

一、公司報告期的經營情況

(1) 公司所處行業及其行業地位

本公司屬發電設備製造行業，為本行業在中國最大型企業之一，對國家電力建設起著極其重要的作用。

(2) 公司主營業務情況

本公司之主營業務為：水力發電設備、汽輪發電機、交直流電機、控制設備。

截止二零零一年十二月三十一日止年度，按中國會計準則計算，本公司之主營業務收入為人民幣370,293千元，較上年度減少42.54%，淨利潤為虧損人民幣261,349千元，每股虧損為人民幣0.581元；按香港公認會計準則計算，本公司之除稅後股東應佔虧損為人民幣262,085千元，每股虧損為人民幣0.582元。

年內，本公司完成水輪發電機組7套，產量達790MW；汽輪發電機13台，產量達1223MW；交流電機62台，產量達90.845MW；直流電機68台，產量達36.584MW。

本公司年內共承接訂單約人民幣10.91億元。

(3) 主營業務收入及主營業務成本情況 (按中國會計準則)

1. Review of the operation during the reporting period

(1) Principal activities of the Company and its position in the industry

Specialising in manufacturing power generating equipment, the Company is one of the largest enterprises of the industry in the PRC and plays a significant role in the country's power development.

(2) Business review

The major businesses of the Company include hydro turbine generator, steam turbine generator, A.C. and D.C. motors and control equipment.

For the year ended 31 December 2001, in accordance with PRC GAAP, the Company recorded an income from principal operation of Rmb370,293,000, representing a decrease of 42.54% over the previous year; a net loss of Rmb261,349,000 and loss per share of Rmb0.581. In accordance with HK GAAP, the Company recorded a loss attributable to shareholders for the year of Rmb262,085,000 and loss per share of Rmb0.582.

During the year, the Company built 7 hydro turbine sets with an aggregate electricity generation capacity of 790 MW; 13 steam turbine generators with an aggregate electricity generation capacity of 1223 MW; 62 A.C. motors with an aggregate capacity of 90.845MW; and 68 D.C. motors with an aggregate capacity of 36.584 MW.

The Company received orders amounting to Rmb1,091 million during the year.

(3) Income from principal operations and principal businesses (under PRC Accounting Principles)

		主營業務收入 (人民幣千元)	佔主營業務收入比例 (%)	主營業務成本 (人民幣千元)	主營業務毛利 (人民幣千元)
		Income from principal operations RMB'000	Percentage of income from principal operations (%)	Costs of principal operations RMB'000	Gross profit from principal operations RMB'000
發電設備營業收入	Income from power generating equipment	314,073	84.82	298,454	15,618
勞務及技術改造 收入	Income from labour services and technological renovation	45,555	12.3	28,689	16,865
工礦備件營業收入	Income from mining equipment	10,663	2.88	9,193	1,470
合計	Total	370,292	100	336,337	33,954



二、董事會日常工作情況

(1) 報告期內董事會的會議情況及決議內容

本公司董事會年內共召開了十次董事會議。

- 1 二零零一年一月十六日召開了三屆九次董事會議，會議審議並通過了公司二零零一年工作方針及奮鬥目標；公司二零零一年投資計劃方案；公司二零零一年財務預算方案；公司二零零一年資本運作方案；調整部分募股资金使用方向的議案；有關報廢留用設備處置價的報告；選舉副董事長及聘任總經理、副總經理的議案；召開臨時股東大會有關事項。該次董事會決議公告刊登在二零零一年一月十八日的《上海證券報》，香港《文匯報》、《Hong Kong iMail》。
- 2 二零零一年二月十六日召開了三屆十次董事會議，會議審議並通過了因工作變動，田武先生不再擔任公司董事會秘書，董事會聘任本公司董事龔丹先生兼任公司董事會秘書議案。該次董事會決議公告刊登在二零零一年二月十九日的《上海證券報》，香港《文匯報》、《Hong Kong iMail》。
- 3 二零零一年三月六日召開了三屆十一次董事會議，會議審議並通過了與海通證券股份有限公司開展資產委託理財的議案。
- 4 二零零一年三月二十一日召開了三屆十二次董事會議，會議審議並通過了投資設立東方電機設備工程有限公司的議案；公司經營範圍中增加對外經濟技術合作業務事宜；有關財務問題處理的議案。

2. Daily work of the Board of Directors

(1) Board meetings held and the resolution passed during the reporting period

The Board of Directors held ten meetings during the year:

1. The ninth meeting of the third Board of Directors was held on 16 January 2001 for considering and approving : the Company's 2001 work guideline and objective; 2001 investment plan; 2001 financial budget; 2001 capital operation plan; adjustment of the use of some proceeds; report regarding the price of disposed equipment; selection of vice Chairman of the Board of Directors and appointment of General Manager, Deputy General Manager; matters regarding Extraordinary General Meeting to be held. Announcement of resolutions passed at this meeting was published on Shanghai Security Daily, Hong Kong Wen Wei Po and Hong Kong iMail dated 18 January 2001.
2. The tenth meeting of the third Board of Directors was held on 16 February 2001 for considering and approving that Mr. Tian Wu will not hold the position of Secretary to the Board of Directors due to work change, Mr. Gong Dan, the Company's director, was appointed by the Board as the Secretary to the Board of Directors. Announcement of resolutions passed at this meeting was published on Shanghai Security Daily, Hong Kong Wen Wei Po and Hong Kong iMail dated 19 February 2001.
3. The eleventh meeting of the third Board of Directors was held on 6 March 2001 for considering and approving the resolution regarding finance handling of entrusted capital with Haitong Security Company Limited.
4. The twelfth meeting of the third Board of Directors was held on 21 March 2001 for considering and approving: investment to establish Dongfang Electrical Machinery Equipment Engineering Company Limited; adding foreign economic and technological cooperation to the scope of business of the Company and handling of relevant accounting issues.



