

I. MATERIAL LITIGATION OR ARBITRATION:**(1) Litigation lodged by the Company for the loan of RMB12.199 million owing from Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited**

On 22 March 2004, Shenyang Intermediate People's Court issued a verdict ((2003) Shen Zhong Min Si He Chu Zi No. 12 Civil) on the Company's litigation against Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited ("NET") for the principal of the loan of RMB12.199 million and the interests accrued thereon. NET was ruled to repay the Company the principal of RMB8.31 million and the interests accrued thereon prior to 2 April 2004 and NET shall pay RMB1.9 million as the penalty for overdue repayment. On 9 March 2005, Shenyang Intermediate People's Court issued a verdict ([2004] Shen Fa Zhi Zi No. 498 Civil (Execution)). NET was ruled to transfer its 75% equity interests in Northeast Equipment Complete Engineering Company Limited and the 70% equity interests in Shenyang Gaodongjia Desiccation Equipment Company Limited held by Shenyang High-voltage Switchgears Plant, a wholly owned subsidiary of NET, to the Company to set off all the debts under the original litigation due from NET to the Company. For details, please refer to the announcements dated 29 March 2004 and 21 March 2005.

(2) Litigation lodged by Shenyang Branch of Bank of China on the guarantee of RMB20 million

On 9 July 2004, Shenyang Intermediate People's Court made a new ruling that the Company be exempted from the joint guarantee responsibility for the principal of RMB8.97 million and accept the joint repayment responsibility for the remaining principal and the interests accrued thereon. The Company has lodged an appeal to Liaoning Higher People's Court. For details, please refer to the announcements dated 2 August 2004. Based on the outcome of the ruling and the opinion from lawyers, the Company made a reasonable provision of RMB15.29 million for debts.

(3) Litigation lodged by China Development Bank for the debt of RMB150 million

China Development Bank lodged a litigation against Shenyang High-voltage Switchgears Co. Ltd. for repayment of the principal of the debt of RMB150 million and the interests accrued thereon and also against the Company for acceptance of joint liabilities in relation to the debt. On 18 March 2005, Beijing Higher People's Court made a ruling ((2004) Gao Min Chu Zi No. 822 Civil) that the litigation initiated by China Development Bank against New Northeast Electric (Shenyang) High-voltage Switchgears Co. Ltd., Shenyang Suntime High-voltage Electric Company Limited, Shenyang Chengtai Energy Power Company Limited, Shenyang Suntime Storage and Logistics Company Limited and Northeast Electric Development Company Limited be overruled. For details, please refer to the announcements dated 27 August 2004 and 24 March 2005. On 23 March 2005, China Development Bank lodged an appeal to the Supreme People's Court.

SIGNIFICANT EVENTS (*Continued*)

II. ASSET ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD

(1) Assets Acquisition

1. Investment of US\$6.23 million to acquire 20.8% of the equity interests in New Northeast Electric (Shenyang) High-voltage Switchgears Co. Ltd.

As approved at twenty-fifth meeting of the third Board of Directors on 3 December 2003, the Company made an investment to acquire 20.8% of its registered capital amounting to US\$29.98 million at the consideration of US\$ 6.23 million. (Refer to the announcement dated 29 December 2003).

2. Investment of US\$4 million in the acquisition of 40% equity interests in New Northeast Electric (Jinzhou) Power Capacitor Company Limited (“New Jinzhou Capacitor”)

As approved at the twenty-sixth meeting of the third Board of Directors on 15 January 2004, the Company made an investment to acquire the additional capital of New Jinzhou Capacitor amounting to US\$4 million, representing 40% share of the US\$10 million registered capital of New Jinzhou Capacitor. Meanwhile, Jinzhou Power Capacitor Company Limited, a wholly-owned subsidiary of the Company, held 12% of its registered capital. As such, the Company directly and indirectly held 52% of its equity interests and therefore this company becomes a controlling subsidiary of the Company.

3. Acquisition of equity interests in three new companies

On 7 April and 14 April of 2004, the Company entered into two Acquisition Agreements for equity interests with Shenyang High-voltage Switchgears Co. Ltd., the particulars of which are as follows:

(1) First acquisition

On 7 April 2004, the Company acquires 74.4% equity interests in Shenyang Suntime High-voltage Electric Limited held by Shenyang High-voltage at a consideration of RMB129.54 million, which is satisfied by the 98.5% equity interests in Shenyang Tiansheng Communication Equipment Limited held by the Company.

