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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

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

(Stock Code: 0042)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2018

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 2018.

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. Li Tie, Chairman of the Company, Xiao Xun, Chief financial officer, and Xing Liwen, Chief accounting officer, hereby state to guarantee the truthfulness and completeness of the financial report of the Announcement.

1.3 This announcement is considered and approved by the twenty-fifth meeting of the eighth Board of Directors held on 29 August 2018.

This announcement 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 2018 of the Company and its subsidiaries (the "Group") prepared according to the 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 announcement is published in both Chinese and English. If there is any inconsistency between the Chinese and English version, the Chinese version shall prevail.

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

1.7 The announcement is made pursuant to the 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	*ST 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 Company Limited		
English abbreviation	NEE		
Legal Representative	Lie Tie		

2.2 Contact person and address

	Secretary to the Board of Directors	Representative for securities affairs
Name	Su Weiguo	Zhu Xinguang, Ding Jishi
Contact address	22/F, New HNA Building, No.7, Guoxing Avenue, Meilan District, Haikou City, Hainan Province	22/F, New HNA Building, No.7, Guoxing Avenue, Meilan District, Haikou City, Hainan Province
Tel	0898-68876008	0898-68876028
Fax	0898-68876033	0898-68876033
Email	nee@nee.com.cn	nemm585@sina.com gs306411@hnair.com

2.3 Additional Information

Registered address	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province
Postal Code	571152
Office address	22/F, New HNA Building, No.7, Guoxing Avenue, Meilan District, Haikou City, Hainan Province
Postal Code	570203
Website	www.nee.com.cn
E-mail address	nee@nee.com.cn
Index to the website designated to disclose the temporary announcement	www.cninfo.com.cn; www.hkexnews.hk

Chapter 3 PRINCIPAL FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

3.1 Principal accounting data and financial indicators

Did the Company need to make retrospective adjustment to or restatement of the accounting data of prior years

☐ 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)	14,296,160.44	17,612,476.66	-18.83%
Net profits attributable to shareholders of the listed company (RMB)	3,880,567.18	-19,929,800.00	119.47%
Net profits attributable to shareholders of the listed company after extraordinary items (RMB)	-17,513,717.49	-20,411,197.57	14.20%
Net cash flows arising from operating activities (RMB)	-5,163,724.31	27,720,853.31	-118.63%
Basic earnings per share (RMB/Share)	0.0044	-0.0228	119.30%
Diluted earnings per share (RMB/Share)	0.0044	-0.0228	119.30%
Weighted return on net assets (%)	-2.00	-10.92	
	As at the end of the reporting period	**As at the end of last year**	**Increase/decrease at the end of the reporting period compared with the end of last year**
Total assets (RMB)	294,604,470.82	306,236,911.04	-3.80%
Net assets attributable to shareholders of the listed company (RMB)	-194,388,839.22	-198,631,842.02	2.14%

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

No difference between 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
Net value of other non-operating revenue and expenditure	21,394,284.67	Retrieval of guarantee compensatory payment
Total	21,394,284.67	–

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: 71,224								
Shareholdings of the top ten shareholders of ordinary shares								
							Shares pledged or frozen	
Name of shareholders	Nature of shareholder	Shareholding percentage	Number of ordinary shares held at the end of the reporting period	Increase/ decrease in the reporting period	Number of ordinary shares subject to trading moratorium	Number of ordinary shares not subject to trading moratorium	Status of shares	Qty
HKSCC Nominees Limited	Foreign legal person	29.43%	257,045,899	0	0	257,045,899		
Beijing Haihongyuan Investment Management Co., Ltd	Domestic non-state-owned legal person	9.33%	81,494,850	0	0	81,494,850		
Yang Xiuqin	Domestic natural person	3.20%	27,955,752	0	0	27,955,752		
Nanjing Fang Kai Enterprise Management Co., Ltd	Domestic non-state-owned legal person	0.50%	4,332,700	118,200	0	4,332,700		
Shi Yubo	Domestic natural person	0.41%	3,560,000	-194,300	0	3,560,000		
Shenzhen Zhongda Software Development Ltd	Domestic non-state-owned legal person	0.41%	3,550,000	0	3,550,000	0		
Chen Qingtao	Domestic natural person	0.28%	2,469,986		0	2,469,986		
Xu Kaidong	Domestic natural person	0.28%	2,432,059	700	0	2,432,059		
Hu Li	Domestic natural person	0.25%	2,172,360		0	2,172,360		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.24%	2,078,800		0	2,078,800		

Notes:

(1) So far as the Company is aware, there is no connected relationship among the top ten shareholders, and they are not parties acting in concert as provided in "Methods of Information Disclosure of Shareholding Changes of Listed Companies".

(2) Based on the public information as at the latest practicable date prior to the publishing of this report and within the knowledge of the Directors, the Company confirmed that there was sufficient public float of its shares.

(3) Save as disclosed above, the Directors were not aware that 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 disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance 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 2018, the Company did not issue any convertible securities, options, warrants or any other similar rights.

(7) The pledge release procedures in respect of 81,494,850 A shares not subject to trading moratorium held by Beijing Haihongyuan Investment Management Co., Ltd have been completed with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 16 August 2018.

Chapter 4 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in Shareholdings of directors, supervisors and senior management

There was no change in shareholdings during the reporting period.

4.2 Changes in directors, supervisors and senior management

Name	Position	Type	Date	Reason
Feng Xiaoyu	Vice general manager, Financial manager	Dismissed	2 March 2018	Job change
Zhang Xiangsheng	Director	Resigned	2 March 2018	Job change
Zhang Luyang	Director	Resigned	17 April 2018	Heavy business commitment
Li Dong	Shareholder representative supervisors	Resigned	17 April 2018	Heavy business commitment
Liu Daoqi	Director, Chairman	Resigned	16 May 2018	Work adjustment
Qiu Yongjian	Employee representative supervisor	Resigned	16 May 2018	Heavy business commitment
Xiao Xun	Chief Finance Officer	Appointed	9 March 2018	Operational needs
Zhao Guogang	Chief Risks Officer	Appointed	9 March 2018	Operational needs
Li Tie	Director, Chairman	Elected	25 May 2018	Operational needs
Li Ming	Independent director	Elected	25 May 2018	Operational needs
Hao Lianjie	Shareholder representative supervisors, Chairman of the Supervisory Committee	Elected	25 May 2018	Operational needs
Deng Yongfei	Supervisor representing staff	Elected	25 May 2018	Operational needs
Qin Jianmin	Director	Elected	26 June 2018	Operational needs
Bai Haibo	Vice Chairman, Director	Resigned	17 August 2018	Job change

4.3 Equity Interest of directors, supervisors and senior management

As at 30 June 2018, the Company hadn't been notified that any director, supervisor or member of senior management of the Company had any interest in their own equity or debt securities or in the equity or debt securities of their spouses and children aged more than 18 years old which were required to be disclosed 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, nor have they been granted, or exercised, any rights to subscribe for shares or bonds of the Company.

