東北電氣發展股份有限公司
**NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.**

NEE (A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0042)

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

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 2015.

## Chapter 1 IMPORTANT NOTICE

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.

Mr. Su Weiguo, Chairman of the Company, Mr. Wang Shouguan, Chief financial officer, and Mr. Bai Lihai, Chief accounting officer, hereby state to guarantee the truthfulness and completeness of the financial report of the Interim Report.

This report is considered and approved by the thirteen meeting of the seventh session of the Board held on 17 August 2015.

This report has been reviewed and confirmed by the Audit Committee of the Board of the Company.

The financial report for the six months ended 30 June 2015 of the Company and its subsidiaries (the "Group") has not been audited.

Interim Dividend: The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves.

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

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

The announce is made pursuant to the second paragraph of Rule 13.49(6) and the 46th paragraph of Appendix 16 in the Rules Governing the listing of Securities on the Stock Exchange of Hong Kong Ltd.

# Chapter 2 CORPORATE PROFILE

## 2.1 Basic information

| | | | |
|---|---|---|---|
| Abbreviated name of A Shares | Northeast Electric | A Shares stock code | 000585 |
| Place of listing of the A Shares | Shenzhen Stock Exchange | | |
| Abbreviated name of H Shares | Northeast Electric | H Shares stock code | 0042 |
| Place of listing of the A Shares | The Stock Exchange of Hong Kong Limited | | |
| Legal Chinese name | 東北電氣發展股份有限公司 | | |
| Chinese abbreviation | 東北電氣 | | |
| Legal English name | Northeast Electric Development Co., Ltd | | |
| English abbreviation (if any) | NEE | | |
| Legal Representative | Su Weiguo | | |

## 2.2 Contact person and address

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

# Chapter 3 PRINCIPAL ACCOUNTING DATA AND CHANGES IN SHAREHOLDERS

## 3.1 Principal accounting data and financial indicators

Did the Company make retrospective adjustment to or restatement of the accounting data of prior years due to changes in accounting policies and correction of accounting errors?

☐ Yes √ No

| | The reporting period | the same period last year | increase/decrease in the reporting period compared with the same period of last year |
|---|---|---|---|
| Operating revenues (RMB) | 65,447,827.32 | 70,527,484.97 | -7.20% |
| Net profits attributable to shareholders of listed company (RMB) | -1,561,312.66 | -1,780,185.14 | -12.29% |
| Net profits attributable to shareholders of listed company after extraordinary items (RMB) | -1,607,153.15 | -1,814,273.38 | -11.42% |
| Net cash flows arising operating activities (RMB) | -28,972,483.81 | -25,964,240.26 | 11.59% |
| Basic earnings per share (RMB/Share) | -0.0018 | -0.0021 | -14.29% |
| Diluted earnings per share (RMB/Share) | -0.0018 | -0.0021 | -14.29% |
| Weighted average return on net assets | -0.55% | -0.63% | Increase 0.08 percentage |
| | As at the end of the reporting period | As at the end of the reporting period last year | increase/decrease in the reporting period compared with the end of last year |
| Total assets (RMB) | 492,617,945.71 | 482,595,791.02 | 2.08% |
| Net assets attributable to shareholders of listed company (RMB) | 284,589,558.82 | 286,188,311.72 | -0.56% |

Description of differences on figures by domestic and foreign accounting standards:

No difference in net profits and net assets prepared under PRC GAAP and HKFRS.

## 3.2 Extraordinary profit and loss items and amounts

*Unit :RMB*

| Item | Amount | Remarks |
|---|---|---|
| Profit and loss on disposal of non-current assets (including the part of provision for asset impairment being written off) | 60,470.10 | Profit on disposal of fixed assets |
| Profit and loss from debt restructuring | -35,200.00 | loss from debt restructuring |
| Other non-operating income and expense other than the above items | 20,570.39 | -- |
| Total | 45,840.49 | |

## 3.3 Table of shareholdings of the top ten shareholders

| Total number of shareholders of ordinary shares as at the end of the reporting period | | | | | | 95,447 |
|---|---|---|---|---|---|---|
| Shareholdings of the top ten shareholders | | | | | | |
| | | | | | Shares pledged or frozen | |
| Name of shareholders | Nature of shareholder | Shareholding percentage | Number of shares held | Number of untradable shares | Status of shares | Qty |
| HKSCC Nominees Limited | Foreign legal person | 29.43% | 256,995,998 | 0 | | |
| New Northeast ElectricInvestments Co., Ltd. | Domestic non-state owned legal person | 9.33% | 81,513,872 | 19,022 | Pledged | 50,000,000 |
| Xia Chongyang | Domestic natural person | 0.85% | 7,380,000 | | | |
| Zhang Jisong | Domestic natural person | 0.48% | 4,154,976 | | | |
| Mou Xiuqing | Domestic natural person | 0.42% | 3,700,000 | | | |
| Shenzhen Zhongda Software Development Co., Ltd. | Domestic non-state owned legal person | 0.41% | 3,550,000 | 3,550,000 | | |
| Xu Kaidong | Domestic natural person | 0.29% | 2,513,215 | | | |
| Hu Li | Domestic natural person | 0.25% | 2,166,760 | | Pledged | 1,539,599 |
| Yang Ping | Domestic natural person | 0.25% | 2,164,400 | | | |
| Yuan Donghong | Domestic natural person | 0.24% | 2,090,000 | | | |

*Notes:*

1) *So far as the Company is aware, there is no connected relationship among the top ten shareholders or are parties acting in concert as provided in "Methods of Information Disclosure of Shareholding Changes of Listed Companies".*

   *Based on the information that is publicly available to the Company as at the latest practicable dateprior to the publishing of this report and within the knowledge of the Directors, there was sufficientpublic float of the Company's shares.*

2) *New Northeast Electric Investments Co., Ltd. has carried out the registration of stocks with Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch on 31 March 2015. And its 50,000,000 A shares not subject to trading moratorium have been frozen since 31 March 2015.*

   *During the period from the date of 1 November 2010 to 10 June 2015, New Northeast Electric Investments Co., Ltd., by applying a centralized auction and bulk transactions in Shenzhen Stock Exchange, cumulatively reduced 130,513,778 shares not subject to trading moratorium, and currently holds 81,513,872 shares of the Company, accounting for 9.333% of general share capital of the Company.*

3) *Save as disclosed above, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.*

4) *Purchase, sale or redemption of the Company's listed securities*

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

5) *Pre-emptive rights*

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

6) *Convertibles, options, warrants or other similar rights*

   *As of 30 June 2015, the Company did not issue any convertible securities, options, warrants or any other similar right.*

## 3.4 Changes in controlling shareholders and De Facto controller: None.

# Chapter 4 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## 4.1 Shareholdings of directors, supervisors and senior management

There was no change in the number of shares held by the Company's current and resigned directors, supervisors, and senior management during the reporting period. Please refer to Annual Report 2014 for details.

## 4.2 Re-election and resignation of directors, supervisors and senior management

(1) On 2 March 2015, the Board the Company received the resignation application of Mr. Dong Liansheng, the executive director of the Company. Due to personal reasons, Mr. Dong Liansheng requested to quit the position of supervisor. The resignation of Mr. Dong Liansheng shall come into force since the date of 4 May 2015.

