

(一) 重大訴訟、仲裁事項

(1) LITIGATION AND ARBITRATION OF SIGNIFICANT IMPORTANCE

1、銀團貸款訴訟

1. With regard to the syndicated loan

1998年5月5日公司從境外銀團貸款4,000萬美元，逾期未能償還。2001年6月1日銀團向香港高等法院提出起訴，2002年4月4日銀團向遼寧省高級人民法院提出起訴，於2001年12月28日銀團提出清盤申請。在公司積極努力下，2002年5月29日雙方正式簽署債務償還協議，協議規定六個月內歸還4,000萬美元65%本金。2002年5月30日公司支付了首期償債款1,800萬美元，2002年11月22日償還剩餘800萬美元欠款，全部履行了還款協議規定的義務。2002年6月10日香港高等法院接受了銀團撤訴申請，2002年8月28日遼寧省高級人民法院作出判決，准許銀團撤回起訴，至此本公司已經完全、徹底地解決了銀團貸款訴訟問題。

On 5 May 1998, the Company received a syndicated loan amounting to US\$ 40 million from an overseas syndicated. Since the loan was not settled at maturity date, the syndicated filed litigation against the Company at the High Court of Hong Kong on 1 June 2001 and filed litigation against the Company at the People's High Court of Liaoning Province on 4 April 2002. The syndicated filed a winding-up petition against the Company on 28 December 2001. Since the Company made great effort in out of court settlement, the Company and the syndicated entered into a repayment agreement (the "Agreement") on 29 May 2002, pursuant to which both parties agreed that the Company made repayment (i.e. US\$ 26million) of 65% of the principal amount (US\$40 million) of the loan in six months. After the Agreement was in force, the Company repaid US\$18 million on 30 May 2002. On 22 November 2002, the Company repaid the remaining US\$ 8 million, completely settling the debt. In the winding-up hearing of High Court of Hong Kong, the judge approved the application by the syndicate banks to revoke the winding-up petition against the Company on 10 June 2002. On 28 August 2002, the People's High Court of Liaoning Province ruled to revoke the winding-up petition against the Company, principally settling the litigation with respect to the syndicated loan.

(一) 重大訴訟、仲裁事項 (續)

2、 關聯方欠款的訴訟

截止2001年12月31日，本公司應收關聯方原控股股東——東北輸變電設備集團公司欠款23,760萬元。為追回欠款，本公司於2001年6月8日向遼寧省高級人民法院提起訴訟。經審理，法院於2001年12月19日以[2001]遼經初字第17號民事調解書，要求關聯方於12月25日前還款，但關聯方未按判決如約還款。公司於2002年5月20日向法院提出強制執行申請，法院於2002年6月25日以[2002]遼法執字第9號民事裁定書將關聯方持有的瀋陽古河電纜有限公司33%股權以52,015,144.50元抵償給本公司。2002年7月29日公司與關聯方簽署股權轉讓協議，關聯方同意將剩餘的9.5%古河電纜股權抵償1,490萬元債務。兩項合計，關聯方以持有的古河電纜42.5%股權共抵償66,915,144元。

(1) LITIGATION AND ARBITRATION OF SIGNIFICANT IMPORTANCE (Continued)

