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 Results for 2009

The board of directors (the "Board of Directors") and directors ("Directors") of Northeast Electric Development Co., Ltd (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the half year ended 30 June 2009. The following financial information has been prepared in accordance with Hong Kong Generally Accepted Accounting Principles ("HKGAAP") and PRC accounting standards. The Announcement is summarized from the Company's 2009 Interim Report (the "Interim Report") and investors are advised to read the full text of the Interim Report for full information.

The Announcement is published in Chinese and English. The Chinese version shall prevail if there are discrepancies between the Chinese version and the English version

## 1. GENERAL INFORMATION OF THE COMPANY

### 1.1 GENERAL INFORMATION

| | | |
|---|---|---|
| Stock Abbreviation: | *ST Northeast Electric | Northeast Electric |
| Stock Code: | 000585 | 0042 |
| Place of Listing Shares: | Shenzhen Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Representative for Securities Affairs | Mr. Zhu Xinguang | |
| Telephone: | (86)24-23527080 | |
| Fax: | (86)24-23527081 | |
| Address: | No.38, Jingxing North Street, Tiexi District, Shenyang, PRC | |
| Post Code: | 110001 | |
| Company Website: | www.nee.com.cn www.nee.hk | |
| E-mail: | nemm585@sina.com | |

## 1.2 MAJOR FINANCIAL INDICATORS AND DATA

### 1.2.1 Consolidated income statement and consolidated balance sheet prepared in accordance with Hong Kong Accounting Standards

**Consolidated income statement**

| | For the six months ended 30 June 2009 RMB'000 *(Unaudited)* | For the six months ended 30June 2008 RMB'000 *(Unaudited)* |
|---|---|---|
| Turnover | 133,480 | 272,320 |
| Cost of sales | (87,867) | (215,807) |
| Gross profit | 45,613 | 56,513 |
| Other income | 205 | 929 |
| Distributions costs | (24,422) | (19,395) |
| Administrative expenses | (29,609) | (29,294) |
| Other expenses | (14) | (6,095) |
| Profit from operations | (8,227) | 2,658 |
| Interest on bank borrowings | (879) | (1,976) |
| Investment income from associates | (1,112) | 557 |
| Profit before taxation | (10,218) | 1,239 |
| Taxation | (191) | (806) |
| Profit after taxation | (10,409) | 433 |
| Profit attributable to minority shareholders | (96) | (88) |
| Net profit attributable to shareholders | (10,313) | 521 |
| Earnings per share — basic | (1.18)仙 | 0.06仙 |

## Condensed Consolidated Comprehensive Income Statement

| | 1 Jan 2008 to 30 Jun 2009 | 1 Jan 2008 to 30 Jun 2008 |
|---|---|---|
| | RMB'000 | RMB'000 |
| | *(Unaudited)* | *(Unaudited)* |
| Profit of current period | (10,409) | 433 |
| Exchange gains or losses involved in business abroad | | |
| other comprehensive loss during the reporting period | (36) | (909) |
| Total of comprehensive income | (10,445) | (476) |
| Of which: | | |
| Profit attributed to shareholders of the parent company | (10,349) | (388) |
| Minority interests | (96) | (88) |

## Consolidated Statement of Financial Position

| | At 30 June 2009 | At 31 December 2008 |
|---|---|---|
| | RMB'000 | RMB'000 |
| | *(Unaudited)* | *(Audited)* |
| **Non-current assets** | | |
| Property, plant and equipment | 85,622 | 84,331 |
| Prepaid lease payments | 4,945 | 5,013 |
| Interests in associates | 88,641 | 89,753 |
| Available-for-sale investments | 216,055 | 216,055 |
| Other prepayments | 625 | 844 |
| Deferred tax assets | 5,120 | 5,120 |
| | 401,008 | 401,116 |
| **Current assets** | | |
| Inventories | 77,414 | 67,539 |
| Accounts receivables and other receivables | 237,412 | 336,821 |
| Non-current assets to be disposed | 0 | 1,300 |
| Pledged bank deposits | 20,887 | 19,712 |
| Bank balance and cash | 18,288 | 30,216 |
| | 354,001 | 455,588 |
| **Current liabilities** | | |
| Accounts payables and other payables | 190,763 | 291,355 |
| Amounts due to associates | 9,865 | 8,094 |
| Bank loan | 20,850 | 22,450 |
| Provision for loss on guarantees | 124,968 | 124,968 |
| Tax payable | (473) | 901 |
| | 345,973 | 447,768 |
| **Net current assets** | 8,028 | 7,820 |
| **Total assets less current liabilities** | 409,036 | 408,936 |

**Consolidated Statement of Financial Position (*Continued* )**

| | At 30 June 2009 | At 31 December 2008 |
|---|---|---|
| | RMB'000 | RMB'000 |
| | *(Unaudited)* | *(Audited)* |
| **Capital and reserves** | | |
| Share capital | 873,370 | 873,370 |
| Reserves | (572,582) | (562,295) |
| Equity attributed to equity holders of the parent company | 300,788 | 311,075 |
| Minority equity | 2,746 | 2,858 |
| **Total equity** | **303,534** | **313,933** |
| Non-current liability | | |
| Amounts due to associates | 12,582 | 32,176 |
| Amounts due to the invested company | 18,113 | 62,827 |
| Other non-current liability | 74,807 | - |
| | 105,502 | 95,003 |
| | 409,036 | 408,936 |

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

*Unit: RMB*

| | **As at 30th June 2009** | **As at 31st December 2008** | **Change in the reporting period compared with the end of last year (%)** |
|---|---|---|---|
| | | | -10.86 |
| Total assets | 755,009,574.93 | 847,016,256.07 | -3.33 |
| Shareholders' equity attributable to shareholders | 300,788,060.82 | 311,137,033.20 | - |
| Share capital | 873,370,000.00 | 873,370,000.00 | -5.56 |
| Net assets per share attributable to shareholders (Yuan/share) | 0.34 | 0.36 | |

| | **For the reporting Period from Jan to June 2009** | **The Same period of last year** | **Change in the reporting period compared with the same period of the year (%)** |
|---|---|---|---|
| | | | -50.99 |
| Total income from operating | 133,485,280.53 | 272,384,538.16 | - |
| Operating profit | -10,242,698.55 | 1,101,141.86 | - |
| Total profit | -10,217,426.60 | 1,238,417.25 | - |
| Net profit attributable to shareholders | -10,312,741.77 | 520,651.63 | - |
| Net profit after extraordinary items | -10,331,695.73 | 380,109.96 | |
| Attributable to shareholders | | | - |
| Basic earnings per share (Yuan/share) | -0.0118 | 0.0006 | - |
| Diluted earnings per share (Yuan/share) | -0.0118 | 0.0006 | - |
| Return on net assets (%) | -3.43% | 0.17% | 16.94 |
| Net cash flow from operating activities | -5,915,856.85 | -7,122,591.09 | 17.07 |
| Net cash flow per share from operating activities(Yuan/share) | -0.0068 | -0.0082 | |

