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 2013

1 IMPORTANT NOTICE

1.1 The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of 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.

This summary has been extracted from the full text of the annual report of the Company. Investors should carefully read the full text of the annual report which is published at Shenzhen Stock Exchange CNINFO (www.cninfo.com.cn) and HKExnews (www.hkexnews.hk).

1.2 Except the following directors, all the other directors of the Company attended the Board meeting in person to consider and approve this annual report.

Name of absent director	Title of absent director	Reason of absence	Name of proxy
Wang Shouguan	Executive Director	Business travel	Su Weiguo
Liu Hongguang	Independent Non-Executive Director	Business travel	Liang Jie

1.3 The audit committee of the board of directors of the Company has reviewed and confirmed the Company's financial report for 2013.

1.4 The Company's annual financial report is prepared under the PRC GAAP and is audited by Ruihua CPAs (special general partner) and it issued a standard unqualified audit report.

1.5 The Company's Chairman, Su Weiguo, Chief Financial Officer, Wang Shouguan and Head of Financial Section, Bai Lihai represent: guaranteeing the truthfulness and integrity of the financial report of the Annual Report.

1.6 The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves, subject to discussion and approval of the 2013 Annual General Meeting held on 17 April 2014.

1.7 The consolidated turnover is RMB 195,970,000, decreasing from 2012 by RMB 21,250,000.

1.8 Profit attributable to equity holders of the Company is RMB 9,890,000.

1.9 Earnings per share attributable to equity holders of the Company is RMB 0.01.

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

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

1.12 The announce is made pursuant to the second paragraph of Rule 13.49 (1), 13.10B and the 45th paragraph of Appendix 16 in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.

2 Corporate Profile

2.1 Basic information

Stock abbreviation	Northeast Electric	
Stock code	000585	0042
Place of listing	Shenzhen Stock Exchange	Hong Kong Stock Exchange

2.2 Contact person and address

	Secretary to the Board of Directors	Representative for securities affairs
Name	Su Weiguo (acting)	Zhu Xinguang
Address	No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province, PRC (Postcode: 115009)	No. 1, Xintai Road, Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province, PRC (Postcode: 115009)
Telephone	0417-6897566	0417-6897567
Fax	0417-6897565	0417-6897565
Email	nee@nee.com.cn	nemm585@sina.com

3 Principal financial data and changes in shareholders

(I) Principal accounting data and financial indicators in the past five years prepared under the PRC GAAP

1. Principal accounting data and financial indicators

Unit: RMB

	2013	2012	Increase/decrease of the year over last year (%)	2011	2010	2009
Operating revenues (RMB)	195,974,125.82	217,220,841.81	-9.78%	248,679,812.93	348,449,492.28	423,742,945.28
Net profit attributable to shareholders of listed company (RMB)	9,886,802.75	11,140,994.81	-11.26%	-32,197,171.37	-8,559,879.24	7,670,166.7
Net profit attributable to shareholders of listed company after extraordinary items (RMB)	3,229,217.03	680,708.05	374.39%	-42,042,803.20	-8,435,362.9	7,670,434.76
Net cash flow arising from operating activities (RMB)	31,448,167.32	-3,353,695.97	-1037.72%	-33,808,267.97	27,303.4	22,238,854.7
Basic earnings per share (RMB/Share)	0.01	0.01	0	-0.04	-0.01	0.01
Diluted earnings per share (RMB/Share)	0.01	0.01	0	-0.04	-0.01	0.01
Earnings/net assets ratio (%)	3.53%	4.1%	-0.58%	-12.35%	2.81%	2.41%
	As at the end of 2013	**As at the end of 2012**	**Increase/decrease at the end of 2013 over the end of 2012 (%)**	**As at the end of 2011**	**As at the end of 2010**	**As at the end of 2009**
Total assets (RMB)	462,731,004.91	498,205,496.54	-7.12%	557,054,235.74	844,337,174.25	836,557,537.85
Net assets attributable to shareholders of listed company (Shareholders' fund attributable to shareholders of listed company) (RMB)	279,693,302.29	271,782,480.71	2.91%	260,663,611.50	304,735,739.2	318,542,326.44

2. Extraordinary items and the related amount

Unit: RMB

Item	Amount of 2013	Amount of 2012	Amount of 2011	Remarks
Profit and loss on disposal of non-current assets (including the part of provision for assets impairment being written off)	191,898.47	76,285.56	320,896.79	Revenues in disposal of fixed assets
Government subsidiaries accounted for as current profit and loss (excluding those closely related to the enterprise's business and enjoyed according to the State's standard quote or quantity)			268,446.97	
Profit and loss from debt restructuring	5,511,900.00	6,993,929.00		Profit on debt restructuring arising from repayment of Shun Loong Trading
Gains/losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operations	237,991.33			Banking interest income
Reversal of account receivable provision by single devaluation test		5,250,022.47		
Other non-operating income and expense other than the above items	61,015.21	-736,876.50	9,385,614.73	
Other profit and loss items falling within the definition of extraordinary profit and loss	687,351.18			Disposal of subsidiary revenues
Effect of income tax	32,570.47	1,123,073.77	129,326.66	
Effect of minority interests (after tax)				
Total	6,657,585.72	10,460,286.76	9,845,631.83	--

3. There is no difference in net profit prepared under PRC GAAP and HKFRS.

(II) Shareholdings of the shareholders

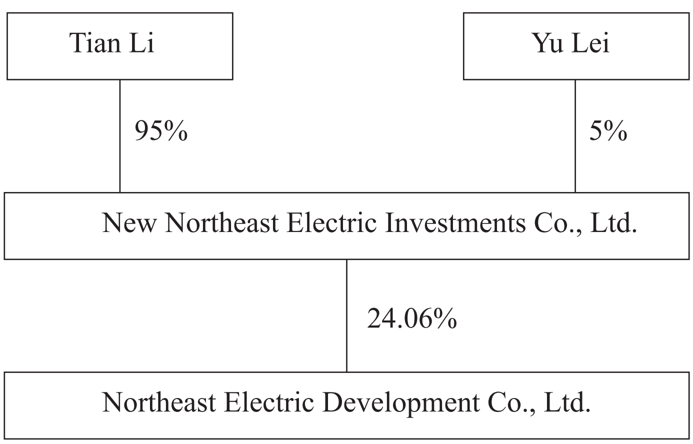
Total number of shareholders at the end of the reporting period was 78,898.

Shareholdings of the top ten shareholders

Unit: Share

Name of shareholders	Nature of shareholder	Shareholding percentage	Number of shares held	Number of untradeable shares	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign natural person	29.25%	255,439,998		0
New Northeast Electric Investments Co., Ltd.	Domestic non-state-owned legal person	24.06%	210,113,872	19,022	170,000,000
Li Yubin	Domestic natural person	0.46%	4,056,197		0
Shenzhen Zhongda Software Development Co., Ltd	Domestic non-state-owned legal person	0.41%	3,550,000		0
Xue Na	Domestic natural person	0.28%	2,468,782		
Hu Li	Domestic natural person	0.25%	2,166,760		0
Qu Yue	Domestic natural person	0.2%	1,786,410		0
Wu Wei	Domestic natural person	0.19%	1,660,690		0
Xu Yipin	Domestic natural person	0.19%	1,647,295		0
Wang Dawei	Domestic natural person	0.19%	1,620,170		0
Connections or parties acting in concert among the aforesaid shareholders	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". As at the Latest Practical Date disclosed in annual report, the Company confirmed that the public float is sufficient based on the public information known to the directors.				

