



東方電機股份有限公司 DONGFANG ELECTRICAL MACHINERY COMPANY LIMITED

(a Joint Stock Company Established in the People's Republic of China with Limited Liability)

(Stock Code: 1072)

Notice of 2004 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2004 Annual General Meeting of Dongfang Electrical Machinery Company Limited (the "Company") will be held at 9:00am on Thursday, 12 May, 2005 at the Company's Conference Room, 188 Huanghe West Road, Deyang, Sichuan Province, the People's Republic of China (the "PRC") for the following purposes:

1. to consider and approve the 2004 Report of the Board of Directors;
2. to consider and approve the 2004 Report of the Supervisory Committee;
3. to consider and approve the 2004 profit after taxation distribution plan;
4. to consider and approve the 2004 Audited Financial Statements;
5. to consider and approve the 2005 work plan;
6. to consider and approve the re-appointment of Ho and Ho & Company, Certified Public Accountants, and Shenzhen Pan-China Schinda, Certified Public Accountants, as the Company's international and domestic auditors respectively for the year 2005, and to authorize the Board of Directors to determine their remunerations.
7. to consider and approve the resolution of the amendments for relevant terms in the Articles of Association of the Company through special resolutions and to authorize the Board of Directors to apply for changes in the Article of Association of the Company from the relevant government authorities of the PRC. (the terms of amendments please refer to the appendix).

Notes:

1. All shareholders whose names appear on the Register of Members of the Company at the close of business on 11 April, 2005 are entitled to attend the AGM for the year 2004 of the Company. The Register of Members of the Company's H Shares will be closed from 12 April, 2005 to 12 May, 2005 (both days inclusive) during which period no transfer of H Shares will be effected. All share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars in respect of the Company's H shares, namely Hong Kong Registrars Limited at Room 1712-1716, 17/F Hopewell Center, 183 Queen's Road East, Hong Kong by 4:00 p.m. on Monday, 11 April, 2005. Holders of the Company's H Shares whose names appear on the Register of Members of the Company on 11 April, 2004, or their proxies, are entitled to attend the AGM and should bring along their identity cards or passports when attending the AGM. If a shareholder attends the AGM by his proxy/proxies, the proxy/proxies should bring along the instrument appointing him as the proxy.
2. Any shareholders entitled to attend and vote at the AGM may appoint a proxy or several proxies (who need not be a shareholder) to attend the AGM and vote thereat.
3. For shareholders who appoint more than one proxy, the voting right can only be exercised when a poll is taken.
4. The instrument appointing a proxy must be in writing under the hand of the shareholder or his attorney duly authorized in writing. If the form of proxy is signed by the attorney on behalf of the shareholder, the power of attorney or other authority must be notarially certified. The notarially certified power of attorney or other authority together with the instrument appointing the proxy must be delivered to the registered address of the Company 24 hours prior to the time appointed for the holding of AGM.
5. Shareholders who intend to attend the AGM should send a written reply indicating the intention to attend the AGM to the Company's registered address before 22 April, 2005. The dispatch of the reply may be by hand, by mail or by fax. It is hereby requested that the reply be made on the reply slip set out below or its photocopy. The above-mentioned written reply does not affect the right of shareholders to attend the AGM.
6. The AGM is expected to last for half day. Shareholders and proxies attending the AGM should be responsible for their own travelling and accommodation expenses.

Registered address of the Company:

188 Huanghe West Road, Deyang, Sichuan Province, the PRC

Tel: 86-838-2409358

Fax: 86-838-2402125

Postal code: 618000

Appendix: Proposed Amendments to the Articles of Association

The Board proposed to amend the Articles of Associations of the Company for the purposes of meeting the business development needs of the Company and complying with the amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited which became effective on 31 March 2004. The proposed amendments are as follows:-

1. It is proposed that Article 14 be amended by adding "the production, packaging and sale of industrial gases" to its scope of businesses.

The amended Article 14 shall read:-

"The scope of operations of the Company: production and sale of hydro-electric power generating facilities, steam turbine generators, A.C. and D.C. motors and control equipment; production and sale of general machinery and electrical machinery; increase of the capacity of power stations and their conversions; and installation of power station facilities.

The scope of import-export businesses permitted includes the following: mechanical products manufactured by the Company; full set of facilities and the relevant technologies for exports; raw materials required for productions and research of the Company; mechanical facilities; equipment and accessories; parts and components; business of imported technologies (save for the imported products of classes 1 and 2 restricted by the PRC), and operating of Sino-foreign enterprise, co-operative production and "the business of assembling process of the raw materials, parts and samples supplied by foreign enterprises and the compensatory trade", design, manufacturing and sale of pumps, environmental protection machinery, tools and moulds; manufacturing and sale of computers and their peripheral devices; development of computing network system, manufacturing and sale of casts, sale of cast raw materials (excluding which are exclusively specified by the State) and installation of mechanical and electrical equipment and contract of projects, contracting for overseas' power generating equipment, electromechanical and complete projects as well as tender for domestic international projects; export of equipment and materials necessary for the above overseas' projects; deployment of staff necessary for the above overseas' projects; manufacturing and sale of wind power generating equipment and manufacturing and sale of forge pieces, compressors and insulators; and the production, packaging and sale of industrial gases."