二、董事會日常工作情況 (續)

(1) 報告期內董事會的會議情況及決議內容 (續)

- 5 二零零一年四月六日召開了三屆十三次董事會議，會議審議並通過了關於制訂固定資產、無形資產、在建工程計提減值準備會計政策的議案；在建工程提取減值準備的議案；二零零零年度財務報告的議案；二零零零年度稅後利潤分配方案及二零零一年利潤分配政策的議案；二零零零年報及年報摘要文本的議案；召開二零零零年度股東週年大會的議案；聘任會計師的議案；參股設立四川德陽金石房地產開發有限責任公司的議案；調整對四川東方佳信工程建設監理有限責任公司出資額的議案。該次董事會決議公告刊登在二零零一年四月九日的《上海證券報》，香港《文匯報》、《Hong Kong iMail》。
- 6 二零零一年六月十五日召開了三屆十四次董事會議，會議審議並通過了有關新增購買轉子線圈銑孔機、轉子槽銑床的議案；與海通證券開展委託理財的議案。
- 7 二零零一年七月九日召開了三屆十五次董事會議，會議審議並通過了公司發佈中期預虧公告的議案；參加中石化A股法人配售的議案；有關授權處置資產的議案。
- 8 二零零一年八月十六日召開了三屆十六次董事會議，會議審議並通過了處理華陽存款事項的議案；通過二零零一年中期財務報告(未經審計)；二零零一年中期稅後利潤分配方案；二零零一年中期報告及摘要文本；公司「十五」發展規劃綱要；《東方電機股份有限公司控股公司管理辦法》等議案。該次董事會決議公告刊登在二零零一年八月十七日的《上海證券報》，香港《文匯報》、《Hong Kong iMail》。

2. Daily work of the Board of Directors (continued)

(1) Board meetings held and the resolution passed during the reporting period (continued)

5. The thirteenth meeting of the third Board of Directors was held on 6 April 2001 for considering and approving the following resolution: to formulate accounting policy regarding provision for asset devaluation of fixed asset, intangible asset and construction in progress; provision for asset devaluation of construction in progress; financial statements for the year 2000; profit after taxation appropriation plan for the year 2000 and profit appropriation plan for the year 2001; the annual report for the year 2000 and its summary; to hold 2000 Annual General Meeting; appointment of certified public accountants; subscription of shares in establishment of Sichuan Deyang Real Estate Development Company Limited; adjustment of capital contribution to Sichuan Dongfang Jiaxin Engineer Construction Supervision Company Limited. Announcement of resolutions passed at this meeting was published on Shanghai Security Daily, Hong Kong Wen Wei Po and Hong Kong iMail dated 9 April 2001.
6. The fourteenth meeting was held on 15 June 2001 for considering and approving resolution regarding purchase of roter drilling machines and slot cutting machines and regarding entrusted financing with Haitong Security.
7. The fifteenth meeting was held on 9 July 2001 for considering and approving announcement of interim loss; participation in issuance of legal person share of China Petrol and Chemical Corporation and authorization of handling assets.
8. The sixteenth meeting was held on 16 August 2001 for considering and approving: settlement of deposit in Huayang; the interim financial statement (unaudited) for the year 2001; interim profit after taxation appropriation plan for the year 2001; 2001 interim report and its summary; summary of the Company's "Tenth Five Year Plan" development scheme and "Management Regulations of the controlling company of Dongfang Electrical Machinery Company Limited". Announcement of resolutions passed at this meeting was published on Shanghai Security Daily, Hong Kong Wen Wei Po and Hong Kong iMail dated 17 August 2001.



二、董事會日常工作情況 (續)

(1) 報告期內董事會的會議情況及決議內容 (續)

- 9 二零零一年九月十二日召開了三屆十七次董事會議，會議審議並通過了委任周宏喜同志為公司執行董事，並聘任為副總經理的議案；本公司擬參股投資美式磁懸浮飛機(列車)項目；本公司和東方汽輪機廠互為提供1.1億元綜合授信額度擔保的議案。該次董事會決議公告刊登在二零零一年九月十四日的《上海證券報》，香港《文匯報》、《Hong Kong iMail》。
- 10 二零零一年十二月二十二日召開了三屆十八次董事會議，會議審議並通過了處理有關華陽租賃存款的議案；有關在建工程報廢的議案；通過有關原材料、外購和自製工具盤虧、報廢的議案。