### 1.2.3 Extraordinary profit and loss items

*Unit: RMB*

| Items | Amount |
|---|---|
| Non-current assets disposal income | 8,949.29 |
| Net non-operating income and expenditure except for the above | 16,322.66 |
| Less: income tax related to the non-recurring profit or loss | 6,317.99 |
| Total | 18,953.96 |

### 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 DURING THE REPORTING PERIOD, THERE WERE NO CHANGES IN THE SHARE CAPITAL

## 2.2 SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

### Shareholdings of top ten shareholders and top ten holders of tradable shares

*Unit: share*

| | |
|---|---|
| Total Number of Shareholders | Total number of shareholders as at 30 June 2009 was 110,156, of which, 110,085 were holders of A Shares and 71were holders of H Shares. |

**Shareholdings of top ten shareholders**

| Name of shareholders | Nature of shareholders | Percentage (%) | Number of shares | Number of untradeable shares | Number of pledged or frozen shares |
|---|---|---|---|---|---|
| HKSCC Nominees Limited | Overseas natural person | 28.37% | 247,811,998 | 0 | Unknown |
| New Northeast Electric Investment Co., ltd | Domestic non-state-owned legal person | 24.28% | 212,014,237 | 212,014,237 | 208,000,000 |
| Shanghai Bao Yu Real Estate Investment Consultant Co., Ltd | Domestic non-state-owned legal person | 0.64% | 5,628,775 | 0 | unknown |
| Hu Li | Domestic natural person | 0.46% | 3,975,060 | 0 | unknown |
| Shenzhen Zhongda Software Development Co., Ltd | Domestic non-state-owned legal person | 0.41% | 3,550,000 | 3,550,000 | unknown |
| Shanghai Dong Yin Investment Co., Ltd | Domestic non-state-owned legal person | 0.26% | 2,270,105 | 0 | unknown |
| Shanxi Qinjian Science and Technology Investment Co., Ltd | Domestic non-state-owned legal person | 0.16% | 1,420,000 | 1,420,000 | unknown |
| Liang Yankui | Domestic natural person | 0.13% | 1,164,800 | 0 | unknown |
| Zu Xinyu | Domestic natural person | 0.13% | 1,144,077 | 0 | unknown |
| Chen Guoqing | Domestic natural person | 0.13% | 1,139,975 | 0 | unknown |

**Shareholdings of the top 10 holders of tradable shares**

| Name of shareholders | Number of tradable shares | Types of shares |
|---|---|---|
| HKSCC Nominees Limited | 247,811,998 | H shares |
| Shanghai Bao Yu Real Estate Investment Consultation Co., Ltd | 5,628,775 | A shares |
| Hu Li | 3,975,060 | A shares |
| Shanghai Dong Yin Investment Co., Ltd | 2,270,105 | A shares |
| Liang Yankui | 1,164,800 | A shares |
| Zu Xinyu | 1,144,077 | A shares |
| Chen Guoqing | 1,139,975 | A shares |
| Xu Yipin | 1,124,800 | A shares |
| Pan Yongzhong | 1,100,000 | A shares |
| Li Miaoying | 1,085,698 | A shares |

Explanation for the connected relationships among the top ten shareholders: There is no relationship between New Northeast Electric Investment Co., Ltd and any other shareholders. The company is not aware of any relationship among other shareholders or parties acting in concert within the meaning of the Regulation on Disclosure of Information on Changes in Shareholdings of Listed Companies.

*Note:* On 8 July 2009, New Northeast Electric Investment Co., Ltd. renewed 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 again since 9 July 2009

## 2.3 DURING THE REPORTING PERIOD, THE COMPANY'S CONTROLLING SHAREHOLDER AND THE ACTUAL CONTROLLER HAS NOT CHANGED.

## 3. INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 3.1 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

Due to the change of work, Mr. Zhang Zhaozhong resigned as an executive Director, vice general manager and the secretary to the Board on 30 March 2009, which became effective after the approval by the board of directors on 30 March 2009 (Please refer to the announcement dated 30 March 2009 for details).

### 3.3 INTEREST OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2009, at no time during the period under review had the Company been notified that any directors, supervisor or member of senior management (including their spouses and children over 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 Section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the global financial crisis gave rise to such phenomena as the slowdown of market demand, shortage of new contracts and delay of delivery. With the increasing competition in the trade, the Company faced greater pressure in promoting the operating performance. Despite a great number of difficulties and stress, the board of directors of the Company and its management responded to the current economic environment actively, adjusted management strategy timely, further strengthened the R&D of core technology and the development of new business, refined internal management constantly, avoided risks and enhanced management efficiency and execution, so as to strive to maintain the steady growth of the operating performance. In the first half of the year, the operating income and net profit of the Company amounted to RMB133,490,000 and RMB-10, 240,000 respectively, representing decreases of 50.99% and RMB11,340,000 respectively. The decrease mainly results from the significant change in current consolidation range compare with the same peoriod of last year (Being such that data comparison is impossible), unbalanced delivery of products as well as the slowdown of some customers' project schedule.

Under the calculation of the HK GAAP, the turnover was RMB133, 480,000, decreased by 50.98% compared with that of the same period last year; the profit attributable to shareholders after tax and interests of minority shareholders was RMB-10,313,000, decreased by RMB 10,834,000 compared with that of the same period last year. The loss per share amounted to RMB 0.0118.

The directors advised not to pay the interim dividend for the period of six months ended 30 June

2009.

**4.1 SUMMARY FOR THE OPERATING WORK IN THE FIRST HALF YEAR OF 2009**

In the first half of the year 2009, the following features were mainly presented in production and operation:

1. Heavy strain in marketing due to slowdown of power reconstruction

   During the reporting period, the global financial crisis results in slowdown of the infrastructure in China, sharp drop in total bid inviting of customers, and consequent drop in total amount of the Company to participate in tender, thus causing drop in order quantity compared with the same period last year and even suspension in some export projects.