(III) Framework of asset rights and controlling relationship between the Company and the actual controller



4 REPORT OF THE DIRECTORS

(I) MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the macro-economy witnessed a weak recovery. Though the total amount of investment in electricity recorded a modest growth, the demand for electrical equipments was volatile. In face of increasingly vehement production and operation risks and challenges, the board of directors and management proactively addressed challenges, put efforts in production and management, cut costs and expenses, took initiatives in technological renovation projects, and improved government level. Accordingly, the Company has maintained a healthy and sustainable growth momentum. During the reporting period, the Company achieved operating income of RMB 195.97 million, representing a decrease of 9.8%; RMB 9.89 million of net profits attributable to shareholders of the parent company decreased from the same period of last year by RMB 1.25 million, and net profits after extraordinary items attributable to shareholders increased by RMB 2.80 million.

During the reporting period, the Company's main operation conditions are summarized as follows:

(1) Operating income decreased by 9.8% from the same period of last year. The main reason is as follows: the new orders of the slowdown of certain power source construction and electric investment decreased, power capacitors, and delayed delivery of certain contracts due to customers' reasons.

(2) The Company proactively optimized the product mix, improved contract quality, and strengthened control on operating costs and expenses, and thus its gross margin of products rose stably, representing a decrease of 1.3 percentages. It contributed to the year-on-year increase of the Company's operating results again the decrease of operating incomes as compared to the same period of last year.

(3) To continuously development and expand markets, the Company renovated the power capacitors product lines, production equipment and inspection equipment under an overall planning. Following the technological renovation, the Company's entire competitive strength would be improved in terms of power capacitor products, and achieve advanced, supporting and automatic production equipment as well as upgrade of product testing means so as to fully elevate the product competitiveness and foster the Company's continued and stable growth.

(4) The Company put efforts in management and monitoring of accounts payable in the execution of sales contracts, and strengthened the collection ratio of sales, and reinforced the collection and liquidation work of accounts receivable of relatively long ageing, reduced bad debt risks and improved the corporate cash flow.

(5) The Company perfected other receivables management work and thus improved the fund usage efficiency by enhancing finance management.

(6) The Company spurred employees' enthusiasm over competition, continuously tapped its own potentials and effectively mobilized employees' initiatives and creativeness by strengthening human resource management, enhancing performance assessment management and building the incentive and restrictive mechanism.

(7) The Company continued to deepen the system development, tracked relevant law, regulations, rules, policies and industry regulatory standards, and fully combined or revised relevant systems, and perfected corporate system frameworks so as to improve the Company's internal control regulation and governance level, effectively prevent operation risks to keep the all of the Company's decisions and acts on track and guarantee its normal operation and healthy development based on the Company's actual situations.

(8) Proactively promoting debt restructuring and protecting investors' legitimate rights and interests. During the reporting period, the Company entered into the debt restructuring agreement with Liaoning Shun Long Commercial & Trade Co., Ltd. upon approval of the board of directors based on its own request for operation and development strategies. Thus, it exempted the Company's joint liability for guarantee for the litigation of Jindu Hotel for loans and interest of RMB24,000,000.00 from ICBC Shenyang Sub-branch, and swept away the debt's potentially negative impact on the Company, and gained income from debt restructuring to ensure the Company's normal operation order and maintain its and all investors' legitimate rights and interests.

(9) The Company put much stress on investor relations work. Aside from reply to investors' questions via telephone and Shenzhen Stock Exchange's interactive platform (深交所互动易平台), the Company also held special events on the investor reception day, and communicated with investors face to face, and augmented the depth and breadth between investors and the Company.

(II) Operation of the Company during the reporting period

1. Scope of principal operations and its operation

(1) The Company and its subsidiaries are the major bases of manufacturing, research 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 capacitors and enclosed busbars.

(2) Operational results for the year

The Company recorded operating revenue of RMB195,974,125.82, total profit of RMB12,743,200.33 and the net profit of RMB9,660,829.86.

2 Operation and results of major controlling company and investee company

Name	Industry	Major products or services	Registered capital	Percentage of share (%)	Total assets (RMB)	Net assets (RMB)	Operating revenues (RMB)	Operating profit (RMB)	Net profit (RMB)
Northeast Electric (Hong Kong) Limited	Trading	Trading	US$20,000,000	100	241,700,500.28	120,961,783.24	0.00	-1,075,138.30	-1,076,942.30
Great Talent Technology Limited	Investments	Investments	US$1	100	82,550,999.50	-66,287.77	0.00	-6,461.97	-6,461.97
Northeast Electric (Beijing) Limited	Sales	High-voltage switches	RMB2,000,000	100	50,779,540.05	-6,378,377.50	25,315,555.65	2,299,258.85	2,289,178.71
Shenyang Kaiyi Electric Co., Ltd.	Manufacture and sales	Electronic equipment	RMB1,000,000	100	158,737,877.32	-5,414,761.18	0.00	-1,559,045.25	-1,510,013.41
Fuxin Enclosed Busbars Co., Ltd.	Manufacture	Enclosed busbars	US$8,500,000	100	108,970,544.07	63,977,544.07	62,438,159.96	86,699.36	162,572.43
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Manufacture	Power capacitor	US$15,450,000	100	217,844,461.52	152,086,069.63	108,386,479.41	8,647,721.55	4,288,935.11
Jinzhou Jinrong Electric Co., Ltd.	Manufacture	Dry-type capacitor	RMB3,000,000	69.75	2,141,816.38	1,785,303.72	0.00	-747,017.81	-747,017.81
Great Power Technology Limited	Investment and trading	Investment and trading	US$12,626	20.8	187,267,866.04	187,171,057.30	0.00	-40,015.22	-40,015.22
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	Manufacture	Manufacture of switches controlling equipment	US$168,000,000	6.89.	3,737,344,561.68	877,052,956.32	1,761,613,938.14	-26,855,335.01	-27,667,579.12

3. Acquiring and disposing subsidiaries during the reporting period

√ Applicable □ Not applicable

Name	Objective of acquiring and disposing subsidiaries during the reporting period	Method of acquiring and disposing subsidiaries during the reporting period	Effects on overall production and results
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	Disposing the subsidiaries without production	Corporation liquidation	Investment revenues arising from the consolidated statements are RMB687,351.18

(III) Analysis of principal businesses

1. Summary

	2013	2012	Changes	Reason for changes
Operating incomes	195,974,125.82	217,220,841.81	-9.78%	Performed less sales contracts
Operating costs	138,487,244.09	156,257,604.05	-11.37%	Decrease in incomes and control management
Operating expenses	15,781,817.05	17,710,724.42	-10.89%	Management control enhancement and decrease in incomes
Administrative expenses	29,255,459.55	31,231,758.49	-6.33%	Management control enhancement and decrease in incomes
Finance costs	2,799.96	-81,075.26	-103.45%	Decrease in interest incomes

Company's review of the development strategy disclosed before and the progress of the operating plan during the reporting period

Company's undisclosed development strategy and operating plan in prior periods.

Reasons for the difference of less or more than 20% between the actual operating results and the current year's profit forecast disclosed publicly

□ Applicable √ Not applicable

2. Incomes

During the reporting period, the Company achieved operating income of RMB 19,597,000, representing a decrease of 9.8% as compared to the same period of last year. The main reason is as follows: the new orders of the slowdown of certain power source construction and electric investment project, especially factors such as the delayed delivery of certain contracts due to customers' reasons.

