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NEE

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)

Interim Report 2012

The board of directors (the "Board") and directors ("Directors") of Northeast Electric Development Co., Ltd (the "Company") hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the half year ended 30 June 2012.

IMPORTANT NOTES

The Company and tne company's Directors, Supervisors and senior management 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.

The audit committee of the Board of Directors of the Company has reviewed and confirmed the Company's Interim Report 2012.

The financial report for the six months ended 30 June 2012 of the Company and its subsidiaries (the "Group") has not been audited.

Mr. Su Weiguo, Chairman of the Company, Mr. Liu Tongyan, Chief financial officer, and Ms. Wang Hongling, Chief accounting officer, hereby state to guarantee the truthfulness and completeness of the financial report for the six months ended 30 June 2012.

Under the calculation of the Hong Kong Financial Reporting Standards, the turnover was RMB57,527,000, decreased by 60.52% compared with RMB145,730,000 of the same period last year; the profit attributable to shareholders after tax and interests of minority shareholders was RMB-18,578,000, with the profit per share amounting to RMB-0.0213.

The Board decide not to pay the interim dividend.

The following financial information is prepared under the HK GAAP and the PRC Accounting Standards and Regulations and is made pursuant to the second paragraph of Rule 13.09 (2) and the Appendix 16 in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.

This report is published in both Chinese and English. If there are any inconsistencies in content, the Chinese version shall prevail.

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

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BASIC INFORMATION OF THE COMPANY

(I)	Legal Chinese name	: 東北電氣發展股份有限公司
	Legal English name	: Northeast Electric Development Company Limited
	Chinese abbreviation	: 東北電氣
	English abbreviation	: NEE
(II)	Place of listing, stock names and codes	
	A Shares	: Shenzhen Stock Exchange Stock Name: *ST Northeast Electric Stock code: 000585
	H Shares	: The Stock Exchange of Hong Kong Limited Stock Name: Northeast Electric Stock code: 0042
(III)	Registered address	: No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning province, P.R.C
	Office address	: No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning province, P.R.C
	Postal Code	: 115009
	Company Website	: www.nee.com.cn
	E-mail	: nee@nee.com.cn
(IV)	Legal representative	: Su Weiguo
(V)	Secretary to the Board	: Su Weiguo (acting)
	Joint company secretaries and authorized representative for receipt of summons and notices in Hong Kong	: Mak Yee Chuen
	Representative for securities affairs	: Zhu Xinguang
	Contact address	: Room 510, No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou, Liaoning province, P.R.C
	Telephone	: 0417-6897566 0417-6897567
	Fax	: 0417-6897565
	E-mail	: nemm585@sina.com
(VI)	PRC newspapers for information disclosure	: Securities Times
	Website publishing the report and announcement	: www.cninfo.com.cn www.hkexnews.hk
	Website of the Company	: www.nee.com.cn
	Place for inspection of the report	: Office of the Board of Directors
(VII)	Date of Company's first registration	: 16 February 1993
	Place of registration	: No. 18, North Er Zhong Road, Tiexi District, Shenyang, Liaoning Province, the PRC
	Date of the Company's latest change of registration	: 9 May 2011
	Registered address	: No. 1, Xintai Road, Bayuquan District, Yingkou, Liaoning province
	Registered number of corporate business licence	: 210100402002708
	Registered taxation number	: 210804243437397

MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS

(I) Major financial data and financial indicators prepared in accordance with the PRC Accounting Standards and regulations

Unit: RMB

	As at 30 June 2012	As at 31 December 2011	Change in the reporting period compared with the end of last year (%)
Total assets	492,607,445.05	557,054,235.74	-11.57%
Owners' equity attributable to shareholders of listed company	243,147,474.44	260,663,611.50	-6.72%
Share capital	873,370,000.00	873,370,000.00	0.00%
Net assets per share attributable to shareholders of listed company (RMB/Share)	0.28	0.30	-6.67%

	From Jan. to Jun. 2012	From Jan. to Jun. 2011	Change in the reporting period compared with the same period of last year (%)
Total operating revenue	57,527,813.22	145,730,069.48	-60.52%
Operating profit	-18,128,967.74	20,533,042.02	-
Total profit	-18,041,365.62	20,538,723.62	-
Net profit attributable to shareholders of listed company	-18,015,241.61	20,036,777.87	-
Net profit attributable to shareholders of listed company after extraordinary items	-18,091,731.71	-6,111,711.74	196.02%
Basic earnings per share (RMB/Share)	-0.0206	0.0229	-
Diluted earnings per share (RMB/Share)	-0.0206	0.0229	-
Return on net assets (%)	-7.15	6.1862	Decreased by 13.3362
Earnings/net assets ratio after extraordinary item (weighted average) (%)	-7.18	-1.94	Decreased by 5.24
Net cash flow from operating activities	-13,702,172.73	-26,602,296.53	48.49%
Net cash flow from operating activities per share (RMB/Share)	-0.0156	-0.0305	48.56%

Extraordinary profit and loss items

Unit: RMB

Net profit influenced by net non-operating income and expenditure	87,602.12
Profit or loss from disposal of subsidiaries ("-" means loss)	
Less: amount influenced by income tax	11,112.02
Total	76,490.10

(II) Prepared under Hong Kong Financial Reporting Standards

Condensed consolidated profit and loss statement

Unit: RMB'000

	For the reporting period from Jan. to Jun. 2012	The same period last year
Turnover	57,527	145,730
Profit before taxation	(18,604)	19,997
Taxation	11	871
Profit after taxation	(18,615)	19,126
Minority interests	(37)	(369)
Profit attributable to shareholders	(18,578)	19,495

Condensed consolidated statement of financial position

Unit: RMB'000

	As at 30 June 2012	As at 31 December 2011
Total assets	496,443	560,888
Total liabilities	243,516	289,845
Shareholders' equity	252,927	271,043

(III) Differences between net profit calculated under Hong Kong Financial Reporting Standards and the PRC Accounting Standards

Unit: RMB

	Net profit
Under the PRC Accounting Standards	(18,015,241.61)
Under the Hong Kong Financial Reporting Standards	(18,578,241.61)

Notes: Differences occurred in the reporting period is attributable to the treatment difference in gains on debt restructuring of RMB10,243,866.77 in the Annual Report 2010 for A shares and H shares when reversal of time value of money of 563,000is taken into account in the current period.

CHANGE IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

I. Changes in share capital of the Company

During the reporting period, there was no change in the share capital.

