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 2010

1 IMPORTANT NOTICE

1.1 The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of Northeast Electric Development Co., Ltd. ("the Company") hereby confirm that there are no false representations, misleading statements or material omissions contained in this report, and they, severally and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

1.2 The Audit Committee of the Company has reviewed and confirmed the Company's 2010 annual consolidated financial report.

1.3 The Company's domestic auditor, Shenzhen Pengcheng Certified Public Accountants Co., Ltd. issued a standard unqualified audit report.

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

1.4 The consolidated turnover is RMB348,450,000, a drop of RMB75,290,000 compared with the year 2009.

1.5 Profit attributable to equity holders of the Company is RMB1,729,000.

1.6 Earnings per share attributable to equity holders of the Company is RMB0.002.

1.7 The Board does not recommend distributing dividend, which is subject to the approval by the 2010 Annual General Meeting to be convened on 6 May 2011.

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 info

Stock abbreviation	Northeast Electric	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.2 Xingshun Street, Tiexi District, Shenyang, the PRC	
Postal Code	110023	
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.2 Xingshun 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 Principal accounting data

Unit: RMB

	2010	2009	Increase/ decrease of the year over last year (%)	2008
Total operating revenues	348,449,492.28	423,742,945.28	-17.77	517,717,563.70
Total profit	5,148,739.58	6,846,067.72	-24.79	-69,549,292.62
Net profit attributable to shareholders of listed company	1,683,987.53	7,670,166.70	-78.04	-69,112,495.33
Net profit attributable to shareholders of listed company after extraordinary items	-5,874,396.21	7,670,434.76	-	3,244,738.80
Net cash flow arising from operating activities	27,303.40	22,238,854.70	-99.88	15,241,679.50

	As at the end of 2010	As at the end of 2009	Increase/ decrease at the end of 2010 over the end of 2009 (%)	As at the end of 2008
Total assets	844,337,174.25	836,557,537.85	0.93	847,016,256.07
Shareholders' fund attributable to shareholders of listed company	314,979,605.97	318,542,326.44	-1.12	311,137,033.20
Share capital	873,370,000.00	873,370,000.00	0	873,370,000.00

3.1.2 Principal financial indicators

Unit: RMB

	2010	2009	Increase/decrease of the year over last year (%)	2008
Basic earnings per share (RMB/Share)	0.002	0.01	-80	-0.08
Diluted earnings per share (RMB/Share)	0.002	0.01	-80	-0.08
Earnings per share calculated by new share capital (RMB/Share)	0.002	0.01	-80	-0.08
Basic earnings per share after extraordinary items (RMB/Share)	-0.007	0.01	-	0.004
Earnings/net assets ratio (weighted average) (%)	0.53	2.44	-1.91	-17.38
Earnings/net assets ratio after extraordinary item (weighted average) (%)	-1.85	2.44	-	0.82
Net cash flow from operating activities per share (RMB/Share)	0.000031	0.0255	-99.88	0.0175
	As at the end of 2010	**As at the end of 2009**	**Increase/decrease at the end of 2010 over the end of 2009 (%)**	**As at the end of 2008**
Net assets per share attributable to shareholders of listed company (RMB/Share)	0.36	0.36	0	0.36

Extraordinary items	Amount	Cause
Profits and losses on disposal of non-current assets	-318,487.16	Loss from disposal of fixed assets
Government subsidy recognised in current profits and losses	119,000.00	Special subsidies by the Economic and Information Commission of Liaoning Province and the Department of Finance of Liaoning Province
Profits and losses from debt restructuring (note)	10,243,866.77	Profits from debt restructuring
Non-operating income and expense	27,924.04	
Effect on income tax	-2,568,566.04	
Minority interest effect (after tax)	54,646.13	
Total	**7,558,383.74**	

Note:

Profits and losses from debt restructuring for this period increased compared with the last period, mainly due to the profit on debt restructuring, resulting from the fact that the Company and Liaoning Shunlong Trading Co., Ltd. entered into a repayment agreement to repay accounts receivable at lower book value.

3.2 Prepared under Hong Kong Financial Reporting Standards

Items	2010	2009	2008	2007	2006
1. Turnover (RMB'000)	348,449	423,743	517,717	618,496	465,989
2. Profit/ (loss) before taxation (RMB'000)	5,194	6,903	-69,438	-292,246	34,892
3. Profit/ (loss) attributable to shareholders (RMB'000)	1,074	7,320	-70,458	-344,907	29,540
4. Total assets (RMB'000)	844,337	836,551	856,704	937,160	1,295,288
5. Total liabilities (RMB'000)	527,560	515,563	542,771	543,467	364,417
6. Shareholders' fund (RMB'000)	316,777	320,988	313,933	393,693	829,347
7. Basic earnings/ (loss) per share (RMB)	0.002	0.01	-0.08	-0.39	0.034
8. Net assets per share (RMB)	0.36	0.37	0.36	0.45	0.95
9. Return on net assets (%)	0.34	2.28	-22.44	-87.61	3.56
10. Shareholders' interest ratio (%)	37.52	38.37	36.64	42.01	63.40
11. Current ratio (%)	102.53	101.25	101.75	109.20	157.07
12. Gearing ratio (%)	62.48	61.63	63.36	57.99	28.13

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

Unit: RMB'000

Net profit calculated under Hong Kong Financial Reporting Standards (attributable to the equity holders of the Company)	1,729
Others-Amortisation of intangible assets	-45
Net profit calculated under the PRC Accounting Rules (attributable to the equity holders of the Company)	1,684

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	218,255,650	-212,025,650	6,230,000
State-owned legal person shares	0	0	0
Public legal person shares	218,255,650	-212,025,650	6,230,000
2. Shares not subject to trading moratorium	655,114,350	212,025,650	867,140,000
Domestic listed A Shares	397,164,350	212,025,650	609,190,000
Overseas listed H Shares	257,950,000	0	257,950,000
3. Total shares	873,370,000	0	873,370,000

Note:

On 19 May 2010, the Company relieved 212,025,650 shares subject to trading moratorium, which increased shares not subject to trading moratorium to 867,140,000 shares.