   The power market is expected to turn for the better in the second half of the year 2009 in which most of stopped and suspended state grid projects will restart. The Company will strive to accomplish its annual order goal in the second half by reasonable sales policies. After encountering market cold collectively, the manufacturers in the trade must make their full efforts to compete, so the Company will still face heavy strain in marketing in the second half year.

2. Efficient production equipment and striking production capacity

   During the reporting period, there was a handsome increase in the Company's production capacity as the advanced production equipment purchased in 2008 was already in production with full efficiency, and completed a great many big DC contracts successfully, which gave full play to the advantages of equipment.

3. Sharp problem in the demand and supply of capital

   Capital became one of key factors influencing the Company's production and operation in the first half of the year 2009. Increasing production size and concentrated balk sales contracts led to increasing demands for funds. However, the Company's failure to add bank loan gave rise to the shortage of capital supply, making its production and operation more difficult.

4. Steady R&D of New Products and Smooth Technical Transformation

During the reporting period, the company has been developing the 500kvar-800kvar single capacitor under high electricity stress, which was designed for high field strength, low production cost and high competitiveness. At the same time, it launched the non-fuse capacitor which can avoid fuse group blast or faulty operation, and ensure the product performance to be in accordance with the advanced level in the world. In addition, through optimized design in its performance, the Company popularized the improved capacitor voltage transformer.

During the reporting period, the Company imported automatic rolling machines and component withstanding voltage machines, and acquired more processing equipment, thus making the process line more reasonable, improving the efficiency of production and the quality of product, as well as promoting the production capacity and technological level of key products.

## 4.2 OUTLOOK OF OPERATION IN THE SECOND HALF YEAR

During the reporting period, influenced by international financial crisis, China's real economy experienced a process from downturn through stability to gradual recovery. At the end of the reporting period, with the implementation of a series of policies and package program, China's economic operation has turned positive, paving the way for the fast growth of the Company in the second half year.

In the next half year, the Company will further strengthen marketing and internal safeguard to maintain a good and stable momentum of development, deepen the basic management inside the enterprise to improve the level of operation management, perfect the management in the system of supply chain to integrate and optimize supplier resources, strengthen the capital control on accounts receivable and inventory to increase the quality of operation, speed up product innovation and structure adjustment, promote its own profitability and sustainable development ability, accelerate the implementation of a group of technological transformation projects, and better enhance the production capacity so as to achieve the annual operation target determined by the board of directors in early 2009.

## 4.3 PROBLEMS AND DIFFICULTIES IN THE COMPANY'S OPERATION

1. Intensified Market Competition

   The global financial crisis led to the slowdown of basic construction in China. Many phenomenon have arisen, like delayed delivery of projects under construction, slowing down of new projects, handsome drop in the total bidding of customers, corresponding decrease in the total amount of the Company's participation in bidding, even suspension of some export projects. Accordingly, the Company suffered larger difficulties and pressure in product sales and market expansion. At the same time, intensified market competition gave rise to the decrease of market prices, thus further narrowing the profit space.

2. Financial Strain

   The production arrange of bulk sales contracts in the first half year had a large demand for preproduction funds, therefore causing capital turnover problems, and sometimes making it impossible for the Company to ensure timely supply of raw material for production.

   The Company mainly took the following measure for the difficulties above:

   First, strengthened the marketing system, seized market orders, and made great efforts to expand current customers' purchases; at the same time, increased market expansion, and actively developed new market and customers. Second, paid more attention to capital collection, meanwhile, improved internal management, and enhanced the efficiency of capital utilization by lowering inventory and accelerating the turnover of the accounts receivable.

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

*Unit: RMB0,000*

| By business or by product | Income from operations | Costs of operations | Gross profit margin (%) | Increase/decrease in income from operations as compared with last year (%) | Increase/decrease in costs of operations as compared with last year (%) | Increase/decrease in gross profit margin as compared with last year (percentage point) |
|---|---|---|---|---|---|---|
| **1. By business** | | | | | | |
| Electric transmission and transformation | 13,349 | 8,787 | 34.17 | -50.99 | -59.28 | Increased by 13.4 |
| Of which: connected transactions | | | | | | |
| **2. By product** | | | | | | |
| High voltage switch circuit breaker | 877 | 666 | 24.06 | -94.68 | -95.25 | Increased by 9.15 |
| Power capacitor | 8,049 | 4,936 | 38.68 | -34.03 | -19.95 | Increased by 5.72 |
| Closed busbar | 4,402 | 3,169 | 28.01 | 21.5 | 20.63 | Increased by 0.52 |
| Others | 21 | 16 | 23.81 | -97.88 | -97.51 | Increased by 2.97 |
| Of which: connected transactions | | | | | | |

## 4.5 PRINCIPAL OPERATIONS BY GEOGRAPHICAL SEGMENT

*Unit: RMB0,000*

| Region | Income from operations |
|---|---|
| Northeast China | 1,476 |
| North China (Including Shandong) | 7,349 |
| Middle China | 923 |
| East China | 1,974 |
| South China | 668 |
| Southwest China | 237 |
| Others | 722 |
| Total | 13,349 |

*Note:* The figures cannot be compared with that of the same period of last year due to significant changes in the consolidation range during the reporting period compare with the same period of last year.

## 4.6 OPERATION OF INVESTEE COMPANIES (APPLICABLE TO SITUATIONS THAT THE INVESTMENT INCOME ACCOUNTS FOR OVER 10% OF THE COMPANY'S NET PROFIT)

*Unit:RMB 0,000*

| Name of Joint Stock Company | New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited |
|---|---|
| Contribution of Investment Income in the Period | -111 |
| Ratio of Net Loss of the Company | 10.78% |
| Scope of Business | Manufacture of Switchgear Equipment |
| Net Profit | -434 |

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

As at the end of the reporting, the balance of monetary fund was RMB 18,290,000 (the same below).

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 RMB 20,850,000, representing 2.76% of the total assets. These bank loans bear fixed interests.

The Company's asset to liability ratio was 69.32% (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 RMB 21,250,000 used as security.

## 4.8 EXPLANATION OF THE MAJOR CHANGE IN PRINCIPAL BUSINESS AND ITS STRUCTURE

There was a big drop in high-voltage switchgear products of principal business. The income of such products decreased by RMB 132,000,000, and their costs decreased by RMB 115,000,000.

Reason one: The New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited where such products were produced was out of the consolidation range of the year 2009 compare with the same peoriod of last year.

Reason two: The companies responsible for selling such products had a few sales contracts in the first half of the year. The delivery of the contracts will be concentrated in the second half.

