東北電氣發展股份有限公司
NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code : 0042)

SUMMARY OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The financial reports in this interim report of the Company are unaudited.

During the reporting period, the Company recorded net profit of RMB751,542.66 all of which was used to cover loss incurred in the previous year. Therefore, no profit appropriation was made nor any reserves were transferred to increase the share capital of the Company during the reporting period.

1. OVERVIEW OF THE COMPANY

1.1 BRIEF INTRODUCTION

Stock Abbreviation:	Northeast Electric	Northeast Electric
Stock Code:	000585	0042
Place of Listing Shares:	Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
Company Secretary:	Mr. Shi Li	
Telephone:	(86)24-23527083	
Fax:	(86)24-23527081	
Address:	14F, Kingdom Hotel, No. 189 Taiyuan South Street, Heping District, Shenyang, PRC	

Post Code:	110001	
Website:	www.nee.com.cn	
E-mail:	nee@nee.com.cn	nemm585@sina.com

1.2 SUMMARY OF MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS

1.2.1 Condensed consolidated profit and loss account and consolidated balance sheet prepared in accordance with Hong Kong Accounting Standards

Consolidated profit and loss account

Unit: RMB'000

	For the Reporting period (Jan-Jun)	For the same period last year
Turnover	247,455	261,750
Profit before taxation	(4,935)	15,086
Taxation	(279)	(619)
Profit after taxation	(5,214)	14,467
Minority interests	(5,965)	(4,826)
Profit attributable to shareholders	751	9,641

Consolidated balance sheet

Unit: RMB'000

	At the end of the reporting period	At the end of last year
Total assets	1,302,065	1,308,168
Total liabilities	361,650	364,417
Shareholders' funds	940,415	943,751

1.2.2 Major financial data and financial indicators prepared in accordance with the PRC Accounting Standards and Regulations

Unit: RMB

Financial data and indicators	**At the end of the reporting period**	**At the end of last year**	**Change compared with the beginning of the year** *(%)*
Current assets	629,845,815.20	555,187,244.99	13.45
Current liabilities	306,439,775.62	294,472,023.92	4.06
Total assets	1,302,065,632.03	1,309,853,712.23	-0.59
Shareholders funds (excluding minority interests)	831,546,793.98	845,766,644.66	-1.68
Net assets per share	0.95	0.97	-2.06
Adjusted net assets per share	0.85	0.86	-1.16

Unit: RMB

Financial data and indicators	**At the end of the reporting period**	**At the end of last year**	**Change compared with the beginning of the year** *(%)*
Operating profit	-5,188,526.69	14,769,736.03	-135.13
Total profit	-4,934,667.59	15,006,198.87	-132.88
Net profit	751,542.66	9,561,580.79	-92.14
Net profit after extraordinary items	-13,945,427.80	9,325,117.79	-249.55
Net cash flow from operating activities	-96,760,825.86	-66,064,947.94	-46.46
Net cash flow per share from operating activities	-0.1108	-0.0756	-46.56
Return on net assets(%)	0.09	1.17	-1.08
Earnings per share	0.0009	0.0109	-91.74
Diluted earnings per share	0.0009	0.0109	-91.74

1.2.3 Extraordinary profit and loss items

Unit: RMB

Items	**Amount**
Net non-operating income and expenses after ordinary provision for Diminution in value of assets made under the Accounting Rules and Regulations for Enterprises	253,859.10
Income from stock transfer	54,443,111.36
Kingdom asset impairment loss	-4,000,000.00
Total	14,696,970.46

1.2.4 Differences between Overseas Accounting Standards and the PRC Accounting Standards

During the reporting period, there were no differences between overseas accounting standards and the PRC accounting standards in the calculation of net profit.