4.2 Table of number of shareholders and shareholding of shareholders

Total number of shareholders at the end of the reporting period was 92,607, including 92,533 shareholders of A shares and 74 shareholders of H shares.

Shareholdings of the top ten shareholders *Unit: share*

Name of shareholders	**Nature of shareholder**	**Percentage**	**Number of shares held at the end of the year**	**Number of untradeable shares**	**Number of shares pledged or frozen**
HKSCC Nominees Limited	Foreign natural person	28.35%	247,565,998	0	0
New Northeast Electric Investments Co., Ltd.	Domestic non-state-owned legal person	24.06%	210,094,850	0	170,000,000
Shenzhen Zhongda Software Development Co., Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000	0
Jiangmen Huirong Trading Co., Ltd.	Domestic non-state-owned legal person	0.34%	3,000,000	0	0
Hu Li	Domestic natural person	0.25%	2,156,160	0	0
Zhang Xiaoping	Domestic natural person	0.24%	2,077,200	0	0
Deng Wenwei	Domestic natural person	0.23%	1,977,335	0	0
Li Xiuli	Domestic natural person	0.20%	1,760,936	0	0
Huang Jian	Domestic natural person	0.19%	1,689,800	0	0
Shanxi Qinjian Science and Technology Investment Co., Ltd	Domestic non-state-owned legal person	0.16%	1,420,000	1,420,000	0

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 20 December 2010, New Northeast Electric Investments Co., Ltd. carried out the registration of the pledge of stocks with Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch, so 80,000,000 A shares subject to trading moratorium have been frozen since 20 December 2010.*

3. *On 28 June 2010, New Northeast Electric Investments Co., Ltd. carried out renewal of registration of the pledge of stocks with Bank of Communications Liaoning Branch, so 90,000,000 A shares subject to trading moratorium have been frozen since 28 June 2010.*

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.

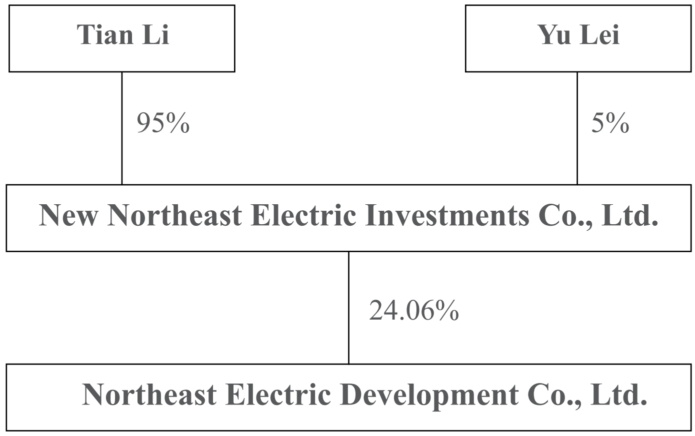
7. *Convertibles, options, warrants or other similar rights*

   As of 31 December 2010, 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

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 RMB128,250,000, representing 95% of the registered capital; Mr. Yu Lei, the natural person, contributed RMB6,750,000, representing 5% of the registered capital.

Framework of asset rights and controlling relationship between the Company and the actual controll



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	49	Chairman	2010/3/8-2013/3/7	0	0	16.4
Wang Shouguan	M	67	Vice Chairman	2010/3/8-2013/3/7	0	0	7.9
Bi Jianzhong	M	34	Director/General manager	2010/3/8-2013/3/7	0	0	15.8
Liu Qingmin	M	48	Director	2010/3/8-2013/3/7	0	0	10.9
Wu Qicheng	M	66	Independent Director	2010/3/8-2013/3/7	0	0	3.5
Xiang Yongchun	M	68	Independent Director	2010/3/8-2013/3/7	0	0	3.5
Wang Yunxiao	M	65	Independent Director	2010/3/8-2013/3/7	0	0	2
Dong Liansheng	M	64	Chairman of the Supervisory Committee	2010/3/8-2013/3/7	0	0	0
Liu Xuehou	M	55	Supervisor	2010/3/8-2013/3/7	0	0	0
Bai Lihai	M	34	Supervisor	2010/3/8-2013/3/7	0	0	0
Du Kai	M	43	Resigned Director	2010/3/8-2010/6/4	0	0	13.5
Wang Yi	M	49	Resigned Director	2010/7/22-2010/12/10	0	0	12.5
Lin Wenbin	M	67	Resigned Independent Director	2007/3/7-2010/3/7	0	0	1.5
Liang Jie	F	50	Resigned Independent Director	2007/3/7-2010/3/7	0	0	1.5
Liu Hongguang	M	44	Resigned Independent Director	2007/3/7-2010/3/7	0	0	1.5
Fu Xiuheng	M	63	Resigned Supervisor	2007/3/7-2010/3/7	0	0	0
Dai Guiqing	F	42	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. *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 of directors and supervisors.*

4. *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 2010.*

5. *Save as those set out in the register required to be maintained by directors and supervisors under 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 or any of their associates, as at 31 December 2010, 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.*

7. *Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2010, 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*

5.2 Interest of directors, supervisors and senior management

As at 31 December 2010, 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

2010 was a year of enormous pressure for the Company. Construction in power system and grid of the State slowed down before finalization of the “Twelfth Five-year” smart grid plan, and the investment in power industry plummeted compared with the same period last year. The production capacity expansion of the industry of the Company and the increasingly salient contradiction between supply and demand brought about the tough price competition. Meanwhile, upward tendency of the factor cost, including the raw material and energy, also influenced the production and operation of the Company. The above factors leaded up to the income from principal operations of the Company declined compared with the same period last year, together with the increasing pressure from production cost, and thus, profit from principal operations suffered severe squeeze.