## 4.9 EXPLANATION OF THE MAJOR CHANGE IN EARNING CAPACITY OF PRINCIPAL BUSINESS (GROSS PROFIT RATIO) COMPARED WITH THAT OF THE SAME PERIOD LAST YEAR

The gross profit ratio: 34% in 2009; 21% in 2008

The reason for it is that there was a big drop in high-voltage switchgear products of principal business with an income drop of RMB 132,000,000 and cost drop of RMB 115,000,000 in 2009 compare with the same period of last year.

13% gross profit ratio of such products dragged the whole ratio, thus causing a major change in earning capacity of principal business (gross profit ratio) compared with that of the same period last year.

## 4.10 ANALYSIS OF THE MAJOR CHANGE IN PROFIT STRUCTURE COMPARED WITH THAT OF THE SAME PERIOD LAST YEAR

Compared with that of the same period last year, the operation profit decreased by RMB 11,340,000 this year, of which the gross profit decreased by RMB 10,960,000 due to income drop, at the same time, the assets impairment loss provision increased by RMB 500,000, so there was a major change in total profit.

### 4.11 CAUTION AND EXPLANATION OF THE POSSIBILITY OF LOSSES OR MAJOR CHANGES COMPARED WITH THE SAME PERIOD LAST YEAR IN PREDICTED ACCUMULATED NET PROFIT FROM THE BEGINNING OF THE YEAR TO THE END OF THE NEXT REPORTING PERIOD

The Company's production and operation were influenced by the slowdown of power infrastructure investment in China, drop in order, and profit reduction factors,the unbalanced product delivery due to the increase of delayed delivery;  In addition, the orders were cancelled in some export projects due to the global financial crisis. According to the current situation, it is predicted that the Company will still suffer a loss of nearly RMB 10,000,000 in accumulated net profit between January and September this year.

## 5. SIGNIFICANT EVENTS



### 5.1 PERSONNEL CHANGES

Please refer to part 3 “INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT”.

### 5.2 STAFF OF THE COMPANY AND THE REMUNERATION POLICY

As at 30 June 2009, the number of employees on the payroll of the Company was 726, compared with 720 in 2008. 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 employee, 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 loss of RMB 10,312,741.77. At the end of reporting period, profits distributable to shareholders were RMB-1,546,947,004.36.Therefore, the board advised that no profit appropriation was made nor any reserves were transferred to increase the share capital of the Company during the reporting period.

There was no dividend paid during the period, so the directors advised not to pay the interim dividend for the period of six months ended 30 June 2009.

## 5.4 MATERIAL LITIGATION AND ARBITRATION

### 5.4.1 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, 9 January 2009, and 30 March 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 People's Court ("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 Supreme People's Court ("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 74.4% equity in New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Ltd (former Shenyang Suntime 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 Commerce Co., Ltd (former Shenyang Tiansheng Communication Equipment Limited).

According to the order ((2009) Gao Zhi Zi No.3)) made by Beijing Higher Court on 20 March 2009, the execution applicant of the CDB, in compliance with the legally effective civil written order ((2008) Min Er Zhong Zi No.23)) made by the Supreme Court , requested Beijing Higher Court to order the related persons subjected to execution including the Company to perform their obligations as stated in the effective legal document. The Company has performed its obligations as stated in the effective legal document in accordance with the final judgment of the court.



**5.4.2 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, 16 February 2009, 6 July 2009 and 7 August 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. On 20 July 2009, Liaoning Higher Court made a civil judgment ((2009) Liao Shen Min Zai Zi No.40), and sustained the original judgment. Now, the Company is in process of re-appeal.

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. On 6 July 2009, the Company received civil judgments ((2008) Shen Zhong Min Chu Zi No. 143, 144 and 145) made by Shenyang Intermediate Court. According to these judgments, the Company’s claim was rejected. The Company has lodged an appeal with Liaoning Higher Court, and now the case is still in the second instance of the retrial..

**5.4.3 Litigation lodged by Paradise Field Holding (Paradise) for the debt of RMB 74.8 million**

According to the announcements dated 6 February 2009 and 7 August 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 Higher Court"). 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. On 6 August 2009, The Higher Court made a civil judgment (2009) Liao Min San Chu Zi No.1. According to the judgment, the Paradise was granted to withdraw the case.

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

## 5.5 ACQUISITION AND DISPOSAL OF ASSETS

There was no acquisition and disposal of assets during the reporting period.

## 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

As of the end of the reporting period, the foreign guarantee of the Company totaled RMB 423,050,000, including RMB 39,900,000 (estimated liabilities in full in 2007) for Jinzhou Power Capacitors Co., Ltd with assets liabilities over 70%, accounting for 12.82% of the audited net assets of the Company for 2008, which was formed when this company was still a holding subsidiary of the Company; RMB 355,000,000 for New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd.

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 17,350,000.

## 5.7 OVERSEAS INVESTMENT

There was no overseas investment during the reporting period.

## 5.8 HOLDING OF OTHER LISTING COMPANIES' SHARES

During the reporting period, in the Company, there was no securities investment and income, no holding of other listing companies' shares or financial enterprises' equities, and no share participation in proposed listing companies.

## 5.9 INDEPENDENT DIRECTORS' SPECIAL REPRESENTATION AND INDEPENDENT OPINION ON THE FUND OCCUPATION BY CONNECED PARTIES AND FOREIGN GUARANTEE OF THE COMPANY

The independent directors, in accordance with the requirements of the Notice of Certain Issues in relation to the Regulation on Capital Flow between Listed Companies and its Connected Parties and External Guarantee of Listed Companies (Zheng Jian Fa [2003]No. 56), and the Notice of China Securities Regulatory Commission on Avoiding the Rebound of Fund Occupation through Intensifying Continuous Supervision (Listing Division Letter [2008] No. 118), issue the following special representation and independent opinion after investigation and verification to relevant personnel on the Company's funds occupied by controlling shareholders and other connected parties as well as on the Company's foreign guarantees based on the information provided by the Board.



(I) The Company complied with the provisions of relevant laws and regulations, and its controlling shareholders and other connected parties did not occupy the Company's funds during the reporting period.

(II) As at the end of the reporting period, the foreign guarantee amount of the company amounted to RMB 423,050,000, and the guarantee amount for its holding subsidiary and the mutual guarantee between subsidiaries totaled RMB 17,350,000. The total guarantee amount took up 146.41% of the audited net assets of the Company for 2008.