2. MOVEMENTS OF SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

2.1 TABLE OF CHANGES IN THE SHARE CAPITAL

Unit: shares

Items	pre-movement	Increase/ decrease during the period	post-movement
A. Shares subject to trading moratorium	435,920,000	-200,594,897	235,325,103
1. State-owned legal person shares	4,591,841	-4,591,841	0
2. Domestic legal person shares	431,328,159	-196,003,056	235,325,103
B. Shares not subject to trading moratorium	437,450,000	+200,594,897	638,044,897
1. A shares	179,500,000	+200,594,897	380,094,897
2. H shares	257,950,000	0	257,950,000
C. Total number of shares	873,370,000	0	873,370,000

Notes:

After the implementation of reform scheme on equity distribution of A shares, the Company, on 15 May 2007, relieved 200,594,897 shares with trading restrictions, which added to the number of shares without trading restrictions.

2.2 SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

As at 30 June 2007, the total number of registered shareholders was 100,708, of which 100,654 were holders of A shares and 54 were holders of H shares.

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

Unit: shares

Name of shareholders	Number of shares held	Percentage	Nature of shareholders	Number of shares pledged or frozen
Hong Kong Securities Registration Co., Ltd	257,950,000	29.54%	H shares	
New Northeast Electric Investment Co., ltd.	211,056,285	24.17%	A Shares	33,802,817
Shanghai Bao Yu Real Estate Investment Consultant Co., Ltd.	19,215,376	2.20%	A Shares	
Shanghai Xin Rang Trading Co., Ltd.	9,756,700	1.12%	A Shares	
Shenyang Lida Construction Engineering Co., Ltd.	9,239,117	1.06%	A Shares	
Shanghai Yibao Information & Technology Development Co.,Ltd	5,000,000	0.57%	A Shares	
China Merchants Shekou Industrial Zone Co., Ltd	4,591,841	0.53%	A Shares	
Shenzhen Zhongda Software Development Co., Ltd	3,550,000	0.41%	A Shares	
Shanghai Zhizhen Investment Consulting Co., Ltd	3,298,308	0.38%	A Shares	
Shanghai Zhihai Chemical Industry Co., Ltd	3,000,000	0.34%	A Shares	

Explanation for the connected relationships among the top ten share holders not subject to trading moratorium:

The Company was not aware of any relationship among the top ten shareholders or parties acting in concert within the meaning of the Regulation on Disclosure of Information on Changes in Shareholding of Listed Companies.

Note:

1. On 12 February 2007, New Northeast Electric Investment Co., Ltd. pledged 33,802,817 non-circulating shares with Shenyang Jindu branch of Huaxia Bank of six months.

2. On 15 May 2007, New Northeast Electric Investment Co., Ltd withdrew totally 1,543,147 shares, an advancement for other non-tradable shareholders during the implementation of reform scheme on equity distribution of A shares.

3. INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3.1 MOVEMENTS IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There was no movement in the number of shares held by the Company°¶s directors, supervisors, and senior management during the reporting period.

3.2 APPOINTMENT OR DISMISSAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

3.2.1 The second extraordinary general meeting of 2007 held on 7 March 2007 voted 8 executive directors namely Mr. Sun Zhen, Mr. Zhang Bin, Mr. Su Weiguo, Mr. Liu Qingmin, Mr. Shi Li, Mr. Du Kai , Mr. Liu Tongyan and 5 independent non-executive directors namely Mr. Wu Qicheng, Mr. Lin Wenbin, Mr. Xiang Yongchun, Ms. Liang Jie and Mr. Liu Hongguang to compose the Fifth Session of the Board of Directors. Mr.Sun Zhen was voted as the Chairman ; Mr. Zhang Bin was appointed to be the General Manager; Mr. Su Weiguo was appointed to be Deputy General Manager; Mr. Shi Li was appointed to be Deputy General Manager and Secretary of Board and Mr. Bi Jianzhong was appointed to be Chief Accountant of the Company.

3.2.2 The second extraordinary general meeting of 2007 held on 7 March 2007 voted 2 shareholder representatives, namely Mr. Fu Xiuheng, Ms. Dai Guiqing, and 1 employee representative, namely Mr. Dong Liansheng to compose the Fifth Session of the Supervisory Committee, and Mr. Dong Liansheng was re-appointed to be the Chairman of the Supervisory Committee.