Is the revenues from the physical goods of the Company more than the revenue from the provision of labor services?

√ Yes □ No

By industry	Item	2013	2012	Year-on-year increase/decrease (%)
	Sales volume	108,143,445.45	113,964,496.29	-5.11%
	Production volume	66,067,880.75	73,861,490.46	-10.55%
Power capacitor	Stock volume	9,521,488.78	10,583,355.5	-10.03%
	Sales volume	62,427,820.64	56,034,663.79	11.41%
	Production volume	49,098,602.85	36,615,234.35	34.09%
Enclosed busbars	Stock volume	2,985,696.07	1,916,206.85	55.81%
	Sales volume	25,315,555.65	47,073,675.35	-46.22%
	Production volume	23,414,068.39	31,031,604.95	-24.55%
High-voltage switches	Stock volume	0	140,170.94	-100.00%

Major customers

Total sales of the top five customers (RMB)	118,850,386.92
Proportion of total sales of the top five customers over total sales for the year (%)	60.65%

The top five customers

√ Applicable □ Not applicable

No.	Name	Sales (RMB)	Percentage over the annual total amount of sales (%)
1	Yinkou Hong Yue Machinary Processing Co. Ltd.	45,142,932.74	23.04%
2	Yinkou An Tai Equipment and parts Co. Ltd.	30,038,050.95	15.33%
3	Beijing electric power Co.	23,265,983.00	11.87%
4	Busbars Liuheng	12,649,572.65	6.45%
5	Yingkou Chongzheng Electric Equipment Co., Ltd.	7,753,847.58	3.96%
Total	——	118,850,386.92	60.65%

3. Costs

By industry

Unit: RMB

		2013		2012		
By industry	**Item**	**Amount**	**As a percentage of operating costs (%)**	**Amount**	**As a percentage of operating costs (%)**	**Year-on-year increase/ decrease (%)**
Manufacture of transformation equipments		138,420,271.28	100%	156,177,240.41	100%	-11.37%

By product

Unit: RMB

		2013		2012		
By product	**Item**	**Amount**	**As a percentage of operating costs (%)**	**Amount**	**As a percentage of operating costs (%)**	**Year-on-year increase/ decrease (%)**
Enclosed busbars		47,982,020.65	34.66%	37,990,027.35	24.33%	-6.26%
Power capacitor		67,024,182.24	48.42%	77,793,794.25	49.81%	-35.69%
High-voltage switches		23,414,068.39	16.92%	40,393,418.81	25.86%	38.31%

Note

	2013			2012		
By product	**Direct material**	**Direct labor**	**Manufacture expenses**	**Direct material**	**Direct labor**	**Manufacture expenses**
Enclosed busbars	83.85%	5.14%	4.88%	89.79%	4.82%	5.39%
Power capacitor	76.97%	3.42%	19.61%	77.31%	3.72%	18.97%

Major suppliers

Total purchases attributable to the top five suppliers (RMB)	58,187,758.21
Proportion of total purchases attributable to the top five suppliers over total purchases for the year (%)	53.19%

The top five suppliers

√ Applicable □ Not applicable

No.	Name	Purchase (RMB)	Percentage over the annual total purchase (%)
1	New Northeast Group Electric High-Voltage Equipment Co., Ltd. (Shengyang)	21,431,111.12	19.59%
2	Dandong Changxing Electric Appliance Co., Ltd.	12,295,470.09	11.24%
3	Shenyang Jinhua Commerce Co., Ltd.	9,607,968.40	8.78%
4	Shenyang Haqingdong Aluminum Co., Ltd.	9,224,787.20	8.43%
5	Shenyang Taihua Copper Co., Ltd.	5,628,421.40	5.15%
Total	——	58,187,758.21	53.19%

Note: None of directors, associates or any shareholders holding 5% (or above) of the Company hold any interest in suppliers or customers as disclosed above.

4. Expenses

	2013	2012	Changes	Reasons for changes
Operating expenses	15,781,817.05	17,710,724.42	-10.89%	Strict control on costs
Administrative expenses	29,255,459.55	31,231,758.49	-6.33%	Strict control on costs
Financial expenses	2,799.96	-81,075.26	-103.45%	Decrease in interest incomes
Income tax expenses	3,082,370.47	1,859,663.92	65.75%	

5. Cash flows

Unit: RMB

Item	2013	2012	Year-on-year increase/decrease (%)
Subtotal of cash inflows from operating activities	245,028,153.18	259,491,044.97	-5.57%
Subtotal of cash outflows from operating activities	213,579,985.86	262,844,740.94	-18.74%
Net cash flows from operating activities	31,448,167.32	-3,353,695.97	
Subtotal of cash inflows from investment activities	25,658,924.66	35,001,980.00	-26.69%
Subtotal of cash outflows from investment activities	23,168,124.28	3,738,698.30	519.68%
Net cash flows from investment activities	2,490,800.38	31,263,281.70	-92.03%
Subtotal of cash inflows from financing activities	8,000,000.00	8,000,000.00	0%
Subtotal of cash outflows from financing activities	8,609,006.67	8,581,983.54	0.31%
Net cash flows from financing activities	-609,006.67	-581,983.54	4.64%
Net increase in cash and cash equivalents	33,313,242.11	27,327,891.21	21.9%

Reasons for a year-on-year change of more than 30% for the relevant amounts:

√ Applicable □ Not applicable

Item	2013	2012	Year-on-year increase/decrease (%)
Subtotal of cash outflows from investment activities	23,168,124.28	3,738,698.30	Mainly due to increase in taxes paid and cash related to other operating activities
Net cash flows from investment activities	2,490,800.38	31,263,281.70	Mainly due to decrease in differences between the received cash and paid one which is related to operating activities

Explanation on reasons for material differences between the Company's cash flow from operating activities and net profits for the year

√ Applicable □ Not applicable

Mainly due to funds appropriated for operating receivables and payables.

(IV) Analysis of Assets and Liability

1. Significant changes in assets

Unit: RMB

	End of 2013		End of 2012			
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	Increase/ decrease (%)	Explanation for significant change
Monetary assets	107,965,560.91	23.33%	81,295,428.80	16.32%	7.01%	Increase in recovery of monetary fund
Account receivables	121,290,113.35	26.21%	152,791,168.72	30.67%	-4.46%	Increase in recovery of accounts receivable
Inventories	32,079,932.08	6.93%	40,832,173.31	8.2%	-1.27%	Decrease in inventories
Investment properties						
Long-term equity investments	104,228,374.95	22.52%	107,224,888.88	21.52%	1%	Decrease in total assets
Fixed assets	67,580,392.95	14.6%	62,775,673.37	12.6%	2%	Reconstruction of fixed assets of subsidiaries
Construction in progress			228,933.81	0.05%	-0.05%	Transferred to fixed assets

2. Significant change in liabilities

Unit: RMB

	2013		2012			
	Amount	**As a percentage of total assets (%)**	**Amount**	**As a percentage of total assets (%)**	**Increase/ decrease (%)**	**Explanation for significant change**
Advance from customers	9,283,263.47	2.00%	14,395,206.29	2.89%	-0.89%	Due to booked revenue
Taxes payable	5,062,951.40	1.09%	7,588,667.87	1.52%	-0.43%	Due to decrease in VAT payable
Estimated liabilities	60,721,078.25	13.11%	84,721,078.25	17.01%	-3.89%	Due to debt restructuring
Minority interests	540,054.37	0.12%	1,237,469.00	0.25%	-0.13%	Mainly due to liquidation of equities in subsidiaries.