Despite complicated situation and various challenges, the whole Company acted aggressively, closely monitored and analyzed global market to adjust its marketing strategies, strengthened the research and development for higher product grades. The Company also enhanced internal control to improve the product quality, promoted production management to ensure the steady, sustainable and sound growth of production and operation. In 2010, the Company achieved operating income of RMB348,450,000, representing a decrease of 17.77% compared with the same period last year; and net profit of RMB1,030,000, representing a decrease of RMB6,230,000 compared with the same period last year.

The production and operation of 2010 witnessed the following characteristics:

1. **Promote management on production and organization to ensure the lead time of products**

   During the reporting period, the Company timely acquired production development to reasonably allocate production factors and enhance production order, meticulously organized production, implemented the tracking system on key contracts, and coordinated utilization of equipment and production. The above measures ensured all production tasks are completed successfully under such situations as the tight lead time, lack of fund and difficulty to collect raw materials.

2. Underpin capital operation and adjust assets structure

As impacted by economic restructuring of the industry and the price fluctuation of raw materials in recent years, the profitability of the Company plummeted. During the reporting period, upon approval of the Annual General Meeting, the Company made a decision to transfer 25.6% equity interest in New Northeast Electric (Shenyang) High-voltage Switchgear Limited held by Northeast Electric (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, and the change of industrial and commercial registration procedures was completed on 17 February 2011. The Company reduced investment risk, optimized assets structure and improved asset quality by disposing of assets with lower return.

3. Strengthen technical innovation to further sharpen the Company's core competitive edge

During the reporting period, the Company intensified scientific research and development of new products, perfected product mix and optimized product design to diversify products, consolidate its comprehensive technology strength and ensure all-round, sustained and sound development. Of them: new products (1000kVar capacitors, series capacitors, fuseless capacitors, DC capacitor and so on) were smoothly under research, the gap of the same kind of products in the Company would be filled after completion; as for design and optimization of the product mix of transformers, trial production and commissioning of electric features had been completed, which reduced costs, lessened the size and further sharpened the competitive edges of products.

During the reporting period, the Company paid more attention to technical reform. The redesign and optimization as well as renovation of the production routing and process of transformers has made the routing more reasonable, therefore enhancing productive efficiency and further promoting productive capacity of transformers.

6.2 Operational results in principal operations

6.2.1 Principal operations by business and product segment

Unit: RMB0'000

By Business or Product	Operating income	Operating costs	Gross profit ratio (%)	Increase/ decrease in operating income as compared with the last year (%)	Increase/ decrease in operating costs as compared with the last year (%)	Increase/ decrease in gross profit ratio as compared with the last year(%)
Principal operations by business						
Electrical transmission and allocation and control facilities manufacturing	34,828.67	27,433.32	21.23	-17.59	-8.55	Decrease 7.79
Principal operations by products						
Power capacitor	16,580.15	11,511.34	30.57	-29.37	-18.63	Decrease 9.16
Enclosed busbars	5,646.78	4,004.22	29.09	-19.92	-18.88	Decrease 0.90
High-voltage isolator switchgears	12,601.74	11,917.76	5.43	7.37	9.20	Decrease 1.59
Total	34,828.67	27,433.32	21.23	-17.59	-8.55	Decrease 7.79

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 (%)
Northeast China	6,294.49	28.23
North China (including Shandong)	15,066.39	-36.05
Central China	730.97	-72.11
East China	1,707.43	-77.50
South China	3,620.95	87.82
Southwest China	2,576.30	129.54
Northwest China	4,832.14	807.13
Total	34,828.67	-17.59

6.2.3 Major suppliers and customers

Total amount of purchase from the Company's top five suppliers	RMB169,875,000	Percentage to the Company's total amount of purchase	61.96%
Total amount of sales to the top five customers	RMB213,556,000	Percentage to the Company's total amount of sales	61.32%

6.2.4 Operations and results of major controlling company and investee company

Unit: RMB0'000

Name	Principal operations	Registered capital	Percentage of share %	Total assets	Net assets	Income from principal operations	Net profit
Fuxin Enclosed Busbars Co., Ltd	Enclosed busbars	US$8,500,000	100	24,106	7,850	5,647	98
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd	Power capacitors	US$15,450,000	100	28,767	14,240	16,580	989
Jinzhou Jinrong Electric Co., Ltd	High-voltage capacitor	300	69.75	578	337	-	-68
Shenyang Gaodongjia Desiccation Equipment Co., Ltd	Desiccation equipment	US$778,500	70	289	260	-	-150
Northeast Electric (Beijing) Co., Ltd	Sales of machinery equipment	200	100	15,911	-664	12,602	-476
Northeast Electric (Hong Kong) Limited	Investment holding and general trading	US$20,000,000	100	31,853	15,813	-	-776
Great Talent Technology Limited	Investment holding and general trading	US$1	100	8,935	-5	-	-0.6
Shenyang Kaiyi Electric Co., Ltd	High-voltage equipment	100	100	13,304	-25	-	-66
Shenyang Zhaolida Machinery Equipment Co., Ltd	Machinery equipment	10	100	-	-	-	-0.9
New Northeast Electric Group Ultra High-Voltage Equipment Co., Ltd	Manufacture of switches controlling equipment	US$168,000,000	17.09	342,815	114,920	64,541	-3,692
New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Co., Limited	Manufacture of isolator switchgears	US$21,500,000	25.6	27,754	17,291	1,136	-557
Great Power Technology Limited	Investment holding and general trading	US$12,626	20.8	20,055	20,049	-	-4

