

Significant Events

I. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigation and arbitration during the year.

II. ACQUISITION AND DISPOSAL OF ASSETS AND MERGER DURING THE PERIOD

There was no acquisition and disposal of assets or merger during the period.

III. MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD.

1. Connected transaction relating to daily operation

(1) Material connected transactions of sale of goods and provision of services

Unit: RMB'000

Connected party	Connected transaction	Pricing principles	Price	Amount	Percentage in the amount of similar transactions (%)	Way of settlement	Impact on the Company's profit
China Dongfang Electric Corporation and its subsidiaries	Sale of products	Market price	Market price	187,696	6.16	As contracted	Slight
	Service			403	0.37		
Dongfang Electrical Machinery Works and its subsidiaries	Provision of security, fire protection, filing and other relevant services; sale of products	Market price	Market price	59,042	1.87	Settled by quarter and year; as contracted	Beneficial for the Company's steady operation and cost reduction with slight impact on the profit

III. MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD (continued)

1. Connected transaction relating to daily operation (continued)

(2) Material connected transactions of purchase of goods and receipt of services

Unit: RMB'000

Connected party	Connected transaction	Pricing principles	Price	Amount	Percentage in the amount of similar transactions (%)	Way of settlement	Impact on the Company's profit
Dongfang Electrical Machinery Works	Receipt of services including greening, environment protection, property, community and transportation	Market price	Market price	14,434	0.61	Settled by quarter and year	Beneficial for the Company's steady operation and cost reduction and in line with the development strategy and sustainable growth of the Company
Dongdian Metal Structure Parts Company Limited	Purchase of relevant ancillary parts			25,375	1.08	As contracted	
Dongdian Insulation Materials Company Limited				26,732	1.13		
Dongdian Ancillary Machine Company Limited				43,124	1.83		
Dongdian General Equipment Company Limited				19,208	0.81		

2. Credit and indebtedness with connected parties

Unit: RMB'000

Connected party	Relationship	Provision of capital to the connected party		Provision of capital to the Company by the connected party	
		Amount incurred in the period	Balance	Amount incurred in the period	Balance
Leshan City Dongle Heavy Piece Handling Co., Ltd.	Associate	-1,459	9,039	0	0
Total	/				

During the reporting period, fund provided by the Company to its controlling shareholder and its subsidiaries was nil and the balance of such funds was nil at the end of the reporting period.

Significant Events *(continued)*

IV. CUSTODY

The Company had not set up any trust during the year.

V. CONTRACTING

The Company was not involved in any contracting activities during the year.

VI. LEASING

The Company did not have any leasing activities during the year.

VII. GUARANTY

The Company was not involved in any guarantee during the year.

VIII. ASSET MANAGEMENT ON TRUST

The Company was not involved in any asset management on trust during the year.

IX. OTHER MATERIAL CONTRACT

The Company did not enter into any other material contract during the year.

X. IMPLEMENTATION OF UNDERTAKINGS

The Company or shareholders holding 5% or more interest in the Company did not give any undertaking during or subsisted in the reporting period.

XI. APPOINTMENT AND TERMINATION OF APPOINTMENT OF THE AUDITORS

During the reporting period, the Company changed its auditors. Deloitte Touche Tohmatsu CPA Ltd. was appointed as the domestic audit institution of the Company to replace Shenzhen Pan-China (Schinda). As at 31 December 2005, Deloitte Touche Tohmatsu CPA Ltd. has provided auditing services for the Company for 1 year.

Shine Wing (Hong Kong) CPA Limited was appointed as the international auditors of the Company to replace Ho and Ho & Company. As at 31 December 2005, the new international auditors have provided auditing services for the Company for 1 year.

Ho and Ho & Company merged with Shine Wing and hence became Shine Wing (Hong Kong) CPA Limited. Shenzhen Pan-China (Schinda) entered into an alliance agreement with Deloitte Touche Tohmatsu and the staff were transferred to Deloitte Touche Tohmatsu. As approved by the extraordinary general meeting held on 22 December 2005, Shine Wing (Hong Kong) CPA Limited and Deloitte Touche Tohmatsu were appointed as the Company's international auditors and PRC auditors respectively for the year 2005.

XII. PUNISHMENTS AND RECTIFICATION ON THE COMPANY, THE BOARD OF DIRECTORS AND DIRECTORS

During the reporting period, none of the Company, the Board of Directors and the directors was a subject of inspection, administrative punishment or criticism by CSRC or public censure by any securities exchange.

XIII. OTHER SIGNIFICANT EVENTS

On 6 April 2006, the relevant shareholders' meeting considered and approved the share segregation reform proposal by way of poll and network voting, pursuant to which holders of circulating shares of the Company shall be paid 2.7 shares for every 10 shares held by them by holders of non-circulating shares as the consideration arrangement. As such, A total of 16,200,000 shares will be paid by holders of non-circulating shares to holders of circulating shares. Up to date, the Share Reform Scheme has been executed. Accordingly, the shareholding of China Dongfang Electric Corporation, the Company's first largest shareholder, decreased from 48.89% to 45.29% while the total issued number of shares of the Company remained 450,000,000 shares.

XIV. PUBLIC SHAREHOLDINGS OF THE COMPANY ARE IN COMPLIANCE WITH THE LISTING RULES

From the information that is publicly available to the Company and within the knowledge of its directors, there has been sufficient public float of the Company's shares in compliance with the Hong Kong Listing Rules requirement.