

Contents

I. IMPORTANT NOTICE

1. It is hereby confirmed by the board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of Dongfang Electrical Machinery Company Limited (the "Company") that this annual report contains no false representation, misleading information or material omission. The Board of the Company jointly and severally accepts full responsibility for the truthfulness, accuracy and completeness of the contents of this annual report.
2. Due to business reasons, Director Mr. Liu Shigang appointed Director Mr. Gong Dan to attend the Board meeting approving the annual report and vote on his behalf.
3. Mr. Zhu Yuanchao, the legal representative of the Company, Mr. Gong Dan, the General Accountant, and Madam Yan Ling, the Finance Manager have declared that they confirm the truthfulness and completeness of the financial statements in the 2005 annual report.

| | | |
|-----|--|--------|
| 1. | Important Notice | 1 |
| 2. | Company Profile | 2 |
| 3. | Chairman's Statement | 3 |
| 4. | Major Accounting Data and Business Data | 4-7 |
| 5. | Changes in Share Capital and Particulars of Shareholders | 8-11 |
| 6. | Directors, Supervisors and Senior Management | 12-17 |
| 7. | Corporate Governance Report | 18-21 |
| 8. | Details of Shareholders' General Meeting | 22 |
| 9. | Report of the Board | 23-31 |
| 10. | Report of Supervisory Committee | 32-33 |
| 11. | Significant Events | 34-37 |
| 12. | Financial Statements | 38-120 |
| 13. | Five Years' Financial Summary | 121 |
| 14. | Documents Available for Inspection | 122 |