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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 HALF YEAR ENDED JUNE 30, 2017

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 2017.

Chapter 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.

1.2 Mr. Liu Daoqi, Chairman of the Company, Feng Xiaoyu, Chief financial officer, and Qian Kouming, Chief accounting officer, hereby state to guarantee the truthfulness and completeness of the financial report of the Interim Report.

1.3 This report is considered and approved by the fifteenth meeting of the eighth Board of Directors held on 25 August 2017.

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

The financial report for the half year ended 30 June 2017 of the Company and its subsidiaries (the "Group") prepared according to China's Accounting Standards for Business Enterprises has not been audited.

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

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

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

1.7 The announce is made pursuant to the Rule 13.49(6) annd 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 H 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 Jianghua		

2.2 Contact person and address

	Secretary to the Board of Directors	Representative for securities affairs
Name	Su Weiguo	Zhu Xinguang
Contact address	Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC(Post Code: 213022)	Floor 23, Building E, No.9 East Taihu Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC (Post Code: 213022)
Tel	0519-69818118	0519-69818116
Fax	0519-69818115	0519-69818115
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 incomes (RMB)	17,612,476.66	34,502,030.11	-48.95%
Net profits attributable to shareholders of listed company (RMB)	-19,929,800.00	-13,159,973.93	-51.44%
Net profits attributable to shareholders of listed company after extraordinary items (RMB)	-20,411,197.57	-13,209,576.67	-54.52%
Net cash flows arising from operating activities (RMB)	27,720,853.31	-31,671,290.07	187.53%
Basic earnings per share (RMB/Share)	-0.0228	-0.0151	-50.99%
Diluted earnings per share (RMB/Share)	-0.0228	-0.0151	-50.99%
Weighted average return on net assets	-10.92%	-4.60%	decrease 6.32 percent
	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)	350,078,364.92	401,830,329.21	-12.88%
Net assets attributable to shareholders of listed company (RMB)	182,502,739.44	202,789,879.48	-10.00%

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)	-139,079.29	
Profit and loss from debt restructuring	620,476.86	Waiver of partial payables
Total	481,397.57	–

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: 75,339

Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholder	Shareholding percentage	Number of shares held	Number of untraceable shares	Shares pledged or frozen	
					Status of shares	Qty
HKSCC Nominees Limited	Foreign legal person	29.42%	256,935,899			
Beijing Haihongyuan Investment Management Co., Ltd	Domestic non-state-owned legal person	9.33%	81,494,850			
Yang Xiuqin	Domestic natural person	3.20%	27,955,752			
Taida Hongli Funds-CMBC-TEDA Manulife Strategy Rating No. 31 Assets Management Plan	Fund	2.55%	22,314,561			
Tian Ya	Domestic natural person	0.74%	6,423,600			
Nanjing Fang Kai Enterprise Management Co., Ltd	Domestic non-state-owned legal person	0.45%	3,915,400			
Shi Yubo	Domestic natural person	0.43%	3,754,300			
Shenzhen Zhongda Software Development Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	3,550,000		
Xu Kaidong	Domestic natural person	0.26%	2,253,000			
Hu Li	Domestic natural person	0.25%	2,166,760			

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".*
2) *Based on the information that is publicly available to the Company as at the latest practicable date prior to the publishing of this report and within the knowledge of the Directors, there was sufficient public float of the Company's shares.*
3) *Save as disclosed above, Directors were not aware of any person (not being a Director, 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 or short positions in the shares 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 2017, the Company did not issue any convertible securities, options, warrants or any other similar right.

3.4 Changes in controlling shareholders and actual controller

On 23 January 2017, Suzhou Tsing Chuang Trading Group Co., Ltd. (Has been renamed as Changzhou Tsing chuang Industrial Investment Group Co., Ltd. "Tsing Chuang Group") and Beijing Haihongyuan Investment Management Co., Ltd. ("Beijing Haihongyuan") signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd., and Tsing Chuang Group planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.33% of the total equity of the Company) of the Company to Beijing Haihongyuan through agreement. This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 13 February 2017, the first major shareholder of the Company changed to Beijing Haihongyuan, and the actual controller changed to Hainan Province Cihang Foundation. (For details, see the announcements issued by the Company on 23 January 2017 and 14 February 2017)

Chapter 4 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Shareholdings of directors, supervisors and senior management

Name	Position	Service Status	Shareholding at begin of period	Increase of Shareholding during current period	Decrease of Shareholding during current period	Shareholding at end of period
Liu Daoqi	Chairman	Incumbent	0	0	0	0
Bai Haibo	Director	Incumbent	0	0	0	0
Li Rui	Director, Manager	Incumbent	0	0	0	0
Song Xiang	Director	Incumbent	0	0	0	0
Bao Zongbao	Director	Incumbent	0	0	0	0
Zhang Xiangsheng	Director	Incumbent	0	0	0	0
Zhang Luyang	Independent Director	Incumbent	0	0	0	0
Jin Wenhong	Independent Director	Incumbent	0	0	0	0
Qian Fengsheng	Independent Director	Incumbent	0	0	0	0
Wang Jun	Supervisor	Incumbent	0	0	0	0
Li Dong	Supervisor	Incumbent	0	0	0	0
Qiu Yongjian	Supervisor	Incumbent	0	0	0	0
Su Weiguo	Vice general manager, Board Secretary	Incumbent	0	0	0	0
Feng Xiaoyu	Vice general manager, Financial manager	Incumbent	0	0	0	0
Su Jianghua	Chairman	Resigned Director	0	0	0	0
Wang Zheng	Director	Resigned Director	0	236,900	0	236,900
Liu Jun	Director	Resigned Director	0	0	0	0
Li Min	Director	Resigned Director	0	0	0	0
Wu Junyun	Supervisor	Resigned Supervisor	0	0	0	0