(2) Second Acquisition

On 14 April 2004, the Company acquired 95% of the equity interests in Shenyang Suntime Storage and Logistics Company Limited and 95% of the equity interests in Shenyang Chengtai Energy Power Company Limited held by Shenyang High-voltage, the consideration of which is to be fully satisfied by the creditor's right of RMB76.66 million owned by the Company in NET.

At the 2004 2nd Extraordinary General Meeting held on 12 October 2004, the above transactions were approved. (Refer to announcements dated 8 April 2004, 19 April 2004 and 12 October 2004).

II. ASSET ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD (*Continued*)

(1) Assets Acquisition (*Continued*)

4. Investments in 20.80% equity interests of further issuance in Weida High-voltage Electric Company Limited

On 5 November 2004, the Company held the meeting of the Board of Directors to approve to acquire the 20.8% equity interests of further issuance of Weida High-voltage Electric Company Limited by Northeast Electric (Hong Kong) Company Limited, being its wholly-owned subsidiary, at the consideration of RMB60 million. The consideration is to be fully satisfied by the 100% equity interests and the creditor's right owned by the Hong Kong company in Junwei Technology Company Limited. (Refer to announcement dated 9 November 2004).

5. Established a wholly owned subsidiary Smart Power Technology Limited

On 8 April 2004, the Company's wholly-owned subsidiary Northeast Electric (Hong Kong) Company Limited invested US\$1 in establishing a wholly owned subsidiary Smart Power Technology Limited (details of which can be referred to announcement dated 9 November 2004).

(2) Assets Disposals

1. Disposal of 48.95% equity interests in Shenyang High-voltage Switchgear Co. Ltd.

Upon approval by the 2nd meeting of the fourth Board of Directors held on 15 March 2004, the Company transferred 48.95% equity interest in Shenyang High-voltage to Chengan Corporation at a consideration of RMB24 million. The registration for the change in shareholding was completed on 15 March 2003. After completion of the transfer, the Company will cease to hold any shares in Shenyang High-voltage.

2. Disposal of 99.99% of equity interests in Jinzhou Power Capacitor Company Limited

On 27 December 2004, the Company held its 10th meeting of the fourth Board of Directors to approve the Company to dispose of the 99.99% equity interest in Jinzhou Power Capacitor Company Limited held by the Company to Northeast Construction and Installation Corporation at a consideration of RMB54 million (details of which can be referred to announcement dated 29 December 2004).

3. Disposal of 20.8% equity interests in New Northeast Electric (Shenyang) High-voltage Switchgear Co. Ltd.

On 12 May 2004, Northeast Electric Development Company Limited transferred 20.8% equity interests in New Northeast Electric (Shenyang) High-voltage Switchgear Co. Ltd. to Smart Power Technology Limited at a consideration of US\$6.23 million.

4. Disposal of 100% equity interests in Smart Power Technology Limited

On 5 November 2004, Northeast Electric Development Company Limited transferred 100% equity interests in Smart Power Technology Limited to Weida High-voltage Electric Company at a consideration of US\$6.23 million (details of which can be referred to announcement dated 9 November 2004).

SIGNIFICANT EVENTS (Continued)

III. CONNECTED TRANSACTIONS

According to the requirement on connected relations under the Listing Rules of Shenzhen Stock Exchange (revised in 2004) ("Listing Rules"), during the reporting period, Shenyang Chengan Electric Equipment Company Limited ("Chengan Company") and Shenyang High-voltage Switchgear Co. Ltd. ("Shenyang High-voltage") shall be recognised as connected parties. Details of the transactions are as follows:

(1) Connected transactions during the reporting period

1. As approved at the Board meeting on 15 March 2004, disposal of 48.95% equity interests in Shenyang High-voltage to Chengan Company. The consideration of the transfer amounted to RMB24 million;
2. As approved at the Board meeting on 7 April 2004, acquisition of 74.4% equity interests in Shenyang Suntime High-voltage Electric Co. Ltd. to Shenyang High-voltage.
3. As approved at the Board meeting on 14 April 2004, acquisition of 95% of equity interests in Shenyang Suntime Storage and Logistics Company Limited and 95% of equity interests in Shenyang Chengtai Energy Power Company Limited.
4. During the relevant period, the Company purchased from Shenyang High-voltage Switchgear Co. Ltd. for an amount of RMB2,198,400 for its inventory.