(2) As approved by the Meeting of Shareholders Committee held on 4 May 2015, Mr. Zhu Xinguang was nominated as a candidate for a supervisor of the Supervisory Committee, with the term of office to 10 March 2016.

The aforesaid matters have been considered and approved by the Annual General Meeting of 2014 held on 4 May 2015 (please refer to the announcement dated 4 May 2015 for details).

## 4.3 Interest of directors, supervisors and senior management

As at 30 June 2015, 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.

# Chapter 5 MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the demand for power equipment investment drops a bit and the industrial growth is still under pressure due to the macroeconomic weakness, slow growth in electricity demand and other factors. In face of a complex and volatile business environment, the board of directors and management of the Company, on a basis of sound operation, actively responded to the challenges to achieve a stable and healthy development.

## 5.1 Analysis of principal businesses

### (1) Summary

During the reporting period, the operating incomes of the Company amounted to RMB 65,450,000, with an decrease of 7.2 % compared with the same period last year, the operating profits amounted to RMB-1,300,000, and the net profits attributable to shareholders of the Company delivered RMB-1,560,000, nearly the same as the same period last year.

### (2) During the reporting period, the main operation and management conditionsare as follows:

1. The operating revenue fell by 7.2% year on year, and the consolidated gross profit margin of the products fell by 1.48% year on year, while the operating income rose steadily.

   The slightly declined operating revenue is mainly due to the fierce price competition in the industry and a slowdown in the delivery of the orders.

   The steadily risen operating income is mainly due to the strengthened cost control and financial management.

2. The technology, manufacturing and other sectors are constantly improved to meet the market demand and to provide customers with support and services in every aspects.

3. Adhere to product and technological innovation, enrich the varieties of the existing products, implement the R&D of reactive power compensation device for wind power generation and compact assembling power capacitor and other products, so as to reserve the relevant technologies. The quality of the current products should be constantly improved to meet the customers' requirements.

4. Continually implement transformation in technology and purchase the automatic rolling equipment with high-voltage power capacitors to meet the manufacturing needs, which can ease the bottleneck problem for the end-users of the capacitor products. The renovation and transformation of the enclosed bus production equipment is performed normally and orderly.

## 5.2 Operation of the Company during the reporting period

1. principal businesses by industry, product and region

*Unit: RMB*

| | Operating incomes | Operating costs | Gross margin | Increase/ decrease in operating incomes compared with the same period last year | Increase/ decrease in operating costs compared with the same period last yea | Increase/ decrease in gross margin compared with the same period last year |
|---|---|---|---|---|---|---|
| By industry | | | | | | |
| Electrical transmission and transformation | 65,388,863.20 | 47,496,180.95 | 27.36% | -7.26% | -5.32% | Decrease 1.49 percentage |
| By product | | | | | | |
| Enclosed busbar | 17,533,785.74 | 12,648,953.12 | 27.86% | -28.20% | -26.11% | Decrease 2.04 percentage |
| Power capacitor | 42,990,817.65 | 33,869,791.93 | 21.22% | -6.72% | 2.49% | Decrease 7.08 percentage |
| High-voltage switches | 1,289,914.52 | 977,435.90 | 24.22% | -- | -- | -- |
| By region | | | | | | |
| Northeast | 37,327,737.72 | 26,898,172.02 | 27.94% | -11.26% | -10.10% | Decrease 0.93 percentage |
| North China | 1,578,636.74 | 1,189,437.90 | 24.65% | -84.18% | -82.75% | Decrease 6.23 percentage |
| Central China | 8,454,427.18 | 6,207,888.83 | 26.57% | 223.76% | 231.54% | Decrease 1.73 percentage |
| East China | 11,925,140.73 | 8,226,308.36 | 31.02% | 162.61% | 191.49% | Decrease 6.83 percentage |
| South China | 2,856,333.07 | 2,422,111.17 | 15.20% | -39.91% | -25.77% | Decrease 16.16 percentage |
| Southwest | 7,863.25 | 5,773.80 | 26.57% | -99.88% | -99.89% | Increase 8.71 percentage |
| Northwest | 3,238,724.51 | 2,546,488.87 | 21.37% | 100,948.15% | 110,704.59% | Decrease 6.93 percentage |

2. The top five customs

| No. | Name | Sales (RMB) | Percentage over the reporting period total amount of sales |
|---|---|---|---|
| 1 | Yingkou Hongyue Machining Co.,Ltd. | 14,478,136.71 | 22.12% |
| 2 | Yingkou Chongzheng Electric Equipment Co.,.Ltd. | 9,824,096.81 | 15.01% |
| 3 | STATE GRID Corporation of China | 8,180,640.00 | 12.50% |
| 4 | Shenyang Kaidi Insulation Technology Co.,Ltd. | 7,064,546.85 | 10.79% |
| 5 | Shenhua Guohua Shouguang Power Generation Company Limited | 5,594,358.97 | 8.55% |
| Total | -- | 45,141,779.34 | 68.97% |

3. the top five suppliers

| No. | Name | Purchase (RMB) | Percentage over the reporting period total amount of purchase |
|---|---|---|---|
| 1 | Dandong Changxing Electric Appliance Co., Ltd. | 6,428,846.15 | 11.04% |
| 2 | Sichuan Dongfang Insulation Materials Co., Ltd. | 3,612,775.38 | 6.20% |
| 3 | Shenyang Taihua Copper Co., Ltd. | 3,480,132.41 | 5.97% |
| 4 | Hangzhou Hansheng Technology Co., Ltd. | 3,233,423.08 | 5.55% |
| 5 | Tianjin Jinnan Xinyida Metal Mesh Factory | 3,113,649.03 | 5.35% |
| Total | -- | 19,868,826.05 | 34.11% |

## 5.3 Analysis of core competitiveness

After years of improvement in product quality, brand culture, research and development capability, process technology, management services, marketing and many other aspects, the Company has certain advantages and is competent in the industry. The advantages and competence are as follows: close association between industry development of the Company and macroeconomic policies of the state, and large market capacity; diversified and full-range main products and strong supporting capacity; wide application scope and market coverage of the products; advanced production equipment and strong manufacturing capabilities; strong technological strength and leading professional processing level; sound internal control system and standardized corporate administration; good financing platform and well-imaged in the capital market.

The Company implemented technological transformation actively during the reporting period. The technological transformation projects have been completed, which effectively enhanced the performance and quality of the company's products, improved production efficiency and production capacity and enhanced the overall competitiveness of the company's products.