II. Table of changes in share capital

During the reporting period, there is no changes in share capital

	Prior to changes		Increase/decrease (+,-)					After changes	
	Quantity	Proportion (%)	New shares issued	Bonus	Capitalization of surplus reserves	Others	Subtotal	Quantity	Proportion (%)
I. Shares subject to trading moratorium	5,999,022	0.69%						5,999,022	0.69%
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	5,999,022	0.69%						5,999,022	0.69%
Including: domestic legal-person shares	5,999,022	0.69%						5,999,022	0.69%
Domestic natural person shares									
4. Overseas shares									
Including: Overseas legal-person shares									
Overseas natural Person shares									
5. Executives' shares									
II. Shares not subject to trading moratorium	867,370,978	99.31%						867,370,978	99.31%
1. Common shares in RMB	609,420,978	69.78%						609,420,978	69.78%
2. Domestic shares listed in PRC									
3. Foreign shares listed overseas	257,950,000	29.54%						257,950,000	29.54%
4. Others									
III. Total shares	873,370,000	100%						873,370,000	100%

III. Introduction to shareholdings of shareholders

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

Unit: Share

Total number of shareholders	Total number of shareholders as at the end of 30 June 2012 was 88,304, of which, 88,225 hold A shares and 79 hold H shares.

Shareholdings of top ten shareholders

Name of shareholders	**Nature of shareholder**	**Percentage**	**Number of shares**	**Number of untradeable shares**	**Number of shares pledged or frozen**
HKSCC Nominees Limited	Foreign natural person	28.34%	247,553,998	0	Unknown
New Northeast Electric Investments Co., Ltd.	Domestic ordinary legal person	24.06%	210,113,872	19,022	110,000,000
Xiao Feng	Domestic natural person	0.51%	4,455,900	0	0
Shenzhen Zhongda Software Development Co., Ltd	Domestic ordinary legal person	0.41%	3,550,000	3,550,000	0
Hu Li	Domestic natural person	0.25%	2,157,960	0	0
Wang Qiusheng	Domestic natural person	0.23%	2,006,600	0	0
Xu Yipin	Domestic natural person	0.19%	1,647,295	0	0
Wang Dawei	Domestic natural person	0.19%	1,620,170	0	0
shanxi Qinjian Science and Technology Investment Co., Ltd	Domestic ordinary legal person	0.16%	1,420,000	1,420,000	0
An Shaojin	Domestic natural person	0.13%	1,134,100	0	0

Shareholdings of top ten holders of tradable shares

Name of shareholders	Number of tradable shares	Type of shares
HKSCC Nominees Limited	247,553,998	H shares
New Northeast Electric Investments Co., Ltd.	210,094,850	A shares
Xiao Feng	4,455,900	A shares
Hu Li	2,157,960	A shares
Wang Qiusheng	2,006,600	A shares
Xu Yipin	1,647,295	A shares
Wang Dawei	1,620,170	A shares
An Shaojin	1,134,100	A shares
Chen Hua	1,040,000	A shares
Zhang Yuebao	1,034,635	A shares
Connected relations and concerted actions between the above shareholders:	There is no relationship between New Northeast Electric Investments Co., Ltd. and any other shareholders, and the Company is not aware of any relationship among other shareholders or parties acting in concert within the meaning of the Regulation on disclosure of Information on Changes in Shareholdings of Listed Companies.	

Notes:

1. *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 60,000,000 A shares and 20,000,000 A shares not subject to trading moratorium have been frozen since 20 December 2010;*
2. *On 18 July 2011, New Northeast Electric Investments Co., Ltd. carried out renewal of registration of the pledge of stocks with Bank of Communications Liaoning Branch so 30,000,000 A shares not subject to trading moratorium have been frozen since 18 July 2011.*

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Shareholdings of directors, supervisors and senior management

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

II. Appointment or dismissal of directors, supervisors and senior management during the reporting period

During the reporting period, there was no directors, supervisor and senior management appointed or removed in the Company.

III. Interest of directors, supervisors and senior management

As at 30 June 2012, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and analysis on the Company's operating performance in the reporting period

During the reporting period, the macro-economic situation was more complicated and the potential operating risk increased. Facing the ever-changing external environment and increasingly fierce market competition, the Company strengthened the research and development efforts and proactively taped its markets by controlling cost, reducing consumptions and internal development. At the same time, the Company made its effort to overcome such challenges as production cost, finance environment and external market, in order to realize the strategic object of "Ensure the stable operation and seek development opportunities" set up by the Board.

During the reporting period, the operating income of the Company amounted to RMB57,530,000 with a decrease of 60.5% compared with the same period last year, and the net profit was RMB-18,040,000 with a decrease of RMB37,710,000 compared with the same period last year. Whereas the operating income plunged compared with the same period last year, mainly attributable to the order decrease and delivery goods delayed as result of customers, as well as changes in the external marketing environment of the wholly-owned subsidiary, Northeast Electric (Beijing) Limited; the net profit plummeted compared with the same period last year, mainly attributable to the operating income slumped and the profit source in the last period was mainly attributable to the gain from disposal of equity investment, while there was no such gain in the reporting period.

Under the calculation of the Hong Kong Financial Reporting Standards, the turnover was RMB57,527,000, decreasing by 60.52% from RMB145,730,000 compared with the same period last year; the profit attributable to shareholders after tax and minority interests was RMB-18,578,000, with the profit per share amounting to RMB-0.0213.

As there was no interim dividend paid during the reporting period, the directors does not resolve to pay the interim dividend for the period of six months ended 30 June 2012.

(I) The risk factors analysis on the adverse effect from achieving the Company's strategic development and operation objects in the future

1. Risks from macro policies

   The macro-economic environment is tough and economic growth is declining, and so the uncertain factors of market expectation are increasing. The industry of the Company is closely connected with the industry policies and macro-economic policies in the nation. If there are major adjustments in macro-economic policies, the whole market scale of the principal operations of the Company will be affected adversely, and the operation results will also face a great risk.

2. Risks from intensifying market competition

   The market competition of the industry is intensifying, and the market competition develops with a branded and personalized service trend.

3. Risks from cost and expense change

   With the market price change, the increased labor force cost rigidity and the squeezed margin profit, there are uncertainties in the profit projection of the Company.

4. Risks from the loss of core technical personnel

   When the industry technology continues to upgrade and the market competition is increasingly fierce, the competition of related technology talent is also becoming drastic. If the Company is unable to effectively maintain and constantly improve the incentive mechanism in core technical personnel, which will not only affect their role in enthusiasm and creativity, but also affect the construction of reserve force of the core technical team and cause the brain drain. Thus, it will adversely affect the production and operation of the Company.

(II) Outlook of the second half year and solutions to be adopted

The year 2012 is a milestone for maintaining its listing position in the capital market. The Company will carefully analyse the difficulties and uncertainties in operation, and stick to the operation development concept against various difficulties. Also, the Company will fully focus on the changes in macro-economic policies and take active measures to the uncertainties arising from the external economic environment with the aim to improve the abilities in market competition.