(2) Connected creditor right and debt

	<i>Unit: RMB</i>		
	1 January 2004	2 March 2004	17 June 2004
For Shenyang High-voltage Switchgear Co. Ltd.:			
Other receivables	48,017,387	10,117,926	22,117,927
Account payables	<u>6,739,369</u>	<u>3,015,400</u>	<u>2,357,000</u>
	1 January 2004		31 December 2004
For Shenyang Chengan Electric Equipment Company Limited:			
Account receivables	<u>688,772</u>		<u>688,772</u>

Note: After enquiry on the shareholdings in Shenyang High-voltage, it is recognised that before 2 March 2004, Shenyang High-voltage is only the associated company of the Company and not the connected party as defined under the Listing Rules; on 2 March 2004, there were changes in the shareholdings of Shenyang High-voltage, resulting in the Shenyang High-voltage become the connected party under the Listing Rules. Starting from 17 June 2004, as there were changes in shareholders and ultimate controller in Shenyang High-voltage, leading it became a totally independent third party. Therefore, the Company shall disclose the connected transactions with Shenyang High-voltage during the period from 2 March 2004 and 16 June 2004.

SIGNIFICANT EVENTS *(Continued)*

IV. USE OF CAPITAL FOR CONNECTED PARTIES

According to the requirement of “Notice of certain issues in relation to the regulation on capital flow between connected parties of listed companies and guarantee granted by listing companies” issued by CSRC, the Company disclosed all the use of fund of the Company in relation to connected parties as required by the “Corporate accounting standard - Disclosure of connected relations and their transactions” issued by Ministry of Finance as follows:

As of 31 December 2004

Unit: RMB

Use of fund	Name of connected party	Connected relationship	Incurred in the year		Closing balance	Remarks
			Amount RMB	Accounting items RMB		
Lending of funds	Shenyang High-voltage Switchgear Co. Ltd.	note	(25,899,425)	Other receivables	22,117,927	Not repayable
	New Northeast Electric (Shenyang) High-voltage Switchgear Co. Ltd.	Subsidiary of associated company	46,203,038.43	Other receivables	46,203,038.43	6% interest rate per annum
Designated loans						
Investment						
designated to connected party						
Commercial						
acceptance bills given without actual trading						
Debt repayment for others						
Others						

Note: After enquiry on the shareholdings in Shenyang High-voltage, it is recognised that before 2 March 2004, Shenyang High-voltage is only the associated company of the Company and not the connected party as defined under the Listing Rules; on 2 March 2004, there were changes in the shareholdings of Shenyang High-voltage, resulting in the Shenyang High-voltage become the connected party under the Listing Rules. Starting from 17 June 2004, as there were changes in shareholders and ultimate controller in Shenyang High-voltage, leading it became a totally independent third party. Therefore, the Company shall disclose the connected transactions with Shenyang High-voltage during the period from 2 March 2004 and 16 June 2004.

SIGNIFICANT EVENTS (Continued)

V. SIGNIFICANT CONTRACTS AND THEIR EXECUTIONS

(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 during the reporting period.

(2) Guarantees:

1. Guarantee of the Company

The total amount of guarantee granted by the Company in 2004 was RMB59.32 million, of which the guarantee granted to Shenyang High-voltage Switchgear Co. Ltd. ("Shenyang High-voltage") and Jinkai Electric Group Company Limited amounted to RMB 41.55 million and RMB17.77 million respectively.

2. Guarantee of the Company granted to controlling subsidiaries

The guarantee granted by the Company to controlling subsidiaries amounted to RMB10.805 million in total, of which the guarantee granted to Jinzhou Power Capacitors Limited, Shenyang Jindu Hotel Company Limited and New Northeast (Jinzhou) Power Capacitors Company Limited amounted to RMB62.9 million, RMB30.15 million and RMB15 million respectively.