6.2.5 Financial conditions and operations results during the reporting period

Unit: RMB

Items	**2010**	**2009**	**Increase/ decrease (±%)**
1. Total assets	844,337,174.25	836,557,537.85	0.93
2. Shareholders' equity (excluding non-controlling interests)	314,979,605.97	318,542,326.44	-1.12
3. Operating profit	-4,923,564.07	6,839,846.88	-171.98
4. Net Profit	1,029,209.54	7,263,664.63	-85.83
5. Net increase in cash and cash equivalents	11,703,168.30	11,444,003.84	2.26

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 2010 as follows:

During the reporting period, the Company recorded net profit distributable to shareholders of the listed company of RMB1,683,987.53 and the accrued profit distributable to shareholders at the end of the year is RMB-1,527,280,108.35. 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)	Net profit attributable to shareholders of listed company in consolidated financial statements	Ratio of the cash dividends to the net profit attributable to shareholders of listed company in consolidated financial statements (%)	Annual distribution of profit
2009	0	7,670,166.70	0	-1,528,964,095.88
2008	0	-69,112,495.33	0	-1,536,634,262.58
2007	0	-340,874,097.62	0	-1,467,521,767.25
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. Analysis on industry trend

It is expected that investment in electric power industry of the State will reach RMB5,300 billion and new installation will reach approximately 500 million KW during the period of the Twelfth Five-year plan. Of them, investment in power supply will be RMB2,750 billion approximately. In 2015, installed power-generating capacity of the State will reach approximately 1.437 billion KW, representing an average growth of 8.5%; and investment in power grid will reach approximately RMB2,550 billion. The period of the Twelfth Five-year Plan is a critical phase for the development of ultra high-voltage grid of the State. According to the grid plan of the State, more than RMB500 billion will be invested by the State in construction of the backbone ultra high-voltage AC grid of "Three Vertical and Three Horizontal" and eleven ultra high-voltage DC transmission project during the period of the Twelfth Five-year Plan. The investment amount is twice as large as the "Three Gorges Project", of which investment in AC ultra high-voltage approximately accounts for two thirds.

2011 is the first year to implement the "Twelfth Five-year Plan". The State will dynamically promote transformation of the economic development mode, adjust structure and expand domestic demand, accelerate development of low carbon economy to raise the proportion of new energy and carry out the new rural power transformation. The Company will also put efforts in construction in smart power grid, improve capacity for optimizing resource allocation of the large power grid and develop ultra high-voltage grid and distribution network. The industry of the Company has promising market prospects. Meanwhile, increasingly fierce market competition will pose greater challenges to the Company.

2. Operating plan for the new fiscal year

Under the overall operating ideas and requirements of 2011, the Company will promptly address market changes, adjust product mix, strengthen technical innovation, and optimize customer segments to procure stable operations and new growth opportunities.

The main ideas in 2011 are:

Firstly, to collect information for market research and customer analysis to boost sales and improve service quality; Secondly, to intensify scientific research and development of new products; as the roll-out of the national smart grid construction, to proactively develop new products adaptable to market demand; in the meantime, to sharpen the core competitive edge of the Company by continuously increasing investment in technical renovation; Thirdly, to promote the communication, coordination and connection among sales, customers and production in order to enhance responsiveness, product quality and production capacity; Fourthly, to reduce cost and save energy through fine management; to encourage various technical breakthrough and innovation to improve process, save resources and cut costs; Fifthly, to strictly perform internal control systems, reinforce financial supervision and budget management, and tap potentials in order to improve efficiency, secure cash flow, and prevent operating risks; Sixthly, to raise the overall management standards and promote the Company to develop in a harmonious, sustainable and sound manner.

3. Risks that the Company may be faced with and their countermeasures

(1) The risk of the industry policies

The industrial development of the Company is closely connected to macro-policies (such as macro-economic policies, energy policies, and environmental policies) of the State. In particular, changes in industrial policies may make an impact on the production and operation of the Company.

Countermeasure: The Company will further enhance research and prediction on policies for the industry of the Company, power industry and related industries to grasp the development of industrial policies. Based on judgment on the trends of industrial policies, the Company will make forward-looking decisions to strengthen its standing in the industry and stable growth and prevent operating risks posted by industrial policies.

(2) Operating risk

Due to the substantial production cost proportion main raw materials accounted for, the profitability of the Company will be directly impacted in case of the raw material price markup driven by domestic inflation. Moreover, uncertainties are presented on the prices of the Company's products against fierce market competition. Being subject to the combined pressure of the upstream and downstream of the industry, the Company may confront certain risks in product cost control.

Countermeasure: Starting with raw material supply management, the Company will pay close attention to market trends and changes in related economic data to catch firsthand data and stabilize purchase costs; on the other hand, the Company will strengthen technical innovation, research and development of new products to enhance added value of products, improving their profitability.

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

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

At the end of the year, the balance of monetary fund was RMB74,790,000.

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

The funds are mainly satisfied by: firstly, the cash flow from the Company's inflow of operating cash; secondly, the borrowings from financial institutions.

At the end of the year 2010, the Company had bank loans amounting to RMB34,000,000, representing 4.03% of the total assets. These bank loans bear fixed and floating interest rate.

The debt equity ratio of the Company was 10.73% (debt equity ratio= total bank loan/total share capital reserve * 100%).

At the end of the year 2010, the Company had fixed asset and land with net book value of RMB24,203,000 as security.

Please refer to Notes to the Consolidated Financial Statements for contingencies.

7. SIGNIFICANT EVENTS

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

(1) The sixth session of the Board of Directors of Northeast Electric Development Co., Ltd. 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. Du Kai and Mr. Liu Qingmin; and three independent non-executive Directors, namely Mr. Wu Qicheng, Mr. Xiang Yongchun and Mr. Wang Yunxiao. Mr. Su Weiguo was appointed as the Chairman and Mr. Bi Jianzhong was appointed as the General Manager (please refer to the announcement dated 8 March 2010 for details).