In order to gain the operation objective of turning loss into profit, the Company will focus on taking the following measures to operate smoothly:

(1) To closely keep an eye on market conditions and proactively expand the product sale market to augment the market shares to some extent; meanwhile, to complete the product sale basic management to decrease the product sale cost;

(2) To enhance the research and development in technology, optimize product processing technique and cut the cost in product design and manufacture to improve the product competitiveness;

(3) To further improve the mechanism of talents training, consummate the incentive measures, stabilize and strengthen the core technical team.

(4) To continue boosting internal control system construction, strengthen the internal control management of production and operation, carry out an internal audit, revise and perfect every internal control management system to enhance the abilities of keeping away from the comprehensive risks

(5) To strengthen the expense management and cost control, decrease the operation costs, expand the operation fields in subcontracting, technology consultation and service, products maintenance so as to increase income and gain;

(6) To enhance the capital management to improve its usage effectiveness. To put more efforts in receiving the accounts receivable and debts and accelerate capital turnover to improve the operation environment; to reasonably organize the production, shorten its production cycle and reduce the capital occupancy to create a good condition for recovering accounts receivable efficiently.

(III) The Board of Directors has no plan to modify the operating plans in the second half of 2012

II. Operation of the Company during the reporting period

The Company and its subsidiaries are the major bases of manufacturing, researching, and export of electrical transmission and transformation equipment in China and the major supplier of electrical transmission and transformation equipment in China. The Company's principal business is the manufacture and sale of system protection and transmission equipment including power capacitor and closed busbar.

(I) Analysis of the Company's financial status under the Hong Kong Financial Reporting Standards

As at the end of the reporting period, the balance of monetary fund was RMB27,390,000 (the same below).

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

The funds are mainly satisfied by 1) the cash flow from the Company's operation and capital operation and 2) the borrowings from financial institutions.

As at the end of the reporting period, the Company had bank loans amounting to RMB8,000,000, representing 1.61% of the total assets. These bank loans bear fixed interests.

The debt equity ratio of the Company was 3.17% (debt equity ratio= total bank loan/total share capital reserve * 100%).

As at the end of the reporting period, the Company had net assets of RMB30,710,000 used as security.

The contingencies of the Company were detailed in Notes to the Financial Statement.

To improve its financial management, the Group has established a strict system for internal control on cash and fund management. Financial liquidity and debt paying ability of the Group are in good state.

Significant investment, acquisition or asset disposal during the reporting period are detailed in "Investment of the Company" of this section.

The classification of the Group's results was detailed in "Operation of the Company during the reporting period" of this section.

The prediction about Investment plan in the second half of 2012 of the Group was detailed in "Subsequent Events".

The effects of exchange rate risk on the Group were less as it chose RMB as its functional currency in assets and liabilities. The Group took the following measures to reduce the risk of currency fluctuation. First, it raised the prices of export products. Second, when signing export contracts involving more money, it agreed with its partners in advance to jointly bear the exchange risks that were beyond their established limit of currency fluctuation. Third, it made full efforts to sign long-term contracts on settlement of exchange with financial institutions so as to focus the exchange rate and avoid the risk.

(II) Analysis of financial conditions and operations results under the PRC Accounting Standards and Regulations

I. During the reporting period, the Company recorded operating income of RMB57,530,000, operating cost of RMB54,740,000, gross profit ratio of 4.86% and operating profit of RMB-18,129,000.

Constitution of operating income and profit of the Company by business, product and geographical segment:

Operating income by business and product segment

Unit: RMB 0'000

By Business or Product	Operating income	Operating cost	Gross profit ratio (%)	Increase / decrease in operating income as compared with last year (%)	Increase / decrease in operating costs as compared with last year (%)	Increase / decrease in gross profit ratio as compared with last year (%)
1. By business						
Electric transmission and transformation	5,753	5,474	4.86	-60.49	-46.83	-24.44
Of which: connected transactions						
2. By product						
Power capacitor	2,116	2,174	-2.74	-78.20	-65.51	-37.81
Enclosed busbar	1,047	806	23.02	-56.97	-49.18	-11.79
High voltage switch circuit breaker	2,590	2,494	3.71	6.76	3.57	2.97
Others	0	0	0	0	0	0
Of which: connected transactions						

Operating income by geographical segment

Unit: RMB 0'000

Region	Operating income	Increase/decrease in operating income as compared with last year (%)
Northeast	943.00	-21.42
North China	3,389.00	25.89
Central China	190.00	40.74
East China	274.00	-97.08
South China	205.00	26.54
Southwest	304.00	-56.51
Northwest	159.00	40.71
Others	289.00	59.67
Total	5,753.00	60.52

2. Explanation of reasons for the major changes in principal business and its structure (Not applicable)

3. Explanation of reasons for the major change in earning capacity of principal business (gross profit ratio) compared with that of the same period of last year

   Sales proportion of products with higher profit margin dropped and caused the decline in the general principal operation capability.

4. Analysis of reasons for the major change in profit structure compared with that of the same period last year:

   Firstly, sales income in this period decreased and gross profit margin decreased; secondly, the profit in this period was income from sales of 25.6% equity interest in New Northeast Electric (Shenyang) High-Voltage Isolators Switchgears Limited, and there was no such income in previous period.

5. Caution and explanation of the possibility of losses or major changes compared with the same period last year in predicted accumulated net profit from the beginning of the year to the end of the next reporting period (Not applicable)

(III) Operation of investee companies (applicable to situations that the investment income accounts for over 10% of the Company's net profit) (not applicable)

(IV) Table of financial conditions and operations results

Unit: RMB

Item	Amount at the end of the reporting period	Amount at the beginning of the reporting period	Increase/decrease (%)
Bills receivable	300,000.00	100,000.00	200.00
Advance from customers	12,416,540.26	36,939,448.50	-66.39
Taxes payable	-5,077,623.48	(868,881.41)	484.39
Prepayments	10,473,249,37	15,295,379.26	-31.53

Notes:

1. *The increase in bills receivable was due to the increase in the payment from the customer of subsidiaries;*
2. *The decrease in advance from customers was due to the decrease in prepayments of the customer;*
3. *The decrease in taxes payable is attributable to corporate income tax and VAT prepaid by subsidiaries;*
4. *The decrease in prepayments is due to receipt of goods.*

Unit: RMB

Item	Amount of this period	Amount of the same period last year	Increase/decrease (%)
Operating income	57,527,813.22	145,730,069.48	-60.52
Operating costs	54,737,923.42	103,033,400.84	-46.87
Business tax and surcharges	234,574.69	1,715,693.64	-86.33
Sales expenses	5,578,284.44	18,920,401.10	-70.52
Financial expenses	281,906.53	796,223.73	-64.59
Losses on assets depreciation		3,855,618.28	-100.00
Incomes from investment	-13,142.79	24,412,034.90	-100.00
Non-operating incomes	109,357.66	20,035.91	445.81
Non-operating expenses	21,755.54	14,354.31	51.56

Notes:

1. *The decrease in operating income was due to the decrease in sales of main products of the Company in this period;*
2. *Operating costs, business tax and surcharges as well as sales expenses were the same as above.*
3. *The decrease in financial expenses was due to the decrease in bank loans;*
4. *The decrease in losses on assets depreciation was mainly due to no bad debts in the reporting period;*
5. *The investment income increased, mainly because it was recorded as equity investment income in the previous year while there was no such gains in the reporting period.*
6. *The increase in non-operating incomes and expenses were due to the disposal of fixed assets without useful value.*

III. Investments of the Company

1. The use of raised capital during the reporting period

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.

