



本公司董事長時延平先生  
Mr. Shi Yan Ping, the Chairman of the Company.

(一) 報告期內整體經營情況的討論與分析

報告期內，公司在新一屆董事會的領導下，以資本經營和生產經營為核心，先後出售瀋陽變壓器有限責任公司和瀋陽華康餐飲娛樂有限公司，以抵債方式獲得瀋陽古河電纜有限公司42.5%的股權，優化了公司資產配置，妥善解決了長期困擾公司生存和發展的問題，公司經營好轉並逐步向穩定、健康的發展軌道，扭虧為盈，實現恢復上市工作目標，為進一步發展壯大初步奠定了基礎。



報告期公司主營業務收入951,454,451元，扣除已出售的沈變公司因素，同比增長12.75%；主營業務利潤307,191,845元，同比增長144.18%。報告期實現扭虧的主要經營措施是：

(1) DISCUSSION AND ANALYSIS OF OPERATIONS DURING THE REPORTING PERIOD

During the reporting period, the Company, under the management of the new term of Board of Directors, emphasized capital and production operations, disposed of its equity interest in Shenyang Transformers Ltd and Shenyang Hua Kong Food & Entertainment Ltd., and acquired 42.5% equity interest in Furukawa Cable

Company Limited to set off debt due to the Company, improving the mix of assets of the Company and completely solving the long-term obstacles to operations and development of the Company. The Company successfully made a turnaround from recording loss to profits and resumed listing its shares in the first half of 2002. Therefore, operations of the Company improved, stabilized and developed in a suitable track, forming a consolidated base on which the company can further improved.

During the reporting period, after the disposal of Shenyang Transformers recognized, revenues from principal activities amounted to RMB951,454,451, up 12.75% compared to the corresponding period over last year. Profits from principal activities amounted to RMB307,191,845, up 144.18% compared to the corresponding period over last year. During the reporting period, policies implemented by the Company to make a turnaround from recording loss to profits were:

(一) 報告期內整體經營情況的討論與分析 (續)

(1) DISCUSSION AND ANALYSIS OF OPERATIONS DURING THE REPORTING PERIOD (Continued)

- 1、有效控制成本，盈利能力明顯增強。(1) 加強成本核算，制定切實有效的增收降耗措施；(2) 提高招標限價採購和比質比價採購在材料採購總量中的比例，降低各種材料、組部件的採購成本；(3) 在保證產品性能和製造質量的前提下，有針對性地推進材料和組部件的替代、改進產品設計結構、改進生產工藝、降低物料消耗等降低成本措施的落實；(4) 由於部分產品市場價格的回升，提高了盈利水平。
  - 2、生產保持大幅度增長，產品結構進一步優化。報告期封閉式組合電器、電力電容器、封閉母線產品的產量分別比上年同期增長26.5%、26.9%、27%。
  - 3、新產品研發成果顯著，促進了市場開發和效益提升。報告期公司試製成功新產品22種，完成新產品產值51,391萬元，比上年同期增長14.4%。
  - 4、開發市場，促進銷售，總體訂貨形勢好於上年同期水平。報告期公司主營產品完成訂貨13.47億元。
  - 5、加強貸款回收工作，清欠和解決多年遺留的呆死帳問題。
  - 6、裁減冗員2000人，剝離虧損資產和部分非經營性資產，進一步減輕經營負擔。
1. to effectively control costs, thereby significantly enhancing profitability: firstly, to audit costs more rigorously, determine effective ways to increase profits and lower expense; secondly, to increase the cap on bidding prices and increase the percentage of supplies, purchased through comparison in terms of qualities and prices, over the total supplies, lower costs of various materials and parts purchased; thirdly, subject to the maintenance of functions and quality of products manufactured, to proceed replacement of targeted materials and parts, improve design of products and manufacturing technologies and implement cost-cutting policies, such as lowering consumption of materials; fourthly, since prices of certain products bounced, sales revenues increased, enhancing profitability.
  2. to continue to grow at a rapid pace, further consummate the structure of products. During the reporting period, production of sealed sets of electric appliances, capacitors and enclosed busbars increased 26.5% and 26.9%, 27% compared to the corresponding period over last year respectively.
  3. to achieve a significant success in developing new products, leading to market development and enhancement of efficiency. During the reporting period, the Company succeeded in manufacturing 22 new products; to record production value of RMB513,910,000, up 14.4% compared to the corresponding period over last year.
  4. to expand market and stimulate sales, resulting in an improvement in the overall trend for receiving orders compared to the corresponding period over last year; During the reporting period, the Company received orders for its principal products for a consideration of RMB1.347 billion.
  5. to improve recovery of loans, and recover, settle and solve various lingering non-performing loans;
  6. to lay off 2000 redundant staff members, dispose of loss-making assets and non-operating assets in an effort to further reduce operating expense.