(2) The sixth session of the Supervisory Committee of Northeast Electric Development Co., Ltd 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, and one supervisor of employees elected at the previous representative assembly of workers, namely Mr. Liu Xuehou. Mr. Dong Liansheng was appointed as the chairman of the Supervisory Committee (please refer to the announcement dated 8 March 2010 for details).

(3) Mr. Lin Wenbin, Ms. Liang Jie, and Mr. Liu Hongguang resigned as independent non-executive directors, and Mr. Fu Xiuheng and Ms. Dai Guiqing resigned as supervisors of the Company on 8 March 2010 due to expiration of term of office (please refer to the announcement dated 8 March 2010 for details).

(4) Mr. Du Kai, upon the approval of the Board of Directors, resigned as an executive Director and other executive positions due to the change of work on 28 May 2010 with effect from 4 June 2010 (please refer to the announcement dated 4 June 2010 for details).

(5) The Resolution on Appointment of Mr. Wang Yi as an Executive Director has been discussed and approved at the second EGM of 2010 on 22 July 2010. Mr. Wang Yi has been appointed as an executive director of the Company, and his term of office is the same as the Board until 7 March 2013 (please refer to the announcement dated 22 July 2010 for details).

(6) Mr. Wang Yi resigned as an executive director and the concurrent positions as the Director, Chairman and General Manager of New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. due to the change of work on 10 December 2010 with effect from the date of the report on resignation (please refer to the announcement dated 13 December 2010 for details).

7.2 Material litigation and arbitration

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. According to the civil written order (2009) Liao Min Er Chu Zi No.12) of the first instance judgement issued by Liaoning Higher Court, Shenyang High-voltage shall repay such liabilities including the principal of RMB351,750,000 and its interest of Great Wall, and reject Great Wall's claim against the Company. Great Wall filed an appeal to the Supreme People's Court for the first instance judgement made by Liaoning Higher Court.

Please refer to the announcements dated 12 August 2009 and 16 February 2011 for details.

To the best knowledge of the directors, the Company had no any material pending or threatened litigations or 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

During the reporting period, the Company had no new guarantees.

As at the end of the reporting period, the actual bank occupation of external guarantee amount provided by the Company totaled RMB100,070,000, so the real amount that the Company should assume responsibility for guarantee was RMB100,070,000. In addition, the guarantee of the Company for its holding subsidiaries and the guarantees between its subsidiaries totalled RMB17,000,000. The total external guarantee amount represented 31.17% of the audited net assets of the Company for 2010.

(1) External guarantees of the Company

By the end of 2010, the actual occupation of external guarantee amount was RMB100,070,000, including RMB23,020,000 for New Northeast Electric Ultra High-Voltage Equipment Co., Ltd; RMB52,900,000 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 subsidiary New Northeast (Jinzhou) Power Capacitors Co., Ltd.

(3) Guarantee of the Company for the guaranteed company with debt to assets ratio over 70%

As at the end of the reporting period, the guarantee of the Company for Jinzhou Power Capacitors Co., Ltd with debt to assets ratio over 70% was RMB52,900,000, accounting for 16.79% of the audited net assets of the Company for 2010, 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 listed companies or any equities of such financial enterprises as commercial banks, securities companies, insurance companies, trust companies and futures companies. In addition, the Company had not shared in any proposed listed companies.

7.6 Acquisition and disposal of assets during the reporting period

Capital Increase in Fuxin Enclosed Busbars Company Limited

Upon the review and approval of the Board of Directors on 1 July 2010, Shenyang Kaiyi Electronic Co., Ltd, a wholly-owned subsidiary of the Company, contributed a large sum (US$5,700,000) in cash to purchase the whole newly increased capital of Fuxin Enclosed Busbars Company Limited, another wholly-owned subsidiary of the Company. On 10 August 2010, the industrial and commercial change registration was done.

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 Investments 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 be less than RMB5 per share.

During the reporting period, New Northeast Electric Investments 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, and promised not to recover the Company's debt of RMB39,964,097.04 within two years.

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 Annual General Meeting held on 7 May 2010 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 or 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 2010, 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. During the reporting period of 2010, the committee comprised three independent non-executive directors of the Company, namely Mr. Wang Yunxiao, Mr. Wu Qicheng, and Mr. Xiang Yongchun, and Wang Yunxiao as a professional accountant, was appointed as the presiding member.

The Committee convenes no less than two audit committee meetings every 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 2010, a total of four 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 three 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 2010.

At the Company's board meeting held on 21 March 2011, the audit committee of the Board reviewed and approved the 2010 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.

7.13 **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 689. 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, 165 are diploma holders, and 154 are bachelor degree holders or above.

Since the publication of the annual report ended 31 December 2009, 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 2010 Annual General Meeting of shareholders in the conference room, No.2 Xingshun Street, Tiexi District, Shenyang, the PRC, at 9:00 a.m., on 6 May 2011.

7.16 Subsequent events

Transfer of 25.6% equity interest of New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited

Upon the consideration and approval of the third EGM of 2010 held on 31 December 2010, 25.6% equity interest in New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited held by Northeast Electric (Hong Kong) Limited, a wholly-owned subsidiary of the Company, was transferred to Sunyork International Limited (both such company and its ultimate beneficial owner are the independent third parties of the Company and its connected person) at the consideration of RMB52,800,000, and the change of industrial and commercial registration procedures was completed on 17 February 2011.

8. REPORT OF THE SUPERVISORY COMMITTEE

(1) MEETING OF THE SUPERVISORY COMMITTEE

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

1. The 20th meeting of the fifth session of the Supervisory Committee was held on 22 January 2010, to consider and approve the Resolution on Nomination of Candidates for the Members of the Sixth Session of the Supervisory Committee and the Proposal on the Annual Remuneration of the Members of the Sixth Session of the Supervisory Committee.