2. The circumstances and actual progress for non-raised capital investment project

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

SIGNIFICANT EVENTS

I. Personnel Changes

Please refer to "Profiles of directors, supervisors and senior management".

II. Staff of the Company and the remuneration policy

As at 30 June 2012, the number of employees on the payroll of the Company was 603, compared with 666 in 2011. The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. The Company has different rates of remuneration for different employee, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

III. Corporate governance structure

At present, the actual corporate governance structure complies with the related requirements of securities regulatory authorities.

IV. Profit distribution plan and its implementation

During the reporting period, the Company recorded net profit distributable to the parent company of RMB-18,015,241.61, and the accrued profit distributable to shareholders at the end of the period was RMB-1,587,736,388.10. Therefore, the Board resolved not to make any profit distribution and not to transfer any capital reserve into share capital during the reporting period.

As there was no interim dividend paid during the reporting period, the directors does not resolve to pay the interim dividend for the period of six months ended 30 June 2012.

V. Material litigation and arbitration

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

As at the end of the reporting period, there is no recent progress for the litigation disclosed in Annual Report 2011 dated 29 March 2012.

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

VI. Acquisition and disposal of assets

During the reporting period, there is no acquisition or disposal of assets in the Company.

Disposal of 10.2% equity interest in Shenyang Zhaoli High-Voltage Electric Equipment Co., Ltd. ("Zhaoli Electric")

The disposal of 10.2% equity interest in Shenyang Zhaoli High-Voltage Electric Equipment Co., Ltd was considered and passed at the 2011 EGM held on 28 November 2011.

The Company transferred the 10.2% equity interests in Fuxin Enclosed Busbars Company Limited, a wholly-subsidiary to New Northeast Electric Group Sales Company Limited (the company and its ultimate beneficial owner were third parties independent of and not connected with the Company and its connected persons) at a consideration of RMB103,000,000, and changes in industrial and commercial registration were completed on 21 December 2011.

Please refer to the announcements dated 10 October 2011 and 28 November 2011 for details of the aforesaid matters.

As at the end of the reporting period, there is still outstanding payment of RMB50,000,000 for the transfer due from the other party of the transaction, the controlling shareholder of Zhaoli Electric, New Northeast Electric Group Sales Company Limited.

VII. Connected transactions

Pursuant to the Listing Rules of Shenzhen Stock Exchange and the Listing Rules of The Stock Exchange of Hong Kong Limited in relation to the relationship of connected parties, there were no connected transactions nor claims and debts between the Company and the connected parties during the reporting period.

VIII. Use of capital of controlling shareholders and their subsidiaries

Controlling shareholders of the Company and its subsidiaries did not use any capital during the reporting period.

IX. Guarantees for the controlling shareholders and their subsidiaries of the Company

The Company and its subsidiaries did not offer any guarantee for the Company's controlling shareholders and their subsidiaries during the reporting period.

X. Significant contracts and their executions

(I) 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.

(II) Guarantees

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

As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totalled RMB77,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB77,050,000, accounting for 29.41% of the audited net assets of the Company for 2011.

(1) External guarantees of the Company

As at the end of the reporting period, the actual external guarantee of the Company totalled RMB77,050,000; 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

Nil.

(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 20.19% of the audited net assets of the Company for 2011, which was translated into liabilities in total in 2007.

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

XI. Performance of publicly disclosed undertakings by the Company or shareholders representing 5% or more of the shareholdings

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 Investment Co., Ltd has strictly fulfilled the above promises.

XII. External investments

There was no external investment during the reporting period.

XIII. Holding of other listing companies' shares

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

XIV. Independent directors' special representation and independent opinion on the fund occupation by connected parties and foreign guarantee of the Company

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

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

(II) During the reporting period, the Company had no new guarantees.

As at the end of the reporting period, the actual bank loan of external guarantee provided by the Company totalled RMB77,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB77,050,000, accounting for 29.41% of the audited net assets of the Company for 2011.

During the reporting period, the Company cautiously treated and handled the foreign guarantee matters and made complete information disclosure in accordance with relevant provisions of supervision departments, thus making full disclosure and effective control of foreign guarantee. It hasn't made any guarantee for its shareholders, effective controller as well as the parties concerned. From now on, the Company will continue to strictly execute the provisions of the Articles of Association to enhance management on external guarantee and to properly solve the problems of the guarantees provided.

Independent Directors: Mr. Wu Qicheng, Mr. Xiang Yongchun and Mr. Wang Yunxiao

XV. The Supervisory Committee's audit opinion

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

XVI. 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.

XVII. Report of corporate governance

(I) Code of Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code of Corporation Governance Practices within six months as at the end of 30 June 2012, and disclosed result report in accordance with these provisions. The Code of Corporation Governance Practices includes the clauses set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited (the"Listing Rules").

(II) Audit Committee

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

The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the unaudited semi-annual accounts for the period of six months ended 30 June 2012.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the unaudited semi-annual records for the period of six months ended 30 June 2012.

At the meeting held on 22 August 2012, the audit committee review and approve the 2012 semi-annual financial records and results announcement.

(III) Independent non-executive directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and at least an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. During the reporting period, the Company has appointed three independent non-executive directors including one with financial management expertise.

(IV) 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 specifi c 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 insiders (including the Company's directors, supervisors, senior management and controlling shareholders, actual controllers as well as connected parties, as defined in the Listing Rules) stating that purchase and sales of shares of the Company shall comply with relevant regulations and forbidding the insider purchase or sales of shares with inside information: no transactions of the company securities shall be carried out during the price-sensitive time within one month prior to results announcement (the lock-up period is from 22 July to 22 August 2012).

All directors have confirmed that they and the connected person did not carry out transactions of company securities during reporting period and have complied with the guidelines.

(V) Directors' liability insurance

The requirement of "the issuer shall cover appropriate director liability insurance for directors" in Rule A.1.8 of Corporate Governance Code is changed from "the recommended best practice" to "Articles of the Code". The Company is keeping a close eye on markets and assess feasible operation plans.

XVIII. Income tax

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. Please refer to notes to the financial statement "Taxation".

