

一、重大訴訟事項

本公司與四川省瑞鑫實業公司、德陽人保公司之訴訟、調解事宜，已在二零零零年度報告及二零零一中期報告中作了詳盡的披露。二零零一年七月二十四日，成都大陽置業有限責任公司向本公司簽署了《關於成都大陽公司擔保還款的承諾》，成都大陽公司承諾為瑞鑫公司欠本公司款提供連帶擔保責任，擔保物為成都市成科東路「幸福廣場」大樓部分房產。二零零一年十一月二十七日，瑞鑫公司、成都大陽公司和本公司簽定了《執行和解協定》，成都大陽公司自願代瑞鑫公司償還未清償款項，為保證上述欠款的償還，由德陽市中級人民法院查封了成都大陽公司位於成都市成科東路「幸福廣場」大樓四樓計3,500平方米的房產。截至二零零一年十二月三十一日止，瑞鑫公司已歸還本公司上述欠款計人民幣1,370千元。

- 二、報告期內本公司無收購兼併事項。唯於二零零二年二月二十八日本公司三屆二十次董事會議通過董事會決議，決定對本公司之子公司東方電機動力設備有限公司增資，以收購德陽東方電機製造有限責任公司。德陽東方電機製造有限責任公司與本公司及東方電機動力設備有限公司在資產上均無關聯性。收購的目的是擴大小水電和交直流電機規模，提高市場佔有率，培育和造就東方電機核心競爭能力。具體增資步驟為：第一步，東電動力設備公司以現金計人民幣9,399千元收購德陽東方電機製造有限責任公司的經評估後的全部淨資產，本公司再以現金計人民幣9,399千元以票面值1:1的比例認購東電動力設備公司增發的股份；第二步，本公司以經評估後的實物資產價值(評估前帳面淨值人民幣3,323千元)按票面值1:1的比例認購東電動力設備公司增發的股份，預計對東電動力設備公司增資約為1,272萬人民幣元。該事項目前正在進行之中。

1. Major litigations and arbitrations

Details of the litigation and mediation between the Company and Ruixin Industry Co. Ltd. and Deyang Insurance Co. Ltd. had been disclosed in the 2000 Annual Report and 2001 Interim Report. On 24 July 2001, Chengdu Dayang Properties Company Limited entered into an agreement with the Company in respect of the guarantee given by Chengdu Dayang Company for repayment of debts. Under the agreement, Chengdu Dayang Company agreed to have joint liabilities to guarantee the outstanding debts owed by Ruixin Industry Co. Ltd to the Company and the pledged asset was a portion of the building at Xingfu Plaza, Chengkedong Road, Chendu. On 27 November 2001, Ruixin Industry Co. Ltd., Chengdu Dayang Company and the Company entered into a settlement agreement in implementation, Chengdu Dayang Company was willing to settle the outstanding debts on behalf of Ruixin Industry Co. Ltd.. In order to secure the repayment of the above debts, the Sichuan Deyang Intermediate People's Court confiscated the property at 4th Floor, Xingfu Plaza, Chengkedong Road, Chengdu of Chengdu Dayang Company with a floor area of 3,500 sq. m.. As at 31 December 2001, Ruixin Industry Co. Ltd. had repaid Rmb1,370,000 of the said outstanding debts to the Company.

2. During the reporting period, the company had made neither acquisition nor merger. However, on 28 February 2002, the twentieth meeting of the 3rd Board of Directors approved the increase in investment by the Company in its subsidiary Dongfang Electrical Machinery Power Generating Equipment Co. Ltd. by increasing the subsidiary's share capital in order to acquire Deyang Dongfang Electrical Machinery Manufacturing Co. Ltd. Deyang Dongfang Electrical Machinery Manufacturing Co., Ltd. is independent of the Company and Dongfang Electrical Machinery Power Generating Equipment Co., Ltd. in respect of their assets. The objective of the acquisition is to expand the production capacity of small hydroelectric turbine and A.C. and D.C. motors, enhance the percentage of market share and build up and establish the key competitive advantage of Dongfang Electrical Machinery. The specific steps of increasing capital: Step 1, Dongfang Power Generating Equipment Company will acquire the total audited net asset of Deyang Dongfang Electrical Machinery Manufacturing Company Limited and the Company will subscribe the newly-issued shares of Dongfang Power Generating Equipment Company for a cash consideration of Rmb9,399,000 with 1:1 ratio of the nominal value. Step 2, the Company will acquire the newly-issued shares of Dongfang Power Generating Equipment Company with the audited value of its actual assets (the net book value before audit was Rmb3,323,000) with 1:1 ratio of the nominal value. It is expected that Dongfang Power Generating Equipment Company will increase its capital by Rmb12,720,000. The transactions is still in progress.