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

Name	Position	Type	Date	Reason
Liu Daoqi	Chairman, Director	elected	11 May 2017	The needs for alternate directors
Bai Haibo	Director	elected	11 May 2017	The needs for alternate directors
Li Rui	Director, Manager	elected	11 May 2017	The needs for alternate directors
Song Xiang	Director	elected	11 May 2017	The needs for alternate directors
Bao Zongbao	Director	elected	5 June 2017	The needs for alternate directors
Zhang Xiangsheng	Director	elected	5 June 2017	The needs for alternate directors
Wang Jun	Supervisor	elected	5 June 2017	The needs for alternate supervisors and shareholder representatives
Su Jianghua	Chairman	Resigned	12 May 2017	The needs of the Company for business development
Wang Zheng	Director	Resigned	21 April 2017	The needs of the Company for business development
Liu Jun	Director	Resigned	21 April 2017	The needs of the Company for business development
Li Min	Director	Resigned	21 April 2017	The needs of the Company for business development
Su Weiguo	Vice Chairman, Director	Resigned	21 April 2017	The needs of the Company for business development
Feng Xiaoyu	Director	Resigned	12 May 2017	The needs of the Company for business development
Wu Junyun	Supervisor	Resigned	5 June 2017	The needs of the Company for business development

4.3 Interest of directors, supervisors and senior management

As at 30 June 2017, 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, even if the domestic economy is relatively stable, the manufacturing industry of transmission and distribution equipment that the Company operated in had experienced the relatively excess capacity and the intensified market competition, as influenced by the structural adjustment in the macroeconomy, causing increasingly heavier operation pressure to the Company. In such background, with the leadership of the board of directors, the management of the Company overcome hardship and difficulties, braved ahead and adopted an operation conduct of down to earth and making steady progress, and thus achieved various established targets.

5.1 Analysis of principal operations

5.1.1 Summary

During the reporting period, the Company recorded operating incomes of RMB17.61 million, with a decrease of RMB16.89 million from the same period last year; it recorded net profits of RMB-20.28 million, with a year-on-year decrease of RMB7.11 million.

5.1.2 During the reporting period, the management of principal operations is as follows:

I. Operating incomes, expenses incurred and net profits

1. The operating incomes decreased by 48.95%, that is, RMB16.89 million from the same period of last year. The operating profits decreased RMB2.44 million due to drop in income. The year-on-year decrease of the operating income mainly consists in the shrink of market demand caused by the economic structural adjustment, the slumped contract performance in terms of high voltage equipment products and the postponed delivery under some contracts due to the customer's reason.

2. The expenses increased RMB4.31 million for three items in total during the reporting period. The main reason is that the losses arising out of the shutdown of some workshops of subsidiaries have been recognized as the management fees and the remunerations of directors and supervisors have been increased due to the adjustment in payment schedule.

3. The losses in assets impairment have been increased from the same period of last year, which leads to a year-on-year decrease of net profits by RMB160,000. This was mainly because of the provision for the bad debts.

4. The non-operating expenses during the reporting period have been increased RMB20,000 on a year-on-year basis, and the non-operating incomes increased RMB620,000, causing an increase of net profits by RMB600,000. This is mainly because of the waiver of partial payables.

5. The return of investment has been decreased RMB330,000 on a year-on-year basis, causing a decrease of net profits by RMB330,000. This is mainly because the Company has not purchased the principal and interest guaranteed banking products.

6. The operating taxes and the surcharges increased RMB470,000. This is mainly because the land use tax has been accounted for as such item, and further caused the net profits decreasing RMB470,000.

II. The Company will focus on the following work during the reporting period:

1. On 23 January 2017, Tsing Chuang Group and Beijing Haihongyuan signed the Agreement on Share Transfer of Northeast Electric Development Co., Ltd., and Tsing Chuang Group planned to transfer its held 81,494,850 non-restricted negotiable A-shares (accounting for 9.33% of the total equity of the Company) of the Company to Beijing Haihongyuan through agreement. This share transfer was registered and confirmed through Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 13 February 2017, the first major shareholder of the Company changed to Beijing Haihongyuan, and the actual controller changed to Hainan Province Cihang Foundation.

2. For the purpose of raising funds, extending the shareholders base and enhancing the Company's capital strength, H share private placement was initiated twice during the reporting period. 155,830,000 new H shares were issued to HNA Hotel Group (Hong Kong) Co., Limited at the price of HK$2.40 per subscription share and was eventually approved by the second extraordinary general meeting of shareholders in 2017, the class meeting of the holders of A shares and the class meeting of the holders of H shares. The subscription will timely inject capital to the Company and promote the development of the Company's business.

