



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)

Suggestive Announcement on Performance Loss Prediction for the Third Quarter of 2007

It is predicted that Northeast Electric Development Co., Ltd (hereinafter referred to “the Company”) will suffer from a loss in cumulated net profit in this past three quarters according to the primary calculation from the financial management department. The amount of loss is uncertain, and the detailed financial data will be disclosed in the third quarter report of 2007. Now, an announcement is made in accordance with the provision specified in Article 13.09 of the Listing Rule.

I. Period of Performance Prediction: from 1 January 2007 to 30 September 2007

II. Results of Performance Prediction: Loss

It is predicted that the Company will suffer loss in cumulated net profit in the past three quarters of this year according to the primary calculation from the financial management department. The amount of loss is uncertain, and the detailed financial data will be disclosed in the third quarter report of 2007 which will be announced before 30 October 2007.

III. Reasons for Performance Loss Prediction

After checking the fulfillment of foreign guarantee contracts, the Company found that the loan of RMB24,000,000 (Same as below) granted by Shenyang Yinxin Branch of Industrial and Commercial Bank of China to Shenyang Jindu Hotel with a guarantee offered by the Company is overdue, and the creditor bank is requesting the debtor and the Company to fulfill their repayment obligation as soon as possible. Accordingly, the Company has coordinated all parties related to discuss the debt-restructuring program so as to accelerate the completion of repayment.

Due to the debtor's unfavorable financial situation, and in accordance with the related provision specified in the Accounting Standards for Business Enterprises that obligations relating to contingencies should be recognized as predicted liability standard, the Company will translate all guarantee obligations under this provision into liabilities in consideration of prudent accounting principles.

According to the Company's current production and operation situation, it is predicted that the Company will suffer from a loss in cumulated net profit in this past three quarters after translating the guarantee obligation into full liabilities for the loan of RMB24,000,000 granted by Shenyang Yinxin Branch of the Industrial and Commercial Bank of China to Shenyang Jindu Hotel.

IV. Did the international auditor audit the performance prediction?

No.

V. The performance in the same period last year

1. Net profit: RMB12,193,731.12
2. Earnings per share: RMB0.003

VI. Other Related Explanation

The detailed financial data of this performance prediction will be disclosed in the third quarter report of 2007 which will be announced before 30 October 2007. We wish to call mass investors' attention to investment risks.

By order of the Board

Sun Zhen

Chairman

Shenyang, the People's Republic of China

10 September 2007

As at the date of the Statement, the Board of Directors comprises of seven executive Directors, namely Mr. Sun Zhen, Mr. Wang Shouguan, Mr. Zhang Bin, Mr. Su Weiguo, Mr. Liu Qingmin, Mr. Shi Li and Mr. Du Kai; and five independent non-executive Directors, namely Mr. Wu Qicheng, Mr. Lin Wenbin, Mr. Xiang Yongchun, Ms. Liang Jie and Mr. Liu Hongguang.