Chapter 5 MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the power transmission and distribution equipment industry (in which the Company operates) was affected by macro-economic structural adjustments, leading to relatively excessive industrial capacity and intense market competition. The Company faces increasing operational pressure. In the face of such a complex and difficult situation, all personnel of the Company adhered to the overall work plan, worked diligently to fulfill their duties, and strived to achieve breakthroughs. Under the leadership of the Board, the Company properly tackled various challenges, fully implemented the resolutions passed by the general meeting and the Board of Directors, optimized its industrial distribution, enhanced operation management, and steadily advanced various work activities. The trend of fast operation decline has been preliminarily reined in.

5.1 Analysis of principal operations

I. Summary

During the reporting period, the operating incomes of the Company amounted to RMB14,296,200, 81.17% of that of the same period of last year, with a year-on-year decrease of RMB3,316,300. The Company has made greater efforts to settle and collect debts and recover the compensatory guarantee, which achieved a turnaround from the loss; and the net profits were RMB3,527,400, with a year-on-year net increase of RMB23,812,800.

II. The Company's production and operations are as follows

(I). Operating incomes, product gross margin, expenses incurred and net profits

The operating incomes decreased by 18.83%, that is, RMB3,316,300 from the same period of last year. This was mainly due to the shrink of market demand for power capacitor products caused by the economic structural adjustment and the postponed delivery under some contracts due to the customer's reason.

The net profits amounted to RMB3,527,400, a year-on-year increase of RMB23,812,800.

1. The operating profits increased by RMB2.90 million. The operating profits decreased by RMB2,098,000, mainly due to the decline in the operating incomes and gross profit margin. The losses in assets impairment have been increased from the same period of last year, which led to a year-on-year decrease of net profits by RMB342,000. This was mainly because of the provision for the bad debts. The administrative expense declined by RMB3.74 million from the same period of last year due to the Company's tight control. The sales expense declined by RMB1.34 million due to factors such as the decrease in travelling expense of sales staff and goods transportation fee. The interest expense declined during the reporting period, which led to a decrease in financial expenses by RMB260,000.

2. The non-operating expenses during the reporting period have been decreased by RMB36,000 on a year-on-year basis, and the non-operating incomes increased by RMB20.88 million, causing an increase of net profits by RMB20.84 million. This was mainly because of the offset of the estimated liabilities by the guarantee paid to ICBC Bank Jinzhou Branch and the retrieval of the compensatory guarantee.

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

1. During the reporting period, Fuxin Enclosed Busbars Co., Ltd., a wholly owned subsidiary of Northeast Electric, has completed new plant relocation and the plant has been officially put into use. The use of the new plant can greatly improve the technological level of busbar product manufacturing, significantly enhance the competitiveness of the product in the market, and fundamentally turn around the shrinking trend of orders due to outdated equipment and declined technological levels.

2. In order to obtain new investment opportunities and profit growth drivers, Hainan Tangyuan Technology Co., Ltd., a wholly owned subsidiary of the Company, entered into the Lease Agreements with eight companies, namely Dongguan Yujingwan, Tianjin Center, Hainan Guoshang, Danzhou Xintiandi, Hangzhou Huagang, Asia-Pacific International, Yunnan Tonghui Hotel, and Jilin Province Tourism Group to build a sharing platform of hotel public space. The Lease Agreements were considered and approved at the 24th meeting of the 8th Board of Directors of Northeast Electric. This will help invigorate its continuing operation and help the Company transform from the traditional manufacturing sector to modern service industries. Currently, this matter is being subjected to review of the general meeting circular as required by the Hong Kong Stock Exchange.

3. For the purposes of further optimizing the Company's financial business processes, reducing financial costs, improving funds utilization efficiency, and maximizing benefits, the Company entered into the Financial Services Agreement with HNA Group Finance Co., Ltd. The Financial Services Agreement were considered and approved at the 24th meeting of the 8th Board of Directors of Northeast Electric. This will help the Company and its holding subsidiaries strengthen capital management and control, reduce and prevent operational risks, settlement business with associates, shorten the time for funds in transit, accelerate capital turnover, and save transaction costs and expenses. Currently, this matter is being subjected to review of the general meeting circular as required by the Hong Kong Stock Exchange.

4. The Company strengthened internal financial management and monitoring, focused on the follow-up work of key products, and worked out reasonable goals and specific measures pertinently, actively preventing financial risks and improving business performance.

5. In the first half of the year, the Company focused on the enhancement of the construction of the human resources team and adjustment of the Company's personnel structure in combination with the relocation of the headquarters office and the conduction of the subsidiaries' business operations. A total of 5 senior management personnel have been appointed and nearly 20 professionals and talents have been introduced by the Company and its main subsidiaries through recruitment and competitive selection. Not only the Company's management and operation needs can be satisfied, but also the staff quality and capability have been significantly improved, and the staffing structure has become more reasonable.

5.2 Analysis of core competitiveness

Thanks to the long-term accumulation in many aspects such as product quality, brand culture, R&D capability, process technology, management service and marketing, the Company shows some advantages and industrial competitiveness, which can be seen in the close association between industry development of the Company and macroeconomic policies of the State; certain association between the market and macroeconomic development; advanced production equipment and strong manufacturing capabilities; accumulation of technological strength and high professional technological level; sound internal control system and standardized corporate governance; 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.

