

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 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 transaction	Market price	82,356	2.37	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			35,800	1.03	As contracted	
Dongdian Insulation Materials Company Limited				24,914	0.72		
Dongdian Ancillary Machine Company Limited				50,396	1.45		
Dongdian General Equipment Company Limited				36,692	1.05		

Significant Events *(continued)*

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

1. Connected transaction relating to daily operation *(continued)*

(2) 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	Sale of products and provision of services	Market transaction price	Market price	413,270	8.56	As contracted	Beneficial for the Company's market expansion
Dongfang Electrical Machinery Works	Provision of security, fire protection, filing and other relevant services ; sale of products			56,756	1.17	Settled by quarter and year; as contracted	Beneficial for the Company's steady operation and cost reduction with slight impact on the profit

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
Dongle Heavy Piece Handling Co., Ltd.	Associate	-1,874	7,165	0	0
Total	/				

During the reporting period, fund provided by the Company to its controlling shareholder and its subsidiaries was nil and its balance 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

Undertakings of the holders of non-circulating shares during the Share Segregation Reform and their implementation

Name of shareholder	Undertakings	Implementation	Remarks
China Dongfang Electric Corporation	The Company undertakes that it will not trade on the Shanghai Stock Exchange or transfer its non-circulating shares within 12 months from the date of the implementation of the share segregation reform. Upon the expire of the aforesaid undertaking period, the non-circulating shares of the Company will be traded on the Shanghai Stock Exchange, provided that the number of non-circulating shares so traded shall not exceed 5% of the total issued share capital of the Company for 12 months of trading and not exceed 10% for 24 months of trading respectively, and that the selling price of the shares shall not be lower than 150% of the closing price of A shares on the trading day immediately preceding the date of the announcement of the share segregation reform (namely RMB23.39 per A share). If there is any dividends distribution or allotment of shares and capitalization of capital reserve, which results in changes in shares or shareholding structure of the Company, such price will be calculated on an ex-rights basis.	The undertakings have been diligently performed and there has been no breach	

XI. APPOINTMENT AND TERMINATION OF APPOINTMENT OF THE AUDITORS

During the reporting period, the Company changed its auditors. Deloitte Touche Tohmatsu was appointed as the international auditors of the Company to take the place of Shine Wing (Hong Kong) CPA Limited. Deloitte Touche Tohmatsu has provided audit services to the Company for 1 year as at the end of the reporting period. Relevant expenses amounted to HK\$300,000 for 2006.

The Company re-appointed Deloitte Touche Tohmatsu CPA Ltd. as the domestic auditors. Deloitte Touche Tohmatsu CPA Ltd. has provided auditing services for the Company for 2 years as at the end of the reporting period. Relevant expenses amounted to RMB880,000 for 2006.

XII. PUNISHMENT AND RECTIFICATION ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND THE DE FACTO CONTROLLER

During the reporting period, none of the Company, its directors, supervisors, senior management members, shareholders and de facto controller was a subject to any investigation of relevant authorities or mandatory measures taken by judicial and disciplinary departments or handed over to judicial authorities for criminal liabilities. Nor was any of them a subject to examination or administrative punishment by CSRC, or prohibited from the securities markets, or deemed as ineligible persons and punished by other administrative bodies, or publicly censured by any stock exchanges.

XIII. OTHER SIGNIFICANT EVENTS

1. On 6 April 2006, the relevant shareholders' meeting considered and approved the share segregation reform proposal by way of poll and internet voting, pursuant to which circulating shareholders of the Company shall be paid 2.7 shares for every 10 shares held by them by non-circulating shareholders as consideration. As such, a total of 16.2 million shares will be paid by non-circulating shareholders to circulating shareholders. Up to date, the Share Segregation Reform has been executed.
2. On 5 February 2007, the Company published announcements in China Securities Journal, Shanghai Securities News and Hong Kong Economic Times (English), that the Company proposed to purchase from DEC the shares of Dongfang Boiler Group Co., Ltd. ("Dongfang Boiler") (accounting for approximately 68.05% of total shares in Dongfang Boiler) after the Share Segregation Reform of Dongfang Boiler and the 100% equity interests in Dongfang Steam Turbine Company Limited held by DEC.

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 Listing Rules.