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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 2009

1 IMPORTANT NOTICE

- 1.1 The Board of Directors, Supervisors 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 2009 annual consolidated financial report.
- 1.3 The Company's domestic auditor, Shenzhen Pengcheng Certified Public Accountants Co., Ltd. issued a standard unqualified audit report and the Company's international auditor, TING HO KWAN & CHAN Certified Public Accountants (Practicing), issued an unqualified audit report.
- 1.4 The consolidated turnover is RMB423, 740,000, a drop of RMB 93,980,000 compared with the year 2008.
- 1.5 Profit attributable to equity holders of the Company is RMB7,730,000.
- 1.6 Earnings per share attributable to equity holders of the Company is RMB0.01.
- 1.7 The Board does not recommend distributing dividend, which is subject to the approval by the 2009 Annual General Meeting to be convened on 7 May 2010.
- 1.8 Unless otherwise stated, Renminbi is the only monetary unit in this report.
- 1.9 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:	*ST東電	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, the PRC	
Office address	No. 38 Jingxing North Street, Tiexi District, Shenyang, the PRC	
Postal Code	110025	
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 of Directors	Representative for securities affairs
Name	Su Weiguo (acting)	Zhu Xinguang
Address	No. 38 Jingxing North Street, Tiexi District, Shenyang, the PRC	
Telephone	(86)24-23527128	(86)24-23501976
Fax	(86)24-23527081	(86)24-23527081
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

	Increase/ decrease of the year over last year (%)			
	2009	2008		2007
Operating income	423,742,945.28	517,717,563.70	-18.16	639,700,849.31
Total profit	6,846,067.72	-69,549,292.62	-	-350,788,631.18
Net profit that belongs to shareholders of listed company	7,670,166.70	-69,112,495.33	-	-340,874,097.62
Net profit that belongs to shareholders of listed company after extraordinary items	7,670,434.76	3,244,738.80	136.40	-117,105,282.35
Net cash flow arising from operating activities	22,238,854.70	15,241,679.50	45.91	-25,695,727.14

	Increase/decrease in the year end 2009 over the year end 2008 (%)			
	As at the end of 2009	As at the end of 2008		As at the end of 2007
Total assets	836,557,537.85	847,016,256.07	-1.24	1,044,977,793.85
Shareholders' fund that belongs to shareholders of listed company	318,542,326.44	311,137,033.20	2.38	484,195,364.55
Share capital	873,370,000.00	873,370,000.00	0	873,370,000.00

3.1.2 Principal financial indicators

Unit: RMB

	2009	2008	Increase/decrease of the year over last year (%)	2007
Basic earnings per share(RMB/Share)	0.01	-0.08	-	-0.39
Diluted earnings per share(RMB/Share)	0.01	-0.08	-	-0.39
Earnings per share calculated by new share capital (RMB/Share)	0.01	-0.08	-	0.39
Basic earnings per share after extraordinary items (RMB/Share)	0.01	0.004	150	-0.13
Earnings/net assets ratio (weighted average)(%)	2.44	-17.38	-	-51.84
Earnings/net assets ratio after extraordinary item (weighted average)(%)	2.44	0.82	Increase 1.62	-17.81
Net cash flow from operating activities per share(RMB/Share)	0.0255	0.0175	45.71	-0.029

	As at the end of 2009	As at the end of 2008	Increase/decrease in the year end 2009 over the year end 2008 (%)	As at the end of 2007
Net assets per share that belongs to shareholders of listed company (RMB/Share)	0.36	0.36	0	0.55

Extraordinary items	Amount	Cause
Profits and losses on disposal of non-current assets	-132,760.09	Loss from disposal of fixed assets
Government subsidy translated into current profits and losses (except for the subsidy related to the enterprise's business and enjoyed according to the quota of unified national standard)	112,553.03	Special subsidies by the Economic and Information Commission of Liaoning Province and the Department of Finance of Liaoning Province
Other non-operating income and expense	26,497.90	
Effect on income tax	-6,558.90	
Total	-268.06	

3.2 Prepared in accordance with Hong Kong Financial Reporting Standards

Unit: RMB

Items	2009	2008	2007	2006	2005
1. Turnover ('000)	423,743	517,717	618,496	465,989	546,135
2. Profit/(loss)before taxation ('000)	6,903	-69,438	-292,246	34,892	44,897
3. Profit /(loss)attributable to shareholders ('000)	7,320	-70,458	-344,907	29,540	26,761
4. Total assets ('000)	836,551	856,704	937,160	1,295,288	1,267,674
5. Total liabilities ('000)	515,563	542,771	543,467	364,417	368,580
6. Shareholders' fund ('000)	320,988	313,933	393,693	829,347	800,380
7. Basic earnings/(loss)per share (RMB)	0.01	-0.08	-0.39	0.034	0.031
8. Net assets per share (RMB)	0.37	0.36	0.45	0.95	0.92
9. Return on net assets (%)	2.43	-22.44	-87.61	3.56	3.34
10.Shareholders' interest ratio (%)	38.37	36.64	42.01	63.40	63.14
11. Current ratio (%)	101.25	101.75	109.20	157.07	174.16
12. Gearing ratio (%)	61.63	63.36	57.99	28.13	29.08

3.3 Differences between Hong Kong Financial Reporting Standards and the PRC Accounting Rules

Unit: RMB0'000

Net profit calculated under Hong Kong Financial Reporting Standards (attributable to the equity holders of the Company)	7,727
Others-Amortisation of intangible assets	-57
Net profit calculated under the PRC Accounting Rules (attributable to the owner of the parent company)	7,670

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	218,394,237	-138,587	218,255,650
State-owned legal person shares	0	0	0
Public legal person shares	218,394,237	-138,587	218,255,650
2. Shares not subject to trading moratorium	654,975,763	138,587	655,114,350
Domestic listed A Shares	397,025,763	138,587	397,164,350
Overseas listed H Shares	257,950,000	0	257,950,000
3. Total shares	873,370,000	0	873,370,000

Note:

On 11 August 2009, the Company relieved 138,587 shares with trading restrictions, which increase shares without trading restrictions to 655,114,350 shares.

