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 Annual Results for 2008

1. IMPORTANT NOTES

1.1 The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of Northeast Electric Development Co., Ltd. ("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.

1.2 The Audit Committee of the Company has reviewed and confirmed the Company's 2008 annual financial report.

1.3 Consolidated turnover was RMB517,717,000, a decrease of RMB100,779,000 compared with 2007.

1.4 Loss attributable to equity holders of the Company amounted to RMB69,001,000, a decrease of RMB268,876,000 compared with 2007.

1.5 Loss per share attributable to equity holders of the Company amounted to RMB0.08, representing a decrease of RMB0.31 compared with 2007.

1.6 The Board does not recommend distributing dividend, which is subject to the approval by the 2008 Annual General Meeting to be convened on 15 May 2009.

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

1.8 The announce is made pursuant to the second paragraph of Rule 13.09 and the 45th paragraph of Appendix 16 in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.

2. BASIC INFORMATION OF THE COMPANY

2.1 Basic information

Stock abbreviation	東北電氣	Northeast Electric
Stock code	000585(A Share)	0042(H Share)
Place of listing	Shenzhen Stock Exchange	Hong Kong Stock Exchange
Registered address	No. 78, Hunnan High and New Technology Development Zone, Shenyang, PRC	
Office address	14F, Kingdom Hotel, No.189, Taiyuan South Street, Heping District, Shenyang, the PRC	
Postal Code	110001	
Website	www.nee.com.cn	www.nee.hk
E-mail address	nee@nee.com.cn	nemm585@sina.com

2.2 Contact person and address

	Secretary to the Board	Representative for securities affairs
Name	Zhang Zhaozhong	Zhu Xinguang
Address	No. 38 Jingxing North Street, Tiexi District, Shenyang, the PRC	
Telephone	(86)24-23510950	(86)24-23501976
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E-mail address	nemm585@sina.com	nemm585@sina.com

3. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Prepared under the PRC accounting rules and regulations

3.1.1 Principle accounting data

Unit: RMB

	2008	2007	Increase/ decrease of the year over last year(%)	2006
Operating income	517,717,563.70	639,700,849.31	-19.07	560,207,377.16
Total profit	-69,549,292.62	-350,788,631.18	80.17	40,880,423.46
Net profit that belongs to shareholders of listed company	-69,112,495.33	-340,874,097.62	79.72	29,529,236.62
Net profit that belongs to shareholders of listed company after extraordinary items	3,244,738.80	-117,105,282.35	-	13,548,235.43
Net cash flow arising from operating activities	15,241,679.50	-25,695,727.14	-	-13,197,000.88

	As at 31st December 2008	As at 31st December 2007	Increase/decrease of the year over last year	As at 31st December 2006
Total assets	847,016,256.07	1,044,977,793.85	-18.94%	1,282,102,227.11
Fund attributable to the owners of parent company (shareholders' fund)	311,137,033.20	484,195,364.55	-35.74%	830,895,472.92
Share capital	873,370,000.00	873,370,000.00	0	873,370,000.00

3.1.2 Principal financial indicators

Unit: RMB

	2008	2007	Increase/decrease of the year over last year(%)	2006
Basic earnings per share(Yuan/Share)	-0.08	-0.39	79.49	0.03
Diluted earnings per share(Yuan/Share)	-0.08	-0.39	79.49	0.03
basic earnings per share after extraordinary item (Yuan/Share)	0.004	-0.13	-	0.02
Earnings/net assets ratio (fully diluted)(%)	-22.21	-70.40	increase 48.19 percent	3.55
Earnings/net assets ratio (weighted average)(%)	-17.38	-51.84	increase 34.46 percent	3.63
Earnings/net assets ratio (fully diluted) after extraordinary item (%)	1.04	-24.19	-	1.63
Earnings/net assets ratio (weighted average) after extraordinary item(%)	0.82	-17.81	-	1.66
Net cash flow from operating activities per share(Yuan/Share)	0.017	-0.029	-	-0.015

	As at 31st December 2008	As at 31st December 2007	Increase/decrease in the year end 2008 over the year end 2007 (%)	As at 31st December 2006
Net assets per share that belongs to shareholders of listed company (Yuan/Share)	0.36	0.55	-34.55	0.95

Extraordinary items	Amount	Cause
Profits and losses on the disposal of non-current assets	-72,854,445.58	mainly caused by losses on disposal of equiity interest
Other Net amount of non-operating income and expense except the items above	499,552.59	mainly cost by income on disused material
Total	-72,354,892.99	

3.2 Prepared under Hong Kong Financial Reporting Standards

Items	2008	2007	2006	2005	2004
1. Turnover ('000)	517,717	618,496	465,989	546,135	342,338
2. Profit /(loss) before taxation ('000)	-69,438	-264,949	34,892	44,897	30,437
3. Profit /(loss)attributable to shareholders ('000)	-69,001	-311,479	29,540	26,761	20,934
4. Total assets ('000)	856,704	1,073,800	1,295,288	1,267,674	1,352,303
5. Total liabilities ('000)	542,771	556,467	364,417	368,580	475,315
6. Shareholders' fund ('000)	313,933	513,018	829,347	800,380	771,180
7. Earnings/(loss) per share (RMB)	-0.08	-0.36	0.034	0.031	0.024
8. Net assets per share (RMB)	0.36	0.59	0.95	0.92	0.88
9. Return on net assets (%)	-22.18	-60.72	3.56	3.34	2.71
10. Shareholders' interest ratio(%)	36.64	47.78	63.40	63.14	57.03
11. Current ratio(%)	101.75	108.69	157.07	174.16	133.55
12. Gearing ratio (%)	63.36	51.82	28.13	29.08	35.15

3.3 Differences between overseas accounting standards and the PRC accounting standards

Unit: RMB0'000

Net profit /(loss)calculated under the Hong Kong accounting standards (attributable to the owners of the parent company)	-69,001
Others	-111
Net profit /(loss)calculated under the PRC accounting standards (attributable to the owners of the parent company)	-69,112

4. CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

4.1 Table of changes in share capital

Unit: Share

	Beginning of the year	**Increase/ (decrease) (+/-)**	**End of the year**
1. Shares subject to trading moratorium	223,970,228	-5,575,991	218,394,237
State-owned legal person shares	0	0	0
Public legal person shares	223,970,228	-5,575,991	218,394,237
2. Shares not subject to trading moratorium	649,399,772	5,575,991	645,975,763
Domestic listed A Shares	391,449,772	5,575,991	397,025,763
Overseas listed H Shares	257,950,000	0	257,950,000
3. Total shares	873,370,000	0	873,370,000

Notes: On 18 August 2008 , the Company relieved 5,575,991 shares with trading restrictions, which increase shares without trading restrictions to 645,975,763 shares .

4.2 Table of number of shareholders and shareholding of shareholders

Total number of shareholders at the end of the reporting period was 136,998 , including 136,925 shareholders of A shares and 73 shareholders of H shares.

Shareholdings of the top ten shareholders

Unit: share

Name of shareholders (full name)	Increase/ decrease within the year	Number of shares held at the end of the year	Percentage (%)	Stock category	Number of shares pledged or frozen	Nature of shareholders
HKSCC Nominees Limited	-8,454,000	247,851,998	28.38%	tradable	unknown	H shares
New Northeast Electric Investment Co., ltd.(note)	+22,827	212,014,237	24.28%	untradable	208,000,000	A shares subject to trading moratorium
Shanghai Bao Yu Real Estate Investment Consultation Co., Ltd.	-2,515,485	9,234,515	1.06%	tradable	unknown	A shares not subject to trading moratorium
Hu Li	+3,925,060	3,925,060	0.45%	tradable	unknown	A shares not subject to trading moratorium
Shenzhen Zhongda Software Development Co., Ltd	0	3,550,000	0.41%	untradable	unknown	A shares subject to trading moratorium
Shanxi Qinjian Science and Technology Investment Co., Ltd	0	1,420,000	0.16%	untradable	unknown	A shares subject to trading moratorium
Beijing Yangxuan Trading Co., Ltd	+1,055,839	1,055,839	0.12%	tradable	unknown	A shares not subject to trading moratorium
Du Shiming	+420,000	900,000	0.10%	Tradable	unknown	A shares not subject to trading moratorium
Zeng Longjia	+802,000	802,000	0.09%	tradable	unknown	A shares not subject to trading moratorium
Tong Yanchun	+220,000	720,000	0.08%	tradable	unknown	A shares not subject to trading moratorium

Note:

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

(2) On 9 July 2008, New Northeast Electric Investment Co., Ltd. carried out the registration of the pledge of stocks with Bank of Communications Shenyang Branch, so 90,000,000 A shares subject to trading moratorium have been frozen since 9 July 2008.

(3) On 29 December 2008, New Northeast Electric Investment Co., Ltd. carried out the registration of the pledge of stocks with China CITIC Bank Corporation Limited Shenyang Branch, so 118,000,000 A shares subject to trading moratorium have been frozen since 29 December 2008.