5.3 Key financial data

Unit: RMB

	The reporting period	The same period of last year	Increase/ decrease in the reporting period compared with the same period of last year	Reasons for changes
Operating incomes	14,296,160.44	17,612,476.66	-18.83%	The significant decrease in the number of contracts due to the declined market demand caused by economic structural changes
Operating costs	12,156,795.16	13,354,978.21	-8.97%	Sales decline
Sales expenses	1,897,146.53	3,235,411.25	-41.36%	Sales decline
Administrative expenses	16,549,369.69	20,287,891.80	-18.43%	The Company's strict control over administrative expenses
Finance expenses	363,263.42	626,905.77	-42.05%	No new borrowings during the reporting period
Income tax expenses	0.00	0.00		
Net cash flow from operating activities	-5,163,724.31	27,720,853.31	-118.63%	Amounts due from former subsidiaries for the previous period; the Company's operating losses due to its subsidiaries' declined sales income
Net cash flow from investing activities	163,504.28	-1,065,152.91	115.35%	Acquisition of a large amount of fixed assets for the previous period
Net cash flow from financing activities	-20,745.19	-21,741,382.17	99.90%	Repayment of principal and interest on borrowings in the previous year; no borrowings and interest expense in this year
Net increase in cash and cash equivalents	-5,017,734.77	4,902,415.72	-202.35%	Based on the above factors

5.4 Principal operations

Unit: RMB

	Operating incomes	Operating costs	Gross margin	Increase/ decrease in operating incomes compared with the same period of last year	Increase/ decrease in operating costs compared with the same period of last year	Increase/ decrease in gross margin compared with the same period of last year
By industry						
Power transmission and transformation	14,296,160.44	12,156,795.16	14.96%	-18.83%	-8.97%	-9.21%
By product						
Enclosed busbar	13,450,524.58	11,474,210.18	14.69%	-15.83%	-5.36%	-9.44%
Power capacitor	845,635.86	682,584.98	19.28%	-48.19%	-44.52%	-5.33%
High-voltage switches						
By region						
Northeast	4,312,019.98	3,238,944.06	24.89%	609.51%	536.40%	8.63%
North China	67,668.65	50,297.32	25.67%	-90.27%	-90.12%	-1.12%
Central China	156,339.53	117,960.42	24.55%	13.66%	32.80%	-10.88%
East China	2,396,365.81	1,981,020.78	17.33%	-67.19%	-57.27%	-19.19%
South China	745,461.77	320,485.74	57.01%			57.01%
Southwest	384,766.42	259,172.80	32.64%	-95.66%	-96.60%	18.48%
Northwest	6,233,538.28	6,188,914.04	0.72%			0.72%

5.5 Analysis of investment

I. Major controlling company

Unit: RMB

Name	Type of company	Major business	Registered capital	Total assets	Net assets	Operating incomes	Operating profits	Net profit
Northeast Electric Development (Hong Kong) Limited	Subsidiary	Trading	USD20,000,000	68,539,723.37	54,208,209.30		-11,775.63	-11,775.63
Great Talent Technology Limited	Subsidiary	Investments	USD1	78,479,029.87	2,719,034.10		-8,074.73	-8,074.73
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Electronic equipment	RMB1,000,000	152,474,372.88	-9,784,749.85		-1,102,419.86	-1,103,566.60
Fuxin Enclosed Busbars Co., Ltd.	Subsidiary	Enclosed busbars	USD8,500,000	143,515,868.94	-3,943,882.84	13,450,524.58	-4,092,708.30	-4,092,708.30
New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd.	Subsidiary	Power capacitor	USD15,450,000	91,181,979.22	79,460,797.55	845,635.86	-9,078,661.91	-8,944,211.75
Jinzhou Jinrong Electric Co., Ltd.	Subsidiary	Dry-type capacitor	RMB3,000,000	1,544,851.32	233,236.00		-137,044.74	-137,044.74
Hainan Tangyuan Technology Co., Ltd.	Subsidiary	Development of hotel public space	RMB10,000,000	35,735,338.01	-133,690.94		-31,568.02	-31,568.02
Northeast Electric (Chengdu) Power Engineering Design Co., Ltd.	Subsidiary	Power Engineering	RMB10,000,000	14,414,571.64	7,279,705.35		-636,242.41	-636,242.41

Note: On 1 June 2018, approved by Industrial and Commercial Administration Bureau of Haikou City, Hainan Province, the name of "Shanghai KaiXin Internet Technology Development Co., Ltd." was changed to "Hainan Tangyuan Technology Co., Ltd." and the Business License was obtained after renewal.

II. 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.

III. The investment of non-raised capital, progress and benefits of the main invested projects: None.

5.6 Prospects for the second half of the year

Centered on the annual business objectives and work tasks, the Company's management strives to achieve a breakthrough at the operating level and reverse the situation of operating performance decline by enhancing the operation efficiency and core competitiveness. In the second half of 2018, 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, through equity financing and capital operations, actively promote the improvement of capital reserves, further optimize its principal business and seek new business opportunities, thus enhancing the core competitiveness and sustainable development capacity.

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

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

   By the end of the reporting period, the balance of monetary fund was RMB40,527,885.96.

   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 substantial shareholders.

   By the end of the year, the Company had bank loans amounting to RMB0, representing 0% of the total assets. These bank loans all bear floating interest rates.

   The debt equity ratio of the Company was 0% (debt equity ratio= total bank loan/total share capital and reserve * 100%).

   By the end of the reporting period, the Company had fixed asset and land with net book value of RMB0 as security.

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

3. For classification of the Group's results, see the section headed "Composition of principal operations".

4. Anticipated investment plan of the Group for the next year: None.

5. 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.

6. 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 2018, the number of employees on the payroll of the company was 538, compared with 559 by the end of 2017. 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 Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves.