4.2 Table of number of shareholders and shareholding of shareholders

Total number of shareholders at the end of the reporting period was 96,919, including 96,847 shareholders of A shares and 72 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 shareholder
HKSCC Nominees Limited	-234,000	247,617,998	28.35	tradable	unknown	H shares
New Northeast Electric Investments Co., Ltd.	+11,413	212,025,650	24.28	untradable	208,000,000	A shares subject to trading moratorium
Qian Yisheng	+4,437,299	4,437,299	0.51	tradable	unknown	A shares not subject to trading moratorium
Hu Li	+50,600	3,975,660	0.46	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
Meng Lingcui	+2,349,999	2,349,999	0.27	tradable	unknown	A shares not subject to trading moratorium
Shanghai Bao Yu Real Estate Investment Consultation Co., Ltd.	-7,143,615	2,090,900	0.24	tradable	unknown	A shares not subject to trading moratorium
Baotou Shidai Investment Industry Co., Ltd	+1,812,900	1,812,900	0.21	tradable	unknown	A shares not 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
Nanjing Jinfang Real Estate Industry Co., Ltd	+1,330,000	1,330,000	0.15	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 29 December 2008, New Northeast Electric Investments 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.
- (3) On 8 July 2009, New Northeast Electric Investments Co., Ltd. carried out renewal of 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 2009.
- (4) Save as disclosed above, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(5) *Purchase, sale or redemption of the Company's listed securities.*

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

(6) *Pre-emptive rights*

There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.

(7) *Convertibles, options, warrants or other similar rights*

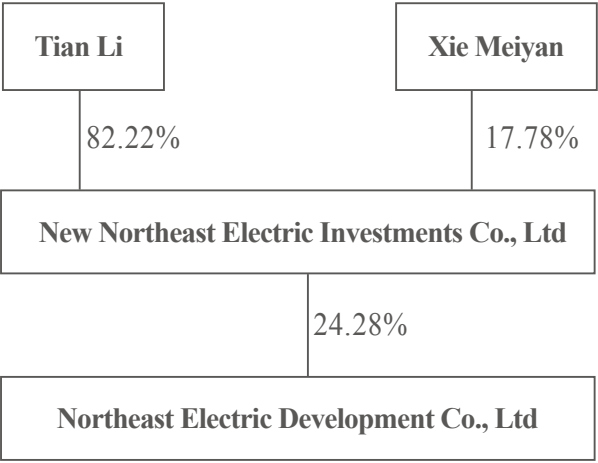
As of 31 December 2009, the Company did not issue any convertible securities, options, warrants or any other similar right.

4.3 Information on the controlling shareholder 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 Investments Co., Ltd.
Legal representative	:	Dai Bing
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 82.22% of the registered capital; and Ms. Xie Meiyun, the natural person, contributed RMB24 million, representing 17.78% 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 reporting period.

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 reporting period.

5. PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

5.1 Changes in the number of shares held by directors, supervisors, and senior management and their 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	48	Chairman	2010/3/8-2013/3/7	0	0	12.0
Wang Shouguan	M	66	Vice Chairman	2010/3/8-2013/3/7	0	0	7.9
Bi Jianzhong	M	33	Director/General manager	2010/3/8-2013/3/7	0	0	10.9
Du Kai	M	42	Director	2010/3/8-2013/3/7	0	0	6.2
Liu Qingmin	M	47	Director	2010/3/8-2013/3/7	0	0	6.2
Wu Qicheng	M	65	Independent Director	2010/3/8-2013/3/7	0	0	4.0
Xiang Yongchun	M	67	Independent Director	2010/3/8-2013/3/7	0	0	4.0
Wang Yunxiao	M	64	Independent Director	2010/3/8-2013/3/7	0	0	0
Dong Liansheng	M	63	Chairman of the Board of Supervisory Committee	2010/3/8-2013/3/7	0	0	0
Liu Xuehou	M	54	Supervisor	2010/3/8-2013/3/7	0	0	0
Bai Lihai	M	33	Supervisor	2010/3/8-2013/3/7	0	0	0
Zhang Zhaozhong	M	31	Resigned Director	2010/8/20-2010/3/30	0	0	2.6
Lin Wenbin	M	66	Resigned Independent Director	2007/3/7-2010/3/7	0	0	4.0
Liang Jie	F	49	Resigned Independent Director	2007/3/7-2010/3/7	0	0	4.0
Liu Hongguang	M	43	Resigned Independent Director	2007/3/7-2010/3/7	0	0	4.0
Fu Xiuheng	M	62	Resigned Supervisor	2007/3/7-2010/3/7	0	0	5.0
Dai Guiqing	F	41	Resigned Supervisor	2007/3/7-2010/3/7	0	0	0

Note:

- (1) The remuneration of these staff includes all kinds of insurance and accumulation fund paid in accordance with the state and local policies.*
- (2) None of directors, supervisors and senior management had been granted equity interest as an incentive by the Company during the reporting period.*
- (3) Save as disclosed above, none of the directors, supervisors and senior management or any of their associates, as at 31 December 2009, had any interest in the shares of the Company or its associated corporations (as defined in the SFO. None of the directors and supervisors or their spouse or children under the age of 18 was granted any right to acquire securities of the Company or had exercised any such right.*
- (4) As at the balance sheet date or at any time during the year, none of the directors and supervisors of the Company was directly or indirectly interested in any material contract of the Company other than the service contracts mentioned below.*
- (5) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO of Hong Kong, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors had any interest which was required to be recorded in the register under the SFO.*
- (6) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2009, had any interest or short positions in the shares, underlying share and debentures of the Company or its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein ,or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.*
- (7) Save as disclosed above, none of any other directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 31 December 2009.*

5.2. Interest of directors, supervisors and senior management

As at 31st December 2009, 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

1. Discussion and analysis of the overall operating condition during the reporting period

In 2009, China's economy underwent violent changes duo to the combined effects of the global slowdown. Benefited from the implementation of a series of policies of expanding domestic demand and stimulating the economy as well as various plans designed to revitalize industries made by the state and local government, the domestic economic situation was stabilized and rebounded in the second half of the year. The company's trade experienced both a severe challenge of international financial crisis and a rare development opportunity.

During the reporting period, with the serious overall situation, hard challenge and rare opportunity, the staff of the Company actively responded to the challenge and seized the opportunity by keeping the development in mind and focusing on the overall work arrangement and productive operating objectives made at the beginning of the year on the basis of stable operation. The Company has realized the turnaround through reducing the influence of various factors to a minimum, laying a solid foundation for its stable and rapid development in the future.

During the reporting period, the Company realized operating income of RMB423,740,000, operating profit of RMB 6,840,000, and net profit attributable to owners of the parent company of RMB7,670,000. As there were significant changes in the Company's consolidated range during the reporting period, the operating income and net profit in this period is not comparable with those in the same period last year.

The features of the production and operation in 2009 are as follows:

(1) Use advantages of technological transformation to increase the quality of products

During the reporting period, the Company continued to expand its production scale, and gave full play to the effectiveness of technological transformation. Many major contracts signed with State Grid, China Southern Power Grid and American companies were completed successfully. Of the products in these contracts, power capacitor had an year-on-year increase of 23.3% in output, hitting a new high and ranking first in the trade.

