东方电气
DONGFANG ELECTRIC

Dongfang Electric Corporation Limited

Annual Report 2009

(H Share Stock Code: 1072)
(A Share Stock Code: 600875)

Important

The board of directors, the supervisory committee and the directors, supervisors and senior management of the Company warrant that this report contains no false representation, misleading information or material omission, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents of this report.

SHINEWING (HK) CPA Limited issued a standard unqualified auditor's report for the Company.

This report has been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

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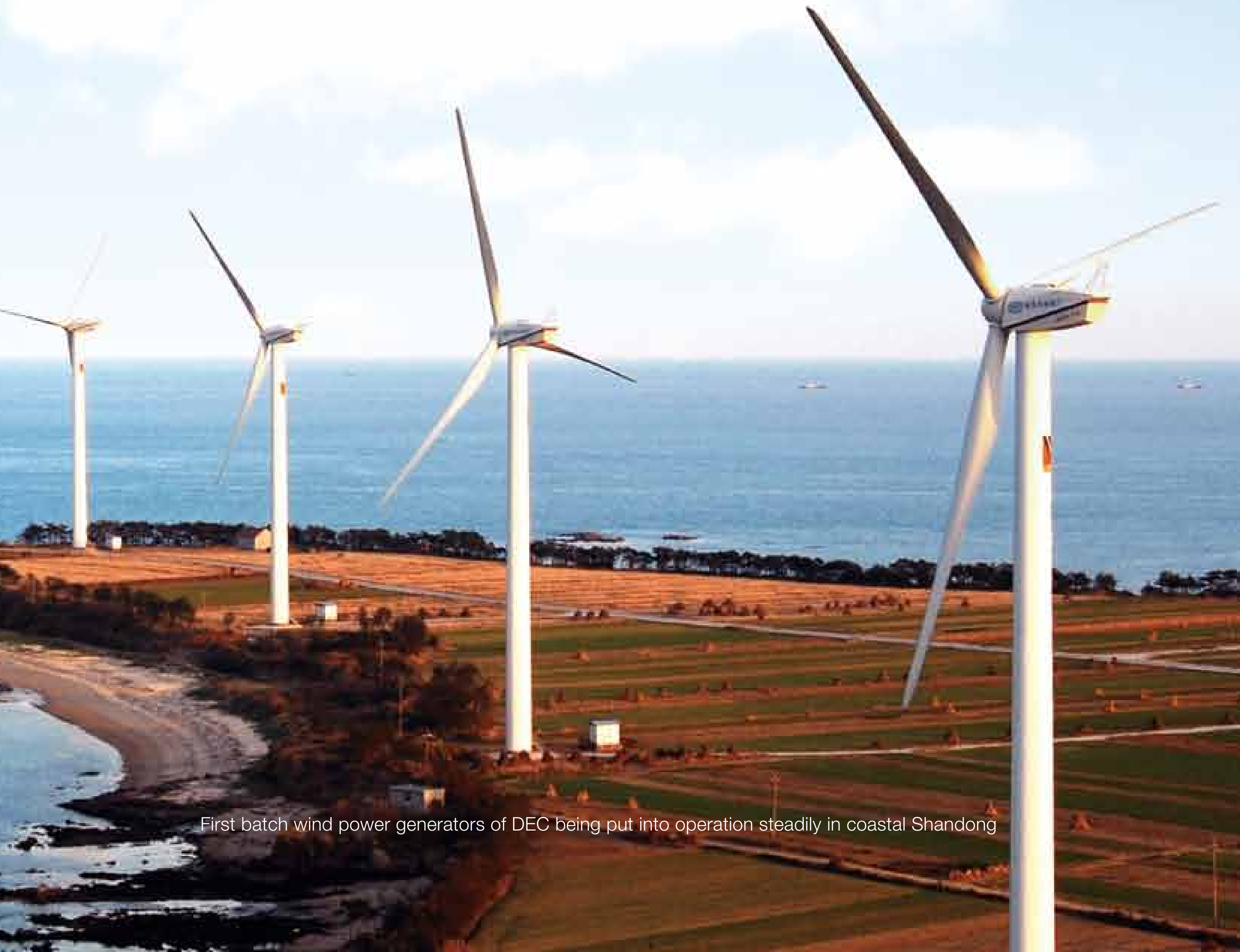