3. The Company's guarantee in violation of regulation

As of the end of the reporting period, the amount of guarantee in violation of regulation amounted to RMB41.55 million, represented 7.37% of the net asset of the Company in 2003, of which the Company's wholly-owned subsidiary Jinzhou Power Capacitors Limited granted guarantee of RMB32.35 million to Shenyang Switchgear Co. Ltd. ("Shenyang Switchgear") which has a gearing ratio of over 70%. The Company provided guarantee of RMB9.2 million to Shenyang High-voltage. The above guarantees were granted when Shenyang High-voltage was a controlling subsidiary of the Company. On 8 October 2003, the Company lost its controlling shareholdings in the Company. The Company adopted principle of releasing responsibility of guarantee on maturity date of contracts and dealt with the former provided guarantee. During the reporting period, the Company had released joint responsibility for guarantee of RMB68.25 million. Meanwhile, Shenyang High-voltage provided guarantee of an amount of RMB28.56 million to Jinzhou Power Capacitors Limited for its loan contract.

4. Specific reform measures for guarantee in violations of regulations: Firstly, integrate experience and learning lessons together with strict compliance with relevant regulations in relation to Company Law and Codes of Corporate Governance as well as regulate operations in order to continuously enhance standard of corporate governance; secondly, strengthen fundamentals of management as well as enhance liquidity ratio and rate of capital flow; thirdly, strengthen recovering in trade receivables and decrease account receivables to increase cash flow while contract scale of loans; fourthly, supervise subsidiary to search externally for new guarantee party as a way to lower the amount of guarantee of the Company.

(3) US\$12 million deposit with Liaoning Trust and Investment Company deposited

The Company deposited US\$20 million in former Liaoning Trust and Investment Company ("Liaoning Trust") in 1999. In November 2002, the liquidation team repaid US\$8 million to the Company while the remaining deposit of US\$12 million remained outstanding since then. As at the end of the reporting period, the liquidation was not completed.

VI. DURING THE REPORTING PERIOD, THE COMPANY AND ITS CONTROLLING SHAREHOLDER DID NOT MAKE ANY DISCLOSURE OF ITS UDNERTAKINGS IN THE DESIGNATED NEWSPARERS AND WEBSITE.

VII. APPOINTING AND DISMISSAL OF ACCOUNTING FIRM

The re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants as overseas auditor and Deloitte Touche Tohmatsu Hua Yong Certified Public Accountants as domestic auditor is approved in the 2003 General Meeting as on 24 May 2004. The terms of office is one year. During the reporting period, the remuneration paid by the Company to the auditing institutes amounted to RMB1.8 million. To date, the said accounting firms have ben providing services to the Company for three years.

VIII. DURING THE REPORTING PERIOD, THE COMPANY, THE BOARD OF DIRECTORS AND THE DIRECTORS HAD NOT BEEN INVESTIGATED, UNDER ADMINISTRATIVE PENALTY, CRITICIZED BY NOTICE BY THE CHINA SECURITIES REGULATORY COMMISSION AND OPENLY REPRIMANDED BY THE SECURITIES EXCHANGE.

IX. SUBSEQUENT EVENTS

(1) Progress of the recovery of the debt amounting to US\$12 million owed by Liaoning Trust and Investment Company

On 5 March 2005, the Company signed a Letter of Intention with Fushun Special Steel Group Corporation (hereinafter referred to as "Fushun Special Steel"), pursuant to which Fushun Special Steel agreed to transfer its equity interests in Northeast Special Steel Group Incorporation, as confirmed and valued at US\$12 million by an independent intermediary appraisal Company, to the Company to set off the Company's debt (the "Equity Transfer") (translated based on the exchange rate of US dollar against Renminbi prevailing at the date of Equity Transfer) and undertake the joint responsibility with the Company for relevant procedures. Currently, the Company is proactively fixing such matter pursuant to the Letter of Intention and will implement its disclosure obligation in relation to its progress (Details of which are set out in the announcement dated 21 March 2005).

(2) Litigation for repayment of RMB150 million lodged by China Development Bank

On 18 March 2005, Beijing Higher People's Court ("Beijing Court") awarded a ruling ((2004) Gao Min Chu Zi No.802 Civil)that the claims under the litigation lodged by China Development Bank ("the Bank") against New Northeast Electric (Shenyang) High-voltage Switchgears Co. Ltd., Shenyang Suntime High-voltage Electric Company Limited, Shenyang Chengtai Energy Power Company Limited, Shenyang Suntime Storage and Logistics Company Limited and Northeast Electric Development Company Limited ("the Company") are overruled.(Details of which are set out in the announcement dated 24 March 2005).

By the order of the Board
Qu Lin

Shenyang the PRC
18 April 2005