(2) 董事會對股東大會決議的執行情況

報告期內公司利潤分配方案執行情況經本公司二零零零年度股東週年大會批准，本公司按稅後利潤的10%提取了法定公積金，按稅後利潤5%提取了法定公益金，其餘部分作未分配利潤處理，結轉二零零一年。

三、利潤分配預案

本公司並無宣派或派付中期股息，董事會建議就截至二零零一年十二月三十一日止年度不進行利潤分配，也無資本公積金轉增股本，該預案尚待股東大會批准後實施。

2. Daily work of the Board of Directors (continueud)

(1) Board meetings held and the resolution passed during the reporting period (continued)

9. The seventeenth meeting was held on 12 September 2001 for considering and approving: appointment of Mr. Zhou Hongxi as the Company's executive director and Deputy General Manager; the proposal to hold interests in American Magnetic Plane (train) project; the Company and Dongfang Steam Turbine Generator Plant will provide cross guarantee to each other's comprehensive credit limit in the amount of RMB110 million. Announcement of resolutions passed at this meeting was published on Shanghai Security Daily, Hong Kong Wen Wei Po and Hong Kong iMail dated 14 September 2001.
10. The eighteenth meeting was held on 22 December 2001 for considering and approving: settlement of Huayang deposit; disposal of construction in progress and resolutions regarding raw material, overseas purchase, loss and disposal of self-made tools.

(2) Execution of resolutions passed at the General Meeting by the Board of Directors

Execution of Profit Appropriation Plan during the reporting period. Approved by the 2000 Annual General Meeting, the Company transferred 10% of its profits after taxation to the statutory surplus reserve and 5% of its profits after taxation to the statutory public welfare fund. The balance was discharged as undistributed profit which was transferred to 2001.

3. Profit appropriations

No interim dividend was declared or paid during the year ended 31 December 2001. The Board recommends that no profit appropriations shall be declared for the year and no capital reserve will be transferred to increase share capital. The above proposal is subject to the approval by the shareholders at the Annual General Meeting.



四、主要控股公司的經營情況及業績

4. Operation and Result of substantial controlling companies

截至二零零一年十二月三十一日止

As at 31 December 2001

單位：人民幣萬元
In Rmb0'000

公司名稱	業務性質	主營業務	註冊資本	擁有權益	總資產	淨利潤
Name	Nature of Business	Main Business	Registered Capital	Interests held	Total asset	Net profit (loss)
1. 東方電機控制設備有限公司	製造業	與發電設備及交直流電機配套的控制設備的設計、製造、銷售等	13,000	96.15%	4,149	26
DFEM Control Equipment Company Limited	Manufacturing	Design, manufacture and sale of control equipment in relation to generators and A.C and D.C. motors				
2. 東方電機動力設備有限公司	製造業	大中型交直流電機及特種電機設計製造、銷售等	25,000	98.00%	6,145.5	(1,270)
DFEM Power System Company Limited	Manufacturing	Design, manufacture and sale of Large and medium A.C. and D.C. motors and special motors				
3. 東方電機工模具有限公司	製造業	工業模具、刀具的設計、製造、銷售；普通機械、機械零配件的加工、銷售	14,600	99.32%	1,911.9	9
DFEM Tooling and Moulding Company Limited	Manufacturing	Design, manufacture and sale of industrial tool and knife tool; process and sale of ordinary machinery and machinery accessories				
4. 東方電機設備工程有限公司	製造業	機電設備大修，技術改造；成套機電設備控制系統成套設計與製造，銷售；環保設備，專用設備設計，製造與安裝，銷售等	13,500	97.04%	1,678	(43)
DFEM Equipment Engineering Company Limited	Manufacturing	Overhaul of electrical machinery technological transformation; design, manufacture and sale of complete set of electrical machinery control system; environmental protection equipment; design, manufacture installation and sale of special equipment etc.				



五、主要供應商、客戶情況：

截至二零零一年十二月三十一日止年度，本公司向前五名供應商合計的採購金額佔年度採購總額的比例為17.73%。前五名客戶銷售額合計佔本公司銷售總額的比例為60.5%。

本年度內，本公司董事、監事及其他有關人士等或股東並無擁有上述供應商及客戶的任何權益。

六、公司投資情況

(1) 投資設立子公司情況

本公司以機器設備和現金投入，於二零零一年三月十三日設立「東方電機工模具有限公司」，本公司投入人民幣14,500千元，佔總股本的99.32%，為本公司的控股子公司。

本公司以機器設備和現金投入，於二零零一年八月十六日設立「東方電機設備工程有限公司」，本公司投入人民幣13,100千元，佔總股本的97.04%，為本公司的控股子公司。

本公司以現金參股，於二零零一年五月十一日成立「四川德陽金石房地產開發有限責任公司」，該公司註冊資本人民幣8,000千元，本公司出資人民幣1,000千元，佔12.5%，系第二大股東。

本公司以現金參股，於二零零一年七月三十一日成立「四川東方佳信工程建設監理有限責任公司」，該公司註冊資本人民幣500千元，本公司出資人民幣200千元，佔40%，系第二大股東。

5. Major suppliers and customers

For the year ended 31 December 2001, the percentage of purchases attributable to the Company's five largest suppliers was 17.73% as compared with the total purchases. The percentage of sales attributable to the Company's five largest customers was 60.5% as compared with the total sales.