XIX. During the reporting period, the Company, the Board of Directors and the Directors have not been investigated, under administrative penalty, criticized by notice by the China Securities Regulatory Commission and openly reprimanded by the stock exchange. The Company's directors and the management were not subject to any compulsory procedures.

XX. Reception to the activities of field survey, communication and interview during the reporting period

During the reporting period, the Company strictly complied with the Guidelines for Fair Information Disclosure of Listed Companies, and earnestly implemented Investor Reception and Promotion System. The Company and the person responsible for related information disclosure consistently followed the principle of fair information disclosure, without any implementation of discriminatory policies and any disclosure, revealment or divulgence of significant private information to special objects. During the reporting period, there were no institutional investors coming to the Company for field survey or interview.

XXI. Announcement index on major matters in 2012

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

Item	Newspaper Name and Space	Publishing Date	Website and Searching Route
Annual Results Forecast of 2011	Securities Times	18 January 2012	http://www.cninfo.com.cn
Relocation Announcement	Securities Times	28 February 2012	http://www.cninfo.com.cn
Announcement for Litigation Progress	Securities Times	21 March 2012	http://www.cninfo.com.cn
Summary of Annual Report 2011	Securities Times	30 March 2012	http://www.cninfo.com.cn
Firstly Quareterly Results Forecast of 2012	Securities Times	13 April 2012	http://www.cninfo.com.cn
The First Quarterly Report of 2012	Securities Times	25 April 2012	http://www.cninfo.com.cn
Interim Results Forecast of 2012	Securities Times	12 July 2012	http://www.cninfo.com.cn

XXII Subsequent events

Nil.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the office of the Board of Directors of the Company:

1. The interim report as signed by the Chairman;

2. The financial report as signed and sealed by legal representative, person in charge of accounting function and person in charge of accounting department;

3. The originals of all of the documents and announcements of the Company which have been disclosed during the reporting period.

FINANCIAL STATEMENT

Financial report prepared under the PRC Accounting Standards (unaudited)

Consolidated Balance Sheet

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Current Assets:			
Monetary fund	V. 1	44,402,509.86	56,684,837.59
Settlement excess reserve			-
Funds offered in inter-bank markets			-
Tradable financial assets			-
Bills receivable	V. 2	300,000.00	100,000.00
Amounts receivable	V. 3	124,421,377.57	169,640,050.02
Prepayment	V. 4	10,473,249.37	15,295,379.26
Premium receivable			-
Reinsurance receivable			-
Reserve of reinsurance arrangement receivable			-
Interest receivable			-
Dividends receivable	V. 5	7,066,546.27	7,027,538.11
Other receivables	V. 6	65,047,219.65	59,400,764.54
Purchase of buyback financial assets			-
Inventories	V. 7	45,823,662.05	49,658,477.54
Non-current assets due within 1 year			-
Other current assets			-
Total current assets		297,534,564.77	357,807,047.06

Consolidated Balance Sheet *(Continued)*

(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Non-current assets:			
Deposits and advances			-
Available-for-sale financial assets			-
Held-to-maturity investments			-
Long-term accounts receivable			-
Long-term equity investment	V. 8	109,858,276.22	109,303,378.03
Invested real estate			-
Fixed assets	V. 9	66,298,721.30	69,377,374.24
Construction in progress	V. 10	228,933.81	228,933.81
Material of works			-
Liquidation of fixed assets			-
Producing bio-material assets			-
Assets of oil and gas			-
Intangible assets	V. 11	4,538,914.80	4,606,659.57
Expenditures of development			-
Good will			-
Long-term deferred expenses	V. 12	5,073,917.28	6,656,726.16
Deferred income tax assets	V. 13	9,074,116.87	9,074,116.87
Other non-current assets			-
Total non-current assets		195,072,880.28	199,247,188.68
Total assets		492,607,445.05	557,054,235.74

Legal representative: Su Weiguo Chief financial officer: Liu Tongyan Chief accounting officer: Wang Hongling

Consolidated Balance Sheet *(Continued)*

(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Current liabilities:			
Short-term borrowings	V. 16	8,000,000.00	8,000,000.00
Borrowings from central bank			-
Deposits received & by inter-banks			-
Funds received from inter-bank markets			-
Transactional financial liabilities			-
Bills payable			-
Accounts payable	V. 17	57,285,812.34	72,505,815.69
Advance	V. 18	12,416,540.26	36,939,448.50
Buyback financial assets sold			-
Fees payable & commission			-
Employee compensation payable	V. 19	2,051,899.68	2,470,365.80
Taxes payable	V. 20	-5,077,623.48	-868,881.41
Interest payable			-
Dividends payable		40,017.86	40,017.86
Other payables	V. 21	57,723,182.30	60,046,480.12
Reinsurance payable			-
Reserve of reinsurance arrangement			-
Payments of entrusted purchase & selling stocks			-
Payments of entrusted underwriting stocks			-
Non-current liabilities due within 1 year			-
Other current liabilities	V. 22		200,000.00
Total current liabilities		132,439,828.96	179,333,246.56

Consolidated Balance Sheet *(Continued)*

(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance at the end of the period	Balance at the beginning of the year
Non-current liabilities:			
Long-term borrowings			-
Bonds payable			-
Long-term accounts payable			-
Special payables			-
Estimated liabilities	V. 23	115,715,007.25	115,715,007.25
Deferred income tax liabilities		-	-
Other non-current liabilities	V. 24	-	-
Total non-current liabilities		115,715,007.25	115,715,007.25
Total liabilities		248,154,836.21	295,048,253.81
Owners' equity (or shareholders' equity):			
Paid-up capital (or share capital)	V. 25	873,370,000.00	873,370,000.00
Capital reserves	V. 26	883,422,403.92	883,422,403.92
Less: shares in store		-	-
Capital reserves		-	-
Surplus reserve	V. 27	108,587,124.40	108,587,124.40
Normal risk provision			-
Retained profit	V. 28	-1,587,736,388.10	-1,569,721,146.49
Difference of exchange of foreign-currency report		-34,495,665.78	-34,994,770.33
Total interests attributable to parent company's owners		243,147,474.44	260,663,611.50
Minority interests		1,305,134.40	1,342,370.43
Total owners' equity		244,452,608.84	262,005,981.93
Total liabilities and owners' equity		492,607,445.05	557,054,235.74