First batch wind power generators of DEC being put into operation steadily in coastal Shandong

Mr. Si Zefu, Chairman of the Company

To shareholders,

Looking back on 2009, similar to all other enterprises faced with the challenge of how to cope with the international financial crisis, but unlike many other companies, we also shoulder the historical responsibility of "reconstruction of the disaster area". This year has proven that people in DEC are capable of dealing with various difficulties calmly, and demonstrates our confidence and wisdom to face the financial crisis and the heavy task of reconstruction, and hand in to investors a satisfactory test paper with excellent results. Now I am pleased to present the annual report of Dongfang Electric Corporation Limited (the "Company") for the year ended 31 December 2009.

In respect of production, in spite of the facts that we faced a heavy productive task as well as the reality that after the earthquake, Dongfang Turbine Co. Ltd. had to recover its operation and make construction simultaneously and did not stop production in the process of its relocation, we worked together and overfulfilled the production target planned at the beginning of the year, forming the admirable DEC Spirit, which also reflected the good qualities of the working class in China.

India Dugarpur power plant project

In respect of market expansion, the value of new contracts undertaken for the whole year is RMB56.8 billion. The Company obtained a number of important contracts for the host device project of the world's first 600MW maximum capacity level supercritical CFB demonstration project in Sichuan Baima; the mega-kilowatts thermal project of Shaanxi Fugu Power Plant; the third-generation mega-kw AP1000 project in Taohuajiang; part of the generating units subcontracts of Taishan EPR nuclear island; and the contract on Shenzhen energy and wind turbines, etc. It has dedicated to exploring the overseas markets, and is the first one entering the National Electricity Markets in Brazil, Saudi Arabia and Botswana.

In respect of product structure, the Company seized the opportunity to commence product restructuring in the industry. Its product structure has been significantly optimised, which leads to the significant increase in the orders of nuclear power as well as wind power. Emphasizing new energy construction of nuclear power and wind power, Dongfang Electric Company is working hard on a comprehensive adjustment of industrial structure and the transformation of the mode of economic growth.

In respect of production, as the worst affected large state-owned enterprise by the "5.12" Wenchuan earthquake catastrophe, we are facing a situation where everything needs to be reconstructed. By strengthening the DEC Spirit, not only have we exceeded the established production and management goals, but we have also finished ahead of schedule the new base construction task. Therefore, a new Dongfang Electric Company, which is "safer, more advanced and more sustainable development", is going into full operation.

With respect to capital markets, the Company once again successfully reached an increase in privately issued stocks, raising RMB5 billion altogether. Thus we completed the trilogy of the Company on the capital markets and effectively financed the post-disaster reconstruction as well as the new energy construction. The Company was honoured as one of the top-ten cases for Mergers & Acquisitions at the 8th China Corporate Governance Forum held in Shanghai, making a vivid demonstration of company operations.

Looking forward to the year 2010, we are under great pressure that comes from the production and management target. Besides, the current international and domestic situation is complicated and constantly changing; the development of the power equipment market is both encouraging and worrying. Against such a backdrop, we should meet the challenge positively and accelerate restructuring as well as promote innovation. Thus we can guarantee the sustainable development of the Company.

As the saying goes, a thousand-mile journey starts with the first step. The Company will continue as ever to develop in a scientific and down-to-earth way. Let us greet a brilliant future together with our shareholders.

Finally, I would like to thank our investors who always spare their trust and support to us. I must express my gratitude to members of the board of directors (the "**Board**") and the supervisory committee of the Company (the "**Supervisory Committee**") for their sagacious contributions, and to all employees for their diligent work and dedication.