(二) 報告期內公司經營情況

1、 主營業務範圍及其經營狀況

(1) 公司主營業務範圍及所屬行業和地位

本公司及附屬公司是中國輸變電設備科研、製造、出口的主要基地，三峽工程及城鄉電網改造用輸變電設備的國內主要供應商之一。主營業務為全封閉組合電器、高壓開關電力電容器及封閉母線等系統保護及傳輸設備的製造和營銷。

(2) 本年度經營情況

公司全年實現銷售收入951,454,451元，實現利潤總額78,227,987元，實現淨利潤69,002,412元。

公司主營業務收入、主營業務利潤按行業、產品、地區的構成情況：

1. 按行業構成情況

產品類別		主營業務收入	主營業務利潤
Product Category		Revenue from principal activities	Profit from principal activities
輸變電行業	Electrical transmission and transformation	915,702,234	297,551,619
客房、餐飲、娛樂行業	Accommodation, catering and entertainment	35,752,217	9,640,226
合計	Total	951,454,451	307,191,845

單位：人民幣元

Unit: RMB

(2) OPERATIONS OF THE COMPANY

1. Scope of principal activities and operations during the reporting period

(1) Scope of principal activities, industry and position of the Company

The Company and its subsidiaries constitute a main base of China for scientific research, manufacturing and export of electrical transmission and transformation equipment, and a main domestic supplier of electrical transmission and transformation equipment for the Three Gorges project and transformation of urban and rural power grids. The main business is the manufacturing and marketing of transformers, totally enclosed compound electrical appliances, high-voltage switches, power capacitors, enclosed busbars and other system protection and transmission equipment.

(2) Operations in the current year

For the whole year, the sales revenue amounted to RMB951,454,451; realized profit for the year amounted to RMB78,227,987; and realized net profit amounted RMB69,002,412.

Revenue from principal activities and profit from principal activities classified by industries, products and regions are as follows:

1. Segmented by industries

(二) 報告期內公司經營情況 (續) (2) OPERATIONS OF THE COMPANY (Continued)

1、 主營業務範圍及其經營狀況 (續) 1. Scope of principal activities and operations during the reporting period (Continued)

(2) 本年度經營情況 (續) (2) Operations in the current year (Continued)

2. 按產品構成情況 2. Segmented by products

單位：人民幣元

Unit: RMB

產品類別		主營業務收入	主營業務利潤
Product Category		Revenue from principal activities	Profit from principal activities
變壓器配套產品	Transformer, voltage and currents transformer	208,075,141	61,775,947
高壓開關斷路器	High voltage switch, circuit breaker	524,239,620	160,729,252
電力電容器	Power capacitor	153,873,591	66,504,651
封閉母線	Closed bus bar	27,188,749	7,475,537
客房、餐飲、娛樂行業	Provision of hotel, catering and entertainment services	35,752,217	9,640,226
其他	Other	2,325,133	1,066,232
合計	Total	951,454,451	307,191,845

3. 按地區構成情況 3. Segmented by regions

單位：人民幣元

Unit: RMB

地區		主營業務收入	主營業務利潤
Regions		Revenue from principal activities	Profit from principal activities
國內	The PRC	937,024,451	304,101,845
國外	Overseas	14,430,000	3,090,000
合計	Total	951,454,451	307,191,845



(二) 報告期內公司經營情況 (續) (2) OPERATIONS OF THE COMPANY (Continued)

1、 主營業務範圍及其經營狀況 (續) 1. Scope of principal activities and operations during the reporting period (Continued)