The Company has established frozen fund policy for the fund occupation by controlling shareholders, which could effectively avoid the funds of listed companies occupied by controlling shareholders and connected parties so as to earnestly protect the interests of small and medium shareholders. During the reporting period, the Company cautiously treated and handled the foreign guarantee matters and made complete information disclosure in accordance with relevant provisions of supervision departments, thus making full disclosure and effective control of foreign guarantee. It hasn't made any guarantee for its shareholders, effective controller as well as the parties concerned. From now on, the Company will continue to strictly execute the provisions of the Articles of Association to enhance management on external guarantee and to properly solve the problems of the guarantees provided.

*Independent Directors: Mr. Wu Qicheng, Mr. Lin Wenbin, Mr. Xiang Yongchun, Ms. Liang Jie and Mr. Liu Hongguang*

**5.10 THE SUPERVISORY COMMITTEE'S AUDIT OPINION**

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

**5.11 COMMITMENTS OF SHAREHOLDERS WITH OVER 5% SHARES OF THE COMPANY(INCLUDING 5%)**

To implement the Share Reform Scheme of the Company smoothly, 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 RMB5, and it will pay the consideration in advance to Non-circulating Shares Shareholders who have not yet indicated their consents to the participation in the Share Reform..

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

**5.12 PURCHASE, SALE AND REDEMPTION OF SHARES**

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

**5.13 MATTERS IN RELATION TO TRUST**

During the reporting period, the Company did not enter into any trust, and had no trust entered into in the previous period and continuing to the reporting period.

**5.14 REPORT OF CORPORATE GOVERNANCE**

**5.14.1 The Company's directors confirm that the Company has fully complied with the provisions**

**of Code of Corporation Governance Practices within six months as at the end of 30 June 2009, and disclosed result report in accordance with these provisions. The Code of Corporation Governance Practices includes the clauses set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Listing Rules").**

**5.14.2 Audit Committee**

The Company has established the audit committee in accordance with the Rule 3.21 of Listing Rules.

The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the unaudited semi-annual accounts for the six months ended 30 June 2009.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the unaudited accounts for the six months ended 30 June 2009.

At the meeting held on 17 August 2009, the audit committee reviewed and approved the financial statement and the interim report for the six months ended 30 June 2009.

**5.14.3 Independent Non-executive Directors**

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a sufficient number of independent non-executive directors, and at least 1 independent non-executive director with appropriate professional qualifications or expertise in accounting or relevant financial management. The Company has appointed 5 independent non-executive directors, one of whom has expertise in financial management. Please refer to the biographies of independent non-executive directors set out in the Company's 2008 Annual Report for details.

**5.14.4 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". Upon specific enquires to all directors and supervisors, the Company confirmed that, during the period of six months ended 30 June 2009, no director or superior of the Company has breached the standards as stated in the "Model Code" in relation to securities transactions by directors.

## 5.15 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.

## 5.16 RECEPTION TO THE ACTIVITIES OF FIELD SURVEY, COMMUNICATION AND INTERVIEW DURING THE REPORTING PERIOD



During the reporting period, the Company strictly complied with the Guidelines for Fair Information Disclosure of Listed Companies, and earnestly implemented its Reception and Promotion System. The Company and the person responsible for related information disclosure consistently followed the principle of fair information disclosure, without any implementation of discriminatory policies and any disclosure, revealment or divulgence of significant private information to special objects. During the reporting period, there were no institutional investors coming to the Company for field survey or interview. Over 10 telephone consultations were received from Mr. Zhu Guimin, an individual investor with untradeable shares, who was concerned about the consideration repayment of share

| Publishing Date | Announcement Matters |
|---|---|
| 4 February 2009 | Announcement on Resolutions of the 2009 First Extraordinary General Meeting |
| 17 February 2009 | Announcement on Progress of Recovery of Material Debt and Litigation |
| 31 March 2009 | Announcement on Resolutions of the 17th Meeting of the 5th Session of the Board of Directors |
| 31 March 2009 | The Annual Report of 2008 |
| 30 April 2009 | The First Quarterly Report of 2009 |
| 16 May 2009 | Announcement on Resolutions of the Annual General Meeting of Shareholders of 2008 |

reform and the release of trading restriction.

### 5.17 ANNOUNCEMENT INDEX ON MAJOR MATTERS IN 2009

During the reporting period, all of the Company's announcements were published on China Securities Journal, Securities Times and information disclosure websites. Please visit www.cninfo.com.cn, http://www.hkexnews.hk and www.nee.hk for details. The major information is disclosed as follows:

### 5.18 SUBSEQUENT EVENTS

Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office ("Great Wall")

On 24 February 2009, China Great Wall Asset Management Corp. Shenyang Office ("Great Wall") brought a lawsuit to Liaoning Higher People's Court ("Liaoning Higher Court") against Shenyang High-voltage Switchgear Limited ("Shenyang High-voltage") for the overdue liabilities of Great Wall, requesting the court to order Shenyang High-voltage to repay the liabilities including the principal of RMB 351,750,000 and its interest. On 11 August 2009, the Company received from Liaoning Higher Court an indictment and additional defendant application. According to the indictment and additional defendant application on 18 May 2009, Great Wall brought an additional lawsuit to Liaoning Higher Court against the Company, claiming the Company to bear the joint liability.