(2) Strengthen development on the basis of the market pulse

Facing the complex and changeable market situation, the company keenly seized the market opportunity arising from the implementation of economic stimulus policies of expanding investment scale and increasing domestic demand, and took active prospective sales strategies to enhance market development and widen sales channels. Its full efforts to get orders have enabled it to beat the competition, thus ensuring stable growth in overall sales scale.

(3) Accelerate technological innovation for high yield and quality

During the reporting period, the Company made further efforts to research and develops new products with diversified types. The capacitor with high field intensity researched by New Jinrong has been put into mass production. At the same time, the adoption of internal fuse has improved the structure of capacitor, making it simpler for users to install. This improvement not only increased the yield of capacitor unit production, but also reduced about 8% of productive cost, thus strengthening the market competitiveness.

During the reporting period, the company successfully developed two types of new transformers ordered by foreign consumers. The products have met the users' standard with good overseas sales performance, thus greatly increasing the Company's reputation in the whole trade.

During the reporting period, the company paid more attention to technical reform. The redesign and optimization of the production routing and process of power capacitor has made the routing more reasonable and the environment cleaner, therefore enhancing productive efficiency and product quality. At the same time, the investment in the purchase of production and processing equipment has made the production more automated.

2. The impact of the credit policy adjustment on the Company's financial position and operating results of the current year and in the future.

Credit policy adjustment: In 2009, the implementation of moderate monetary policy reduced the Company's tension in working capital. It is expected that China will continue to implement the proactive fiscal policy and moderate monetary policy in 2010.

Changes in interest or exchange rates: It is expected that in 2010 China will raise interest rates at the right time, which will give rise to the increase of the Company's financial costs.

Changes in the price of cost element: In 2009, a sharp drop in some main raw material prices led to an increase in the level of the company's gross margin. But since the fourth quarter of 2009, the raw material prices were on the rise because of the implementation of the proactive fiscal policy. It is expected that the rising trend will be continued in 2010, thus enhancing the Company's production cost.

6.2 Operational results in principal operations

6.2.1 Principal operations by business and product segment

Unit: RMB0,000

By Business or Product	Income from operations	Costs of operations	Gross profit ratio (%)	Increase / decrease in income from operations as compared with the last year(%)	Increase / decrease in costs of operations as compared with the last year(%)	Increase /decrease in gross profit ratio as compared with the last year(%)
1. By Business						
Electrical transmission and allocation and control facilities manufacturing	42,262.33	29,996.62	29.02	-17.74	-25.16	Increase 7.04
2. By Product						
Isolated switch	11,737	10,914	7.02	-50.02	-46.16	Decrease 6.03
Power capacitor	23,474	14,146	39.74	29.90	16.35	Increase 7.33
Enclosed busbars	7,051	4,936	29.99	-19.68	-26.40	Increase 6.39
Total	42,262.33	29,996.62	29.02	-17.74	-25.16	Increase 7.04

6.2.2 Principal operations by region segment

Unit: RMB0,000

Region	Income from principal operations	Increase /decrease(%)in income from principal operations over last year
China Northeast	4,909	-74.58
China Northern	23,560	15.53
China Central	2,621	-13.6
China Eastern	7,589	292.29
China Southern	1,928	-50.65
China Southwest	1,122	3.76
China Northwest	533	-62.85
Export	0	-100
Total	42,262	-17.74

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 Company's top five suppliers	RMB140,025,000	Percentage to the Company's 51.00% total amount of purchase
Total amount of sales to the top five customers	RMB261,983,000	Percentage to the Company's 61.99% total amount of sales

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	Total		Income from	
				assets	Net assets	principal operations	Net profit
Fuxin Enclosed Busbars Company Limited	Enclosed busbars	US\$2,800,000	100	24,638	6,172	7,057	509
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd	Lightning arrester, power capacitor	US\$15,450,000	100	28,622	13,250	23,600	1,558
Jinzhou Jinrong Electric Company Limited	High-voltage capacitor	300	69.75	683	404	69	-84
Shenyang Gaodongjia Desiccation Equipment Company Limited	Desiccation equipment	US\$778,500	70	431	410	3	-51
Northeast Electric (Beijing) Co., Ltd	Sales of machinery equipment	200	100	11,990	-188	11,382	-381
Northeast Electric (Hong Kong) Limited	Investment holding and general trading	US\$20,000,000	100	34,748	17,102	208	-748
Great Talent Technology Limited	Investment holding and general trading	US\$1	100	9,245	-5	0	-0.7
Shenyang Kaiyi Electric Co., Ltd	High-voltage equipment	100	100	11,784	41	0	-60
Shenyang Zhaolida Machinery Equipment Co., Ltd	Machinery Equipment	10	100	10	10	0	-0.1
New Northeast Electric Ultra High-Voltage Equipment Co., Ltd.	Manufacture of switches controlling equipment	US\$168,000,000	17.09	443,724	147,642	326,258	3,470
New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Co., Limited	Manufacture of isolator switchgears	US\$21,500,000	25.6	23,073	17,850	8,988	219
Great Power Technology Limited	Investment holding and general trading	US\$12,626	20.8	27,249	27,245	0	-1,076

6.2.5 Financial conditions and operations results during the reporting period

Unit: RMB 0,000

Items	2009	2008	Increase/decrease (%)
1.Total assets	836,557,537.85	847,016,256.07	-1.24
2.Shareholders' equity (excluding minority equity)	318,542,326.44	311,137,033.20	2.38
3.Operating profit	6,839,846.88	-69,760,685.96	-
4.Net Profit	7,263,664.63	-70,569,433.41	-
5.Net increase in cash and cash equivalents	11,444,003.84	-34,840,869.85	-

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 2009 as follows:

During the reporting period, the Company recorded net profit distributable to shareholders of listing companies of RMB7,670,166.70 and the accrued profit distributable to shareholders at the end of the year is RMB-1,528,964,095.88. 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.

The Company's cash dividends in the past three years:

Unit: RMB

Year	Amount (tax included)	Ratio of the cash dividends to the Net profit attributable to shareholders of listed companies in consolidated financial statements (%)		Annual distribution of profit
		Net profit attributable to shareholders of listed companies in consolidated financial statements	to the Net profit attributable to shareholders of listed companies in consolidated financial statements (%)	
2008	0.00	-69,112,495.33	0	-69,112,495.330.00
2007	0.00	-340,874,097.62	0	-340,874,097.62
2006	0.00	29,529,236.62	0	29,529,236.62
Ratio of the accumulated cash dividends in the past three years to the average annual net profit recently				0

6.5 Prospect of the Company's future development

1. Rear Opportunity

The stable recovery of China's economy has been inevitable and will be continued. The economic stimulus policies such as more government investment in power construction are playing more and more roles. At the same time, with the fast development of UHV AC/DC transmission projects, there is an increasing market demand for the trade the Company belongs to, which is providing a rare opportunity to the Company.

