

SIGNIFICANT EVENTS

1. PERSONNEL CHANGES

Please refer to item 2 “Employment and Dismissal” of the Section headed “Information about Directors, Supervisors and Senior Management” in section 4 for details.

2. CORPORATE GOVERNANCE STRUCTURE

During the reporting period, the Company has continued to improve its corporate governance structure while establishing a modern business system and regulating its operation in accordance with the relevant laws and regulations for listed companies. The Company has set up an internal supervisory mechanism and optimized its running, and the Board of Directors has formed a strategic development committee, an audit committee, an investment committee, a remuneration committee and a nomination committee. The independent directors system has become perfect and optimized gradually. In addition, the Company has amended the Articles of Association in accordance with “regarding regulations of enhancing protection to equity interests of shareholders of public shares” and the newly revised regulations of “listing rules of securities of Shenzhen Stock Exchange” of the China Securities Regulatory Commission so as to warrant the consistency of the Article of Association with related regulations, thus achieving an improvement in its corporate governance structure.

3. PROFIT APPROPRIATION PLAN AND ITS IMPLEMENTATION

During the reporting period, the Company recorded net profit of RMB8,731,049, all of which was used for covering loss recorded in the prior year. Therefore, the Company resolved not to make any profit appropriation for the reporting period, nor transfer any reserves to improve the share capital of the Company.

4. MATERIAL LITIGATION AND ARBITRATION

(1) Debt litigation brought by the Company on RMB12,190,000 due from NET

On 9 March 2005, Shenyang Intermediate People’s Court awarded a ruling ([2004] Shen Fa Zhi Zi No. 498 Civil (Execution)) on the debt litigation brought by the Company on the principal of RMB12,190,000 due from NET and the interest accrued thereon. NET was ruled to transfer its 75% equity interests in 瀋陽東北輸變電設備成套工程有限公司 (Shenyang Northeast Equipment Complete Engineering Company Limited) and the 70% equity interests in 瀋陽高東加乾燥設備有限公司 (Shenyang Gaodongjia Desiccation Company Limited) held by Shenyang High-Voltage Switchgears Company, a subsidiary of NET, to the Company to set off all debts involved in the litigation due to the Company. (For details please refer to the announcements dated 29 March 2004 and 21 March 2005.) The relevant changes in shareholding registration are in progress.

(2) Litigation brought by China Development Bank on RMB150,000,000

Reference is made to the litigation brought by China Development Bank (“the Bank”) for repayment of the principal of the loan of RMB150,000,000 and the interest accrued thereon by Shenyang High-voltage Switchgears Company Limited, and the claim that the Company accept joint and several liabilities thereunder. On 18 March 2005, Beijing Higher People’s Court awarded a civil ruling ((2004) Gao Min Chu Zi No.802) that the claims under the litigation lodged by the Bank against New Northeast Electric (Shenyang) High-voltage Switchgears Limited, 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 are overruled. (For details please refer to the announcements dated 27 August 2004 and 24 March 2005.) On 23 March 2005, the Bank petitioned to the Supreme People’s Court of China. Currently, the litigation is in progress of hearing.

5. APPLICATION FOR CANCELLATION OF OTHER SPECIAL TREATMENT ON A SHARES

As approved at the 11th meeting of the fourth Board on 18 April 2005, the Company applied to Shenzhen Stock Exchange for cancellation of other special treatment on its A Shares. The application was still being reviewed as at the end of the reporting period.

6. ACQUISITION AND DISPOSAL OF ASSETS DURING THE REPORTING PERIOD

Disposal of 99.9% equity interest in Jinzhou Power Capacitor Company Limited

As disclosed in the 2004 annual report of the Company, the 10th meeting of the fourth Board on 27 December 2004 approved the Company to dispose its 99.99% equity interest in Jinzhou Power Capacitor Company Limited to Northeast Construction and Installation Corporation at a consideration of RMB54,000,000. The Company received the consideration on 15 April 2005.

7. CONNECTED TRANSACTION

Pursuant to the requirement under the Rules Governing the Listing of Securities on Shenzhen Stock Exchange (2004 revised) regarding the relations with connected parties, during the reporting period, the Company did not have any transactions with the aforesaid connected parties, or any relations of creditor's rights and debt with the aforesaid connected parties.

