

REPORT OF THE SUPERVISORY COMMITTEE

I. SUPERVISORS' MEETINGS

During the reporting period, the Supervisors' Committee held seven meetings:

1. The 8th meeting of the third Supervisors' Committee on 14 April 2003 approved 2002 Annual Report, Supervisors' Report, acceptance of resignation of Madam Liang Jie from the position of supervisor.
2. The 9th meeting of the third Supervisors' Committee on 24 April 2003 approved the Result for the first quarter of 2003; acceptance of resignation of Mr. Wu Qingwei, the Chairman of Supervisors' Committee, Mr. Luo Guiliang and Mr. Zhang Hongliang, the supervisors from the position of supervisor due to work reasons; nomination of Mr. Chi Jinzhi, Mr. Yuan Liliang, Mr. Luo Qimao and Mr. Huang Chuan as supervisors.
3. The 10th meeting of the third Supervisors' Committee on 29 May 2003 elected Mr. Chi Jinzhi as the Chairman of Supervisors' Committee.
4. The 11th meeting of the third Supervisors' Committee on 12 June 2003 approved to sell 49% equity interests in Shenyang High-voltage Switch Company Limited to Shenyang Chengan Electric Equipment Corporation.
5. The 12th meeting of the third Supervisors' Committee on 15 August 2003 approved the Report for the first half of 2003;
6. The 13th meeting of the third Supervisors' Committee on 29 October 2003 approved the Report for the third quarter of 2003;
7. The 14th meeting of the third Supervisors' Committee on 3 December 2003 approved the 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;

II. THE SUPERVISORY COMMITTEE PROVIDED INDEPENDENT OPINION ON THE FOLLOWING MATTERS:

1. The Company's legal operation

The Supervisory Committee attended all the General Meetings and Board meetings of the Company. In accordance with relevant law and regulation, the Supervisory Committee has carried out supervision on the procedure, resolution, execution of resolution of General Meeting by the Board of Directors and performance of duties by directors and senior management.

REPORT OF THE SUPERVISORY COMMITTEE *(Continued)*

II. THE SUPERVISORY COMMITTEE PROVIDED INDEPENDENT OPINION ON THE FOLLOWING MATTERS: *(Continued)*

The Supervisory Committee is of the opinion that the decision making procedure of the Board of Directors is in compliance with the relevant provisions of “Company Law”, “Security Law” and “Articles of Association”, and the Board of Directors strictly carried out the resolutions and authorization of General Meeting. The operations of the Company were carried out in compliance with the law. The Company has enhanced legal person governance and established modern enterprise system, modified the discussion procedures of the Company. The Company’s directors and senior managers did not have any behavior that violated against the law, regulations and Articles of Association or that was harmful to the Company’s interests.

2. The Company’s financial status

The Supervisory Committee conducted strict supervision on the Company’s financial status for 2003 and is of the opinion that the Audit Report prepared by the Auditor has truly and faithfully reflected the Company’s financial status and operational results.

3. Disposal and sale of assets

During the reporting period, the Company conducted two transactions of equity interests, both of which are fair and reasonable. The Company has followed relevant approval procedure and timely disclosed all the required information, which is in compliance with requirements for listed companies. This will benefit the future development of the Company and will not harm the interests of the Company and its shareholders.

4. Connected transactions

The connected transactions occurred during 2003 are fair and reasonable, which did not harm the interests of the Company.

5. Use of proceeds

During the reporting period, the Company did not use any of the proceeds.

By order of the Supervisory Committee
Chi Jinzhi

Shenyang, PRC
7 April 2004