2. The first meeting of the sixth session of the supervisory committee was held on 8 March 2010 to consider and approve the election of Mr. Dong Liansheng as chairman of the Supervisory Committee.

3. The second meeting of the sixth session of the supervisory committee was held on 22 March 2010 to consider and approve the 2009 Work Report of the Supervisory Committee, 2009 Annual Report, the Proposal of 2009 Net Profit Distribution, and the Report on Self-assessment of Internal Control.

4. The third meeting of the sixth session of the supervisory committee was held on 23 April 2010 to consider and approve the First Quarterly Report of 2010.

5. The fourth meeting of the sixth session of the supervisory committee was held on 17 August 2010 to consider and approve the 2010 Interim Report, 2010 Interim Work Report of the Supervisory Committee, and other resolutions of the Board of Directors.

6. The fifth meeting of the sixth session of the supervisory committee was held on 25 October 2010 to consider and approve the Third Quarterly Report of 2010.

(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 2010 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 in all material aspects, which truly reflects the Company's financial status and operating results in 2010.

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 2010 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 Exchange, 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 Exchange 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
Chairman of the Supervisory Committee
21 March 2011

9 CONSOLIDATED FINANCIAL STATEMENTS

9.1 Audit 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

9.2.1 CONSOLIDATED INCOME STATEMENT

(For the year ended 31 December 2010)

Unit: RMB

	Items	Balance of this period	Balance of last period
I.	Total operating revenues	348,449,492.28	423,742,945.28
	Including: operating revenues	348,449,492.28	423,742,945.28
	Interest income	-	-
	Earned premium	-	-
	Fee and commission income	-	-
II.	Total operating costs	351,940,725.23	415,225,958.46
	Including: operating costs	274,503,428.42	300,957,971.39
	Interest expense	-	-
	Fee and commission expense	-	-
	Loan value	-	-
	Net compensation expenses	-	-
	Net amount of reserve of insurance contracts	-	-
	Policy dividend expense	-	-
	Reinsurance expenses	-	-
	Business tax and surcharges	464,714.15	98,501.08
	Sales expense	23,785,964.90	42,639,130.79
	Administrative expense	43,656,778.50	44,564,264.84
	Financial expense	1,643,555.98	1,516,583.34
	Loss for assets impairment	7,886,283.28	25,449,507.02
	Add: income from change in fair value (loss is represented by "-")	-	-
	Investment income (loss is represented by "-")	-1,432,331.12	-1,677,139.94
	Including: investment income from associates and joint venture companies	-1,432,331.12	-1,677,139.94
	Foreign exchange income (loss is represented by "-")	-	-

9.2.1 CONSOLIDATED INCOME STATEMENT *(Continued)*

(For the year ended 31 December 2010)

Unit: RMB

	Items	Balance of this period	Balance of last period
III.	Operating income (loss) (loss is represented by "-")	-4,923,564.07	6,839,846.88
	Add: non-operating income	10,578,996.29	265,694.97
	Less: none-operating expense	506,692.64	259,474.13
	Including: loss from non-current assets disposal	386,391.33	157,163.81
IV.	Total profit (loss) (loss is represented by "-")	5,148,739.58	6,846,067.72
	Less: income tax expense	4,119,530.04	-417,596.91
V.	Net profit (loss) (net loss is represented by "-")	1,029,209.54	7,263,664.63
	Net profit attributable to holders of the parent company	1,683.987.53	7,670,166.70
	Minority interests	-654,777.99	-406,502.07
VI.	Earnings per share	-	-
	(1) Basic earnings per share	0.002	0.01
	(2) Diluted earnings per share	0.002	0.01
VII.	Other comprehensive income	-5,246,708.00	-264,873.46
VIII.	Total comprehensive income	-4,217,498.46	6,998,791.17
	Total comprehensive income attributable to holders of the parent company	-3.562,720.47	7,405,293.24
	Total comprehensive income attributable to minority shareholders	-654,777.99	-406,502.07

9.2.2 Explanation on changes in accounting policies, account estimates and audit method in comparison with previous annual report

□ Applicable √ Not applicable

9.2.3 Significant accounting errors, adjusted figures, reasons and impacts

□ Applicable √ Not applicable

9.2.4 Explanation on changes of scope of consolidation in comparison with previous annual report

√ Applicable □ Not applicable

Basic situation beyond the scope of consolidated Financial Statements

Industrial and commercial deregistration procedures of Shenyang Zhaolida Machinery Equipment Co., Ltd were completed on 21 January 2010, and thus, profit and loss of Shenyang Zhaolida Machinery Equipment Co., Ltd for January 2010 were consolidated into the financial statements in this period.

9.3 Consolidated financial statements prepared under the 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 2010 Annual Report will be published on such two websites on or about 11 April 2011 and dispatched to shareholders.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	Notes	2010	2009
		RMB'000	*RMB'000*
Turnover	2	348,449	423,743
Cost of sales		(274,522)	(300,958)
Gross profit		73,927	122,785
Other income and gain, net	4	11,511	2,033
Distribution costs		(23,786)	(42,639)
Administrative expenses		(52,883)	(72,091)
Operating profit		8,769	10,088
Finance costs	5	(2,143)	(1,509)
Share of results of associates		(1,432)	(1,676)
Profit before taxation	6	5,194	6,903
Taxation	7	(4,120)	417
Profit for the year		1,074	7,320
Attributable to:			
Equity holders of the Company		1,729	7,727
Non-controlling interests		(655)	(407)
		1,074	7,320
Earnings per share (in RMB:Yuan)	8		
Basic		0.002	0.01
Diluted		Not applicable	Not applicable