6.5 Material litigation and arbitration

1 The litigation where the Tiexi District branch (Shenyang City) of the State-owned Assets Supervision and Administration Commission sued the Company, Shenyang High-voltage Switchgear Co., Ltd. and New Northeast Electric (Shenyang) High-voltage Switchgear Co., Ltd. for the payment of allowance for staff

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 on 5 July 2017. The indictment relates to the Company's alleged breach of Agreement on the Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd., Agreement on the Proper Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd and Supplementary Agreement on the Proper Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd. (collectively, the "Agreements") signed by the Tiexi District branch (Shenyang City) of the State-owned Assets Supervision and Administration Commission (hereinafter referred to as the "Plaintiff") and the Company and Shenyang High-voltage Switchgear Co., Ltd. (hereinafter referred to as the "Second Defendant") on 9 May 2007, 30 June 2008 and 28 November 2008 respectively. According to the above Agreements, the Company shall pay a total of RMB132,390,000 for the Second Defendant to bear joint and several liability for the resettlement of employees, and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. shall provide the Plaintiff with joint and several guarantee for the resettlement fee. The Plaintiff sought compensation from the Company for the remaining arrears of RMB28,530,000, interest of RMB7,788,690 and liquidated damages of RMB1,426,500, totaling RMB37,745,190, arising from the alleged breach of such Agreements.

On 12 June 2018, the case was heard in the Shenyang Intermediate People's Court. On July 18, the Shenyang Intermediate People's Court issued a civil written order (Liao 01 Min Chu [2017] No. 430). The Shenyang Intermediate People's Court held that when the Plaintiff reclaimed its rights to the Company on 21 July 2016, it has been more than two years of statute of limitations. The Shenyang Intermediate People's Court rejected the claim that the Plaintiff requested the Company to pay arrears of RMB28.53 million, interest and liquidated damages.

According to the legal opinion and based upon the principle of financial prudence, in 2017, the Company also has the provision for estimated liabilities according to the amount of money involved in the case of RMB37,745,190, with details referring to the 2017 Operating Results Forecast published on 31 January 2018, as well as the 2017 Annual Report published on 29 March 2018. Given the fact that this judgment is the first-instance verdict of the court, the Company cannot predict the potential impacts of the litigation's final judgment on the profit of the current period and afterwards.

The Plaintiff has submitted an appeal on the above judgment to the court during the appeal period. The Company will timely perform its announcement obligation in relation to the progress of the case according to related regulations.

2 Progress in the enforcement of litigation brought by China Development Bank

According to the announcement made by the Company on 19 October 2017, the Supreme People's Court issued an enforcement order ((2017) SPC Enforcement Reply No.27) in August 2017 to reject the reconsideration request made by Northeast Electric and affirm the enforcement order of NHC (2015) Gao Zhi Yi Zi No.52. The enforcement order was final. According to the civil judgment that has taken effect, China Development Bank, the execution applicant, asked the court to order the relevant parties subject to enforcement, including Northeast Electric, to perform the obligations specified in the effective civil judgment. In the opinion of the lawyer, the Company should assume the compensation liability of RMB272,627,700 according to the final ruling of the Supreme People's Court. Based on the principle of prudence, the Company has charged the compensation liability payable according to the final ruling into the profit and loss for the current period. For details, please refer to the 2017 Operating Results Forecast published on 31 January 2018, as well as the 2017 Annual Report published on 29 March 2018.

3 Liaoning Limeng State Asset Co., Ltd. applied for New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. (hereinafter referred to as "NNE Jinzhou PC"), the subsidiary of the Company, to assist to implement ruling.

Liaoning Limeng State Asset Co., Ltd. filed a claim against New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd., the subsidiary of the Company, to pay overdue unpaid rental of RMB4,200,000 (equivalent to approximately HKD4,620,000). On 17 November 2014, the Liaoning Shenyang Municipal Intermediate People's Court issued the enforcement order of (2014) Shen Zhong Zhi Cai Zi No. 80, which was further confirmed by the judgment of (2015) Zhong Zhi Cai Zi No. 3. Accordingly, New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. was required to pay the amount claimed. NNE Jinzhou PC refused to accept the ruling and applied for a review to the Higher People's Court of Liaoning Province and the case was not decided. For details, please refer to the 2017 Annual Report published on 29 March 2018.

In January 2015, the plaintiff Li Yingwu obtained the above-mentioned claim and filed an application with the Shenyang Intermediate People's Court to change the application executor. On 10 April 2018, Shenyang Intermediate People's Court made the civil ruling (Liao 01 Zhi Hui Zi [2017] No. 30), and accordingly issued the Notice on Assistance in Enforcement, requesting NNE Jinzhou PC to assist in freezing the rental income of RMB6,600,000 of Jinzhou Power Capacitor Co., Ltd. On 19 April 2018, Shenyang Intermediate People's Court made the Notice (Liao 01 Zhi Hui Zi [2017] No. 30), requesting NNE Jinzhou PC to fulfill Li Yingwu's debts of RMB6,600,000 due to Jinzhou Power Capacitor Co., Ltd. Since NNE Jinzhou PC had no debt due to Jinzhou Power Capacitor Co., Ltd., NNE Jinzhou PC filed an objection to such enforcement to the Shenyang Intermediate People's Court on 28 April 2018. NNE Jinzhou PC received the subpoena from the People's Court of Guta District, Jinzhou City on 8 August 2018. The plaintiff Li Yingwu filed the subrogation lawsuit and requested the people's court to rule according to laws. As of the date of issuance of this report, the case has not been heard by the court. The impact of the final judgment of this lawsuit on the Company's profit is pending.

Save as disclosed above, at the end of the reporting period, the Group did not have any pending or threatened material litigation or claim.

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

Disposal of significant assets

The Company held the 16th meeting of the eighth board of directors on 17 September 2017 and approved the substantial asset disposal scheme of the Company, based on which the two wholly-owned subsidiaries of the Company, Gaocai Technology Co. Ltd. and Shenyang Kaiyi Electric Co., Ltd. intended to dispose of 100.00% equity in New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. they held to Jiangsu Ankao Solar Thermal Power Generation System Technology Co., Ltd. This substantial asset disposal has been reviewed and approved at the second extraordinary general meeting in 2018 held on 25 May 2018. The Company is currently advancing the transfer of equities. For details, please refer to the Announcement of the Resolutions of the Second Extraordinary General Meeting in 2018 issued by the Company on 25 May 2018. (Announcement No.: 2018-039)

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 Material Connected transactions

There are no material connected transactions in the Company during the reporting period.