2. Great Challenge

The risk of global financial crisis still exists. Some raw material prices are fluctuating largely. The trade competition is increasing, and the profit space is reducing. The Company will expand technical innovation and continue to cultivate new products and new market for stable growth.

3. Operating plan for the new fiscal year

In 2010, global economy will enter into a post-financial crisis era, when the challenge of resurgent economic growth will come. China will maintain the continuity and stability of its macroeconomic policy, and continue to implement the proactive fiscal policy and moderate monetary policy. It is expected that there is a stable increase in domestic economy. In 2010, the construction of state grid will maintain momentum of smooth and rapid growth with investment in power grid expected to RMB270 billion.

Therefore, under the operating principles of Seizing Opportunity, Developing Market, Improving Management, and Emphasizing Development, the board of directors of the Company will actively respond to the opportunity and challenge in its operation and development by considering the situation, working hard, upholding scientific development, seizing new chances, determining new ideas, putting forward new goals and blazing new trails to realize sustained and fast growth in operational performance and lay a solid foundation for further operation and leapfrog development.

The main ideas in 2010 are:

- (1) To advance the construction of corporate governance, further standardize and improve internal control, continue to conduct strict, sustained and effective supervision management of internal control so as to improve the Company's management level and risk prevention ability.
- (2) To continue to improve production capacity, strengthen market development, utilize high-quality products to expand market share.
- (3) To deepen lean production, tap internal potential, reduce cost, and improve product profitability.
- (4) To promote lean management, perfect budget management, and enhance risk management.
- (5) To further strengthen product research and development, optimize product structure, promote product performance so as to improve the core competitiveness.

4. Risk factors that the Company may be faced with and their countermeasures

Macro-policy risk: The equipment manufacturing that the Company belongs to is an important pillar industry of national economy, vulnerable to state policies, energy strategies, industrial structure adjustment, and industrial development and so on.

The risk of fierce market competition: In the past two years, main producers in our trade have basically completed their technical innovation and production capacity expansion, thus making the market competition fiercer. The real sales prices of the Company's products in 2008 and 2009 were on a declining curve. The "price war" in the market of 2010 is imperative so that the Company's main product prices will be uncertain.

The risk of raw material price fluctuation: Since the second half of 2009, the company's main raw material prices were on the rise. It is expected that this rising trend will be continued in 2010. However, it is difficult for the Company' to raise its product prices in the same pace so that the Company will face the risk of rising cost and falling profit.

Financial risk: The Company will suffer some risks in production and operation as it will have a handsome increase of current capital for production with the expansion of production capacity.

Main measures: 1. The Company will focus on the state energy strategy and investment direction to reduce energy consumption and ensure its long-term sustainable development; 2. The Company will improve the marketing system, strengthen the market development, and actively explore new market and customers; 3. The Company will further increase its ability of independent innovation and improve the technology and quality of products so as to enhance the overall profitability; 4. The Company will pay more attention to internal management and the control of cost and expense; 5. The Company will make full efforts to improve the level of financial management so as to raise the efficiency of capital turnover and utilization.

6.6 Analysis of the Company's financial condition under Hong Kong Financial Reporting Standards

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

At end of the year, the balance of monetary fund was RMB42,181,000.

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.

At the end of the year the bank borrowings amounting to RMB25, 350,000, representing 3.03% of the total assets. These bank loans bear floating interest rate.

The debt equity ratio of the Company was 7.96% (debt equity ratio= total bank borrowings/total share capital and reserves * 100%)

At the end of the year 2009, the Company had pledged the fixed assets and leasehold land with net book value of approximately RMB25,298,000.

Please refer to Notes to the Consolidated Financial Statements for contingent liabilities.

7. SIGNIFICANT EVENTS

7.1 Re-election and resignation of directors, supervisors and senior management during the reporting period

Approved by the board of directors 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 (please refer to the announcement dated 30 March 2009 for details).

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, 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 RMB 247,120,000; Shenyang High-voltage should return the creditor's rights of RMB 76,660,000 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 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 the 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 Trading Co., Ltd (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 related obligations as stated in the effective legal document in accordance with the final judgement of the court.

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 Zai 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 RMB60,190,000, on 14 May 2008, Liaoning Higher Court made a civil judgment ((2006) Liao Min Er Zhong Zi No.214, 215 and 216). According to 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 brought a lawsuit to Liaoning Higher Court. On 29 October 2009, the court made civil judgments (2009) Liao Min Er Zhong Zi No. 182, 183 and 184. According to these judgments, the original judgment was sustained.

3. Litigation lodged by Paradise Field Holding Limited (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 RMB74,806,911 including principal and interest. The Higher Court made a civil judgment (2009) Liao Min San Chu Zi No.1 on 6 August, 2009. According to the judgment, the Paradise was granted to withdraw the case.

4. Loan Contract Dispute Litigation of China Great Wall Asset Management Corp. Shenyang Office ("Great Wall") for the debt of RMB351.75 million

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. The Liaoning Higher Court has made no judgment since the court session of the first instances.

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 2009, the foreign guarantee of the company totaled RMB414,050,000, including RMB335,000,000 for New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Ltd (Renamed as New Northeast Electric Ultra High-Voltage Equipment Co., Ltd. on 18 December 2009); RMB 39,900,000 for Jinzhou Power Capacitors Co., Ltd; RMB24,150,000 for Shenyang Kingdom Hotel Co., Ltd.

(2) Guarantees for the holding subsidiaries of the Company

The Company offered guarantees of RMB15,000,000 for its holding subsidiaries New Northeast (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 RMB39,900,000, accounting for 12.52% of the audited net assets of the Company for 2009, 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 During the reporting period, the Company had not held any shares of other listing companies or any equities of such financial enterprises as commercial banks, securities companies, insurance companies, trust companies and futures companies. In addition, the Company had not shared in any proposed listing companies.

7.6 Acquisition and Disposal of Assets during the Reporting Period

1. Capital increase of US\$5,450,000 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 Electronic 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.

2. The application for deregistration of Northeast Electric Development Co., Ltd Beijing Branch was approved by Beijing Administration for Industry and Commerce on 23 March 2009.

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

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 per share.