2. With regard to accounts due from connected parties

As at 31 December 2001, there was an outstanding amount of RMB237.6 million due from Northeast Electrical Transmission & Transformation Equipment Group Corporation Limited (“NET”), a connected party and original controlling shareholder of the Company. In order to recover the loan, the Company filed litigation against NET at the People’s High Court of Liaoning Province on 8 June 2001. Upon hearing of the legal proceedings, the Provincial High Court ruled in the Judgement for Arbitration ((2001) Liao Jing Chu Zi No. 17) dated 19 December 2001 that NET should make repayment of such debt by 25 December 2001. Nevertheless, NET failed to make such repayment as stipulated in the Judgement. The Company applied to the Provincial High Court for specific performance on 20 May 2002. The Provincial High Court ruled in the Judgement ((2002) Liao Fa Zhi Zi No 9) dated 25 June 2002 that the defaulting party, NET, should use 33% equity interest, which is amounted to RMB52,015,144.50 held by it in Shenyang Furukawa Cable Company Limited (“Furukawa Cable”) to set off the debt owing to the Company. After negotiations, the Company and NET signed an agreement for assignment of equity interest, pursuant to which NET agreed to use the remaining 9.5% equity interest of Furukawa Cable to set off RMB14,900,000 of the debt of the Company on 29 July 2002. In total, NET used 42.5% equity interest of Furukawa Cable to set off the debt amounting to RMB66,915,144.

(一) 重大訴訟、仲裁事項 (續)

(1) LITIGATION AND ARBITRATION OF SIGNIFICANT IMPORTANCE (Continued)

3、 第三方欠款的訴訟

3 With regard to borrowing from the third parties:

2000年3月31日，本公司與非關聯公司—河南銀基房地產開發有限公司簽定借款協議，借給河南銀基抵押借款9,600萬元，擔保方為廣州羅蘭德房地產有限公司和香港德奧投資有限公司，約定2000年12月31日還款付息。到期後，債務人未能按期償還借款及利息。截至2002年6月30日，本公司應收其借款金額9,076萬元。為追回欠款，本公司於2001年5月16日提起訴訟，遼寧省瀋陽市中級人民法院於2001年11月29日以[2001]沈經初字第392號、[2001]沈經初字第393號民事調解書，要求債務人2001年12月31日前還款，但債務人及擔保責任人未按判決如期還款。本公司於2002年4月8日提出強制執行申請，法院於2002年12月17日以[2002]沈法執字第378號民事(執行)裁定書依法裁定羅蘭德公司、德奧公司以其所有的六台120MW汽輪發電機組和四台200MW汽輪發電機組設備，評估價值13,082.92萬元，抵償所欠本公司9,076萬元債務。公司董事會接受了法院判決，以上資產所有權已於2002年12月30日轉移給本公司。

The Company entered into a loan agreement (the “Loan Agreement”) with Henan Yinji Property Co., Ltd (“HYPC”), an independent third party, on 31 March 2000, pursuant to which the Company agreed to grant a mortgaged loan of RMB96,000,000 to HYPC with Guangzhou Laureland Property Co., Ltd. (“LPC”) and Hong Kong Deao Investment Ltd. (“Deao”) acting as guarantors and that the principal and interest thereon should be repaid by 31 December 2000. The debtor failed to make such repayment by the maturity date as scheduled. As at 30 June 2002, the sum receivable by the Company amounted to RMB90,760,000. In order to recover the outstanding amount, the Company instituted legal proceedings at the Intermediate People’s Court of Shenyang, Liaoning Province (the “Court”) on 16 May 2001 and the Court ruled in the Judgments ((2001) Shen Jing Chu Zi No. 392 and (2001) Shen Jing Chu Zi No. 393) dated 29 November 2001 that HYPC (“the Debtor”) and LPC and Deao (collectively called the “Guarantors”) should repay the outstanding amount before 31 December 2001. However, the debtor and the guarantors did not make repayment as stipulated in the Judgments. Consequently, the Company applied for specific performance on 8 April 2002 and the Court ruled in the (Enforcement) Judgment ((2002) Shen Fa Zhi Zi No.378 dated 17 December 2002 that LPC and Deao should use the six 120MW steam turbine generating units and the four 200MW steam turbine generating units (the “Assets”) owned by them to set off the debt owing to the Company in the sum of RMB90,760,000. The Assets were valued at RMB130,829,200. The Board of Directors accepted the ruling. The above assets were transferred to the Company on 30 December 2002. (Please refer announcements published on 30 December 2002 on selected newspapers)