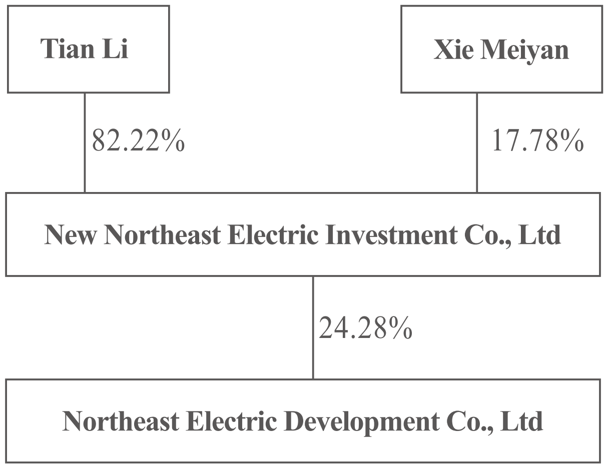
(4) On 28 May 2007, New Northeast Electric Investment Co., Ltd withdrew totally 22, 827 shares, an advancement for other non-tradable shareholders during the implementation of reform scheme on equity distribution of A shares.

4.3 Information on the controlling shareholders and the actual controller

During the reporting period, the Company's controlling shareholder and the actual controller has not changed.

Name of the controlling Shareholder		New Northeast Electric Investment Co., Ltd.
Legal representative	:	Tian Li
Incorporation date	:	8 February 2002
Registered capital	:	RMB135 million
Scope of business	:	Investment holding, trading of motors and spare parts, electrical and mechanical equipment , metals and electrical appliances, wires and cables, electrical transmission and transformation equipment, building materials ,ferrous materials, rubber products, plastic products, livestock produces, necessities products, wholesaling and retailing of knitting and weaving products; vehicles repairs and maintenance, science and technology development.
Equity structure	:	Ms. Tian Li, the natural person, contributed RMB111 million, representing 82.2% of the registered capital; and Ms. Xie Meiyan, the natural person, contributed RMB24 million, representing 17.8% of the registered capital.

Framework of asset rights and controlling relationship between the Company and the actual controller:



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

4.5 There is no stock option clause in the Company's Articles of Association, so the Company did not arrange any stock option plans during the year.

5. PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

5.1 Changes in the number of shares held by directors, supervisors , and senior management and remuneration

Name	Sex	Age	Position	Terms of office	Number of Shares held at the beginning of the year	Number of shares held at the end of the year	Remuneration (RMB0'000)
Su Weiguo	M	47	Chairman	2007/3/7-2010/3/6	0	0	12.4
Wang Shouguan	M	65	Vice Chairman	2007/3/7-2010/3/6	0	0	7.2
Bi Jianzhong	M	32	Director/General manager	2007/10/12-2010/3/6	0	0	11.5
Zhang Zhaozhong	M	30	Director/Secretory to the Board	2008/8/20-2010/3/6	0	0	14.2
Liu Qingmin	M	46	Director	2007/3/7-2010/3/6	0	0	9.4
Du Kai	M	41	Director	2007/3/7-2010/3/6	0	0	7.4
Wu Qicheng	M	64	Independent Director	2007/3/7-2010/3/6	0	0	3.5
Lin Wenbin	M	65	Independent Director	2007/3/7-2010/3/6	0	0	3.5
Xiang Yongchun	M	66	Independent Director	2007/3/7-2010/3/6	0	0	3.5
Liang Jie	F	48	Independent Director	2007/3/7-2010/3/6	0	0	3.5
Liu Hongguang	M	42	Independent Director	2007/3/7-2010/3/6	0	0	3.5
Dong Liansheng	M	62	Chairman of the Supervisory Committee	2007/3/7-2010/3/6	0	0	6.0
Fu Xiuheng	M	61	Supervisor	2007/3/7-2010/3/6	0	0	5.0
Dai Guiqing	F	40	Supervisor	2007/3/7-2010/3/6	0	0	0
Sun Zhen	M	33	Resigned Director	2007/3/7-2008/7/6	0	0	7.5
Zhang Bin	M	42	Resigned Director	2007/3/7-2008/7/6	0	0	7.4
Shi Li	M	41	Resigned Director	2007/3/7-2008/6/3	0	0	7.8

Note: The emolument of above persons include insurance and public accumulation fund of all kinds paid in accordance with provisions of the State and local government.

5.2. Interest of directors, supervisors and senior management

As at 31st December 2008, 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 .

6. REPORT OF THE DIRECTORS

6.1 Discussion and analysis of the senior management

6.11 Overall Operations

1. Discussion and analysis of overall operations for the reporting period

During the reporting period, facing serious natural disasters that occurred successively in China, difficult economic situation with a financial turmoil throughout the world, as well as increasingly fierce market competition at home and abroad, the board of directors of the Company and its management sized up the situation, worked as a team, and pursed changes actively. A series of powerful measures were taken such as further perfecting various internal control systems through strict management and standard operation, improving the Company's own technologies and efficiency by constantly optimizing the structure of products, expanding its domestic market share through fully seizing the market development opportunities and augmenting the productivity, strengthening quality management and deepening cost control, and overcoming many unfavorable factors like continuing price shock of raw material, RMB appreciation, increase of loan interest rate and global financial crisis. As a result, the development trend of the Company remained stable in the complex economic environment.

During the reporting period, the Company realized operating income of RMB 517,720,000, operating profit of RMB-69,760,000, and net profit attributable to owners of the parent company of RMB-69,110,000. After deducting such factors as extraordinary profit loss arising from problems left by history like disposal of equity and execution of judicial decisions, the Company achieved operating profit of RMB 3,090,000 and net profit attributable to owners of the parent company of RMB3,240,000.

As there were significant changes in the Company's consolidated range during the reporting period, the operating income,the operating profit and net profit in this period is not comparable with those in the same period last year.

During the reporting period, market operation mainly presented the following features:

(1) Production continued keeping steady growth, and the structure of products was better optimized.

By further strengthening of plan coordination and field management, and more efforts to exploit productive potential, initial success was scored in technological transformation, productive balance and complete set ability increased to some extent, and there was a handsome increase in productive capacity. The Company realized the total industrial output value (the current rate) RMB 375,980,000, increase by 7% compared with the same period of last year after deducting the factor of consolidated range reduction..

(2) Sales revenue from principal business in main subsidiaries and their order level were increased.

The Company expanded its productive capacity and marketing by fully seizing the opportunities of the development of power market boosted by macroeconomic policies. Its main subsidiaries nearly hit a new high in their sales revenue, which further consolidated the Company's core competitive power. During the reporting period, in accordance with market demand, the Company properly adjusted the product structure and marketing strategy, perfected the sales service system and made its sales management more systematic and standard. As a result, its order quantity had a handsome increase with an increase by 54% in capacitors and 77% in busbars compared to the same period last year.

(3) Speeding up technical innovation, increasing productive capacity and quality

During the reporting period, the company continued to pay more attention to new product research and development, made investments in productive enterprises for technical renovation, vigorously promoted the source quality, laid emphasis on the prevention of quality, and achieved good results in the quality assurance ability of products.

2. **Impacts of credit policy adjustment, exchange rate changes, price changes of cost elements and natural disasters on the Company's financial situation and operating results this year and in the future.**

(1) **Credit policy adjustment**

During the reporting period, the State implemented proactive fiscal policies and moderately relaxed monetary policies, which provided relatively relaxed financing environment for enterprises' capital demands for the expansion of production.

(2) **Exchange Rate Changes**

There was no significant impact of exchange rate changes on the Company's operating results because the products of the Company focused on the domestic market with a few export-related sales amount and lower asset-liability ratio and financial cost.

(3) **Price Changes in Cost Factors**

During the reporting period, average annual price of raw materials needed by the Company in production was fluctuated widely. To effectively respond to the adverse influence of wide fluctuation raw material price increase on the Company, the Company took a series of measures to optimize the structure of product and enhance the competitiveness of product. At the same time, the Company carried out fine management of cost and brought about such activities as reducing cost and increasing efficiency, and eliminated the impact of price changes in cost factors on the Company's profit to a certain extent.

(4) **Natural Disasters**

During the reporting period, the freezing disasters in south China resulted in delayed delivery of part of our customers, bringing difficulties in the Company's production, operation and cash flow. Therefore, the Company actively took many measures to minimize the impacts on the Company. There were no significant impacts of the natural disasters on the Company's 2008 annual financial situation and operating results.

6.1.2 Technical Innovation of the Company

During the reporting period, the company made better efforts to research and develop new products with wide varieties. High-voltage parallel/filter capacitor has reached the international level. The product with single capacity of 500-800kv is strong in field provision and low in cost. It has been used in the real project of Xiangjiaba-Shang Fulong Station and Hulunbuir-Liaoning DC Electricity Transmission convertor station, which the design of product has been completed. In terms of capacitor voltage transformer, its main task is to promote newly innovated products while launching Model 500kv product and RI coupling capacitor. In 2008, the Company won the bid again in the CVT tender of the hydropower department, Los Angeles, America, of which there were two new-type products. This expanded our overseas market.

In order to expand the capacity and improve product quality, in 2008, the Company invested funds in manufacturing enterprises for technical transformation. New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd imported two automatic rolling machines from America Hilton, and two sets of vacuum drying and dipping equipment from Germany, which solved bottlenecks in production caused by two main processes of rolling and dipping, thus enhancing its productivity. At the same time, the Company optimized and designed the layout of machining equipment and the product line, purchased new machines, adjusted process so that its flow control was fully improved, and its production efficiency was increased.

In terms of quality improvement, beginning with enhancing product quality, product reliability and customer satisfaction, the Company paid more attention to source quality management and laid stress on quality prevention, as a result, good headway has been scored in the product quality assurance, and the company’s reputation and competitive force has been increased greatly.