6.10 Controlling shareholders and their connected parties' use of capital of the listed company for non-operating purpose

Controlling shareholders and their connected parties did not dispose of any capital for non-operating use during the reporting period.

6.11 Significant contracts and their execution

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 balance of the external guarantee provided by the Company totaled RMB30,150,000, representing 15.51% of the net assets (absolute value) of the Company by the end of the reporting period.

External guarantees of the Company

By the end of the reporting period, the actual balance of the external guarantee provided by the Company was RMB30,150,000, including RMB30,000,000 for the Jinzhou Power Capacitors Co., Ltd; RMB150,000 for Shenyang Kingdom Hotel Co., Ltd.

There were no guarantees for the subsidiaries of the Company. There were no guarantees for a subsidiary of another subsidiary.

Guarantee of the Company for the guaranteed company with direct or indirect 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 RMB30,000,000, accounting for 15.43% of the net assets of the Company by the end of the reporting period (excluding minorities interests).

The Company doesn't have any other guarantees for its shareholders, 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.

6.14 Explanation Given by the Board of Directors on the relevant situation of the "Non-standard Audit Report" of the previous year

NEE engaged Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year of 2017. Ruihua Certified Public Accountants (Special General Partnership) issued an unqualified audit report for the Company's financial report for the year 2017, indicating major uncertainties regarding the Company as an ongoing concern.

I Matters Relating to the Audit Opinion

The investors are advised to note that Northeast Electric's net loss in 2017 was RMB398,155,971.11, and as of 31 December 2017, Northeast Electric's total liabilities exceeded its total assets by RMB194,641,017.71, its current liabilities exceeded its current assets by RMB237,012,818.13, and the equity attributable to shareholders of the Parent was RMB-198,631,842.02. Meanwhile, the Company faces compensation of RMB272 million for resolved litigation cases. These matters indicate there are major uncertainties regarding the Company as a going concern, however, without any effect on the published audit opinions.

II Explanation given by the Board of Directors on the relevant situation of the "Non-standard Audit Report" of the previous year

The Board of Directors holds that the above audit opinion objectively and truthfully reflects the financial position of the Company and its risks as a going concern. The Company issued the "Detailed Explanation Given by the Board of Directors on Matters Relating to the Audit Opinion", "The Opinions of Independent directors on Matters Relating to the Audit Opinion", "The Opinions of the Supervisory Committee on the 'Detailed Explanation Given by the Board of Directors on Matters Relating to the Audit Opinion'"after its 2017 financial report was issued.

In the face of the current market and business environment of the Company, the Board of Directors urged the Company's management to integrate the Company's resources, actively change the business development ideas, and seek industrial restructuring. During the reporting period, the Company maintained stable operations, and various tasks were being effectively implemented. The Company's asset quality was gradually improved, and its ability to continue operations is qualified.

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

Independent directors Li Ming, 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. Controlling shareholders and their connected parties did not occupy any capital of the Company for non-operating use. 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.

6.16 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.

6.17 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.

6.18 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 2018, and disclosed the results 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 2018.

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 2018.

At the meeting held on 29 August 2018, the Audit Committee reviewed and approved the 2018 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 inquiry, that no director or supervisor 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 60 days prior to the results report (the lock-up period is from 29 June to 29 August 2018).

All directors have confirmed that they and the connected person did not carry out transactions of company securities during the 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 professional 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 directors in the 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.

6.19 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".

6.20 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.

6.21 Reception activities of field survey, communication and interview during the reporting period

There is no reception activities of field survey, communication and interview during the reporting period.

6.22 Significant events involving subsidiaries

I New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. ("NNE Jinzhou PC"), a wholly-owned subsidiary of the Company, obtained financing for factoring business.

To liquidize the book assets, recover the liquidities in a timely manner, enhance the turnover of capital, and improve the cash flow, the proposal that NNE Jinzhou PC utilized part of its receivables for factoring business was considered and approved by the Company in the 19th meeting of the 8th Board of Directors convened on 9 March 2018. NNE Jinzhou PC and Tianjin Huayi Fuyin Commercial Factoring Co., Ltd. signed the Domestic Commercial Factoring Agreement (without recourse) on 20 March 2018 and both parties are performing their obligations under the Agreement.

II Progress of relocation of Fuxin Enclosed Busbars Co., Ltd. ("FEB"), a wholly owned subsidiary of the Company

During the reporting period, FEB completed the relocation of the new plant and the new plant has been officially put it into use. The use of the new plant can greatly improve the technological level of busbar product manufacturing, significantly enhance the competitiveness of the product in the market, and fundamentally turn around the shrinking trend of orders due to outdated equipment and declined technological levels.

III Progress of recovering the non-business capital flow of RMB14.49 million payable from Dison Silink New Energy Investment Co., Ltd. ("Dison Silink"), an affiliate, to Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd. ("NEE Chengdu")

During the reporting period, Dison Silink repaid RMB0.3 million to NEE Chengdu; and after the reporting period, Dison Silink repaid RMB1.59 million to NEE Chengdu. Up to the date of disclosure of this report, Dison Silink still owes RMB12.6 million and its interest to NEE Chengdu. The Company has instructed personnel to track and implement the work of recovering the amount.

Chapter 7 Financial Statements (prepared under the PRC GAAP)

1. CONSOLIDATED BALANCE SHEET (30 June 2018)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and cash equivalents	40,527,885.96	45,175,761.77
Reserved deposits		
Loans to banks and other financial institutions		
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable		15,878,744.00
Accounts receivable	21,389,237.83	76,253,768.68
Prepayment	2,151,545.06	1,878,311.93
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Interest receivable		
Dividends receivable		
Other receivables	18,134,832.83	3,123,072.43
Financial assets purchased under agreements to resell		
Inventories	7,655,335.53	11,533,044.52
Assets held for sale	84,023,356.18	
Non-current asset due within 1 year		
Other current asset	928,410.63	3,696,251.15
Total current assets	**174,810,604.02**	**157,538,954.48**