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

In addition, the Company has held 17.09 % equity of New Northeast Electric Ultra High-Voltage Equipment Co., Limited (originally named New Northeast Electric (Shenyang) High-Voltage Switchgears Co., Limited), and promised not to recover the Company's debt of RMB92,920,097.04 within one year.

7.8 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.

7.9 Appointment of the auditors

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 not more than RMB1,650,000.

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

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

7.11 Purchase, sale and redemption of shares

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

7.12 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 2009, which will be dispatched to the shareholders soon.

7.12.1 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 comprised 5 independent non-executive directors of the Company, namely Mr. Wu Qicheng, Mr. Lin Wenbin, Mr. Xiang Yongchun, Ms. Liang Jie and Mr. Liu Hongguang, and Ms. Liang Jie was appointed as the presiding member.

As the current board of directors of the Company has expired on 7 March 2010, the members of the audit committee of the sixth session of the board of directors came into effect on 8 March 2010, comprising three independent non-executive directors, namely Mr. Wu Qicheng, Mr. Xiang Yongchun and Mr. Wang Yunxiao, with Mr. Wang Yunxiao 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. In 2009, 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 2009.

At the Company's board meeting held on 22 March 2010, the audit committee of the Board reviewed and approved the 2009 annual financial records and results announcement.

7.12.2 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 reporting period and have complied with the guidelines.

7.12.3 The appointment of professional advisor

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 with effect from 31 December 2008.

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

7.14 Employees: As at the end of the reporting period, the number of employees on the payroll of the Company was 723. 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, 28 are secondary school graduates, 178 are diploma holders, and 146 are bachelor degree holders or above.

Since the publication of the annual report ended 31 December 2008, there have been no major changes in the Group's recruitment, training or development policies.

7.15 Annual General Meeting

The Company will convene the 2009 annual general meeting of shareholders in the conference room, No.38 Jingxing North Street, Tiexi District, Shenyang, PRC, at 9.00 am, on 7 May 2010.

7.16 Subsequent events

1. The 2010 First Extraordinary General Meeting was held on 8 March 2010 (please refer to the Announce dated 8 March 2010). The following resolutions were voted item by item at the meeting, and the voting results are as follows:
 - I. Discussion and Approval of Amendments to the Articles of Association of the Company;
 - II. Discussion and Approval of Resolution on Nominating Candidates for the members of the Sixth Session of the Board of Directors;
 - III. Discussion and Approval of Resolution on Nominating Candidates for the members of the Sixth Session of the Board of Supervisors;
 - IV. Discussion and Approval of Proposal on the annual remuneration of the members of the Sixth Session of the Board of directors;
 - V. Discussion and Approval of Proposal on the annual remuneration of the members of the Sixth Session of the Board of supervisors.

2. The first meeting of the sixth session of the Board was held on 8 March 2010 (please refer to the Announce dated 8 March 2010). The following resolutions were considered and voted item by item at the meeting.

- I. Discussion and acceptance of the Resolution on Election of Chairman and Vice Chairman;

- II Discussion and acceptance of the Resolution on Establishment of Special Committees of the Board;

- 1. Audit Committee*

Chairman: Mr. Wang Yunxiao

Members: Mr. Wu Qicheng and Mr. Xiang Yongchun

- 2. Remuneration Committee*

Chairman: Mr. Xiang Yongchun

Members: Mr. Wang Shouguan and Mr. Wang Yunxiao

- 3. Nomination Committee*

Chairman: Mr. Su Weiguo

Members: Mr. Wang Shouguan and Mr. Wu Qicheng

- 4. Strategic Development Committee*

Chairman: Mr. Su Weiguo

Members: Mr. Wang Shouguan, Mr. Xiang Yongchun, Mr. Bi Jianzhong and Mr. Liu Qingmin

- 5. Investment Management Committee*

Chairman: Mr. Su Weiguo

Members: Mr. Wang Shouguan, Mr. Xiang Yongchun, Mr. Bi Jianzhong and Mr. Du Kai

- III. Discussion and acceptance of the Resolution on Appointment of General Manager;
- IV. Discussion and acceptance of the Resolution on Appointment of Assistant to General Manager;
- V. Discussion and acceptance of the Resolution on the Mr. Su Weiguo Exercising of the Functions of Secretary to the Board by the Chairman of the Board;
- IV. Discussion and acceptance of the Resolution on Appointment of Securities Affairs Representative.
3. The first meeting of the sixth session of the board of Supervisors was held on 8 March 2010 (please refer to the Announce dated 8 March 2010). The Resolution on Election of Mr. Dong Liansheng as the Chairman of the Board of Supervisors was considered and passed by a unanimous vote at the meeting.
4. Personnel Changes
- I. The Sixth Session of the Board of Directors of the Company was elected at the first EGM of 2010 on 8 March 2010, comprising of five executive Directors, namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Bi Jianzhong, Mr. Liu Qing Min and Mr. Du Kai; and three independent non-executive Directors, namely Mr. Wu Qicheng, Mr. Xiang Yongchun, Mr. Wang Yunxiao. Mr. Su Weiguo was elected as the chairman, and Mr. Bi Jianzhong was appointed as general manager.
- II. The Sixth Session of the Board of supervisors of the Company was elected at the first EGM of 2010 on 8 March 2010, comprising of two supervisors of shareholders elected at the EGM, namely Mr. Dong Liansheng and Mr. Bai Lihai, as well as one supervisor of employees elected at the previous representative assembly of workers. Mr. Dong Liansheng was elected as the Chairman of the Board of Supervisors.
- III. On 8 March 2010, three independent non-executive directors, namely Mr. Lin Wenbin, Ms. Liang Jie and Mr. Liu Hongguang, and two supervisors, namely Mr. Fu Xiuheng and Ms. Dai Guiqing, resigned due to expiration of the term of office.

8. REPORT OF THE BOARD OF SUPERVISORS

(1) MEETING OF THE SUPERVISORY COMMITTEE

During the reporting period, the supervisory committee has convened 5 meetings, details of which are as follows:

1. The 15th meeting of the 5th session of the supervisory committee was held on 30 March 2009, to considered and approved the annual report ended 31 December 2008 and the work report of the supervisory committee, the proposal of 2008 net profit distribution, the explanation of the board of directors on the correction of significant accounting errors. The self-assessment of internal control and others related were also reviewed and discussed.
2. The 16th meeting of the 5th session of the supervisory committee was held on 29 April 2009 to consider and approve the first quarterly report of 2009.
3. The 17th meeting of the 5th session of the supervisory committee was held on 17 August 2009 to consider and approve the 2009 interim report.
4. The 18th meeting of the 5th session of the supervisory committee was held on 23 September 2009, to consider and approve the resolution on provision of foreign guarantee, the resolution on relocation of registered address and the amendments to the articles of association of the company.
5. The 19th meeting of the 5th session of the supervisory committee was held on 26 October 2009, to consider and approve the resolution on the third quarterly report of 2009 and the resolution on the exercising of the functions of secretary to the Board by the chairman of the board.