6.2 Operational results in principal operations

6.2.1 Principal operations by business and product segment

Unit:RMB

By Business or Product	Income from principal operations	Costs of principal operations	Profit ratio of principal operations (%)	Increase / decrease in income from principal operations as compared with last year (%)	Increase / decrease in cost of principal operations as compared with last year (%)	Increase / decrease in gross profit margin as compared with last year (%)
1. By Business						
Electrical transmission and allocation and control facilities manufacturing	513,761,745.48	400,812,246.04	21.98	-13.91	-18.29	4.18
2. By Product						
High-voltage isolated switch	233,119,379.66	202,695,798.41	13.05	-28.16	-28.03	-0.15
Power capacitor	182,441,111.71	123,318,712.88	32.41	16.23	5.06	7.18
Closed busbars	87,785,633.62	67,071,997.43	23.60	-17.14	-19.66	2.40
Others	10,415,620.49	7,725,737.32	25.82	11.40	-3.31	11.28

6.2.2 Principal operations by region segment

Unit: RMB0'000

Region	Income from principal operations	Increase /decrease in income from principal operations compared with last year
Northeast China	14973	-37.5%
Northern China (Shandong inclusive)	18758	20.70%
Central	7548	-10.29%
East China	1732	-42.96%
South China	3720	-12.14%
Southwest China	1208	-14.51%
Others	3437	-30.41%
Total	51376	-16.53%

Note:
Compared with the same period last year, the decline of income from principal operations by region segment in the reporting period is caused by the changes in current period consolidated range.

6.2.3. Major suppliers and customers

Total amount of purchase from the top five suppliers	RMB115,620,000	Percentage to the Company's total amount of purchase	43.45%
Total amount of sales to the top five customers	RMB135,790,000	Percentage to the Company's total amount of sales	26.43%

6.2.4 Operations and results of major controlling company and investee Company

Unit: RMB 0,000

Name	Principal Business	Registered capital	Percentage of share held by the company(%)	Total assets	Net assets	Income from principal operations	Net profit
Fuxin Closed Busbars Company Limited	Closed busbar	US$2,800,000	100	24,212	5,663	8,779	755
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd	Lightning arrester, power capacitor	US$10,000,000	100	29.069	7,933	18,072	978
Jinzhou Jinrong Electric Company Limited	High-voltage capacitor	300	69.75	813	488	172	-474
Shenyang Gaodongjia Desiccation Equipment Company Limited	Desiccation equipment	450	70	635	461	-	-8
Northeast Electric (Beijing) Co., Ltd	sales of machinery equipment	200	100	1,182	193	2,876	0.1
Northeast Electric (Hong Kong) Company Limited	Investment and Trading	US$20,000,000	100	34,736	17,875	3,418	-839
Great Talent Technology Limited	Investment and Trading	US$1	100	9,260	-4	-	-0.6
Shenyang Kaiyi Electric Co., Ltd	High-voltage equipment	100	100	8,110	101	-	41
Shenyang Zhaolida Machinery Equipment Co., Ltd	Machinery Equipment	10	100	10	9.9	-	-0.1
New northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd.	Manufacture of switches and equipment	US$168,000,000	17.09	324,485	147,277	264,883	8,297
New Northeast Electric (Shenyang) High-voltage isolators Switchgears Limited	Isolated switchgears	US$21,500,000	25.6	23,312	17,631	8,140	159
Weida High-voltage Electric Co., Ltd	Investment and trading	US$12,626	20.8	21,573	9,546	851	849

6.2.5 Financial conditions and operations results during the reporting period

Unit:RMB

	Items	As at 31 December 2008	As at 1 January 2007	Increase/ decrease(%)
1.	Total assets	847,016,256.07	1,044,977,793.85	-18.94
2.	Shareholders' equity (excluding minority interests)	311,137,033.20	484,195,364.55	-35.74
3.	Operating profit	-69,760,685.96	-110,882,382.14	37.09
4.	Net Profit	-70,569,433.41	-347,904,234.51	79.72
5.	Net increase in cash and cash equivalents	-34,840,869.85	24,454,208.56	-

6.3 Utilization of Funds

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

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

The Board of the Company proposed to distribute profit ended on 31 December 2008 as follows:

During the reporting period, the Company recorded loss of RMB69,112,495.33 and the accrued loss distributable to shareholders at the end of the year is RMB1,536,634,262.58. Therefore the Board resolved not to make any profit distribution and not to transfer any capital reserve into share capital during the reporting period.

The Company had no cash dividends in the past three years.

6.5 Explanation of the Board on the Correction of Significant Accounting Errors

(1) Correction and Effect of Significant Accounting Errors

during the period when the Company carried out its 2008 audit work, the Company found that it made an error in 2007 consolidated statements in which it used the equity method to calculate its long-term equity investment in New Northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd (the"NNE(Switchgears)") by an equity proportion of 20.8 % of the

NNE(Switchgears). Due to the change in the NNE(Switchgears) paid-up capital structure on 11 January 2007, 17.09% of the NNE(Switchgears) voting shares were held directly by the Company or indirectly by its subsidiaries, less than 20%. In accordance with the Accounting Standards for Enterprises, the Company should calculate its long-term equity investment in the NNE(Switchgears) by using the cost method instead of the original equity method.

When calculating the voting shares of its long-term equity investment in theNNE(Switchgears), the Company made an error in 2007 financial report in which it mistook 20.8% voting shares of the NNE(Switchgears) indirectly and directly held by Weida High-voltage Electric Co., Ltd, one of the Company's associate, for its own shares. As a result, the Company adopted the equity method in its statements because it mistakenly believed that it held 20.8% voting shares of the NNE(Switchgears).

The above accounting errors gave rise to more calculation of RMB 28,996,546.06 in the long-term equity investment in the NNE(Switchgears), less calculation of RMB 1,625.52 in translation reserve, and more calculation of RMB 28,998,171.58 in investment income in the Company's 2007 consolidated statements. The Company calculated RMB 28,998,171.58 more in retained earnings at the beginning of the period in 2008 consolidated statements, and RMB 28,998,171.58 more in total profit and net profit in 2007 consolidated statements. It has corrected this error when preparing 2007-2008 comparable financial statements in the reporting period.

(II) The Explanation of the Board on the Correction of Significant Accounting Errors

In the board of directors' opinion, the correction of the said accounting errors is realistic and in accordance with the real financial position of the Company, which is also in compliance with provisions of relevant financial policies. All this increases the quality of accounting information of the Company and presents fairly the financial position of the Company.

6.6 Operating Plans for the New Fiscal Year

1. Impacts of external environment on the Company's operation

Due to the spread of financial crisis in America and the economic slowdown in the world, in 2009, there are many uncertainties in the world's economic development. The domestic development in China is full of both challenges and opportunities. The central government implements proactive financial policies and moderately relaxed monetary policies and launch a series of measures to ensure growth, expand domestic demand, adjust structure, which facilitate the development in our trade. All of these create favorable conditions for enterprises to continue to speed up their development.

2. The Situation of the Industry and its Growth Trend

To protect the adverse impacts of international economic environment on China's economy, the State has launched a policy to stimulate economic development, planning to invest 4 trillion yuan in expanding domestic demand and promoting steady economic growth. Grid investment, an important part of infrastructure investment, must be accelerated. To respond to the national macroeconomic policies for expanding domestic demand, the State Grid Corporation and the South Grid Corporation has released many favorable policies in succession that they will invest one trillion yuan and 0.4 trillion yuan in grid transformation in the next few years. It is expected that there will be sound and sustained development in the domestic electricity transmission and transformation market in the future, which will provide a good opportunity for the Company's expansion in principal business.

3. Corporate Development Strategies and Operational Objective

Facing the opportunities and challenges brought by the industry's growth trend and competitive pattern, the Company will continue to carry out overall, coordinated and sustained development strategies based on principal business for steady operation. Adhering to taking science and technology as the guidance, management as the backing, and market-benefit as two cores, the Company will further increase its productivity, expand its size, improve technical quality, enhance market share so as to promote its comprehensive competitive force and profits.

In 2009, its operational objective is to keep high increase in sales revenue from principal business, turn losses into gains, thus forming a firm basis for further continuing operation and leap development.

4. Measures to be taken

In 2009, the Company will take diversified measures to respond to challenges, laying stress on the followings:

(1) To advance the construction of corporate governance, further standardize and improve the Company's internal control, lay top emphasis on strict, constant, effective internal control and monitoring management, and improve the Company's operation management level and risk prevention ability.

(2) To make better efforts to adjust product structure, improve the overall profitability of the Company's products, strengthen product quality control and promote brand values.

(3) To adjust sales strategy, highlight the importance of sales area, and establish good information channels; to strengthen market mechanism cultivation, follow up key projects, expand marketing efforts in necessary market areas and spaces for stable market share.

(4) To continue to advance comprehensive budget management, and strengthen the control of purchase cost and production process so as to reduce cost and increase efficiency.

(5) To invest more money in technical transformation, research and development, realize upgrade of existing products as well as standard and serial production, and increase ability of continuing innovation so as to improve technology competitiveness.

(6) To strengthen human resources management, recruit more talents suitable for the Company's development, optimize the configuration of personnel structure, and improve human resources reserve.

5. Potential Risks of the Company and its Countermeasures

(1) Macropolicy Risk

The industrial development of the Company's products is closely related to the national macroeconomic policies and industrial policies, which is easily affected by relevant national industrial policies, especially, the changes in these polices may have impact on the Company's production and operation.

Countermeasures: the company will further research and forecast the development policies for our industry, power industry, and related industries, grasp the dynamic changes of industrial policies, make prospective business decision timely in accordance with judgment for the change trend of industrial policies so as to consolidate the Company's status in the industry and the stable development.