1. CONSOLIDATED BALANCE SHEET (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current assets:		
Loans and advances		
Financial assets available for sale	31,760,858.70	31,760,858.70
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	19,607,563.41	19,463,641.61
Investment in real estate		
Fixed assets	13,168,325.10	35,705,865.32
Construction in progress	37,848,975.31	42,553,751.05
Construction material		
Liquidation of fixed assets		629,668.46
Operational biological assets		
Oil and gas assets		
Intangible assets	16,464,267.30	16,664,015.40
Development expenditures		
Goodwill	72,097.15	72,097.15
Long-term deferred expenses	871,779.83	1,545,177.16
Deferred income tax assets		
Other non-current assets		302,881.71
Total non-current assets	**119,793,866.80**	**148,697,956.56**
Total assets	**294,604,470.82**	**306,236,911.04**

1. CONSOLIDATED BALANCE SHEET (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		
Deposits from customers and interbank		
Borrowings from banks and other financial institutions		
Financial assets at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		40,000.00
Accounts payable	12,304,237.01	21,501,715.83
Receipts in advance	3,799,933.59	4,185,139.12
Proceeds from sale of repurchased financial assets		
Fees and commissions payable		
Employee compensation payable	628,413.71	3,022,542.03
Taxes payable	251,692.78	341,620.35
Interest payable		
Dividends payable		40,017.86
Other payables	352,550,155.19	365,420,737.42
Reinsurance accounts payable		
Provision for insurance contracts		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Liabilities held for sale	12,756,093.37	
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	**382,290,525.65**	**394,551,772.61**

1. CONSOLIDATED BALANCE SHEET (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term employee compensation payable		
Special payables	30,965,484.89	30,965,484.89
Estimated liabilities	72,099,690.00	75,360,671.25
Deferred revenue		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**103,065,174.89**	**106,326,156.14**
Total liabilities	**485,355,700.54**	**500,877,928.75**

1. CONSOLIDATED BALANCE SHEET (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Owner's equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Incl.: Preferred shares		
Perpetual bonds		
Capital reserve	883,422,403.92	883,422,403.92
Less: Treasury stock		
Other comprehensive income	-29,506,631.13	-29,869,066.75
Special reserve		
Surplus reserve	108,587,124.40	108,587,124.40
Provision for general risk		
Retained profits	-2,030,261,736.41	-2,034,142,303.59
Total equity attributable to owners of parent company	**-194,388,839.22**	**-198,631,842.02**
Minority interests	3,637,609.50	3,990,824.31
Total owners' equity	**-190,751,229.72**	**-194,641,017.71**
Total liabilities and owners' equity	**294,604,470.82**	**306,236,911.04**

2. BALANCE SHEET OF PARENT COMPANY (30 June 2018)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current assets:		
Cash and cash equivalents	12,528.98	20,119.58
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	497,804.72	497,804.72
Prepayment	1,668,168.36	1,668,168.36
Interest receivable		
Dividend receivable		
Other receivables	266,704,974.17	270,790,205.23
Inventories		
Assets held for sale		
Non-current asset due within 1 year		
Other current asset	429,035.26	363,531.99
Total current assets	**269,312,511.49**	**273,339,829.88**

2. BALANCE SHEET OF PARENT COMPANY (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current assets:		
Financial assets available for sale		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	56,436,473.03	56,436,473.03
Investment in real estate		
Fixed assets	39,501.92	46,373.60
Construction in progress		
Construction material		
Liquidation of fixed assets		
Operational biological assets		
Oil and gas assets		
Intangible assets		
Development expenditures		
Goodwill		
Long-term deferred expenses	871,779.83	1,018,224.11
Deferred tax assets		
Other non-current assets		
Total non-current assets	**57,347,754.78**	**57,501,070.74**
Total assets	**326,660,266.27**	**330,840,900.62**

2. BALANCE SHEET OF PARENT COMPANY (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Current liabilities:		
Short-term borrowings		
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 payable	284,184.32	908,719.52
Taxes payable	117,264.13	27,037.06
Interest payable		
Dividends payable		
Other payables	310,555,448.38	329,433,337.90
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	**311,538,640.42**	**330,950,838.07**

2. BALANCE SHEET OF PARENT COMPANY (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term employee compensation payable		
Special payables		
Estimated liabilities	72,099,690.00	75,360,671.25
Deferred revenue		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**72,099,690.00**	**75,360,671.25**
Total liabilities	**383,638,330.42**	**406,311,509.32**

2. BALANCE SHEET OF PARENT COMPANY (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Closing Balance	Opening Balance
Owners' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Incl.: Preferred shares		
Perpetual bonds		
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
Retained profits	-2,034,656,356.01	-2,053,148,900.56
Total owners' equity	**-56,978,064.15**	**-75,470,608.70**
Total liabilities and owners' equity	**326,660,266.27**	**330,840,900.62**

3. CONSOLIDATED INCOME STATEMENT (30 June 2018)

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total operating income	14,296,160.44	17,612,476.66
Incl.: Operating income	14,296,160.44	17,612,476.66
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	32,163,092.74	38,379,342.21
Incl.: Operating cost	12,156,795.16	13,354,978.21
Interest expense		
Fee and commission expense		
Surrender value		
Net payment of insurance claims		
Net provision of insurance reserve		
Premium bonus expenditures		
Reinsurance expenses		
Taxes & Surcharges	632,992.06	652,983.66
Cost of sales	1,897,146.53	3,235,411.25
General & Administrative expenses	16,549,369.69	20,287,891.80
Financial expenses	363,263.42	626,905.77
Impairment loss of assets	563,525.88	221,171.52
Add: gains on the changes in fair value (“-”represents loss)		
Investment income (“-”represents loss)		
Incl.: Investment income from associates and joint ventures		
Foreign exchange gains (“-”represents loss)		
Gains on disposal of assets (“-”represents loss)		
Other income		