三、重大關聯交易

於一九九四年二月二十五日，本公司與東電簽訂一項有關在重組後互相提供若干服務之合同，該合同自一九九四年一月一日起開始執行。據此，於截至二零零一年十二月三十一日止年度，本公司應支付東方電機廠費用為人民幣38,878千元，應收取東方電機廠費用為人民幣7,468千元。

另外，截至二零零一年十二月三十一日止年度，本公司與東方電機廠之上級主管單位中國東方電氣集團公司發生代理銷售產品收入計人民幣1,549千元。

以上關聯交易均為正常經營活動所需，且均按正常業務條件進行。

四、重大合同及其履行情況

(1) 重大擔保

二零零一年十一月十五日，本公司與東方汽輪機廠簽定相互擔保協議，相互為對方提供人民幣1億元的擔保，期限自二零零一年十一月十五日起至二零零二年十一月十四日。

截至二零零一年十二月三十一日，本公司為陝西省機械設備進出口公司提供金額為166,863.075美元的履約保函反擔保，擔保自履約保函開立之日起生效，隨履約保函失效而自動失效。

3. Major connected transactions

On 25 February 1994, the Company signed an agreement with DFEW to provide various service 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 year ended 31 December 2001 amounted to 38,878,000. Income receivable from DFEW amounted to 7,468,000.

In addition, for the year ended 31 December 2001, sales made on behalf of the Company handled by China Dongfang Electric Corporation, the superior administrative organisation of DFEW, amounted to Rmb1,594,000.

The above connected transactions were conducted in the usual course of business and on normal commercial terms.

4. Major contracts and their implementation

(1) Major guarantee

On 15 November 2001, the Company and Dongfang Steam Turbine Machinery Company entered into a cross-guarantee whereby both parties give each other a guarantee of Rmb100,000,000 for the period from 15 November 2001 to 14 November 2002.

As at 31 December 2001, the Company provided a counter-guarantee for Shanxi Machinery and Equipemnt Import and Export Company in respect of the performance guarantee of US\$166,863.075. The counter-guarantee became effective from the date of opening the performance-guarantee and will automatically expire when the performance guarantee expires.

四、重大合同及其履行情况 (續)

(2) 委託理財

經本公司三屆九次董事會議審議批准，本公司投入人民幣80,000千元與國泰君安證券股份有限公司簽訂資產管理委託協議書。該協議明確：當資產管理的年收益率低於或等於9%時，國泰君安不收取管理費和業績報酬，年收益率高於9%時，國泰君安收取部分管理費和業績報酬，協議期限為二零零一年一月十八日至二零零一年十二月十五日。本公司已按期收回本金。投資收益為零。

經本公司三屆十四次董事會議審議批准，本公司投入人民幣40,000千元與海通證券有限公司簽署資產委託管理協議。該協議明確：當委託資產投資回報率低於6%時，海通不收取業績報酬，當委託資產投資回報率高於6%時，超出6%部分的投資淨收益，海通收取其中40%作為業績獎勵報酬，協議期限為二零零一年七月十一日至二零零二年七月十日。本公司根據海通證券有限公司所投資的股票及本年末該股票價提了跌價準備計人民幣6,713千元。

五、在報告期內公司或持股5%以上股東沒有在指定報紙和網站上披露承諾事項。

4. Major contracts and their implementation (continued)

(2) Agreement for asset management

As approved by the ninth meeting of the 3rd Board of Directors, the Company invested Rmb80,000,000 and entered into an asset management agreement with Guotai Junan Securities Company Limited. The agreement clearly stated that Guotai Junan would not charge any management fee and commission on results if the annual rate of return was lower than or equal to 9% and Guotai Junan would charge a certain amount of management fee and commission on results if the annual rate of return was higher than 9%. The term of the agreement is from 18 January 2001 to 15 December 2001. The Company had received the principal amount upon the due date, with zero investment return.