3. The Company has transformed values, changed the sales strategy, integrated the existing sales management system, and explored new market resources with the customers' need in mind, in order to pull the Company out of the current difficult conditions as soon as possible.

4. The Company closely observes the requirements of laws and regulations to strengthen internal control, improve risk mitigation and control, and enhance corporate governance capability, so as to ensure the achievement of the Company's business objectives.

5. The offsite relocation and investment of the new plant construction project of the wholly owned subsidiary Fuxin Enclosed Busbar Co., Ltd. has been carried out in an orderly manner. So far, the main building of the plant has been completed and the supporting infrastructure nearly comes to a close and equipment procurement and relocation are all conducted as scheduled. The construction of this project can enhance the Company's overall equipment level and manufacturing capability, achieving the upgrading of strategies and industrial structure.

5.2 Operation of the Company during the reporting period

1. Principal operations 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	17,612,476.66	13,354,978.21	24.17%	-48.95%	-51.96%	4.75%
By product						
Enclosed busbar	15,980,406.02	12,124,583.33	24.13%	2.39%	0.36%	1.53%
Power capacitor	1,632,070.64	1,230,394.88	24.61%	-91.36%	-92.17%	7.81%
High-voltage switches						
By region						
Northeast	607,745.09	508,945.48	16.26%	-97.11%	-97.01%	-2.96%
North China	695,152.22	508,888.55	26.79%	-88.21%	-89.20%	6.74%
Central China	137,555.56	88,825.31	35.43%	-42.24%	-55.92%	10.05%
East China	7,303,746.80	4,636,076.57	36.52%	14.03%	-8.21%	15.37%
South China	0.00	0.00	0.00%	-100.00%	-100.00%	
Southwest	8,868,277.00	7,612,242.29	14.16%	3,273.61%	2,906.71%	10.47%
Northwest	0.00	0.00	0.00%	-100.00%	-100.00%	

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; certain product development capabilities and investment and financing capabilities.

There were no material changes in the core competitiveness of the Company during the reporting period.

5.4 Analysis of investment

5.4.1 Operations and results of major controlling company and invest company

Unit: RMB

Name	Type of company	Industry	Major products or services	Registered capital	Total assets (RMB)	Net assets (RMB)	Operating incomes (RMB)	Operating profits (RMB)	Net profit (RMB)
Northeast Electric Development (Hong Kong) Limited	Subsidiary	Trading	Trading	USD20,000,000	47,735,290.65	33,127,480.22	0.00	-810,383.40	-810,383.40
Great Talent Technology Limited	Subsidiary	Investments	Investments	USD1	83,736,317.96	6,391,608.91	0.00	-6,929.32	-6,929.32
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Electronic equipment	Electronic equipment	RMB1,000,000	175,226,361.63	-12,652,705.96	0.00	-1,685,349.21	-1,685,349.21
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	Manufacturing	Enclosed Busbars	USD8,500,000	170,701,178.16	51,812,670.85	15,980,406.02	-1,776,717.29	-1,776,717.29
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	Manufacturing	Power capacitor	USD15,450,000	154,663,550.67	117,842,753.97	1,632,070.64	-10,055,075.39	-9,573,677.82
Jinzhou Jinrong Electric Co., Ltd.	Subsidiary	Manufacturing	Dry-type capacitor	RMB3,000,000	2,442,682.45	723,900.87	0.00	-130,386.93	-130,386.93
Shanghai KaiXin Internet Technology Development Co., Ltd	Subsidiary	Information Technology	Internet technology	RMB10,000,000	6,867,280.26	-56,266.33	0.00	-54,299.01	-54,299.01
Northeast Electric (Chengdu) Power Engineering Design Co., Ltd	Subsidiary	Electricity	Power Engineering	RMB10,000,000	15,924,138.99	9,213,273.99	0.00	-645,359.04	-645,359.04

5.4.2 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.

5.4.3 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

Unit: RMB

Item	The reporting period	The same period last year	Increase/decrease in the reporting period compared with the same period last year	Reasons for changes
Operating incomes	17,612,476.66	34,502,030.11	-48.95%	The significant decrease in the number of contracts due to the declined market demand caused by economic structural changes
Costs of sales	13,354,978.21	27,800,764.17	-51.96%	Sales decline
Sales expenses	3,235,411.25	5,136,946.00	-37.02%	Sales decline
Administrative expenses	20,287,891.80	14,728,271.23	37.75%	Loss due to downtime of some production plants and the increase of staff's wages
Finance expenses	626,905.77	-25,497.39	2,558.71%	Increased borrowings
Net cash flow from activities	27,720,853.31	-31,671,290.07	187.53%	Amounts due from former subsidiaries
Net cash flow from investing activities	-1,065,152.91	-7,817,965.48	86.38%	No wealth management products during the period
Net cash flow from financing activities	-21,741,382.17	-273,399.02	-7,852.25%	Repayment of borrowings
Net increase in cash and cash equivalents	4,902,415.72	-39,754,780.39	112.33%	Amounts due from former subsidiaries; repayment of borrowings

5.6 Prospects for the second half of the year

Centered on the annual business objectives and work tasks, the Company's management strive to achieve a breakthrough at the operating level and reverse the situation of performance decline by enhancing the operation efficiency and core competitiveness. In the second half of 2017, the Company will focus on the following work:

1. The Company will further improve the corporate governance structure, drive the management team to shift in thinking, make exploration and innovation actively, broaden sources of income and cut expenditure, and stimulate vitality, energy and creativity of the management team.