(2) Market Competation Risk

Although the domestic market is broad, and its overall environment is relatively favorable for the development of our industry, the new enterprises and constant expansion in this industry at home and abroad make market competition fiercer, which may slow down the increase of the Company's market share and sales size.

Countermeasures: the company will further enhance the ability of independent innovation, and constantly improve the technology and quality of high-end products. At same time, the company will, in accordance with the changes in market factors, timely adjust the structure of products and market strategies, and make great efforts to development high-tech products so as to achieve the fast growth in market share and sales scale.

(3) Fund and Financial Risks

In 2009, due to better expansion of the Company's scale of production and sale, funds and production conditions are playing an outstanding role in restricting the Company's production, and the pressure of purchase and the difficulties in the auxiliary will be further increased, which may bring some risks in the Company's normal production and operation.

Countermeasures: first, to strengthen financial management, control fund risk, lay stress on capital management, further intensify the collection of accounts receivable so as to ensure the Company's cash flow and prevent financial risk; second, to enhance financial monitoring and budget, improve the efficient utilization of funds, strengthen the check and control of productive cost and all sorts of expenses so as to exploit potential and increase efficiency, and relieve pressures on funds and productivity, thus keeping stable increase in production.

(4) Price Risk in Raw Material and Energy

In 2008, the prices of main raw materials and energy rose first and then fell with wide fluctuation, which had great impacts on enterprises' purchase and costing, and brought big pressures on scientific control of cost and expenses. It is expected in 2009 that there will be a giant fluctuation in commodity exchanges like oil, especially there is a larger price fluctuation remaining in main raw materials and energy due to such factors as the emergence of steel futures trading at home, which may bring some risks in the Company's cost control of products.

Countermeasures: to strengthen source control, and reduce purchase cost. The Company will pay more attention to the long-term partnerships with major suppliers so as to ensure the stable supply of raw material and energy.

(5) Management Risk

Now, it is impossible to forecast the breadth, depth and time of the influence of global financial crisis on entity economy, and in 2009, the Company is further expanding its operational scale, which requires higher management and coordination abilities of the Company's management, and will bring some risks in the Company's strategic investment management.

Countermeasures: the business quality and management level of the Company's management should adapt to increasingly complex market environment and fast expansion of scale; the organization mode and management system will make time adjustment and improvement with market chances and the Company's larger scale. The board of directors, external independent directors and supervisors will play a full role in ensuring scientific decision making and avoiding management risk.

6.7 Analysis of the Company's financial condition under generally accepted accounting principles of Hong Kong

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

As at end of the year, the balance of monetary fund was RMB30,216,000.

There's 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 year 2008, the Company had bank loans amounting to RMB22,450,000 representing 2.62% of the total assets. These bank loans bear fixed interests.

The debt equity ration of the Company was 7.22% (debt equity ration= total bank loan/total share capital reserve * 100%).

As at the end of the year 2008, the Company had net asset of RMB22,092,000 as security.

Please refer to Notes of Financial Statement for contingencies.

7. SIGNIFICANT EVENTS

7.1 Personnel movement

Approved by the board of directors on 3 June 2008, Mr. Shi Li resigned as an executive Director, vice general manager and the secretary to the Board due to the change of work.

Approved by the board of directors on 6 July 2008, Mr. Sun Zhen and Mr. Zhang Bin resigned as an executive Director respectively. Not long ago on 2 July 2008, Mr. Sun Zhen resigned as chairman and legal representative, and Mr. Zhang Bin as vice chairman and general manager.

Approved by the board of directors on 6 July 2008, Mr. Su Weiguo, an executive director of the Company, was elected as chairman and legal representative of the Company; Mr. Bi Jianzhong was appointed as general manager, and dismissed from his position as deputy general manager and chief accountant, and Mr. Zhang Zhaozhong was appointed as deputy general manager.

Approved by an extraordinary general meeting of shareholders on 20 August 2008, Mr. Zhang Zhaozhong was elected as a new executive director.

Approved by the board of directors on 16 October 2008, Mr. Zhang Zhaozhong was appointed as the secretary to the Board.

7.2 MATERIAL LITIGATION AND ARBITRATION

1. Litigation lodged by China Development Bank (CDB) for the debt of RMB 150 million

According to the announcements dated 9 January 2008, 30 April 2008, 26 September 2008, and 9 January 2009, CDB lodged litigation against Shenyang High-voltage Switchgears Company Limited (the "Shenyang High-voltage") on dispute over a loan contract and also against the Company for acceptance of joint compensation. On 19 July 2007, Beijing Higher Court made a civil written order ((2004) Gao Min Chu Zi No. 802). According to the order, Beijing Higher Court canceled the contract signed by the Company and Shenyang High-voltage in relation to swapping the Company's creditor's rights of RMB76, 660,000 for the equity of Shenyang High-voltage. Beijing Higher Court ruled out that the Company should return the related equity to Shenyang High-voltage, and if not, the Company should compensate for loss to Shenyang High-voltage within limit of the value of share capital of RMB247, 120,000; Shenyang High-voltage should return the creditor's rights of RMB76, 660,000 to the Company, and if not, Shenyang High-voltage should compensate for loss to the Company within limit of RMB76, 660,000. On 23 August 2007, CDB filed an appeal to the Supreme Court.

On 5 September 2008, the Supreme Court made a civil written order ((2008) Min Er Zhong Zi No. 23). On the basis of upholding the civil written order ((2004) Gao Min Chu Zi No. 802) issued by Beijing Higher Court, the Supreme Court ruled to cancel the agreement in relation to swapping the 98.5% share equity interests in Shenyang Tiansheng Communication Equipment Limited held by the Company for the 74.4% share equity interests in New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Ltd. held by Shenyang High-voltage.

The Company accepted the final judgment made by the Supreme Court, and agreed to return to the Shenyang High-voltage the 74.4% equity in New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Ltd (former Shenyang Xintai High-Voltage Electric Co., Ltd). At the same time, the Company agreed to accept from the Shenyang High-voltage the 98.5% equity in Shenyang Taisheng Industry and Trading Co., Ltd (Shenyang Tiansheng Communication Equipment Limited).

2. Progress of debt and equity case brought by Liaoning Trust and Investment Company ("Liaoning Trust") on US$ 12 million

According to the announcements dated 13 December 2007, 12 August 2008, and16 February 2009:

With regard to the case of RMB15, 900,000, on 10 April 2008, the Higher People's Court of Liaoning Province (Liaoning Higher Court) made a civil judgment ((2008) Liao Shen Min Zhong Zi No.2). According the judgment, the liquidation team of Liaoning Trust should be a third party to the litigation, so the court quashed the civil judgment ((2005) Liao Min Er Zhong Zi No.220) and the civil judgment ((2005) Shen Zhong Min Si He Chu Zi No.13), and remanded the case to Shenyang Intermediate Court for retrial. On 16 February 2009, the Company received from its lawyer a civil judgment ((2008) Shen Zhong Shen Min Chu Zai Zi No. 2) made by Shenyang Intermediate Court. According to the judgment, the Company's claim was rejected. On 23 February 2009, the Company filed an appeal to Liaoning Higher Court.

As for the case of RMB 60,190,000, on 14 May 2008, Liaoning Higher Court made a civil judgment ((2006) Liao Min Er Zhong Zi No. 214, 215 and 216). According the judgment, the liquidation team of Liaoning Trust should be a third party to the litigation, so the court quashed the civil judgment ((2005) Shen Zhong Min Si He Chu Zi No.21, 22 and 23), and remanded the case to Shenyang Intermediate Court for retrial.

3. Litigation lodged by Paradise Field Holding (Paradise) for the debt of RMB 74.8 million

According to the announcements dated 6 February 2009, on 4 February 2009, the Company received from its lawyer a notification calling for response to the (2009) Liao Min San Chu Zi No.1 civil suit made by the Higher People's Court of Liaoning Province. The Paradise brought a lawsuit to the Higher Court on 24 November 2008 against the Company for repayment of the accounts payable of RMB 74,806,911 including principal and interest. The case is in the course of the first instance.

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

7.3 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.

7.4 Guarantees

(1) Foreign guarantees of the Company

By the end of 2008, the foreign guarantee of the company totaled RMB 348,300,000, including RMB 280,000,000 for New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd; RMB 39,900,000 for Jinzhou Power Capacitors Co., Ltd; RMB 28,400,000 for Shenyang Kingdom Hotel Co., Ltd.

(2) Guarantees for the holding subsidiaries of the Company

The Company offered guarantees of RMB 15,000,000 for its holding subsidiaries New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd. .

(3) Guarantee of the Company for the guaranteed company with assets liabilities over 70%

As of the end of the reporting period, the guarantee of the Company for Jinzhou Power Capacitors Co., Ltd with assets liabilities over 70% was RMB 39,900,000, accounting for 12.82% of the audited net assets of the Company for 2008, which was translated into liabilities in total in 2007.

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

7.5 Acquisition and Disposal of Assets during the Reporting Period

(1) Foreign Investment

The Company wholly invested in the establishment of Shenyang Zhaolida Machinery Equipment Co., Ltd. with the registered capital of RMB 100,000 and the scope of business including 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 26 September 2008, its industrial and commercial registration was done.

(2) Disposal of assets

Approved by the board meeting held on 10 November 2008, the Company agreed to transfer 100 % equity of Shenyang Jiatai Machinery Equipment Co., Ltd held by Shenyang Kaiyi Electronic Co., Ltd, a wholly-owned subsidiary of the Company, to New Northeast Electric Group Power Mechanical Equipment Co., Ltd. (the company and its wholly-funded shareholder, New Northeast Electric Group are third parties independent of the Company and its subsidiaries) at a consideration of RMB 5,970,000. On 13 November 2008, the industrial and commercial change registration was done.