During the year, none of the Company's directors, supervisors and other connected persons or shareholders has any interest in the five largest suppliers and customers.

6. Investment

(1) Investment in establishment of subsidiaries

"DFEM Tooling and Moulding Company Limited" was established on 13 March 2001 with capital contribution by the Company in the form of machinery, equipment and cash. The Company invested Rmb 14,500,000, representing 99.32% of the total share capital. The subsidiary is controlled by the Company.

"DFEM Equipment Engineering Company Limited" was established on 16 August 2001 with capital contribution by the Company in the form of machinery, equipment and cash. The Company invested Rmb 13,100,000, representing 97.04% of the total share capital. The subsidiary is controlled by the Company.

"Sichuan Deyang Jinshi Real Estate Company Limited" was established on 11 May 2001 with capital contribution by the Company in cash. The registered capital of this company was Rmb 8,000,000. The capital contribution by the Company amounted to Rmb1,000,000, representing 12.50% of the total capital. The Company is the second largest shareholder.

"Sichuan Dongfang Jiaxin Project Construction Supervising Company Limited" was established on 31 July 2001 with capital contribution by the Company in cash. The registered capital of this company was Rmb500,000. The capital contribution by the Company amounted to Rmb200,000, representing 40% of the total capital. The Company is the second largest shareholder.

六、公司投資情況 (續)

(2) 募集資金使用情況

按照本公司H股及A股說明書之承諾，本公司通過發行A股及H股所募集的約人民幣752,548千元主要用途及項目為提高水電生產能力的技術改造等四個項目。現將至二零零一年十二月三十一日止該四個項目募集資金使用情況分列如下：

招股書承諾項目：

- (i) 提高水電生產能力的技術改造項目，計劃投資額人民幣670,000千元。該項目報告期年度完成募集資金投資人民幣15,278千元，至此，該項目已投入募集資金人民幣211,725千元。通過實施該項技術改造，公司水火電生產能力及技術水平有所提高，增強了企業競爭實力。
- (ii) 用於本公司與國外合資生產大水電機組及汽輪發電機的中方投資，計劃投資額人民幣160,000千元。由於發電設備市場形勢發生變化，該項目一直沒有實質性進展，兩項合資項目尚未注入資金。中國東方電氣集團公司分別以東司資財字(2000)47號文及東司字(2001)41號文批准撤銷與國外合資生產大水電機組及汽輪發電機的合資項目。

6. Investment (continued)

(2) Use of proceeds

In accordance with the purpose stipulated in the Company's Prospectus for the issue of A Shares and H Shares, the proceeds of Rmb752,548,000 from A Shares and H Shares listing has to be applied in the technological renovation projects on improving the production capacity of hydro turbine generator sets and in other three projects. The use of proceeds up to 31 December 2001 is as follows:

Projects stipulated in the Company's Prospectus:

- (i) In respect of the technological renovation projects for improving production capacity of hydro turbine generator sets, the total planned investment was Rmb670,000,000. During the reporting period, the actual investment amounted to Rmb15,278,000. To date, the cumulative actual investment in this project amounted to Rmb211,725,000. Through the implementation of the technological renovation, the production capacity and technology level of hydro and steam turbine generator sets have been enhanced.
- (ii) In respect of the capital inputs in joint venture projects with foreign investors for the production of hydro turbine generator sets and steam turbine generators, the total planned investment was Rmb160,000,000. Due to changes in the market of generator equipment and intense competition, the joint venture projects did not make concrete progress and no capital input was made. China Dongfang Electric Corporation approved the cancellation of the joint venture projects for the production of hydro turbine generator sets and steam turbine generators by way of the documents Dong Si Zi Cai Zi (2000) No. 47 and Dong Si Zi (2001) No. 41 respectively.



六、公司投資情況 (續)

(2) 募集資金使用情況 (續)

於二零零一年一月十六日，本公司三屆九次董事會議審議通過更改部分募股資金使用方向的議案，將本公司與國外合資生產水電機組及汽輪發電機的中方投資人民幣160,000千元中用於汽輪發電機合資部分資金60,000千元資金改變其投向，用於彌補本公司營運資金之不足。於二零零一年三月六日，本公司召開臨時股東大會，大會批准該項議案。該項議案已經實施。

於二零零二年一月二十三日，本公司三屆十九次董事會議審議通過更改部分募股資金使用方向的議案，將本公司與國外合資生產水電機組及汽輪發電機的中方投資人民幣160,000千元中用於水電合資部分資金100,000千元資金改變其投向，用於彌補本公司營運資金之不足。該議案將提交本公司二零零一年度股東週年大會審議批准。

- (iii) 新增營運資金，計劃投資額人民幣150,000千元，實際投資額人民幣150,000千元，該項目已完成。
- (iv) 歸還「七五」「八五」基建技改貸款，計劃投資額人民幣7,500千元，實際投資額人民幣88,449千元，該項目已完成。

截至二零零一年十二月三十一日止，本公司募集資金餘下款項約人民幣242,374千元，本公司已將未動用之款項存於境內有關銀行。

6. Investment (continued)

(2) Use of proceeds (continued)

On 16 January 2001, the ninth meeting of the 3rd Board of Directors of the Company resolved to change the use of proceeds of Rmb60 million from the capital input intended for the production of steam turbine generators which was part of the total investment of Rmb160 million intended for joint ventures with foreign partners to produce hydro turbine generator sets and steam turbine generators to injection as additional working capital of the Company. The said resolution had been approved at the Extraordinary General Meeting of the Company held on 6 March 2001. The resolution had been implemented.