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	1,074	7,320
Other comprehensive expense:		
Exchange differences arising from translation of foreign operations	(5,285)	(265)
Total comprehensive (expense)/income for the year	(4,211)	7,055
Attributable to:		
Equity holders of the Company	(3,556)	7,462
Non-controlling interests	(655)	(407)
	(4,211)	7,055

CONSOLIDATED BALANCE SHEET

As at 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	Notes	2010	2009
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		75,456	81,126
Lease prepayments		4,742	4,878
Interests in associates		55,226	87,936
Available-for-sale investment		213,538	215,942
Trade and other receivables	9	3,999	6,831
Deferred tax assets		12,730	11,911
		365,691	408,624
CURRENT ASSETS			
Inventories		97,011	68,983
Trade and other receivables	9	278,463	293,690
Non-current assets held-for-sale		28,382	-
Pledged bank deposits		20,906	23,073
Cash and cash equivalents		53,884	42,181
		478,646	427,927
CURRENT LIABILITIES			
Amounts due to associates		9,670	9,594
Amount due to an investee company		9,252	9,252
Trade and other payables	10	317,355	249,490
Bank borrowings		34,000	25,350
Provision for loss on litigation		9,252	9,252
Obligations under financial guarantee contracts		84,722	115,716
Government grants		468	587
Current tax payable		2,127	3,402
		466,846	422,643

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	Notes	2010	2009
		RMB'000	*RMB'000*
NET CURRENT ASSETS		11,800	5,284
TOTAL ASSETS LESS CURRENT LIABILITIES		377,491	413,908
NON-CURRENT LIABILITIES			
Amount due to an investee company		39,964	92,920
Obligations under financial guarantee contracts		20,750	-
		60,714	92,920
NET ASSETS		316,777	320,988
CAPITAL AND RESERVES			
Share capital	11	873,370	873,370
Reserves		(558,389)	(554,833)
Equity attributable to equity holders of the Company		314,981	318,537
Non-controlling interests		1,796	2,451
TOTAL EQUITY		316,777	320,988

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	Notes	2010	2009
		RMB'000	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation		5,194	6,903
Adjustments for:			
Interest income	4	(568)	(156)
Reversal of allowance for impairment of trade and other receivables	4	(379)	(1,648)
Reversal of loss on financial guarantee obligations	4	(10,244)	-
Depreciation of property, plant and equipment	6	7,182	7,140
Amortisation of lease prepayments	6	136	135
Loss on disposal of property, plant and equipment	6	217	35
Property, plant and equipment written off	6	102	25
Allowance for impairment of trade and other receivables	6	8,247	27,097
Interest expense	5	2,143	1,509
Share of results of associates		1,432	1,676
Operating profit before changes in working capital		13,462	42,716
Increase in inventories		(28,028)	(1,444)
Decrease in trade and other receivables		10,191	11,695
Decrease in non-current assets held-for-sale		-	1,300
Increase/(decrease) in trade and other payables		15,692	(38,353)
(Decrease)/increase in government grants		(119)	587
Increase in amounts due to associates		100	1,500
Increase in amount due to an investee company		-	7,000
Cash generated from operations		11,298	25,001
Income tax paid		(6,214)	(3,873)
Interest paid		(2,143)	(1,509)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,941	19,619

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	2010	2009
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,729)	(5,346)
Proceeds from disposal of property, plant and equipment	104	100
Decrease/(increase) in pledged bank deposits	2,167	(3,361)
Interest received	568	156
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	110	(8,451)
FINANCING ACTIVITIES		
New bank borrowings raised	34,000	40,350
Repayments of bank borrowings	(25,350)	(37,450)
Decrease in amount due to an associate	-	(32,176)
Increase in amount due to an investee company	-	30,093
NET CASH GENERATED FROM FINANCING ACTIVITIES	8,650	817
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,701	11,985
CASH AND CASH EQUIVALENTS AT 1 JANUARY	42,181	30,216
Effect of changes in foreign exchange rate	2	(20)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	53,884	42,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010 (Prepared in accordance with Hong Kong Financial Reporting Standards)

	Attributable to equity holders of the Company									
	Share capital	**Capital reserve**	**Capital contribution**	**Statutory surplus reserve**	**Discretionary surplus reserve**	**Translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	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
Profit for the year	-	-	-	-	-	-	7,727	7,727	(407)	7,320
Other comprehensive expense for the year	-	-	-	-	-	(265)	-	(265)	-	(265)
At 31 December 2009 and 1 January 2010	873,370	511,060	186,419	81,631	32,699	(17,922)	(1,348,720)	318,537	2,451	320,988
Profit for the year	-	-	-	-	-	-	1,729	1,729	(655)	1,074
Other comprehensive expense for the year	-	-	-	-	-	(5,285)	-	(5,285)	-	(5,285)
At 31 December 2010	873,370	511,060	186,419	81,631	32,699	(23,207)	(1,346,991)	314,981	1,796	316,777

1 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs 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 3 (revised), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
- Amendment to HKAS 39, Financial instruments: Recognition and measurement – Eligible hedged items
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, Distributions of non-cash assets to owners
- HK (Int) 5, Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

1 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The amendment to HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's consolidated financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK (IFRIC) 17 have not yet had a material effect on the Group's consolidated financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

1 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
  - In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

1 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group losses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date, the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

1 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  - Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore 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:

	2010	**2009**
	RMB'000	*RMB'000*
Sales of transmission machinery	348,449	423,743

3 SEGMENT 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 AND GAIN, NET

	2010	2009
	RMB'000	*RMB'000*
Other income		
Interest income on bank deposits	568	156
Government grant income	119	113
Sales of wastage	35	60
Reversal of allowance for impairment of trade and other receivables	379	1,648
Reversal of loss on financial guarantee obligations	10,244	-
Others	110	56
	11,455	2,033
Gain, net		
Exchange gain	56	-
	11,511	2,033