3.3 INTEREST OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2007, 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 under 18 years of age) had any interest in, or had been granted, or exercised, and 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 Then 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.

4. MANAGEMENT DISCUSSION AND ANALYSIS

4.1 DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATING PERFORMANCE IN THE REPORTING PERIOD

During the reporting period, under the leadership of the board of director, the Company adhered to the guideline of "consolidating the foundation and strengthening the principal operations" to conduct assets reorganization and resources optimization. At the same time, it laid emphasis on the operative efficiency and benefits, further improved the interior organization, and focused on the execution of major contracts and the expansion of markets, thus overcoming the difficulties in material supply and funds and continuing to steady growth in production and operation. In the first half of the year, the sales revenue from principal operations and net profit of the Company amounted to RMB 248,192,028.48 and RMB 751,542.66 respectively, representing decreases of 7.88% and 92.14% respectively. The earnings per share amounted to RMB 0.0009.

Under the calculation of the HK GAAP, the turnover was RMB 247,455,000, decreased by 5.46% compared with that of the same period last year; the profit attributable to shareholders after tax and interests of minority shareholders was RMB 751,000, decreased by 92.21% compared with that of the same period last year. The earnings per share amounted to RMB 0.0009.

4.2 CONSTITUTION OF INCOME AND PROFIT FROM PRINCIPAL OPERATIONS OF THE COMPANY BY BUSINESS, PRODUCT AND GEOGRAPHICAL SEGMENT:

Unit: RMB'000

By business or by product	Income from principal operations	Costs of principal operations	Gross profit margin *(%)*	Increase / (decrease) in income from principal operations as compared with last year *(%)*	Increase / (decrease) in costs of principal operations as compared with last year *(%)*	Increase / (decrease) in gross profit margin as compared with last year *(percentange point)*
1. By Business						
Electric transmission and transformation	223,700	186,020	16.84%	-5.56%	-0.17%	-4.49
Inventory and logistics	0.00	0.00	0.00%	—	—	—
Accommodation and catering	13,930	2,770	80.11%	-7.44%	-77.00%	60.23
Of which:						
connected transactions	—	—	—	—	—	—
2. By Product						
High Voltage Switch circuit breaker	115,250	98,760	14.31%	13.13%	8.51%	3.65
Power capacitor	38,910	32,260	17.09%	-41.90%	-25.61%	-18.16
Closed busbar	63,840	50,050	21.60%	18.69%	24.63%	-3.74
others	5,700	4,960	12.98%	-60.00%	-58.03%	-4.08
Of which:						
connected transactions	—	—	—	—	—	—

4.3 PRINCIPAL OPERATIONS BY GEOGRAPHICAL SEGMENT

Unit: RMB'0,000

Region	Income from principal operations	Increase/ (decrease) in income from principal operations as compared with last year *(%)*
Domestics	23,689	-8.28
Overseas	74	-84.55

4.4 OPERATION OF INVESTEE COMPANIES (APPLICABLE TO SITUATIONS WHERE INVESTMENT REVENUE ACCOUNTED FOR 10% OF NET PROFIT)

Unit: RMB'0,000

Name of Joint Stock Company	New Northeast Electric (Shenyang) High-Voltage Switchgears Limited
Contribution of Investment Income in the Period	434
Ratio of Net Profit of the Company	578.67%
Scope of Business	Manufacture of Switchgear Equipment
Net Profit	2,087

4.5 ANALYSIS OF THE COMPANY'S FINANCIAL STATUS UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN HONG KONG

As at the end of the reporting period, the balance of monetary fund was RMB16,170,000.

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

The funds are mainly satisfied by 1) the cash flow from the Company's operation and capital operation and 2) the borrowings from financial institutions. As at the end of the reporting period, the Company had bank loans amounting to RMB76,450,000, representing 5.87% of the total assets. These bank loans bear fixed interests.