(2) THE SUPERVISORY COMMITTEE PROVIDED INDEPENDENT OPINION ON THE RELATED MATTERS OF THE COMPANY

1. The Company's legal operation

The supervisory committee opines that during the reporting period, the Company has established a fairly comprehensive corporate governance framework and internal control system. Decision-making procedure of the Annual General Meeting and each of the board meetings are lawful. Directors, independent directors, managers and other senior management strictly observe the law in performing their duties. They had no acts in breach of discipline, law, Articles of Association nor had damaged interests of the Company.

2. The Company's financial status

The supervisory committee opines that during the reporting period, the financial department of the Company has established a sound internal control and management system by attentively performing related accounting system and codes of the State to integrate operation and financial management, so as to protect interests of investors. The 2009 financial statements truly reflect the Company's financial status and operating results. The auditors report with an opinion qualified issued by the Company's auditor is true and objective, which truly reflect the Company's financial status and operating results in 2009.

3. Asset acquisitions and disposals

The supervisory committee opines that no insider dealings was found during the course of asset acquisition and disposal, the act was open, fair, reasonable and in the interests of the listed company and shareholders as a whole. There had been no damage to minority interests or caused any loss to the Company's assets.

4. Connected transactions

The supervisory committee opines that no insider dealings between the associates of the Company and connected transactions that damage the interests of some of the shareholders or the Company are found.

5. Opinions on the self-assessment of the Company's internal control

The Company's supervisory committee, in accordance with the relevant provisions as specified in the Guideline for Internal Control and the Notice of concerning Doing a Good Job for the 2009 Annual Report of the Listed Companies published by Shenzhen Stock Exchange, gives the following opinions on self-assessment of the Company's internal control:

- (1) In accordance with relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchanges, the Company, under the basic principles of internal control, has established and improved the internal control systems covering all of links of the Company based on its own real situation, ensuring its normal business activities and protecting the security and integrity of its assets.
- (2) The Company has a whole internal control organization with an internal audit department and complete staff, ensuring full and effective implementation and supervision of key internal control activities.
- (3) During the reporting period, the Company had no breach of the Guideline for Internal Control of Shenzhen Stock Exchanges and the System of Internal Control of the Company.

The supervisory committee opines that the self-assessment of internal control of the Company is full, true and correct, which reflects the real situation of the Company's internal control.

By order of the Supervisory Committee
Dong Liansheng
China, Shenyang
22 March 2009

9. CONSOLIDATED FINANCIAL STATEMENTS

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 Report Prepared under the PRC Accounting Standards

COMBINED INCOME STATEMENT

Unit: RMB

Items	Amount in this period	Amount in the last period
I. Total operating revenues	423,742,945.28	517,717,563.70
Including : operating revenues	423,742,945.28	517,717,563.70
Interest income		
Earned premium		
Fee and commission income		
II. Total operating costs	415,225,958.46	521,857,220.04
Including: operating costs	300,957,971.39	404,605,290.11
Interest expense		
Fee and commission expense		
Loan value		
net compensation expenses		
net allotment of reserves for insurance contract		
Policy dividend expense		
Reinsurance expenses	98,501.08	177,497.32
Tax and additions	42,639,130.79	48,122,876.77
Sales expense	44,564,264.84	60,631,879.70
Administrative expense		
Financial expense	1,516,583.34	2,036,205.61
Loss for assets impairment	25,449,507.02	6,283,470.53
Add: Income from change in fair value		
(loss is represented by “-”)	-	-
Investment income(loss is represented by “-”)	-1,677,139.94	-65,621,029.62
Including : investment income from associates		
and joint venture companies	-1,677,139.94	-376,015.35
Foreign exchange income(loss is represented by “-”)	-	-

COMBINED INCOME STATEMENT(Continued)

Items	Unit: RMB	
	Amount in this period	Amount in last period
III. Operating income (loss)		
(loss is represented by “-”)	6,839,846.88	-69,760,685.96
Add: Non-operating income	265,694.97	753,117.21
Less: None-operating expense	259,474.13	541,723.87
Including : loss from non-current assets disposal	157,163.81	288,668.05
IV. Total profit (loss) (loss is represented by “-”)	6,846,067.72	-69,549,292.62
Less: income tax expense	-417,596.91	1,020,140.79
V. Net profit (loss) (net loss is represented by “-”)	7,263,664.63	-70,569,433.41
Net profit attributed to holders of the parent company	7,670,166.70	-69,112,495.33
Minority interests	-406,502.07	-1,456,938.08
VI. Earnings per share		
(1) Basic earnings per share	0.01	-0.08
(2) Diluted earnings per share	0.01	-0.08
VII. Other comprehensive income	-264,873.46	-9,301,902.22
VIII. Total comprehensive income	6,998,791.17	-79,871,335.63
Total comprehensive income attributed to holders of the parent company	7,405,293.24	-78,414,397.55
Total comprehensive income attributed to minority shareholders	-406,502.07	-1,456,938.08

9.3 Consolidated Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards (Attachments)

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://hkexnews.hk>). The 2009 Annual Report will be published on such two websites on or about 13 April 2009 and sent to shareholders.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	<i>Notes</i>	2009 <i>Rmb '000</i>	2008 <i>Rmb '000</i>
Turnover	2	423,743	517,717
Cost of sales		<u>(300,958)</u>	<u>(404,605)</u>
Gross profit		122,785	113,112
Other income	4	2,033	9,633
Distribution costs		(42,639)	(48,123)
Administrative expenses		<u>(72,090)</u>	<u>(67,675)</u>
Operating profit		10,089	6,947
Finance costs	7	(1,509)	(3,443)
Share of results of associates		(1,677)	(376)
Loss on disposal of a subsidiary		-	(720)
Losses on share exchange scheme		<u>-</u>	<u>(71,846)</u>
Profit/(loss) before taxation	6	6,903	(69,438)
Taxation	5	<u>417</u>	<u>(1,020)</u>
Profit/(loss) for the year		<u>7,320</u>	<u>(70,458)</u>
Attributable to:			
Equity holders of the Company		7,727	(69,001)
Minority interests		<u>(407)</u>	<u>(1,457)</u>
		<u>7,320</u>	<u>(70,458)</u>
Basic earnings/(loss) per share (RMB per share)	9	<u>0.01</u>	<u>(0.08)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Profit/(loss) for the year	7,320	(70,458)
Other comprehensive income:		
Exchange differences arising		
from translation of foreign operations	(265)	(9,302)
Total comprehensive income for the year	<u>7,055</u>	<u>(79,760)</u>
Attributable to:		
Equity holders of the Company	7,462	(78,303)
Minority interests	(407)	(1,457)
	<u>7,055</u>	<u>(79,760)</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	<i>Notes</i>	2009 <i>Rmb '000</i>	2008 <i>Rmb '000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		81,126	84,331
Lease prepayments		4,878	5,013
Interests in associates		87,936	89,753
Available-for-sale investment		215,942	216,055
Trade and other receivables		6,831	844
Deferred tax assets		11,911	5,120
		<u>408,624</u>	<u>401,116</u>
CURRENT ASSETS			
Inventories		68,983	67,539
Trade and other receivables	10	293,690	336,821
Non-current assets held for sale		-	1,300
Pledged bank deposits		23,073	19,712
Cash and cash equivalents		42,181	30,216
		<u>427,927</u>	<u>455,588</u>
CURRENT LIABILITIES			
Trade and other payables	11	249,490	289,103
Amounts due to associates		9,594	8,094
Amount due to an investee company		9,252	2,252
Bank borrowings		25,350	22,450
Provision for loss on guarantee obligations		124,968	124,968
Government grants		587	-
Tax payable		3,402	901
		<u>422,643</u>	<u>447,768</u>