5 FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	2,143	1,509

6 PROFIT BEFORE TAXATION

	2010	**2009**
	RMB'000	*RMB'000*
Profit before taxation is arrived at after charging/(crediting):		
Staff costs:		
Directors' emoluments	905	876
Other staff costs		
Salaries, wages and other benefits	17,388	17,265
Contributions to retirement benefit schemes	4,015	4,010
	22,308	22,151
Depreciation	7,182	7,140
Amortisation of lease prepayments	136	135
Loss on disposal of property, plant and equipment	217	35
Property, plant and equipment written off	102	25
Research and development costs	1,090	405
Auditors' remuneration	1,300	1,300
Allowance for impairment of trade and other receivables (included in administrative expenses)	8,247	27,097
Operating leases - office premises	2,916	3,287
Cost of inventories sold	274,352	300,958
Share of associates' taxation charge/(credit)	304	(487)

7 TAXATION

The provision for the PRC income tax is calculated at 25% (2009: 25%) of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC. One (2009: Two) subsidiary located in the PRC is 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 subsidiary in the PRC commenced in 2006.

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 (2009: Nil).

	2010	**2009**
	RMB'000	*RMB'000*
The tax charge/(credit) comprises:		
Provision for PRC income tax for the year	4,939	6,374
Deferred tax	(819)	(6,791)
	4,120	(417)

7 TAXATION *(Continued)*

Reconciliation between tax expense/(credit) and accounting profit at applicable tax rate:

	2010	**2009**
	RMB'000	*RMB'000*
Profit before taxation	5,194	6,903
Tax at the statutory income tax rate of 25% (2009: 25%)	1,298	1,725
Tax effect of non-taxable income	(2,612)	(2)
Tax effect of non-deductible expenses	2,911	2,272
Tax effect of tax losses not recognised	2,602	1,914
Under-provision of income tax in previous years	259	-
Income tax on concessionary rate	(338)	(6,326)
Tax charge/(credit)	4,120	(417)

8 EARNINGS PER SHAR

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,729,000 (2009: RMB7,727,000) and 873,370,000 (2009: 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 2010 and 31 December 2009.

9 TRADE AND OTHER RECEIVABLES

	2010	**2009**
	RMB'000	*RMB'000*
Trade and bills receivables	251,303	275,639
Less: allowance for impairment	24,660	17,463
	226,643	258,176
Receivable from Bengang Group	76,090	76,090
Other receivables	43,819	41,102
	119,909	117,192
Less: allowance for impairment	104,655	103,984
	15,254	13,208
Purchase deposits to suppliers	25,051	1,454
Prepayments	7,367	11,926
Dividend receivables	8,147	15,757
	40,565	29,137
Prepayments - non-current portion	(3,999)	(6,831)
Net trade and other receivables	278,463	293,690

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.

9 TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2010	**2009**
	RMB'000	*RMB'000*
Within 1 year	194,810	209,182
1 year to 2 years	19,701	36,296
2 years to 3 years	12,261	14,334
Over 3 years	24,531	15,827
	251,303	275,639

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.

9 TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 December 2010, trade and other receivables of RMB141,566,000 (2009: RMB148,596,000) were impaired. The amount of the allowance was RMB129,315,000 as at 31 December 2010 (2009: RMB121,447,000). 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:

	2010	**2009**
	RMB'000	*RMB'000*
Within 1 year	-	3,384
1 year to 2 years	3,479	19,389
2 years to 3 years	24,171	5,283
Over 3 years	101,665	93,391
	129,315	121,447

Movements in the allowance for impairment are as follows:

	2010	**2009**
	RMB'000	*RMB'000*
At 1 January	121,447	95,998
Impairment loss recognised	8,247	27,097
Reversal of impairment	(379)	(1,648)
At 31 December	129,315	121,447

9 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2010	**2009**
	'000	*'000*
Hong Kong dollars	738	2,733
Euro	-	546
Japanese Yen	-	2,638
Swiss Franc	-	692

10 TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade and bills payables	187,578	153,376
Deposits and other payables	129,777	96,114
	317,355	249,490

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

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	169,725	133,938
1 year to 2 years	3,386	14,292
2 years to 3 years	10,103	2,419
Over 3 years	4,364	2,727
	187,578	153,376

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 98% of trade and other payables are denominated in Renminbi.

11 SHARE CAPITAL

	2010	2009
	RMB'000	*RMB'000*
Registered, issued and fully paid-up capital:		
615,420,000 ordinary "Domestic" shares of RMB1 each, of which:		
- Non-listed	6,230	218,256
- Listed "A" shares	609,190	397,164
	615,420	615,420
257,950,000 listed "H" shares of RMB1 each	257,950	257,950
	873,370	873,370

Regarding to the application for release of 212,026,000 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 14 May 2010. After that, 212,026,000 restricted non-tradable shares was transferred to tradable "A" shares on 19 May 2010.

12 BALANCES WITH RELATED PARTIES

(a) 24.06% (2009: 24.28%) of the Company's shares is held by New Northeast Electric Investments Co., Limited, a company incorporated in the PRC, in which 95% (2009: 82.22%) of such company's shares is held by Ms. Tian Li. In the opinion 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 2010 are as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Associates:		
Trade payables	8,123	8,123
Balances due from the Group	9,670	9,594

The balances are unsecured, interest free and repayable on demand.

(c) Key management remuneration of the Group

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors is as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Salaries and other benefits	1,196	1,203
Contributions to retirement benefit schemes	114	87
	1,310	1,290

Total remuneration is included in "staff costs" (see note 6).

13 POST BALANCE SHEET EVENT

On 15 November 2010, the Group entered into a Sales and Purchases Agreement with Sunyork International Limited for the disposal of 25.6% equity interest in New High-Voltage Isolator at a consideration of approximately RMB52,800,000, with a gain of approximately RMB24,000,000. The transaction was completed after the balance sheet date.