The Company's asset to liability ratio was 9.19% (asset to liability ratio=total bank loans/total share capital and reserve*100%).

As at the end of the reporting period, the Company had net assets of RMB156, 940,000 used as security.

4.6 EXPLANATION OF THE MANAGEMENT OF THE COMPANY ON THE AUDIT OPINION GIVEN BY AUDITORS WHICH INVOLVED CHANGES OF EVENTS AND IT TREATMENT IN 2005

The domestic and international auditors issued qualified audit opinions with emphasized matters for the 2006 financial statement. (Please refer to the 2006 Annual Report for details.)

1. For matters related to qualified opinions, as the Company had materially sold the equity of Jinzhou Power Capacitor Company Limited in 2005, the Board and the Supervisory Committee of the Company considered that the matters related to qualified opinions in 2006 audited report had been solved.

2. For matters related to emphasized matters, the Company's layer issued a legal opinion letter and commented that the Company was not the mentioned party of the Loan Agreement and Guarantee Agreement and should not bear respective liabilities thereof and unrelated to the loan dispute, and that the Company had fulfilled all her responsibilities for capital contribution. As the trial from the court has not been finalized up to now, the impact of the litigation on the Company will be determined according to the final decision of the court.

5. SIGNIFICANT EVENTS

5.1 PERSONNEL MOVEMENT

Please refer part 3 "INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT"

5.2 STAFF OF THE COMPANY AND THE REMUNERATION POLICY

As at 30 June 2007, the number of employees on the payroll of the Company was 1,038. 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.

5.3 PROFIT APPROPRIATION PLAN AND ITS IMPLEMENTATION

During the reporting period, the Company recorded net profit of RMB751,542.66 all of which was used to cover loss incurred in the previous year. Therefore, no profit appropriation was made nor any reserves were transferred to increase the share capital of the Company during the reporting period.

5.4 MATERIAL LITIGATION AND ARBITRATION

5.4.1 Litigation lodged by China Development Bank (CDB) for the debt of RMB150 million

Since it was disclosed in 2006 Annual Report, the litigation has not achieved any new progress. Please refer to the "Material Litigation and Arbitration" in 2006 Annual Report for details.

5.4.2 Progress of Debt and equity case brought by Liaoning Trust and Investment Company ("Liaoning Trust") on RMB12 million

Since it was disclosed in 2006 Annual Report, the litigation being tried by the Higher People's Court of Liaoning Province has not achieved any new progress. Please refer to the "Material Litigation and Arbitration" in 2006 Annual Report and the designated newspaper disclosure dated 13 March 2007 for details.

5.5 ACQUISITIONS AND DISPOSAL OF ASSETS

The Swap Agreement: Approved by the board meeting held on 14 May 2007, Great Talent Technology Limited, a wholly-owned subsidiary of the Company, entered into the Swap Agreement with Prosper Power Company Ltd, for the acquisitions of Acquisition Interests, being 48% shareholdings in New Northeast Electric (Jinzhou) Power Capacitors Limited and 25.6% shareholdings in New Northeast electric (Shenyang) High-Voltage Isolator Switchgears Limited, at the consideration of RMB 180,000,000 to be satisfied by disposal to Prosper Power Company Ltd of the entire shareholdings in Kingdom owned by Great Talent Technology Limited. (Please refer to the designated newspaper disclosure dated 15 May 2007 for details.)

5.6 SIGNIFICANT CONTRACTS AND THEIR EXECUTIONS

5.6.1 During the reporting period, the Company did not enter into any 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.

5.6.2 Foreign guarantees of the Company

Approved by the board of directors on 24 April 2007, the Company offered a secured guarantee for the line of credit of RMB 40,000,000 granted by Shenzhen Development Bank Dalian Branch to New Northeast Electric (Shenyang) High-Voltage Switchgears Limited.