As approved by the fourteenth meeting of the 3rd Board of Directors, the Company invested Rmb40,000,000 and entered into an asset management agreement with Haitong Securities Company Limited. The agreement clearly stated that Haitong would not charge any commission on results if the annual rate of return was lower than 6% and Haitong would charge commission on results based on 40% of the net investment return in excess of 6% if the annual rate of return was higher than 6%. The term of the agreement is from 11 July 2001 to 10 July 2002. Provision for diminution in value of Rmb6,713,400 was made by the Company in accordance with the shares invested by Haitong Securities Company Limited and the prices of the shares at the end of the year.

5. During the reporting period, the Company or shareholders who are interested in more than 5% of the total issued share capital of the Company had not published any matters of commitments in the designated newspapers and websites.

- 六、報告期內本公司續聘深圳天健信德會計師事務所和德勤·關黃陳方會計師行為本公司法定及國際核數師。

公司近兩年支付給會計師的報酬情況如下：

6. 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.

The Company's remuneration paid to its auditors in the part two years are as follows:

項目 Item	國內會計師 Domestic auditor		國際核數師 International auditor	
	二零零一年度 2001	二零零零年度 2000	二零零一年度 2001	二零零零年度 2000
財務審計費 Auditing fee	人民幣200千元 Rmb200,000	人民幣250千元 Rmb250,000	港幣1,150千元 HKD1,150,000	港幣1,000千元 HKD1,000,000
其他費用 Other fees	人民幣250千元 Rmb250,000	人民幣27千元 Rmb27,000	—	—

註：(1) 二零零一年度，財務審計費為包括差旅費等包乾費用；其他費用為資產評估費人民幣140千元和本公司二零零一年中期報告編制過程中涉及的有關財務問題提供的諮詢服務費人民幣110千元；

(2) 二零零零年度，國內會計師財務審計費不含差旅費等費用，其他費用為資產評估費；國際核數師財務審計費為包乾費用；

(3) 本公司董事會認為諮詢服務費未影響註冊會計師審計獨立意見。

Note (1) In the 2001 year, auditing fee included official trip travelling expenses. Other fees were asset valuation fee of Rmb140,000 and Rmb110,000 financial advisory fee required in the preparation of the 2001 interim reporting.

(2) In the 2000 year, auditing fee did not include official trip travelling expenses. Other fees were asset valuation fee. International auditor's fee was included as expenese.

(3) The board of directors of the Company was in the opinion that financial advisory fees did not affect the independence of the auditors.

七、加入WTO的影響

我國加入WTO後，將按入世協定書的承諾，逐步開放市場，規範與貿易有關的國內投資待遇，於此同時，本公司產品和服務進入國際市場也享有所在國的最惠國待遇和國民待遇。

政府在經常項目下人民幣有條件兌換方面，正逐步放寬電力公司的設備採購用匯，國電公司系統各單位只需向其機電產品進出口辦公室備案並附情況說明，就可以按內貿方式採購進口設備。另外，開放的市場將提供更多的投資機會，逐步放開外資銀行經營人民幣業務，將促進國外公司接受人民幣支付。這些都給國內電力公司採購國外發電設備以及國外製造商進入國內市場提供了便利。

在未來五年裡，包括發電設備在內的我國工業品進口配額將逐漸取消，發電設備及其零部件的進口關稅也已從去年的14%和12%降至今年的10%，歸入IT產品的某些電站控制設備將有較大降幅。

總之，加入WTO，促進了國內發電設備市場的國際化，市場競爭更為激烈。國內市場的這些變化，對本公司會造成一定的影響。但本公司多年來積極開發、引進發電設備製造技術，精心培育國內市場，已經具備與國內外發電設備廠商同台競技的能力，並具備一定的地域優勢和成本優勢。本公司力爭把這些影響降到最低。

7. Impact of entering into WTO

After entering into WTO, the PRC government will step by step open its market and regulate the treatment for investment in the PRC for trading businesses in compliance with the commitments set out in the agreement for entering into WTO. At the same time, the Company's products and services will be entitled to the most favourable treatment and national treatment in all countries.