(一) 重大訴訟、仲裁事項 (續)

4、擔保事項涉訴案

本公司於1998年6月19日為關聯方—東北輸變電設備集團在中國光大銀行3,000萬元貸款提供擔保。中國光大銀行已於2001年12月對關聯方及本公司提起訴訟，要求償還借款本金人民幣2,640萬元及相應利息。本公司對擔保有效性有異議，目前公司正在爭取解除擔保責任，但目前尚無實質性進展。

1999年4月及9月，本公司為關聯方附屬的瀋陽電纜有限責任公司在中國銀行瀋陽市分行兩筆合計2000萬元貸款提供擔保，債權人向瀋陽市中級人民法院起訴後，法院於2001年7月2日作出(2001)沈經初字第321號民事裁定書，鑒於被告沈纜公司已於2000年8月29日經(2000)沈經初字第422號立案公告，宣告進行破產程序，根據有關法律規定，駁回原告的起訴。截至本報告披露日，公司尚未收到新的訴狀。公司董事會認為，因為沈纜公司破產清算尚未有實質性進展，短時間內，公司不能確認承擔連帶責任的金額。

(1) LITIGATION AND ARBITRATION OF SIGNIFICANT IMPORTANCE (Continued)

4. With regard to guarantee

On 19 June 1998, NET, a connected party of the Company, and China Everbright Bank signed a borrowing contract with a line of credit amounting to RMB30 million. The Company acted as guarantor and undertook guarantee joint liability. In December of 2001, China Everbright Bank sued NET and the Company for repayment of the principal of the loan (RMB26.40 million) and interest thereto. The Company appointed a lawyer to review the guarantee contract and concluded that such contract was invalid since there was no approval from the Board. The company is in a position to question the validity of the contract and is trying to seek exemption from compliance with guarantee joint liability. However, there is no concrete progress so far.

In April and September of 1999, the Company guaranteed two loans of RMB20 million each on behalf of Shenyang Cable Company Ltd. from Bank of China(Shenyang Branch). Bank of China (Shenyang Branch) petitioned a lawsuit in the People's Intermediate Court of Shenyang City which delivered a verdict ((2001) Chen Jing Chu Zi No. 321) dated 2 July 2001 that refuted the lawsuit initiated by Bank of China (Shenyang Branch), the plaintiff, on the grounds that Shenyang Cable Company Ltd., the defendant, announced winding-up in accordance with ((2000) Chen Jing Chu Zi No. 422) dated 29 August 2000. As of 30 June 2002, the Company did not receive any affidavit. The Board is of the opinions that the winding-up of Shenyang Cable Company Ltd. is still proceeding. In the short run, the Company is subject to any other guarantee joint liabilities.

(二) 本報告期內公司收購及出售資產情況

(2) ACQUISITION AND DISPOSAL DURING THE REPORTING PERIOD

1、 出售瀋陽變壓器有限責任公司100%股權

1. The disposal of 100% equity interest in Shenyang Transformers Ltd.

2002年4月24日公司召開第三屆董事會十一次會議，審議通過出售資產議案，與收購方簽署轉讓協議，以1.5億元價格將連續三年巨額虧損的子公司瀋陽變壓器有限責任公司100%股權出售給東北建築安裝工程總公司，6月4日完成股權變更。

The 11th meeting of the third Board of Directors was on 24 April 2002. At the meeting, the disposal of profit making assets was approved. The Company and the purchasing party entered into an agreement to dispose of 100% equity interest in Shenyang Transformers, a subsidiary of the Company, which recorded significant loss for three consecutive years to Northeast Construction & Installation Corporation for a consideration of RMB150 million. Such transaction was completed on 4 June 2002.