As of the end of the reporting period, the foreign guarantee of the company totaled RMB 249,900,000, including RMB 39,900,000 for Jinzhou Power Capacitors Co., Ltd with assets liabilities over 70%, accounting for 4.80 % of the audited net assets of the Company for 2006, which was formed when the company was still a holding subsidiary of the Company; RMB 210,000,000 for New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd, which has obtained the bank loan of RMB 176,800,000.

As of the end of the reporting period, the guarantee of the Company for its holding subsidiaries and the mutual guarantee between subsidiaries totaled RMB 58,850,000.

5.7 CHANGE OF THE AUDITORS

On 20 April 2007, the 2006 Annual General Meeting considered and approved to reappoint Shenzhen Pengcheng Certified Public Accountants as the Company's domestic auditor, while rejected the resolution on the reappointment of Wong Lam Leung & Kwok C.P.A. Limited as the Company's international auditor under the Resolution in Relation to Reappointment of the Company's Auditors. On 20 April 2007, the second meeting of Board of Directors of the Fifth Session of Board proposed to appoint World Link C.P.A. Limited as the Company's international auditor. On 6 June 2007, the fourth EGM approved to appoint World Link C.P.A. Limited as the Company's international auditor for a term of one year, and authorized the Board to determine the remuneration.

5.8 OVERSEAS INVESTMENT

5.8.1 Establishment of Shenyang Kaiyi Electric Co., Ltd

With registered capital of RMB 1,000,000, Shenyang Kaiyi Electric Co., Ltd is a wholly-owned subsidiary of the Company. Its scope of business includes the manufacture of high-voltage electric equipment, switchgears, power capacitors, die castings, machinery parts, hardware tools, insulating material, mechanical and electronic equipment, rubber products and metallic material. On 2 April 2007, its industrial and commercial registration was done.

5.8.2 Establishment of Northeast Electric (Beijing) Co., Ltd

With registered capital of RMB 2,000,000, Northeast Electric (Beijing) Co., Ltd is a wholly-owned subsidiary of the Company. Its scope of business includes the sales of machinery equipment, electronic products, hardware & electric apparatus, metal material, chemical products (exclusive of dangerous chemical products); export and import business in goods, agent and technology. On 15 May 2007, its industrial and commercial registration was done.

5.9 SECURITY INVESTMENT

5.9.1 Holders of other shares of the listed companies

Unit: RMB

Stock Code	Abbreviation	Initial Investment	Ratio of Equity of the Company	Closing Book Value	Profit and Loss during the Reporting Period	Owner Movement in the Equity during Reporting Period
000818	錦化氯鹼 Jinhualujian	24,808,224.82	2.78%	0	54,443,111.36	54,443,111.36
Total		24,808,224.82	—	0	54,443,111.36	54,443,111.36

5.9.2Holders of non-listed financial enterprises, to be equity of listed companies

Unit: RMB

Name of Equity Owned	Amount of Initial Investment	Number of equity held *(share)*	Ratio of Equity of the Company	Closing Book Value	Profit and Loss during the Reporting Period	Owner Movement in the Equity during Reporting Period
Jinzhou Commercial Bank	10,000,000.00	10,000,000.00	4.35	12,537,020.68	0	0
Total	10,000,000.00	10,000,000.00	-	12,537,020.68	0	0

5.10 PURCHASE, SALE AND REDEMPTION OF SHARES

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

5.11 REPORT OF CORPORATE GOVERNANCE

As disclosed in the 2006 Annual Report of the Company, the Company has fully complied with the provisions of Code of Corporation Governance Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited and certain proposed code of best practice.

5.12 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 Supervisors were not subject to any compulsory procedures.

5.13 SUBSEQUENT EVENTS

5.13.1 Progress of the Swap Agreement

The Swap Agreement was considered and approved at the fifth EGM on 16 August 2007.

5.13.2 Establishment of Shenyang Jiatai Machinery Equipment Co., Ltd

With registered capital of RMB 5,000,000, Shenyang Jiatai Machinery Equipment Co., Ltd is a wholly-owned subsidiary of the Company. Its scope of business includes manufacture of general machinery equipment, manufacture, installation, and maintenance of metal cabinet, spinning products, and drying equipment as well as the machining of corresponding parts. On 2 July 2007, its industrial and commercial registration was done.