On 23 January 2002, the nineteenth meeting of the 3rd Board of Directors of the Company resolved to change the use of proceeds of Rmb100 million from the capital input intended for the production of hydro turbine generators which was part of the total investment of Rmb160 million intended for joint ventures with foreign partners to produce hydro turbine generator sets and steam turbine generators to injection as additional working capital of the Company. The said resolution will be submitted for approval at the Annual General Meeting of the Company for 2001.

- (iii) In respect of the additional capital, the total planned investment was Rmb150,000,000. The actual investment amounted to Rmb150,000,000. The investment had been completed.
- (iv) In respect of the repayment of the loans of the Seventh and Eighth Five-Year Plan, the total planned investment was Rmb75,000,000. The actual investment amounted to Rmb88,449,000. The investment had been completed.

As at 31 December 2001, the balance of proceeds amounted to approximately Rmb242,374,000. The Company has deposited the balance of proceeds in domestic banks.

七、公司財務狀況(按中國會計準則編制)

(1) 總資產：本年末總資產2,578,023千元，比上年末增加180,750千元，增加7.54%。增加的原因主要有：

- A. 貨幣資金增加121,195千元，主要系本年度銀行貸款增加所致。
- B. 短期投資增加32,646千元，主要系本公司本年度委託海通證券有限公司管理的本公司資產尚未到期收回所致。
- C. 應收款項淨額減少142,684千元，主要系本年度主營業務收入減少；將無法收回的應收款項予以核銷；以及其他應收款計提壞賬比例提高等原因所致。
- D. 預付賬款增加34,288千元，主要系本年度原材料採購量增加所致。
- E. 存貨淨額增加146,471千元，主要系本公司二零零二年度生產任務增加，原材料儲備及在製品增加；且部分完工火電產品，因交貨期未到而未發運，使得庫存產成品增加所致。
- F. 固定資產減少12,965千元，主要系本公司本年度計提折舊額增加所致。

7. Financial position of the Company (under PRC GAAP)

(1) Total assets: Total assets at the end of the year amounted to Rmb2,578,023,000, representing an increase of Rmb180,750,000 or 7.54% from the end of the previous year. Main reasons for the increase include:

- A. increase in cash and bank balances by Rmb121,195,000, which is mainly due to increase in bank loans during the year;
- B. increase in short term investment by Rmb32,646,000, which is mainly attributable to the fact that the Company's assets are under the management of Haitong Securities Company Limited as appointed by the Company and are still pre-mature during the year;
- C. decrease in accounts receivable by Rmb142,684,000, which is mainly due to the decrease in revenues from principal operations during the year, write off of uncollectible trade debts and increase in the percentage of bad debt provision for other accounts receivable;
- D. increase in prepayments to suppliers by Rmb34,288,000, which is mainly due to the increase in purchases of raw materials;
- E. increase in net inventories by Rmb146,471,000, which is mainly attributable to the increase in production target in 2002, increase in reserved raw materials and work-in-progress, and certain steam turbine products not yet delivered to customers as the date of delivery is not due.
- F. decrease in fixed assets by Rmb 12,965,000, which is mainly due to the increase in depreciation charge for the year.



七、公司財務狀況(按中國會計準則編制)(續)

- (2) 長期負債：本年末長期負債465,024千元，比上年末增加72,038千元，增加18.33%。增加的原因主要系本公司本年度為補充經營資金不足增加銀行借款所致。
- (3) 本公司本年度資產負債率67%，比上年度提高了15個百分點。
- (4) 資本結構：本公司貨幣資金2001年底約8.3億元，同期流動資金短期貸款3.271億元，長期貸款約5.4億元，其中一年內將歸還的約為0.9億元，貸款利率都在合同中或補充協議中確定為固定利率。

本公司是中國最大發電設備製造廠商之一，有40多年的經營經歷，在資金營運方面貫徹綜合平衡、穩健經營的財務政策，以致本公司成立以來所有銀行貸款及利息均按期支付，在公司開戶的各家銀行樹立了良好的信譽。本公司目前是四川省工商銀行、建設銀行、中國銀行重點客戶或優質客戶。

- (5) 股東權益：本年末股東權益885,832千元，比上年末減少261,233千元，減少22.77%。減少的原因主要系本公司本年度經營虧損。

7. Financial position of the Company (under PRC GAAP) (continued)

- (2) Long-term liabilities: Long-term liabilities at the end of the year amounted to Rmb465,024,000, representing an increase of Rmb72,038,000 or 18.33% from the end of the previous year. The increase is mainly attributable to the increase in bank borrowings to finance the additional working capital of the Company during the year.
- (3) The gearing ratio of the Company for the year was 67%, representing an increase of 15 percentage points over last year.
- (4) Capital Structure: The Company's cash and cash balance at the end of 2001 amounted to approximately Rmb830,000,000 and current capital and short-term loan amounted to Rmb327,100,000 at the same period. Long-term loan amounted to approximately Rmb540,000,000, of which approximately Rmb90,000,000 will be mature within one year. Interest rates for the loans are fixed rates as stipulated in the relevant agreement or supplemental agreements.

