



5. Major Events

(1) Corporate governance

During the reporting period, the Company continued to improve the establishment of a corporate governance structure of the Company, regulate the operation, strengthen information disclosure and improve the management of relationship with investors in strict compliance with the requirements of the Company Law, Securities Law, Corporate Governance Standards for Listed Companies and other relevant laws and regulations.

(2) The profit appropriation plan for 2002 reviewed and approved in the Company's 2002 annual general meeting: No distribution of dividend and no transfer to reserve. The interim appropriation plan of the Company: No distribution of interim dividend and no increase in share capital by converting from capital surplus.

(3) 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 Reports for the years 2000, 2001 and the 2002 annual reports. There was no new progress regarding this litigation as at the date hereof.

(4) There was no material acquisition, sale or restructuring of assets carried out by the Company during the reporting period or carried out in the previous period and continued to the reporting period.

(5) Material connected transactions

On 25 February 1994, the Company signed an agreement with DFEW to provide various services to each other after the restructuring. The agreement was effective on 1 January 1994. Under the agreement, fees payable by the Company to DFEW for the six months ended 30 June 2003 amounted to RMB 33,423,000. Income receivable from DFEW amounted to RMB 3,325,000.

During the six months ended 30 June 2003, the Company had purchased raw materials from and had received labour services provided by DFEW and its subsidiaries amounting to RMB 20,931,000. The prices of the above transactions were based on market prices.

During the period from January to June 2003, sales made on behalf of the Company handled by China Dongfang Electric Corporation amounted to RMB 28,717,000.

The above connected transactions were necessary in the ordinary course of business and were carried out on normal business conditions.

(6) Material contracts

1. There was no material custody, contracting or lease of the assets of another company carried out by the Company, or material custody, contracting or lease of the assets of the Company carried out by another company during the reporting period or carried out in the previous period and continued to the reporting period.
2. There was no material security contract entered into by the Company during the reporting period or entered into in the previous period and continued to the reporting period.
3. There was no material entrustment of another party with the management of cash assets by the Company during the reporting period or in the previous period and continued to the reporting period.

(7) During the reporting period (or in the previous period, but deferred to be executed in this period), the Company and shareholders holding 5% or more of the issued share capital of the Company did not disclose any matters of undertaking in the designated newspapers or websites.

(8) Appointment of accounting firm

On 19 May 2003, in order to enhance auditing efficiency and to reduce costs, the 2002 Annual General Meeting of the Company decided not to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. and appointed Ho And Ho & Company, Certified Public Accountants and Shenzhen Pan-China Schinda, Certified Public Accountants as international and the PRC auditors of the Company respectively for the year 2003.

- (9)** Details of the Company's preferential tax treatment had been disclosed in the 2002 annual report. In July 2003, the Company and its subsidiaries received refund of value-added tax for 2002 amounting to RMB 60,712,000.
- (10)** At no time during the reporting period did the Company make any arrangements 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.
- (11)** The Company did not issue any convertible debentures, share options, warrants or similar entitlements during the reporting period.
- (12)** No repurchase, sale, redemption or cancellation of the listed securities of the Company was made by the Company during the reporting period.
- (13)** 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.



(14) Directory of Disclosed Material Information

1. On 21 February 2003, the Company issued the Announcement on the Signing of Contract for the Supply of Hydraulic Power Generating Units for the Zi Ping Pu Power Station. The announcement was published on page 5 of Shanghai Securities Journal, page 28 of China Securities Journal, Shanghai Stock Exchange's website www.sse.com.cn (enter the Company's stock code in the Directory of Company Information)(same as hereinafter), page A12 of Wen Wei Po and page N17 of The Standard of Hong Kong as well as Hong Kong Stock Exchange's website www.hkex.com.hk.
2. On 2 April 2003, the Company issued an announcement on the resolutions passed at the third meeting of the fourth Board of Directors and an announcement on convening the 2002 annual general meeting. The announcements were published on page 26-27 of Shanghai Securities Journal, page 27 of China Securities Journal, Shanghai Stock Exchange's website www.sse.com.cn, page A10 of Wen Wei Po and page C21-22 of The Standard of Hong Kong as well as Hong Kong Stock Exchange's website www.hkex.com.hk.
3. On 28 April 2003, the Company issued an announcement on the resolutions passed at the fourth meeting of the fourth Board of Directors. The announcements were published on page 23 of Shanghai Securities Journal, page 21 of China Securities Journal, Shanghai Stock Exchange's website www.sse.com.cn, page B9 of Wen Wei Po and page N7 of The Standard of Hong Kong as well as Hong Kong Stock Exchange's website www.hkex.com.hk.
4. On 20 May 2003, the Company issued an announcement on the resolutions passed at the 2002 annual general meeting. The announcements were published on page 17 of Shanghai Securities Journal, page 3 of China Securities Journal, Shanghai Stock Exchange's website www.sse.com.cn, page A13 of Wen Wei Po and page C30 of The Standard of Hong Kong as well as Hong Kong Stock Exchange's website www.hkex.com.hk.