

SIGNIFICANT EVENTS

I. MATERIAL LITIGATION OR ARBITRATION:

1. The case in connection with the provision of a security in favour of Everbright Bank.

Everbright Bank instituted litigation and demanded that the Company assume joint responsibility in connection with the Company's provision of a security for NET in respect of a loan of RMB26,402,000 and interest thereon. On 13 May 2003, the Beijing Higher People's Court delivered a verdict Gao Min Zong Zi (2003) No. 211 which ruled that NET be held liable for the repayment responsibility and that the Company be jointly held responsible. According to the outcome of the final trial and the legal opinion, the Company had made a reasonable provision for debt amounting to RMB30,993,929.

Please refer to the announcements published on 21 May 2003 for details.

2. The case in connection with the provision of a security in favour of the Shenyang branch of the Bank of China.

The Shenyang branch of the Bank of China instituted litigation and demanded the Company assume joint responsibility for repayment of the principal of RMB20,000,000 and the relevant interest thereon in connection with the Company's provision of a security for a subsidiary of NET Shenyang Cable Co., Ltd.. Shenyang Intermediate People's Court made a ruling that the Company be held joint responsibility. The Company lodged an appeal to the Liaoning Higher People's Court on 4 November 2003. On 5 December 2003, the Provincial High Court delivered a verdict (2003) Liao Min Zong Zi No. 312 that the fact was not properly verified in the initial ruling and that evidence was insufficient that the original ruling be revoked and that the case be retrial.

Please refer to the announcements dated 10 November 2003.

3. Deposit of USD12,000,000 in Liaoning Trust and Investment Company

The Company deposited USD20,000,000 in the former Liaoning Trust and Investment Company("Liaoning Trust") in 1999. The Liquidation Group repaid USD8,000,000 in November 2002. As at the end of the reporting period, the liquidation work has not completed. The Liquidation Group has issued confirmation of deposit for the balanced USD12,000,000.

For details, please refer to the regular reports dated 15 April 2003 and 16 August 2003.

II. DISPOSAL AND SALES OF ASSETS DURING THE REPORTING PERIOD

1. Transfer of 49% interest in Shenyang High-Voltage Switchgears Ltd

Upon the approval by the 21 meeting of the third Board of Directors on 12 June 2003, the Company disposed of 49% equity interest in Shenyang High-Voltage Switchgears Ltd. (“Shenyang High-Voltage”) to Shenyang Chengan Electric Equipment Corporation (“Chengan Corporation”) at consideration of approximately RMB26,000,000. The registration for the change in shareholding was completed on 28 August 2003. (For details, please refer to the announcements published on 13 June 2003 and 30 October 2003)

On 10 September 2003, Chengan Corporation submitted to the Company a proposal for capital increase in Shenyang High-Voltage. The Board agreed on the proposal of Chengan Corporation on 22 September 2003, and determined not to make further contribution to Shenyang High-Voltage. Procedures related to the approval and registration change for the capital increase of RMB6,080,000 in Shenyang High-Voltage by Changan Corporation were completed on 8 October 2003. Accordingly, the Company’s interests in Shenyang High-Voltage decreased to 48.95% from 51%, and Shenyang High-Voltage was not included in the Company’s consolidated income statements from October 2003.

The disposal of the 49% equity interests in Shenyang High-Voltage generated the transfer income of RMB11,100,000, and such equity transfer did not have any impact on the continuity of the business of the Company and the stability of its management.

2. Transfer of 42.5% interests in Shenyang Furukawa Cable Co. Ltd

Upon the approval by the 25th meeting of the third Board of Directors on 3 December, 2003, the Company transferred 42.5% equity interest in Shenyang Furukawa Cable Co. Ltd to Furukawa Electric Co. Ltd for a consideration of HK\$100,000,000. The registration for the change in shareholding and transfer of capital was completed on 18 December 2003. (For details, please refer to the announcements published on 30 December 2003)

The disposal of the 42.5% equity interests in Shenyang Furukawa generated the transfer income of RMB36,280,000, and such equity transfer did not have any impact on the continuity of the business of the Company and the stability of its management.

III. CONNECTED TRANSACTIONS

The connected transaction of the Company is detailed on Note 50 to the Financial Statements.

There was no connected transaction nor connected debt under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) occurred during the reporting period.

SIGNIFICANT EVENTS *(Continued)*

IV. SIGNIFICANT CONTRACTS AND THEIR EXECUTIONS

- 1. 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 lease during the reporting period.**

- 2. Guarantees:**

Currently, the Company has provided guarantee for RMB142,710,000, among which:

- (1) The Company's wholly-owned subsidiary provided guarantee for RMB2,000,000 to Jinzhou Wande Automobile Cantilever and RMB10,910,000 to Jinzhou Xinsheng Switch Factory, both are unconnected parties of the Company. As mutual guarantee, these two companies provided guarantee of RMB4,850,000 and RMB9,400,000 respectively to Jinzhou Power Capacitor Company Limited.
- (2) Jinzhou Power Capacitors Ltd. provided guarantee for RMB 57,300,000 to Shenyang High-Voltage on a cross guarantee basis. Shenyang High-Voltage provided a guarantee amounting to RMB25,700,000 for Jinzhou Capacitors;
- (3) The Company provided guarantee for RMB 52,500,000 to Shenyang High-Voltage;
- (4) the Company provided guarantee for RMB 20,000,000 to the former connect party Shenyang Cable.