6. Financial Statement Prepared under Accounting Principles Generally Accepted in Hong Kong (Unaudited)

(1) Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Notes	**1 Jan 2007 to 30 Jun 2007** ***RMB'000*** **(Unaudited)**	1 Jan 2006 to 30 Jun 2006 *RMB'000* (Unaudited)
Turnover	3	**247,455**	261,750
Cost of sales		**(199,193)**	(204,868)
Gross profit		**48,262**	56,882
Other income		**486**	1,090
Distribution costs		**(32,175)**	(14,762)
Administrative expenses		**(74,643)**	(36,714)
Other expenses		**(3,672)**	(196)
Profit from operations	4	**(61,742)**	6,300
Interest on bank borrowings		**(1,975)**	(1,906)
Investment income from associates		**4,339**	10,692
Profit from disposal of shares		**54,443**	—
Profit before taxation		**(4,935)**	15,086
Taxation	5	**(279)**	(619)
Profit after taxation		**(5,214)**	14,467
Profit attributable to minority shareholders		**(5,965)**	4,826
Net profit attributable to shareholders		**751**	9,641
Earnings per share — basic	7	**0.09 cents**	1.10 cents

(2) Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	**At 30 June 2007**	At 31 December 2006
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**270,842**	316,382
Prepaid lease payments		**59,898**	58,204
Interests in associates		**324,685**	320,346
Available-for-sale investments		**12,537**	37,345
Other prepayments		**4,257**	4,274
		672,219	736,551
Current assets			
Inventories		**109,549**	68,521
Trade and bill receivables	8	**191,340**	153,458
Other receivables, deposits and prepayments		**256,902**	219,741
Amounts due form associates		**54,522**	88,773
Pledged bank deposits		**1,360**	1,360
Bank balance and cash		**16,173**	39,764
		629,846	571,617

Current Liabilities			
Trade and bill payables	9	**95,156**	89,149
Other payables, advances form customers and accruals		**129,287**	147,219
Amounts due to associates		**—**	4,208
Provision for loss on guarantees		**54,711**	54,711
Tax payable		**5,546**	330
Bank borrowings due within one year		**76,450**	68,300
		361,150	363,917
Net current (liabilities) assets		**268,696**	207,700
Total assets less current liabilities		**940,915**	944,251
Capital and reserves			
Share capital	11	**873,370**	873,370
Reserves		**(41,823)**	(44,023)
Equity attributed to equity holders of the parent		**831,547**	829,347
Minority interests		**108,868**	114,404
Total equity		**940,415**	943,751
Non-current liability			
Bank borrowings due within one year		—	—
Government grant		**500**	500
		940,915	944,251

(3) Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent										
	Share Capital	Capital reserve	Capital contribution	Statutory common reserve	Statutory public welfare reserve	Discretionary common reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	873,370	603,394	50,391	81,631	—	32,699	233	(812,371)	829,347	114,404	943,751
Exchange differences	—	—	—	—	—	—	(51)	—	(51)	-	(51)
Net Profit of current period	—	—	—	—	—	—	—	2,251	2,251	(5,536)	(3,285)
At 30 June 2007	873,370	603,394	50,391	81,631	—	32,699	182	(810,120)	831,547	108,868	940,415
At 1 January 2006	873,370	603,394	186,419	48,091	32,212	32,424	806	(976,336)	800,380	98,714	899,094
Exchange differences	—	—	—	—	—	—	452	—	452	—	452
Net profit of current period	—	—	—	—	—	—	—	9,641	9,641	4,826	14,467
At 30 June 2006	873,370	603,394	186,419	48,091	32,212	32,424	1,258	(966,695)	810,473	103,540	914,013