# 6. FINANCIAL REPORT

## (I) Profit statement prepared in accordance with the PRC Accounting Standards (Unaudited)

| Items | Amount in the period | | Same period last year | |
|---|---|---|---|---|
| | Consolidated | The parent compan | Consolidated | Consolidated |
| I. Total income of sales | 133,485,280.53 | 2,803,418.81 | 272,384,538.16 | 59,268,919.04 |
| Inclu.: Income of sales | 133,485,280.53 | 2,803,418.81 | 272,384,538.16 | 59,268,919.04 |
| II. Total cost of sales | 142,615,750.14 | 6,493,128.66 | 271,840,648.30 | 62,736,644.03 |
| Inclu.: Cost of sales | 87,866,501.78 | 2,038,808.56 | 215,807,245.07 | 55,045,025.41 |
| Sales tax and surcharges | 5,122.52 | 0.00 | 64,105.28 | 0.00 |
| Expenses of sales | 24,422,034.42 | 26,557.00 | 19,395,044.46 | 1,253,860.00 |
| Administrative expenses | 28,609,413.48 | 4,438,350.02 | 28,794,449.63 | 6,474,950.18 |
| Financial expenses | 712,677.94 | -10,586.92 | 7,279,803.86 | -37,191.56 |
| Loss of assets diminution | 1,000,000.00 | 0.00 | 500,000.00 | 0.00 |
| Return on investments (loss is posed as "-") | -1,112,228.94 | 0.00 | 557,252.00 | 0.00 |
| III.Operational profit (Total loss is posed as "-") | -10,242,698.55 | -3,689,709.85 | 1,101,141.86 | -3,467,724.99 |
| Plus: Income of non-operational activities | 39,322.89 | 0.00 | 387,684.33 | 0.00 |
| Minus: Expenses of Non-operational activities | 14,050.94 | 70.00 | 250,408.94 | 6,148.00 |
| IV. Total Profit (Total loss is posed as "-") | -10,217,426.60 | -3,689,779.85 | 1,238,417.25 | -3,473,872.99 |
| Minus: Income tax expenses | 191,229.98 | 0.00 | 805,592.15 | 0.00 |
| V. Net profit (loss is posed as "-") | -10,408,656.580 | -3,689,779.850 | 432,825.10 | -3,473,872.99 |
| Net profit belong to parent company's shareholders | -10,312,741.77 | -3,689,779.85 | 520,651.63 | -3,473,872.99 |
| Minority interests | -95,914.81 | 0.00 | -87,826.53 | 0.00 |
| VI. Earnings per share: | | | | |
| (A) Basic earnings per share | -0.0118 | -0.0042 | 0.0006 | 0.0040 |
| (B) Diluted earnings per share | -0.0118 | -0.0042 | 0.0006 | 0.0040 |

***NOTES:***

1. During this reporting period, there was no change in accounting policies and accounting estimates.
2. During this reporting period, there was no change in the scope consolidated financial statements of the Company.

## (II) Financial Statement Prepared under Hong Kong Financial Reporting Standards (*Unaudited*)

### Condensed Consolidated Income Statement

For the six months ended 30 June 2009

| | 1 Jan 2009 to 30 Jun 2009<br>RMB'000<br>*(Unaudited)* | 1 Jan 2008 to 30 Jun 2008<br>RMB'000<br>*(Unaudited)* |
|---|---|---|
| Turnover | 133,480 | 272,320 |
| Cost of sales | (87,867) | (215,807) |
| Gross profit | 45,613 | 56,513 |
| Other income | 205 | 929 |
| Distributions costs | (24,422) | (19,395) |
| Administrative expenses | (29,609) | (29,294) |
| Other expenses | (14) | (6,095) |
| Profit from operations | (8,227) | 2,658 |
| Interest on bank borrowings | (879 ) | (1,976) |
| Investment income from associates | (1,112) | 557 |
| Profit before taxation | (10,218) | 1,239 |
| Taxation | (191) | (806) |
| Profit after taxation | (10,409) | 433 |
| Profit attributable to minority shareholders | (96) | (88) |
| Net profit attributable to shareholders | (10,313) | 521 |
| Earnings per share — basic | (1.18)仙 | 0.06仙 |

## Condensed Consolidated Comprehensive Income Statement

| | 1 Jan 2009 to 30 Jun 2009 | 1 Jan 2008 to 30 Jun 2008 |
|---|---:|---:|
| | RMB'000 | RMB'000 |
| | *(Unaudited)* | *(Unaudited)* |
| Profit of current period | (10,409) | 433 |
| Exchange gains or losses involved in business abroad | | |
| Other comprehensive loss during the reporting period | (36) | (909) |
| Total of comprehensive income | (10,445) | (476) |
| Of which: | | |
| Profit attributed to shareholders of the parent company | (10,349) | (388) |
| Minority interests | (96) | (88) |

## Condensed Consolidated Statement of Financial Position

At 30 June 2009

| | At 30 June 2009<br>RMB'000<br>*(Unaudited)* | At 31 December 2008<br>RMB'000<br>*(Audited)* |
|---|---|---|
| Non-current assets | | |
| Property, plant and equipment | 85,622 | 84,331 |
| Prepaid lease payments | 4,945 | 5,013 |
| Interests in associates | 88,641 | 89,753 |
| Available-for-sale investments | 216,055 | 216,055 |
| Other prepayments | 625 | 844 |
| Deferred tax assets | 5,120 | 5,120 |
| | 401,008 | 401,116 |
| **Current assets** | | |
| Inventories | 77,414 | 67,539 |
| Accounts receivables and other receivables | 237,412 | 336,821 |
| Non-current assets to be disposed | 0 | 1,300 |
| Pledged bank deposits | 20,887 | 19,712 |
| Bank balance and cash | 18,288 | 30,216 |
| | 354,001 | 455,588 |
| **Current liabilities** | | |
| Accounts payables and other payables | 190,763 | 291,355 |
| Amounts due to associates | 9,865 | 8,094 |
| Bank loan | 20,850 | 22,450 |
| Provision for loss on guarantees | 124,968 | 124,968 |
| Tax payable | (473) | 901 |
| | 345,973 | 447,768 |
| **Net current assets** | 8,028 | 7,820 |
| **Total assets less current liabilities** | 409,036 | 408,936 |

## Condensed Consolidated Statement of Financial Position (*Continued* )

At 30 June 2009

| | At 30 June 2009<br>RMB'000<br>*(Unaudited)* | At 31 December 2008<br>RMB'000<br>*(Audited)* |
|---|---|---|
| **Capital and reserves** | 873,370 | 873,370 |
| Share capital | (572,582) | (562,295) |
| Reserves | | |
| | 300,788 | 311,075 |
| Equity attributed to equity holders of the parent company | 2,746 | 2,858 |
| Minority equity | | |
| **Total equity** | **303,534** | **313,933** |
| Non-current liability | 12,582 | 32,176 |
| Amounts due to associates | 18,113 | 62,827 |
| Amounts due to the invested company | 74,807 | - |
| Other non-current liability | 105,502 | 95,003 |
| | 409,036 | 408,936 |

## 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 2009 | 873,370 | 511,060 | 186,419 | 81,631 | | 32,699 | (17,657) | (1,356,447) | 311,075 | 2,858 | 313,933 |
| Exchange differences | - | - | - | - | - | - | 26 | - | 26 | | 26 |
| Net Profit of current period | - | - | - | - | - | - | - | (10,313) | (10,313) | (96) | (10,409) |
| total comprehensive income | - | - | - | - | - | - | (36) | (10,313) | (10,349) | (96) | (10,445) |
| Others | - | - | - | - | - | - | - | - | - | (16) | (16) |
| At 30 June 2009 | 873,370 | 511,060 | 186,419 | 81,631 | | 32,699 | (17,631) | (1,366,760) | 300,788 | 2,746 | 303,534 |
| At 1 January 2008 | 873,370 | 603,394 | 54,131 | 81,631 | - | 32,699 | (8,357) | ( 1,123,850) | 513,018 | 4,315 | 517,333 |
| Exchange differences | - | - | - | - | - | - | (909) | - | (909) | - | (909) |
| Net Profit of current period | - | - | - | - | - | - | - | 521 | 521 | (88) | 433 |
| total comprehensive income | - | - | - | - | - | - | (909) | 521 | (388) | (88) | (476) |
| At 30 June 2008 | 873,370 | 603,394 | 54,131 | 81,631 | - | 32,699 | (9,266) | (1,123,329) | 512,630 | 4,227 | 516,857 |