The disposal of equity brought the transferred return of RMB-720,000 to current period, which had no impact on the continuity of the Company's business and on the stability of the management level.

7.6 Implementation of Commitments of the Company, shareholders and actual controllers

New Northeast Electric Investment Co., Ltd, the controlling shareholder of the Company made a special undertaking that it will not sell or transfer the shares of Northeast Electric Development Co., Ltd on Shenzhen Stock Exchange within 36 months from the date for implementation of the Share Reform Scheme. Following the expiry of the said 36 months, the original Non-circulating Shares which are publicly sold on stock exchange will not less than RMB per share.

Up to now, New Northeast Electric Investment Co., Ltd has strictly fulfilled the above promises.

7.7 Major Connected Transaction

During the reporting period, there were no connected transactions as defined under the Listing Rules of Shenzhen Stock Exchange nor had creditor rights and debt with connected parties at the end of the reporting period.

7.8 Change of the auditors

The 2007 Annual General Meeting held on 16 June 2008 vetoed the reappointment of Shenzhen Pengcheng Certified Public Accountants as the Company's domestic auditor and the reappointment of World Link C.P.A. Limited as the Company's international auditor.

The 2009 first Extraordinary General Meeting held on 3 February 2009 approved the appointment of Shenzhen Pengcheng Certified Public Accountants as domestic auditor and the appointment of TING HO KWAN & CHAN Certified Public Accountants as international auditor with a term of one year and the total remuneration paid to the domestic and international auditors of the Company is RMB1,550,000.

7.9 Impact of medical insurance scheme on the results of the Company

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

7.10 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.

7.11 Report of corporate governance

The Company has fully complied with the provisions of Code of Corporation Governance Practice as set out in Appendix 14 to the Listing Rules of Hong Kong Exchanges and Clearing Limited and certain proposed code of best practice. The board of directors has also thoroughly reviewed the internal control system during the year and is of the opinion that the system is effective and sufficient and secured the achievement of the targets of the Company's operation and regulations. Details of the "Code of Corporate Governance" Practice adopted by the Company are set out in the Report for 2008, which will be dispatched to the shareholders soon.

7.11.1 Audit Committee

Duties and main work of the Committee include scrutiny of the Company's financial reports, appointment of independent auditors, approval of auditing and audit-related services and monitoring of internal financial reporting procedure and management policies. The committee comprises 5 independent non-executive directors of the Company with Ms. Liang Jie as the presiding member.

The Committee convenes no less than 2 audit committee meetings each year to collectively scrutinize the accounting principles adopted by the Company, internal control system and related financial matters so as to ensure the integrity, fairness and accuracy of the Company's financial statements and other related information. During 2008, a total of 4 meetings were held by the audit committee to respectively scrutinize the Company's annual and interim reports, the first quarterly results and the third quarterly results. All 5 independent directors attended the meetings to hear reports on internal controls while issuing related auditing reports and putting forward their views.

The Audit Committee has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Company and has studied matters relating to auditing, internal controls and financial reporting. The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the audited annual accounts for the year ended 31 December 2008.

At the Company's board meeting held on 30 March 2009, the audit committee of the Board reviewed and approved the 2008 annual financial records and results announcement.

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

Code")

During the reporting period, the Company has adopted a code of behavior on terms no less exacting than the required standard set out in the "Model Code" in connection with rules governing securities transactions of directors and supervisors. It was confirmed, upon specific enquires, that no director or 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 directors stating that no transactions of company securities should be carried out within one month prior to results announcement. All directors have confirmed that they did not carry out transactions of company securities during the year and have complied with the guidelines.

7.11.3 Appointment of professional advisors

Pursuant to the Rule 3A.20 in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd (the "Listing Rules"), the Company appointed Tanrich Capital Limited as its compliance advisor to provide guidance and advice to the Company in relation to the compliance with the Listing Rules with a term of two years from 31 December 2008. At the same time, the Company also appointed Tanrich Capital Limited as its financial advisor to provide review and instructive advice in terms of the compliance of the Company's internal control systems with effect from 31 December 2008.

7.12 Taxation: The Company is subject to income tax at the applicable rate of 25%. It had no taxable profit in Hong Kong during the reporting period.

7.13 Employees: As at 31 December 2008, the number of employees on the payroll of the Company was 720. 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.

Among the employees, 29 are secondary school graduates, 160 are diploma holders, and 140 are bachelor degree holders or above.

Since the publication of the annual report ended 31 December 2007, there have been no major changes in the Group's recruitment, training or development policies

7.14 Subsequent events

1. Contingent liabilities

Approved by the board meeting held on 12 December 2008 and the first EGM in 2009 held on 3 February 2009, the Company provided guarantee against a loan of RMB75, 000,000 in integrated credit line in the Shenyang Branch of Industrial Bank Co., Ltd for New Northeast Electric (Shenyang) High-Voltage Switchgears Limited with the term of two years from the due date of debt. (Please refer to the announcements dated 16 December 2008 and 4 February 2009 for details).

2. Capital increase of US$5450000 in New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd

Approved by the board meeting held on 2 January 2009, the Company, in accordance with the need of strategic business development, agreed that New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd, a wholly-owned subsidiary of the Company, increased its total investment and registered capital from US$10,000,000 to US$15,450,000. At the same time, the Company also agreed that Shenyang Kaiyi Electric Co., Ltd, a wholly-owned subsidiary of the Company, invested RMB 37,600,000 (approximately US$5,450,000) in cash in subscribing all of the new share capital. On 9 March 2009, the industrial and commercial change registration was done.

3. Personnel change

Upon the approval at the board meeting held on 30 March 2009, Mr. Zhang Zhaozhong resigned as an executive Director, Vice General Manager and the secretary to the Board due to the change of work.

8. REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is in the view that the Company is operated legally. The Company did not have any problem in its financial position, acquisition, assets disposal transactions and connected transactions.

9. FINANCIAL STATEMENT

9.1 AUDITORS OPINION

The Company’s domestic auditor, Shenzhen Pengcheng Certified Public Accountants, issued a standard unqualified audit report.

The Company’s international auditor, TING HO KWAN & CHAN Certified Public Accountants, issued an unqualified audit report.

9.2 Financial statements prepared under the PRC accounting regulations

9.2.1 Comparable Consolidated Profit and Loss Statement of Parent Company

Unit:RMB

Items	Consolidated Amount in this period	Consolidated Amount of the same period last year	Parent company Amount in this period	Parent company Amount of the same period last year
1.Total operating revenues	517,717,563.70	639,700,849.31	104,917,592.10	177,767,444.32
Including: operating revenues	517,717,563.70	639,700,849.31	104,917,592.10	177,767,444.32
2. Total operating costs	521,857,220.04	805,517,986.26	112,613,649.28	264,331,876.31
Including: operating costs	404,605,290.11	527,157,531.89	94,559,487.87	163,580,141.04
Tax and additions from operations	177,497.32	1,049,054.75	-	-
Sales expense	48,122,876.77	52,396,408.30	2,758,363.00	5,760,342.70
Administrative expense	60,631,879.70	75,940,548.83	13,415,193.43	17,684,687.44
Financial expense	2,036,205.61	5,614,952.51	-37,999.55	-59,368.39
Loss for assets impairment	6,283,470.53	143,359,489.98	1,918,604.53	77,366,073.52
Add:Income from change in fair value(losee is reprensented by"-")	-	-	-	-
Investment income (losee is reprensented by"-")	-65,621,029.62	54,934,754.81	-102,178,150.52	-63,350,444.15
Including: investment income from associates and joint venture companies	-376,015.35	-820,304.24	-	-
Foreign exchange income (losee is reprensented by"-")	-	-	-	-
3. Operationg income(loss) (Total losee is reprensented by"-")	-69,760,685.96	-110,882,382.14	-109,874,207.70	-149,914,876.14
Add: Non-operating income	753,117.21	1,441,472.61	-	640,842.48
Less: Non-operating expense	541,723.87	241,347,721.65	8,937.17	240,732,034.51
Including: Loss from non-current assets disposal	288,668.05	320,721.53	-	5,912.26
4. Total profit(loss)(Total losee is reprensented by"-")	-69,549,292.62	-350,788,631.18	-109,883,144.87	-390,006,068.17
Less: Income tax expense	1,020,140.79	-2,884,396.67	-	-
5. Net profit(loss)(net losee is reprensented by"-")	-70,569,433.41	-347,904,234.51	-109,883,144.87	-390,006,068.17
Net profit attributed to hoders of the parent company	-69,112,495.33	-340,874,097.62	-109,883,144.87	-390,006,068.17
Minority interests	-1,456,938.08	-7,030,136.89	-	-
6. Earings per share	-0.08	-0.40	-0.13	-0.45
(1) Basic earnings per share	-0.08	-0.39	-0.13	-0.45
(2)Diluted earnings per share	-0.08	-0.39	-0.13	-0.45

Director: Su Weiguo **Director: Bi Jianzhong**

9.2.2 Changes in accounting policies during the reporting period

Related provisions in Interpretation 2 to Accounting Standards for Enterprises published on 7 August 2008 are as follows.

When the accounting standards for mainland enterprises and the Hong Kong financial reporting standards are equivalent, a listed company issuing both A shares and H shares, except for two differences of the switch back of partial long-term asset impairment losses and of the related party disclosure,shall adopt the same accounting policy and accounting estimate to recognize, measure and disclose the same transaction in the Company's A shares and H shares financial reports. Different accounting treatments are prohibited in the A shares and H shares financial reports.

