



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 year of 2007

It is predicted that Northeast Electric Development Co., Ltd (hereinafter referred to “the Company”) will suffer from a loss of about RMB45,000,000 in 2007 according to the primary calculation from the financial management department. The detailed financial data will be disclosed in the annual 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 31 December 2007

II. Results of Performance Prediction: Loss

It is predicted that the Company will suffer loss in net profit from the beginning of this year to the end of the next reporting period according to the primary calculation from the financial management department. The amount of loss is predicted to be about RMB45,000,000 in 2007.

III. Reasons for Performance Loss Prediction

The Company once offered guarantees for a loan of RMB22,900,000 granted by Jinzhou Branch of Industrial and Commercial Bank of China and a loan of RMB17,000,000 granted by Jinzhou Commercial Bank (with a total of RMB39,900,000) to Jinzhou Power Capacitors limited, a wholly-owned subsidiary of the Company. Now both the two loans are overdue, and the creditor banks are 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 situation of production and operation as well as the cumulated profit in this past three quarters, it is predicted that the Company will suffer from a loss of about RMB45,000,000 all the year round after translating the guarantee obligation into full liabilities for the above loans of RMB39,900,000.

IV. Did the certified public accountant audit the performance prediction? No.

V. The performance in the same period last year

1. Net profit: RMB29, 540,000
2. Earnings per share: RMB0.034

VI. Other Related Explanation

The detailed financial data of this performance prediction will be disclosed in the annual report of 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

26 October 2007

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