

# REPORT OF THE DIRECTORS

## I. DAILY WORK OF THE BOARD OF DIRECTORS

During the reporting period, the Company held 11 meetings.

- (1) On 15 January 2004, the Company held the 26th meeting of the third Board of Directors at which the following resolutions were discussed and approved: the proposed amendments to the Articles of Association; the proposal on candidates of directors and supervisors; the proposal on remuneration of directors and supervisors; to be submitted to the 2004 first Extraordinary General Meeting on 8 March 2004 for approval.
- (2) On 8 March 2004, the Company held the first meeting of the fourth Board of Directors at which Mr. Luo Hong was elected as Chairman and Mr. Qu Lin as Vice Chairman; Mr. Zhang Bin was appointed as the General Manager; Mr. Liu Yongshun, Mr. Su Weiguo, Mr. Zhang Deben and Mr. Liu Xin were appointed as the Deputy General Managers and Ms. Wang Guohua as the Chief Accountant; Mr. Liu Xin was also appointed as the Secretary to the Board; and the members of special committees were appointed.
- (3) On 15 March 2004, the Company held the second meeting of the fourth Board of Directors at which the Company was approved to dispose its 48.95% equity interests in Shenyang High-voltage Switchgears Co. Ltd. to Shenyang Chengan Electric Equipment Group Company Limited, at a consideration of RMB24 million based on the 2003 audited net asset value of Shenyang High-voltage Switchgears Co. Ltd..
- (4) On 29 March 2004, the Company held the third meeting of the fourth Board of Directors at which the Company was approved to make a contribution in kind of assets valued at RMB130 million to the additional registration capital of Shenyang Tiansheng Communication Equipment Limited, representing 98.5% of its registered capital.
- (5) On 7 April 2004, the Company held the fourth meeting of the fourth Board of Directors at which the following resolutions were discussed and approved: the 2003 Budget Implementation Report, the Report of the Directors and the profit appropriation 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; the acquisition of 74.4% equity interest at a price of RMB129.54 million in Shenyang Suntime High-voltage Electric Company Limited held by Shenyang High-voltage Switchgears Co. Ltd., at a consideration of 98.5% equity interest in Shenyang Tiansheng Communication Equipment Limited held by the Company to be transferred to Shenyang High-voltage Switchgears Co. Ltd.; to be submitted to the 2003 Annual General Meeting on 24 May 2004 for consideration and approval.
- (6) On 14 April 2004, the Company held the fifth meeting of the fourth Board of Directors at which the following resolutions were discussed and approved: to approve the acquisition of 95% equity interest (representing a capital contribution of RMB161.5 million) in Shenyang Suntime Storage and Logistics Company Limited and 95% equity interest in Shenyang Chengtai Energy Power Company Limited (representing a capital contribution of RMB85.5 million) held by Shenyang High-voltage Switchgears Co. Ltd.; and to approve the consideration for the aforesaid acquisitions being the receivables amounting to RMB76.66 million of the Company due from Northeast Electrical Transmission and Transformation Equipment Group Company Limited and the interest accrued thereon.
- (7) On 26 April 2004, the Company held the sixth meeting of the fourth Board of Directors at which the 2004 first quarterly report of the Company was approved.

## REPORT OF THE DIRECTORS (*Continued*)

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

- (8) On 13 August 2004, the Company held the seventh meeting of the fourth Board of Directors at which the following resolutions were discussed and approved: the 2004 interim results reports and the profit appropriation plan; the proposed amendments to the Articles of Association; acceptance of resignation of Mr. Luo Hong, Mr. Shi Yanping, Mr. Tang Xiaojiang, Mr. Zhang Deben and Mr. He Wanjun from the position of director due to change in work, and acceptance of resignation of Mr. Zhang Deben and Mr. Liu Xin from the position of deputy general manager due to change in work; the proposal for nomination of additional director candidates, pursuant to which Mr. Wang Shouguan, Mr. Su Weiguo, Mr. Li Hongliang, Mr. Liu Qingmin and Mr. Niu Wenjun as nominated by the largest shareholder New Northeast Electric Investment Company Limited were recommended as additional candidates of executive directors, subject to approval by the general meeting; Mr. Qu Lin was elected as Chairman and Mr. Zhang Bin as Vice Chairman and General Manager; Mr. Wang Jie was appointed as Deputy General Manager; acceptance of resignation of Mr. Liu Xin and Mr. Lin Zhihua from the position of Joint Company Secretary due to change in work; Mr. Sun Zhen was appointed as the Secretary to the Board and Ms. Lee Wai Fun, Betty as the Joint Company Secretary in Hong Kong; adjustment and reappointment of members of special committees under the Board; and to convene the 2004 third Extraordinary General Meeting on 27 September 2004 to approve the proposed amendments to the Articles of Association and the Proposal on Nomination of Additional Director Candidates.
- (9) On 27 September 2004, the Company held the eighth meeting of the fourth Board of Directors at which Mr. Wang Shouguan was elected as the Vice Chairman.
- (10) On 25 October 2004, the Company held the ninth meeting of the fourth Board of Directors at which the 2004 third quarterly report of the Company was approved.
- (11) On 27 December 2004, the Company held the tenth meeting of the fourth Board of Directors at which the Company was approved to dispose its 99.99% equity interest in Jinzhou Power Capacitors Company Limited to Northeast Construction and Installation Corporation, at a consideration of RMB54 million based on the audited net asset value of Jinzhou Power Capacitors Company Limited as of 31 December 2003; to convene the 2005 first Extraordinary General Meeting on 28 February 2005 to consider the above matters (the meeting was postponed to 21 March 2005).

### 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 HK GAAP is detailed in the supplementary note 3 to the financial statements.

## REPORT OF THE DIRECTORS (*Continued*)

### IV. RESERVE

Change of reserve is detailed in Note 28-30 to the financial statements.

### V. BANK LOAN AND OTHER LOAN

Bank loan and other loan are detailed in Note 16 and 25 to the financial statements.

### VI. FIXED ASSETS

Change of fixed assets is detailed in Note 13 and 14 to the financial statements.

### 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 27 to the financial statements.

There was no change in share capital and shareholdings during the reporting period.

### 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. PLAN OF PROFIT APPROPRIATION AND TRANSFER OF CAPITAL RESERVES TO INCREASE THE SHARE CAPITAL FOR THE YEAR

During the year, the Company recorded net profit of RMB2,238,310, all of which was used to cover loss recorded in the previous years. Therefore, the Board resolved not to make any profit appropriation during the reporting period, nor transfer any reserves to increase the share capital of the Company.

By order of the Board of Directors  
**Qu Lin**  
Chairman

Shenyang, the PRC  
18 April 2005