## 5.4 Analysis of investment

### (1) Operations and results of major controlling company and investee company

*Unit: RMB*

| Name | Type of company | Industry | Major products or services | Registered capital | Total assets (RMB) | Net assets (RMB) | Operating revenues (RMB) | Operating profit (RMB) | Net profit (RMB) |
|---|---|---|---|---|---|---|---|---|---|
| Northeast Electric (Hong Kong) Limited | Subsidiary | Trading | Trading | 20,000,000 USD | 178,426,029.61 | 82,660,189.19 | 0.00 | -266,585.64 | -266,585.64 |
| Great Talent Technology Limited | Subsidiary | Investment | Investments | One USD | 82,806,255.31 | -74,702.70 | 0.00 | -5,689.93 | -5,689.93 |
| Northeast Electric (Beijing) Limited | Subsidiary | Sales | High voltage switches | RMB 2,000,00 0 | 68,624,162.21 | -2,259,473.26 | 1,289,914.52 | -95,348.98 | -95,348.98 |
| Shenyang Kaiyi Electric Co., Ltd. | Subsidiary | Manufacturing and sales | Electrical equipment | RMB 1,000,00 0 | 159,351,233.94 | -6,881,607.70 | 0.00 | -486,725.15 | -438,555.05 |
| Fuxin Enclosed Busbars Co., Ltd. | Subsidiary | manufacturing | Enclosed busbars | 8,500,000 USD | 101,754,541.15 | 63,216,480.33 | 17,533,785.74 | -1,035,589.54 | -1,035,589.54 |
| New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd. | Subsidiary | manufacturing | Power capacitor | 15,450,000 USD | 216,021,281.90 | 157,773,524.29 | 46,185,706.59 | 1,194,864.93 | 885,174.24 |
| Jinzhou Jinrong Electric Co., Ltd. | Subsidiary | manufacturing | Dry-type capacitor | RMB 3,000,00 0 | 1,766,785.16 | 1,410,272.50 | 0.00 | -8,145.35 | -8,145.35 |
| Great Power Technology Limited | Investee company | nvestment and trading | Investment and trading | 12,626 USD | 185,853,271.97 | 185,740,054.57 | 0.00 | 0.00 | 0.00 |
| Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd. | Investee company | manufacturing | Switches Controlling Equipment | 168,000,000 USD | 3,080,992,895.61 | 894,744,152.33 | 850,334,178.85 | -19,882,152.14 | -19,286,791.84 |

**(2) 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.**

**(3) The investment of non-raised capital, progress and benefits of the main invested projects: None.**

## 5.5 Financial position and operating results during the reporting period

There are changes in profit components or sources of income during the reporting period.

*Unit: RMB*

| | The reporting period | The same period last year | Increase/ decrease in the reporting period compared with the same period last year | Reasons for changes |
|---|---|---|---|---|
| Sales income | 65,447,827.32 | 70,527,484.97 | -7.20% | Decrease in the current implementation of contracts |
| Costs of sales | 47,535,145.07 | 50,178,622.09 | -5.27% | Decrease in incomes |
| Selling expenses | 7,337,162.78 | 7,634,918.06 | -3.90% | Achievements in control expenses |
| Administrative expenses | 12,005,319.07 | 13,818,217.41 | -13.12% | Achievements in control expenses |
| Finance expenses | 193,002.91 | 14,155.56 | 1,263.44% | Decrease in interest incomes |
| Income tax expenses | 307,358.08 | 231,611.51 | 32.70% | Increase in current profits |
| Net cash flow from operating activities | -28,972,483.81 | -25,964,240.26 | 11.59% | Increase in acquisitions |
| Net cash flow from investing activities | -27,061,230.46 | -63,987.87 | 42,191.19% | Increase in short-term financing |
| Net cash flow from financing activities | -336,983.73 | 669,412.86 | -150.34% | Increase in loans |
| Net increase in cash and cash equivalents | -56,370,698.00 | -25,358,815.27 | 120.60% | Increase in acquisitions |

## 5.6 Prospect of the Company's future development

Being confronted with the complex and volatile business environment, all members of the Company hold a firm confidence, focus on the annual business objectives and work tasks, and strive to complete the annual given tasks. Work should be implemented from the following aspects:

1. To strengthen the operation of the marketing system, systematically control the product sale information, and timely give feedbacks and solve various problems occur at the scene, so as to meet the growing new needs of users.

2. To Strengthen and improve the overall budget system, to enhance the overall budget management level, so as to give full play to the strategic security and risk control functions of budget.

3. To focuses on the business and technology development; the management should perform hurtling plans and deployments to co-ordinate technology, products, investments, personnel and business development, so as to ensure the profitability and sustainable development of the company.

4. To enhance external strategic cooperation. Based on a long-term and win-win cooperation strategy, the management should enhance a management of suppliers with good quality, improve the overall supplier quality and delivery levels, so as to improve the cost competitiveness.

## 5.7 Analysis of the Company's financial position under Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited Appendix 16

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

By the end of the year, the balance of monetary fund was RMB86,280,000.

There is no obvious seasonal pattern 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.

By the end of the year, the Company had bank loans amounting to RMB9,000,000, representing 1.83%of the total assets. These bank loans bear fixed and floating interest rates.

The debt equity ratio of the Company was 3.16% (debt equity ratio= total bank loan/total share capitaland reserve * 100%).

By the end of the year, the Company had fixed asset and land with net book value of RMB8,460,000as security.

To improve its financial management, the Company and its subsidiaries (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.

For significant investment, acquisition or disposal of assets of the Group during the reporting period, see the section headed "Corporate Investment."

For classification of the Group's results, see the section headed "Operation during the reporting period."

For anticipated investment plan of the Group for the next year, see "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 a large amount, 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 lock in an exchange rate and avoid the risk.

Please refer to Notes to the Financial Statements for contingencies.

# Chapter 6 Significant Events

## 6.1 Personnel changes

Please refer to "Profiles of directors, supervisors and senior management" of Chapter 4.

## 6.2 Staff of the Company and the remuneration policy

As at 30 June 2015, the number of employees on the payroll of the company was 534, compared with 554 in 2014. The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. The Company has different rates of remuneration for different employees, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

## 6.3 Corporate governance structure

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

## 6.4 Profit distribution plan and its implementation

During the reporting period, the Company recorded net profit distributable to the parent company of RMB-1,561,312.66, and the accrued profit distributable to shareholders at the end of the period was RMB-1,544,085,556.45, 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 dividend paid during the reporting period, the directors do not resolve to pay the interim dividend for the period of six months ended 30 June 2015.

## 6.5 Material litigation and arbitration

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

## 6.6 During the reporting period, the Company has no acquisition nor disposal of assets

## 6.7 During the reporting period, the Company has no external investment nor investment in securities

## 6.8 During the reporting period, the Company has not held any shares of other listed companies or any equities of such financial enterprises as commercial banks, securities companies, insurance companies, trust companies and futures companies. In addition, the Company has not shared in any proposed listed companies

## 6.9 Connected transactions

There are no connected transactions nor claims and debts between the Company and the connected parties during the reporting period.

## 6.10 Use of capital of connected parties

Controlling shareholders did not use any capital during the reporting period. Please refer to the Financial Statements for details on use of capital of other connected parties.

## 6.11 Significant contracts and their executions

(1) During the reporting period, the Company did not enter into any material guarantee, 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.

(2) Guarantees:

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

As at the end of the reporting period, the actual bank occupation of external guarantee amount provided by the Company totaled RMB53,050,000, so the real amount that the Company should assume responsibility for guarantee was RMB53,050,000, representing 18.64% of the audited net assets of the Company for 2014.

External guarantees of the Company

By the end of the reporting period, the actual bank occupation of external guarantee amount provided by the company was RMB53, 050,000, including RMB52, 900,000 for the Jinzhou Power Capacitors Co., Ltd; RMB150,000 for Shenyang Kingdom Hotel Co., Ltd.