Si Zefu
Chairman

15 April 2010

Installation of 1,000MW nuclear power generating rotor

COMPANY PROFILE

Legal representative/Chairman

Mr. Si Zefu

Executive Director

Mr. Si Zefu
Mr. Wen Shugang
Mr. Zhu Yuanchao

Non-Executive Director

Mr. Zhang Xiaolun
Mr. Huang Wei
Mr. Zhang Jilie

Independent Non-Executive Director

Mr. Chen Xiaoyue
Mr. Li Yanmeng
Mr. Zhao Chunjun

Supervisor

Mr. Wen Bingyou
Mr. Wen Limin
Mr. Wang Congyuan

Secretary to the Board of Directors

Mr. Gong Dan

Representative of securities affairs

Mr. Huang Yong

Audit and Review Committee

Mr. Zhao Chunjun
Mr. Chen Xiaoyue
Mr. Li Yanmeng
Mr. Zhang Xiaolun
Mr. Zhang Jilie

Strategic Development Committee

Mr. Si Zefu
Mr. Wen Shugang
Mr. Zhu Yuancao
Mr. Li Yanmeng

Remuneration and Nomination Committee

Mr. Li Yanmeng
Mr. Zhao Chunjun
Mr. Chen Xiaoyue
Mr. Si Zefu
Mr. Zhang Xiaolun
Mr. Wen Shugang

New base of DEC in Bajiao, Deyang

Risk Management Committee
Mr. Si Zefu
Mr. Wen Shugang
Mr. Huang Wei
Mr. Zhang Jilie
Mr. Zhao Chunjun

Authorized Representative
Mr. Si Zefu
Mr. Gong Dan

Deputy Authorized Representative
Mr. Wang Yong

Domestic auditor
ShineWing Certified Public Accountants

International auditor
SHINEWING (HK) CPA Limited

Domestic and International Financial Public Relations Company
Domestic: Ever Bloom Investment Consulting Co., Ltd.
International: Wonderful Sky Financial Group Limited

Share Registrars
A shares: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
H shares: Hong Kong Securities Clearing Company Limited

Listing place of the Company
A shares: Shanghai Stock Exchange
Stock name: Dongfang Electric Corporation Limited
Stock code: 600875
H shares: Stock Exchange of Hong Kong
Stock name: DEC
Stock code: 1072

Registered address
18 Xixin Road, High-Tech District (Western District), Chengdu

Taxation registration number
51098205115485

Company business address
No. 333, Shuhan Road, Chengdu City, Sichuan Province
Postal code: 610036

Company Website
http://www.dec-ltd.cn/

Address for inspection of the Annual Report
Office of the Board of the Company

Newspapers for disclosure of the Company's information
China Securities Journal
Shanghai Securities News

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MAJOR ACCOUNTING DATA AND BUSINESS DATA

Mr. Wen Shugang, executive director and president, presented at the results presentation

(1) MAJOR ACCOUNTING DATA

Unit: RMB0,000

Item	Amount
Operating profit	165,264.59
Total profit	157,737.14
Net profit attributable to shareholders of the Company	157,166.34
Net profit after non-recurring profit and loss attributable to shareholders of the Company	165,605.87
Net cash flow from operating activities	654,451.49

(2) RECONCILIATION FOR HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS) AND PRC ACCOUNTING STANDARDS

Net profit and Net asset reconciliation for Hong Kong Financial Reporting Standards (HKFRS) in parallel with PRC Accounting Standards

Unit: RMB0,000

Item	Net profit		Net asset	
	Current period amount	Last period amount	Closing balance	Opening balance
Under the PRC Accounting Standards	157,166.34	15,253.56	870,874.70	230,837.27
Under HKFRS	171,213.80	45,644.09	868,418.40	214,333.51

The differences between the PRC and Hong Kong Accounting Standards were mainly due to the revaluation surplus, government grants and the corresponding deferred income tax of Dongfang Turbine etc.

