

# REPORT OF THE SUPERVISORY COMMITTEE

## I THE MEETINGS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Company convened 10 meetings, details of which are as follows:

- (1) The fifteenth meeting of the third Supervisory Committee on 15 January 2004 approved the proposed nomination of candidates for the fourth Supervisory Committee and the remuneration scheme for members of the fourth Supervisory Committee.
- (2) The first meeting of the fourth Supervisory Committee, comprising Mr. Yuan Limin and Ms. Xu Xiuqin (shareholder representatives), Mr. Chi Jinzhi (staff representative), was convened on 8 March 2004 to elect Mr. Chi Jinzhi as the Chairman of the Supervisory Committee.
- (3) The second meeting of the fourth Supervisory Committee was convened on 15 March 2004 to approve the disposal of 48.95% equity interests in Shenyang High-voltage Swithgears Company Limited held by the Company to Shenyang Chengan Electric Equipment Corporation, at the consideration of RMB24 million, based on the audited assets of Shenyang High-voltage Swithgears Company Limited for 2003.
- (4) The third meeting of the fourth Supervisory Committee was convened on 29 March 2004 to approve the investment of fixed assets in kind valued at RMB130 million in Shenyang Tiansheng Communication Equipment Ltd., representing 98.5% of its total registered capital.
- (5) The fourth meeting of the fourth Supervisory Committee was convened on 7 April 2004 to approve 2003 results announcement and its summary, the 2003 Supervisory Committee's work report and the Board's decision to acquire 74.4% equity interests held by Shenyang High-voltage Swithgears Company Limited in Shenyang Suntime High-voltage Electric Company Limited at a consideration of RMB 129.54 million. It also approved the disposal of 98.5% equity interests held by the Company in Shenyang Tiansheng Communication Equipment Ltd. to Shenyang High-voltage Swithgears Company Limited.
- (6) The fifth meeting of the fourth Supervisory Committee was held on 14 April 2004 to approve the Board's decision to acquire 95% equity interests in Shenyang Suntime Storage and Logistics Company Limited and 95% equity interests in Shenyang Chengtai Energy Power Company Limited held by Shenyang High-voltage Swithgears Company Limited, at a consideration of RMB161.15 million and RMB85.5 million respectively. It also approved to use the credit right of RMB76.66 million and the interests accrued thereon owned by the Company in NET to pay the consideration for the above acquisitions.
- (7) The sixth meeting of the fourth Supervisory Committee was convened on 26 April 2004 to approve the 2004 first quarterly results report.
- (8) The seventh meeting of the fourth Supervisory Committee was convened on 13 August 2004 to approve the 2004 Interim Results Announcement, the 2004 Interim Supervisory Committee's Work Report, to accept the application of Mr. Chi Jinzhi 's resignation from the office of supervisors and the Chairman of the Supervisor, to add Mr. Dong Lian as a supervisor from staff representatives and to elect Mr. Dong Lian as the Chairman of the Supervisory Committee.
- (9) The eighth meeting of the fourth Supervisory Committee was convened on 25 October 2004 to approve the 2004 third quarterly results report.
- (10) The ninth meeting of the fourth Supervisory Committee was convened on 27 December 2004 to approve the Board's decision to approve the proposed disposal of 99.99% equity interests in Jinzhou Power Capacitor Company Limited. The Company shall transfer its 99.99% equity interests in Jinzhou Capacitor to Northeast Construction & Installation Corporation at a consideration of RMB54 million based on the audited net assets of Jinzhou Capacitor as of 31 December 2003.

## REPORT OF THE SUPERVISORY COMMITTEE (*Continued*)

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

#### (1) The Company's legal operation

In 2004, 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 of convention, resolution, procedure of resolution execution of resolution of General Meeting by the Board of Directors and performance of duties by directors and senior management. 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 and took reference to the related regulatory requirements. The Company has enhanced legal person governance and established modern enterprise system, perfected and 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 2004 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) Use of proceeds

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

#### (4) Disposal and sale of assets

During the reporting period, the Company's transactions in relation to the disposal and acquisition of equity interests are fair and reasonable and there occurred no insider trading. 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 further regulate the operations of the Company and benefit the future development of the Company and will not harm the interests of the Company and its shareholders.

#### (5) Connected transactions

The connected transactions occurred during 2004 are fair and reasonable, which did not harm the interests of the Company.

By order of the Supervisory Committee  
**Dong Liansheng**

Shenyang, the PRC  
18 April 2005