(4) Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows (inflows) from operating activities	**(96,761)**	(66,050)
Net cash flows (inflows) from investing activities	**66,932**	(2,458)
Net cash flows (inflows) from financing activities	**6,238**	(12,158)
Decrease (increase) of cash and cash equivalents	**(23,591)**	(80,681)
Cash and cash equivalents at the beginning of the period	**39,764**	112,449
Effects of exchange rate changes		
Cash and cash equivalents at the end of the period		
Bank balances and cash	**16,173**	31,768

7. Notes to the Condensed Financial Statements

For the six months ended 30 June 2007

(1) Bases of preparation

The condensed financial statements are prepared under of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), together with the relevant disclosure requirements of the Statement of Standard Accounting Practice No. 34 "Interim Financial Reporting" (SSAP 34).

(2) Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted in preparing interim financial information for the six months ended 30 June 2007 are consistent with those followed in preparing the financial statements for the year ended 31 December 2006.

(3) Segment information

The Group's turnover and gross profit from operations for the six months ended 30 June 2007 and 2006, analysed by business segments and by geographical segments, are as follows:

Business segments

For the six months Ended 30 June 2007	Continued operation High-voltage switchgear/ busbar/ Power capacitor	Hotel/ catering/ entertainment services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	229,104	13,226	5,125	247,455
Segment results	(10,615)	(44,157)	(6,970)	(61,742)

For the six months Ended 30 June 2006	Continued operation			Discontinued operation	
	High-voltage switchgear/ busbar/ Power capacitor	Hotel/ catering/ entertainment services	others	Storage and transportation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	222,626	14,292	14,192	10,640	261,750
Segment results	15,208	(2,535)	(6,768)	395	6,300

In October 2006, the Group disposed its owned equities of Shenyang Suntime Storage and Logistics Company Limited and Shenyang Chengtai Energy Power Company Limited, so the data in relation to the two companies for the six months from 1 January 2006 to 30 June 2006 were shown in the item of discontinued operations.

Most of the Group's incomes are derived from the PRC and the income earned outside the PRC is insignificant.

(4) Profit from operations

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Profit from operations has been arrived at after deducting:		
Depreciation and amortization	**9,464**	10,260
and charging		
Interest income on bank deposits	**128**	170

(5) Taxation

Apart from one subsidiary enjoying the tax-exemption period of income tax, the two subsidiaries enjoying the policy of 50% reduction of income tax and one subsidiary enjoying an income tax at the real rate of 25.5% according to the domestic tax law, the Company and its subsidiaries are subject to income tax at the statutory rate of 33%.

The Company had no taxable profit for the period (2006:Nil). The charge for the period mainly represents provision for income tax rate calculated upon the assessable income the assessable income of certain PRC subsidiaries.

No Hong Kong profits tax has been provided as the Company and its subsidiaries had no taxable profit in Hong Kong (2006: Nil).

As at 30 June 2007, the Company and the Group had no significant deferred tax (2006: Nil).

(6) Interim dividend

No dividends were paid during the period. The directors did not recommend the payment of any interim dividend.

(7) Earnings per share

The calculation of earnings per share is based on the net profit attributable to shareholders of RMB751,000 (2006: RMB9,641,000) and the total number of shares in issue amounting to 873,370,000 shares (2006: 873,370,000 shares) at the end of the period.

(8) Account Receivable

Generally, the Group gives different period of credit to its customers in accordance with their signing of individual contracts as well as their financial situation. In order to control the credit risks in relation to account receivable effectively, the Group will make a regular credit assessment to its customers. The following is the age of account receivable.

The following is the account receivable from the third parties (exclusive of the related parties).

	Group	
	As at 30 June 2007	As at 31 December 2006
	RMB'000	*RMB'000*
Within 1 year	**132,741**	119,993
1 to 2 years	**33,322**	25,017
2 to 3 years	**18,714**	8,544
Over 3 years	**14,659**	9,486
	199,436	163,040
Provisions for bad debts	**12,065**	11,764

(9) Account Payable

The following is the age of the account payable to the third parties (exclusive of the related parties).