2. The Company will change the business development idea positively, and actively grasped the opportunity to adjust the industrial structure gradually and promote industrial upgrade, so as to improve the sustained operation capacity, profitability and asset quality and maximize the interests of shareholders.

3. The Company will improve the working standards and internal control system in strict compliance with the standard operation requirements of listed companies, establish a sound enterprise operation organization mechanism, perfect all the internal control systems constantly, and reinforce risk control measures to reduce business risks.

4. The Company will change the marketing strategies, adjust and optimize the customer base, cultivate the traditional bidding market deeply, and spare no effort to develop industry users and enterprise users, and strive to achieve breakthroughs in some new fields. Meanwhile, the Company will enhance the profitability of leading products, stabilize the market share and presence of leading products and enhance the Company's image.

5. The Company will speed up the construction of the new plant project of Fuxin Enclosed Busbar Co., Ltd., one of its wholly owned subsidiary. Moreover, the Company will carry out technical transformation of production equipment in conjunction with this overall relocation project, with a view to improving the technological level, product quality, production efficiency and productivity regarding the manufacturing of busbar products, and boosting the corporate image and comprehensive competitiveness.

6. The Company will actively endeavor to obtain approval of private placement of H Shares from domestic and overseas regulatory authorities. The Company will further optimize its principal operations through equity financing and seek new business opportunities, thus enhancing the core competitiveness and sustainable development capacity.

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 RMB30,497,087.16.

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 RMB8,000,000, representing 2.29% of the total assets. These bank loans bear fixed and floating interest rates.

The debt equity ratio of the Company was 4.27% (debt equity ratio= total bank loan/total share capital and reserve * 100%).

By the end of the year, the Company had fixed asset and land with net book value of RMB57,193,840.96 as 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 remuneration policy

As at 30 June 2017, the number of employees on the payroll of the company was 581, compared with 540 by the end of 2016. 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

The Board of Directors proposed that the profit as of 30 June 2017 is distributed as follows:

During the reporting period, the Company recorded the net profit attributable to the parent company of RMB-19,929,800.00, and the accrued profit attributable to shareholders at the end of this period was RMB-1,657,014,460.40. 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 2017.

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 litigation and claims.

6.6 Acquisition and disposal of assets of the Company in the reporting period

None

6.7 During the reporting period, the Company has no 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

6.11.1 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.

6.11.2 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 25.52% of the audited net assets of the Company for 2016.

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 25.45% of the audited net assets of the Company for 2016 (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 connected parties.

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

Beijing Haihongyuan made the following commitments in the acquisition report or equity change report: Avoid horizontal competition with the listed company; reduce and normalize the connected transactions with the listed company; maintain independence of the listed company after the acquisition; strictly abide by the CSRC's related regulations on reduction of shares held by major shareholders of listed companies.

During the reporting period, Beijing Haihongyuan 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 Zhang Luyang, Jin Wenhong, and Qian Fengsheng 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 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 2017, 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 2017.

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 2017.

At the meeting held on 25 August 2017, the Audit Committee reviewed and approved the 2017semi-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 inquires, 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 two months prior to results report (the lock-up period is from 25 June to 25 August 2017).

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 asses-sable 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

1. Additional issuance of H-shares

   On 5 April 2017, HNA Hotel Group (Hong Kong) Company Limited, the person acting in concert of Beijing Honghaiyuan, entered into Share Subscription Agreement with the Listed Company, based on which HNA Hotel Group (Hong Kong) Company Limited proposed to subscribe the H-shares additionally allotted and issued by Northeast Electric Development Company Limited. Beijing Honghaiyuan and HNA Hotel Group (Hong Kong) Company Limited, the person acting in concert, both are the subsidiaries of HNA Group. (For details, see the announcement published by the Company on 5 April 2017)

   The additional issuance of the H-share scheme has been resolved by the second Extraordinary General Meeting and the Class Meeting of the shareholders in 2017 subject to the approval for application from regulators both domestically and internationally before implementation. (For details, see the announcement on resolutions of shareholders' meeting published on 5 June 2017)

   The Company received Acceptance Notice of the Application for Administrative Permission from the China Securities Regulatory Commission ("CSRC") (No.171506) issued by the CSRC on 4 August 2017. (For details, see the Announcement on Obtaining CSRC's Acceptance of Application for Non-public H-Shares Issuance published by the Company on 7 August 2017)

2. Proceeding on settlement fee of employees of the original subsidiary

   To solve the settlement of employees of the subsidiary, i.e. Shenyang High Voltage Switchgear Co., Ltd. ("Shengao Company"), the Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi State-owned Bureau") signed the "Agreement on the Proper Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd." and the "Supplementary Agreement on the Proper Resettlement of Employees of Shengao Co., Ltd." with the Company and the Shengao Company on 30 June 2008 and 28 November 2008. According to the agreements, the total employee resettlement fee is RMB132.39 million and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. ("Xin Shengao Company") shall provide joint and several guarantees for the resettlement fee payable by the Company.