CONSOLIDATED BALANCE SHEET(Continued)

As at 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	<i>Notes</i>	2009 <i>Rmb '000</i>	2008 <i>Rmb '000</i>
NET CURRENT ASSETS		<u>5,284</u>	<u>7,820</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>413,908</u>	<u>408,936</u>
NON-CURRENT LIABILITIES			
Amount due to an associate		-	32,176
Amount due to an investee company		<u>92,920</u>	<u>62,827</u>
		<u>92,920</u>	<u>95,003</u>
NET ASSETS		<u><u>320,988</u></u>	<u><u>313,933</u></u>
CAPITAL AND RESERVES			
Share capital	12	873,370	873,370
Reserves		<u>(554,833)</u>	<u>(562,295)</u>
Equity attributable to owners of the Company		<u>318,537</u>	<u>311,075</u>
Minority interests		<u>2,451</u>	<u>2,858</u>
TOTAL EQUITY		<u><u>320,988</u></u>	<u><u>313,933</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
OPERATING ACTIVITIES		
Profit/(loss) before taxation	6,903	(69,438)
Adjustments for:		
Dividend income	-	(7,321)
Interest income	(156)	(639)
Reversal of allowance for impairment of trade and other receivables	(1,648)	-
Depreciation of property, plant and equipment	7,140	7,899
Amortisation of lease prepayments	135	135
Loss on disposal of property, plant and equipment	35	288
Property, plant and equipment written off	25	-
Allowance for impairment of trade and other receivables	27,097	4,973
Interest expense	1,509	3,443
Share of results of associates	1,677	376
Loss on disposal of a subsidiary	-	720
Losses on share exchange scheme	-	71,846
Operating profit before changes in working capital	42,717	12,282
(Increase)/decrease in inventories	(1,444)	3,568
Decrease/(increase) in trade and other receivables	11,695	(61,345)
Decrease in non-current assets held-for-sale	1,300	-
(Decrease)/increase in trade and other payables	(38,353)	93,314
Increase in government grants	587	-
Increase in amounts due to associates	1,500	8,094
Increase/(decrease) in amount due to an investee company	7,000	(39,748)
Cash generated from operations	25,002	16,165
Income tax paid	(3,873)	(1,340)
Interest paid	(1,509)	(3,443)
NET CASH GENERATED FROM OPERATING ACTIVITIES	19,620	11,382

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	2009 <i>Rmb '000</i>	2008 <i>Rmb '000</i>
INVESTING ACTIVITIES		
Net cash inflow from disposal of subsidiaries	-	3,918
Purchase of property, plant and equipment	(5,346)	(32,035)
Proceeds from disposal of property, plant and equipment	100	43
(Increase)/decrease in pledged bank deposits	(3,361)	9,231
Interest received	156	639
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,451)</u>	<u>(18,204)</u>
FINANCING ACTIVITIES		
New bank borrowings raised	40,350	35,450
Repayments of bank borrowings	(37,450)	(63,369)
(Decrease)/increase in amount due to an associate	(32,176)	32,176
Increase/(decrease) in amount due to an investee company	30,093	(2,100)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>817</u>	<u>2,157</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,986	(4,665)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30,216	36,635
Effect of changes in foreign exchange rate	(21)	(1,754)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>42,181</u></u>	<u><u>30,216</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

Attributable to equity holders of the Company

	Share capital <i>Rmb '000</i>	Capital reserve <i>Rmb '000</i>	Capital contribution <i>Rmb '000</i>	Statutory surplus reserve <i>Rmb '000</i>	Discretionary surplus reserve <i>Rmb '000</i>	Translation reserve <i>Rmb '000</i>	Accumulated losses <i>Rmb '000</i>	Total <i>Rmb '000</i>	Minority interests <i>Rmb '000</i>	Total equity <i>Rmb '000</i>
At 1 January 2008	873,370	511,060	186,419	81,631	32,699	(8,355)	(1,287,446)	389,378	4,315	393,693
Loss for the year	-	-	-	-	-	-	(69,001)	(69,001)	(1,457)	(70,458)
Other comprehensive income for the year	-	-	-	-	-	(9,302)	-	(9,302)	-	(9,302)
At 31 December 2008 and 1 January 2009	873,370	511,060	186,419	81,631	32,699	(17,657)	(1,356,447)	311,075	2,858	313,933
Profit for the year	-	-	-	-	-	-	7,727	7,727	(407)	7,320
Other comprehensive income for the year	-	-	-	-	-	(265)	-	(265)	-	(265)
At 31 December 2009	873,370	511,060	186,419	81,631	32,699	(17,922)	(1,348,720)	318,537	2,451	320,988

1 CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (HKICPA) has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures - improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs

The amendments to HKAS 23 has had no material impact on the Group's consolidated financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

1 CHANGES IN ACCOUNTING POLICIES (*Continued*)

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's consolidated financial statements into segments based on related products and services and on geographical area. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). Corresponding amounts have been provided on a basis consistent with the revised segment information
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the consolidated financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

1 CHANGES IN ACCOUNTING POLICIES (Continued)

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:
 - As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.
 - The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivables from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period.