- (3) 佔主營業務收入或主營業務利潤10%以上的主要產品的銷售收入、銷售成本、毛利率 (3) Sales revenue, sales cost and gross profit margin arising from principal products accounting for 10% or more of revenue from principal activities and profit from principal activities

單位：人民幣元

Unit: RMB

產品名稱		產品銷售收入	產品銷售成本	毛利率%
Products		Revenue from principal activities	Cost of good sold from principal activities	Gross profit margin
變壓器配套產品	Transformer, voltage and currents transformer	208,075,141	146,140,564	29.77
高壓開關斷路器	High voltage switch, circuit breaker	524,239,620	360,279,567	31.28
電力電容器	Power capacitor	153,873,591	85,952,923	44.14
合計	Total	886,188,352	592,373,054	33.15

2、 主要控股公司及參股公司的經營情況及業績 2. Operations and results of subsidiaries and investee companies

(單位：人民幣萬元)

Unit: RMB0'000

控股公司名稱	主營業務	註冊資本	本公司 控股%	總資產	淨資產	主營業務 收入	淨利潤
Name of investee	Principal operations	Registered capital	% of interest held by the Company	Total assets	Net assets	Revenue from principal activities	Net profit
瀋陽高壓開關有限責任公司	高壓開關	14,500	100	111,268	3,447	51,881	908
Shenyang High-voltage Switchgears Ltd.	High-voltage switch gears	14,500	100	111,268	3,447	51,881	908
錦州電力電容器有限責任公司	電力電容器	2,900	100	26,827	3,491	15,387	1,120
Jinzhou Power Capacitors Ltd.	Capacitors	2,900	100	26,827	3,491	15,387	1,120
阜新封閉母線有限責任公司	封閉母線	1,800	100	3,958	1,897	1,962	-167
Fuxin Enclosed Busbars Ltd.	Enclosed busbars	1,800	100	3,958	1,897	1,962	-167
瀋陽金都飯店有限公司	客房及餐飲	15,000	90	29,754	24,712	3,575	-170
Kingdom Hotel Shenyang	Hotel and catering services	15,000	90	29,754	24,712	3,575	-170

(二) 報告期內公司經營情況 (續)

3、 主要供應商、客戶供應商情況

公司前五名供應商合計採購金額為5,830萬元，佔年度採購總額的18.81%；公司前五名客戶銷售額合計銷售額20,281萬元，佔年度銷售總額的21%。本公司董事、監事及其關聯人士等在本年度任何時候均沒有在本集團五大供應商中佔有任何權益。

4. 經營中出現的問題困難及解決方案

目前輸變電市場競爭異常激烈，為提高產品的競爭實力和市場份額，提升主營業務盈利水平，本公司主要採取了以下措施：

- (1) 通過改進產品品質、提高訂貨質量，優化市場結構，適時調整和改進營銷策略；鞏固已有優勢的市場，守住擁有地域優勢的市場，奪回失去的市場，消滅空白的市場，佔領西部市場；改進並落實了營銷策略，使市場份額有所增加。
- (2) 加大科技創新及新產品開發力度，制定並落實產品發展規劃及要點，使新產品研發步伐加快。
- (3) 加強生產組織管理，增加主導產品產量，有效保證主營業務收入增長。
- (4) 從以下環節壓縮費用、減少支出：規範物資採購管理，強化價格控制，降低採購成本；提高材料利用率，有針對性地開展材料和組部件的替代、改進產品設計、改進生產工藝、實行限額領料、加強庫存管理；加強預算、核算，提高對經營成果的分析 and 調控能力，壓縮費用支出。

(2) OPERATIONS OF THE COMPANY (Continued)

3. Major suppliers and customers of the Company

Purchases from the top five suppliers amounted to RMB58.30 million, accounting for 18.81% of the total purchases for the year; sales to the top five customers amounted to RMB20.281 million, accounting for 21% of the total sales for the year. Directors, supervisors and their associates did not have any interest in the top five suppliers to the Group during the year.