Consolidated Income Statement
(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items		Notes	Balance of this period	Balance of last period
I.	Total operating revenue		57,527,813.22	145,730,069.48
	Including: Operating income	V. 29	57,527,813.22	145,730,069.48
	Interest income			-
	Earned premium			-
	Charges and commissions			-
II.	Total operating costs		75,643,638.17	149,609,062.36
	Including: Operating costs	V. 29	54,737,923.42	103,033,400.84
	Interest expenses			-
	Commission expenses			-
	Surrender value			-
	Net amount of payouts			-
	Net provision drawn for insurance contract			-
	Policy dividend expenses			-
	Reinsurance expenses			-
	Taxes and surcharges for operations	V. 30	234,574.69	1,715,693.64
	Sales expenses		5,578,284.44	18,920,401.10
	Administrative expenses		14,810,949.09	21,287,724.77
	Financial expenses		281,906.53	796,223.73
	Losses on assets depreciation	V. 31		3,855,618.28
	Plus: Incomes from changes of fair value (“-” refers to loss)			
	Incomes from investment (“-” refers to loss)	V. 32	-13,142.79	24,412,034.90
	Including: investment income from associates and joint venture companies			
	Exchange gains (“-” refers to loss)			

Consolidated Income Statement *(Continued)*
(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
III. Operating profits ("-" refers to loss)		-18,128,967.74	20,533,042.02
Plus: Non-operating incomes	V. 33	109,357.66	20,035.91
Less: Non-operating expenses	V. 34	21,755.54	14,354.31
Including: Losses on disposal of non-current assets			
IV. Total profits ("-" refers to loss)		-18,041,365.62	20,538,723.62
Less: Income tax expense	V. 35	11,112.02	871,168.35
V. Net profits ("-" refers to loss)		-18,052,477.64	19,667,555.27
Net profit attributable to owners of the parent company		-18,015,241.61	20,036,777.87
Minority interests		-37,236.03	(369,222.60)
VI. Earnings per share:			
(1) Basic earnings per share	V. 36		0.0229
(2) Diluted earnings per share	V. 36		0.0229
VII. Other comprehensive income	V. 37	499,104.55	(877,035.22)
VIII. Total comprehensive income		-17,553,373.09	18,790,520.05
Total comprehensive income attributable to owners of the parent company		-17,516,137.06	19,159,742.65
Total comprehensive income attributable to minority shareholders		-37,236.03	(369,222.60)

Consolidated Cash Flow Statement
(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
I. Net cash flow from operating activities:			
Cash from sales of goods, services provided		88,240,630.82	233,591,310.10
Increase by deposits and inter-bank deposits			
Increase of borrowings from central bank			
Increase of funds received in the inter-bank markets			
Cash received from premium under insurance contracts			
Net amount received under re-insurance business			
Net increase of insured funds and investment			
Net increase of disposal of transactional financial assets			
Cash of interest, fees and commission received			
Net increase of funds received in inter-bank market			
Net increase of funds of buyback business			
Taxes refunded received			
Cash received relating to operations	V. 38(1)	6,381,369.02	14,472,907.53
Subtotal of cash inflows from operating activities		94,621,999.84	248,064,217.63
Cash paid to purchase goods, received labor		55,690,858.80	199,635,080.67
Net increase of customer loans			
Net increase of deposits with central bank and inter-bank			
Cash of payout under insurance contracts			
Cash paid over interest, fees and commission			
Cash paid to premium			
Cash paid to employees and for employees		11,848,115.37	11,746,676.21

Consolidated Cash Flow Statement *(Continued)*

(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
Taxes paid		6,978,828.39	26,901,305.68
Cash paid relating to operations	V. 38(2)	33,806,370.01	36,383,451.60
Subtotal of cash outflows from operating activities		108,324,172.57	274,666,514.16
Net cash flow arising from operating activities		-13,702,172.73	-26,602,296.53
II. Net cash flow arising from investment activities:			
Cash received by withdrawn investment			
Cash of return on investment			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		96,985.00	
Net cash received from disposal of subsidiaries and other operating units			
Cash received from other investment-related activities			
Subtotal of cash inflows from investment activities		96,985.00	
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		806,331.95	40,456.43
Cash paid to invest			
Net increase of pledged loans			
Net cash paid to subsidiaries and other operational units			
Cash from other investment-related activities			
Subtotal of cash outflows from investment activities		806,331.95	40,456.43
Net cash flow arising from investment activities		-709,346.95	-40,456.43

Consolidated Cash Flow Statement *(Continued)*

(Unaudited)

Prepared by Northeast Electric Development Co., Ltd.

Unit: RMB

Items	Notes	Balance of this period	Balance of last period
III. Net cash flow arising from financing activities:			
Cash received for new investment			
Including: subsidiaries receive cash from minority shareholders			
Cash received from borrowing			
Cash received by issuing bonds			
Cash received from other financial-related activities			
Subtotal of cash inflows from financing activities			
Cash paid to repay loans			12,000,000.00
Cash paid to dividends, profit or interests		294,308.05	1,337,880.02
Including: subsidiaries' dividends, profits paid to minority shareholder			
Cash paid to other financial-related activities			
Subtotal of cash outflows from financing activities		294,308.05	13,337,880.02
Net cash flow arising from financing activities		-294,308.05	-13,337,880.02
IV. Effect of change of foreign currency rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-14,705,827.73	-39,980,632.98
Plus: balance of cash and cash equivalents at beginning of period		42,095,840.09	74,789,999.34
VI. Plus: balance of cash and cash equivalents at the end of period		27,390,012.36	34,809,366.36

FINANCIAL STATEMENT

Consolidated Financial statements prepared under the Hong Kong Financial Reporting Standards (unaudited)

Condensed consolidated income statement

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	**2011**
		RMB'000	*RMB'000*
	Notes	*(Unaudited)*	*(Unaudited)*
Turnover	II.3	57,527	145,730
Cost of sales		(54,972)	(104,749)
Gross profit		2,555	40,981
Other income		156	26,274
Sales expenses		(5,578)	(18,920)
Administrative expenses		(14,868)	(25,699)
Profit from operations	II.4	(17,735)	22,635
Financial cost		(856)	(906)
Investment income from associates		(13)	(1,732)
Profit before taxation		(18,604)	19,997
Taxation	II.5	(11)	(871)
Profit after taxation		(18,615)	19,126)
Minority interests		(37)	(369)
Net Profit attributable to shareholders		(18,578)	19,495
Earnings per share — basic	II.7	(2.13)cent	2.23cent

Condensed Consolidated Comprehensive Income Statement

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit of current period	(18,615)	19,126
Exchange differences arising on translation of foreign operations other comprehensive loss during the reporting period	499	(877)
Total of comprehensive income	(18,116)	18,249
Of which:		
Profit attributed to shareholders of the parent company	(18,079)	18,618
Minority interests	(37)	(369)

Condensed Consolidated Balance Sheet

As at 30 June 2012

	Notes	At 30 June 2012 *RMB'000* *(Unaudited)*	At 31 December 2011 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment		66,528	69,606
Prepaid lease payments		4,539	4,607
Interests in associates		39,941	39,728
Available-for-sale investments		69,917	69,575
Other prepayments		3,038	3,491
Deferred tax assets		9,074	9,074
		193,037	196,081
Current assets			
Inventories		45,824	49,658
Accounts receivables and other receivables	II.8	209,344	254,629
Non-current assets to be disposed		0	0
Pledged bank deposits		17,012	14,589
Bank balance and cash		27,391	42,096
Current tax refundable		3,835	3,835
		303,406	364,807
Current liabilities			
Amounts due to associates		652	648
Accounts payable to the investees		3,252	3,252
Accounts payables and other payables	II.9	124,371	171,067
Bank borrowings		8,000	8,000
Provision for litigation losses		-	-
Financial guarantee contracts		94,430	94,173

