

2. Non-operating expenses

During this accounting period, the Company paid RMB130,473.68 payables which have not been repaid in previous years, and the amount was transferred out of the Capital Reserve account. The PRC auditors concurred with the above accounting treatment in accordance with the Accounting Standards for Enterprises and Accounting Systems for Enterprises and their supplementary rules of the PRC. However, in accordance with HK GAAP, the Hong Kong auditors have recognised the said amount in the income statement.

3. Investment income

For difference of the Company's equity investment in its subsidiaries, the Hong Kong auditors recognised it in the income statement of the year when it incurred on a one-off basis. The PRC auditors recognised it as difference in equity investment and amortised it on a ten-year basis. Net assets of the Company for this accounting period was increased by RMB881,752.95 accordingly.

3. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(1) Changes of share capital

During the reporting period, there were no changes in the total number of shares and share capital structure of the Company.

(2) Shareholders

1. As at 30 June 2005, the Company had a total of 22,080 shareholders, of which 22,025 were holders of A Shares, and 55 were holders of H Shares.

2. The top ten shareholders of the Company and their respective shareholdings were as follows:

Unit: share

Name of shareholders (in full)	Increase/ (Decrease) during the reporting period	Number of shares held at end of the reporting period	Percentage (%)	Class of shares (circulating or non-circulating)	Number of shares pledged or frozen	Nature of Shareholders (state-owned or foreign investment shareholders)
Dongfang Electrical Machinery Works ("DFEW")	0	220,000,000	48.89	Non-circulating	Unknown	State-owned shareholders
HKSCC Nominees Limited	360,000	168,899,999	37.53	Circulating	Unknown	Foreign investment shareholders
Jing Fu Securities Investment Fund	3,354,263	5,418,414	1.20	Circulating	Unknown	Legal person shareholders
Portfolio 104, National Social Insurance Fund	1,635,168	3,126,307	0.69	Circulating	Unknown	Legal person shareholders
Industrial and Commercial Bank of China-Shenwan Paris Shengli Selection Securities Investment Fund	771,364	1,900,000	0.42	Circulating	Unknown	Legal person shareholders
Portfolio 111, National Social Insurance Fund	—	1,234,662	0.27	Circulating	Unknown	Legal person shareholders
China Everbright Bank Company Limited — Everbright Bao De Xin Quantification Core Securities Investment	—	1,021,301	0.23	Circulating	Unknown	Legal person shareholders
Industrial and Commercial Bank of China - Rong Tong Blue Chips Growth Securities Investment Fund	—	832,268	0.18	Circulating	Unknown	Legal person shareholders
Portfolio 109, National Social Insurance Fund	—	759,033	0.17	Circulating	Unknown	Legal person shareholders
CHUK YEE MEN LIZA	0	478,000	0.11	Circulating	Unknown	Foreign investment shareholders

The Company is not aware of any connection among the top ten shareholders or any act in concert among them.

3. The respective shareholdings of top ten shareholders of circulating shares were as follows:

Name of shareholders	Number of circulating shares held at end of the year	Class (A, B, H or others)
HKSCC Nominees Limited	168,899,999	H Shares
Jing Fu Securities Investment Fund	5,418,414	A Shares
Portfolio 104, National Social Insurance Fund	3,126,307	A Shares
Industrial and Commercial Bank of China-Shenwan Paris Shengli Selection Securities Investment Fund	1,900,000	A Shares
Portfolio 111, National Social Insurance Fund	1,234,662	A Shares
China Everbright Bank Company Limited - Everbright Bao De Xin Quantification Core Securities Investment	1,021,301	A Shares
Industrial and Commercial Bank of China - Rong Tong Blue Chips Growth Securities Investment Fund	832,268	A Shares
Portfolio 109, National Social Insurance Fund	759,033	A Shares
CHUK YEE MEN LIZA	478,000	H Shares
Bank of Communications - Ke Xun Securities Investment Fund	443,300	A Shares

The Company is not aware of any connected relationship or action in concert among the top ten shareholders and the top ten holders of circulating shares.

4. Dongfang Electrical Machinery Works is the authorised holder of 220,000,000 domestic legal person shares (State-owned legal person shares). None of the shares held by it pledged, frozen or entrusted during the reporting period. There were no change in the controlling shareholder and ultimate controller of the Company during the reporting period.

5. Shares held by HKSCC Nominees Limited are shares held on behalf of its customers. The Company has not received any information as to any holders of H Shares holding more than 10% of the total issued share capital of the Company. Particulars of shareholders holding over 5% of the issued H Shares capital of the Company are as follows:

Name	Type of shareholders	Number of shares held (share)	Percentage to total issued shares (%)	Percentage to total issued H Shares (%)
Fidelity Internatioinal Limited	H Shares	15,372,000	3.42	9.04
J.P. Morgan Chase & Co.	H Shares	10,000,000	2.22	5.88
Invesco Asia Limited	H Shares	10,000,000	2.22	5.88

6. Save as disclosed above, the directors have not been informed of any person (not being a director or principal executive officers of the Company) who holds interest or short positions in the shares or underlying shares of the Company, which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO"), or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.
7. Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's shares during the reporting period.
8. There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association.
9. As at 30 June 2005, the Company had not issued any convertible securities, options, warrants or any other similar rights.