial assets	–	–
Notes receivable	–	–
Accounts receivable	746,707.07	746,707.07
Prepayment	–	–
Interest receivable	–	–
Dividend	–	–
Other receivable	279,477,305.20	307,399,040.24
Inventory	–	
Assets held for sale		
Non-current asset due within 1 year		
Other current asset	228,425.83	94,711.67
Total current assets	**280,456,373.17**	**308,290,219.25**
Non-current assets:		
Financial assets available for sale		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	106,919,936.99	106,919,936.99
Investment in real estate		
Fixed assets	53,808.02	47,828.87

2. COMPANY BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Construction in progress		
Material - construction		
Liquidation of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets		
Development expenditures		
Goodwill		
Long-term deferred expenses	1,344,055.83	
Deferred tax assets		
Other non-current assets		
Total non-current assets	**108,317,800.84**	**106,967,765.86**
Total assets	**388,774,174.01**	**415,257,985.11**
Current liabilities:		
Short-term borrowings	–	20,000,000.00
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	–	–
Prepayment	581,743.59	581,743.59
Employee compensation	84,226.82	161,013.22
Taxes payable	18,870.45	97,119.68
Interest payable	–	42,777.77

2. COMPANY BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Dividends		–
Other payables	32,084,752.85	31,978,918.05
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other liabilities		
Total current liabilities	**32,769,593.71**	**52,861,572.31**
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Premium		
Perpetual		
Long-term payables		
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	**93,490,671.96**	**113,582,650.56**

2. COMPANY BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments	–	–
Incl.: Premium	–	–
Perpetual	–	–
Capital reserve	995,721,167.46	995,721,167.46
Less: Treasury stock	–	–
Other comprehensive income	–	–
Special reserve	–	–
Surplus reserve	108,587,124.40	108,587,124.40
General risk preparation	–	–
Retained profits	-1,682,394,789.81	-1,676,002,957.31
Total shareholders' equity	**295,283,502.05**	**301,675,334.55**
Total liabilities and shareholders' equity	**388,774,174.01**	**415,257,985.11**

3. CONSOLIDATED INCOME STATEMENT (June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	17,612,476.66	34,502,030.11
Incl.: Sales	17,612,476.66	34,502,030.11
II. Total operating cost	38,379,342.21	47,877,651.41
Incl.: Cost of sales	13,354,978.21	27,800,764.17
Taxes & Surcharges	652,983.66	178,557.21
Expenses of Sales	3,235,411.25	5,136,946.00
Administrative expenses	20,287,891.80	14,728,271.23
Finance expenses	626,905.77	-25,497.39
Assets Impairment loss	221,171.52	58,610.19
Plus: Income of fair value variance (loss is posed as "-")	0.00	–
Return on investments (loss is posed as "-")	0.00	328,972.60
Incl.: return on investments to associates and related parties	–	–
III. Operational Profit (Loss is posed as "-")	-20,766,865.55	-13,046,648.70
Plus: Non-operating income	620,476.86	522.19
Incl.: income of disposal of non-current assets	–	–
Less: Non-operating expenses	139,079.29	123,215.03
Incl.: loss of disposal of non-current assets	139,079.29	121,921.28
IV. Total Profit (Total loss is posed as "-")	-20,285,467.98	-13,169,341.54
Less: Income tax expenses	–	–

3. CONSOLIDATED INCOME STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
V. Net Profit (Net loss is posed as "-")	-20,285,467.98	-13,169,341.54
Net profit attributable to equity holders of the Company	-19,929,800.00	-13,159,973.93
Minority interests	-355,667.98	-9,367.61
VI. Net other comprehensive income after tax	-357,340.04	2,018,212.58
Total comprehensive income attributable to the equity holders of the Company	-357,340.04	2,018,212.58
(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	-357,340.04	2,018,212.58
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	-357,340.04	2,018,212.58
6. Others		
Net after-tax comprehensive income attributable to minority interests		

3. CONSOLIDATED INCOME STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
VII. Total comprehensive income	-20,642,808.02	-11,151,128.96
Total comprehensive income attributable to the equity holders of the Company	-20,287,140.04	-11,141,761.35
Total comprehensive income attributable to the minority interests of the Company	-355,667.98	-9,367.61
VIII. Earnings per share		
(I) Basic earnings per share	-0.0228	-0.0151
(II) Diluted earnings per share	-0.0228	-0.0151

4. COMPANY INCOME STATEMENT (June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	–	–
Less: Cost of sales	–	–
Taxes & surcharges	–	–
Expenses of sales	–	–
Administrative expenses	6,006,048.06	3,250,457.45
Finance expenses	385,784.44	1,135.64
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 "-")	-6,391,832.50	-3,251,593.09
Plus: Non-operating income		
Less: Non-operating expenses	–	–
Incl.: loss of disposal of non-current assets	–	–
III. Total Profit (Total loss is posed as "-") -	-6,391,832.50	-3,251,593.09
Less: Income tax expenses		
IV. Net Profit (Net loss is posed as "-")	-6,391,832.50	-3,251,593.09

4. COMPANY INCOME STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
V. Net other comprehensive income after tax		
(I) Other comprehensive income not to be re-categorized into profit & loss		
1. Remeasurement of net liabilities/assets variance of defined benefit plans		
2. Shares of other comprehensive income not to be re-categorized into profit & loss from invested parties by equity methods		
(II) Other comprehensive income to be re-categorized into profit & loss		
1. Shares of other comprehensive income to be re-categorized into profit & loss from invested parties by equity methods		
2. Profit/Loss in fair value of available-for-sale financial assets		
3. Profit/Loss of held-to-maturity investments in re-categorized available-for-sale financial assets		
4. Effective portion of profit/loss from cash flow hedge		
5. Differences of exchange for foreign currency report		
6. Others		
VI. Total comprehensive income	-6,391,832.50	-3,251,593.09

5. CONSOLIDATED CASH FLOW STATEMENT (June 2017)

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	21,689,573.95	24,790,439.47
Tax refunds received		
Cash received from other operating activities	63,768,726.38	1,867,638.79
Sub-total of cash inflows from operating activities	**85,458,300.33**	**26,658,078.26**
Cash paid to goods purchased and labor service received	27,796,507.44	29,174,874.27
Cash paid to and for employees	14,042,442.25	10,980,792.84
Payments of taxes and surcharges	1,062,275.51	5,429,278.00
Cash payments to other operating activities	14,836,221.82	12,744,423.22
Sub-total of cash outflows for operating activities	**57,737,447.02**	**58,329,368.33**
Net Cash Flow from operating activities	**27,720,853.31**	**-31,671,290.07**
II. Cash flow from investing activities:		
Cash from disinvestments	0.00	32,000,000.00
Cash received from return of investments	0.00	328,972.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	0.00	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**

5. CONSOLIDATED CASH FLOW STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	1,065,152.91	172,327.08
Cash paid for investment	0.00	40,000,000.00
Net increase of mortgaged loans		
Net cash paid for subsidiaries and other operating units	0.00	0.00
Cash paid relating to other investing activities	0.00	0.00
Sub-total of cash outflows	**1,065,152.91**	**40,172,327.08**
Net cash flow from investing activities	**-1,065,152.91**	**-7,817,965.48**
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Incl.: cash received by subsidiaries from minority shareholders		
Cash received from borrowings	6,000,000.00	3,000,000.00
Cash received from bond issued		
Cash received relating to other financing activities		
Sub-total of cash inflows	**6,000,000.00**	**3,000,000.00**
Cash paid for repayments of debts	27,000,000.00	3,000,000.00
Cash paid for distribution of dividends, profits and interest	741,382.17	273,399.02
Incl.: cash paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities		
Sub-total of cash outflows	**27,741,382.17**	**3,273,399.02**
Net cash flow from financing activities	**-21,741,382.17**	**-273,399.02**
IV. Effect of changes in foreign currency rates on cash and cash equivalents	**-11,902.51**	**7,874.18**
V. Net increase of cash and cash equivalents	**4,902,415.72**	**-39,754,780.39**
Plus: Balance of cash and cash equivalents at beginning of period	24,833,221.44	101,603,025.69
VI. Balance of cash and cash equivalents at end of period	**29,735,637.16**	**61,848,245.30**

6. COMPANY CASH FLOW STATEMENT (June 2017)

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	–	–
Tax refunds received	–	–
Cash received from other operating activities	54,927,792.48	4,125,194.36
Sub-total of cash inflows from operating activities	**54,927,792.48**	**4,125,194.36**
Cash paid to goods purchased and labor service received	–	–
Cash paid to and for employees	3,247,636.17	207,108.32
Payments of taxes and surcharges	–	250,118.97
Cash payments to other operating activities	31,243,332.02	3,632,406.03
Sub-total of cash outflows for operating activities	**34,490,968.19**	**4,089,633.32**
Net cash flow from operating activities	**20,436,824.29**	**35,561.04**
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	14,038.38	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	**14,038.38**	**33,697.83**
Net cash flow from investing activities	**-14,038.38**	**-33,697.83**

6. COMPANY CASH FLOW STATEMENT (June 2017) *(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	20,000,000.00	–
Cash paid for distribution of dividends, profits and interest	468,611.11	–
Cash paid relating to other financing activities	–	–
Sub-total of cash outflows	**20,468,611.11**	**–**
Net cash flow from financing activities	**-20,468,611.11**	**–**
IV. Effect of changes in foreign currency rates on cash and cash equivalents		
V. Net increase of cash and cash equivalents	**-45,825.20**	**1,863.21**
Plus: Balance of cash and cash equivalents at beginning of period	49,760.27	2,658.47
VI. Balance of cash and cash equivalents at end of period	**3,935.07**	**4,521.68**