The Company is one the largest manufacturer of power generating equipment and has been operating for over 40 years. The Company has implemented an integrated and balance policy in utilization of its operating capital and a prudent financial policy in its operations. As a result, the Company is able to make repayment of all the bank loans and interest thereon on a timely basis which has established a good creditability in respect of the banks with which the Company has opened its accounts. The Company is a major customer of the Industrial and Commercial Bank of Sichuan Province, the Construction Bank and the Bank of China.

- (5) Shareholders' funds: Shareholders' funds at the end of the year amounted to Rmb885,832,000, representing a decrease by Rmb261,233,000 or 22.77% from the end of the previous year which is mainly due to the operating loss of the Company during the year.



七、公司財務狀況(按中國會計準則編制)(續)

- (6) 主營業務利潤：本年末主營業務利潤33,400千元，比上年末減少119,292千元，減少78.13%。減少的原因主要系本公司本年度生產經營任務不足，主營業務收入大幅減少，以及市場競爭激烈，毛利率下降所致。
- (7) 淨利潤：本年末淨利潤虧損261,349千元，比上年末減少263,659千元。減少的原因主要系本公司本年度主營業務利潤減少；核銷壞賬；其他應收款計提壞賬比例提高等原因所致。
- (8) 本公司本年度無資產抵押情況。

八、在經營中面臨的困難與對策

本公司二零零一年度在生產經營中面臨了較大的困難，經營業績出現了嚴重的虧損。但是隨著我國經濟的快速增長，國家「十五」規劃的全面啟動和西部大開發戰略的實施，一系列電力建設項目已相繼開工，發電設備製造行業出現了一個不可多得的发展機遇。但同時市場競爭也變得比以往任何時候都更加激烈，市場競爭態勢仍然十分嚴峻。

7. Financial position of the Company (under PRC GAAP) (continued)

- (6) Profit from principal operation: Profit from principal operation for the year amounted to Rmb33,400,000, representing a decrease of Rmb119,292,000 or 78.13% as compared with the previous year. This is mainly due to the significant decrease in revenues from principal operations as a result of inadequate production volume during the year and the reduction in gross profit margin due to intense market competition.
- (7) Net profit: Net loss for the year amounted to Rmb261,349,000, representing a decrease of Rmb263,659,000 as compared with the previous year. This is mainly attributable to the decrease in profit from principal operations for the year, write off of bad debts and increase in the percentage of bad debt provision for other accounts receivable.
- (8) The Company did not pledge any assets during the year.

8. Difficulties and corresponding measures in operation

Confronted with many difficulties during 2001, the Company's operating results recorded substantial loss. Nevertheless, such factors as the rapid growth in the PRC economy, commencement of the State Tenth Five Year Plan and implementation of grand development strategy of Western region, a series of power construction projects are in progress which provides an unprecedented opportunity for power generating equipment industry. However, market competition is severer than ever before.

八、在經營中面臨的困難與對策 (續)

針對這種情況，本公司一方面加大市場開拓力度，抓住發展的機遇，爭取更多的產品訂單；另一方面積極進行技術改造，加強科研投入，從而提升產品的競爭力；再一方面強化企業內部管理，挖掘公司內部潛力，積極實施降本增效措施，加強成本費用控制，實現精細化管理；同時積極探索與實施圍繞主業相關產品和相關產業發展的戰略，培養新的利潤增長點。本公司通過這幾方面的努力，以期走出低谷，步入一個快速發展階段。

九、董事會對審計報告解釋性說明事項的說明

深圳天健信德會計師事務所在其出具的對本公司二零零一年度審計報告中，說明了造成二零零一年度經營業績大幅度虧損的原因。本公司董事會高度重視並認真分析了相關因素，認為二零零一年度本公司出現嚴重的虧損，主要是前幾年發電設備市場疲軟，訂貨量大幅度減少，可供二零零一年安排的生產任務量大幅度減少，加之產品價格下降，產品毛利率偏低，從而造成了相當程度的經營性虧損；對存貨和應收帳款中的不良資產進行了處理，增加了壞帳損失；提高了其他應收帳款壞帳準備計提比例，相應增加了壞帳準備金。

董事會針對這種情況，研究制定了本公司二零零二年度的經營方針與目標，正如在上述「經營中面臨的困難與對策」中所述，本公司將抓住二零零二年的發展機遇，採取切實有效的措施，實現走出低谷，步入快速發展的目標。

8. Difficulties and corresponding measures in operation (continued)

In face of the aforesaid situation, the Company will, on one hand, intensify market development, grasp development opportunities and obtain more production orders; on the other hand, undertake technological reform, strengthen investment in research and development in order to enhance the Company's competitiveness. Furthermore, the Company will strengthen internal management, explore internal potential, devote efforts to reduce cost, strengthen cost control, implement itemized management and actively explore development strategy for relevant products and enterprises to cultivate new areas of profit growth. It is expected that the Company will enter into a period of rapid growth after taking the above-mentioned measures.