(V) REASONS ON SIGNIFICANT CHANGE IN PROFIT CONSTITUENTS, PRINCIPAL BUSINESS AND ITS STRUCTURE AND PROFITABILITY OF THE PRINCIPAL BUSINESS COMPARED TO THE PREVIOUS REPORTING PERIOD:

There are no material changes in principal business and its structure and profitability of the principal business.

Material changes in profit constituents during this reporting period are attributable to the following reasons:

(1) Total cost of principal operations decreased during this period, thus increasing profits of the Company;

(2) Income from debt restructuring in this period. (See details in the announcements on 4 November 2013).

(VI) INVESTMENTS DURING THE REPORTING PERIOD

1. **During the reporting period, the Company had neither 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 investment of non-raised capital, progress and benefits of the main invested projects: Nil.**

   See Item V(2) for investment and acquisition situations

(VII) PROSPECT OF THE COMPANY'S FUTURE DEVELOPMENT

1. **Industry competitive landscape and development trend**

   The outbreak of the severe haze in recent years drew more and more social concern to environmental protection. "Power alternative" is the general trend for alleviating the issue of the atmosphere environment and haze. The core resolution is to change energy and power development direction and it is crucial to speed up the construction of the ultra-high voltage grid. The acceleration of new energy construction and the intelligent grid brings about favorable opportunities for the Company's industry development. Total grid investments are expected to maintain the stable and low speed in 2014, especially the projection of the accelerated implementation of ultra-high voltage grid project construction. The troughs of power source construction is expected to continue in 2014, and of them, the proportion of thermal power will be gradually lowered in the energy structure as estimated and the focus on investment will be transferred to solar energy, nuclear energy, and nuclear energy construction will be promoted in coastal regions.

   Despite the huge market demands on electric equipment, it is noted that the situations of overcapacity of the industry and the fierce market competition will be unchanged, and the industry profit margin is on the downside, bringing pressures to the Company's operation.

2. **Development strategies of the Company**

   The Company will proactively integrate all effective resources and enhance inputs to promote the growth of principal operations so as to radically improve the Company's asset quality and profitability, and, elevate its sustainable development capability, comprehensive competitiveness and anti-risk capability.

3. **Business plan for the following year**

In 2014, the Company will continue to fully carry out the annual operation strategy featuring stable operation, focusing on the following work:

(1) strengthening the market expansion. The Company is to improve its judgment and utilization ability of market situations, consolidate existing customers, develop new customers, expand product sales, raise its bargaining ability of product sales and ability of addressing price changes, and augment the product profitability.

(2) Continuing to tap potentials, streamlining management and further reducing all costs and expenses.

(3) The Company will maximize the effect of technical renovation by strengthening coordination and onsite management, perfect production progress feedback links, focusing on the quality control procedures in the production progress, and endeavoring to tap production potentials.

(4) The Company will continue to put efforts in human resource development, perfect talent selection mechanism, and strengthen the professionalized team cultivation and growth ladder establishment, and further perfect the incentive and assessment mechanism to foster the corporate sustainable development.

(5) According to the frequent release of regulation standard, the Company will continue to fully streamline the system, complete the corporate system framework, and constantly promote the continued deepening of internal control and management work so as to guarantee the Company's stable operation.

(6) The Company will continue to promote debt restructuring work, liquidate and settle historical outstanding debts to tap the idle assets and recover or reduce economic losses maximally.

(7) The Company will seek and explore to adjust its asset structure and product mix, improve profitability, expand new financing channels, and develop new economic growth drivers so as to meet the Company's requirements for sustainable operation and development.

(VIII) Company's fund demands for future development and usage plan

To guarantee the Company's continued, healthy and steady growth, its fund resource for executing the operation plan of the following year is mainly bank loans, refinancing and its own fund. In 2014, the Company's fund demands mainly involve two aspects: one is fund demands for normal production and operation, and the other is that for technical investment of projects. To achieve the operation and development goals for 2014, the Company will formulate a reasonable fund demand plan based on business growth requirements and production and operation plans. It will strictly control all costs and expenditures, and reasonably arrange the fund usage plan to support the Company's healthy and fast growth by fund procurement under entire planning. On the other hand, it will proactively exploit new financing channels and take various financing methods including bank loans and refinancing to meet fund demands in light of the capital market.

(IX) Main risks and countermeasures

1. Macro-economic risks and industry risks

The development of the Company's industry is closely tied to the national macro policies. Various factors such as national macro policies, aggravated macro-economic risks, energy development strategy, industry structure, market structure adjustment, industry resource integration and changes in market supply and demands may impact the Company's profitability.

Countermeasures: the Company will strengthen the judgment to macro economy, timely grasp national, industry and regional related policies, and proactively implement them against the Company's development to guarantee the science and effectiveness of its strategic development, and production as well as operation.

2. Market competition risks

The Company's industry is an industry of adequate market competitions. With the enhanced production and manufacture layout and marketing development strengths of many multinationals in the foreign power transmission and transformation equipment industry, the future market competition of certain products would be fierce, bidding prices would be reduced and the profit margin will be squeezed.

Countermeasures: the Company will reinforce market development, and proactively develop new customers while provide professional technology support to key customers. Also, it will integrate favorable resources, innovate the marketing mechanism, take key customers for profit breakthrough, and enhance cost control and management to stabilize the market position and improve its anti-risk capabilities.

(X) 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 RMB107,965,560.91.

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 2013, the Company had bank loans amounting to RMB8,000,000, representing 1.73% of the total assets. These bank loans bear floating interest rate.

The debt equity ratio of the Company was 0.92% (debt equity ratio= total bank loan/total share capital reserve * 100%).

At the end of the year 2013, the Company had fixed asset and land with net book value of RMB9,000,000 as security.

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

5 Financial reports prepared under the PRC GAAP

(I) Financial statements

Consolidated Balance Sheet (2013-12-31)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
Current Assets:		
Cash and deposits	107,965,560.91	81,295,428.80
Settlement excess reserve	-	-
Inter-bank lending funds	-	-
Trading financial assets	-	-
Notes Receivable	40,000.00	2,694,000.00
Accounts receivables	121,290,113.35	152,791,168.72
Prepayments	1,448,055.55	7,112,829.64
Premiums Receivable	-	-
Reinsurance Accounts Receivable	-	-
Provision of cession receivable	-	-
Interest receivable	33,066.67	-
Dividends receivable	-	-
Other receivables	10,142,841.62	23,429,153.27
Redemptory monetary capital for sale	-	-
Inventories	32,079,932.08	40,832,173.31
Non-current asset due within 1 year	2,694,021.76	-
Other current assets	-	-
Total current assets	**275,693,591.94**	**308,154,753.74**