出售沈變股權沒有對本公司業務連續性、管理層穩定性產生大的影響，本公司通過出售剝離了不良資產，支持了其他附屬公司的發展，減少了融資成本，滿足了公司整體運營資本的需求，使公司的整體財務狀況得到改善。出售收益47,495,680.59元，佔利潤總額68.83%。

The disposal of Shenyang Transformers had no significant effect on the continuous operations and the stability of management of the Company. By disposing of loss-making assets, the Company could support the development of other subsidiaries, further lowering financial expenses and satisfying the needs of the Company as a whole for operating capital. As a result, the financial position of the Company improved. Revenue from such disposal amounted to RMB47,495,680.59, accounting for 68.83% of the turnover.

2、 出售瀋陽華康餐飲娛樂有限公司60%股權

2. The disposal of 60% equity interest in Shenyang Hua Kong Food & Entertainment Ltd.

為調整公司經營結構，2002年11月10日公司與東北建築安裝工程總公司簽署轉讓協議，以2000萬元價格轉讓公司持有的瀋陽華康餐飲娛樂有限公司60%股權，12月19日完成股權變更。

In order to adjust its operating structure, the Company and Northeast Construction & Installation Corporation entered into an agreement to dispose of 60% equity interest in Shenyang Hua Kong Food & Entertainment Ltd. held by the Company to Northeast Construction & Installation Corporation for a consideration of RMB20 million on 10 November 2002. Such transaction was completed on 19 December 2002.

出售華康沒有對本公司業務連續性、管理層穩定性產生任何影響，本公司藉此調整了經營戰略，優化資產結構，有助於改善公司財務狀況。出售收益12,640,162元，佔利潤總額18.32%。

The disposal of Shenyang Hua Kong Food & Entertainment Ltd. had no significant effect on the continuous operations and the stability of management of the Company. By adjusting its operating strategies, the Company could optimize its operating structure, improving the financial position of the Company. Revenue from such disposal amounted to RMB12,640,162, accounting for 18.32% of the turnover.

(三) 關聯交易

- 1、本年度公司貿易往來的關聯交易詳見財務報告會計報表附註第49項。
- 2、關聯方以古河電纜42.5%股權抵債事項構成關聯交易，詳見重大事項第1(2)項。

(四) 重大合同及其履行情況

- 1、報告期內本公司無重大擔保、託管、承包、租賃其他公司資產或其他公司託管、承包、租賃本公司資產的事項，無委託理財、委託貸款事項。
- 2、尚未履行完畢的重大擔保事項：詳見重大事項第1(4)項。

(五) 聘任會計師事務所情況

2002年6月5日召開的本公司2001年度股東大會否決了《關於續聘審計師議案》。2002年8月12日召開的臨時股東大會審議批准聘任德勤•關黃陳方會計師行為境外核數師、德勤華永會計師事務所有限公司為境內核數師。

報告年度本公司共支付給審計機構的報酬為人民幣280萬元，並承擔相關的住宿和交通費。目前所聘任的審計機構為本公司提供審計服務的年限為1年。

(3) CONNECTED TRANSACTIONS

1. Details of connected transactions for the year by the Company are set out on note 49 to the financial statement.
2. The connected parties set off the debts by disposing of 42.5% equity interest in Furukawa Cable Company Limited. Such transaction constitutes a connected transaction of the Company. Details are set out on the paragraph 1(2) headed "Significant events".

(4) SIGNIFICANT CONTRACTS AND THEIR EXECUTIONS

1. During the reporting period, the Company had no significant events of guarantee, custody, undertaking, or leasing assets of other companies nor other companies had significant events of guarantee, custody, undertaking, or leasing assets of the Company.
2. Guarantee events whose performance has not yet been completed. Details are set out on paragraph 1(4) headed "Significant events".

(5) THE APPOINTMENT OF AUDITORS

The Company held its Annual General Meeting for 2001 on 5 June 2002. The resolution regarding the reappointment of auditors was vetoed at the meeting. The Company held its second Extraordinary General Meeting in 2002 on 12 August 2002. The appointments of Deloitte Touche Tohmatsu Certified Public Accountants and Tohmatu Touche Tohmatsu Hua Yong Certified Public Accountants as overseas auditors and domestic auditors respectively were approved at the meeting.

