

5. Important Events

- (1) Interim profit appropriation plan of the Company : No distribution of interim dividend and no increase in share capital by converting from surplus reserve.

- (2) Profit appropriation plan of the Company last year:

No distribution of final dividend and no increase in share capital by converting from surplus reserve.

- (3) Material Litigation

The details of the legal proceedings between the Company, Ruixin Industry Co. Ltd. and Deyang Insurance Co. Ltd. and the reconciliation thereof had been disclosed in the Annual Report 2000. The Company has recovered RMB1,070,000 as at the date hereof.

- (4) During the reporting period, the Company was not involved in any acquisition and merger.

- (5) Major connected transactions

On 25 February 1994, the Company signed an agreement with DFEW to provide various service to each other after its restructuring. The agreement was effective on 1 January 1994. Under the agreement, expenses payable by the Company to DFEW as at 30 June 2001 amounted to RMB18,078,194.95. Income receivable from DFEW amounted to RMB3,649,668.16.

- (6) The Company was relatively independent from its controlling shareholder, DFEW, in terms of personnel, asset integrity and finance.

- (1) The Company was independent in terms of labour, personnel and salary management. The General Manager, Deputy Manager and senior management received remuneration from the Company and do not hold any position in the holding company.

- (2) The Company has independent production, sale and purchase systems.

- (3) The Company has an independent financial and accounting department, an independent accounting system and management system. The Company has independent accounts in the bank.

- (7) During the reporting period, the Company re-appointed Pan China (Schinda) Certified Public Accountants of the PRC and Deloitte Touche Tohmatsu of Hong Kong as the statutory and international auditors of the Company respectively.

- (8) The Company did not provide any guarantee to any external party during the reporting period.

- (9) Upon consideration and approval by the directors at the ninth session of the 3rd Board of Directors's meeting, the Company entered into an asset management agreement with Guotai Junan Securities Limited ("Guotai Junan") in respect of the authorization to make investments in the sum of RMB80,000,000. The agreement stated that if the annual rate of return from investments is equal to or less than 9%, Guotai Junan will not charge any management fee nor commission. If the annual rate of return from investments exceeds 9%, Guotai Junan will charge management fee and commission. The term of the agreement is from 15 January 2001 to 15 December 2001.
- (10) The matter of the designated deposit had been disclosed by the Company in the Annual Report 2000, and there has been no change in the matter.
- (11) The matter of an overdue deposit in the sum of RMB25,900,000.00 owing by China Hua Yang Lease Company Limited to the Company had been disclosed in the Company's Annual Report 2000. China Hua Yang Lease Company Limited ceased to operate on 3 August 2000 and was then in liquidation as declared by the People's Bank of China. On 21 August 2000, the Company filed its claim with the Chengdu sub-division of the liquidation unit of China Hua Yang Lease Company Limited, including the outstanding principal in the sum of RMB25,900,000.00 and interest of RMB6,840,190.27 accrued up to the day when China Hua Yang ceased to operate. The liquidation unit has submitted to the creditors a restructuring proposal which has not been approved by the authority in charge. The said proposal proposes to restructure China Hua Yang Lease Company Limited into a "China Hua Yang Enterprise Company Limited". The new company's highest authority will be the creditors' meeting consisting of the company's creditors who will manage the new company. The Company has already expressed its reservation to the liquidation unit for its lack of rationale. The Board of Directors has not consented to the proposal and will request the liquidation unit for individual treatment to settle this matter.
- (12) The matter of a trade debt in the sum of RMB7,480,000.00 owing by China Dongfang Power Plant Equipment Corporation Shenzhen Company to the Company had been disclosed by the Company in the Annual Report 2000, and there has been no change in the matter.
- (13) During the reporting period, the Company and shareholders holding more than 5% of the issued share capital of the Company did not disclose any matters of undertaking in the designated newspapers or websites.
- (14) None of the directors, supervisors and senior management of the Company has held any shares of the Company.
- (15) At no time during the period did the Company make any arrangement to grant to the directors, supervisors and senior management of the Company nor their spouses and children under 18 years of age any rights to subscribe for the shares or debt securities of the Company or any other legal entities.

- (16) During the reporting period ended 30 June 2001, the Company did not issue any convertible debentures, share options, warrants or similar entitlements.
- (17) No repurchase, sale, redemption or cancellation of the listed securities of the Company was made by the Company during the reporting period.
- (18) During the reporting period, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the reporting period in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.