3. CONSOLIDATED INCOME STATEMENT (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the current period	Amount for the previous period
III. Operational Profit ("-"represents loss)	-17,866,932.30	-20,766,865.55
Add: Non-operating income	21,497,158.08	620,476.86
Less: Non-operating expenses	102,873.41	139,079.29
IV. Total Profit ("-"represents total loss)	3,527,352.37	-20,285,467.98
Less: Income tax expenses	0.00	0.00
V. Net Profit ("-"represents net loss)	3,527,352.37	-20,285,467.98
(I) Net profit from continuing operations ("-"represents net loss)	3,527,352.37	-20,285,467.98
(II) Net profit from discontinued operation ("-"represents net loss)		
Net profit attributable to owners of the parent company	3,880,567.18	-19,929,800.00
Minority interests	-353,214.81	-355,667.98
VI. Net other comprehensive income after tax	362,435.62	-357,340.04
Net other comprehensive income attributable to owners of the parent company	362,435.62	-357,340.04
(I) Other comprehensive income not to be reclassified into profit & loss		
1. Changes in remeasurement on the net liabilities/assets of defined benefit plans		
2. Share in other comprehensive income of the investee not to be reclassified into profit or loss under the equity method		
(II) Other comprehensive income to be reclassified into profit & loss	362,435.62	-357,340.04
1. Share in other comprehensive income of the investee to be reclassified into profit & loss under the equity method		
2. Profit or loss of change in fair value of available-for-sale financial assets		
3. Profit or loss arising from reclassification of held-to-maturity investments as financial assets available for sale		
4. Effective portion of profit or loss from cash flow hedging		
5. Translation differences of foreign currency financial statements	362,435.62	-357,340.04
6. Others		
Other comprehensive income attributable to the minority interests, net of tax		

3. CONSOLIDATED INCOME STATEMENT (30 June 2018) *(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	3,889,787.99	-20,642,808.02
Total comprehensive income attributable to owners of the parent company	4,243,002.80	-20,287,140.04
Total comprehensive income attributable to the minority interests of the Company	-353,214.81	-355,667.98
VIII. Earnings per share		
(I) Basic earnings per share	0.0044	-0.0228
(II) Diluted earnings per share	0.0044	-0.0228

4. INCOME STATEMENT OF PARENT COMPANY (30 June 2018)

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: Operating cost		
Taxes & Surcharges	15.00	
Cost of sales		
General & Administrative expenses	2,768,391.87	6,006,048.06
Financial expenses	29.83	385,784.44
Impairment loss of assets		
Add: gains on the changes in fair value ("-" represents loss)		
Investment income ("-" represents loss)		
Incl.: Investment income from associates and joint ventures		
Gains on disposal of assets ("-"represents loss)		
Other income		
II. Operational Profit ("-"represents loss)	-2,768,436.70	-6,391,832.50
Add: Non-operating income	21,260,981.25	
Less: Non-operating expenses		
III. Total Profit ("-"represents total loss)	18,492,544.55	-6,391,832.50
Less: Income tax expenses		

4. INCOME STATEMENT OF PARENT COMPANY (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the current period	Amount for the previous period
IV. Net Profit ("-"represents net loss)	18,492,544.55	-6,391,832.50
(I) Net profit from continuing operations ("-"represents net loss)		
(II) Net profit from discontinued operations ("-"represents net loss)		
V. Net other comprehensive income after tax		
(I) Other comprehensive income not to be reclassified into profit & loss		
1. Changes in remeasurement on the net liabilities/assets of defined benefit plans		
2. Share in other comprehensive income of the investee not to be reclassified into profit & loss under the equity method		
(II) Other comprehensive income to be reclassified into profit & loss		
1. Share in other comprehensive income of the investee to be reclassified into profit & loss under the equity method		
2. Profit or loss of change in fair value of available-for-sale financial assets		
3. Profit or loss arising from reclassification of held-to-maturity investments as financial assets available for sale		
4. Effective portion of profit or loss from cash flow hedging		
5. Translation differences of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	**18,492,544.55**	**-6,391,832.50**
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. CONSOLIDATED CASH FLOW STATEMENT (30 June 2018)

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	23,105,995.20	21,689,573.95
Net increase in deposits from customers and interbank		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from premiums under original insurance contracts		
Cash received from reinsurance business, net		
Increase in policyholders' deposits, net		
Net increase in disposal of financial assets at fair value through profit or loss		
Cash from interests, fees and commissions		
Net increase in interbank borrowings		
Net increase in income from repurchase transactions		
Tax refunds received		
Cash received from other operating activities	59,576,955.15	63,768,726.38
Sub-total of cash inflows from operating activities	**82,682,950.35**	**85,458,300.33**

5. CONSOLIDATED CASH FLOW STATEMENT (30 June 2018) *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid to goods purchased and labor service received	13,914,755.03	27,796,507.44
Net increase in customers' loans and advances		
Net increase in deposits with central bank and inter-bank		
Cash paid for compensation payout under original insurance contracts		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	10,172,007.36	14,042,442.25
Payments of taxes and surcharges	999,421.36	1,062,275.51
Cash payments to other operating activities	62,960,490.91	14,836,221.82
Sub-total of cash outflows for operating activities	**88,046,674.66**	**57,737,447.02**
Net cash flow from operating activities	**-5,163,724.31**	**27,720,853.31**
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	390,000.00	
Net cash received in disposal of subsidiaries and other operating units		
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities	**390,000.00**	
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	226,495.72	1,065,152.91
Cash paid for investment		
Net increase of mortgaged loans		
Net cash paid for subsidiaries and other operating units		
Cash paid relating to other investing activities		
Sub-total of cash outflows	**226,495.72**	**1,065,152.91**
Net cash flow from investing activities	**163,504.28**	**-1,065,152.91**

5. CONSOLIDATED CASH FLOW STATEMENT (30 June 2018) *(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		
Incl.: cash received by subsidiaries from minority shareholders		
Cash received from borrowings		6,000,000.00
Cash received from bonds issued		
Cash received relating to other financing activities		
Sub-total of cash inflows		6,000,000.00
Cash paid for repayments of debts		27,000,000.00
Cash paid for distribution of dividends, profits and interests	20,745.19	741,382.17
Incl.: dividends and profits paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities		
Sub-total of cash outflows	**20,745.19**	**27,741,382.17**
Net cash flow from financing activities	**-20,745.19**	**-21,741,382.17**
IV. Effect of changes in foreign currency rates on cash and cash equivalents	**3,230.45**	**-11,902.51**
V. Net increase in cash and cash equivalents	**-5,017,734.77**	**4,902,415.72**
Add: Balance of cash and cash equivalents at beginning of period	8,408,461.77	24,833,221.44
VI. Balance of cash and cash equivalents at end of period	**3,390,727.00**	**29,735,637.16**

