

I. DAILY WORK OF THE BOARD OF DIRECTORS

During the reporting period, the Company held eight meetings:

1. On 14 April 2003, the Company held the 18th meeting of the third Board of Directors at which the following resolutions were discussed and approved: 2003 Annual Results and profit appropriation draft plan; appointments of Deloitte Touche Tohmatsu Certified Public Accountants and Tohmatu Touche Tohmatsu Hua Yong Certified Public Accountants as overseas auditors and domestic auditors respectively; remuneration for independent directors; appointment of Mr. Liu Yongshun as Deputy General Manager and Madam Wang Guohuang as Chief Accountant, to be submitted to General Meeting held on 29 May 2003 for approval.
2. On 24 April 2003, the Company held the 19th meeting of the third Board of Directors at which the following resolutions were discussed and approved: Results for the first quarter of 2003; acceptance of resignation of Deputy Chairman Mr. Liu Jie, Directors Mr. Zhang Dianjun, Mr. Liu Yongshun, Mr. Li Pixue, Mr. Li Jinbiao and Mr. Tang Xiaojiang from the position of director due to work reasons; nomination of Mr. Luo Hong, Madam Tian Li, Madam Lu Yue, Mr. He Wanjun, Mr. Zhang Deben and Mr. Liu Xin as the Company's directors, to be submitted to General Meeting held on 29 May 2003 for approval.
3. On 29 May 2003, the Company held the 20th meeting of the third Board of Directors at which the resignation of Mr. Shi Yanping from his position of Chairman and resignation of Mr. Luo Hong from his position of Deputy General Manager and Board Secretary were accepted; Mr. Luo Hong was elected as the Chairman of Board of Directors.
4. On 12 June 2003, the Company held the 21th meeting of the third Board of Directors at which the Company was approved to dispose its 49% interests in Shenyang High-voltage Switchgear Company Limited to Shenyang Chengan Electric Equipment Holdings Company Limited.
5. On 15 August 2003, the Company held the 22th meeting of the third Board of Directors at which the Results for the first half of 2003 was discussed and approved.
6. On 22 September, the Company held the 23th meeting of the third Board of Directors at which the Company agreed the proposal by Shenyang Chengan Electric Equipment Corporation to increase its shares in Shenyang High-voltage Switch Company Limited ("Shenyang High-voltage") by RMB6,080,000, the Company has given up its right of purchasing. Upon completion of the share increase, the Company holds 48.95% of the registered capital of Shenyang High-voltage of RMB151,000,000.
7. On 29 October, the Company held the 24th meeting of the third Board of Directors at which the following resolutions were discussed and approved: Result for third quarter of 2003; acceptance of resignation of Mr. Qu Lin from the position of General Manager; acceptance of resignation of Mr. Li Jinbiao from the position of Chief Engineer; appointment of Mr. Tang Xiaojiang as General Manager and appointment of Mr. Liu Xin as the Board Secretary.

REPORT OF THE DIRECTORS *(Continued)*

I. DAILY WORK OF THE BOARD OF DIRECTORS *(Continued)*

8. On 3 December 2003, the Company held the 25 meeting of the third Board of Directors at which the following resolutions were discussed and approved: sale of 42.5% interests in Shenyang Furukawa Cable Co. Ltd to Furukawa Electric Co. Ltd; acquisition of 20.8% interests in New Northeast Electric (Shenyang) High-voltage Switch Co. Ltd for a consideration of USD6,230,000; acceptance of Madam Lu Yue's resignation from the position of director.

II. EXECUTION OF RESOLUTIONS OF GENERAL MEETING BY THE BOARD OF DIRECTORS

During the reporting period, the Board of Directors attentively executed the resolution passed by the General Meeting and timely completed the tasks assigned by the General Meeting.

III. FINANCIAL HIGHLIGHTS

The financial highlights are detailed in No.1 "Summary of Accounting Data and Financial Indicator" of this report.

The material difference between PRC accounting standard and Hong Kong Generally Accepted Accounting Standards is detailed in the supplementary note 3 to the financial statements.

IV. RESERVE

Change of reserve is detailed in Note 34 to the financial statements prepared in accordance with the Accounting Principles Generally Accepted in Hong Kong, and Notes 30, 31 and 32 to the financial statements prepared in accordance with PRC Accounting Rules and Regulation, respectively.

V. BANK LOAN AND OTHER LOAN

Bank loan and other loan are detailed in Note 31 to the financial statements prepared in accordance with the Accounting Principles Generally Accepted in Hong Kong, and Notes 18 and 27 to the financial statements prepared in accordance with PRC Accounting Rules and Regulation, respectively.

VI. FIXED ASSETS

Change of fixed assets is detailed in Note 15 to the financial statements prepared in accordance with the Accounting Principles Generally Accepted in Hong Kong, and Note 14 to the financial statements prepared in accordance with PRC Accounting Rules and Regulation, respectively.

VII. RETIREMENT WELFARE

The Company adopted Statements of Standard Accounting Practice (SSAP) No. 34 “Staff benefits” which standardized the Company’s policy on staff welfare. Since the Company only participated in the staff retirement insurance system regulated by the state government, the application of SSAP 34 did not impose significant impact on the Company’s financial status.

VIII. SHARE CAPITAL

Change of share capital is detailed in Note 33 to the financial statements prepared in accordance with the Accounting Principles Generally Accepted in Hong Kong.

Change of share capital and shareholdings is detailed in Note 29 No.1, 2, 3 and 4 of “Share structure and shareholders” of this report prepared in accordance with PRC accounting standards.

IX. PRE-EMPTIVE RIGHT

There are no provisions of pre-emptive right in accordance with PRC law and regulation.

X. PURCHASE, SALE AND REDEMPTION OF SHARES

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

XI. CODE OF BEST PRACTICE

All of directors and supervisors of the Company were in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

XII. PROFIT APPROPRIATION PLAN FOR THE YEAR

During the year, the Company recorded net profit of RMB25,960,057, all of which was used to cover loss recorded in the previous years. Accumulation of distributable losses to shareholders amounted to RMB1,183,469,350. Therefore, the Board resolved not to make any profit appropriation for the year 2003, nor transfer any reserves to increase the share capital of the Company.

By order of the Board
Luo Hong

Shenyang, PRC
7 April 2004