Consolidated Balance Sheet (2013-12-31) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
Non-current Assets:		
"Issue entrusted loans and disbursements"	-	-
Financial assets available for sale	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	104,228,374.95	107,224,888.88
Investment real estate	-	-
Fixed assets	67,580,392.95	62,775,673.37
Construction in progress	-	228,933.81
"Engineering material"	-	-
Liquidation of fixed assets	-	-
Productive biological assets	-	-
"Oil and gas assets"	-	-
Intangible Assets	4,335,679.37	4,471,169.49
Development expenditures	-	-
Goodwill	-	-
Long-term deferred expenses	170,229.08	6,029,868.60
"Deferred tax assets"	10,722,736.62	9,320,208.65
Other non-current assets	-	-
Total non-current assets	**187,037,412.97**	**190,050,742.80**
Total Assets	**462,731,004.91**	**498,205,496.54**

Consolidated Balance Sheet (2013-12-31) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
Current Liabilities:		
Short-term borrowings	8,000,000.00	8,000,000.00
Borrowing from the Central Bank	-	-
Deposits from customers and interbank	-	-
Inter-bank borrowing funds	-	-
Trading financial liabilities	-	-
Notes payable	-	-
Accounts payable	50,492,644.44	59,772,901.29
Receipts in advance	9,283,263.47	14,395,206.29
Buyback Financial Assets sold	-	-
Fees payable & commission	-	-
Salaries payable	2,316,818.27	2,191,310.77
Tax payable	5,062,951.40	7,588,667.87
Interest payable	-	-
Dividends payable	40,017.86	40,017.86
Other payables	46,580,874.56	48,476,364.50
Reinsurance account payable	-	-
Reserve of Reinsurance Arrangement	-	-
Acting trading securities	-	-
Acting underwriting securities	-	-
Non-current liabilities due within 1 year	-	-
Other current liabilities	-	-
Total current liabilities	**121,776,570.00**	**140,464,468.58**

Consolidated Balance Sheet (2013-12-31) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
Non-current liabilities:		
Long-term borrowings	-	-
Bonds payable	-	-
Long-term payables	-	-
Special payables	-	-
Estimated liabilities	60,721,078.25	84,721,078.25
Deferred tax liability	-	-
Other non-current liabilities	-	-
Total non-current liabilities	**60,721,078.25**	**84,721,078.25**
Total liabilities	**182,497,648.25**	**225,185,546.83**
Shareholders' Equity:		
Share capital	873,370,000.00	873,370,000.00
Capital reserve	883,422,403.92	883,422,403.92
Less: treasury stock	-	-
Special reserve	-	-
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risk	-	-
Accumulated losses	-1,548,693,348.93	-1,558,580,151.68
Translation reserve	-36,992,877.10	-35,016,895.93
Total equity attributable to the equity holders of the Company	**279,693,302.29**	**271,782,480.71**
Minority interests	540,054.37	1,237,469.00
Total shareholders' equity	**280,233,356.66**	**273,019,949.71**
Total liabilities and shareholders' equity	**462,731,004.91**	**498,205,496.54**

Consolidated Income Statement (2013)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item		Year 2013	Year 2012
I.	**Main operating income**	**195,974,125.82**	**217,220,841.81**
	Including: Sales income	195,974,125.82	217,220,841.81
	Interest income	-	-
	Premium earned	-	-
	Fee and commission income	-	-
II.	**Main operating costs**	**189,662,867.18**	**210,652,271.21**
	Including: Cost of sales	138,487,244.09	156,257,604.05
	Interest expenses	-	-
	Fee and commission expense	-	-
	Surrender value	-	-
	Net payments for insurance claims	-	-
	Net insurance reserve paid	-	-
	Premium expenses	-	-
	Expenses of reinsurance	-	-
	Business tax and surcharges	1,361,456.81	1,779,492.53
	Selling expenses	15,781,817.05	17,710,724.42
	Administrative expenses	29,255,459.55	31,231,758.49
	Finance expenses	2,799.96	-81,075.26
	Assets Impairment loss	4,774,089.72	3,753,766.98
	Add: Income of fair value variance (loss is posed as "-")	-	-
	Return on investments (loss is posed as "-")	679,028.01	-6,151.36
	Including: return on investments to associates and related parties	-8,323.17	-6,151.36
	Exchange gain (loss is posed as "-")	-	-

Consolidated Income Statement (2013) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item		Year 2013	Year 2012
III.	**Operational Profit (Loss is posed as "-")**	**6,990,286.65**	**6,562,419.24**
	Add: Non-operating income	5,756,935.78	7,106,628.54
	Less: Non-operating expenses	4,022.10	773,290.48
	Including: loss of disposal of non-current assets	1,480.42	21,964.40
IV.	**Total Profit Total loss is posed as "-"**	**12,743,200.33**	**12,895,757.30**
	Less: Income tax expenses	3,082,370.47	1,859,663.92
V.	**Net Profit Net loss is posed as "-"**	**9,660,829.86**	**11,036,093.38**
	Net profit attributable to equity holders of the Company	9,886,802.75	11,140,994.81
	Minority interests	-225,972.89	-104,901.43
VI.	**Earnings per share**		
	(A) Basic earnings per share	0.01	0.01
	(B) Diluted earnings per share	0.01	0.01
VII.	**Other Comprehensive Income**	**-1,975,981.17**	**-22,125.60**
VIII.	**Total Comprehensive Income**	**7,684,848.69**	**11,013,967.78**
	Total Comprehensive Income Attributable to the Equity Holders of the Company	7,910,821.58	11,118,869.21
	Total Comprehensive Income of Minority shareholders	-225,972.89	-104,901.43

Consolidated Cash Flow Statement (2013)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	Year 2013	Year 2012
I. Cash flow from operating activities		
Cash received from sales of goods or rendering services	236,379,205.01	239,119,218.76
Net cash increased of customer deposit and trade deposit	-	-
Net cash increased of borrowing funds from central bank	-	-
Net cash increased of borrowing funds from other financial insititutions	-	-
Cash received from original insurance premium	-	-
Net cash received from reinsurance premium	-	-
Net cash increased of deposit of insured and investment	-	-
Net cash increased of trading financial assets disposal	-	-
Interest, commission and fees received in cash	-	-
Net cash increased of borrowing funds	-	-
Net cash increased of buyback business	-	-
Tax refunds received	181,727.09	-
Cash received relating to other operating acitivities	8,467,221.08	20,371,826.21
Sub-total of cash inflows	**245,028,153.18**	**259,491,044.97**
Cash paid to goods purchased and labor service received	122,361,114.15	152,205,254.89
"Net cash increased of customer loans and disbursements"	-	-
Net cash increased of deposit in central bank and other financial insititutions.	-	-
Original insurance indemnity paid in cash	-	-
Interest, commission and fees paid in cash	-	-
Cash paid to policy dividend	-	-
Cash paid to and for employees	27,130,504.33	26,094,431.05

Consolidated Cash Flow Statement (2013) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	Year 2013	Year 2012
Payments of taxes and surcharges	21,191,998.19	10,722,888.78
Cash payments relating to other operating acitivities	42,896,369.19	73,822,166.22
Sub-total of cash outflows	**213,579,985.86**	**262,844,740.94**
Net Cash Flow from operating activities	**31,448,167.32**	**-3,353,695.97**
II. Cash flow from investing activities		
Cash received from return of investments	25,000,000.00	35,000,000.00
Cash received from earnings on investments	204,924.66	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	454,000.00	1,980.00
Net cash received in disposing subsidiaries and other operating units	-	-
Cash received relating to other investing acitivities	-	-
Sub-total of cash inflows	**25,658,924.66**	**35,001,980.00**
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	11,168,095.35	3,738,698.30
Cash paid for investment	12,000,000.00	-
Net cash increased in hypothecated loan	-	-
Net cash paid in disposing subsidiaries and other operating units	-	-
Cash paid relating to other investing acitivities	28.93	-
Sub-total of cash outflows	**23,168,124.28**	**3,738,698.30**
Net Cash Flow from investing activities	**2,490,800.38**	**31,263,281.70**