   The Company received the "Notice of Appearance" (Liao 01 Min Chu [2017] No. 430), the bill of indictment, and other related litigation materials served by Liaoning Shenyang Municipal Intermediate People's Court (hereinafter referred to as "the Court") on 5 July 2017: Tiexi State-owned Bureau has brought a lawsuit to the Court, applying to the Court to rule according to laws that the 1st defendant shall repay all the arrears of RMB28.53 million, interest of RMB7,788,690 and liquidated damages of RMB1,426,500, totaling RMB37,745,190, to the Company; Shengao Company shall bear joint liability for the aforementioned debt of the Company; and Xin Shengao Company shall provide joint and several guarantee for the aforementioned debt of the Company. See the Announcement published on 7 July 2017 for details.

Chapter 7 Financial Reports (prepared under the PRC GAAP)

1. CONSOLIDATED BALANCE SHEET (30 June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and deposits	30,497,087.16	27,600,371.44
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable	1,208,875.00	2,618,650.00
Accounts receivable	134,991,816.08	136,074,792.34
Prepayment	10,356,964.68	543,352.21
Interest receivable	0.00	
Dividend		
Other receivable	13,034,743.31	71,024,930.24
Inventory	12,920,539.44	14,991,583.86
Assets held for sale		
Non-current asset due within 1 year	0.00	0.00
Other current asset	1,781,550.22	2,410,131.45
Total current assets	**204,791,575.89**	**255,263,811.54**
Non-current assets:		
Financial assets available for sale	54,204,904.29	55,074,754.24
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	24,743,218.68	25,000,000.00

1. CONSOLIDATED BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Investment in real estate		
Fixed assets	40,330,077.46	41,844,623.66
Construction in progress	6,701,252.61	6,415,346.77
Material - construction		
Liquidation of fixed assets	629,668.46	629,668.46
Productive biological assets		
Oil and gas assets		
Intangible assets	16,863,763.50	17,063,511.60
Development expenditures		
Goodwill	72,097.15	72,097.15
Long-term deferred expenses	1,741,806.88	466,515.79
Deferred income tax assets	0.00	
Other non-current assets		
Total non-current assets	**145,286,789.03**	**146,566,517.67**
Total assets	**350,078,364.92**	**401,830,329.21**
Current liabilities:		
Short-term borrowings	8,000,000.00	29,000,000.00
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable	40,000.00	1,845,000.00
Accounts payable	27,895,590.19	34,672,564.45
Receipts in advance	3,663,737.12	7,654,564.12
Employee compensation	2,840,737.66	3,199,858.76

1. CONSOLIDATED BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Taxes payable	972,292.00	794,793.64
Interest payable	0.00	42,777.77
Dividends	40,017.86	40,017.86
Other payables	44,976,088.15	45,371,142.65
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other liabilities		
Total current liabilities	**88,428,462.98**	**122,620,719.25**
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Premium		
Perpetual		
Long-term payables		
Long-term payable – salaries & benefits		
Special payables	13,692,600.00	10,609,500.00
Estimated liabilities	60,721,078.25	60,721,078.25
Deferred revenue		
Deferred liabilities – income tax		
Other non-current liabilities		
Total non-current liabilities	**74,413,678.25**	**71,330,578.25**
Total liabilities	**162,842,141.23**	**193,951,297.50**

1. CONSOLIDATED BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Incl.: Premium		
Perpetual		
Capital reserve	883,422,403.92	883,422,403.92
Less: Treasury stock		
Other comprehensive income	-25,862,328.48	-25,504,988.44
Special reserve		
Surplus reserve	108,587,124.40	108,587,124.40
Provision for general risk		
Retained profits	-1,657,014,460.40	-1,637,084,660.40
Total equity attributable to the equity holders of the Company	**182,502,739.44**	**202,789,879.48**
Minority interests	4,733,484.25	5,089,152.23
Total shareholders' equity	**187,236,223.69**	**207,879,031.71**
Total liabilities and shareholders' equity	**350,078,364.92**	**401,830,329.21**

2. COMPANY BALANCE SHEET (30 June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and deposits	3,935.07	49,760.27
Financial assets at fair value through current profit or loss	–	–
Derivative financial assets	–	–
Notes receivable	–	–
Accounts receivable	746,707.07	746,707.07
Prepayment	–	–
Interest receivable	–	–
Dividend	–	–
Other receivable	279,477,305.20	307,399,040.24
Inventory	–	
Assets held for sale		
Non-current asset due within 1 year		
Other current asset	228,425.83	94,711.67
Total current assets	**280,456,373.17**	**308,290,219.25**
Non-current assets:		
Financial assets available for sale		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	106,919,936.99	106,919,936.99
Investment in real estate		
Fixed assets	53,808.02	47,828.87