There were no guarantees for the holding subsidiaries of the Company

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

As at the end of the reporting period, the balance of guarantee of the Company for Jinzhou Power Capacitors Co., Ltd. with debt to assets ratio over 70% was RMB52,900,000, accounting for 18.59% of the audited net assets of the Company for 2014 (excluding minorities interests), which was translated into liabilities in total in 2007.

The Company doesn't have any other guarantees for its shareholder, De Facto controller and other parties concerned.

## 6.12 Implementation of commitments of the Company, shareholders and De Facto controller

To implement the A 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 Shenzhen Stock Exchange will not be less than RMB 5 per share.

During the reporting period, New Northeast Electric Investments Co., Ltd. has strictly fulfilled the above commitments.

## 6.13 Employment and dismissal of certified public accountants

During the reporting period, there was no employment or dismissal of CPAs, and the audit institution of the Company in 2015 is Ruihua CPAs (special general partnership).

## 6.14 Independent directors' special representation and independent opinion on the fund occupation by connected parties and external guarantee of the Company

Independent directors Wang Yunxiao, Liang Jie, and Liu Hongguang believed that:

During the reporting period, the Company cautiously treated and handled the external guarantee matters and made complete information disclosure in accordance with relevant provisions of supervision departments, thus making full disclosure and effective control of external guarantee. It hasn't made any guarantee for its shareholders, De Facto controller as well as the parties connected. 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 guarantees provided.

## 6.15 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 position, operation situation and connected transactions.

## 6.16 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.

## 6.17 Corporate governance

### (I) Code on Corporate Governance Practice

The Company's directors confirm that the Company has fully complied with the provisions of Code on Corporate Governance Practices for the period of six months ended 30 June 2015,and disclosed result report in accordance with these provisions. The Code on Corporation Governance Practices includes the clauses set out in Appendix 14 to the Rules Governing the Listing of Securities on 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 the 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 2015.

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 2015.

At the meeting held on 17 August 2015, the Audit Committee reviewed and approved the 2015 semi-annual financial records and results report.

## (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. 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 enquiries,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: notransactions of the company securities shall be carried out during the price-sensitive time within two months prior to results report (the lock-up period is from 17 June to 17 August 2015).

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 the 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 assesses feasible operation plans.

Additionally, in accordance with the requirement of Rule A.6.5 of the Corporate Governance Code, all of the directors are actively engaging in continuous profession development to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. The Company is also committed to arranging and funding suitable training to all directors and emphasizes the role, function and responsibility of director in listed company.

## (VI) Shareholders' rights

During the reporting period, the Company has strictly comply with the Code on Corporation Governance Practices and Section VIII " Shareholders' Rights and Obligations" of the Articles of Association.

### 6.18 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".

### 6.19 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.

### 6.20 Reception to the activities of field survey, communication and interview during the reporting period

None

### 6.21 Subsequent events

None

# Chapter 7 Financial Reports (prepared under the PRC GAAP)

## 1. CONSOLIDATED BALANCE SHEET (30 June 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Items | Closing Balance | Opening Balance |
|---|---:|---:|
| Current Assets: | | |
| Cash and deposits | 86,277,818.86 | 124,218,516.86 |
| Financial asset designated to be measured by fair value and which change is recorded in current incomes | - | - |
| Trading financial assets | - | - |
| Notes Receivable | 350,000.00 | 2,300,000.00 |
| Accounts Receivable | 136,624,741.19 | 123,555,550.88 |
| Prepayment | 8,331,857.37 | 8,736,075.46 |
| Interest Receivable | 252,000.00 | - |
| Dividend | - | - |
| Other Receivable | 9,660,739.67 | 7,977,176.93 |
| Inventory | 46,764,079.00 | 33,991,443.14 |
| Assets held for sale | - | - |
| Non-current asset due within 1 year | 3,264.42 | 33,874.27 |
| Other current asset | 25,532,081.39 | 1,044,995.24 |
| Total current assets | 313,796,581.90 | 301,857,632.78 |
| Non-current Assets: | | |
| Financial assets available for sale | 65,895,702.30 | 65,914,483.62 |
| Held-to-maturity investments | - | - |
| Long-term receivables | - | - |
| Long-term equity investments | 38,621,198.17 | 38,633,931.35 |

## 1. CONSOLIDATED BALANCE SHEET (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Items | Closing Balance | Opening Balance |
|---|---:|---:|
| Investment in real estate | - | - |
| Fixed Assets | 59,150,311.23 | 62,214,706.66 |
| Construction in progress | 1,581,196.58 | 302,416.04 |
| Material - construction | - | - |
| Liquidation of fixed assets | - | - |
| Productive biological assets | - | - |
| Oil and gas assets | - | - |
| Intangible Assets | 4,132,444.25 | 4,200,189.29 |
| Development expenditures | - | - |
| Goodwill | - | - |
| Long-term deferred expenses | 183,280.00 | 215,200.00 |
| Deferred tax assets | 9,257,231.28 | 9,257,231.28 |
| Other non-current assets | - | - |
| Total non-current assets | 178,821,363.81 | 180,738,158.24 |
| Total Assets | 492,617,945.71 | 482,595,791.02 |
| Current Liabilities: | | |
| Short-term Borrowings | 9,000,000.00 | 9,000,000.00 |
| Financial Liabilities designated to be measured by fair value and which change is recorded in current incomes | | - |
| Trading financial liabilities | | |
| Notes Payable | 18,430,000.00 | - |
| Accounts Payable | 61,596,333.72 | 64,400,948.54 |
| Receipts in advance | 7,417,028.65 | 8,342,234.23 |
| Employee compensation | 2,544,249.28 | 2,464,590.18 |

## 1. CONSOLIDATED BALANCE SHEET (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Items | Closing Balance | Opening Balance |
|---|---|---|
| Taxes Payable | 809,103.68 | 1,943,688.03 |
| Interest Payable | | - |
| Dividends | 40,017.86 | 40,017.86 |
| Other Payables | 47,043,968.03 | 49,065,850.82 |
| Liabilities held for sale | | - |
| Non-current liabilities due within 1 year | | - |
| Other Liabilities | | - |
| Total current liabilities | 146,880,701.22 | 135,257,329.66 |
| Non-current liabilities: | | |
| Long-term Borrowings | | - |
| Bonds Payable | | - |
| Incl: Premium | | |
| Perpetual | | |
| Long-term Payables | | - |
| Long-term Payable - Salaries&Benefits | | - |
| Special Payables | | - |
| Estimated Liabilities | 60,721,078.25 | 60,721,078.25 |
| Deferred Revenue | | - |
| Deferred Liabilities - Income Tax | | - |
| Other Non-Current Liabilities | | - |
| Total Non-Current Liabilities | 60,721,078.25 | 60,721,078.25 |
| Total Liabilities | 207,601,779.47 | 195,978,407.91 |
| Shareholders' Equity: | | |
| Share Capital | 873,370,000.00 | 873,370,000.00 |