9. Notes of the board of directors to the explanatory notes to the audit report

In the audit report for the Company prepared by Pan China (Schinda) Certified Public Accountants, the reasons of substantial loss for year 2001 are stated. The Board of Directors devoted high attention to this matter and carefully analyzed the relevant factors. It is of the opinion of the Board that the main reasons for such loss include the low market demand for power generating equipment for the past few years; significant reduction of production orders resulting in significant decrease of production task; drop in production price resulting in lower gross profit of products and operational loss; clearing of bad assets in inventory and accounts receivable resulting in increase of loss from bad debt; increase of provision for bad debts in other receivables and increase of provision fund.

Confronted with the above, the Board of Directors formulated operational guideline and objective for the year 2002. As stated above in "Difficulties and corresponding measures in operations", the Company will grasp the development opportunities in 2002, undertake effective measures and aim for a period of rapid development.

十、二零零二年公司發展規劃

二零零二年是本公司冲出低谷，走上快速發展的關鍵之年。為此，本公司制定了十二項奮鬥目標，主要內容包括：強化管理，提高管理效能；科學組織生產，實現產值產量目標水平；加強營銷策略研究，內保重點項目，外拓主業範圍，抓住時機爭取更多訂單；整頓完善成本管理基礎工作，切實降本增效；提升核心技術競爭能力，全面完成「趕超」工程年度任務等等。

同時，本公司將著重做好八個方面的工作：一是科學組織，嚴格考核，強化項目合同執行的全過程管理與控制，積極改進生產組織管理模式，均衡安排生產，實行專業化協作，確保完成全年生產任務；二是加強成本控制，深入推進降本增效工作和目標成本控制；三是強化基礎管理，按照「規範、明確、高效」的管理理念，嚴格規範各種管理行為，全面推進公司的信息化管理，提高公司管理效能；四是抓住時機，內保重點，外抓成套，繼續保持良好的產品訂貨勢頭；五是依託重點項目，實施趕超工程，提升核心競爭能力；六是持續質量改進，強化品牌意識，實現質量控制目標；七是注重發展戰略研究，積極跟蹤國家有關產業政策，尋求新的發展空間；八是建設「與時俱進，追求卓越」的企業文化，提高職工整體素質。

10. Development plan of the Company in 2002

2002 is a critical year for the Company to turnaround from the worst condition and go ahead with fast development. Accordingly, the Company sets 12 targets including strengthening management, enhancing management effectiveness, organising the schedule of production with scientific method, achieving the target level of production value and volume, strengthening strategic research on operation and sales, put more efforts on key projects, expand the principal business, obtaining more orders by fully utilising all market opportunities, consolidating and improving basic works in cost management, actively reducing cost and enhancing effectiveness, enhancing the competitive advantages of the key technology and completing the project in progress before deadline in all aspects.

In addition, the Company will place emphasis on completing the following eight works: (i) scientific organisation, strict evaluation, strengthen the management and control during the whole course of development project, actively improve the method in production organisation, arrange production with balanced work schedule, implement integration in a professional way to ensure that the production targets for the year are completed; (ii) strengthen cost control, actively carry out the work on reducing cost and enhance effectiveness and cost control by target; (iii) strengthen the foundation of management, follow the management concept of "standardisation, clarity and effectiveness", strictly standardise the management activities, implement the management of information system in all aspects and enhance the effectiveness of corporate management; (iv) seize all opportunities, place more efforts in key projects, focus on sales of finished goods and continue to maintain the good trend in obtaining purchase orders; (v) rely on key projects, speed up the construction-in-progress and enhance the competitiveness of key items; (vi) continue to improve quality, strengthen the brand image and achieve the target of quality control; (vii) focus on the research on development strategies, actively follow the related industry policy of the State and search for new development opportunities; (viii) build up the corporate culture of "achieve continuous improvement and search for excellence" and enhance the overall quality of employees.



十一、其他報告事項

(1) 財務概要

本公司截至二零零一年十二月三十一日止五個年度按香港公認會計準則編制之財務概要已載列於本財務報表第195頁內。

(2) 每股淨資產

按香港公認會計準則及中國會計準則編制之每股資產淨值已於本年度報告會計及業務資料摘要一節中載列。

(3) 固定資產

本年度固定資產之變動情況已分別載列於按香港公認會計準則及中國會計準則編制之財務報表附注13及附注13。

(4) 貸款及資本化之利息

銀行貸款與其他貸款詳情已分別載列於香港公認會計準則編制之財務報表附注26及按中國會計準則編制之財務報表附注18、28、29。本公司於年內資本化之利息約人民幣1,787千元。

(5) 儲備

本年度儲備之變動情況已分別載列於按香港公認會計準則編制之財務報表附注25。

(6) 董事及監事於合約之利益

於結算日或本年內之任何時間，除下文所述之服務合約外，本公司並無訂立其他與本公司各董事及監事有直接或間接重大利益之重要合約。

11. Other matters

(1) Financial summary

The financial summary of the Group for the five years ended 31 December 2001 prepared under HKGAAP is set out on page 195 of this Annual Report.