Condensed Consolidated Balance Sheet *(Continued)*

As at 30 June 2012

	Notes	At 30 June 2012 *RMB'000* *(Unaudited)*	At 31 December 2011 *RMB'000* *(Audited)*
Government grants		-	200
Tax payable			
current liabilities		230,705	277,340
Net current assets		72,701	87,467
Total assets less current liabilities		265,738	283,548
Share capital and reserves			
Share capital	II.10	873,370	873,370
Reserves		(621,747)	(603,668)
Equity attributed to equity holders of the parent company		251,623	269,702
Minority interests		1,304	1,341
Total equity		252,927	271,043
Non-current liabilities			
Financial guarantee contracts		12,811	12,505
		12,811	12,505
Net assets		252,927	271,043

Condensed Consolidated Statement of Changes in Equity

	Equity attributed to equity holders of the company										
	Share capital	Capital reserves	Capital contribution	Statutory Reserves	Public welfare reserves	Discretionary Reserves	Exchange reserves	Accumulated losses	Total	Minority Interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	873,370	511,060	186,419	81,631		32,699	(35,083)	(1,390,638)	269,702	1,341	271,043
Exchange gains and losses	-	-	-	-	-	-	499	-		-	499
Net Profit of current period	-	-	-	-	-	-	-	(18,578)	(18,578)	(37)	(18,615)
Total comprehensive income							499	(18,578)	(18,079)	(37)	(18,116)
At 30 June 2012	873,370	511,060	186,419	81,631	-	32,699	(34,584)	(1,409,216)	251,623	1,304	252,927
At 1 January 2011	873,370	511,060	186,419	81,631	-	32,699	(23,207)	(1,346,991)	314,981	1,796	316,777
Exchange gains and losses	-	-	-	-	-	-	(877)	-			(877)
Net Profit of current period	-	-	-	-	-	-	-	19,495	19,495	(369)	19,126
Total comprehensive income							(877)	19,495	18,618	(369)	18,249
Others	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2011	873,370	511,060	186,419	81,631	-	32,699	(24,804)	(1,327,496)	333,599	1,427	335,026

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net cash outflows (inflows) from operating activities	(13,702)	(23,602)
Net cash outflows (inflows) from investing activities	(709)	(40)
Net cash outflows (inflows) from financing activities	(294)	**(13,338)**
Increase (decrease) of cash and cash equivalents	**(14,706)**	**(36,980)**
Cash and cash equivalents at the beginning of the period	**42,096**	**53,884**
Effects of exchange rate changes	-	(1,129)
Cash and cash equivalents at the end of the period		
Bank balance and cash	27,390	42,096

II. Notes to the condensed financial statements

The condensed interim financial statements for the six months ended 30 June 2012 of the Company and its subsidiaries (the "Group") are not audited, but have been reviewed and approved by the audit committee.

(I) Bases of preparation:

Bases of preparation:

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

(II) Principal accounting policies

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

The accounting policies adopted in preparing interim financial information for the six months ended 30 ended 30 June 2012 are consistent with those followed in preparing the financial statements for the year ended 31 December 2011.

During the reporting period, the Group has applied the following standards, amendments and interpretations (new HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) which are or have become effective in the accounting periods beginning on 1 January 2011.

New standards, amendments and interpretations to standards are mandatory for the first time for the financial year beginning 1 January 2011, which were not related to the Group at present and had no material impact on the results and the financial position of the Group.

Disclosure under the HKAS 1 (Revised)	and HKFRS 7, and there were some exemption for its first application.
HKAS 24 (Revised)	Connected person Disclosures
HKAS 32 (Revised)	Classification of allotment
HK (IFRIC) - Int 14	Prepayments of a minimum funding requirement
HK (IFRIC) - Int 19	Offset of Financial Liabilities with Equity Instruments

In addition, the HKICPA issued amendments to the existing standards according to the annual improved items. Such amendments are expected to have no material impact on the results and the financial position of the Group, except for the amendment of HKAS 34 Interim Financial Report.

As for the amendments, new standards and interpretations that have been issued but not yet effective during the accounting period by the end of 30 June 2012, the Directors of the Company anticipate that the application of these new standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

Effective for accounting periods beginning on or after the following date

HKFRS 12 (Revised) Deferred income tax: recovery of related assets	Effective on or after 1 July 2012
HKFRS 9 Financial Instruments	Effective on or after 1 July 2013
HKFRS 10 Consolidated Financial Statements	Effective on or after 1 July 2013
HKFRS 11 Joint Arrangements	Effective on or after 1 July 2013
HKFRS 12 Disclosure on Equity of Other Entities	Effective on or after 1 July 2013
HKFRS 13 Fair Value Calculation	Effective on or after 1 July 2013

(III) Segment information

The Group mainly does business in China through its subsidiaries and associates. According to its internal organization and structure, the Group is mainly engaged in one segment, that is, the production and sale of transmission equipment in China, so it has no segment information presented. Most of the Group's assets and liabilities are in China.

(IV) Operating profits

	The Group For the six months ended 30 June	
	2012 *RMB'000* *(Unaudited)*	**2011** *RMB'000* *(Unaudited)*
Operating profits after deducting the following items:		
Depreciation and amortization	5,467	5,817
Recorded as:		
Interest income on bank deposits	68	110

(V) Taxation

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

The Company had no taxable Profit for the period (2011: Nil). The charge for the period mainly represents provision for income tax rate calculated upon the assessable income the assessable income of certain PRC subsidiaries.

The Company and its subsidiaries had no taxable profit in Hong Kong; therefore there was no provision for the income tax (2011: Nil).

As at 30 June 2012, the Company and the Group had no significant deferred tax (2011: Nil).

(VI) Interim dividend

No dividends were paid during the period. The directors did not recommend the payment of any interim dividend for the six months ended 30 June 2012.

(VII) Earnings per share

The calculation of earnings per share is based on the net Profit attributable to shareholders of RMB -18,578,000 (2011: RMB19,495,000) and the total number of shares in issue amounting to 873,370,000 shares (2011: 873,370,000 shares) at the end of the period.