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (June 2017)

Amount for the current period

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	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Other		
		Premium	Perpetual	Others										
I. Balance from last year	873,370,000.00				883,422,403.92		-25,504,988.44	108,587,124.40		-1,637,084,660.40			5,089,152.23	207,879,031.71
Plus: Changes in accounting policies														
Corrections to previous errors														
Others														
II. Balance at beginning of year	873,370,000.00				883,422,403.92		-25,504,988.44	108,587,124.40		-1,637,084,660.40			5,089,152.23	207,879,031.71
III. Changes in the year (loss is "-")							-357,340.04			-19,929,800.00			-355,667.98	-20,642,808.02
(I) Total comprehensive income							-357,340.04			-19,929,800.00			-355,667.98	-20,642,808.02
(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														
2. Extraction provision for general risk														
3. Distribution to shareholders														
4. Others														
(IV) Transfer within equity														
1. Transfer-in from capital reserves														
2. Transfer-in from surplus reserves														
3. Loss covered by surplus reserves														
4. 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		-25,862,328.48	108,587,124.40		-1,657,014,460.40			4,733,484.25	187,236,223.69

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY June 2017 *(Continued)*

Amount for the previous year
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	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Other		
		Premium	Perpetual	Others										
I. Balance from last year	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
Plus: Changes in accounting policies														
Corrections to previous errors														
Others														
II. Balance at beginning of year	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
III. Changes in the year (loss is "-")							5,296,521.13			-99,493,754.11			4,735,931.16	-89,461,301.82
(I) Total comprehensive income							5,296,521.13			-99,493,754.11			-94,799.02	-94,292,032.00
(II) Increase/Decrease of capital from shareholders													4,830,730.18	4,830,730.18
1. Common shares														
2. Other equity instrument														
3. Shares paid taken into shareholder's equity														
4. Others													4,830,730.18	4,830,730.18
(III) Distribution of profit														
1. Extraction of surplus reserves														
2. Extraction provision for general risk														
3. Distribution to shareholders														
4. Others														
(IV) Transfer within equity														
1. Transfer-in from capital reserves														
2. Transfer-in from surplus reserves														
3. Loss covered by surplus reserves														
4. 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		-25,504,988.44	108,587,124.40		-1,637,084,660.40			5,089,152.23	207,879,031.71

8. COMPANY STATEMENT OF CHANGES IN EQUITY (June 2017)

Amount for the current period

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	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Total shareholders' equity
		Premium	Perpetual	Others								
I. Balance from last year	873,370,000.00		–	–	995,721,167.46	–	–	108,587,124.40	–	-1,676,002,957.31	–	301,675,334.55
Plus: Changes in accounting policies												–
Corrections to previous errors												–
Others												–
II. Balance at beginning of year	873,370,000.00				995,721,167.46	–	–	108,587,124.40	–	-1,676,002,957.31		301,675,334.55
III. Changes in the year (loss is "-")	–	–	–	–	–	–	–	–	–	-6,391,832.50	–	-6,391,832.50
(I) Total comprehensive income							–	–		-6,391,832.50		-6,391,832.50
(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												–
2. Distribution to shareholders												–
3. Distribution to shareholders												–
4. Others												–
(IV) Transfer within equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Transfer-in from capital reserves												–
2. Transfer-in from surplus reserves												–
3. Loss covered by surplus reserves												–
4. 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	–	–	–	995,721,167.46	–	–	108,587,124.40	–	-1,682,394,789.81	–	295,283,502.05

8. COMPANY STATEMENT OF CHANGES IN EQUITY (June 2017) *(Continued)*

Amount for the previous year

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	Surplus reserve	Provision for general risk	Retained profits	Special reserve	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 "-")	-	-	-	-	16,506,379.01	-	-	-	-	-9,131,252.84	-	7,375,126.17
(I) Total comprehensive income							-			-9,131,252.84		-9,131,252.84
(II) Increase/Decrease of capital from shareholders	-	-	-	-	16,506,379.01	-	-	-	-	-	-	16,506,379.01
1. Common shares					16,506,379.01							16,506,379.01
2. Other equity instrument												-
3. Shares paid taken into shareholder's equity												-
4. Others												-
(III) Distribution of profit	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves												-
2. Distribution to shareholders												-
3. Distribution to shareholders												-
4. Others												-
(IV) Transfer within equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves												-
2. Transfer-in from surplus reserves												-
3. Loss covered by surplus reserves												-
4. 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	-	-	-	995,721,167.46	-	-	108,587,124.40	-	-1,676,002,957.31	-	301,675,334.55

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

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	3%, 5%

The execution of income tax rate of subsidiaries

(1) The Company and its subsidiaries such as Jinzhou Jinrong Electric Co., Ltd., Fuxin Enclosed Busbars Co., Ltd., New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd., and Northeast Electric (Chengdu) Power Engineering Design Co., Ltd are subject to the corporate income tax rate of 25%.

(2) For Northeast Electric Development (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 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)	-19,929,800.00	-13,159,973.93

7.4.4 Earnings per share

	The reporting period	The same period last year
Basic earnings per share (RMB/Share)	-0.0228	-0.0151
Diluted earnings per share (RMB/Share)	-0.0228	-0.0151

7.4.5 Dividends

No dividends was paid or proposed for the six months ended 30 June 2017 (or for the six months ended 30 June 2016: 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 2017, 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.

Unified Social Credit Code of the Company is: 91210000243437397T; Registered capital: RMB873,370,000.00; Legal representative: Su Jianghua; Business address: 23/F., Block 4, 9 Taihu East Road, Xinbei District, Changzhou, Jiangsu 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 power capacitor, enclosed busbar and other system protection and transmission equipment.

5. The parent company

The parent company of the Company is Beijing Haihongyuan Investment Management Co., Ltd, which is also the Ultimate Parent.

6. The financial statements are approved on 25 August 2017 in the 15th meeting of the 8th board of directors.

The results of 8 subsidiaries of the Company have been consolidated in the Financial Statements of the current period. For details, please see Note IX "Merger and consolidated financial statements" and Note X "Disclosure of equity in other entities". There was no change in the scope of consolidation as compared with that of last year.

V. Basis of preparation of financial statements

1. Basis of presentation

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 were announced subsequently (together the "Accounting Standards for Business Enterprises"), and the disclosure requirements of the "Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2014 amendments)" issued by China Securities Regulatory Commission.

The Company has conducted financial accounting on Accrual Basis, according to the relevant regulations of the Accounting Standards. Except for certain financial instruments, the Financial Statements are valued at historical cost. Impairment of Assets Reserves is 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 Company maintains sound internal control system and standardized corporate administration and has a good financing platform and better image in the capital market.

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the end of the reporting period.

VI. Significant accounting policies and accounting estimates

Reminder of specific accounting policies and accounting estimates:

Whether the Company is required to comply with the special industry disclosure requirements

No

Reminder of specific accounting policies and accounting estimates: None

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

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as at 30 June 2017 and of its operating results, cash flows and other information for the six months then ended. In addition, all material aspects of the financial statements of the Company are complied with the requirements of "Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2014 amendments)" issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and its accompanying notes.

2. Accounting period

Accounting periods of the Company are divided into annual periods (yearly) and interim periods. An interim accounting period is a reporting period shorter than a full accounting year. Accounting year is the calendar year from 1 January to 31 December.

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 statements of the Company are represented in RMB.

5. Accounting treatment for business combinations

Business combinations represent the consolidation of the transactions and events of two or more individual enterprises. Business combinations can be classified as business combination under common control and business combination not under common control.

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For business combination under common control, the party obtaining the control of the other parties at the combination date is the acquiring party, other parties involved in the business combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve (or capital premium). If the share premium under capital reserve (or capital premium) is not sufficient to offset the difference, any excess shall be adjusted against retained earnings.

Expenses that are directly attributable to business combination by the acquiring party are recorded in the profit and loss in the period incurred.

(2) Business combination not under common control

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

For business combination not under common control, the cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date. Costs that are directly attributable to the business combination such as audit fee, legal services fee, consultancy fee and other relevant expenses incurred by the company as acquirer are recorded in the profit or loss in the period incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognised amount of equity securities or debt securities. For conditions that existed at the date of the acquisition and within 12 months of the acquisition date, when there are updated or new evidence which affect the fair value of the contingent assets and liabilities acquired or undertaken as consideration of the business combination, the goodwill arising from the business combination shall be amended accordingly. The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current year after a review of computation.

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

For a business combination not involving enterprises under common control and achieved in stages, the Company would determine whether the business combination shall be regarded as "a bundle of transactions" in accordance with "Interpretation 5 on Accounting Standards for Business Enterprises" (No. Caihui [2012] 19) and Rule 51 in "Decree 33, Accounting Standards for Business Enterprises - Consolidated Reports" (Refer to Note IV 5(2)). When the business combination is regarded as "a bundle of transactions", the accounting treatment for the business combination shall be in accordance with the previous paragraphs and (14) "Long term equity investment"; when the business combination is not regarded as "a bundle of transactions", the accounting treatment for the business combination in company and consolidated financial statements shall be as follows:

In the financial statements of the Company, the initial cost of the investment shall be the sum of the carrying amount of its previously-held equity interest in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. The other comprehensive income involved in the previously-held equity interest in the acquiree prior to the acquisition date are accounted on the same basis as the investee when disposing of their relative assets or liabilities (i.e. except for the portion variated due to change of net liabilities or net assets under remeasurement of defined benefit plans, the rest are taken into the current return on investment).