(2) Net assets per share

Net assets per share of the Company determined under HKGAAP and under PRC GAAP are set out in the section headed "Major Accounting Data and Business Data" of this Annual Report.

(3) Fixed assets

Movements in fixed assets during the year are set out in note 13 and note 13 to the financial statements prepared under HKGAAP and PRC GAAP respectively.

(4) Borrowings and interest capitalisation

Particulars of bank loans and other loans are set out in note 26 to the financial statements prepared under HKGAAP and note 18, 28 and 29 to the financial statements prepared under PRC GAAP. Interest capitalised by the Company during the year amounted to RMB1,787,000.

(5) Reserves

Movements in reserves during the year are set out in note 25 to the financial statements prepared under HKGAAP.

(6) Directors' and supervisors' interests in contracts

At the end of the year or at any time during the year, none of the directors or supervisors was materially interested directly or indirectly in any contract of significance of the Company except the service contracts mentioned below.

十一、其他報告事項 (續)

(7) 董事、監事及高級管理人員購買股份或債券之權利

本公司概無於本年內任何時間參與任何安排，以致本公司之董事或監事可借購入本公司或任何其他法人實體之股份或債券而獲益。

(8) 董事及監事之服務合約

各董事及監事均已與本公司訂立服務合約。除此之外，各董事與本公司並無簽訂任何本公司不可於一年內提出終止而無須賠償(除法定賠償外)之服務合約。本年內董事及監事酬金之詳情已載列於按香港公認會計準則編制之財務報表附注8。

(9) 主要股東於合約之利益

於一九九四年二月二十五日，本公司與東方電機廠簽訂一項服務合約，該合約追認至一九九四年一月一日生效，為期十年。根據此項服務合約本公司為東方電機廠提供公用設施、辦公室電子設備及用房、通訊服務及物資採購等服務，而東方電機廠負責提供本公司員工宿舍之建築、維修及管理，並負責向本公司僱員及前僱員提供環保衛生、辦公室設備之採購及維修、膳食、保安、退休員工之福利及管理，製成品之包裝及運輸與各種醫療等服務。

(10) 公司退休金計劃

本公司員工退休金計劃之詳情已載列於按香港會計準則編制之財務報表附注31。

11. Other Matters (continued)

(7) Directors', supervisors' and senior management's interests in subscription for shares or debentures

At no time during the year was the Company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

(8) Directors' and supervisors' service contracts

Each of the directors and supervisors has entered into a three-year service agreement with the Company. Save as aforementioned, none of the directors has a service contract with the Company which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation). Particulars of the directors' and supervisors' emoluments are set out in note 8 to the financial statements prepared under HKGAAP.

(9) Substantial shareholder's interests in contracts

On 25 February 1994, the Company entered into a service agreement with DFEW which was effective retrospectively from 1 January 1994 for a period of ten years for the provision of utility services, electronic office equipment, office space, communication services and the procurement of materials for DFEW. Under the same agreement, DFEW is responsible for, inter alia, the construction, maintenance and management of the staff quarters of the Company and for the provision of services for environmental hygiene, procurement and management of office equipment, canteen services, security, staff welfare and management of retired employees, packaging and transportation of finished products and medical care etc.

(10) Retirement plan

Particulars of the retirement plan of the Company are set out in note 31 to the financial statements prepared under HKGAAP.



十一、其他報告事項 (續)

(11) 購買、出售或贖回本公司之股份

本年內本公司並無購買、出售或贖回任何本公司之上市股份。

(12) 優先認股權

本公司章程內並沒有優先認股權的條款。

(13) 最佳應用守則

本公司在本年內完全嚴格遵守香港聯交所公佈的證券上市規則附錄十四之最佳應用守則。

(14) 核數師

本年度深圳天健信德會計師事務所和香港德勤·關黃陳方會計師行分別獲委任為本公司之法定及國際核數師，並已審核隨附按中國會計準則及香港公認會計準則編制之財務報表。

(15) 年度報告摘要刊登情況說明

本公司二零零一年年度報告的主要內容中文版於二零零二年四月十日刊載在內地的《上海證券報》、《中國證券報》及香港《文匯報》；英文版於同日在香港《Hong Kong iMail》刊登。

承董事會命
董事會主席
斯澤夫

二零零二年四月九日

11. Other Matters (continued)

(11) Purchase, sale or redemption of the Company's shares

No purchase, sale or redemption of the shares of the company was made by the Company during the year.

(12) Pre-emptive rights

There is no provision regarding pre-emptive rights in the Company's Articles of Association.

(13) The Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(14) Auditors

During the year, Pan China (Schinda) Certified Public Accountants of the PRC and Deloitte Touche Tohmatsu of Hong Kong were appointed as the statutory and international auditors of the Company respectively and have audited the accompanying financial statements prepared under the PRC GAAP and HKGAAP.

(15) Announcement of annual results

The Chinese version of the 2001 Annual Results was published on 10 April 2001 in the Shanghai Security Daily and China Security Daily in the PRC and in Wen Wei Po in Hong Kong; the English version was published on the same day in the Hong Kong iMail in Hong Kong.

By order of the Board
Si Zefu
Chairman of the Board of Directors

9 April 2002