(VIII) Accounts receivable and other accounts receivable

1. Accounts and bills receivable

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Accounts and bills receivable	151,404	196,423
Less: Impairment loss	(26,683)	(26,683)
Net accounts and bills receivable	124,721	169,740
Amounts due from Bengang Group	76,090	76,090
Other receivables	93,952	88,306
Less: Impairment loss	(104,995)	(104,995)
Other receivables, net	65,047	59,401
Prepayment	15,547	21,952
Less: Prepayment over 1 year	(3,038)	(3,491)
Dividends receivable	7,067	7,027
	19,576	25,488
Accounts receivable and other Accounts receivable, net	209,344	254,629

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

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

	The Group	
	As at 30 June 2012	**As at 31 December 2011**
	RMB'000	*RMB'000*
Within one year	81,630	116,115
1 to 2 years	38,271	46,842
2 to 3 years	4,458	6,960
Over three years	27,045	26,506
	151,404	196,423

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

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

On 30 June 2012, the impairment provision of total account receivable and other accounts receivable is RMB133,171,000 (2011: RMB129,315,000). The individually impaired receivables mainly related to debtors, which are in unexpectedly difficult economic situations. It was assessed by the directors that only few parts of the receivables is expected to be collected. The analysis of the age of these receivables is as follows:

	The Group	
	As at 30 June 2012	**As at 31 December 2011**
	RMB'000	*RMB'000*
Within one year	-	-
1 to 2 years	95	95
2 to 3 years	8,273	8,273
Over three years	124,803	124,803
	133,171	133,171

The changes in the impairment loss are as follows:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
As at 1 January		
Impairment loss recognized		
Accounts unrecoverable repealed	-	
At the end of the period	133,171	133,171

(IX) Accounts payable and other accounts payable

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Accounts and bills payable	57,286	72,506
Other accounts payable	67,085	98,561
Total accounts payable and other accounts payable	124,371	171,067

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

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Within one year	32,523	41,516
1 to 2 years	10,882	17,254
2 to 3 years	2,621	2,251
Over three years	11,250	11,485
Total	57,286	72,506

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

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

98% of accounts payable and other accounts payable of the Group are denominated in RMB.

(X) Share capital

Changes in share capital structure are as below from 1 January 2012 to 30 June 2012:

Unit: Share

		Increase/decrease during the period (+/-)					
Items	**Amount at the beginning of the period**	**Allotment**	**Bonus**	**Capitalization of surplus reserve**	**Others**	**Subtotal**	**Amount at the end of the period**
I. Shares subject to trading moratorium							
1. State-owned legal-person shares	-	-	-	-	-	-	-
2. Other domestic shares	5,999,022	-	-	-	-	-	5,999,022
Including: domestic legal person share	5,999,022	-	-	-	-	-	5,999,022
Total of shares subject to trading moratorium	5,999,022	-	-	-	-	-	5,999,022
II. Shares not subject to trading moratorium					-	-	
1. Common shares in RMB (A shares)	609,420,978	-	-	-	-	-	609,420,978
2. Foreign shares listed overseas (H shares)	257,950,000	-	-	-	-	-	257,950,000
Total shares not subject to trading moratorium	867,370,978	-	-	-	-	-	867,370,978
III. Total shares	873,370,000	-	-	-	-	-	873,370,000

(XI) Post balance sheet events and contingencies

1. Post balance sheet events

   Nil.

2. Contingencies

   (1) Contingent liabilities due to unsettled litigation and arbitration and impact to financial reports

   China Great Wall Asset Management Corp Shenyang Rep. Office (the "Great Wall Asset") sued Shenyang High-voltage Switchgears Limited (hereinafter referred to as 'Shenyang High-Voltage') for infringement of loan contract.

   Shenyang High-Voltage has signed 41 loan contracts during the period 1986 to 2003 with ICBC Liaoning Province Branch Shenyang Shifudalu Sub-branch and other financial institutions, totaling loans of RMB351.75 million. On 15 July 2005, ICBC Liaoning Province Branch signed Transfer of Creditor's Rights with Great Wall Asset, transferring the relative rights. Shenyang High-Voltage started up joint ventures with tangible assets and land use rights in 2003 and 2004 respectively, which were Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd. ("Zhaoli High-voltage"), New Northeast Electric (Shenyang) High-voltage Isolators Switchgears Limited Co Ltd ("NNE Isolators"), Shenyang Suntime Storage and Logistics Co Ltd (the "Suntime Storage") and Shenyang Chengtai Energy Co Ltd.(the "Chengtai Energy"). The Company has acquired shares of NNE (Isolators), Suntime Storage and Chengtai Energy in 2004. Great Wall Asset sued Shenyang High-Voltage to Liaoning Provincial High Court (hereinafter referred to as "Liao High Court") for repayment of RMB351.75 million on 24 February 2009, and again on 18 May 2009 applied to charge the Company for Related Party Transaction and Apparent inappropriate consideration of equity swap, demanding the Company undertake joint liability for Shenyang High-Voltage loans. The Company has received subpoena for court appearance (Ref. (2009) Liao Min Er Chu Zi No.12) from Liao High Court on 21 July 2009. On 15 December 2010, Liaoning Higher Court issued the civil written order ((2009) Liao Min Er Chu Zi No.12) and rejected Great Wall Asset's appeal. If Great Wall Asset objected to this order, they may appeal for retrial by providing facts, evidence and relative ground. On 11 February 2011, Great Wall Asset appealed to the Supreme People's Court of the PRC. On 30 June 2011, the Supreme People's Court of the PRC issued the civil judgment ((2011) Min Er Zhong Zi No.44) and quashed the civil judgment ((2009) Liao Min Er Chu Zi No.12) and remanded the case to Liaoning High People's Court for retrial. During the retrial, Great Wall Asset changed its claim against the Company and such case is under trial.

   The Company is of the opinion that Great Wall Asset's claim against the Company to bear joint liability has no facts and legal basis, nor does it have impacts on the financial position.

(2) Contingent Liability by providing guarantee and impact on financial reports

It was estimated that the contingent liabilities by providing guarantee for other units was RMB84,722,000.

(3) Other contingent liabilities and impact on financial reports:

A. As at 30 June 2012, RMB1,925,000 of undue bank accepted bills has been endorsed by the Company.

B. As at 30 June 2012, the Company has issued Performance Bonds of RMB17,012,000.

(XII) Related transactions

1. Controlling shareholders of the Group:

Name of related party	Place of registration	Principal activities	Relationship	Nature	Shareholding ratio
New Northeast Electric Investment Co., Ltd	Yingkou, the PRC	Equity investment, etc.	shareholder	Limited company	24.06%

2. Associates with transactions:

Great Power Technology Limited	British Virgin Islands	Investment	Associate	Limited company	20.8%

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

Unit: RMB'000

	As at 30 June 2012		As at 31 December 2011	
Name of related party	**Amount**	**Percentage**	**Amount**	**Percentage**
Dividends receivable:				
Great Power Technology Limited	7,066	100%	7,027	100%
Other payables:				
Great Power Technology Limited	652	0.98%	648	0.66%