2. COMPANY BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Construction in progress		
Material - construction		
Liquidation of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets		
Development expenditures		
Goodwill		
Long-term deferred expenses	1,344,055.83	
Deferred tax assets		
Other non-current assets		
Total non-current assets	**108,317,800.84**	**106,967,765.86**
Total assets	**388,774,174.01**	**415,257,985.11**
Current liabilities:		
Short-term borrowings	–	20,000,000.00
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	–	–
Prepayment	581,743.59	581,743.59
Employee compensation	84,226.82	161,013.22
Taxes payable	18,870.45	97,119.68
Interest payable	–	42,777.77

2. COMPANY BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Dividends		–
Other payables	32,084,752.85	31,978,918.05
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other liabilities		
Total current liabilities	**32,769,593.71**	**52,861,572.31**
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Premium		
Perpetual		
Long-term payables		
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	**93,490,671.96**	**113,582,650.56**

2. COMPANY BALANCE SHEET (30 June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Shareholders' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments	–	–
Incl.: Premium	–	–
Perpetual	–	–
Capital reserve	995,721,167.46	995,721,167.46
Less: Treasury stock	–	–
Other comprehensive income	–	–
Special reserve	–	–
Surplus reserve	108,587,124.40	108,587,124.40
General risk preparation	–	–
Retained profits	-1,682,394,789.81	-1,676,002,957.31
Total shareholders' equity	**295,283,502.05**	**301,675,334.55**
Total liabilities and shareholders' equity	**388,774,174.01**	**415,257,985.11**

3. CONSOLIDATED INCOME STATEMENT (June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	17,612,476.66	34,502,030.11
Incl.: Sales	17,612,476.66	34,502,030.11
II. Total operating cost	38,379,342.21	47,877,651.41
Incl.: Cost of sales	13,354,978.21	27,800,764.17
Taxes & Surcharges	652,983.66	178,557.21
Expenses of Sales	3,235,411.25	5,136,946.00
Administrative expenses	20,287,891.80	14,728,271.23
Finance expenses	626,905.77	-25,497.39
Assets Impairment loss	221,171.52	58,610.19
Plus: Income of fair value variance (loss is posed as "-")	0.00	–
Return on investments (loss is posed as "-")	0.00	328,972.60
Incl.: return on investments to associates and related parties	–	–
III. Operational Profit (Loss is posed as "-")	-20,766,865.55	-13,046,648.70
Plus: Non-operating income	620,476.86	522.19
Incl.: income of disposal of non-current assets	–	–
Less: Non-operating expenses	139,079.29	123,215.03
Incl.: loss of disposal of non-current assets	139,079.29	121,921.28
IV. Total Profit (Total loss is posed as "-")	-20,285,467.98	-13,169,341.54
Less: Income tax expenses	–	–

3. CONSOLIDATED INCOME STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
V. Net Profit (Net loss is posed as "-")	-20,285,467.98	-13,169,341.54
Net profit attributable to equity holders of the Company	-19,929,800.00	-13,159,973.93
Minority interests	-355,667.98	-9,367.61
VI. Net other comprehensive income after tax	-357,340.04	2,018,212.58
Total comprehensive income attributable to the equity holders of the Company	-357,340.04	2,018,212.58
(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	-357,340.04	2,018,212.58
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	-357,340.04	2,018,212.58
6. Others		
Net after-tax comprehensive income attributable to minority interests		

3. CONSOLIDATED INCOME STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
VII. Total comprehensive income	-20,642,808.02	-11,151,128.96
Total comprehensive income attributable to the equity holders of the Company	-20,287,140.04	-11,141,761.35
Total comprehensive income attributable to the minority interests of the Company	-355,667.98	-9,367.61
VIII. Earnings per share		
(I) Basic earnings per share	-0.0228	-0.0151
(II) Diluted earnings per share	-0.0228	-0.0151

4. COMPANY INCOME STATEMENT (June 2017)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	–	–
Less: Cost of sales	–	–
Taxes & surcharges	–	–
Expenses of sales	–	–
Administrative expenses	6,006,048.06	3,250,457.45
Finance expenses	385,784.44	1,135.64
Assets impairment loss	–	–
Plus: Income of fair value variance (loss is posed as "-")	–	–
Return on investments (loss is posed as "-")	–	–
Incl.: return on investments to associates and related parties	–	–
II. Operational Profit (Loss is posed as "-")	-6,391,832.50	-3,251,593.09
Plus: Non-operating income		
Less: Non-operating expenses	–	–
Incl.: loss of disposal of non-current assets	–	–
III. Total Profit (Total loss is posed as "-") -	-6,391,832.50	-3,251,593.09
Less: Income tax expenses		
IV. Net Profit (Net loss is posed as "-")	-6,391,832.50	-3,251,593.09

4. COMPANY INCOME STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
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		
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		
6. Others		
VI. Total comprehensive income	-6,391,832.50	-3,251,593.09