(3) REPORTS ABOUT MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AT CLOSING BALANCE (UNDER THE PRC ACCOUNTING STANDARDS)

Unit: RMB0,000

Major accounting data	2009	2008		Year-on-year increase/ decrease (%)	2007
		After adjustment	Before adjustment		
Operating income	**3,322,324.71**	2,849,724.28	2,794,805.44	16.58	2,488,677.66
Total profit	**157,737.14**	1,096.38	7,327.40	14,287.09	248,991.37
Net profit attributable to shareholders of the Company	**157,166.34**	15,253.56	17,599.90	930.36	198,985.60
Net profit after non-recurring profit and loss attributable to shareholders of the Company	**165,605.87**	151,512.96	149,027.72	9.30	85,794.76
Net cash flow from operating activities	**654,451.49**	717,650.39	700,267.85	-8.81	-46,188.94

(3) REPORTS ABOUT MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR LAST 3 YEARS AT CLOSING BALANCE (UNDER THE PRC ACCOUNTING STANDARDS) (CONTINUED)

Unit: RMB0,000

	At the end of 2009	At the end of 2008 After adjustment	Before adjustment	**Year-on-year increase/ decrease** *(%)*	**At the end of 2007**
Total asset	**7,303,083.47**	5,831,751.16	5,645,916.66	25.23	3,637,839.71
Owner's equity (or shareholder's equity)	**870,874.70**	230,837.27	224,466.39	277.27	300,750.70

Unit: RMB0,000

Major financial index	**2009**	2008 After adjustment	Before adjustment	**Year-on-year increase/ decrease** *(%)*	**2007**
Basic earnings per share *(RMB/share)*	**1.76**	0.19	0.21	826.32	2.44
Diluted earnings per share *(RMB/share)*	**1.76**	0.19	0.21	826.32	2.44
Basic earnings per share after non-recurring profit and loss *(RMB/share)*	**1.86**	1.84	1.81	1.09	1.68
Weighted average return on net assets *(%)*	**19.42**	2.66	5.86	630.08	35.15
Weighted average return on net assets after non-recurring profit and loss *(%)*	**20.63**	26.83	49.63	-23.11	31.79
Net cash flow from operating activities per share *(RMB/share)*	**6.53**	8.14	7.94	-19.78	-0.57

Unit: RMB0,000

	At the end of 2009	At the end of 2008 After adjustment	Before adjustment	**Year-on-year increase/ decrease** *(%)*	**At the end of 2007**
Net asset per share attributable to shareholders of the Company *(RMB/share)*	**8.69**	2.62	2.54	231.68	3.68

(4) STRUCTURE OF THE SHARE CAPITAL AS AT THE END OF 31 DECEMBER 2009

Share Class	Numbers *(shares)*	Percentage
1. A share		
1. Dongfang Electric corporation's shareholding	501,984,793	50.10%
2. Others	329,945,207	32.93%
2. H share	170,000,000	16.97%
Total	1,001,930,000	100%

60MW steam turbine generators unsplit frame

(1) ISSUE AND LISTING OF SECURITIES

Issue of securities during the last three years

Unite: Share Currency: RMB

The types of shares and derivative securities	Date of issue	Issue price *(RMB)*	Issue number	Date of listing	Number of shares under listing approval
A share	7 November, 2007	24.17	367,000,000	7 November, 2007	367,000,000
A share	26 November, 2007	20.50	65,000,000	2 December, 2008	65,000,000
A share	18 November, 2009	42.07	119,930,000	1 December, 2009	119,930,000

As approved by the document Zheng Jian Gong Si Zi [2007] No.172 of China Securities Regulatory Commission (“CSRC”), the Company successfully issued 367,000,000 shares of Renminbi ordinary shares to its controlling shareholder China Dongfang Electric Corporation (“DEC”) at a price of RMB24.17 per share with a nominal value of RMB1.00 each by way of non-public issue on 7 November 2007.