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30 June 2009

| | 1 Jan 2009 to 30 Jun 2009 RMB'000 *(Unaudited)* | 1 Jan 2008 to 30 Jun 2008 RMB'000 *(Unaudited)* |
|---|---|---|
| Net cash flows (inflows) from operating activities | (7,091) | 13,254 |
| Net cash flows (inflows) from investing activities | (2,428) | (12,182) |
| Net cash flows (inflows) from financing activities | (2,409) | (17,512) |
| **Decrease (increase) of cash and cash equivalents** | **(11,928)** | **(16,440)** |
| **Cash and cash equivalents at the beginning of the period** | **30,216** | **36,635** |
| Effects of exchange rate changes | | |
| **Cash and cash equivalents at the end of the period** | | |
| Bank balance and cash | 18,288 | 20,195 |



## II. Notes to the Condensed Financial Statements

The condensed interim financial statements for the six months ended 30 June 2009 of the Company and its subsidiaries (the "Group") are not audited, but have been reviewed and approved by the audit committee.

### (1) Bases of preparation:

The unaudited 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 Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" (HKAS34).

**(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 2009 are consistent with those followed in preparing the financial statements for the year ended 31 December 2008.

During the reporting period, the Group has applied the following standards, amendments and interpretations (new HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) which are or have become effective in the accounting periods beginning on 1 January 2009.

| | |
|---|---|
| HKFRS (Amendment) | Improvements to HKFRS in May 2008 |
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 & HKAS 1 (Amendments) | Puttable Financial Instrument and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Amount paid in share - Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improvement to Disclosure of Financial Instrument |
| HKFRS 8 | Operating Segments |

The application of the new HKFRSs, except HKAS 1 (Revised) mentioned below, had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment was required.

HKAS 1 (Revised) divides changes of equity into two parts, that is, for owners and for non-owners. The change of equity will only include the details of trades with owners, the change of equity of non-owners will be presented in another report. In addition, this revised standard includes a comprehensive Income Statement to present all incomes and expenses recognized in the income statement as well as other recognized incomes and expenses (regardless of being recorded in a single report or two associated reports).

The Group selected to present the foresaid incomes and expenses in two reports. The Group has not applied in advance the following new and revised standards or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRS (Amendment) | Improvements to HKFRS in May 2008 |
| HKFRS (Amendment) | Improvements to HKFRS in April 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements 3 |
| HKAS 39 (Amendment) | Eligible Hedged Items 3 |
| HKFRS 1 (Revised) | Applying HKFRS for the First Time 3 |
| HKFRS 3 (Revised) | Business Combinations 3 |
| HK(IFRIC) - Int 9 & HKAS 39 (Amendments) | Embedded Derivative Financial Instrument 4 |
| HK(IFRIC) - Int 17 | Distribution of Non-cash Assets to Owners 3 |
| HK(IFRIC) - Int 18 | Transfer of Assets from Customers 5 |

1 HKFRS 5 (Amendment), shall be effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on 1 July 2009, or on or after 1 January 2010 (as appropriate).

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 30 June 2009

5 Effective for the transfer of assets from customers beginning on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

**(3) Segment information**

The Group's turnover and gross profit from operations for the six months ended 30 June 2009 and 2008, analyzed by business segments and by geographical segments, are as follows:

**Business segments**

**Continued operation**

| **For the six months Ended 30 June 2009** | **High-voltage switchgear/ busbar/ Power capacitor** | **Others** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Turnover | 133,480 | - | 133,480 |
| Segment results | (8,227) | - | (8,227) |

**Continued operation**

| **For the six months Ended 30 June 2008** | **High-voltage switchgear/ busbar/ Power capacitor** | **Others** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | RMB'000 |
| Turnover | 265,306 | 7,014 | 272,320 |
| Segment results | 4,585 | (1,927) | 2,658 |

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 |
|---|---|---|
| | **2009** | **2008** |
| | *RMB'000* | *RMB'000* |
| Profit from operations has been arrived at after deducting: | | |
| Depreciation and amortization | 3,925 | 4,010 |
| and charging: | | |
| Interest income on bank deposits | 166 | 533 |

**(5) Taxation**

Great Talent Technology Co., Ltd is a company wholly owned by the Group, registered in the British Virgin Islands. No domestic income tax is imposed on it. Northeast Electric (HK) Co., Ltd is another wholly owned subsidiary, registered in Hong Kong, with an income rate of 16.5%. Other subsidiaries of the Group are subject to income tax at the statutory rate of 25%.

The Company had no taxable profit for the period (2008: 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 (2008: Nil).

As at 30 June 2009, the Company and the Group had no significant deferred tax (2008: Nil).

**(6) Interim dividend**

No dividends were paid during the period. The directors did not recommend the payment of any interim dividend for the six months ended 30 June 2009.

**(7) Earnings per share**

The calculation of earnings per share is based on the net profit attributable to shareholders of RMB-10,313,000 (2008: RMB521,000) and the total number of shares in issue amounting to 873,370,000 shares (2008: 873,370,000 shares) at the end of the period.

## (8) Account Receivable and Other Receivables

1. Trade and bill receivables

| | 30 June 2009 | 31 December 2008 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade and bill receivables | 164,884 | 203,000 |
| Less: Impairment Provision | (15,205) | (15,205) |
| Net trade and bill receivables | 149,679 | 187,795 |
| Amounts due from Bengang Group | 76,090 | 76,090 |
| Other receivables | 45,112 | 103,532 |
| Less:Impairment Provision | (81,793) | (80,793) |
| Net other receivables | 39,409 | 98,829 |
| Prepayment | 31,674 | 30,967 |
| Less: Prepayment over 1 year | (625) | (844) |
| Dividends receivable | 17,275 | 20,074 |
| | 48,324 | 50,197 |
| Net account receivable and other receivables | 237,412 | 336,821 |

The director considered that the book values of account receivable and other receivables were close to their fair values. The Group does not hold any collateral over all the receivable balances.