## 1. CONSOLIDATED BALANCE SHEET (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Items | Closing Balance | Opening Balance |
|---|---|---|
| Other Equity Instruments | | - |
| Incl: Premium | | - |
| Perpetual | | - |
| Capital reserve | 883,422,403.92 | 883,422,403.92 |
| Less: Treasury Stock | | - |
| Other Comprehensive Income | -36,704,413.05 | -36,666,972.81 |
| Special Reserve | | - |
| Surplus Reserve | 108,587,124.40 | 108,587,124.40 |
| Provision for general risk | | - |
| Accumulated losses | -1,544,085,556.45 | -1,542,524,243.79 |
| Total equity attributable to the equity holders of the Company | 284,589,558.82 | 286,188,311.72 |
| Minority interests | 426,607.42 | 429,071.39 |
| Total shareholders' equity | 285,016,166.24 | 286,617,383.11 |
| Total liabilities and shareholders' equity | 492,617,945.71 | 482,595,791.02 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 2. CONSOLIDATED INCOME STATEMENT (Jan~Jun 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| | Items | Amount for the current period | Amount for the previous period |
|---|---|---|---|
| I. | Total Operating Income | 65,447,827.32 | 70,527,484.97 |
| | Incl.: Sales | 65,447,827.32 | 70,527,484.97 |
| II. | Total Operating Cost | 67,311,999.29 | 72,136,142.08 |
| | Incl.: Cost of Sales | 47,535,145.07 | 50,178,622.09 |
| | Taxes & Surcharges | 241,369.47 | 490,228.95 |
| | Expenses of Sales | 7,337,162.78 | 7,634,918.06 |
| | Administrative expenses | 12,005,319.07 | 13,818,217.41 |
| | Finance expenses | 193,002.91 | 14,155.56 |
| | Assets Impairment loss | | |
| | Plus: Income of fair value variance (loss is posed as "-") | | |
| | Return on investments (loss is posed as "-") | 561,912.93 | -6,283.13 |
| | Including.: return on investments to associates and related parties | | |
| III. | Operational Profit (Loss is posed as "-") | -1,302,259.04 | -1,614,940.24 |
| | Plus: Non-operating income | 81,040.49 | 90,106.07 |
| | Including: income of disposal of non-current assets | 60,470.49 | 74,059.43 |
| | Less: Non-operating expenses | 35,200.00 | 56,017.83 |
| | Including: loss of disposal of non-current assets | | |
| IV. | Total Profit (Total loss is posed as "-") | -1,256,418.55 | -1,580,852.00 |
| | Less: Income tax expenses | 307,358.08 | 231,611.51 |
| V. | Net Profit (Net loss is posed as "-") | -1,563,776.63 | -1,812,463.51 |
| | Net profit attributable to equity holders of the Company | -1,561,312.66 | -1,780,185.14 |
| | Minority interests | -2,463.97 | -32,278.37 |
| VI. | Net Other Comprehensive Income after tax | -37,440.24 | 7,794,922.44 |
| | Total Comprehensive Income Attributable to the Equity Holders of the Company | | |

## 2. CONSOLIDATED INCOME STATEMENT (Jan~Jun 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| | Items | Amount for the current period | Amount for the previous period |
|---|---|---|---|
| | (I) Other Comprehensive Income not to be re-categorized into Profit & Loss | | |
| | 1. Remeasurement of Net Liabilities/Assets Variance of Defined Benefit Plans | | |
| | 2. Shares of Other Comprehensive Income not to be re-categorized into Profit & Loss from invested Parties by Equity Methods | | |
| | (II) Other Comprehensive Income to be re-categorized into Profit & Loss | -37,440.24 | 7,794,922.44 |
| | 1. Shares of Other Comprehensive Income to be re-categorized into Profit & Loss from invested Parties by Equity Methods | | |
| | 2. Profit/Loss in fair value of available-for-sale financial assets | | |
| | 3. Profit/Loss of held-to-maturity investments in re-categorized available-for-sale financial assets | | |
| | 4. Effective portion of Profit/Loss from Cash Flow Hedge | | |
| | 5. Differences of Exchange for Foreign Currency Report | -37,440.24 | 7,794,922.44 |
| | Net After-tax Comprehensive Income Attributable to Minority Interests | | |
| VII. | Total Comprehensive Income | -1,601,216.87 | 5,982,458.93 |
| | Total Comprehensive Income Attributable to the Equity Holders of the Company | -1,598,752.90 | 6,014,737.30 |
| | Total Comprehensive Income Attributable to the Minority Interests of the Company | -2,463.97 | -32,278.37 |
| VIII. | Earnings per share | | |
| | (I) Basic earnings per share | -0.0018 | -0.0021 |
| | (II) Diluted earnings per share | -0.0018 | -0.0021 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Items | Amount for the current period | Amount for the previous period |
|---|---|---|
| I. Cash flow from operating activities | | |
| Cash received from sales of goods or rendering of services | 62,812,509.37 | 81,972,219.58 |
| Tax refunds received | | |
| Cash received from other operating activities | 5,241,794.26 | 15,662,676.23 |
| Sub-total of cash inflows from operating activities | 68,054,303.63 | 97,634,895.81 |
| Cash paid to goods purchased and labor service received | 58,247,727.50 | 57,096,621.50 |
| Cash paid to and for employees | 11,902,037.95 | 12,720,692.34 |
| Payments of taxes and surcharges | 4,174,725.96 | 7,709,900.98 |
| Cash payments to other operating activities | 22,702,296.03 | 46,071,921.25 |
| Sub-total of cash outflows for operating activities | 97,026,787.44 | 123,599,136.07 |
| Net Cash Flow from operating activities | -28,972,483.81 | -25,964,240.26 |
| II. Cash flow from investing activities | | |
| Cash from disinvestments | 28,000,000.00 | |
| Cash received from return of investments | 309,912.93 | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 700,000.00 |
| Net cash received in disposing subsidiaries and other operating units | | |
| Cash received relating to other investing activities | | |
| Sub-total of cash inflows from investing activities | 28,309,912.93 | 700,000.00 |
| Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets | 2,371,143.39 | 763,987.87 |
| Cash paid for investment | 53,000,000.00 | |
| Net cash paid for subsidiaries and other operating units | | |