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

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

When the control of a subsidiary ceased due to disposal of a portion of an interest in the subsidiary, the fair value of the remaining equity interest is remeasured at the date on which the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the Company since acquisition date, is recognised 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 the control ceased (i.e. except for changes due to net liabilities or net assets from such investee's re-measured defined benefits plan, the rest are reclassified as investment income during the period). Subsequent measurement of the remaining interests shall be in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises 2 –Long-term Equity Investments" or "Accounting Standards for Business Enterprises 22 –Financial Instruments Recognition and Measurement", which are detailed in Note VI 14 "Long-term equity investments" or Note VI 10 "Financial instruments".

The Company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into after having considered the mutual consequences of each individual transaction; (ii) The transactions needed to be considered as a whole in order to achieve a deal with commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; (iv) The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as "disposal of a portion of an interest in a subsidiary which does not lead to loss of control" (Detailed in Note IV 11 (2) (iv)) and "disposal of a portion of an interest in a subsidiary which lead to loss of control" (detailed in previous paragraph). When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transaction before loss of control shall be recognised as other comprehensive income, and be reclassified as profit or loss arising from the loss of control when control is lost.

7. Joint venture arrangement classification and relative accounting methods

The joint venture arrangement refers to 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 a 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 assets of the invested entity.

Equity method is adopted to account for investment in the joint ventures by the Company in accordance with accounting policies as set out in Note IV.11 (2) (ii)"Long-term equity investment accounted for using equity method".

In joint-operation, the Company recognises 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 recognised, 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 recognised.

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 recognised by the Company before the relative asset is sold to a third party. If any loss occur due to such transaction and meet the criteria of "Accounting Standard for Business Enterprise No.8 - Impairment of assets", the Company will recognise loss in full amount if it is the Company that transfers or sell assets to joint operation, and will recognise 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 at the dates of the transactions, except when the Company carried on a business of currency exchange or involved in currency exchange transactions, at which the actual exchange rates would be used.

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

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

Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into the recording currency at the balance sheet date using the spot rate at the date of the transactions. Nonmonetary 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 recognised as in profit or loss or in other comprehensive income in the current period.

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

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. Opening balance of undistributed profits is equal to the closing balance of undistributed profits after translation in last year; closing balance of undistributed profit is computed according to the items in profit distribution after translation. The exchange difference arising from translation of assets, liabilities and equity items are recognised as other comprehensive income. Such exchange difference listed under Shareholders' Equity in Balance Sheet will be reclassified to profit or loss in current period 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 or the rates approximate thereto. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

The opening balances and the prior year's figures 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 ceased control over its overseas operations when disposing all or part of offshore shareholders' equity, or due to 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 of part of the equity investment or due to other reasons. Such exchange differences are taken into the current Profit & Loss when the share equity is disposed of by the Company's associate or joint venture.

10. Financial Instruments

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

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

Fair value is the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value of a financial instrument that is traded on an active market is determined at the quoted price in the market. Quoted price in the active market represent quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency etc, which are the actual transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded on an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, with 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

Any regular acquisition and disposal of financial assets is recognised and derecognised at the transaction dates. At initial recognition, financial assets can be classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

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

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

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

Financial assets which met one of the following conditions can be designed as financial assets at fair value through profit or loss at inception: A. The designation can eliminate or substantially eliminate the inconsistencies between profit or loss from the financial assets arising from different measurement basis; B. As specified in the official written documents of the Company on risk management or investment strategies, the portfolio of financial assets or the portfolio of financial assets and financial liabilities to which the financial asset belongs is managed and evaluated at the fair value and reported to key management personnel.

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity.

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

Effective interest rate method is a method of calculating the amortised cost, periodic interest income or payment of financial assets or financial liabilities (including a portfolio of financial assets or financial liabilities). Effective interest rate is the rate used for discounting the estimated future cash flows of a financial asset or financial liability to its current carrying amount through the expected life of the financial asset or financial liability or, where appropriate, a shorter period.

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

(iii) Loans and receivables

Loans and 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.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as 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 amortised cost method, which means the amount of initial recognition less the amount of principle already repaid, add or less the accumulated amortised amount arising from the difference between the amount due on maturity and the amount initially recognised using effective interest rate method, and less the amount of impairment losses recognised. The closing cost of available-for-sale equity instruments is equal to its initial acquisition cost.

Available-for-sale financial assets are 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 amortised cost which are recognised in Profit & Loss, are recognised as other comprehensive income and reclassified to Profit & Loss when the financial assets are de-recognised. However, equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, and derivative financial assets that are linked to and must be settled by delivery of such equity instrument are subsequently measured at cost.

Interests received during the period in which available-for-sale financial assets are held and the cash dividends declared by the investee are recognised 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 ton collective group basis together with a portfolio of financial assets which has similar credit risk characteristics.

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

Impairment loss is recognised in profit or loss according to the differences between the carrying amounts based on cost or amortised 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 recognised shall be reversed. However the reversal shall not result in a carrying amount of the financial asset exceeding the amortised cost that would have been if the impairment had not been recognised on the date when the impairment is reversed.

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

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

If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in other comprehensive income is removed from other comprehensive income and recognised in profit or loss. The cumulative loss that is removed from other comprehensive income is the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in 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 recognised shall be reversed, impairment losses recognised for equity instruments classified as available-for-sale are reversed through other comprehensive income, while impairment losses recognised for debt instruments classified as available-for-sale are reversed through current profit or loss.

The impairment losses recognised on investment in equity instruments whose fair value cannot be measured reliably and which do not have a quoted price in active market, or on derivative financial assets 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-recognised when one of the following conditions is met: (i) The contractual right for receiving cash flows from the financial asset is terminated; (ii) The financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee. (iii) The financial asset is transferred; the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset.

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

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

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

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

(5) Classification and measurement of financial liabilities

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

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

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

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 recognised in profit or loss.

(ii) Other financial liabilities

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

(iii) Financial guarantee contract

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

(6) De-recognition of financial liabilities

A financial liability shall be derecognised or partly derecognised 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 de-recognised, and the new financial liability shall be recognised at the same time.

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

For combined instruments with embedded derivatives, where the combined instruments 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 at a 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 recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented on the balance sheet after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately on the balance sheet.

(9) Equity instruments

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

11. Receivables

(1) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Basis or criteria of determining receivables with amounts that are individually significant	The Company considers receivables with amounts over RMB1 million as individually significant.
Provision method of receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts	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) Grouping basis and method of provision on receivables that are subject to provision for bad debts collectively on credit risk characteristics

Group	Methods of determining provision for bad debts
Individual insignificant accounts receivable, other receivables, and individual significant accounts which not impaired on individual basis will be assessed for impairment on collective basis based on aging	Aging analysis method
Amount due from subsidiaries (internal current account)	Other method(s)

The provision ratios used under the aging analysis method for the above groupings are:

√ applicable ☐ not applicable

Age of accounts	Provision ratio used for accounts receivable (%)	Provision ratio used for other receivables (%)
Within 1 year (inclusive)	0.00%	0.00%
1-2 years	0.00%	0.00%
2-3 years	40.00%	40.00%
3-4 years	60.00%	60.00%
Over 4 years	100.00%	100.00%

The provisions for bad debt are made based on balance percentage method:

☐ Applicable √ Not applicable

The provisions for bad debt are made based on other methods:

☐ Applicable √ Not applicable

(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 are objective evidence that the Company will not be able to collect the amount
Method of provision	Based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

12. Inventories

Whether the Company needs to comply with the disclosure requirements for specialized industry

No

(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 of purchase cost, overhead and other costs. Cost for consuming and delivery of inventories is determined using the weighted average method.

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

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

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

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

(4) The Company adopts the perpetual inventory system.

13. Classified held-to-maturity assets

When a certain non-current asset can be sold immediately under the circumstances by the common practice, and the Company has passed a resolution to dispose of 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 of. Non-current assets held for sale include individual asset and disposal group. If a disposal group is a group of assets, and goodwill arising from business combination is allocated to the group of asset in accordance with "Accounting standards for business enterprise 8 –Impairment of assets", or the disposal group is an operation operating but such asset, then the disposal group includes goodwill arising from business combination.

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

When an asset or disposal group previously recognised 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 depreciation, amortization or impairment as if they are never being classified as assets held for sale; (2)The recoverable amount of the asset or disposal group at the date where the decision of not disposing the asset or disposal group was made.

14. Long-term equity investments

Long-term equity investments in this section refer to those with which the Company exercises single or joint control over the invested entity, or has significant influence on its operation. Long-term equity investments fall out of this category are classified either as available-for-sale financial asset or as financial asset measured by its fair value and is accounted into the current Profit & Loss by its changed value. For detailed accounting policy see Note IV.8 "Financial Instruments".

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

(1) Recognition of cost of investment

For long-term equity investment resulting from merger of enterprises under the same control, the Company regards the share of the carrying amount of the 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 carrying amount 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 carrying amount 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 carrying amount 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 carrying amount 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 investments 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 recognised 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 uses equity method for accounting of the long-term equity investment which enjoys joint control or significant control over the invested entity, except co-undertakings. In addition, the financial statements on company level use cost method to account for long-term investments which the Company has control over the investee

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

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

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

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

For long-term equity investment accounted for using equity method, return on investment and other comprehensive income are recognised separately according to the share in the invested entity's net profit/or loss and its other comprehensive income, with the carrying amount adjusted for the long-term equity investment by the Company. Carrying amount 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 carrying amount of long-term equity investment to be adjusted, and taken into capital reserve. Net profit of the invested entity is recognised 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 recognised on such basis. However if such realized loss on internal transactions are classified as loss on diminution 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 recognised as initial cost of investment, and the difference between initial cost of investment and carrying amount 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 carrying amount 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 recognised, 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 recognised.