The credit terms given to the customers vary depending on the sales contracts signed with individual customers and are generally based on their financial strengths. The following are the ages of receivable account and bills.

| | **Group** | |
|---|---|---|
| | **As at 30 June 2009** | **As at 31 June 2008** |
| | *RMB'000* | *RMB'000* |
| Within 1 year | 151,370 | 153,016 |
| 1 to 2 years | 28,408 | 27,153 |
| 2 to 3 years | 52,594 | 11,992 |
| Over 3 years | 5,040 | 10,909 |
| Total | 237,412 | 203,000 |

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

There is no account receivable that is overdue or necessary for impairment. The credit quality is determined by the  past collection records and the rate of customer's bad account. The existing customers have no significant default in payment.

On 30 June 2009, the impairment provision of total account receivable and other receivables is RMB 96,998,000 (2008: RMB 95,998,000).

The individually impaired receivables mainly related to debtors, which are in unexpectedly difficult economic situations. It was assessed by the directors that only few parts of the receivables is expected to be collected. The analysis of the age of these receivables is as follows:

| | **Group** | |
|---|---|---|
| | **As at 30 June 2009** | **As at 31 December 2008** |
| | *RMB'000* | *RMB'000* |
| Within 1 year | - | 1 |
| 1 to 2 years | - | 150 |
| 2 to 3 years | 7,529 | 7,260 |
| Over 3 years | 89,469 | 88,587 |
| Total | 96,998 | 95,998 |

The changes in the impairment provision are as follows

| | As at 30 June 2009 | As at 31 December 2008 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| At 1 January | 95,998 | 98,461 |
| Impairment provision Confirmation of accounts receivable | 1,000 | 4,973 |
| Provisioning of accounts unreceivable | - | (7,436) |
| At the end of the period | 96,998 | 95,998 |

**(9) Account Payable and Other Payables**

| | As at 30 June 2009 | As at 31 December 2008 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Accounts and bills payable | 66,335 | 84,485 |
| Other payables | 124,428 | 206,870 |
| Total account payable and other payables | 190,763 | 291,335 |

The analysis of the age of accounts and bills payable is as follows:

| | As at 30 June 2009 | As at 31 December 2008 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 year | 60,847 | 76,880 |
| 1 to 2 years | 3,009 | 4,142 |
| 2 to 3 years | 2,069 | 1,661 |
| Over 3 years | 410 | 1,802 |
| Total | 66,335 | 84,485 |

The director considered that the book values of account payable and other payables were close to their fair values.

The average credit term for purchases of goods is six months. The Group has proper financial risk management policies to ensure that all of the accounts payable can be paid within the credit term.

97% accounts payable and other accounts payable of the Group is in RMB.

### (10) Capital Shares

The following is the change of capital share structure during the period from 31 December 2008 to June 30 2009.

*Unit:RMB*

| Item | Beginning ofthe period | Increase or Decrease during the period (+, -) Rights offering | Complimentary shares | Capitalization on Reserve | Others | Sub-total | End of the period |
|---|---|---|---|---|---|---|---|
| 1. Shares subject totrading moratorium | | | | | | | |
| 1) Legal person shares | - | - | - | - | - | | - |
| 2) Domestic non-legal-personshares | 218,394,237 | - | - | - | - | | 218,394,237 |
| Total shares subject totrading moratorium | 218,394,237 | - | - | - | - | | 218,394,237 |
| 2. Shares not subject to trading moratorium | | | | | | | |
| 1) Common RMB shares (A shares) | 397,025,763 | - | - | - | - | | 397,025,763 |
| 2) Foreign shares listed abroad (H shares) | 257,950,000 | - | - | - | | | 257,950,000 |
| Total shares not subject to trading moratorium | 654,975,763 | - | - | - | | | 654,975,763 |
| 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

Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office (“Great Wall”)

On 24 February 2009, China Great Wall Asset Management Corp. Shenyang Office (“Great Wall”) brought a lawsuit to Liaoning Higher People’s Court (“Liaoning Higher Court”) against Shenyang High-voltage Switchgear Limited ("Shenyang High-voltage") for the overdue liabilities of Great Wall, requesting the court to order Shenyang High-voltage to repay the liabilities including the principal of RMB 351,750,000 and its interest. On 11 August 2009, the Company received from Liaoning Higher Court an indictment and additional defendant application. According to the indictment and additional defendant application, on 18 May 2009, Great Wall brought an additional lawsuit to Liaoning Higher Court against the Company, claiming the Company to bear the joint liability.

## (12) Related Transactions

a. Controlling shareholders of the Group

| Name of related party | RegistrationPlace | Major operations | Relationship | Nature | Proportion of shares owned |
|---|---|---|---|---|---|
| New Northeast Electric Investment Co., Ltd | Shenyang | Equity investment, etc. | Single top1 sharenolder | Limited company | 24.28% |

b. Non-controlling related parties with transactions

| Name of related party | Registration Place | Major operations | Relationship | Nature | Proportion of shares owned |
|---|---|---|---|---|---|
| New Northeast Electric (Shenyang) High-voltage Isolators Switchgear Co., Ltd. | Shenyang | High-voltage Switchgear | Associate | Limited company | 25.6% |
| Great Power Technology Limited | British Virgin Island | Investment | Associate | Limited company | 20.8% |



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

| | 2009-06-30 | | 2008-12-31 | |
|---|---|---|---|---|
| Related party | Amount | Percentage | Amount | Percentage |
| Dividend receivable: | | | | |
| Great Power Technology Limited | 7,641,526.66 | 44% | 7,644,734.00 | 38% |
| Account payable: | | | | |
| New Northeast Electric (Shenyang) High-voltage Isolators Switchgear Co., Ltd. | 8,510,300.17 | 11% | 6,151,300.17 | 8% |
| Other payables: | | | | |
| New Northeast Electric(Shenyang) High-voltage Isolators Switchgear Co., Ltd. | 11,442,522.17 | 6% | 40,464,620.52 | 17% |

By order of the Board
**Su Weiguo**
*Chairman*

Shenyang, the PRC, 17 August 2009

*As at the date of this announcement, the Board of Directors of the Company is composed of ten directors, including five executive directors namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Bi Jianzhong, Mr. Liu Qingmin, and Mr. Du Kai; and five independent non-executive directors namely Mr. Wu Qicheng, Mr. Lin Wenbin, Mr. Xiang Yongchu, Ms. Liang Jie and Mr. Liu Hongguang.*