When preparing the consolidated financial statements, the parent company shall offset against the owners' equity (the capital reserve) for the difference between the new long-term equity investment on minority interest transaction and the net asset share of the subsidiary company due to the parent company upon the new shareholding ratio which shall be continuously calculated since the date of purchase or the date of merger. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The above provisions shall only apply to the minority interest transactions with its subsidiary company carried out after 7 August 2008. Retrospective adjustment shall not be made to the transactions that have been carried out before the date but not dealt with under the above principle.

In accordance with the above provisions, the Company changed the accounting policy related to minority interest transactions, but did not make retrospective adjustment to the minority interest transactions carried out.

9.2.3 Correction of significant accounting errors during the reporting period.

In the current year, the Company found that it made an error in 2007 consolidated statements in which it used the equity method to calculate its long-term equity investment in New Northeast Electric (Shenyang) High-voltage Switchgears Co., Ltd (the "New Shengao") by an equity proportion of 20.8 % of the New Shengao. Due to the change in the New Shengao's paid-up capital structure on 11 January 2007, 18.87% of the New Shengao's voting shares were held directly by the Company or indirectly by its subsidiaries, less than 20%. In accordance with the Accounting Standards for Enterprises, the Company should calculate its long-term equity investment in the New Shengao by using the cost method instead of the original equity method.

When calculating the voting shares of its long-term equity investment in the New Shengao, the Company made an error in 2007 financial report in which it mistook the voting shares of the New Shengao directly and indirectly held by Weida High-voltage Electric Co., Ltd, one of the Company's associate (not its subsidiary), for its own shares. As a result, the Company adopted the equity method in its statements because it mistakenly believed that it held 20.8% voting shares of the New Shengao.

The above accounting errors gave rise to more calculation of RMB 28,996,546.06 in the long-term equity investment in the New Shengao, less calculation of RMB 1,625.52 in translation reserve, and more calculation of RMB 28,998,171.58 in investment income in the Company's 2007 consolidated statements. The Company calculated RMB 28,998,171.58 more in retained earnings at the beginning of the period in 2008 consolidated statements, and RMB 28,998,171.58 more in total profit and net profit in 2007 consolidated statements. It has corrected this error when preparing 2007-2008 comparable financial statements in the current year.

9.2.4 During the reporting period, the Company's financial statements had significant changes in consolidated range.

1. The Company deducted New Northeast Electric (Shenyang) High-voltage Isolated Switchgears Limited (the "New Shenkai") from the range of the 2008 consolidated financial statements.

   The transfer date of such equity was determined on 30 September 2008. The income statement of the New Shenkai from January to September was included in the consolidate range of the current year.

2. The Company deducted Shenyang Jiatai Machinery Equipment Co., Ltd (the "Jiatai Machinery") from the range of the 2008 consolidated financial statements.

   In November 2009, 100 % equity of Shenyang Jiatai Machinery Equipment Co., Ltd held by Shenyang Kaiyi Electronic Co., Ltd (the "Kaiyi Electric"), a wholly-owned subsidiary of the Company, was transferred to New Northeast Electric Group Power Mechanical Equipment Co., Ltd at a consideration of RMB 5,970,000. The Kaiyi Electric received the payment on 18 November 2008. On 13 November 2008, the industrial and commercial change registration was done. The transfer date of such equity was determined on 31 October 2008. The income statement of the Jiatai Machinery from January to October was included in the consolidate range of the current year.

3. The Company added Shenyang Zhaolida Machinery Equipment Co., Ltd (the "Zhaolida Company"') to the range of the 2008 consolidated financial statements.

   The Zhaolida Company, a wholly-funded subsidiary of the Company, was established with RMB 100,000 in cash funded by the Company on 26 September 2008.

9.3 Financial Statement prepared under Hong Kong Financial Reporting Standards(Attached)

10. STATUTORY INFORMATION

Announcements on annual results and annual report

The announcement on annual results will be published on the website of the Company (http://www.nee.hk) and the website of HKEXNEWS (http:/www./hkexnews.hk). The 2008 Annual Report will be published on such two websites on or about 21 April 2009 and sent to shareholders.

Financial Statement Prepared under Hong Kong Financial Reporting Standards

1. CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	2008	As restated 2007
	Rmb'000	*Rmb'000*
Continuing operations		
Turnover	517,717	618,496
Cost of sales	(404,605)	(510,785)
Gross profit	113,112	107,711
Other income	9,633	7,105
Distribution costs	(48,123)	(52,396)
Administrative expenses	(67,675)	(163,886)
Operating profit/(loss)	6,947	(101,466)
Finance costs	(3,443)	(3,685)
Share of results of associates	(376)	(821)
Loss on disposal of a subsidiary	(720)	-
Gain on disposal of available-for-sale investments	-	54,443
Provision for loss on guarantee obligations	-	(70,257)
Compensation for share exchange scheme	(71,846)	(170,460)
Loss before taxation	(69,438)	(292,246)
Taxation	(1,020)	4,146
Loss for the year from continuing operations	(70,458)	(288,100)
Discontinued operations		
Loss for the year from discontinued operations	-	(56,807)
Loss for the year	(70,458)	(344,907)

1. CONSOLIDATED INCOME STATEM(Continued)

For the year ended 31 December 2008

	2008	As restated 2007
	Rmb'000	*Rmb'000*
Attributable to:		
Equity holders of the Company	(69,001)	(337,877)
Minority interests	(1,457)	(7,030)
	(70,458)	(344,907)
Loss per share - basic		
From continuing and discontinued operations (Rmb per share)	-0.08	-0.39
From continuing operations (Rmb per share)	-0.08	-0.32

2. CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	2008 *Rmb'000*	As restated 2007 *Rmb'000*
NON-CURRENT ASSETS		
Property, plant and equipment	84,331	110,247
Prepaid lease payments	5,013	14,493
Interests in associates	89,753	59,397
Available-for-sale investments	216,055	233,434
Trade and other receivables	844	-
Deferred tax assets	5,120	5,289
	401,116	422,860
CURRENT ASSETS		
Inventories	67,539	92,783
Trade and other receivables	336,821	355,939
Non-current assets held for sale	1,300	-
Pledged bank deposits	19,712	28,943
Cash and cash equivalents	30,216	36,635
	455,588	514,300
CURRENT LIABILITIES		
Trade and other payables	289,103	253,510
Amounts due to associates	8,094	-
Amount due to an investee company	2,252	42,000
Tax payable	901	124
Bank borrowings	22,450	50,369
Provision for loss on guarantee obligations	124,968	124,968
	447,768	470,971
NET CURRENT ASSETS	7,820	43,329
TOTAL ASSETS LESS CURRENT LIABILITIES	408,936	466,189

2. CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2008

	2008	As restated 2007
	Rmb'000	*Rmb'000*
CAPITAL AND RESERVES		
Share capital	873,370	873,370
Reserves	(562,295)	(483,992)
Equity attributable to equity holders of the Company	311,075	389,378
Minority interests	2,858	4,315
TOTAL EQUITY	**313,933**	**393,693**
NON-CURRENT LIABILITIES		
Amount due to an associate	32,176	-
Amount due to an investee company	62,827	72,496
	95,003	72,496
	408,936	466,189

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2009 and are signed on its behalf by:

Director: Su Weiguo **Director:Bi Jianzhong**

3. CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008	**As restated 2007**
	Rmb'000	*Rmb'000*
OPERATING ACTIVITIES		
Loss for the year	-70,458	-344,907
Adjustments for:		
Interest income	-639	-1,214
Dividend income	-7,321	-
Government grant income	-	-162
Taxation	1,020	-4,146
Amortisation of prepaid lease payments	135	493
Depreciation of property, plant and equipment	7,899	13,694
Impairment loss on available-for-sale investments	-	2,537
Impairment loss on property, plant and equipment	-	40,000
Allowance of impairment loss on trade and other receivables	4,973	99,852
Loss on disposal of property, plant and equipment	288	583
Interest expense	3,443	3,965
Share of results of associates	376	821
Gain on disposal of available-for-sale investments	-	-54,443
Provision for loss on guarantee obligations	-	70,257
Loss on disposal of a subsidiary	720	-
Losses on share exchange scheme	71,846	-
Operating profit/(loss) before changes in working capital	12,282	-172,670

3. CONSOLIDATED CASH FLOW STATEMENT(Continued)

For the year ended 31 December 2008

	2008	As restated 2007
	Rmb'000	*Rmb'000*
Decrease/(increase) in inventories	3,568	-25,607
Increase in trade and other receivables	-61,345	-91,855
Decrease in amount due from an associate	-	88,773
Increase in trade and other payables	93,314	41,709
Increase/(decrease) in amounts due to associates	8,094	-4,208
(Decrease)/increase in amount due to an investee company	-39,748	42,000
Cash generated/(used in) from operations	16,165	-121,858
Income tax paid	-1,340	-1,349
Interest paid	-3,443	-3,965
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	11,382	-127,172
INVESTING ACTIVITIES		
Net cash inflow/(outflow) from disposal of subsidiaries	3,918	-2,322
Dividend income received	-	19,956
Proceeds from disposal of property, plant and equipment	43	3,597
Interest received	639	1,214
Purchase of property, plant and equipment	-32,035	-13,323
Increase in investment in available-for-sale investments	-	-2,337
Proceeds from disposal of available-for-sale investments	-	79,251
Decrease/(increase) in pledged bank deposits	9,231	-27,583
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	-18,204	58,453