(iii) Acquisition of minority interest

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

(iv) Disposal of long-term equity investment

When preparing consolidated financial statements, when the parent company disposes of 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 recognised in shareholders' equity; when the parent company disposes part of its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at Note IV 5 (2) "Preparation of consolidated financial statements".

For disposal of long-term equity investment in other situations, the difference between the considerations received and the carrying amount of the disposed investment shall be recognised 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 recognised 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 recognised using equity method before the investment, or recognised by the regulations of financial instrument recognition and measurement, and such income will be transferred to the current Profit & Loss proportionately. Changes to shareholders' equity other than those caused by net profit/or loss, other comprehensive income or profit distribution will be taken into the current Profit & Loss.

For the remaining share equity after partial disposal which cause the Company to lose control over the invested entity, equity method will be used to account and adjust for the remaining share equity as if they are accounted by the same method upon acquisition, if such equity enable the Company exercise joint control or significant influences over the invested entity. If not, the difference between fair value on the date of losing control and carrying amount will be taken into the current Profit & Loss, according to the regulations of financial instrument recognition and measurement. For the other comprehensive income recognised by equity method or by financial instruments recognition and measurement before the Company took control of the invested entity, the same basis the invested entity while disposing relative asset or liability will be adopted for accounting when the Company lose control over the investee, changes to shareholders' equity in the net asset of invested entity recognised 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 fair value of such equity on the date of losing control or significant influence and carrying amount will be taken into the current Profit & Loss. Other comprehensive income recognised using equity method for the previous share equity investment will be accounted using the same basis as the invested entity while disposing the relative asset or liability, full amount of shareholders' equity recognised 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 classified as "a bundle of transactions", then they will be accounted as one transaction of control-losing asset disposal, difference between each amount of disposal and carrying amount of relative share equity will be recognised 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 recognised 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 for different categories of fixed assets

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

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

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.

The impairment loss assessment method and provision method of construction in progress is detailed at 22 "Impairment on non-current assets".

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 recognised in current profit or loss.

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

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

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

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

19. Biological assets

20. Oil and gas assets

21. Intangible assets

(1) Measurement method, useful life, impairment test

(1) Intangible assets

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

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

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

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

For an intangible asset with a finite useful life, the useful life and amortization method are reviewed at each year-end, relevant adjustments will be regarded as a change in accounting estimates. In addition, intangible asset with 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.

(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 recognised 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 recognised in current profit or loss:

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

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

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

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

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

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

(3) Impairment loss assessment and provision for intangible assets

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

(2) Research and development

22. Impairment on non-current assets

At balance sheet date, the Company will assess whether there are any indications of impairment on non-current and non-financial assets such as fixed assets, construction in progress, intangible asset with finite useful life, investment properties accounted for using cost model, long-term equity investments in joint ventures and associates. If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated and impairment test will be performed. Impairment test will be performed on goodwill, intangible asset with infinite useful life and intangible asset which are not yet ready for use each year, regardless of whether any indications for impairment exist.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a Provision for diminution in value and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of 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 recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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 recognised. 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 recognised, 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 recognised 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

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 method of welfare post resignation

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

The relative employee compensation liabilities due to cancellation of labor relationship are recognised 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 the date that the Company recognizes reconstruction of cost involving payment of compensation for the cancellation of the labor relationship with the employee.

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

Internal retirement plan adopts the same principles as the above mentioned compensation for the cancellation of the labor relationship with the employee. The Company accounts for the wage and social insurance payables incurred from the date the relative employee ceases 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. Estimated liabilities

Estimated liabilities are made when there is an obligation in relation to contingent events and the following conditions are met: (1) the Company has a present obligation; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; (3) the amount of the obligation can be measured reliably.

At balance sheet date, a provision is measured at the best estimate of the expenditures required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision.

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

26. Stock payment

27. Preferred stock, perpetual bond and other financial instruments

28. Revenue

Whether the Company needs to comply with the disclosure requirements for specialized industry

No

(1) Revenue from sales of goods

Revenue from sales of goods are recognised 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 recognised according to the percentage of completion. Total revenue for the rendering of services is determined according to amounts stipulated in contracts or agreements received or receivable by the service provider, unless such amounts are deemed unfair.

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

When the outcome of rendering of services could not be measured reliably, when the costs incurred are expected to be recovered, revenues are recognised 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 recognised in profit or loss and no service revenue is recognised.

Where the Company has executed contract or agreement with other enterprises covering the sales of goods and rendering of service, and if the portions of sales of goods and rendering of service can be distinguished and recognised separately, then the two portions should be analyzed separately; otherwise (including the circumstance that the portions can be verified, however, can not be recognised separately) they shall both be recognized as sales 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 recognised according to the percentage of completion.

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

When the outcome of a construction contract could not be measured reliably, but the contract cost incurred is recoverable, revenues are recognised 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 recognised in profit or loss and no contract revenue is recognised. When the factor that causes the outcome of construction contract does not exist anymore, the relevant revenue and cost of construction contract is recognised based on percentage of completion.

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

(4) Revenue from transfer of asset use rights

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

(5) Interest income

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

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. Government grant can be classified as asset-related government grant and income-related government grant.

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

Asset-related government grant should be used to offset carrying amount of related assets or recognized as deferred income. Where the asset-related government grant is recognized as deferred income, it shall be recognized as the profit and loss by stages and using appropriate and systematic method(s) within the service lifespan of related assets. The government grant measured at a nominal amount shall be recognized as current profit and loss directly.

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

Government grants are transfers of monetary or non-monetary assets from the government to the Company at nil consideration. Government grant can be classified as asset-related government grant and income-related government grant.

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

For income-related government grant, it shall be accounted under specific circumstances and according to the following requirements: 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

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

(2) Deferred tax assets and deferred tax liabilities

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

No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax liability is recognised 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 recognised 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 recognised 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 recognised 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 recognised for to the extent that it is probable that taxable profit will be available in the future against which the deductible losses and tax credits can be utilized.

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

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

(3) Income tax expense

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

Apart from current tax and deferred tax arising from transactions and events related to other comprehensive income or shareholders' equity are recognised 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 recognised in current profit or loss.

31. Leases

(1) Accounting for 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 finance lease.

1) The Company as a lessee in operating lease
Operating lease rental expenses are recognised on straight line basis to relevant asset cost or current profit or loss. Direct cost at the inception of lease is recognised in profit or loss. Contingent rentals are recognised in profit or loss based on actual occurrence.

2) The Company as a lessor in operating lease

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

(2) Accounting for 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 unrecognised finance charge. In addition, direct cost in relation to the negotiation of the lease and signing of lease contract can be capitalized to the recorded amount of the leased asset. Minimum lease payments less unrecognised finance charge are presented in the balance sheet separately as long-term liability or long-term liability which due within one year.

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

2) The Company as a lessor in finance lease

At the inception of lease, the finance lease receivable is recognised 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 unrecognised interest income. Finance lease receivable less unrecognised interest income is presented in the balance sheet separately as long-term receivables and long-term receivables due within one year.

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

32. Other significant accounting policy and accounting estimates

33. Changes in significant accounting policy and accounting estimates

(1) Changes in significant accounting policy

☐ Applicable √ Not applicable

(2) Changes in significant accounting estimates

☐ Applicable √ Not applicable

34. Others

VII. Tax

1. Major types of tax and tax rates

Types of tax	Tax Base	Tax Rate
Value-added tax	Taxable revenue after offsetting deductable input VAT	17%
Consumption tax	VAT and business tax payable	5%, 7%
City maintenance and construction tax	VAT and business tax payable	5%
Enterprise income tax	Taxable income	25%

The disclosure of taxpayers with different corporate income tax rate

Name of taxpayer	Income tax rate

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 cash equivalents

Unit: RMB

Item	Closing Balance	Opening Balance
Cash on hand	12,821.92	2,884.63
Bank deposits	29,722,815.24	24,790,336.81
Other cash and cash equivalents	761,450.00	2,807,150.00
Total	30,497,087.16	27,600,371.44
Incl.: Total overseas deposits	390,352.23	398,194.42

Other Remarks:

(1) By the end of 30 June 2017, RMB428,863.00 in Xinjinrong's bank account was frozen by the Court for unpaid due payment, and such bank account has a total of frozen amount of RMB5,080,750.00.

(2) Other cash and deposit amounting to RMB761,450 is the security deposits for performance guarantee deposited in a designated bank on 30 June 2017.

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

2. Financial assets at fair value through current profit or loss

3. Derivative financial assets

4. Notes receivable

Unit: RMB

Item	Closing Balance	Opening Balance
Bank Acceptance Bill	1,208,875.00	2,200,000.00
Trade Acceptance Bill		418,650.00
Total	1,208,875.00	2,618,650.00

5. Accounts receivable

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

Unit: RMB

Type	Closing Balance					Opening Balance				
	Book Balance		Bad-debt provision			Book Balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Book Value	Amount	Percentage (%)	Amount	Provision percentage (%)	Book Value
Subject to provision by groups with risk characteristics	160,039,162.21	100.00%	25,047,346.13	15.65%	134,991,816.08	160,920,677.73	100.00%	24,845,885.39	15.44%	136,074,792.34
Total	160,039,162.21		25,047,346.13		134,991,816.08	160,920,677.73		24,845,885.39		136,074,792.34

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

Unit: RMB

Age of Account	Closing Balance		
	Accounts receivable	Bad-debt provision	Provision percentage
Sub-item within 1 year			
Sub-total within 1 year	25,098,858.04		
1-2 years	105,450,407.49		
2-3 years	5,680,336.90	2,272,134.76	40.00%
3-4 years	2,585,871.02	1,551,522.61	60.00%
More than 4 years	21,223,688.76	21,223,688.76	100.00%
Total	160,039,162.21	25,047,346.13	15.65%

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

In this reporting period, a total of RMB201,460.7 bad debt provision has been accrued with RMB0 retrieved or reversed.