As approved by the document Zheng Jian Xu Ke Zi [2008] No.1100 of CSRC, the Company successfully issued 65,000,000 shares of Renminbi ordinary shares at a price of RMB20.50 per share with a nominal value of RMB1.00 each by way of public issue on 26 November 2008.

As approved by the document Zheng Jian Xu Ke Zi [2009] No.1151 of CSRC, the Company successfully issued 119,930,000 shares of Renminbi ordinary shares at a price of RMB42.07 per share with a nominal value of RMB1.00 each by way of public issue on 18 November 2009.

Steam turbine rotor

(2) INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLER OF THE COMPANY

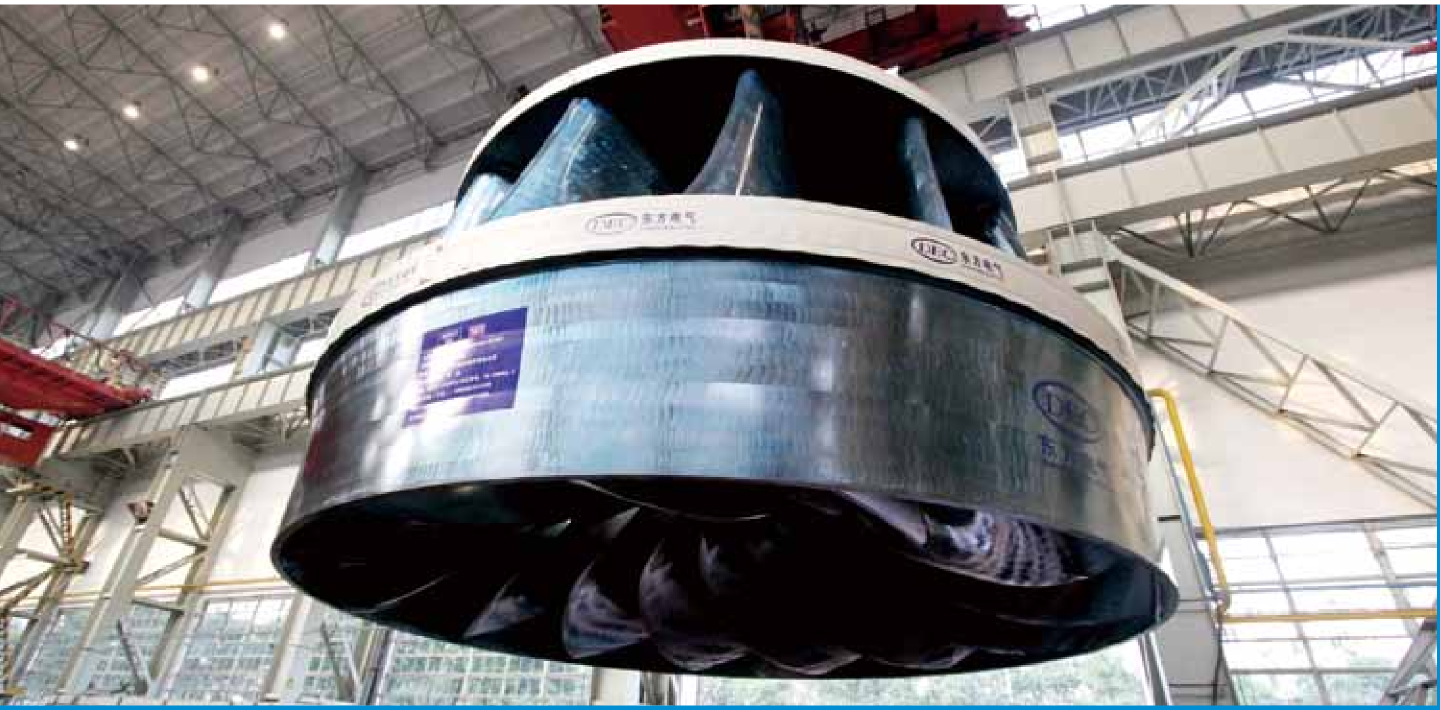
1. The numbers of shareholders and shareholdings