4. Hurdles to the operations of the Company and solutions

Currently, there is fierce competition in the market for electrical transmission & transformation equipment. In order to enhance competitiveness of our products and the market share, raise revenue from principal activities, the Company implements the following initiatives:

- (1) To raise orders of products through improving quality of products, optimize the mix of products, adjust and innovate operating strategies when appropriate. The Company should consolidate its existing domination over the market, maintain its domination over markets where the Company has regional advantages, recapture any loss of market share, capture any unoccupied market share, and develop the market in the western part of China. The Company shall improve and implement marketing strategies, enhancing the market share.
- (2) To put more efforts in technological invention and accelerate the pace for product development, determine and implement strategies for product development, accelerating the pace for development of new products.
- (3) To strength production management and raise production volume of principal products, securing the steady growth in revenue from principal activities.
- (4) To reduce cost and expense through the following: to strength management on purchasing materials and cost control and lower purchasing cost; to enhance utilization of materials, systemically develop substitutes for materials and modules, improve designs of products and capabilities of production, ration input materials and consolidate inventory management; and to tighten budget control and auditing, improve the capabilities to analyze and adjust operating results and reduce cost.

(三) 報告期內公司的投資情況

- 1、本報告期內沒有募集資金投入，也沒有報告期之前募集資金的使用延續到報告期內的情況。
- 2、本報告期內非募集資金投資的重大項目：

1998年開工的總投資額為19,212萬元的500KV SF6全封閉組合電器項目，現處於工程收尾階段。本期內完成投資3,622萬元，累計完成改造投資17,300萬元，當年實現銷售收入7,089萬元。

(3) INVESTMENT OF THE COMPANY DURING THE REPORTING PERIOD

1. During the reporting period(or in the previous period, but deferred to be executed in this period), there was no utilization of proceeds.
2. Majors investments made out of funds other than proceeds from subscription during the reporting period:

In 1998, the Company commenced the project for 500KV SF6 totally enclosed compound electrical appliances with the total investment amounting to RMB192.12 million. As at the date of this annual report, such project was nearly completed. As at the end of 2002, the Company completed investment of RMB36.22 million and accumulated investment for innovation amounting to RMB173 million and recorded sales revenue amounting to RMB70.89 million.

(四) 報告期內的財務狀況、經營成果

(4) THE FINANCIAL POSITION AND OPERATING RESULTS OF THE COMPANY DURING THE REPORTING PERIOD

- 1、按國內會計準則所做公司財務狀況分析：

1. Financial analysis of the Company prepared under the PRC accounting standards:

單位：人民幣元

Unit: RMB

指標項目		2002年1-12月	2001年1-12月	變動原因
Indicator		Jan-Dec, 2002	Jan-Dec, 2001	Reason of change
主營業務利潤	Revenue from principal activities	307,191,845	176,709,465	A
淨利潤	Net profit	69,002,412	(818,644,262)	B
現金及現金等價物 淨減少額	Net decrease in cash and cash equivalent	(226,167,418)	(84,538,271)	C



(四) 報告期內的財務狀況、經營成果  
(續)

(4) THE FINANCIAL POSITION AND OPERATING RESULTS OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

1、按國內會計準則所做公司財務狀況分析：(續)

1. Financial analysis of the Company prepared under the PRC accounting standards: (Continued)

變動原因：

- A: 系提高銷售價格降低生產成本所致。
- B: 系主營業務利潤上升和出售股權所獲得轉讓收益所致。
- C: 系出售股權轉出資產及以貨幣資金償還貸款所致。

Reason of change:

- A: Increase in selling price and reduction in production cost.
- B: Increase in revenue from principal activities and gain from disposal of equity interest.
- C: Transfer of assets arising from disposal of equity interest and repayment of loans by cash and bank balances.

單位：人民幣元

Unit: RMB

指標項目		2002年1-12月	2001年1-12月	變動原因
Indicator		Jan-Dec, 2002	Jan-Dec, 2001	Reason of change
總資產	The total assets	1,912,003,964	3,869,352,033	A
股東權益	Shareholders' fund	535,417,927	318,300,235	B

變動原因：

- A: 系出售股權轉讓相關資產所致。
- B: 系當前淨利潤增加,並有部分債務被豁免所致。

Reason of change:

- A: Transfer of the relevant assets arising from disposal of equity interest.
- B: Increase in net assets and exemption of part of outstanding loan from the Company.