In addition, the Company provided guarantee for its shareholding companies and the mutual guarantee among subsidiaries on a combined basis, amounting to RMB 111,560,000.

The total guarantee amounted to RMB 254,270,000, representing 45% of the Company's audited total net asset for the year 2003.

- 3. Deposit of USD12,000,000 in Liaoning Trust and Investment Company**

The Company deposited USD20,000,000 in the former Liaoning Trust and Investment Company ("Liaoning Trust") in 1999. The Liquidation Group repaid USD8,000,000 in November 2002. As at the end of the reporting period, the liquidation work has not completed. The Liquidation Group has issued confirmation of deposit for the balanced USD12,000,000.

For details, please refer to the regular reports dated 15 April 2003 and 16 August 2003.

SIGNIFICANT EVENTS (Continued)

V. PERFORMANCE OF UNDERTAKINGS

Capital commitments

	As at 31 December 2003 <i>RMB</i>	As at 1 January 2003 <i>RMB</i>
Contracted for but not recognized in the accounting statements		
– Undertaking for acquisition and construction of infrastructure and technologies	73,597,541.71	–
– External investment undertaking	10,237,492.00	–
Total	83,835,033.71	–

VI. THE AUDITORS

On 29 May 2003, the Company held the 2002 shareholders' general meeting at which 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, with a term of one year. During the reporting period, the Company has paid a total of HK\$2,600,000 to the auditors.

VII. POST BALANCE SHEET EVENTS

1. Changes in personnel

On 8 March 2004, the Company convened the first Extraordinary General Meeting for 2004, at which the fourth Board was set up, comprising 8 executive directors (Mr. Luo Hong, Ms. Tian Li, Mr. Shi Yanping, Mr. Qu Lin, Mr. Tang Xiaojiang, Mr. Zhang Deben, Mr. He Wanjun and Mr. Zhan Bin) and 5 independent directors (Mr. Gao Chuang, Mr. Kang Jinjiang, Mr. Lin Wenbin, Ms. Liang Jie and Mr. Liu Hongguang), and the fourth Supervisory Committee was set up, comprising two shareholder representatives (Mr. Yuan Limin and Ms. Xu Xiugin) and a staff representative (Mr. Chi Jingzhi), with a term of 3 years for all the said members commencing from 8 March 2004 to 7 March 2007.

On 8 March 2004, the 1st meeting of the fourth Board was held, at which Mr. Luo Hong was elected as Chairman and Mr. Qu Lin was elected as Vice Chairman; Mr. Zhang Bin was appointed as the General Manager; Mr. Liu Yongshun, Mr. Su Weiguo, Mr. Zhang Deben and Mr. Liu Xin were appointed as the Deputy General Managers, and Ms. Wang Guohua was appointed as Chief Accountant; Mr. Liu Xin was appointed as Secretary to the Board of Directors, and Mr. Zhu Xinguang was appointed as Representative on Securities Matters.

SIGNIFICANT EVENTS *(Continued)*

VII. POST BALANCE SHEET EVENTS *(Continued)*

2. Investment in New Northeast Electric (Shenyang) High-Voltage Switchgears Ltd. (“New Shenyang Switchgears”)

New Shenyang Switchgears is principally engaged in the manufacture and sale of closed composite electrical appliances and high-voltage circuit breaker with voltage of 110KV and above. Its registered address is Hua Hai Road, Economic and Technological Development Zone, Shenyang. Upon approval by the 25th meeting of the third Board held on 3 December 2003, the Company invested US\$6,230,000, representing 20.8% of its registered capital of US\$29,980,000 (For details, please refer to the announcements dated 29 December 2003).

3. Investment in New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. (“New Jinzhou Capacitor”)

New Jinzhou Capacitor is principally engaged in businesses of power capacitors, passive compensators and mutual inductors, with its registered address at Jinzhou Economic and Technological Development Zone. Upon approval by the 26th meeting of the third Board on 15 January 2004, the Company subscribed shares of US\$4,000,000 in New Jinzhou Capacitor for its capital increase, accounting for 40% in registered capital of US\$10,000,000 of New Jinzhou Capacitor. The Company directly and indirectly, through Jinzhou Capacitor Company, held 52% of interests in New Jinzhou Capacitor, which was accordingly became a subsidiary of the Company.

4. Disposal of 48.95% equity interest in Shenyang High-Voltage

Upon approval by the 2nd meeting of the fourth Board of Directors held on 15 March 2004, the Company transferred the 48.95% equity interest in Shenyang High-Voltage to Chengan Corporation at a consideration of RMB24,000,000. The registration for the change in shareholding was completed on 15 March 2004. After completion of the transfer, the Company will cease to hold any shares in Shenyang High-Voltage.

5. Investment in 98.5% of equity interests in Shenyang Tiansheng Communication Equipment Ltd.

As approved at the 3rd meeting of the fourth Board of Directors on 29 March 2004, the Company made an investment to acquire the additional registered capital of Shenyang Tiansheng Communication Equipment Ltd., representing 98.5% of its registered capital, at a consideration in specie of the assets of generating units equipment with an assessed value of RMB130,000,000. By order of the Board

Luo Hong
Chairman

Shenyang, PRC
7 April 2004