6. Prepayments

Unit: RMB

Age of account	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	10,347,202.99	99.90%	533,590.52	98.20%
1-2 years	7,174.01	0.08%	9,174.01	1.69%
2-3 years	2,587.68	0.02%	587.68	0.11%
Total	10,356,964.68	–	543,352.21	–

7. Interests receivable

8. Dividends receivable

9. Other receivables

(1) Types of other receivables

Unit: RMB

Type	Closing Balance					Opening Balance				
	Book Balance		Bad-debt provision			Book Balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Book Value	Amount	Percentage (%)	Amount	Provision percentage (%)	Book Value
Individually significant and subject to separate provision	87,721,226.72	84.66%	87,721,226.72	100.00%	0.00	142,627,757.72	88.26%	87,721,226.72	61.50%	54,906,531.00
Subject to provision by risk groups	15,899,551.22	15.34%	2,864,807.91	18.02%	13,034,743.31	18,963,496.37	11.74%	2,845,097.13	15.00%	16,118,399.24
Total	103,620,777.94	100.00%	90,586,034.63		13,034,743.31	161,591,254.09	100.00%	90,566,323.85	56.05%	71,024,930.24

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

Unit: RMB

Age of account	Closing Balance		
	Other receivables	Bad-debt provision	Provision percentage (%)
Sub-item within 1 year			
Sub-total within 1 year	10,554,990.97		
1-2 years	1,546,317.73		
2-3years	1,517,149.00	606,859.99	40.00%
3-4 years	57,864.00	34,718.40	60.00%
More than 4 years	2,223,229.52	2,223,229.52	100.00%
Total	15,899,551.22	2,864,807.91	18.02%

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

A total of RMB19,710.78 has been accrued for this period, with RMB0 retrieved or reversed.

(3) Details of other receivables actually written off during the reporting period

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

Unit: RMB

Nature	Book Balance at end of period	Book Balance at beginning of period
Deposits for bidding	2,795,670.42	5,814,178.42
Lawsuits	76,690,000.00	76,690,000.00
Current account	24,135,107.52	24,180,544.67
Receivable from sales of subsidiaries		54,906,531.00
Total	103,620,777.94	161,591,254.09

(5) Top 5 of other receivables:

Unit: RMB

Name of company	Nature	Closing Balance	Age	Percentage in total at end of period	Balance of bad-debt provision at end of period
Benxi Steel (Group) Co. Ltd	Lawsuits	76,090,000.00	Over 4 years	73.43%	76,090,000.00
Jinzhou Power Capacitor Co Ltd	Current account	11,631,226.72	Over 4 years	11.22%	11,631,226.72
Jiangsu Dison Silink New Energy Co., Ltd.	Current account	5,000,000.00	Within 1 year	4.83%	
Suntime (Liaoning) Precision Equipment Co., Ltd.	Current account	600,000.00	Within 2 years	0.58%	
National Quality Supervision and Inspection Center for High-voltage Electrical Appliances	Current account	214,459.20	Within 1 year	0.21%	
Total	–	93,535,685.92	–	90.27%	87,721,226.72

10. Inventory

(1) Types of Inventory

Unit: RMB

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for diminution in value	Book Value	Book Balance	Provision for diminution in value	Book Value
Raw materials	13,082,118.32	4,554,586.24	8,527,532.08	13,376,704.88	4,554,586.24	8,822,118.64
Work in process	2,450,661.48	2,253,751.70	196,909.78	6,654,640.50	2,253,751.70	4,400,888.80
Finished goods	11,862,296.46	7,666,198.88	4,196,097.58	9,434,775.30	7,666,198.88	1,768,576.42
Total	27,395,076.26	14,474,536.82	12,920,539.44	29,466,120.68	14,474,536.82	14,991,583.86

(2) Provision for diminution in value

Unit: RMB

Item	Opening Balance	Increased of provision during the period		Decrease of provision during the period		Closing Balance
		Provision	Others	Reverse/ Write-off	Others	
Raw materials	4,554,586.24					4,554,586.24
Work in process	2,253,751.70					2,253,751.70
Finished goods	7,666,198.88					7,666,198.88
Total	14,474,536.82					14,474,536.82

11. Assets held for sale

12. Non-current asset due within 1 year

13. Other current asset

Unit: RMB

Item	Closing Balance	Opening Balance
Rental expenses	575,783.83	995,992.85
Input taxes to be confirmed		14,504.84
Value-added taxes	1,205,766.39	1,399,633.76
Total	1,781,550.22	2,410,131.45

14. Available-for-sale financial assets

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

Unit: RMB

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for diminution in value	Book value	Book Balance	Provision for diminution in value	Book value
Available-for-sale Equity:	80,981,107.61	26,776,203.32	54,204,904.29	81,850,957.56	26,776,203.32	55,074,754.24
Measured by cost	80,981,107.61	26,776,203.32	54,204,904.29	81,850,957.56	26,776,203.32	55,074,754.24
Total	80,981,107.61	26,776,203.32	54,204,904.29	81,850,957.56	26,776,203.32	55,074,754.24

(2) Available-for-sale financial assets measured by costs at end of period

Unit: RMB

Investee	Book Balance				Provision for diminution in value				% of share	Cash dividend for the period
	Opening balance	Increment	Decrement	Closing balance	Opening balance	Increment	Decrement	Closing balance		
Shenyang Zhaoli High Voltage Electric Equipment Co Ltd	81,850,957.56		869,849.95	80,981,107.61	26,776,203.32			26,776,203.32	6.90%	
Total	81,850,957.56		869,849.95	80,981,107.61	26,776,203.32			26,776,203.32	–	

15. Held-to-maturity investment

16. Long-term accounts receivable

17. Long-term equity investment

Unit: RMB

Investee	Opening Balance	Increase/decrease during the period								Closing balance	Balance of provision for diminution 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 changes to equity	Cash dividend declared/or profit	Provision for diminution in value	Others		
I. Subsidiaries											
II. Associates											
WeiDa High-voltage Electric Co. Ltd	25,000,000.00				-256,781.32					24,743,218.68	33,724,276.08
Sub-total	25,000,000.00				-256,781.32					24,743,218.68	33,724,276.08
Total	25,000,000.00				-256,781.32					24,743,218.68	33,724,276.08

18. Investment properties

19. Fixed assets

Unit: RMB

Item	Buildings	Machinery and equipment	Motor vehicles and others	Total
I. Carrying amount				
1. Opening Balance	48,193,147.57	69,175,385.80	14,935,209.89	132,303,743.26
2. Increment for the period		374,321.16	1,065,152.91	1,439,474.07
(1) Purchase		374,321.16	1,065,152.91	1,439,474.07
(2) Transferred from construction in progress				
(3) Increment from business combination				
3. Decrement for the period			976,316.16	976,316.16
(1) Disposal or write-off				
4. Closing Balance	48,193,147.57	69,549,706.96	13,977,613.62	132,766,901.17
II. Accumulated depreciation				
1. Opening Balance	36,519,135.34	40,761,901.83	9,758,400.27	87,039,437.44
2. Increment for the period	384,484.69	1,743,910.32	387,764.01	2,516,159.02
(1) Provision	384,484.69	1,743,910.32	387,764.01	2,516,159.02
			538,454.91	538,454.91
3. Decrement for the period			538,454.91	538,454.91
(1) Disposal or write-off			538,454.91	538,454.91
4. Closing Balance	36,903,620.03	42,505,812.15	9,607,709.37	89,017,141.55
III. Provision for diminution in value		3,055,895.37	363,786.79	3,419,682.16
1. Opening Balance		3,055,895.37	363,786.79	3,419,682.16
2. Increment for the period				
(1) Provision				
3. Decrement for the period				
(1) Disposal or write-off				
4. Closing Balance		3,055,895.37	363,786.79	3,419,682.16
IV. Book value				
1. Book value at end of period	11,289,527.54	23,987,999.44	5,052,550.48	40,330,077.46
2. Book value at beginning of period	11,674,012.23	25,357,588.60	4,813,022.83	41,844,623.66

20. Construction in progress

Unit: RMB

Item	Closing Balance			Opening Balance		
	Book balance	Provision for diminution in value	Book value	Book balance	Provision for diminution in value	Book value
Equipments to be installed	6,701,252.61		6,701,252.61	6,445,249.71	29,902.94	6,415,346.77
Total	6,701,252.61		6,701,252.61	6,445,249.71	29,902.94	6,415,346.77

21. Material - construction

22. Liquidation of fixed assets

Unit: RMB

Item	Closing Balance	Opening Balance
Machinery and equipment	629,668.46	629,668.46
Total	629,668.46	629,668.46

23. Productive biological assets

24. Oil and gas assets

25. Intangible assets

Unit: RMB

Item	Land use rights	Patent	Non-patent	Total
I. Book Balance				
1. Opening balance	19,974,805.05	450,000.00	207,000.00	20,631,805.05
2. Increment				
(1) Purchase				
(2) Internal R&D				
(3) Increment from business combination				
3. Decrement				
(1) Disposal of assets				
4. Closing Balance	19,974,805.05	450,000.00	207,000.00	20,631,805.05
II. Accumulated amortization				
1. Opening Balance	2,911,293.45	450,000.00	207,000.00	3,568,293.45
2. Increment	199,748.10			199,748.10
(1) Provision	199,748.10			199,748.10
3. Decrement				
(1) Disposal of assets				
4. Closing Balance	3,111,041.23	450,000.00	207,000.00	3,768,041.55
III. Provision for assets impairment				
1. Opening Balance				
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal of assets				
4. Closing Balance				
IV. Book value				
1. Book value at end of period	16,863,763.50			16,863,763.50
2. Book value at beginning of period	17,063,511.60			17,063,511.60