Unit: share

Total number of shareholders as at 31 December 2009 47,703

Shareholdings of the top 10 shareholders

Name of shareholder	Type of shareholder	Percentage (%)	Total number of shares held	Increase (Decrease) in the year	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
China Dongfang Electric Group Co., Ltd.	State-owned legal person	50.10	501,984,793	59,941,907	296,743,246	Nil
HKSCC Nominees Limited	Overseas legal person	16.88	169,156,599	80,600		Unknown
China Life Insurance Company Limited-Dividend - Individual Dividend-005L-FH002 Shanghai (中國人壽保險股份有限公司—分紅—個人分紅—005L—FH002滬)	Others	1.29	12,960,994			Unknown



Three-Gorge hydroelectric runner

(2) INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLER OF THE COMPANY (CONTINUED)

1. The numbers of shareholders and shareholdings (Continued)

Shareholdings of the top 10 shareholders (Continued)

Name of Shareholder	Type of shareholders	Percentage (%)	Total number of shares held	Increase / (decrease) in the year	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Youngor Group Co., Ltd.	Others	1.20	12,000,000		12,000,000	Unknown
Xinhua Life Insurance Company Limited - Dividend - Dividend-018L-FH001 Group Shanghai	Others	0.96	9,617,374			Unknown
Liu Yiqian	Others	0.80	8,000,000		8,000,000	Unknown
Minmetals Investment Development Ltd.	State-owned legal person	0.80	8,000,000		8,000,000	Unknown
China Pacific Life Insurance Company Limited - Dividend - Personal Dividend	Others	0.63	6,349,950			Unknown

Power station boiler steam drum

(2) INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLER OF THE COMPANY (CONTINUED)

1. The numbers of shareholders and shareholdings (Continued)

Shareholdings of the top 10 shareholders (Continued)

Name of Shareholder	Type of shareholders	Percentage (%)	Total number of shares held	Increase / (decrease) in the year	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
China Industrial and Commercial Bank of China - in the sea of energy policy hybrid securities investment fund	Others	0.59	5,875,923	(427,531)		Unknown
China Industrial and Commercial Bank of China - South Outstanding Growth Stock Securities Investment Fund	Others	0.57	5,721,163	(21,886,945)		Unknown

Illustration of Relationship or concerted action between shareholders above-mentioned	Relationship or concerted action between the top 10 shareholders and the top 10 tradable shareholders are not detected by the Company

(2) INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLER OF THE COMPANY (CONTINUED)

2. 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 holders of H Shares holding over 5% of the issued H share capital of the Company were as follows:

Name	Types of shareholders	Number of shares held *(shares)**	Percentage to total issued shares *(%)*	Percentage to total issued H shares *(%)*
Blackrock, Inc.	H Share	18,468,574(L)	1.84(L)	10.86(L)
		30,000(S)	0.003(S)	0.02(S)
JPMorgan Chase & Co.	H Share	18,409,000(L)	1.84(L)	10.83(L)
		0(S)	0(S)	0.00(S)
		17,946,200(P)	1.79(P)	10.56(P)
Baring Asset Management Limited	H Share	13,360,800(L)	1.33(L)	7.85(L)
Northern Trust Fiduciary Services (Ireland) Limited	H Share	8,816,600(L)	0.88(L)	5.18(L)

* *Note:* The letters "L" and "S" denote a long position and short position in the Shares, respectively, and the letter "P" denotes a lending pool in the Shares.

Save as disclosed above, the directors have not been informed of any person (not being a director or chief executive of the Company) who holds interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed 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.

Save for the disclosed issue of shares and listing in raised proceeds projects, during the reporting period, the Company, its subsidiaries or jointly-controlled entities did not purchase, sell or redeem any of the shares of the Company.

There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association (the "**Articles of Association**").

As at 31 December 2009, the Company had not issued any convertible securities, options, warrants or any other similar rights.