5. CONSOLIDATED CASH FLOW STATEMENT (June 2017)

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	21,689,573.95	24,790,439.47
Tax refunds received		
Cash received from other operating activities	63,768,726.38	1,867,638.79
Sub-total of cash inflows from operating activities	**85,458,300.33**	**26,658,078.26**
Cash paid to goods purchased and labor service received	27,796,507.44	29,174,874.27
Cash paid to and for employees	14,042,442.25	10,980,792.84
Payments of taxes and surcharges	1,062,275.51	5,429,278.00
Cash payments to other operating activities	14,836,221.82	12,744,423.22
Sub-total of cash outflows for operating activities	**57,737,447.02**	**58,329,368.33**
Net Cash Flow from operating activities	**27,720,853.31**	**-31,671,290.07**
II. Cash flow from investing activities:		
Cash from disinvestments	0.00	32,000,000.00
Cash received from return of investments	0.00	328,972.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	0.00	25,389.00
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	**–**	**32,354,361.60**

5. CONSOLIDATED CASH FLOW STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	1,065,152.91	172,327.08
Cash paid for investment	0.00	40,000,000.00
Net increase of mortgaged loans		
Net cash paid for subsidiaries and other operating units	0.00	0.00
Cash paid relating to other investing activities	0.00	0.00
Sub-total of cash outflows	**1,065,152.91**	**40,172,327.08**
Net cash flow from investing activities	**-1,065,152.91**	**-7,817,965.48**
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Incl.: cash received by subsidiaries from minority shareholders		
Cash received from borrowings	6,000,000.00	3,000,000.00
Cash received from bond issued		
Cash received relating to other financing activities		
Sub-total of cash inflows	**6,000,000.00**	**3,000,000.00**
Cash paid for repayments of debts	27,000,000.00	3,000,000.00
Cash paid for distribution of dividends, profits and interest	741,382.17	273,399.02
Incl.: cash paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities		
Sub-total of cash outflows	**27,741,382.17**	**3,273,399.02**
Net cash flow from financing activities	**-21,741,382.17**	**-273,399.02**
IV. Effect of changes in foreign currency rates on cash and cash equivalents	**-11,902.51**	**7,874.18**
V. Net increase of cash and cash equivalents	**4,902,415.72**	**-39,754,780.39**
Plus: Balance of cash and cash equivalents at beginning of period	24,833,221.44	101,603,025.69
VI. Balance of cash and cash equivalents at end of period	**29,735,637.16**	**61,848,245.30**

6. COMPANY CASH FLOW STATEMENT (June 2017)

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	–	–
Tax refunds received	–	–
Cash received from other operating activities	54,927,792.48	4,125,194.36
Sub-total of cash inflows from operating activities	**54,927,792.48**	**4,125,194.36**
Cash paid to goods purchased and labor service received	–	–
Cash paid to and for employees	3,247,636.17	207,108.32
Payments of taxes and surcharges	–	250,118.97
Cash payments to other operating activities	31,243,332.02	3,632,406.03
Sub-total of cash outflows for operating activities	**34,490,968.19**	**4,089,633.32**
Net cash flow from operating activities	**20,436,824.29**	**35,561.04**
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	14,038.38	33,697.83
Cash paid for investment	–	–
Net cash paid for subsidiaries and other operating units	–	–
Cash paid relating to other investing activities	–	–
Sub-total of cash outflows from investing activities	**14,038.38**	**33,697.83**
Net cash flow from investing activities	**-14,038.38**	**-33,697.83**

6. COMPANY CASH FLOW STATEMENT (June 2017) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
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 activities	–	–
Sub-total of cash inflows	**–**	**–**
Cash paid for repayments of debts	20,000,000.00	–
Cash paid for distribution of dividends, profits and interest	468,611.11	–
Cash paid relating to other financing activities	–	–
Sub-total of cash outflows	**20,468,611.11**	**–**
Net cash flow from financing activities	**-20,468,611.11**	**–**
IV. Effect of changes in foreign currency rates on cash and cash equivalents		
V. Net increase of cash and cash equivalents	**-45,825.20**	**1,863.21**
Plus: Balance of cash and cash equivalents at beginning of period	49,760.27	2,658.47
VI. Balance of cash and cash equivalents at end of period	**3,935.07**	**4,521.68**

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (June 2017)

Amount for the current period

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period													
	Shareholders' equity attributable to shareholders of Parent Company												Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Other		
		Premium	Perpetual	Others										
I. Balance from last year	873,370,000.00				883,422,403.92		-25,504,988.44	108,587,124.40		-1,637,084,660.40			5,089,152.23	207,879,031.71
Plus: Changes in accounting policies														
Corrections to previous errors														
Others														
II. Balance at beginning of year	873,370,000.00				883,422,403.92		-25,504,988.44	108,587,124.40		-1,637,084,660.40			5,089,152.23	207,879,031.71
III. Changes in the year (loss is "-")							-357,340.04			-19,929,800.00			-355,667.98	-20,642,808.02
(I) Total comprehensive income							-357,340.04			-19,929,800.00			-355,667.98	-20,642,808.02
(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														
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. Others														
(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		-25,862,328.48	108,587,124.40		-1,657,014,460.40			4,733,484.25	187,236,223.69