8. THE CONTROLLING SHAREHOLDERS OF THE COMPANY AND FUND CONTRIBUTED TO SUBSIDIARIES

During the Reporting Period, no funds of the Company were used by the controlling shareholders or the subsidiaries of the Company.

9. GUARANTEE PROVIDED TO CONTROLLING SHAREHOLDERS OF THE COMPANY AND ITS SUBSIDIARIES

During the Reporting Period, there was no guarantee provided by the Company to its controlling shareholders and its subsidiaries.

10. 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 Company's assets. Nor did the Company have any asset management on trust or designated loan during the reporting period.

(2) Guarantees:

1 External guarantees

As at the end of the reporting period, the total guarantees granted by the Company amounted to RMB59,790,000, of which the guarantee granted to Shenyang High-voltage Switchgears Company Limited and Jinzhou Power Capacitor Company Limited amounted to RMB6,890,000 and RMB52,900,000 respectively.

2 Guarantees granted by the Company to its controlling subsidiaries

As at the end of the reporting period, the amount of guarantees provided by the Company to its subsidiaries totalled RMB55.75 million, of which the guarantees granted to Shenyang Jindu Hotel Company Limited and New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. amounted to RMB29.75 million and RMB26 million respectively.

3 Guarantees in violation of regulations

As at the end of the reporting period, the Company's guarantees in violation of regulations amounted to RMB59.79 million, representing 7.76% of its audited net assets for 2004, of which the guarantee of RMB6.89 million was granted to Shenyang High-voltage Switchgears Company Limited with a gearing ratio over 70%, and the guarantee of RMB52.9 million was granted to Jinzhou Power Capacitor Company Limited with a gearing ratio of over 70%. The said guarantees were provided when the two companies were the Company's subsidiaries. During the reporting period, the Company dealt with former guarantees under the principle of releasing responsibility of guarantee on maturity date of contracts or gradual lowering of guarantee amount.

(3) Material Contracts

US\$12,000,000 deposited with Liaoning Trust and Investment Company and progress of its recovery

The Company deposited US\$20,000,000 in former Liaoning Trust and Investment Company (“Liaoning Trust”) in 1999. In November 2002, the liquidation team of Liaoning Trust repaid US\$8,000,000 to the Company. During the reporting period, under the coordination and support of the provincial and municipal governments, the liquidation team of Liaoning Trust agreed to use equivalent assets to repay the Company’s remaining deposit of US\$12,000,000. The Company is evaluating the relevant assets and justifying the solution.

11. PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed shares of the Company.

12. CORPORATE GOVERNANCE**(1) Corporate governance practice code**

The Board of the Company confirmed that the Company has complied with the provisions of the corporate governance practice code for the six months ended 30 June 2005. The provisions of the corporate governance practice code includes the terms set out on appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

(2) Audit Committee

The Company has established the Audit Committee in accordance with Rule 3.2.1 of the Listing Rules.

The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company and has studied matters in relation to auditing, internal control and financial reporting, including the financial accounting principles, standards and methods adopted in preparing the unaudited accounts for the six months ended 30 June 2005.

The Audit Committee consented the financial accounting principles, standards and methods adopted in preparing the unaudited accounts for the six months ended 30 June 2005.

(3) Independent non-executive director

The Company has complied with the requirement of Rule 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of adequate number of independent non-executive director, and at least one independent non-executive director has the necessary suitable professional qualification or has suitable accounting or relevant financial management expertise. The Company has appointed five independent non-executive directors, of which one independent non-executive director has the expertise of financial management. Details of the profile of independent non-executive director can be referred to the 2004 annual report of the Company.

(4) Model Code for the Securities Transaction carried out by Directors of Listed Company (“Model Code”)

During the reporting period, the Company has adopted a set of behavioral code not lower than such standard set out in the Model Code. Having made specific enquiries, no directors and supervisors of the Company were in breach of the standard of requirement in securities transaction of directors set out in the Model Code of appendix 10 of the Listing Rules.

13. SUBSEQUENT EVENTS

Nil