## 3. CONSOLIDATED CASH FLOW STATEMENT (Jan~Jun 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Items | Amount for the current period | Amount for the previous period |
|---|---|---|
| Cash paid relating to other investing activities | | |
| Sub-total of cash outflows | 55,371,143.39 | 763,987.87 |
| Net Cash Flow from investing activities | -27,061,230.46 | -63,987.87 |
| III. Cash flow from financing activities | | |
| Cash received by absorbing investment | | |
| Incl: cash received by subsidiaries from minority shareholders | | |
| Cash received from borrowings | 3,000,000.00 | 3,000,000.00 |
| Cash received from bond issued | | |
| Cash received relating to other financing activities | | |
| Sub-total of cash inflows | 3,000,000.00 | 3,000,000.00 |
| Cash paid for repayments of debts | 3,000,000.00 | 2,000,000.00 |
| Cash paid for distribution of dividends, profits and interest | 336,983.73 | 330,587.14 |
| Incl: cash paid by subsidiaries to minority shareholders | | |
| Cash paid relating to other financing activities | | |
| Sub-total of cash outflows | 3,336,983.73 | 2,330,587.14 |
| Net Cash Flow from financing activities | -336,983.73 | 669,412.86 |
| IV. Effect of change of foreign currency rates on cash and cash equivalents | | |
| V. Net increase of cash and equivalent | -56,370,698.00 | -25,358,815.27 |
| Plus: Balance of cash and equivalent at beginning of period | 124,218,516.86 | 107,965,560.91 |
| VI. Balance of Cash and equivalent by end of period | 67,847,818.86 | 82,606,745.64 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity attributable to shareholders of Parent Company | | | | | | | | | | | Minority Interests | Total Shareholder' Equity |
| | Share Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | | |
| | | Premium | Perpetual | Others | | | | | | | | | |
| I. Balance from last year | 873,370,000.00 | | | | 883,422,403.92 | | -36,666,972.81 | | 108,587,124.40 | | -1,542,524,243.79 | 429,071.39 | 286,617,383.11 |
| Plus: Changes in accounting policies | | | | | | | | | | | | | |
| Corrections to previous errors | | | | | | | | | | | | | |
| business combinations under the same control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Balance at beginning of year | 873,370,000.00 | | | | 883,422,403.92 | | -36,666,972.81 | | 108,587,124.40 | | -1,542,524,243.79 | 429,071.39 | 286,617,383.11 |
| III. Changes in the year (loss is "-") | | | | | | | -37,440.24 | | | | -1,561,312.66 | -2,463.97 | -1,601,216.87 |
| (I) Total Comprehensive Income | | | | | | | -37,440.24 | | | | -1,561,312.66 | -2,463.97 | -1,601,216.87 |
| (II) Increase/Decrease of Capital from Shareholders | | | | | | | | | | | | | |
| 1. Common Shares | | | | | | | | | | | | | |
| 2. Other Equity Instrument | | | | | | | | | | | | | |
| 3. Shares paid taken into Shareholder's Equity | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (III) Distribution of profit | | | | | | | | | | | | | |
| 1. Extraction of surplus reserves | | | | | | | | | | | | | |

## 4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity attributable to shareholders of Parent Company | | | | | | | | | | | Minority Interests | Total Shareholder' Equity |
| | Share Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | | |
| | | Premium | Perpetual | Others | | | | | | | | | |
| 2. Extraction provision for general risk | | | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | | | |
| 1. Transfer-in from capital reserves | | | | | | | | | | | | | |
| 2. Transfer-in from surplus reserves | | | | | | | | | | | | | |
| 3. Loss covered by surplus reserves | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | | | |
| 1. Extraction of the special reserves | | | | | | | | | | | | | |
| 2. Usage of the special reserves | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | |
| IV. Balance at end of Perio | 873,370,000.00 | | | | 883,422,403.92 | | -36,704,413.05 | | 108,587,124.40 | | -1,544,085,556.45 | 426,607.42 | 285,016,166.24 |

## 4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the previous year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity attributable to shareholders of Parent Company | | | | | | | | | | | Minority Interests | Total Shareholder' Equity |
| | Share Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | | |
| | | Premium | Perpetual | Others | | | | | | | | | |
| I. Balance from last year | 873,370,000.00 | | | | 883,422,403.92 | | -36,992,877.10 | | 108,587,124.40 | | -1,548,693,348.93 | 540,054.37 | 280,233,356.66 |
| Plus: Changes in accounting policies | | | | | | | | | | | | | |
| Corrections to previous errors | | | | | | | | | | | | | |
| business combinations under the same control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Balance at beginning of year | 873,370,000.00 | | | | 883,422,403.92 | | -36,992,877.10 | | 108,587,124.40 | | -1,548,693,348.93 | 540,054.37 | 280,233,356.66 |
| III. Changes in the year (loss is "-") | | | | | | | 325,904.29 | | | | 6,169,105.14 | -110,982.98 | 6,384,026.45 |
| (I) Total Comprehensive Income | | | | | | | 325,904.29 | | | | 6,169,105.14 | -110,982.98 | 6,384,026.45 |
| (II) Increase/Decrease of Capital from Shareholders | | | | | | | | | | | | | |
| 1. Common Shares | | | | | | | | | | | | | |
| 2. Other Equity Instrument | | | | | | | | | | | | | |
| 3. Shares paid taken into Shareholder's Equity | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (III) Distribution of profit | | | | | | | | | | | | | |
| 1. Extraction of surplus reserves | | | | | | | | | | | | | |

## 4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the previous year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity attributable to shareholders of Parent Company | | | | | | | | | | | Minority Interests | Total Shareholder' Equity |
| | Share Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | | |
| | | Premium | Perpetual | Others | | | | | | | | | |
| 2. Extraction provision for general risk | | | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | | | |
| 1. Transfer-in from capital reserves | | | | | | | | | | | | | |
| 2. Transfer-in from surplus reserves | | | | | | | | | | | | | |
| 3. Loss covered by surplus reserves | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | | | |
| 1. Extraction of the special reserves | | | | | | | | | | | | | |
| 2. Usage of the special reserves | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | |
| IV. Balance at end of Period | 873,370,000.00 | | | | 883,422,403.92 | | -36,666,972.81 | | 108,587,124.40 | | -1,542,524,243.79 | 429,071.39 | 286,617,383.11 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 5. COMPANY BALANCE SHEET (30 June 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Current Assets: | | |
| Cash and deposits | 18,833.80 | 21,532.17 |
| Financial asset designated to be measured by fair value and which change is recorded in current incomes | | - |
| Trading financial assets | | - |
| Notes Receivable | | - |
| Accounts Receivable | 7,508,886.88 | 10,443,950.96 |
| Prepayment | | - |
| Interest Receivable | | - |
| Dividend | | - |
| Other Receivable | 343,707,391.30 | 353,177,765.95 |
| Inventory | | - |
| Assets held for sale | | - |
| Non-current asset due within 1 year | | - |
| Other current asset | | - |
| Total current assets | 351,235,111.98 | 363,643,249.08 |
| Non-current Assets: | | |
| Financial assets available for sale | | - |
| Held-to-maturity investments | | - |
| Long-term receivables | | - |
| Long-term equity investments | 90,413,551.10 | 90,413,551.10 |
| Investment in real estate | | - |
| Fixed Assets | 72,646.79 | 81,148.52 |
| Construction in progress | | - |
| Material - construction | | - |

## 5. COMPANY BALANCE SHEET (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Liquidation of fixed assets | | - |
| Productive biological assets | | - |
| Oil and gas assets | | - |
| Intangible Assets | | - |
| Development expenditures | | - |
| Goodwill | | - |
| Long-term deferred expenses | | - |
| Deferred tax assets | | - |
| Other non-current assets | | - |
| Total non-current assets | 90,486,197.89 | 90,494,699.62 |
| Total Assets | 441,721,309.87 | 454,137,948.70 |
| Current Liabilities: | | |
| Short-term Borrowings | | - |
| Financial Liabilities designated to be measured by fair value and which change is recorded in current incomes | | - |
| Trading financial liabilities | | |
| Notes Payable | | - |
| Accounts Payable | 6,666,180.00 | 9,347,196.00 |
| Receipts in advance | 665,000.00 | 665,000.00 |
| Employee Compensation | 8,440.44 | 8,440.44 |
| Taxes Payable | 30,989.00 | 163,478.89 |
| Interest Payable | | - |
| Dividends | | - |
| Other Payables | 78,308,224.96 | 87,312,321.52 |
| Liabilities held for sale | | - |