26. Development Expenditures

27. Goodwill

Unit: RMB

Company invested or Items resulted in Good Will	Opening Balance	Increment	Decrement	Closing Balance
Northeast Electric (Chengdu) Electric Power Engineering Design Co. Ltd	72,097.15			72,097.15
Total	72,097.15			72,097.15

28. Long-term deferred expenses

Unit: RMB

Item	Opening Balance	Increment	Amortization	Other decrement	Closing Balance
Improvement expenditures for fixed assets rented	452,300.00	1,466,242.72	186,686.89		1,731,855.83
Property Insurance premium	14,215.79		4,264.74		9,951.05
Total	466,515.79	1,466,242.72	190,951.63		1,741,806.88

29. Deferred tax assets/Deferred tax liabilities

Details of income deferred tax asset not yet recognized

Unit: RMB

Item	Closing Balance	Opening Balance
Offsettable temporary difference	220,887,581.52	220,887,581.52
Offsettable loss	39,253,117.39	39,253,117.39
Total	260,140,698.91	260,140,698.91

(5) Income tax asset not yet recognized offsettable with loss which due in next period

Unit: RMB

Year	Closing Balance	Opening Balance	Remarks
2017	420,345.54	420,345.54	
2018	774,155.44	774,155.44	
2019	366,885.87	366,885.87	
2020	286,269.50	286,269.50	
2021	23,091,537.86	23,091,537.86	
No specified limit	14,313,923.18	14,313,923.18	Off-settable loss by subsidiary – Northeast Electric (HK) Co Ltd
Total	39,253,117.39	39,253,117.39	–

30. Other non-current assets

31. Short-term borrowings

Unit: RMB

Item	Closing Balance	Opening Balance
Bank borrowings, secured	8,000,000.00	9,000,000.00
Bank borrowings, guaranteed		20,000,000.00
Total	8,000,000.00	29,000,000.00

32. Financial assets at fair value through current profit or loss

33. Derivative financial liabilities

34. Notes payable

Unit: RMB

Type	Closing Balance	Opening Balance
Bank acceptance notes	40,000.00	1,845,000.00
Total	40,000.00	1,845,000.00

35. Accounts Payable

Unit: RMB

Item	Closing Balance	Opening Balance
Within 1 year	17,419,676.64	20,765,578.77
1 – 2 years	4,613,483.01	7,106,466.22
2 – 3 years	3,081,354.53	3,584,758.56
Over 3 years	2,781,076.01	3,215,760.90
Total	27,895,590.19	34,672,564.45

36. Receipts in advance

Unit: RMB

Item	Closing Balance	Opening Balance
Within 1 year	1,171,308.01	3,976,040.01
1 – year years	1,676,000.00	2,862,095.02
2 – 3 years	10,862.02	8,700.00
Over 3 years	805,567.09	807,729.09
Total	3,663,737.12	7,654,564.12

37. Employee compensation

(1) Details of employee compensation

Unit: RMB

Item	Opening Balance	Increment	Decrement	Closing Balance
I. Short-term compensation	3,081,038.66	9,960,237.71	10,319,453.28	2,721,823.09
II. Post resignation benefit – designed provision plan	118,820.10	1,974,577.26	1,974,482.79	118,914.57
Total	3,199,858.76	11,934,814.97	12,293,936.07	2,840,737.66

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

Unit: RMB

Item	Opening Balance	Increment	Decrement	Closing Balance
I. Wages, bonuses, allowances, subsidies	405,331.30	7,574,976.24	7,983,636.11	-10,688.46
II. Welfare expenses		405,853.68	405,853.68	0.00
III. Social insurances	22,535.48	782,946.94	779,850.36	25,632.06
Incl: 1. Medical insurance	12,305.00	657,080.63	653,370.65	16,014.98
2. Work injury insurance	7,512.83	89,900.59	89,834.99	7,578.43
3. Maternity insurance	2,717.65	35,965.72	36,644.72	2,038.65
IV. Housing accumulation fund	268,424.91	1,095,273.28	1,094,657.28	276,400.80
V. Labor union expenditure and employee education expenses	2,384,746.97	101,187.57	55,455.85	2,430,478.69
Total	3,081,038.66	9,960,237.71	10,319,453.28	2,721,823.09

(3) Designed provision plan is listed as follows:

Unit: RMB

Item	Opening Balance	Increment	Decrement	Closing Balance
I. Basic endowment insurance	112,902.85	1,888,152.10	1,887,173.45	113,881.50
II. Unemployment insurance	5,917.25	86,425.16	87,309.34	5,033.07
Total	118,820.10	1,974,577.26	1,974,482.79	118,914.57

38. Taxes payable

Unit: RMB

Item	Closing Balance	Opening Balance
Value-added Tax	620,804.33	480,448.01
Enterprise Income Tax		-43,428.58
Individual Income Tax	38,988.58	115,344.91
City maintenance and construction Tax	40,565.03	33,631.36
Tenure Tax	218,729.50	118,992.00
Housing Property Tax	20,535.95	44,535.95
Education Surcharge	32,668.61	27,715.99
Others		17,554.00
Total	972,292.00	794,793.64

39. Interests payable

Unit: RMB

Item	Closing Balance	Opening Balance
Interest payable for short-term borrowings		42,777.77
Total		42,777.77

40. Dividends payable

Unit: RMB

Item	Closing Balance	Opening Balance
Others	40,017.86	40,017.86
Total	40,017.86	40,017.86

41. Other payables

(1) Other payables categorized by nature are as follows

Unit: RMB

Item	Closing Balance	Opening Balance
Current account	35,173,404.27	36,858,058.77
Shipment expenses	5,276,000.63	4,624,900.63
Purchase of equipments	188,851.56	188,851.56
Others	4,337,831.69	3,699,331.69
Total	44,976,088.15	45,371,142.65

(2) Significant other payables aged over 1 year

42. Liabilities held for sale

43. Non-current liabilities due within 1 year

44. Other liabilities

45. Long-term borrowings

46. Bonds payable

47. Long-term payables

48. Long-term payable – salaries & benefits

49. Special payables

Unit: RMB

Item	Opening Balance	Increment	Decrement	Closing Balance	Causes
Demolition compensation	10,609,500.00	3,083,100.00		13,692,600.00	
Total	10,609,500.00	3,083,100.00		13,692,600.00	–

50. Estimated liabilities

Unit: RMB

Item	Closing Balance	Opening Balance	Causes
External guarantee amount provided by the Company	60,721,078.25	60,721,078.25	
Total	60,721,078.25	60,721,078.25	–

Other remarks include relevant important assumptions and estimates of critical estimated 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 February 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 provides guarantee and assumes 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.

51. Deferred revenue

52. Other non-current liabilities

53. Share capital

Unit: RMB

	Opening Balance	Increment/Decrement (+/-)					Closing Balance
		New shares issued	Stock dividend	Reserve to shares	Others	Sub total	
Total shares	873,370,000.00						873,370,000.00

54. Other equity instruments

55. Capital reserve

Unit: RMB

Item	Opening Balance	Increment	Decrement	Closing Balance
Share premium (share premium)	115,431,040.00			115,431,040.00
Other reserves	767,991,363.92			767,991,363.92
Total	883,422,403.92			883,422,403.92

56. Treasury stock

57. Other comprehensive income

Unit: RMB

Item	Opening Balance	Amount for current 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	Closing Balance
II. OCI to be reclassified into Profit & Loss	-25,504,988.44	-357,340.04			-357,340.04		-25,862,328.48
Foreign currency translation difference	-25,504,988.44	-357,340.04			-357,340.04		-25,862,328.48
Total OCI	-25,504,988.44	-357,340.04			-357,340.04		-25,862,328.48

58. Special reserve

59. Surplus reserve

Unit: RMB

Item	Opening Balance	Increment	Decrement	Closing Balance
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

60. Accumulated losses

Unit: RMB

Item	Amount for current period	Amount for previous period
Accumulated losses at end of previous period	-1,637,084,660.40	-1,537,590,906.29
Accumulated losses at beginning of period after adjustment	-1,637,084,660.40	-1,537,590,906.29
Add: Net profit attributable shareholders of the Company for the year	-19,929,800.00	-100,957,859.09
Accumulated losses at end of period	-1,657,014,460.40	-1,637,084,660.40

61. Revenue and cost of sales

Unit: RMB

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
Principal business	17,023,141.83	12,797,920.99	34,441,615.32	27,764,545.51
Other business	589,334.83	557,057.22	60,414.79	36,218.66
Total	17,612,476.66	13,354,978.21	34,502,030.11	27,800,764.17

62. Business tax and surcharges

Unit: RMB

Item	Amount for current period	Amount for previous period
City maintenance and construction tax	40,939.87	104,224.20
Education surcharges	29,242.77	74,333.01
Property tax	123,215.70	
Land use tax	454,634.50	
Tax on vehicles	4,449.12	
Stamp duty	501.70	
Total	652,983.66	178,557.21

63. Sales expenses

Unit: RMB

Item	Amount for current period	Amount for previous period
Transportation fee	1,214,803.71	516,603.35
Consultation fee	200,000.00	1,145,108.49
Employee compensation	578,059.78	699,836.79
Travelling expense	284,106.09	683,285.69
Bidding fee	72,954.63	852,820.00
Material consumption	37,441.34	81,843.19
After-Sales services expenses	522,058.22	901,449.50
Entertainment fee	83,090.45	137,126.00
Others	242,897.03	118,872.99
Total	3,235,411.25	5,136,946.00