The Company paid remunerations to the auditors for the year amounted to RMB2.80 million and incurred accommodation and transportation fee. The auditors are appointed to provide auditing service to the Company for a term of one year.

(六) 暫停交易和恢復上市事項

暫停交易：由於本公司從1999年度起連續三年發生經營性虧損，深圳證券交易所對本公司作出了股票暫停上市的決定。本公司A股股票從2002年4月23日起暫停上市，本公司H股股票從2002年4月19日起暫停交易。

恢復上市：根據深圳證券交易所決定，公司A股股票獲准於2002年10月14日起恢復上市流通。由於本公司2001年末的每股淨資產低於股票面值，深圳證券交易所對本公司恢復上市後的A股股票交易實行特別處理。本公司H股股票從2002年10月18日起恢復交易。

(七) 更名事項

為樹立公司恢復上市後新形象，適應公司新業務發展的需要，2002年10月25日，東北輸變電機械製造股份有限公司正式更名為「東北電氣發展股份有限公司」。

(6) SUSPENSION AND RESUMPTION OF LISTING OF SHARES

Suspension of listing of shares: Due to that the Company has incurred loss for three consecutive years since 1999, Shenzhen Stock Exchange suspended trading of A shares of the Company with effect from 23 April 2002. Trading of H shares of the Company was suspended with effect from 19 April 2002.

Resumption of listing of shares: Shenzhen Stock Exchange approved resumption of trading of A shares of the Company with effect from 14 October 2002. Since net assets per share of the Company as at the end of 2001 was lower than its par value per share, Shenzhen Stock Exchange handled relevant matters after the resumption of listing of A shares of the Company. Trading of H shares of the Company was resumed with effect from 18 October 2002.

(7) CHANGE OF THE COMPANY'S NAME

In order to establish a new identity of the Company and facilitate the new development of operations of the Company, the Company held an extraordinary general meeting on 25 October 2002 at which the Company's name was approved to change from "Northeast Electrical Transmission & Transformation Machinery Company Limited" to "Northeast Electric Development Company Limited".

(八) 醫療保險制度改革對公司業績的影響

本公司自2001年9月1日起執行《瀋陽市城鎮職工基本醫療保險規定》，並依此「規定」實施職工醫療保險。原公司職工和退休職工的醫療費均從福利費中列支。執行新制度後，公司按在職職工工資總額的8%交納醫療保險金，除此之外不再負擔其他任何醫療費用。此8%的醫療保險金應從福利費中列支，且福利費的計提標準不變，仍為在職職工工資總額的14%，故此項政策變動不會給本公司業績造成影響。

承董事會命
時延平

中國，瀋陽
二零零三年四月十四日

(8) EFFECT FROM CHANGE IN THE MEDICAL INSURANCE POLICY FOR EMPLOYEES ON THE COMPANY

Pursuant to the Regulation on Basic Medical Insurance for Employees in Shenyang municipality (the "Regulation") effective from 9 January 2001, the Company implemented a medical insurance scheme for its existing and retired employees which was charged to staff welfare benefits payable. Upon the implementation of Regulation, the Company shall pay the premiums for such medical insurance scheme, which are equivalent to 8% of the total salaries of all of the existing employees of the Company. Save as the aforesaid premiums, the Company will not be responsible for other medical expenses payable. The 8% contribution to the medical insurance scheme is charged to staff welfare benefits payable, and the basis of calculation of the staff welfare benefits payable will remain unchanged which is 14% of the total salaries of all of the existing employees of the Company. Accordingly, this change in policy has no effect on the financial statements of the Company.

By Order of the Board of Directors
Shi Yanping

Shenyang, PRC
14 April 2003