由於本年度公司將瀋陽變壓器有限責任公司、瀋陽華康餐飲娛樂有限公司股權出售，獲得投資收益(詳見會計報表附註54)，同時對4,000萬美元債務進行重組(詳見會計報表附註53)及公司當期實現經營性扭虧，導致公司本年所有者權益總額有較大上升。

Since the disposals of Shenyang Transformers Ltd. and Shenyang Hua Kong Food & Entertainment Ltd. during the reporting period, the Company recorded gain from investment (see note 54 to the accounts for details). In addition, since the debt restructuring involving USD40 million(see note 53 to the accounts for details) and a turnaround from recording loss to profits, there were a significant increase in shareholders' equity.



(四) 報告期內的財務狀況、經營成果  
(續)

2、按香港普遍採納之會計準則所做  
公司財務狀況分析

2002年度末，本公司的總資產為191,273萬元，總負債為137,151萬元，資產負債率為71.70% (資產負債率=總負債/總資產×100%)。

本年度末貨幣資金餘額為8,831萬元，公司會將其穩妥的用於生產經營。

本公司的資金需求無明顯的季節性規律。

資金來源主要為：一是公司經營性現金流入，二是向金融機構借款。2002年度末公司銀行借款為人民幣77,350萬元，佔總資產的40.59%，大部分為固定利率借款。報告期內公司對到期銀行借款均已同銀行協商辦理展期或進行還款。公司的資本負債率為144.3% (資本負債率=銀行借款總額/股本及儲備總額×100%)。

匯率的波動對公司無重大影響。

本年度末公司用於抵押的資產淨值為4,383萬元。

對公司或有負債情況參見會計報表附註51條。

(4) THE FINANCIAL POSITION AND OPERATING RESULTS OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

2. Financial analysis of the Company prepared under accounting principles generally accepted in Hong Kong and the PRC accounting standards:

As at the end of 2002, the total assets of the Company amounted to RMB1,912,730,000; the total liabilities amounted to RMB1,371,510,000; the gearing ratio (total bank loan/(share capital and reserves) x 100%) was 71.70%.

Cash and bank balance as at the end of the year amounted to RMB88.31 million which will be used for production.

Demand for funds by the Company is significantly sensitive to seasons.

Sources of funds are mainly: (i) cash inflow from operating activities; and(ii) loans from financial institutions. As at 31 December 2002, bank loans amounted to RMB773.50 million, accounting for 40.59% of the total assets. Most of the loans bear fixed rates. During the reporting period, the Company repaid bank loans on scheduled as agreed. The gearing ratio (total bank loan/(share capital and reserves) x 100%) was 144.3%.

Movement in exchange rate had no significant on the Company.

Net assets pledged for loans by the Company amounted to RMB43.83 million.

For details on contingent liabilities, please refer to note 51 to the accounts.

(五) 公司董事會對審計報告涉及事項的說明

1、 關於保留意見涉及事項的說明

就公司於2002年6月4日出售沈變事項，公司董事會認為，出售事項已實質完成，出售協議中確定的價格是以沈變截止至2001年12月31日經審計的淨資產值為參考確認的，因此沈變2002年1-5月的經營收益是否正確，僅影響到合併利潤表中包含沈變2002年1-5月經營利潤和轉讓收益的劃分，對公司全年利潤總額及公司今後的經營業績成果無任何影響。

合併現金流量表中處置子公司所得現金是依據轉讓價款扣減沈變期初現金餘額計算得出，因此沈變本期現金變化僅會影響到現金流量表中的相關項目的流量變動，而對本期現金淨流量及期末現金餘額沒有影響。



(5) EXPLANATION ON MATTERS CONTAINED IN THE AUDITED FINANCIAL REPORT BY THE BOARD OF THE COMPANY

1. Explanation on matters related to qualified opinions

With regard to the disposal of Shenyang Transformers Ltd. ("Shenyang Transformers") on 4 June 2002, the Board of the Directors was of opinion that the disposal was in principle completed and the selling price of Shenyang Transformers was determined with reference to the values of audited net assets of Shenyang Transformers as at 31 December 2001. Hence, whether profits from operations of Shenyang Transformers between January and May 2002 were correctly calculated could only affect determination of profits from operations and transfer of interest of Shenyang Transformers contained in consolidated results, however, posing no impact on the total profits for the year and operational results of the Company for the future.