3. CONSOLIDATED CASH FLOW STATEMENT(Continued)

For the year ended 31 December 2008

	2008	**As restated 2007**
	Rmb'000	*Rmb'000*
FINANCING ACTIVITIES		
New bank borrowings raised	35,450	60,169
Repayments of bank borrowings	-63,369	-44,150
Increase in amount due to an associate	32,176	72,496
Decrease in amount due to an investee company	-2,100	
Dividend paid to minority shareholders	-	-21,120
NET CASH GENERATED FROM FINANCING ACTIVITIES	2,157	67,395
NET DECREASE IN CASH AND CASH EQUIVALENTS	-4,665	-1,324
CASH AND CASH EQUIVALENTS AT 1 JANUARY	36,635	39,764
Effect of changes in foreign exchange rate	-1,754	-1,805
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30,216	36,635

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
				Statutory	Discretionary					
	Share	Capital	Capital	surplus	surplus	Translation	Accumulated		Minority	T otal
	capital	reserve	contribution	reserve	reserve	reserve	losses	Total	interests	equity
	Rmb '000	*Rmb '000*	*Rmb '000*	*Rmb '000*	*Rmb '000*	*Rmb '000*	*Rmb '000*	*Rmb '000*	*Rmb '000*	*Rmb '000*
At 1 January 2007, as previously reported	873,370	603,394	50,391	81,631	32,699	233	(812,371)	829,347	101,524	930,871
Correction of accounting errors (Note 1(iii))	-	-	136,028	-	-	-	(136,028)	-	-	-
Change in accounting policy (Note 1(i))	-	1,170	-	-	-	-	(1,170)	-	-	-
At 1 January 2007, as restated	873,370	604,564	186,419	81,631	32,699	233	(949,569)	829,347	101,524	930,871
Acquisition of additional interests in subsidiaries	-	(93,504)	-	-	-	-	-	(93,504)	(69,059)	(162,563)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(21,120)	(21,120)
Exchange differences arising from translation of foreign operations recognised directly in equity	-	-	-	-	-	(8,588)	-	(8,588)	-	(8,588)
Loss for the year	-	-	-	-	-	-	(337,877)	(337,877)	(7,030)	(344,907)
At 31 December 2007	873,370	511,060	186,419	81,631	32,699	(8,355)	(1,287,446)	389,378	4,315	393,693
At 1 January 2008, as previously reported	873,370	603,394	54,131	81,631	32,699	(8,357)	(1,123,850)	513,018	4,315	517,333
Correction of accounting errors (Note 1(iii))	-	-	132,288	-	-	-	(133,428)	(1,140)	-	(1,140)
Change in accounting policy (Note 1(i))	-	(92,334)	-	-	-	-	(1,170)	(93,504)	-	(93,504)
Correction of accounting treatment (Note 1(ii))	-	-	-	-	-	2	(28,998)	(28,996)	-	(28,996)
At 1 January 2008, as resated	873,370	511,060	186,419	81,631	32,699	(8,355)	(1,287,446)	389,378	4,315	393,693
Exchange differences arising from translation of foreign operations recognised directly in equity-	-	-	-	-	-	(9,-302)	-	(9,302)	-	(9,302)
Loss for the year	-	-	-	-	-	-	(69,001)	(69,001)	(1,457)	(70,458)
At 31 December 2008	873,370	511,060	186,419	81,631	32,699	(17,657)	(1,356,447)	311,075	2,858	313,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. PRIOR PERIOD ADJUSTMENTS

(i) Change in accounting policy

During the year, the Group changed accounting policy on the difference between the cost of additional interests in subsidiaries and minority interest's share of assets and liabilities reflected in the consolidated balance sheet at the date of acquisition of minority interest. Such difference is now dealt with in equity directly as the acquisition of minority interest is considered as an equity transaction. In prior years, the difference arising from the acquisition of minority interest is either recognised as goodwill or recognised directly in the income statement. In accordance with HKAS 8, this change has been appliedretrospectively and comparative amounts have been restated.

	As at 31 December 2006	**During the year 31 December 2007**	**As at 31 December 2007**
	Rmb'000	*Rmb'000*	*Rmb'000*
	Increase/(decrease)	**Increase/(decrease)**	**Increase/(decrease)**
Goodwill	-	-93,504	-93,504
Capital reserve	1,170	-93,504	-92,334
Accumulated losses	1,170	-	1,170

(ii) Correction of accounting treatment

The investment in New Northeast Electric (Shenyang) High Voltage Switches Co., Limited ("New High-Voltage") had been regarded as investment in an associate in previous years and had been equity accounted for accordingly. In the current year, the directors have discovered that the proportion of registered capital indirectly held by the Group in New High-Voltage should be 21.36% and 17.09% as at 31 December 2006 and 31 December 2007 respectively instead of 20.80% as stated in the annual reports for both 2006 and 2007.

After the due and careful consideration of the existence of significant influence over the management of New High-Voltage, including participation in the financial and operating policy decisions, the Board of directors are of the opinion that the previous accounting treatment for investment in New High-Voltage in 2007 was inappropriate.

The Board of directors determined that the errors need to be corrected through restatement of previously issued consolidated financial statements in respect of the classification of investment in New High-Voltage in 2007, the details of prior period adjustments for the correction of the above accounting treatment are summarised as below.

	As at 31 December 2006	**During the year 31 December 2007**	**As at 31 December 2007**
	Rmb'000	*Rmb'000*	*Rmb'000*
	Increase/(decrease)	**Increase/(decrease)**	**Increase/(decrease)**
Interests in associates	(245,665)	(6,765)	(252,430)
Availiable-for-sale investments	245,665	(22,231)	223,434
Translation reserve	-	2	2
Share of results of associates	-	(28,998)	-
Accumulated losses	-	-	28,998

1. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

(iii) Correction of accounting errors

During reconciliation of other major accounts, the management has identified other material errors relating to prior periods and has determined that the correction of the cumulative effect of the prior period errors in the current period is material to the consolidated financial statements for the year ended 31 December 2008. Accordingly, the Company determined that these errors need to be corrected through restatement of previously issued financial statements.

Details of prior period adjustments for the correction of the above accounting errors are summarised as below:

	As at 31 December 2006	**During the year 31 December 2007**	**As at 31 December 2007**
	Rmb'000	*Rmb'000*	*Rmb'000*
	Increase/(decrease)	**Increase/(decrease)**	**Increase/(decrease)**
Goodwill			
- Note c	-	-1,140	-1,140
Capital contribution			
- Note a	136,028	-	136,028
- Note c	-	-1,140	-1,140
- Note d	-	-2,600	-2,600
	136,028	-3,740	132,288
Accumulated losses			
- Note a	136,028	-	136,028
- Note d	-	-	-2,600
	136,028	-	133,428
Share of results of associates			
- Note b	-	-899	-
Tax charge			
- Note b	-	-899	-
Other income			
- Note d	-	2,600	-

Notes on prior period errors:

a Capital contribution wrongly released to accumulated losses upon disposal of subsidiaries in 2006.

b Share of associates' taxation wrongly included in income tax of the Group.

c Upon the adoption of the new accounting policy on acquisition of minority interest as mentioned in above Note 2 (i), goodwill arising from acquisition of minority interest no longer existed.

d Error in recording a capital contribution movement during the year of 2007.

(iv) Effect of the correction of the accounting treatment and errors in basic loss per share

The combined effect of the correction of the accounting treatment and errors have resulted in an increase in basic loss per share by 3 cents.

2. TURNOVER

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2008	**2007**
	Rmb'000	*Rmb'000*
Continuing operations		
Sales of transmission machinery	517,717	618,496
Discontinued operations		
Revenue from provision of hotel, catering and entertainment services	-	18,741
Total	517,717	637,237

3. SEGMENTS REPORT

The Group's turnover and operating results are almost entirely generated from the production and sales of transmission machinery. Accordingly, no business segment information is provided.

More than 90% of the Group’s income are derived from the PRC and the income earned outside the PRC is insignificant. More than 90% of the carrying amount of segment assets, and additions to property, plant and equipment are located in the PRC and the assets outside the PRC is insignificant. Accordingly, geographical segment information has not been presented.

4. TAXATION

The provision for the PRC income tax is calculated at 25% (2007: 27% to 33%) of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC. Two subsidiaries located in the PRC are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making year of the subsidiaries in the PRC commenced on 2005 and 2006 respectively.

No provision for Hong Kong profits tax is made in the financial statements as the Group has sustained a loss for the year in respect of its operation in Hong Kong (2007: Nil).

		As restated
	2008	**2007**
	Rmb’000	*Rmb’000*
The tax charge/(credit) compri		
Income tax provision for the year	2,832	1,143
Deferred tax	-1,812	-5,289
	1,020	**-4,146**

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing operations *Rmb'000*	Discontinued operations *Rmb'000*	Total *Rmb'000*
2008			
Depreciation	7,899	-	7,899
Amortisation of prepaid lease payments	135	-	135
Loss on disposal of property, plant and equipment	288	-	288
Research and development costs	472	-	472
Impairment loss on property, plant and equipment	-	-	-
Auditors' remuneration	1,700	-	1,700
Allowances for impairment of trade and other receivables	4,973	-	4,973
Staff costs (including directors' emoluments)	16,891	-	16,891
Operating lease - office premises	4,648	-	4,648
2007			
Depreciation	8,345	5,349	13,694
Amortisation of prepaid lease payments	493	-	493
Loss on disposal of property, plant and equipment	583	-	583
Research and development costs	311	-	311
Impairment loss on property, plant and equipment	-	40,000	40,000
Allowances for impairment of trade and other receivables	99,852	-	99,852
Impairment loss on availiable-for-sale investments	2,537	-	2,537
Auditors' remuneration	2,893	6	2,899
Staff costs (including directors' emoluments)	25,889	3,755	29,644
Operating lease - office premises	2,900	-	2,900

6. FINANCE COSTS

Interest on bank borrowings wholly repayable within five years

	Continuing operations *Rmb'000*	Discontinued operations *Rmb'000*	Total *Rmb'000*
2008			
Bank loan interest	3,443	-	3,443
2007			
Bank loan interest	3,685	280	3,965

7. DIVIDEND

The Board of directors of the Company does not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: Nil).