64. Administrative expenses

Unit: RMB

Item	Amount for current period	Amount for previous period
Employee compensation	9,486,097.43	7,945,930.13
Office expenses	296,135.26	344,710.62
Depreciation expenses	809,705.48	863,614.18
Agent fee	1,291,605.45	1,036,337.78
Heating expenses	556,449.72	383,299.70
Taxes		447,422.52
Entertainment fee	562,975.97	473,411.10
Travelling expense	477,122.51	378,743.28
Intangible assets amortization	199,748.10	67,745.04
Rents & leases	269,318.90	211,000.02
Others	6,338,732.98	2,576,056.86
Total	20,287,891.80	14,728,271.23

65. Finance expenses

Unit: RMB

Item	Amount for current period	Amount for previous period
Interest expenses	693,382.17	269,785.78
Less: Interest income	87,477.71	316,401.54
Exchange difference	5,445.98	
Bank charges	14,679.16	21,118.37
Total	626,905.77	-25,497.39

66. Assets impairment loss

Unit: RMB

Item	Amount for current period	Amount for previous period
I. Bad debt expenses	221,171.52	58,610.19
Total	221,171.52	58,610.19

67. Income of fair value variance

68. Return on investments

Unit: RMB

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

69. Other revenue

70. Non-operating income

Unit: RMB

Item	Amount for current period	Amount for previous period	Amounts included in the current extraordinary profit & loss
Gain from debt restructuring	620,476.86		
Others		522.19	
Total	620,476.86	522.19	

71. Non-operating expenses

Unit: RMB

Item	Amount for current period	Amount for previous period	Amounts included in the current extraordinary profit & loss
Loss on disposal of non-current assets	139,079.29	121,921.18	
Incl.: loss on disposal of fixed assets	139,079.29	121,921.28	
Others		1,293.75	
Total	139,079.29	123,215.03	

72. Income tax expense

Proceedings of adjustments of accounting profit and income tax expenses

Unit: RMB

Item	Amount for current period
Total profit	-20,285,467.98

73. Other comprehensive income

74. Cash flows statement

(1) Cash received from other operating activities

Unit: RMB

Item	Amount for current period	Amount for previous period
Current account	60,662,740.67	1,441,135.25
Guarantee deposits	3,018,508.00	56,517.00
Interest income	87,477.71	316,401.54
Others		53,585.00
Total	63,768,726.38	1,867,638.79

(2) Cash paid to other operating activities

Unit: RMB

Item	Amount for current period	Amount for previous period
Cash expenses	10,979,963.32	9,050,201.36
Current accounts	3,856,258.50	3,694,221.86
Total	14,836,221.82	12,744,423.22

75. Supplementary information to cash flows statement

(1) Supplementary information to cash flows statement

Unit: RMB

Supplementary information	Amount for current period	Amount for previous period
1. Reconciliation from net profit to cash flows from operating activities:	-	-
Net profit	-20,285,467.98	-13,169,341.54
Add: Provision for assets impairment	221,171.52	58,610.19
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive bio-assets	2,516,158.92	3,483,501.95
Amortization of intangible assets	199,748.10	67,745.04
Amortization of long term deferred expenses	-1,275,291.09	63,364.74
Loss on disposal of fixed assets, intangible assets and other non-current assets (gain is shown as "-")	138,870.72	121,921.28
Finance costs (gain is shown as "-")	698,604.41	269,785.78
Loss on investments (gain is shown as "-")		-328,972.60
Decrease in inventories (increase is shown as "-")	2,071,044.42	-1,390,889.10
Decrease in operating receivables (increase is shown as "-")	51,519,078.47	1,245,760.95
Increase in operating payables (increase is shown as "-")	17,547,584.40	-22,092,776.76
Others		
Net cash flows generated from operational activities	-8,083,064.18	-31,671,290.07
2. Significant non-cash investment and financing activities:	–	–
3. Changes in cash and cash equivalents:	–	–
Cash at end of period	27,391,345.93	61,848,245.30
Less: cash at beginning of period	22,488,930.21	101,603,025.69
Net increase in cash and cash equivalents	4,902,415.72	-39,754,780.39

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing Balance	Opening Balance
I. Cash	27,391,345.93	22,488,930.21
Incl: Cash on hand	12,821.92	2,884.63
Bank deposits available on demand	27,378,524.01	22,486,045.58
III. Balance of cash and equivalents at end of period	29,735,637.16	24,833,221.44

76. Notes to statement of changes in equity

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

Unit: RMB

Item	Book value at end of period	Causes
Cash and cash equivalents	1,190,313.00	Security deposits for bank accepted bills, frozen capital by courts
Fixed assets	3,737,043.78	Security for the loan
Intangible assets	3,861,464.09	Security for the loan
Total	8,788,820.87	–

78. Foreign currency monetary items

Unit: RMB

Item	Foreign currency balance at end of period	Exchange rate	Translated RMB balance at end of year
inl.: US dollars	154.15	6.7744	1,044.24
HK dollars	448,563.18	0.8679	389,307.98

79. Hedge

80. Others

IX. Merge and consolidated financial statements

(None)

X. 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
Shenyang Kaiyi Electric Co,. Ltd	Shenyang	Shenyang	Manufacturing, sales of electric equipment	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		69.75%	Business combination under common control
Shanghai Kaixin Internet Technology Development Ltd.	Shanghai	Shanghai	Investment		100.00%	Set up by investment
Northeast Electric (Chengdu) Engineering Design Co Ltd	Chengdu	Chengdu	Design and construction of new energy, engineering design and project consulting		51.00%	Business combination not under common control

(2) Important 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%	-39,442.05		218,980.01
Northeast Electric (Chengdu) Engineering Design Co Ltd	49.00%	-316,225.93		4,514,504.26

(3) Financial information on important non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Closing Balance						Opening Balance					
	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	1,595,168.78	847,513.67	2,442,682.45	1,718,781.58	0.00	1,718,781.58	1,849,582.48	863,637.52	2,713,220.00	1,698,831.18	0.00	1,698,831.18
Northeast Electric (Chengdu) Engineering Design Co Ltd	15,804,276.73	119,862.26	15,924,138.99	6,710,865.00	0.00	6,710,865.00	9,971,854.03	0.00	9,971,854.03	113,221.00	0.00	113,221.00

Unit: RMB

Name of subsidiary	Amount for current period				Amount for previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow generated from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow generated from operating activities
Jinzhou Jinrong Electric Appliance Co. Ltd	0.00	-130,386.93	-130,386.93	-204,364.10		-30,967.32	-30,967.32	13,403.84
Northeast Electric (Chengdu) Engineering Design Co Ltd	0.00	-645,359.04	-645,359.04	-1,624,104.03				

2. Transactions with changes in equities attributable to owners of subsidiaries and still control over it

(1) Details of changes in equities attributable to owners of subsidiaries

(2) Impact of transactions on equities of minority shareholders and attributable to owners of parent company

3. Equities in subsidiaries or associates

(1) Important subsidiaries or associates

Names of subsidiaries or associates	Operating location	Location of registration	Nature of business	Percentage of shares held (%)		Accounting methods
				Direct	Indirect	
Weida High-voltage Electric Co. Ltd.	BVI	BVI	Set up by investment	20.8%		Equity method

(2) Main information of significant subsidiaries

(3) Main information of significant associates

Unit: RMB

	Closing Balance/Amount for current period	Closing Balance/Amount for previous period
Current assets	211,418,144.84	211,434,096.55
Total assets	211,418,144.74	211,434,096.54
Current liabilities	884,596.14	916,499.78
Total liabilities	884,596.14	916,499.78
Minority shareholders' equity	166,742,570.57	166,729,936.64
Equity attributable to the shareholders of parent company	43,790,978.13	43,787,660.13
Share in net asset pro rata shares held	43,790,978.13	43,787,660.13
Net profit	-15,951.80	-39,358.24
Total Comprehensive Income	-15,951.80	-1,912.68

XI. Risks related to financial instruments

Financial instruments the Company invested mainly include equity investment, borrowings, accounts receivables, and accounts payables. For details, please see the relevant items under "Notes to Consolidated Financial Statements". 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 individually, 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., and 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 2017, only daily expenses reported with no purchases or sales for these subsidiaries.

On 30 June 2017, 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	Year 2017		Year 2016	
		Impacts on profit	Impacts on shareholder' equity	Impacts on profit	Impacts on shareholder' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	-4,024.88	347,040.73	-1,111.88	508,372.89
Translation from foreign currency reports	Depreciate 0.5% against RMB	4,024.88	-347,040.73	1,111.88	-508,372.89

(2) Risks of interest rates

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

The following chart shows the possible before-tax impacts on the current Profit & Loss and Shareholders' Equity on the reporting date on 30 June 2017, supposing bank borrowings' floating interest increase or decrease 50 basis points while all other variants remain unchanged:

Item	Change in exchange rate	Year 2017		Year 2016	
		Impacts on profit	Impacts on shareholders' equity	Impacts on profit	Impacts on shareholders' equity
Short-term borrowing	Increase by 0.5%	-53,000.00	-53,000.00	-22,500.00	-22,500.00
Short-term borrowing	Decrease by 0.5%	53,000.00	53,000.00	22,500.00	22,500.00

2. Credit risks

As at 30 June 2017, the principal 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, thus reducing credit risk. Moreover, the Company supervisors every single receivable on every Balance Sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables. Therefore, the management of the Company considers the credit risks greatly reduced.

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

(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 recognised 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.