6. CASH FLOW STATEMENT OF PARENT COMPANY (30 June 2018)

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	46,239,201.72	54,927,792.48
Sub-total of cash inflows from operating activities	**46,239,201.72**	**54,927,792.48**
Cash paid to goods purchased and labor service received		
Cash paid to and for employees	2,264,595.24	3,247,636.17
Payments of taxes and surcharges	1,677.30	
Cash payments to other operating activities	43,980,519.78	31,243,332.02
Sub-total of cash outflows for operating activities	**46,246,792.32**	**34,490,968.19**
Net cash flow from operating activities	**-7,590.60**	**20,436,824.29**
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 disposal of 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
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**
Net cash flow from investing activities		**-14,038.38**

6. CASH FLOW STATEMENT OF PARENT COMPANY (30 June 2018) *(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 bonds 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 interests		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	**-7,590.60**	**-45,825.20**
Add: Balance of cash and cash equivalents at beginning of period	20,119.58	49,760.27
VI. Balance of cash and cash equivalents at end of period	**12,528.98**	**3,935.07**

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2018)

Amount for the current period

Unit: RMB

Items	Amount for the current period												
	Shareholders' equity attributable to shareholders of Parent Company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained profits	Minority interests	Total shareholders' equity
		Preferred	Perpetual	Others									
I. Balance from last year	873,370,000.00				883,422,403.92		-29,869,066.75		108,587,124.40		-2,034,142,303.59	3,990,824.31	-194,641,017.71
Add: Changes in accounting policies													
Corrections to previous errors													
Effect of business combination under common control													
Others													
II. Balance at beginning of year	873,370,000.00				883,422,403.92		-29,869,066.75		108,587,124.40		-2,034,142,303.59	3,990,824.31	-194,641,017.71
III. Changes in the current period ("-" represents loss)							362,435.62				3,880,567.18	-353,214.81	3,889,787.99
(I) Total comprehensive income							362,435.62				3,880,567.18	-353,214.81	3,889,787.99
(II) Increase/Decrease of capital from shareholders													
1. Common shares													
2. Other equity instrument													
3. Shares payment 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		-29,506,631.13		108,587,124.40		-2,030,261,736.41	3,637,609.50	-190,751,229.72

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (30 June 2018) *(Continued)*

Amount for the previous year

Unit: RMB

Items	Amount for the previous 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	Special reserve	Surplus reserve	Provision for general risks	Retained profits		
		Preferred	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
Add: Changes in accounting policies													
Corrections to previous errors													
Effect of business combination under common control													
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 current period ("-" represents loss)							-4,364,078.31				-397,057,643.19	-1,098,327.92	-402,520,049.42
(I) Total comprehensive income							-4,364,078.31				-397,057,643.19	-1,098,327.92	-402,520,049.42
(II) Increase/Decrease of capital from shareholders													
1. Common shares													
2. Other equity instrument													
3. Shares payment 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 owners' 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		-29,869,066.75		108,587,124.40		-2,034,142,303.59	3,990,824.31	-194,641,017.71

8. STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY (30 June 2018)

Amount for the current period

Unit: RMB

Items	Amount for the current period									
	Capital share	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Preferred	Perpetual	Others							
I. Balance from last year	873,370,000.00				995,721,167.46				108,587,124.40	-2,053,148,900.56	-75,470,608.70
Add: 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	-2,053,148,900.56	-75,470,608.70
III. Changes in the year ("-" represents loss)										18,492,544.55	18,492,544.55
(I) Total comprehensive income										18,492,544.55	18,492,544.55
(II) Increase/Decrease of capital from shareholders											
1. Common shares											
2. Other equity instrument											
3. Shares payment taken into shareholder's equity											
4. Others											
(III) Distribution of profit											
1. Extraction of surplus reserves											
2. Distribution to shareholders											
3. 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	-2,034,656,356.01	-56,978,064.15

8. STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY (30 June 2018) *(Continued)*

Amount for the previous year

Unit: RMB

Items	Amount for the previous period										
	Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Preferred	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
Add: 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 current period ("-" represents loss)										-377,145,943.25	-377,145,943.25
(I) Total comprehensive income										-377,145,943.25	-377,145,943.25
(II) Increase/Decrease of capital from shareholders											
1. Common shares											
2. Other equity instrument											
3. Shares payment taken into shareholder's equity											
4. Others											
(III) Distribution of profit											
1. Extraction of surplus reserves											
2. Distribution to shareholders											
3. Others											
(IV) Transfer within owners' 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	-2,053,148,900.56	-75,470,608.70

Legal representative: Li Tie   Chief financial officer: Xiao Xun   Chief accounting officer: Xing Liwen

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	VAT and business tax payable	5%, 7%
Urban construction & maintenance tax	VAT and business tax payable	5%
Corporate income tax	Taxable income	25%

Tax incentive

(1) 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%.

(2) 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.

7.4.3 Net profit

	The reporting period period	The same period of last year
Net profit attributable to shareholders of parent company (RMB)	3,880,567.18	-19,929,800.00

7.4.4 Earnings per share

	The reporting period	The same period of last year
Basic earnings per share (RMB/Share)	0.0044	-0.0228
Diluted earnings per share (RMB/Share)	0.0044	-0.0228

7.4.5 Dividends

No dividends was paid or proposed for the six months ended 30 June 2018 (or for the six months ended 30 June 2017: None), and no dividend was proposed from the end of the reporting period.

7.4.6 Share capital

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

7.4.7 Contingent liabilities

As at 30 June 2018, the Company did not have any material contingent liabilities.

7.5 PUBLICATION OF THE INTERIM REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG 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
Li Tie
Chairman

Haikou, Hainan Province, the PRC
29 August 2018

As at the date of the Announcement, the Board of Directors comprises of five executive directors, namely Mr. Li Tie, Mr. Qin Jianmin, Mr. Li Rui, Mr. Song Xiang and Mr. Bao Zongbao; and three independent directors, namely Mr. Li Ming, Mr. Jin Wenhong and Mr. Qian Fengsheng.