## 5. COMPANY BALANCE SHEET (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Non-current liabilities due within 1 year | | - |
| Other Liabilities | | - |
| Total current liabilities | 85,678,834.40 | 97,496,436.85 |
| Non-current liabilities: | | |
| Long-term Borrowings | | - |
| Bonds Payable | | - |
| Incl: Premium | | - |
| Perpetual | | - |
| Long-term Payables | | - |
| Long-term Payable - Salaries&Benefits | | - |
| Special Payables | | - |
| Estimated Liabilities | 60,721,078.25 | 60,721,078.25 |
| Deferred Revenue | | - |
| Deferred Liabilities - Income Tax | | - |
| Other Non-Current Liabilities | | - |
| Total Non-Current Liabilities | 60,721,078.25 | 60,721,078.25 |
| Total Liabilities | 146,399,912.65 | 158,217,515.10 |
| Shareholders' Equity: | | |
| Share Capital | 873,370,000.00 | 873,370,000.00 |
| Other Equity Instruments | | - |
| Incl: Premium | | - |
| Perpetual | | - |
| Capital reserve | 979,214,788.45 | 979,214,788.45 |
| Less: Treasury Stock | | - |
| Other Comprehensive Income | | - |

## 5. COMPANY BALANCE SHEET (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Closing Balance | Opening Balance |
|---|---|---|
| Special Reserve | | - |
| Surplus Reserve | 108,587,124.40 | 108,587,124.40 |
| Provision for general risk | | - |
| Accumulated losses | -1,665,850,515.63 | -1,665,251,479.25 |
| Total shareholders' equity | 295,321,397.22 | 295,920,433.60 |
| Total liabilities and shareholders' equity | 441,721,309.87 | 454,137,948.70 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 6. COMPANY INCOME STATEMENT (Jan~Jun 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | Amount for the previous period |
|---|---|---|
| I. Total Operating Income | 4,012,765.76 | |
| Less: Cost of Sales | 3,574,345.29 | |
| Taxes & Surcharges | 4,909.80 | |
| Expenses of Sales | | |
| Administrative expenses | 1,031,676.52 | 960,482.67 |
| Finance expenses | 870.53 | 1,054.69 |
| Assets Impairment loss | | |
| Plus: Income of fair value variance (loss is posed as "-") | | |
| Return on investments (loss is posed as "-") | | |
| Including.: return on investments to associates and related parties | | |
| II. Operational Profit (Loss is posed as "-") | -599,036.38 | -961,537.36 |
| Plus: Non-operating income | | |
| Incl: income of disposal of non-current assets | | |
| Less: Non-operating expenses | | |
| Incl: loss of disposal of non-current assets | | |
| III. Total Profit (Total loss is posed as "-") | -599,036.38 | -961,537.36 |
| Less: Income tax expenses | | |
| IV. Net Profit (Net loss is posed as "-") | -599,036.38 | -961,537.36 |
| V. Net Other Comprehensive Income after tax | | |
| (I) Other Comprehensive Income not to be re-categorized into Profit & Loss | | |
| 1. Remeasurement of Net Liabilities/Assets Variance of Defined Benefit Plans | | |

## 6. COMPANY INCOME STATEMENT (Jan~Jun 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | Amount for the previous period |
|---|---|---|
| 2. Shares of Other Comprehensive Income not to be re-categorized into Profit & Loss from invested Parties by Equity Methods | | |
| (II) Other Comprehensive Income to be re-categorized into Profit & Loss | | |
| 1. Shares of Other Comprehensive Income to be re-categorized into Profit & Loss from invested Parties by Equity Methods | | |
| 2. Profit/Loss in fair value of available-for-sale financial assets | | |
| 3. Profit/Loss of held-to-maturity investments in re-categorized available-for-sale financial assets | | |
| 4. Effective portion of Profit/Loss from Cash Flow Hedge | | |
| 5. Differences of Exchange for Foreign Currency Report | | |
| VI. Total Comprehensive Income | -599,036.38 | -961,537.36 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 7. COMPANY CASH FLOW STATEMENT (Jan~Jun 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | Amount for the previous period |
|---|---|---|
| I. Cash flow from operating activities | | |
| Cash received from sales of goods or rendering of services | 7,630,000.00 | |
| Tax refunds received | | |
| Cash received from other operating activities | 12,652,642.41 | 5,732,327.48 |
| **Sub-total of cash inflows from operating activities** | **20,282,642.41** | **5,732,327.48** |
| Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets | 6,863,000.00 | |
| Cash paid for investment | 82,552.12 | 64,779.53 |
| Net cash paid for subsidiaries and other operating units | 135,752.21 | 79,378.19 |
| Cash paid relating to other investing activities | 13,204,036.45 | 5,583,712.82 |
| **Sub-total of cash outflows** | **20,285,340.78** | **5,727,870.54** |
| **Net Cash Flow from investing activities** | **-2,698.37** | **4,456.94** |
| II. Cash flow from investing activities | | |
| Cash from disinvestments | | |
| Cash received from return of 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 activities | | |
| Sub-total of cash inflows from investing activities | | |
| Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets | | 4,938.00 |
| Cash paid for investment | | |
| Net cash paid for subsidiaries and other operating units | | |

## 7. COMPANY CASH FLOW STATEMENT (Jan~Jun 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | Amount for the previous period |
|---|---|---|
| Cash paid relating to other investing activities | | |
| Sub-total of cash outflows | | 4,938.00 |
| Net Cash Flow from investing activities | | -4,938.00 |
| III. Cash flow from financing activities | | |
| Cash received by absorbing investment | | |
| Incl: cash received by subsidiaries from minority shareholders | | |
| Cash received from borrowings | | |
| Cash received from bond issued | | |
| Cash received relating to other financing activities | | |
| Sub-total of cash inflows | | |
| Cash paid for repayments of debts | | |
| Cash paid for distribution of dividends, profits and interest | | |
| Incl: cash paid by subsidiaries to minority shareholders | | |
| Cash paid relating to other financing activities | | |
| Sub-total of cash outflows | | |
| Net Cash Flow from financing activities | | |
| IV. Effect of change of foreign currency rates on cash and cash equivalents | | |
| V. Net increase of cash and equivalent | -2,698.37 | -481.06 |
| Plus: Balance of cash and equivalent at beginning of period | 21,532.17 | 19,189.62 |
| VI. Balance of Cash and equivalent by end of period | 18,833.80 | 18,708.56 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## 8. COMPANY STATEMENT OF CHANGES IN EQUITY (30 June 2015)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | Total Shareholders' Equity |
| | | Premium | Perpetual | Others | | | | | | | | |
| I. Balance carried from last year | 873,370,000.00 | | | | 979,214,788.45 | | | | 108,587,124.40 | | -1,665,251,479.25 | 295,920,433.60 |
| Plus: Changes in accounting policies | | | | | | | | | | | | |
| Corrections to previous errors | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| II. Balance at beginning of year | 873,370,000.00 | | | | 979,214,788.45 | | | | 108,587,124.40 | | -1,665,251,479.25 | 295,920,433.60 |
| III. Changes in the year (loss is "-") | | | | | | | | | | | -599,036.38 | -599,036.38 |
| (I) Total Comprehensive Income | | | | | | | | | | | -599,036.38 | -599,036.38 |
| (II) Increase/Decrease of Capital from Shareholders | | | | | | | | | | | | |
| 1. Common Shares | | | | | | | | | | | | |
| 2. Other Equity Instrument | | | | | | | | | | | | |
| 3. Shares paid taken into Shareholder's Equity | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | |
| (III) Distribution of profit | | | | | | | | | | | | |
| 1. Extraction of surplus reserves | | | | | | | | | | | | |