Cash from disposal of subsidiaries as set out in consolidated cash flow was arrived at according to provisions of the transfer agreement and calculated after deducting from opening cash balance of Shenyang Transformers. Therefore, changes in the cash position of Shenyang Transformers would not lead to changes in relevant current items as set out in cash flow statement; however, posing no impact on net cash flow in this period and cash balance at the end of the period.



(五) 公司董事會對審計報告涉及事項的說明 (續)

2、關於解釋性說明段涉及事項的說明

關於代付股權轉讓款及將沈變股權變更給瀋陽工業國有資產經營公司(「工業公司」)，是基於以下事實：

公司於2002年4月24日與東北建築安裝工程總公司(「東北建安」)簽訂出售沈變協議後，5月27日，東北建安與工業公司簽訂《關於沈變公司股權交易的協議書》，同意將沈變出售給工業公司。為提高效率，加快完成出售事項，本公司、東北建安、工業公司三方協商於5月27日簽訂《付款協議》，明確由工業公司代東北建安向本公司支付收購款項，收款後將沈變公司股權直接變更給工業公司。就此事項，北京通商律師事務所出具了法律意見書，認為：公司收到工業公司依照《付款協議》的規定代東北建安支付的人民幣1.5億元後，出售協議項下的股權轉讓行為已合法有效完成。



(5) EXPLANATION ON MATTERS CONTAINED IN THE AUDITED FINANCIAL REPORT BY THE BOARD OF THE COMPANY (Continued)

2. Explanation on matters related to the explanatory statement

Payment of transfer borne for the purchaser and the transfer of interest in Shenyang Transformers to Shenyang National Industrial Assets Management Company ("SNIAMC") were based on the following:

On 24 April, the Company and Northeast Construction & Installation Corporation ("Northeast Construction") entered into an agreement to dispose of Shenyang Transformers. On 27 May 2002, Northeast Construction and SNIAMC signed an Agreement for Transfer of Interest in Shenyang Transformers according to which, agreed to sell Shenyang Transformers to SNIAMC. In order to enhance efficiency and speed up the process to dispose of Shenyang Transformers, the Company, Northeast Construction and SNIAMC signed Payment Agreement on 27 May 2002, clearing specifying that SNIAMC was required to pay for the acquisition of Northeast Construction to the Company. After payment was made, SNIAMC directly owned interest in Shenyang Transformers. As for this matters, Commerce Finance Law Office provided legal opinions and believed that after the Company received RMB150 million from SNIAMC in accordance with Payment Agreement for Northeast Construction, transfer of interest under Payment Agreement was effectively completed in accordance with the relevant laws.

**(五) 公司董事會對審計報告涉及事項的說明 (續)**

**3、對會計差錯更正調整的說明**

公司在2002年度財務報告中，對2001年度計提的遼寧信託投資公司（「遼信」）2000萬美元存款利息收入人民幣14,837,544.28元作為重大會計差錯進行更正，並進行追溯調整。

該筆存款利息收入是在遼信於2001年10月被宣告行政撤銷後，於2001年底計提的。在2002年中期及年終審計過程中，遼信清算組確認的債權是2000萬美元本金，不包括任何利息。基於上述事實，有必要對2001年計提的該筆存款利息收入作為會計差錯予以更正。上述差錯的調整調減了資產負債表中其他應收款年初數，調增2001年利潤表中財務費用人民幣14,837,544.28元，相應增加了2001年度的虧損數額。

**(六) 新年度經營計劃**

新年度將繼續在擴大市場份額、加速新產品研發、降低成本上加大管理力度，計畫銷售額增長10%以上。擬採取的措施主要是：

- 1、發揮公司整體優勢，加大產品研發和結構調整力度，整合技術與人力資源，解決重複投入等問題，進一步制定以提高產品競爭力為中心的科技戰略，建立高層次、高水準、開放式的技術研發隊伍，加快科研成果的開發與轉化，樹立公司在輸變電行業的技術優勢和領先地位。

**(5) EXPLANATION ON MATTERS CONTAINED IN THE AUDITED FINANCIAL REPORT BY THE BOARD OF THE COMPANY (Continued)**

**3. Explanation on correction of accounting errors**

The Company determined that there was a significant accounting error relating to the revenue recognition for the interest of RMB14,837,544.28 on a deposit of US\$20,000,000 due from Liaoning Trust and Investment Corporation (“Liaoning Trust”) for the year ended 31 December 2001 and made retrospective adjustment.