2 TURNOVER

Turnover represents the sales value of goods sold less returns, discounts, rebates, value added taxes and other sales taxes, which may be analysed as follows:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Sales of transmission machinery	<u>423,743</u>	<u>517,717</u>

3 SEGMENTS REPORT

The Group operates, through its subsidiaries and associates, mainly in the PRC. In accordance with the Group's internal organisation and reporting structure, no segment information is presented in respect of the Group's business segment as the Group is principally engaged in one segment which is the production and sales of transmission machinery in the PRC. Substantially all of the Group's assets and liabilities were located in the PRC.

4 OTHER INCOME

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Dividend from available-for-sale investment	-	7,321
Interest income on bank deposits	156	639
Exchange gain	-	1,174
Government grant income	113	-
Sales of wastage	60	93
Reversal of allowance for impairment of trade and other receivables	1,648	-
Others	56	406
	<u>2,033</u>	<u>9,633</u>

5 TAXATION

The provision for the PRC income tax is calculated at 25% (2008: 25%) 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 in 2005 and 2006 respectively.

No provision for Hong Kong profits tax is made in the consolidated financial statements as the Group has sustained a loss for the year in respect of its operation in Hong Kong (2008: Nil).

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
The tax (credit)/charge comprises:		
Income tax provision for the year	6,374	2,832
Deferred tax	<u>(6,791)</u> <u>(417)</u>	<u>(1,812)</u> <u>1,020</u>

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Depreciation	7,140	7,899
Amortisation of lease prepayments	135	135
Loss on disposal of property, plant and equipment	35	288
Property, plant and equipment written off	25	-
Research and development costs	405	472
Auditors' remuneration	1,300	1,700
Allowance for impairment of trade and other receivables	27,097	4,973
Staff costs (including directors' emoluments)	12,719	16,891
Operating leases - office premises	3,287	4,648
Share of associates' taxation	487	-
	<u>487</u>	<u>-</u>

7 FINANCE COSTS

Interest on bank borrowings wholly repayable within five years:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Bank loan interest	1,509	3,443
	<u>1,509</u>	<u>3,443</u>

8 DIVIDEND

The Board of directors of the Company does not recommend the payment of a dividend in respect of the year ended 31 December 2009 (2008: Nil).

9 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to equity shareholders of the Company of Rmb7,727,000 (2008: loss of Rmb69,001,000) and 873,370,000 (2008: 873,370,000) shares in issue during the year.

No diluted earnings per share are calculated as there are no dilutive potential shares for the two years ended 31 December 2009 and 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

10 TRADE AND OTHER RECEIVABLES

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Trade and bills receivables	275,639	203,000
Less: allowance for impairment	17,463	15,205
	<u>258,176</u>	<u>187,795</u>
Receivable from Bengang Group	76,090	76,090
Other receivables	41,102	103,532
	<u>117,192</u>	<u>179,622</u>
Less: allowance for impairment	103,984	80,793
	<u>13,208</u>	<u>98,829</u>
Purchase deposits to suppliers	1,454	26,751
Prepayments	11,926	4,216
Dividend receivables	15,757	20,074
	<u>29,137</u>	<u>51,041</u>
Prepayments - non-current portion	(6,831)	(844)
Net trade and other receivables	<u><u>293,690</u></u>	<u><u>336,821</u></u>

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:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Within 1 year	209,182	153,016
1 year to 2 years	36,296	27,153
2 years to 3 years	14,334	11,922
Over 3 years	15,827	10,909
	<u>275,639</u>	<u>203,000</u>

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 trade 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.

10 TRADE AND OTHER RECEIVABLES (Continued)

At 31 December 2009, trade and other receivables of Rmb148,596,000 (2008: Rmb376,977,000) were impaired. The amount of the allowance was Rmb121,447,000 as at 31 December 2009 (2008: Rmb95,998,000). 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:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Within 1 year	3,384	1
1 year to 2 years	19,389	150
2 years to 3 years	5,283	7,260
Over 3 years	93,391	88,587
	<u>121,447</u>	<u>95,998</u>

Movements in the allowances for impairment are as follows:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
At 1 January	95,998	98,461
Impairment loss recognised	27,097	4,973
Reversal of impairment	(1,648)	-
Uncollectible amounts written off	-	(7,436)
At 31 December	<u>121,447</u>	<u>95,998</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

10 TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2009	2008
	'000	'000
Hong Kong dollars	2,733	4,567
Euro	546	10
Japanese Yen	2,638	2,638
Swiss Franc	692	692

11 TRADE AND OTHER PAYABLES

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Trade and bills payables	153,376	84,485
Other payables	96,114	204,618
	<u>249,490</u>	<u>289,103</u>

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

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Within 1 year	133,938	76,880
1 year to 2 years	14,292	4,142
2 years to 3 years	2,419	1,661
Over 3 years	2,727	1,802
	<u>153,376</u>	<u>84,485</u>

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 93% of trade and other payables are denominated in Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

12 SHARE CAPITAL

	2009 <i>Rmb '000</i>	2008 <i>Rmb '000</i>
Registered, issued and fully paid-up capital:		
615,420,000 ordinary "Domestic" shares of Rmb1 each, of which:		
- Non-listed	218,256	218,394
- Listed "A" shares	<u>397,164</u>	<u>397,026</u>
	615,420	615,420
257,950,000 listed "H" shares of Rmb1 each	<u>257,950</u>	<u>257,950</u>
	<u>873,370</u>	<u>873,370</u>

Regarding to the application for release of 138,587 restricted non-tradable shares as tradable shares, it was approved by China Securities Depository and Clearing Corporation Limited (Shenzhen Branch) and the registration procedure for the release of such restricted non-tradable shares was completed on 10 August 2009. Accordingly, 138,587 restricted non-tradable shares was transferred to tradable "A" shares on the following day.

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 controlling party of the Group is Ms. Tian Li.
- (b) The Group's balances with the following related parties as at 31 December 2009 are as follows:

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Associates:		
Trade payables	8,123	8,710
Balances due from the Group	9,594	40,270

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2009 (Prepared in accordance with Hong Kong Financial Reporting Standards)

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

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

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Profit/(loss) attributable to shareholders under the PRC Accounting Rules and Regulations	7,670	(69,112)
Differences:		
- Others	<u>57</u>	<u>111</u>
Profit/(loss) attributable to equity holders of the Company under HKFRSs	<u><u>7,727</u></u>	<u><u>(69,001)</u></u>

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

	2009	2008
	<i>Rmb '000</i>	<i>Rmb '000</i>
Shareholders' funds under the PRC Accounting Rules and Regulations	318,543	311,138
Differences:		
- Others	<u>(6)</u>	<u>(63)</u>
Total equity attributable to equity holders of the Company under HKFRSs	<u><u>318,537</u></u>	<u><u>311,075</u></u>