2. It is proposed that Article 83 be amended by adding to the original article a second paragraph as follows:-

"Where any shareholder is, under Rules Governing the Listing of Securities on the Stock Exchange Limited, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted."

3. It is proposed that the first paragraph of Article 107 be amended such that the last sentence of the first paragraph of the original article,
 “Notice in writing of the intention to nominate a person for election as a director and that of the willingness of the candidate to be elected shall be at least 7 days before the date of the shareholder’s general meeting.”
 shall become:-
 “The period for giving to the Company notice in writing of the intention to nominate a person for election as a director and that of the willingness of the candidate to be elected shall be no less than 7 days. The period for lodgment of the notices shall commence on the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.”
4. It is proposed that the definition of the “related parties” in Article 150 be amended in the following manners:-
- by appending “; and the company (including an equity joint venture, cooperative or contractual joint venture) over which the trustee, acting in his capacity as such trustee, is directly or indirectly exercising control and those holding companies of those companies (including an equity joint venture, cooperative or contractual joint venture) controlled by such trustee or any subsidiary companies (including an equity joint venture, cooperative or contractual joint venture) controlled by such holding company” to “the trustee of a director, supervisor, general manager or other officer of the Company or any person referred to in the above paragraph (1) of this article” in sub-paragraph (2) of the first paragraph of Article 150.
 - by inserting the phrase “(including an equity joint venture, cooperative or contractual joint venture)” in sub-paragraph (4) of the first paragraph of Article 150.
 The amended sub-paragraph (4) of the first paragraph of Article 150 shall read :-
 “(4) a company (including an equity joint venture, cooperative or contractual joint venture) in which a director, supervisor, general manager or other officer of the Company, alone or jointly or severally with one or more persons referred to in the above paragraphs (1), (2) and (3) of this article or other director, supervisor, general manager or other officer, has a de facto controlling interest; or”
5. It is proposed that the following be inserted to the original Article 150 as the second paragraph:-
 “The “control” referred to in this article shall mean the exercise or control the exercise of 30% (or such other amount as may from time to time be specified in applicable PRC law as being the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company, by a director, supervisor, general manager or other officer or the persons referred to in the above paragraphs (1) to (5) alone or jointly or severally with one another.”
6. It is proposed that Article 153 be amended and the amended article shall read :-
 “Where a director, supervisor, general manager or other officer of the Company and his related parties is/are in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, other than his contract of services, the director, supervisor, general manager or other officer of the Company so interested shall declare the nature and extent of his interest to the board of directors soonest possible, whether or not the contract, transaction or arrangement made or proposed is otherwise subject to the approval of the board of directors.
 The interested director, supervisor, general manager or other officer shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his related parties has/have a material interest nor shall he be counted in the quorum present at the meeting, save for the exceptions in respect of the following matters:-
- the giving of any security or indemnity to the director, supervisor, general manager or other officer or his related parties in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the director, supervisor, general manager or other officer or his related parties has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - any proposal concerning any other company in which the director, supervisor, general manager or other officer or his related parties is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the director, supervisor, general manager or other officer or his related parties is/are beneficially interested in shares of that company, provided that the director, supervisor, general manager or other officer and any of his related parties are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his related parties is derived) or of the voting rights;
 - any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
 - the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the director, supervisor, general manager or other officer or his related parties may benefit; or
 - the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to director, supervisor, general manager or other officers, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any director, supervisor, general manager or other officer, or his related parties, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - any contract or arrangement in which the director, supervisor, general manager or other officer or his related parties is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- Unless the interested director, supervisor, general manager or other officer has disclosed his interest in accordance with the preceding paragraph of this Article and the contract, transaction or arrangement has been approved by the board of directors at a meeting in which the interested director is not counted in the quorum and has refrained from voting, the contract, transaction or arrangement in which a director, supervisor, general manager or other officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the director, supervisor, general manager or other officer concerned.
- A director, supervisor, general manager and other officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.”
7. It is proposed that Article 154 be amended by inserting “or his related parties is/are” before the wordings “interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company,” such that the amended article shall read as follows:-
 “Where a director, supervisor, general manager and other officer of the Company gives to the board of directors a notice in writing stating that, by reason of the facts specified in the notice, he or his related parties is/are interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, that notice shall be deemed for the purpose of the preceding article to be a sufficient declaration of his interest, so far as attributable to those facts, in relation to any contract, transaction or arrangement of that description which may subsequently be made by the Company; provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.”

By Order of the Board
Gong Dan
 Secretary to the Board of Directors