8. BASIC LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic loss per share attributable to the equity holders of the Company is based on the following data:

	2008 *Rmb'000*	As restated 2007 *Rmb'000*
Loss		
Loss for the year attributable to equity holders of the Company for the purpose of calculation of basic loss per share	-69,001	-337,877
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	873,370	873,370

8. BASIC LOSS PER SHARE (Continued)

From continuing operations

The calculation of basic loss per share attributable to the equity holders of the Company is based on the following data:

	2008	As restated 2007
	Rmb'000	*Rmb'000*
Loss for the year attributable to equity holders of the Company	-69,001	-337,877
Less:		
Loss for the year from discontinued operations	-	56,807
Loss for the purpose of calculating basic loss per share from continuing operations	-69,001	-281,070

The denominator used for calculating the basic loss per share from continuing operations is same as those detailed above.

Diluted loss per share is not presented as there were no dilutive potential ordinary shares outstanding for both years.

9. GOODWILL

	2008	As restated 2007
	Rmb'000	*Rmb'000*
At 1 January		
- as previously reported	94,644	-
- correction of accounting errors (Note 2(iii))	-1,140	-
- change in accounting policy (Note 2(i))	-93,504	-
At 1 January, as restated and at 31 December	-	-

10. TRADE AND OTHER RECEIVABLES

Trade and bills receivables	203,000	198,909
Less: allowances for impairment of doubtful debts	15,205	13,514
	187,795	185,395
Receivable from Bengang Group	76,090	76,090
Other receivables	103,532	138,288
	179,622	214,378
Less: allowances for impairment of doubtful debts	80,793	84,947
	98,829	129,431
Purchase deposits to suppliers	26,751	28,240
Prepayments	4,216	2,597
Dividend receivables	20,074	10,276
	51,041	41,113
Prepayments - non-current portion	-844	-
Net trade and other receivables	336,821	355,939

10. TRADE AND OTHER RECEIVABLES (Continued)

The directors consider that the carrying amounts of the trade and other receivables approximate to their fair values. The Group does not hold any collateral over all the receivable balances.

The credit terms given to the customers vary which are based on the sales contracts signed with individual customers and are generally based on their financial strengths. The ageing analysis of trade and bills receivables is as follows:

Within 1 year	153,016	152,605
1 year to 2 years	27,153	28,277
2 years to 3 years	11,922	7,648
Over 3 years	10,909	10,379
	203,000	198,909

The amounts within 1 year presented in the ageing analysis above represented the trade and bills receivables that are neither past due nor impaired.

The credit quality of receivables that are neither past due nor impaired can be assessed by reference to the counterparty's default history. There is no history of default of these customers.

At 31 December 2008, trade and other receivables of Rmb376,977,000 (2007: Rmb413,287,000) were impaired. The amount of the allowances was Rmb95,998,000 as at 31 December 2008 (2007: Rmb98,461,000). The individually impaired receivables mainly related to debtors, which are in unexpectedly difficult economic situations. It was assessed that a small portion of the receivables is expected to be recovered. The ageing analysis of these receivables is as follows.

10. TRADE AND OTHER RECEIVABLES (Continued)

Movements in the allowances for impairment of doubtful debts are as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Within 1 year	1	6,561
1 year to 2 years	150	12
2 years to 3 years	7,260	3,936
Over 3 years	88,587	87,952
	95,998	98,461

Movements in the allowances for impairment of doubtful debts are as follows:

	2008	**2007**
	Rmb'000	*Rmb'000*
At 1 January	98,461	34,078
Impairment loss recognised	4,973	99,852
Uncollectible amounts written off	-7,436	-35,469
At 31 December	95,998	98,461

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2008	**2007**
	'000	*'000*
Hong Kong dollars	4,567	-
Euro	10	225
Japanese Yen	692	7
Swiss Franc	2,638	98

11. AMOUNTS DUE TO ASSOCIATES

	2008	As restated 2007
	Rmb'000	Rmb'00
Amounts due to associates	40,270	-
Less: Non-current portion	32,176	-
	72,446	-

The amounts are unsecured, interest free and, except for non-current portion, repayable on demand. The directors consider that the carrying amounts of amounts due from/to associates approximate to their fair values.

12. TRADE AND OTHER PAYABLES

	2008	**As restated 2007**
	Rmb'000	*Rmb'000*
Trade and bills payables	84,485	130,444
Other payables	204,618	123,066
	289,103	253,510

The ageing analysis of trade and bills payables is as follows:

	2008	**As restated 2007**
	Rmb'000	*Rmb'000*
Within 1 year	76,880	114,194
1 year to 2 years	4,142	6,406
2 years to 3 years	1,661	907
Over 3 years	1,802	8,937
	84,485	130,444

The directors consider that the carrying amounts of the trade and other payables approximate to their fair values.

The average credit period on purchase is 6 months. The Group has proper financial risk management policies to ensure that all payables are paid within the credit timeframe.

Approximately 97% of trade and other payables are denominated in Rmb.

13. BALANCES WITH RELATED PARTIES

(a) 24.28% of the Company's shares is held by New Northeast Electric Investments Limited, a company incorporated in the PRC, in which 82.22% of such company's shares is held by Ms. Tian li. In the opinions of the directors, the ultimate contolling party of the Group is Ms. Tian li.

(b) The Group's balances with the following related parties as at 31 December 2008 are as f ollows:

		As restated
	2008	**2007**
	Rmb'000	*Rmb'000*
Associates:		
Trade payables	8,710	-
Balances due to the Group	5,645	-
Balances due from the Group	40,270	-

The balances are unsecured, interest free and, except for those non-current portion, repayable on demand

14. INTERESTS IN ASSOCIATES

	2008	As restated 2007
	Rmb'000	*Rmb'000*
Unlisted shares, at cost		
At 1 January		
- as previously reported	265,977	269,838
- correction of accounting treatment (Note 1(ii))	-220,482	-222,760
At 1 January, as restated	45,495	47,078
Exchange adjustment	-2,645	-1,583
Subsidiary classified as associate after partial disposal	33,377	-
At 31 December	76,227	45,495
Share of post-acquisition profits and reserves		
At 1 January		
- as previously reported	45,850	37,628
- correction of accounting treatment (Note 1(ii))	-31,948	-22,905
At 1 January, as restated	13,902	14,723
Share of associates' losses for the year	-376	-821
At 31 December	13,526	13,902
	89,753	59,397

14. INTERESTS IN ASSOCIATES (Continued)

Details of the associates of the Group at 31 December 2008 are as follows:

Name of associates	Place of incorporation/ registration and operation	Particulars of issued and paid up capital / re-gistered capital	Proportion of registered capital indirectly held by the Group	Principal activity
Great Power Technology Limited ("Great Power")	British Virgin Islands	US$12,626	20.80%	Investment holding
Smart Power Technology Limited	British Virgin Islands	US$1	20.80%	Investment holding
New Northeast Electric (Shenyang) High-Voltage Isolator Switchgears Co., Limited ("New High-Voltage Isolator")	The PRC	US$21,500,000	25.60%	Manufacture of electrical transmission and transformation equipmen
Shenyang Hongyue Electric Co., Limited	The PRC	Rmb100,000	25.60%	Not yet commenced business

14. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of the Group's associates is set out below:

	2008	As restated 2007
	Rmb'000	*Rmb'000*
Total assets	451,867	220,898
Total liabilities	-56,841	-17
Net assets	395,026	220,881
Group's share of associates' net assets	89,753	59,397
Revenue	32,442	11
Profit/(loss) for the year	540	-3,944
Group's share of associates' losses for the year	-376	-821

15. Significant differences between the financial statements of the Group prepared in accordance with the PRC Accounting Rules and Regulations and Hong Kong Financial Reporting Standards ("HKFRSs")

(1) Reconcilation of the loss attributable to the Group prepared in accordance with the PRC Accounting Rules and Regulations and HKFRSs is summarised below:

		As restated
	2008	**2007**
	Rmb'000	*Rmb'000*
Loss attributable to shareholders under the PRC Accounting Rules and Regulations	(69,112)	(340,874)
Differences:		
- Negative goodwill	-	(1,140)
- Government grant income	-	162
- Other payable waived	-	2,600
- Others	111	1,375
Loss attributable to equity holders of the Company under HKFRSs	(69,001)	(337,877)

(2) Reconcilation of shareholders' funds of the Group prepared in accordance with the PRC Accounting Rules and Regulations and HKFRSs is summarised below:

		As restated
	2008	**2007**
	Rmb'000	*Rmb'000*
Shareholders' funds under the PRC Accounting Rules and Regulations	311,138	389,552
Differences:		
- Others	(63)	(174)
Total equity attributable to equity holders of the Company under HKFRSs	311,075	389,378