Consolidated Cash Flow Statement (2013) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	Year 2013	Year 2012
III. Cash flow from financing activities		
Cash received by absorbing investment	-	-
Including: cash received by subsidiaries from minority shareholders	-	-
Cash received from borrowings	8,000,000.00	8,000,000.00
Cash received from bond issued	-	-
Cash received relating to other financing acitivities	-	-
Sub-total of cash inflows	**8,000,000.00**	**8,000,000.00**
Cash paid for repayments of debts	8,000,000.00	8,000,000.00
Cash paid for distribution of dividends, profits and interest	609,006.67	581,983.54
Including: cash paid by subsidiaries to minority shareholders	-	-
Cash paid relating to other financing acitivities	-	-
Sub-total of cash outflows	**8,609,006.67**	**8,581,983.54**
Net Cash Flow from financing activities	**-609,006.67**	**-581,983.54**
IV. Effect of change of foreign currency rates on cash and cash equivalents	-16,718.92	289.02
V. Net increase of cash and equivalents	**33,313,242.11**	**27,327,891.21**
Add: Balance at beginning of period of cash and equivalents	69,423,731.30	42,095,840.09
VI. Balance of Cash and equivalents by end of period	**102,736,973.41**	**69,423,731.30**

-

Consolidated Statement of Changes in Equity (2013)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

	2013									
	Attributable to the equity holders of the Company									
Item	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Special reserves**	**Surplus reserves**	**Provision for general risk**	**Accumulated losses**	**Other**	**Minority Interests**	**Total shareholders' equity**
I. Balance at December 31, 2012	**873,370,000.00**	**883,422,403.92**	**-**	**-**	**108,587,124.40**	**-**	**-1,558,580,151.68**	**-35,016,895.93**	**1,237,469.00**	**273,019,949.71**
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of errors	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
II. Balance at January 1, 2013	**873,370,000.00**	**883,422,403.92**	**-**	**-**	**108,587,124.40**	**-**	**-1,558,580,151.68**	**-35,016,895.93**	**1,237,469.00**	**273,019,949.71**
III. Movements for the year (loss "- ")	-	-	-	-	-	-	**9,886,802.75**	**-1,975,981.17**	**-697,414.63**	**7,213,406.95**
A. Net profit	-	-	-	-	-	-	9,886,802.75	-	-225,972.89	9,660,829.86
B. Other comprehensive income	-	-	-	-	-	-	-	-1,975,981.17	-	-1,975,981.17
Sub-total of I. and II.	-	-	-	-	-	-	9,886,802.75	-1,975,981.17	-225,972.89	7,684,848.69
C. Shareholder's investment and capital decreased	-	-	-	-	-	-	-	-	-471,441.74	-471,441.74
1. Capital invested	-	-	-	-	-	-	-	-	-471,441.74	-471,441.74
2. Dividend paid included in equity	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity (2013) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	2013									
	Attributable to the equity holders of the Company									
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Other	Minority Interests	Total shareholders' equity
3. Other	-	-	-	-	-	-	-	-	-	-
D. Distribution of profit	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Extraction provision for general risk	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-
E. Transfer within equity	-	-	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves	-	-	-	-	-	-	-	-	-	-
2. Transfer-in from surplus reserves	-	-	-	-	-	-	-	-	-	-
3. Loss covered by surplus reserves	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-
F. Speical reserves	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity (2013) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	2013									
	Attributable to the equity holders of the Company									
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Other	Minority Interests	Total shareholders' equity
1. Extraction of the special reserves	-	-	-	-	-	-	-	-	-	-
2. Usage of the special reserves	-	-	-	-	-	-	-	-	-	-
G. Other	-	-	-	-	-	-	-	-	-	-
IV. Balance at December 31, 2013	**873,370,000.00**	**883,422,403.92**	**-**	**-**	**108,587,124.40**	**-**	**-1,548,693,348.93**	**-36,992,877.10**	**540,054.37**	**280,233,356.66**

Consolidated Statement of Changes in Equity (2013) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

	2012									
	Attributable to the equity holders of the Company									
Item	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Special reserves**	**Surplus reserves**	**Provision for general risk**	**Accumulated losses**	**Other**	**Minority Interests**	**Total shareholders' equity**
I. Balance at December 31, 2011	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,569,721,146.49	-34,994,770.33	1,342,370.43	262,005,981.93
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of errors	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
II. Balance at January 1, 2012	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,569,721,146.49	-34,994,770.33	1,342,370.43	262,005,981.93
III. Movements for the year (loss "- ")	-	-	-	-	-	-	11,140,994.81	-22,125.60	-104,901.43	11,013,967.78
A. Net profit	-	-	-	-	-	-	11,140,994.81	-	-104,901.43	11,036,093.38
B. Other comprehensive income	-	-	-	-	-	-	-	-22,125.60	-	-22,125.60
Sub-total of I. and II.	-	-	-	-	-	-	11,140,994.81	-22,125.60	-104,901.43	11,013,967.78
C. Shareholder’s investment and capital decreased	-	-	-	-	-	-	-	-	-	-
1. Capital invested	-	-	-	-	-	-	-	-	-	-
2. Dividend paid included in equity	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity (2013) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

	2012									
	Attributable to the equity holders of the Company									
Item	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Other	Minority Interests	Total shareholders' equity
3. Other	-	-	-	-	-	-	-	-	-	-
D. Distribution of profit	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Extraction provision for general risk	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-
E. Transfer within equity	-	-	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves	-	-	-	-	-	-	-	-	-	-
2. Transfer-in from surplus reserves	-	-	-	-	-	-	-	-	-	-
3. Loss covered by surplus reserves	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-
F. Speical reserves	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity (2013) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	2012									
	Attributable to the equity holders of the Company									
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Other	Minority Interests	Total shareholders' equity
1. Extraction of the special reserves	-	-	-	-	-	-	-	-	-	-
2. Usage of the special reserves	-	-	-	-	-	-	-	-	-	-
G. Other	-	-	-	-	-	-	-	-	-	-
IV. Balance at December 31, 2013	873,370,000.00	883,422,403.92	-	-	108,587,124.40	-	-1,558,580,151.68	-35,016,895.93	1,237,469.00	273,019,949.71

Legal Representative: Su weiguo Chief Financial Officer: Wang shouguan Chief Accounting Officer: Bai lihai

Company Balance Sheet (2013-12-31)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
Current Assets:		
Cash and deposits	19,189.62	30,575.58
Trading financial assets	-	-
Notes Receivable	-	-
Accounts receivables	-	-
Prepayments	-	-
Interest receivable	-	-
Dividends receivable	-	-
Other receivables	354,263,352.53	364,599,007.23
Inventories	-	-
Non-current asset due within 1 year	-	-
Other current assets	-	-
Total current assets	**354,282,542.15**	**364,629,582.81**
Non-current Assets:		
Financial assets available for sale	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	90,413,551.10	91,251,518.10
Investment real estate	-	-
Fixed assets	242,267.37	324,390.45
Construction in progress	-	-
"Engineering material"	-	-
Liquidation of fixed assets	-	-
Productive biological assets	-	-