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY June 2017 *(Continued)*

Amount for the previous year

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period													
	Shareholders' equity attributable to shareholders of Parent Company												Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Other		
		Premium	Perpetual	Others										
I. Balance from last year	873,370,000.00				883,422,403.92		-30,801,509.57	108,587,124.40		-1,537,590,906.29			353,221.07	297,340,333.53
Plus: Changes in accounting policies														
Corrections to previous errors														
Others														
II. Balance at beginning of year	873,370,000.00				883,422,403.92		-30,801,509.57	108,587,124.40		-1,537,590,906.29			353,221.07	297,340,333.53
III. Changes in the year (loss is "-")							5,296,521.13			-99,493,754.11			4,735,931.16	-89,461,301.82
(I) Total comprehensive income							5,296,521.13			-99,493,754.11			-94,799.02	-94,292,032.00
(II) Increase/Decrease of capital from shareholders													4,830,730.18	4,830,730.18
1. Common shares														
2. Other equity instrument														
3. Shares paid taken into shareholder's equity														
4. Others													4,830,730.18	4,830,730.18
(III) Distribution of profit														
1. Extraction of surplus reserves														
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. Others														
(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		-25,504,988.44	108,587,124.40		-1,637,084,660.40			5,089,152.23	207,879,031.71

8. COMPANY STATEMENT OF CHANGES IN EQUITY (June 2017)

Amount for the current period
Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period											
	Capital share	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Total shareholders' equity
		Premium	Perpetual	Others								
I. Balance from last year	873,370,000.00		–	–	995,721,167.46	–	–	108,587,124.40	–	-1,676,002,957.31	–	301,675,334.55
Plus: Changes in accounting policies												–
Corrections to previous errors												–
Others												–
II. Balance at beginning of year	873,370,000.00				995,721,167.46	–	–	108,587,124.40	–	-1,676,002,957.31		301,675,334.55
III. Changes in the year (loss is "-")	–	–	–	–	–	–	–	–	–	-6,391,832.50	–	-6,391,832.50
(I) Total comprehensive income							–	–		-6,391,832.50		-6,391,832.50
(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												–
2. Distribution to shareholders												–
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. Others												–
(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	–	–	–	995,721,167.46	–	–	108,587,124.40	–	-1,682,394,789.81	–	295,283,502.05

8. COMPANY STATEMENT OF CHANGES IN EQUITY (June 2017) *(Continued)*

Amount for the previous year

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

	Amount for the previous period											
		Other equity instruments										
Items	Capital	Premium	Perpetual	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Provision for general risk	Retained profits	Special reserve	Total shareholders' equity
I. Balance from last year	873,370,000.00				979,214,788.45			108,587,124.40		-1,666,871,704.47		294,300,208.38
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	-	-1,666,871,704.47		294,300,208.38
III. Changes in the year (loss is "-")	-	-	-	-	16,506,379.01	-	-	-	-	-9,131,252.84	-	7,375,126.17
(I) Total comprehensive income							-			-9,131,252.84		-9,131,252.84
(II) Increase/Decrease of capital from shareholders	-	-	-	-	16,506,379.01	-	-	-	-	-	-	16,506,379.01
1. Common shares					16,506,379.01							16,506,379.01
2. Other equity instrument												-
3. Shares paid taken into shareholder's equity												-
4. Others												-
(III) Distribution of profit	-	-	-	-	-	-	-	-	-	-	-	-
1. Extraction of surplus reserves												-
2. Distribution to shareholders												-
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. Others												-
(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	-	-	-	995,721,167.46	-	-	108,587,124.40	-	-1,676,002,957.31	-	301,675,334.55

Legal representative: Su Jianghua Chief financial officer: Feng Xiaoyu Chief accounting officer: Qian Kouming

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

7.4.1 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.

7.4.2 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 (Chengdu) Power Engineering Design Co., Ltd are subject to the corporate income tax rate of 25%.

(2) For Northeast Electric Development (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 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.

7.4.3 Net profit

	The reporting period	The same period last year
Net profit attributable to shareholders of listed company (RMB)	-19,929,800.00	-13,159,973.93

7.4.4 Earnings per share

	The reporting period	The same period last year
Basic earnings per share (RMB/Share)	-0.0228	-0.0151
Diluted earnings per share (RMB/Share)	-0.0228	-0.0151

7.4.5 Dividends

No dividends was paid or proposed for the six months ended 30 June 2017 (or for the six months ended 30 June 2016: None), and no dividend was proposed from the end of the reporting period.

7.4.6 Share capital

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

7.4.7 Contingent liabilities

As at 30 June 2017, the Company did not have any material contingent liabilities.

7.5 PUBLICATION OF THE INTERIM REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OFHONG KONG LIMITED AND THE COMPANY

All information about the interim 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
Liu Daoqi
Chairman

Changzhou, Jiangsu Province, the PRC
25 August 2017

As at the date of the Statement, the Board of Directors comprises of six directors, namely Mr. Liu Daoqi, Mr. Li Rui, Mr. Bai Haibo, Mr. Song Xiang, Mr. Bao Zongbao and Mr. Zhang Xiangsheng; and three independent directors, namely Mr. Zhang Luyang, Mr. Jin Wenhong and Mr. Qian Fengsheng.