	Group	
	As at 30 June 2007	As at 31 December 2006
	RMB'000	*RMB'000*
Within 1 year	**44,647**	60,207
1 to 2 years	**13,528**	5,196
2 to 3 years	**9,356**	8,146
Over 3 years	**1,655**	2,655
	69,186	76,204

(10) Capital Shares

The following is the change of capital share structure during the period from 31 December 2006 to 30 June 2007.

Unit:RMB

		Increase or Decrease during the period (+, -)					
Item	Beginning of the period	Rights offerings	Complimentary shares	Capitalization on reserve	Others	Sub-total	End of the period
1. Shares subject to trading moratorium							
1) Legal person shares	4,591,841	—	—	—	-4,591,841		—
2) Domestic Non-legal-person shares	431,328,159	—	—	—	-196,003,056		235,325,103
Total shares subject to trading moratorium	435,920,000	—	—	—	-200,594,897		235,325,103
2. Shares not subject to trading moratorium							
1) Common RMB shares (A shares)	179,500,000	—	—	—	200,594,897		380,094,897
2) Foreign shares listed abroad (H shares)	257,950,000	—	—	—			257,950,000
Total shares not subject to trading moratorium	437,450,000	—	—	—			638,044,897
3. Total shares	873,370,000	—	—	—	—	—	873,370,000

There was no change in total shares of the Company during this period.

(11) Post Balance Sheet Events

No post balance sheet events should be disclosed by the Group.

(12) Related Transactions

a. Controlling shareholders of the Group

Name of related party	Registration place	Major operations	Relationship	Nature	Proportion of shares owned
New Northeast Electric Investment Co., Ltd	Shenyang	Equity investment	Single top1 shareholder	Limited company	24.17%

b. Non-controlling related parties with transactions

New Northeast Electric (Shenyang) High-voltage Switchgear Co.,Ltd	Shenyang	High-voltage Switchgears	Associate	Limited company	20.8%
Great Power Technology Limited	Hong Kong	Investment	Associate	Limited company	20.8%

c. Purchases and sales of related parties

During the period, the Group had entered into the following transactions with its associates and subsidiaries:

	As at 30 June 2007 *RMB'000*	As at 31 December 2006 *RMB'000*
Sales of products to related parties	**58,162**	28,674
Purchase of products and spare parts from related parties	**47,101**	50,279
Provision of industrial services to related parties	**—**	22,350
Provision of hotel services to related parties	**—**	444

The above transactions had been entered into by the parties on normal commercial terms.

d. Creditors' rights and debts between the Group, its associates and subsidiaries during the period

Item	Related party	At the end of the period *RMB'000*	At the beginning of the year *RMB'000*
Dividends receivable	Great Power Technology Limited	2,027	2,141
Account receivables	New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd	46,495	82,580
Prepaid account	New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd	—	2,086
Account payables and other payables	New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd	—	3,405
	Great Power Technology Limited	—	803
		—	4,208

e. Events of guarantee

At the end of 30 June 2007, the Group had provided the following guarantee for its associate:

Related party	Amount	Term
New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd	210,000,000	1 year

DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement prepared in accordance with all information required in Appendix 16 from Section 46(1) to Section 46(9) in the Listing Rules of Stock Exchange of Hong Kong Limited will be published at the column of "latest listed company information" on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) as well as the website of the Company (www.nee.wsfg.hk) within 21 days.

By Order of the Board
Mr. Sun Zhen
Chairman

Shenyang, the PRC, 27 August 2007

As at the date of this announcement, the Board of Directors of the Company is composed of twelve directors, of which seven executive directors namely Mr. Sun Zhen, Mr. Wang Shogun, Mr. Zhang Bin, Mr. Su Weiguo, Mr. Liu Qingmin, Mr. Shi Li and Mr. Du Kai; five independent non-executive directors namely Mr. Wu Qicheng, Mr. Lin Wenbin, Mr.Xiang Yongchun, Ms. Liang Jie and Mr. Liu Hongguang.