Company Balance Sheet (2013-12-31) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
"Oil and gas assets"	-	-
Intangible Assets	-	-
Development expenditures	-	-
Goodwill	-	-
Long-term deferred expenses	-	-
"Deferred tax assets"	-	-
Other non-current assets	-	-
Total non-current assets	**90,655,818.47**	**91,575,908.55**
Total Assets	**444,938,360.62**	**456,205,491.36**
Current Liabilities:		
Short-term borrowings	-	-
Trading financial liabilities	-	-
Notes payable	-	-
Accounts payable	-	-
Receipts in advance	665,000.00	665,000.00
Salaries payable	8,671.52	8,524.67
Tax payable	26,387.56	12,817.59
Interest payable	-	-
Dividends payable	-	-
Other payables	87,442,181.86	79,527,463.55
Non-current liabilities due within 1 year	-	-
Other current liabilities	-	-
Total current liabilities	**88,142,240.94**	**80,213,805.81**

Company Balance Sheet (2013-12-31) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items	2013-12-31	2012-12-31
Non-current liabilities:		
Long-term borrowings	-	-
Bonds payable	-	-
Long-term borrowings	-	-
Special payables	-	-
Estimated liabilities	60,721,078.25	84,721,078.25
Deferred tax liability	-	-
Other non-current liabilities	-	-
Total non-current liabilities	**60,721,078.25**	**84,721,078.25**
Total liabilities	**148,863,319.19**	**164,934,884.06**
Shareholders' Equity:		
Share capital	873,370,000.00	873,370,000.00
Capital reserve	979,214,788.45	979,214,788.45
Less: treasury stock	-	-
Special reserve	-	-
Surplus reserves	108,587,124.40	108,587,124.40
Provision for general risk	-	-
Accumulated losses	-1,665,096,871.42	-1,669,901,305.55
Total shareholders' equity	**296,075,041.43**	**291,270,607.30**
Total liabilities and shareholders' equity	**444,938,360.62**	**456,205,491.36**

Company Income Statement (2013-12-31)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items		Year 2013	Year 2012
I.	**Main operating income**	**-**	**3,850,000.00**
	Less: Cost of sales	-	-
	Business tax and surcharges	-	211,750.00
	Selling expenses	-	-
	Administrative expenses	2,195,193.09	2,850,889.28
	Finance expenses	4,760.51	6,233.71
	Assets Impairment loss	-541,555.44	-27,000.00
	Add: Income of fair value variance (loss is posed as "-")	-	-
	Return on investments (loss is posed as "-")	949,414.89	-
	Including.: return on investments to associates and related parties	-	-
III.	**Operational Profit (Loss is posed as "-")**	**-708,983.27**	**808,127.01**
	Add: Non-operating income	5,514,885.10	6,993,929.00
	Less: Non-operating expenses	1,467.70	200.00
	Including: loss of disposal of non-current assets	-	-
IV.	**Total Profit Total loss is posed as "-"**	**4,804,434.13**	**7,801,856.01**
	Less: Income tax expenses	-	-
V.	**Net Profit Net loss is posed as "-"**	**4,804,434.13**	**7,801,856.01**
VI.	**Earnings per share**		
	(A) Basic earnings per share	-	-
	(B) Diluted earnings per share	-	-
VII.	**Other Comprehensive Income**	**-**	**-**
VIII.	**Total Comprehensive Income**	**4,804,434.13**	**7,801,856.01**

Company Cash Flow Statement (2013)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items		Year 2013	Year 2012
I.	**Cash flow from operating activities**		
	Cash received from sales of goods or rendering services	-	2,850,000.00
	Tax refunds received	-	-
	Cash received relating to other operating acitivities	11,057,560.80	75,712,490.52
	Sub-total of cash inflows	**11,057,560.80**	**78,562,490.52**
	Cash paid to goods purchased and labor service received	-	-
	Cash paid to and for employees	768,444.79	1,184.31
	Payments of taxes and surcharges	168,403.67	305,723.82
	Cash payments relating to other operating acitivities	10,132,168.59	78,251,726.70
	Sub-total of cash outflows	**11,069,017.05**	**78,558,634.83**
	Net Cash Flow from operating activities	**-11,456.25**	**3,855.69**
II.	**Cash flow from investing activities**		
	Cash received from return of investments	-	-
	Cash received from earnings on investments	-	-
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	-
	Net cash received in disposing subsidiaries and other operating units	-	-
	Cash received relating to other investing acitivities	-	-
	Sub-total of cash inflows	-	-
	Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	-	5,450.00
	Cash paid for investment	-	-
	Net cash paid in disposing subsidiaries and other operating units	-	-

Company Cash Flow Statement (2013) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Items		Year 2013	Year 2012
	Cash paid relating to other investing acitivities	-	-
	Sub-total of cash outflows	-	**5,450.00**
	Net Cash Flow from investing activities	-	**-5,450.00**
III.	**Cash flow from financing activities**		
	Cash received by absorbing investment	-	-
	Cash received from borrowings	-	-
	Cash received from bond issued	-	-
	Cash received relating to other financing acitivities	-	-
	Sub-total of cash inflows	-	-
	Cash paid for repayments of debts	-	-
	Cash paid for distribution of dividends, profits and interest	-	-
	Cash paid relating to other financing acitivities	-	-
	Sub-total of cash outflows	-	-
	Net Cash Flow from financing activities	-	-
IV.	**Effect of change of foreign currency rates on cash and cash equivalents**	**70.29**	**278.51**
V.	**Net increase of cash and equivalents**	**-11,385.96**	**-1,315.80**
	Add: Balance at beginning of period of cash and equivalents	30,575.58	31,891.38
VI.	**Balance of Cash and equivalents by end of period**	**19,189.62**	**30,575.58**

Company Statement of Changes in Equity (2013)

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item		2013							
		Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Total shareholders' equity
I.	**Balance at December 31, 2012**	**873,370,000.00**	**979,214,788.45**	**-**	**-**	**108,587,124.40**	**-**	**-1,669,901,305.55**	**291,270,607.30**
	Add: Changes in accounting policies	-	-	-	-	-	-	-	-
	Correction of errors	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
II.	**Balance at January 1, 2013**	**873,370,000.00**	**979,214,788.45**	**-**	**-**	**108,587,124.40**	**-**	**-1,669,901,305.55**	**291,270,607.30**
III.	**Movements for the year (loss "- ")**	-	-	-	-	-	-	**4,804,434.13**	**4,804,434.13**
	A. Net profit	-	-	-	-	-	-	4,804,434.13	4,804,434.13
	B. Other comprehensive income	-	-	-	-	-	-	-	-
	Sub-total of I. and II.	**-**	**-**	**-**	**-**	**-**	**-**	**4,804,434.13**	**4,804,434.13**
	C. Shareholder’s investment and capital decreased	-	-	-	-	-	-	-	-
	1. Capital invested	-	-	-	-	-	-	-	-
	2. Dividend paid included in equity	-	-	-	-	-	-	-	-
	3. Other	-	-	-	-	-	-	-	-

Company Statement of Changes in Equity (2013) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