Employees are trained to strengthen risk awareness, and risk management procedures are improved continuously. Measures are used to improve internal control over the management of customers' credit policy, the adjustment of which 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 to formulate relative credit policy.

Management of the Company considers credit risks facing by the Company greatly reduced because it only conducts transactions with recognised 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. The Company manages and monitors all these receivables and relative business operations to make sure no significant bad debt risk will occur.

3. Risk of liquidity

The Company maintains sufficient cash and cash equivalents with continuous supervision to satisfy operation needs and reduce impact on cash flow, which meet the requirement of management of liquidity risks. Management of the Company supervises utilization of bank borrowings to make sure relative borrowing contracts are honored.

XII. Disclosure of fair value: None

XIII. Related parties and related parties transaction

Parent Company	Place of registration	Business nature	Registered capital	Percentage of shares held by Parent Company (%)	Voting shares ratio held by Parent Company (%)
Beijing Haihongyuan Investment Management Co., Ltd.	Room 6012, 6/F, Joint Inspection Building, Mafang Logistic Base Eastern Area, Pinggu District, Beijing	Investment management	RMB20 million	9.33%	9.33%

1. Parent company of the Company

Details are shown as follows:

Company name:	Beijing Haihongyuan Investment Management Co., Ltd.
Type:	Limited liability company (legal person sole investment)
Registered address:	Room 6012, 6/F, Joint Inspection Building, Mafang Logistic Base Eastern Area, Pinggu District, Beijing
Legal representative:	Li Qiang
Registered capital:	RMB20 million
Unified Social Credit Code:	911101175996346317
Business scope:	Investment management; asset management; project investment. (The enterprise should select business items and carry out operating activities independently according to law; for the above items subject to administrative approval according to law, an approval must be obtained from the related authorities prior to operating activities; the enterprise cannot deal with the operating activities of items prohibited or restricted by the industrial policy of the city.)
Date of establishment:	11 July 2012
Term of operation:	From 11 July 2012 to 10 July 2032
Address:	1/F, Block B, Hainan Airlines Building, No.2 East Third Ring Road, Chaoyang District, Beijing
Telephone:	010-60195165

4. Other related parties: None

5. Other related parties transaction: None

6. Amounts due from or to related parties: None

7. Commitments of related parties: None

8. Others

XIV. Stock payment: None

XV. Commitment and contingencies

1. Significant commitments

Significant existing commitments as at the balance sheet date

2. Contingent Events

(1) Important existing contingencies as at the balance sheet date

(i) As at 30 June 2017, lawsuits of the Company pending rulings are as follows:

Liaoning Limeng State Asset Co Ltd ("Limeng") applied for New Northeast Electric (Jinzhou) Power Capacitor Co Ltd, a subsidiary of the Company, to assist to implement ruling.

Shenyang High-voltage Switches Co Ltd borrowed from Everbright Bank Shenyang Heping Sub-branch ("Everbright Bank") RMB4 million in 2004, for which loan Jinzhou Power Capacitor Co Ltd ("Jinzhou Capacitor ") has provided a joint and several guarantee. Median Court of Shenyang City ruled that Jinzhou Capacitor should take up guaranty for such loan by Ruling of (2004) ShenZhongMinSanHeChuZi No.372 Civic Ruling. From 10 March 2005, the Median Court has issued Orders of Enforcement several times to Xinjinrong – the Company's subsidiary, to pay rental of RMB4.2 million to Jinzhou Power, which rental Xinjinrong denied. Everbright Bank has now transferred right under the original loan to Limeng, thus Court of Enforcement has ruled that Xinjinrong should pay RMB4.2 million internal rental to Limeng by Ruling of (2015)ShenZhongZhiCaiZi No.3. Now, the subsidiary Xinjinrong is not satisfied with the rulings and applies to the Higher People's Court of Liaoning Province, which has not made judgment.

Xinjinrong has acknowledged such liability. This event does not constitute any effect on the Company's financial situation. After consultation with the Company's lawyers, the Company believes that Jinzhou does not have any creditor's rights against Xinjinrong which rights were founding evidence to the Court's ruling. Thus Xinjinrong has filed objection against the ruling. By the Law the Court of Enforcement would not enforce 3rd party, and would not investigate such objection. The Company's subsidiary –Xinjinrong should not take up payment duty, and should win the lawsuit.

(ii) As at 30 June 2017, the Company has pledged guarantee for Jinzou Capacitor's RMB52.9 million bank loans. For details, please see Note VI.25 Estimated Liabilities.

(iii) Other contingent liabilities and relevant impacts on financial statements

a. As at 30 June 2017, RMB40,000 of Bank Acceptance Notes which is not yet matured has been endorsed by the Company.

b. As at 30 June 2017, the Company has issued Performance Guarantee of RMB7,151,650.00 with Bank of China Fuxin Branch.

(2) The Company has no important commitments or contingencies to be disclosed.

XVI. Events subsequent to balance sheet date: 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	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Subject to provision by group of credit risk characteristics	1,423,911.79	100.00%	677,204.72	47.56%	746,707.07	1,423,911.79	100.00%	677,204.72	47.56%	746,707.07
Total	1,423,911.79	100.00%	677,204.72	47.56%	746,707.07	1,423,911.79	100.00%	677,204.72	47.56%	746,707.07

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

Unit: RMB

Age of account	Closing Balance		
	Accounts receivable	Bad-debt provision	Ratio of provision
Subitem within 1 year			
2-3 years	1,244,511.79	497,804.72	40.00%
Over 4 years	179,400.00	179,400.00	100.00%
Total	1,423,911.79	677,204.72	47.56%

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

(3) Write-off of accounts receivables for the period

(4) Top five accounts receivables are listed as follows

Name of company	Relationship	Amount	Age	Percentage in total accounts receivable (%)	Balance of bad-debt provision
Shenyang Kaidi Insulation Technology Co., Ltd	Non-related	401,960.79	2-3 years	28.23	160,784.32
Yingkou Chongzheng Electric Equipment Co Ltd.	Non-related	842,551.00	2-3 years	59.17	337,020.40
Total		1,244,511.79		87.40	497,804.72

(5) Account receivables that were derecognized due to the transfer of financial assets

(6) Amount of assets or liabilities for which accounts receivable is transferred but involvement continues

2. Other receivables

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

Types	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book balance
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to separate provision	76,090,000.00	21.38%	76,090,000.00	100.00%	0.00	128,950,591.00	33.60%	76,090,000.00	59.01%	52,860,591.00
Subject to provision by credit risk groups	279,768,912.64	78.62%	291,607.44	0.11%	279,477,305.20	254,830,056.68	66.40%	291,607.44	0.11%	254,538,449.24
Total	355,858,912.64	100.00%	76,381,607.44	21.46%	279,477,305.20	383,780,647.68	100.00%	76,381,607.44	19.90%	307,399,040.24

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

Unit: RMB

Name of company	Closing Balance			
	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%	The other receivable is long outstanding and the chance of recovery is remote
Total	76,090,000.00	76,090,000.00	–	–

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

Unit: RMB

Age of receivables	Closing Balance		
	Other receivables	Bad-debt provision	Percentage of provision
Subitem within 1 year			
Subtotal within 1 year	279,450,807.38		
2-3 years	44,163.03	17,665.21	40.00%
Over 4 years	273,942.23	273,942.23	100.00%
Total	279,768,912.64	291,607.44	0.10%

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

(3) Write-off of other receivables for the period

(4) 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	279,677,910.64	254,442,160.40
Payables for subsidiaries sold for current period		52,860,591.00
Others	91,002.00	387,896.28
Total	355,858,912.64	383,780,647.68

(5) Top five other receivables are listed as follows

Unit: RMB

Name of company	Nature	Closing balance	Age	Percentage in total other receivables (%)	Balance of Bad-debt provision
Shenyang Kaiyi Electric. Co., Ltd.	Current account	172,237,888.98	Within 1 year	48.40%	0.00
Gaocai technology Co. Ltd.	Current account	79,298,247.36	Within 1 year	22.28%	0.00
Benxi Steel (Group) Co., Ltd.	Lawsuits	76,090,000.00	Within 1 year	21.38%	76,090,000.00
Shanghai KaiXin Internet Technology Development Co., Ltd	Current account	6,192,808.63	Within 1 year	1.74%	0.00
New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd	Current account	14,093,570.41	Within 1 year	3.96%	0.00
Total	–	347,912,515.38	–	97.76%	76,090,000.00

3. Long-term equity investments

Unit: RMB

Item	Closing Balance			Opening Balance		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Investment to subsidiary	173,305,837.52	66,385,900.53	106,919,936.99	173,305,837.52	66,385,900.53	106,919,936.99
Total	173,305,837.52	66,385,900.53	106,919,936.99	173,305,837.52	66,385,900.53	106,919,936.99

(1) Investment to subsidiary

Unit: RMB

Investee	Opening balance	Increment	Decrement	Closing balance	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
Gaocai technology Co. Ltd.	16,506,385.89			16,506,385.89		
Total	173,305,837.52			173,305,837.52		66,385,900.53

(2) Investments to associates and joint ventures

(3) Other explanations

4. Revenue and cost of sales

5. Return on investments

6. Others

XIX. Supplementary information

1. Details of extraordinary profit & loss

Unit: RMB

Item	Amount for the current period	Remarks
Profit & loss on disposal of non-current asset	-139,079.29	
Profit & loss on debt restructuring	620,476.86	
Total	481,397.57	–

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	-10.92%	-0.0228	-0.0228
Net profit attributable to ordinary shareholders after deduction of extraordinary profit and loss	-11.84%	-0.0234	-0.0234

3. Differences in figures by domestic and foreign accounting standards: None

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, 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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