The above interest income was written off in October 2001 by executive order and provided at the end of 2001. In view of the review during 2002, the Liaoning Trust Liquidation Division determined the debt due from Liaoning Trust to the Company was US\$20,000,000, bearing no interest. Therefore, it was necessary to make relevant accounting adjustment accordingly to the provision made in 2001 for the above interest income. Such accounting adjustment reduced opening balance of other receivables as set out on the balance sheet, increased finance expense as set out on the income statement for 2001 by RMB14,837,544.28 and increased profit and loss account for 2001.

**(6) OPERATIONAL PLANS IN THE FOLLOWING YEAR**

In the following year, the Company shall expand the market share on a regular basis, accelerate the pace for development of new product, make great effort to lower cost and plan to increase sales revenue by at least 10%. The Company intends to implement the following:

1. To take advantages of the Company, make great efforts in product inventions and adjustment of the product mix, integrate technologies with human resources, save redundant resources, further improve the scientific strategies for enhancing competitiveness of products, establish highly skilled, high standard and open-minded technical teams, accelerate the pace for technological invention and utilization, consolidating its domination over the market in terms of technologies and leading position in the industry for electrical transmission and transformation equipment.

(六) 新年度經營計劃 (續)

- 2、 調整營銷策略，緊密結合國家西電東送、西部大開發、三峽工程等重点工程項目及加強電網建設、電力系統改革等戰略調整的需要，通過整合營銷資源，規範營銷管理，改進營銷策略，在開拓國際市場方面取得突破。
- 3、 加強管理，控制支出，降低成本。規範、強化內部運營調控管理，推進ERP系統在生產經營管理的應用；進一步提高財務核算與管理的手段及水平；進一步規範採購管理行為，有效降低採購成本；完善用工制度，激活人力資源，創建學習型組織。

(七) 近期經濟展望

預計近期本行業市場競爭將更加激烈，競爭主要集中在質量、服務、價格等方面。新產品研發、新材料應用、產品結構調整的力度決定著競爭的優、劣勢所在。隨著銅、鋁、成品油等主要原材料價格的上漲，本行業的企業內部成本壓力增大。公司將強化管理，壓縮費用，消化增支因素，拓寬盈利空間。

承董事會命  
時延平

中國，瀋陽  
二零零三年四月十四日

(6) OPERATIONAL PLANS IN THE FOLLOWING YEAR  
(Continued)

2. To adjust sales strategies, capitalize the major projects, such as the implementation of the "Electricity transmission from eastern China to western China", "State western region development strategy" and constructions in the Three Gorges Project. The Company consolidates of electric network and improvement of electric systems, catalyzing demand for electrical equipment . The Company shall consolidate resources, strengthen sales management, improve sales strategies and have breakthrough in the development of international markets.
3. To strengthen management, control expense and lower cost. consolidate internal operating adjustment and management, use ERP systems in the management for production and operations; further enhance auditing and management on finance; further enhance management on purchase and significantly lower cost; and improve labor system, and human resources and establish an organization which is dedicated to learning.

(7) RECENT ECONOMIC PROSPECTS

Competition in the industry is expected to be increasingly fierce and competition will be mainly focused on such aspects as quality, services and price. The competitiveness is determined in terms of research and development of new products, application of new materials and realignment of product structure. The increase in prices of major raw materials such as copper, aluminum and oil will push up internal costs of the industry. The Company will step up management and reduce costs and deal with the factors causing increase in expenditure so as to improve its profitability.

By order of the Board  
Shi Yanping

Shenyang, PRC  
14 April 2003