		2013							
Item		Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Total shareholders' equity
	D. Distribution of profit	-	-	-	-	-	-	-	-
	1. Extraction of surplus reserves	-	-	-	-	-	-	-	-
	2. Distribution to shareholders	-	-	-	-	-	-	-	-
	3. Other	-	-	-	-	-	-	-	-
	E. Transfer within equity	-	-	-	-	-	-	-	-
	1. Transfer-in from capital reserves	-	-	-	-	-	-	-	-
	2. Transfer-in from surplus reserves	-	-	-	-	-	-	-	-
	3. Loss covered by surplus reserves	-	-	-	-	-	-	-	-
	4. Other	-	-	-	-	-	-	-	-
	F. Speical reserves	-	-	-	-	-	-	-	-
	1. Extraction of the special reserves	-	-	-	-	-	-	-	-
	2. Usage of the special reserves	-	-	-	-	-	-	-	-
	G. Other	-	-	-	-	-	-	-	-
IV.	**Balance at December 31, 2013**	**873,370,000.00**	**979,214,788.45**	**-**	**-**	**108,587,124.40**	**-**	**-1,665,096,871.42**	**296,075,041.43**

Company Statement of Changes in Equity (2013) ***(Continued)***

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item		2012							
		Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Total shareholders' equity
I.	**Balance at December 31, 2011**	**873,370,000.00**	**979,214,788.45**	**-**	**-**	**108,587,124.40**	**-**	**-1,677,703,161.56**	**283,468,751.29**
	Add: Changes in accounting policies	-	-	-	-	-	-	-	-
	Correction of errors	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
II.	**Balance at January 1, 2012**	**873,370,000.00**	**979,214,788.45**	**-**	**-**	**108,587,124.40**	**-**	**-1,677,703,161.56**	**283,468,751.29**
III.	**Movements for the year (loss "- ")**	-	-	-	-	-	-	**7,801,856.01**	**7,801,856.01**
	A. Net profit	-	-	-	-	-	-	7,801,856.01	7,801,856.01
	B. Other comprehensive income	-	-	-	-	-	-	-	-
	Sub-total of I. and II.	-	-	-	-	-	-	**7,801,856.01**	**7,801,856.01**
	C. Shareholder's investment and capital decreased	-	-	-	-	-	-	-	-
	1. Capital invested	-	-	-	-	-	-	-	-
	2. Dividend paid included in equity	-	-	-	-	-	-	-	-
	3. Other	-	-	-	-	-	-	-	-

Company Statement of Changes in Equity (2013) *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

In RMB Yuan

Item	2012							
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserves	Provision for general risk	Accumulated losses	Total shareholders' equity
D. Distribution of profit	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
E. Transfer within equity	-	-	-	-	-	-	-	-
1. Transfer-in from capital reserves	-	-	-	-	-	-	-	-
2. Transfer-in from surplus reserves	-	-	-	-	-	-	-	-
3. Loss covered by surplus reserves	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
F. Speical reserves	-	-	-	-	-	-	-	-
1. Extraction of the special reserves	-	-	-	-	-	-	-	-
2. Usage of the special reserves	-	-	-	-	-	-	-	-
G. Other	-	-	-	-	-	-	-	-
IV. Balance at December 31, 2013	**873,370,000.00**	**979,214,788.45**	**-**	**-**	**108,587,124.40**	**-**	**-1,669,901,305.55**	**291,270,607.30**

Legal Representative: Su weiguo Chief Financial Officer: Wang shouguan Chief Accounting Officer: Bai lihai

(II) Events regarding the financial report

(1) Description of changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year: Nil

(2) Description of retrospective restatement of major accounting errors in the reporting period: Nil

(3) Description of changes in the consolidated statements as compared to the financial report for the previous year:

Entities not to be incorporated into the combination during the reporting period

Name	Net assets as at disposal day	Net profit from beginning of the year to disposal day
Shenyang Gaodongjia Desiccation Equipment Co., Ltd.	1,571,472.45	-

Shenyang Gaodongjia Desiccation Equipment Co., Ltd. ("Gaodongjia") set up a liquidation group for liquidation. It has finished liquidation, deregistered the national and local taxation formalities, and returned back the Approval Certificate of Foreign-funded Enterprises. Upon payment of liquidation fees by Gaodongjia, the Company was awarded remaining properties of RMB 1,787,381,39. The Company has generated investment income of RMB 949,414.89, and the consolidated statement generated investment income of RMB 687,351.18.

(4) The board of directors and supervisory committee's explanation to "Non-Standard Auditors' Report" issued by CPAs for the reporting period: Nil

(III) Notes to Financial Statements

1. 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:

	2013	**2012**
	RMB'000	RMB'000
Sales of transmission machinery	195,974	217,073

The Company recorded operating revenue of RMB195,974,125.82, including principal operations by business of RMB195,886,821.74.

2. 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.

3. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit for attributable to equity holders of the Company of RMB0.01 (2012: a profit of RMB11,140,994.81) and 873,370,000 (2011: 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 2013 and 31 December 2012.

4. DIVIDENDS

No dividends was paid or proposed for the year ended 31 December 2013, or reserve funds converted into capital (2012: Nil).

5. **Material litigation and arbitration**

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

On 13 January 2014, the Company received from its lawyer the civil judgment (2013) Min Er Zhong Zi No.66 by Supreme Court: to reject the appeal and upheld, it is final judgment.

On the basis of the final judgment, the Company shall not bear joint liability for the compensation, and the litigation will not have an impact on the Company's financial situation and its current profits.

Please refer to the temporary announcements dated 29 January 2013 and 14 January 2014.

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.

6. **Acquisition and disposal of assets**

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

7. **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.

8. **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.

9. **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.

10. 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 RMB53,050,000, and so the real amount that the Company should assume responsibility for guarantee was RMB53,050,000, accounting for 18.97% of the audited net assets of the Company for 2012.

(1) External guarantees of the Company

As at the end of the reporting period, the actual external guarantee of the Company totalled RMB53,050,000; RMB52,900,000 for Jinzhou Power Capacitors Co., Ltd; RMB150,000 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 19.47% of the audited net assets of the Company for 2012, 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.

11. PURCHASE, SALE OR REDEMPTION OF SHARES

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

12. 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 twelve months as at the end of 31 December 2013, 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 audited annual accounts for the period of twelve months ended 31 December 2013.

The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the audited annual records for the period of twelve months as at the end of 31 December 2013.

At the meeting held on 3 March 2014, the audit committee review and approve the 2013 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 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 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 sixty days prior to results announcement (the lock-up period is from 3 January to 3 March 2014).

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.

13. Remunerations of Auditors

To improve the efficiency of information disclosure and reduce information disclosure costs, the 1st EGM convened on 11 March 2013 issued removing Pengcheng CPAs and THKC respectively as the domestic auditors and overseas auditors of the Company and appoint Crowe Horwath China CPAs (special general partner) as the auditors of the Company, with total remuneration of RMB800,000.

Crowe Horwath China CPAs was renamed as "Ruihua CPAs (瑞華會計師事務所) (special general partner)", with effect from 1 July 2013.

14. PUBLICATION OF ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OFHONG KONG LIMITED AND THE COMPANY

All information about the annual report as required by Appendix 16 to the Listing Rules will be published on the Hong Kong Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.nee.com.cn) in due course.

By order of the Board
Su Weiguo
Chairman

Yingkou, Liaoning Province, the People's Republic of China
3 March 2014

As at the date of the Statement, the Board of Directors comprises of three executive directors, namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Liu Qingmin; and three independent non-executive directors, namely Mr. Wang Yunxiao, Ms. Liang Jie and Mr. Liu Hongguang.