In respect of the conversion of Rmb into foreign exchange under normal trade, there are relaxation on the use of foreign currencies for the purchase of electrical equipment for electricity company. The entities under the control of national electricity companies can purchase the imported equipment similar to the domestic trade arrangement as long as the relevant information together with the details are submitted to the Office for Import and Export of Mechanical and Electronic Products for records. In addition, the opening of the market will create more investment opportunities. The progressive permission of foreign banks to carry out Renminbi business will encourage the foreign companies to accept payment by Renminbi. These will provide convenience for the domestic electricity companies to purchase foreign electricity generation equipment and the investment from foreign manufacturers.

In the coming five years, the import quota of industrial products including electricity generation equipment will be abolished. The import duties for electricity generation equipment and spare parts decreased from 14% and 12% in previous year to 10% in this year. There will be significant decrease in the import duties for certain electricity generation plant control equipment within the category of IT products.

As a whole, the entering into WTO will encourage the internationalisation of domestic market for electricity generation equipment. The competition will be more intense. These changes in domestic market will have certain impact on the Company. However, the Company has actively developed, introduced electricity generator equipment manufacturing technology and penetrated into domestic market intensively. As a result, the Company has built up the capability to compete with the domestic and foreign electricity generation equipment manufacturing companies and possesses the regional competitive advantages and cost advantages. The Company will strive to minimise the impact of these changes on the Company.

七、加入WTO的影響 (續)

國際市場方面，本公司的出口產品同樣享有各成員國的國民待遇和WTO賦予的最惠國待遇。不僅限於從事國際組織融資的國外項目，所在國自有資金項目也會全面開放，市場機會大大增加。本公司將抓住機遇，利用已經取得的國際工程承包和勞務合作經營權，積極開拓成套工程項目，拓展經營範圍，開拓國際市場。

八、根據國家稅務總局於一九九四年二月二十三日以國稅函發(1994)062號文批准，本公司自成立日起，獲享按15%的所得稅稅率繳納所得稅之優惠，該項優惠政策至今並未改變。

九、有關委託存款事項本公司已在二零零零年年度報告中對之作了披露，該事項目前並無變化。

十、中國華陽金融租賃有限責任公司拖欠本公司已到期的存款計人民幣25,900千元。本公司已在一九九九年、二零零零年年度報告中對之作了詳盡的披露，其進展情況請見財務報告中會計報表附註其他重大事項。

十一、截至二零零一年十二月三十一日止，中國東方電站成套設備公司深圳公司拖欠本公司貨款計人民幣7,480千元。二零零零年十一月，東方電站深圳公司已向深圳市中級人民法院申請破產清算。該事項已在二零零零年年度報告中對之作了披露，其進展情況請見財務報告中會計報表附註其他重大事項。

7. Impact of entering into WTO (continued)

In respect of the international market, the Company's exported products will be entitled to National Treatment of the member countries and the Most-Favoured-Nation treatment as given by WTO. This will not be restricted to overseas projects financed by international institutions, projects financed in its own countries will also be opened up. This will significantly widen the market opportunities. The Company will seize this opportunity and utilise the existing co-operation and joint ventures in the international construction projects and services to actively expand the construction of the whole set of equipment, widen the scope of business and expand the foreign market.

8. According to the document issued by the PRC State Tax Bureau on 23 February 1994 (Guo Shui Han Fa (1994) No. 062), the income tax rate applicable to the Company is 15%. This policy has not been changed.

9. Details of the entrusted deposits have been disclosed in the 2000 Annual Report. There are no changes to this item.

10. The overdue deposit that China Hua Yang Lease Company Limited owed to the Company amounted to Rmb25,900,000. The Company disclosed this matter in detail in the 1999 and 2000 Annual Reports. Details are also set out in the note to the financial statements in respect of other major events.

11. As at 31 December 2001, China Dongfang Power Plant Equipment Corporation Shenzhen Company owed the Company the amount of Rmb7,480,000. In November 2000, the said company applied to Shenzhen Intermediate People's Court for bankruptcy and liquidation. Details were disclosed in the 2000 Annual Report and the current status are set out in the note to the financial statements in respect of other major events.