## 8. COMPANY STATEMENT OF CHANGES IN EQUITY (30 June 2015) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the current period | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | Total Shareholders' Equity |
| | | Premium | Perpetual | Others | | | | | | | | |
| 2. Extraction provision for general risk | | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | | |
| 1. Transfer-in from capital reserves | | | | | | | | | | | | |
| 2. Transfer-in from surplus reserves | | | | | | | | | | | | |
| 3. Loss covered by surplus reserves | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | | |
| 1. Extraction of the special reserves | | | | | | | | | | | | |
| 2. Usage of the special reserves | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | |
| IV. Balance at end of Period | 873,370,000.00 | | | | 979,214,788.45 | | | | 108,587,124.40 | | -1,665,850,515.63 | 295,321,397.22 |

## 8. COMPANY STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the previous year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | Total Shareholders' Equity |
| | | Premium | Perpetual | Others | | | | | | | | |
| I. Balance carried from last year | 873,370,000.00 | - | - | - | 979,214,788.45 | - | - | - | 108,587,124.40 | | -1,665,096,871.42 | 296,075,041.43 |
| Plus: Changes in accounting policies | | | | | | | | | | | | - |
| Corrections to previous errors | | | | | | | | | | | | - |
| Others | | | | | | | | | | | | - |
| II. Balance at beginning of year | 873,370,000.00 | | | | 979,214,788.45 | - | - | - | 108,587,124.40 | | -1,665,096,871.42 | 296,075,041.43 |
| III. Changes in the year (loss is "-") | - | - | - | - | - | - | - | - | - | | -154,607.83 | -154,607.83 |
| (I) Total Comprehensive Income | | | | | | | - | | | | -154,607.83 | -154,607.83 |
| (II) Increase/Decrease of Capital from Shareholders | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Common Shares | | | | | | | | | | | | - |
| 2. Other Equity Instrument | | | | | | | | | | | | - |
| 3. Shares paid taken into Shareholder's Equity | | | | | | | | | | | | - |
| 4. Others | | | | | | | | | | | | - |
| (III) Distribution of profit | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Extraction of surplus reserves | | | | | | | | | | | | - |

## 8. COMPANY STATEMENT OF CHANGES IN EQUITY (31 December 2014) (AUDITED) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

*Unit: RMB*

| Item | Amount for the previous year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Other Equity Instruments | | | Capital Reserve | Less: Treasury Stock | Other Comprehensive Income | Special Reserve | Surplus Reserve | Provision for general risk | Accumulated Losses | Total Shareholders' Equity |
| | | Premium | Perpetual | Others | | | | | | | | |
| 2. Extraction provision for general risk | | | | | | | | | | | | - |
| 3. Distribution to shareholders | | | | | | | | | | | | - |
| 4. Others | | | | | | | | | | | | - |
| (IV) Transfer within equity | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Transfer-in from capital reserves | | | | | | | | | | | | - |
| 2. Transfer-in from surplus reserves | | | | | | | | | | | | - |
| 3. Loss covered by surplus reserves | | | | | | | | | | | | - |
| 4. Other | | | | | | | | | | | | - |
| (V) Special reserves | - | - | - | - | - | - | - | - | - | - | - | - |
| 1. Extraction of the special reserves | | | | | | | | | | | | - |
| 2. Usage of the special reserves | | | | | | | | | | | | - |
| (VI) Others | | | | | | | | | | | | - |
| IV. Balance at end of Period | 873,370,000.00 | - | - | - | 979,214,788.45 | - | - | - | 108,587,124.40 | | -1,665,251,479.25 | 295,920,433.60 |

Legal representative: Su Weiguo Chief financial officer: Wang Shouguan Chief accounting officer: Bai Lihai

## Description:

### 7.1 Description of changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year

There was no change in accounting policies or accounting estimates or accounting methods as compared to the financial report for the previous year.

### 7.2 Description of retrospective restatement of major accounting errors in the reporting period

There was no change in retrospective restatement of major accounting errors in the reporting period.

### 7.3 Description of changes in coverage of the consolidated statements as compared to the financial

report for the previous year There is no change in coverage of the consolidated statements as compared to the financial report for the previous year

### 7.4 Others

#### (1) Business distribution

All of the Group's incomes and profits were from the domestic market; so the Company's management considers there is no need to prepare the divisional statement.

## (2) Taxation

The Main Taxation Category and Tax Rate of the Company

| Category | Tax Base | Tax Rate |
|---|---|---|
| VAT | Taxable revenue after offsetting deductible input VAT | 17% |
| Consumption tax | None | |
| Business tax | VAT and business tax payable | 5% |
| Urban construction & maintenance tax | VAT and business tax payable | 5%, 7% |
| Corporate income tax | Taxable income | 25% |
| extra charges of education funds | VAT and business tax payable | 3%, 5% |

The execution of income tax rate of subsidiaries

1. The Company and its subsidiaries such as Jinzhou Jinrong Electric Co., Ltd., Fuxin Enclosed Busbars Co., Ltd., New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd., and Northeast Electric (Beijing) Limited are subject to the corporate income tax rate of 25%.

2. For Northeast Electric (Hong Kong) Limited, a wholly owned subsidiary of the Company registered in HKSAR of the P. R. China, the profits tax rate is 16.5%.

3. Great Talent Technology Limited is a company wholly owned by the company's subsidiary –Northeast Electric (Hong Kong) Limited and was registered in the British Virgin Islands. No corporate income tax is imposed on it.

4. Shenyang Kaiyi Electric Co., Ltd., is subject to the verification and collection of enterprise income tax.

## (3) Net profit

| | The reporting period | The same period last year |
|---|---|---|
| Net profit attributable to shareholders of listed company (RMB) | -1,561,312.66 | -1,780,185.14 |

### (4) Earnings per share

| | The reporting period | The same period last year |
|---|---|---|
| Basic earnings per share (RMB/Share) | -0.0018 | -0.0021 |
| Diluted earnings per share (RMB/Share) | -0.0018 | -0.0021 |

### (5) Dividends

No dividends was paid or proposed for the six months ended 30 June 2015 (or for the six months ended 30 June 2014: None), and no dividend was proposed from the end of the reporting period.

### (6) Share capital

| | The reporting period | The same period last year |
|---|---|---|
| Total share capital (RMB) | 873,370,000.00 | 873,370,000.00 |

### (7) Contingent liabilities

As at 30 June 2015, the Company did not have any material contingent liabilities.

By order of the Board

**Su Weiguo**

*Chairman*

Yingkou City, Liaoning Province, PRC

August 17, 2015

*As at the date of this announcement, the board of the directors of the Company comprises Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Liu Qingmin and Ms. Jiao Liyuan as executive directors, and Mr. Wang Yunxiao, Ms. Liang Jie and Mr. Liu Hongguang as independent non-executive directors.*