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. As at the end of the reporting period, particulars of directors, supervisors and senior management

Name	Position	Sex	Age	Commencement of term of office	Expiry of term of office	Number of shares held at the beginning of the year (share)	Number of shares held at the end of the year (share)	Total emolument received from the Company in the reporting period (RMB0'000) (before tax)	Whether receiving remuneration and allowance from shareholders or other associates
Si Zefu	Chairman	Male	51	28 June 2009	27 June 2012	0	0	47.76	NO
Zhang Xiaolun	Director	Male	45	28 June 2009	27 June 2012	0	0	43.36	NO
Wen Shugang	Director and President	Male	47	28 June 2009	27 June 2012	0	0	43.36	NO
Huang Wei	Director	Male	44	28 June 2009	27 June 2012	0	0	14.88	YES
Zhu Yuanchao	Director and Senior Vice President	Male	53	28 June 2009	27 June 2012	0	0	42.41	NO
Zhang Jilie	Director	Male	46	28 June 2009	27 June 2012	0	0	40.59	NO
Li Yanmeng	Independent Non-Executive Director	Male	65	28 June 2009	27 June 2012	0	0	6.32	NO
Zhao Chunjun	Independent Non-Executive Director	Male	68	28 June 2009	27 June 2012	0	0	6.32	NO
Chen Xiaoyue	Independent Non-Executive Director	Male	63	28 June 2009	19 March 2010	0	0	6.32	NO
Wen Bingyou	Chairman of Supervisory Committee	Male	55	28 June 2009	27 June 2012	4,119	4,119	0	YES
Wen Limin	Supervisor	Male	44	28 June 2009	27 June 2012	0	0	0	YES
Wang Congyuan	Supervisor	Male	45	28 June 2009	27 June 2012	0	0	34.89	NO
Han Zhiqiao	Deputy President	Male	51	28 June 2009	27 June 2012	1,270	1,270	50.87	NO
Wu Huanqi	Deputy President	Male	44	28 June 2009	27 June 2012	0	0	51.75	NO
Zhang Zhiying	Deputy President	Male	49	28 June 2009	27 June 2012	0	0	52.42	NO
Gong Dan	Chief Accountant and Secretary to the Board	Male	47	28 June 2009	27 June 2012	1,270	1,270	47.05	NO
Chen Huan	Deputy President	Male	48	28 June 2009	27 June 2012	0	0	40.00	NO

Note: ① Mr. Chenhuan has taken office and obtained compensation since May 2009. Emolument obtained within the year is the basic annual salary for May to December.

② Mr. Huangwei, since serving as director on 28 June 2009, has obtained his emolument from Dongfang Electric Corporation Limited, while prior to that, he obtained his emolument from China Eastern Electric Group Co., Ltd..

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Directors, Supervisors and Senior Management at present

Director

Mr. Si Zefu, aged 51, is currently the Chairman of the Company, deputy secretary of the Party Group, director and general manager of the Company. Mr. Si graduated from Xi'an University of Technology with a bachelor's degree in engineering materials and heat treatment and completed his postgraduate study in management science and engineering (MBA) at Tsinghua University. In 1983, he joined Dong Fang Electrical Machinery Works ("**DFEW**") and has since held various positions including technician, deputy secretary and secretary of the Committee of Communist Youth League, deputy factory manager and factory manager, and secretary of the General Party Branch, secretary of the Party Branch and deputy head of the production department. From September 1995 to February 1998, Mr. Si had served as deputy factory manager of DFEW, director and deputy general manager of the Company. From February 1998 to June 1999, he was the deputy mayor of Deyang city, Sichuan province. From June 1999 to February 2003, he was the general manager, vice chairman, chairman, factory manager, and secretary of the Party Committee of DFEW. From February 2003 to April 2008, he had served as vice chairman, vice secretary of the Party Committee and General Manager of the Company. He has been vice secretary of the Party Committee, director and general manager of the Company since April 2008. He holds the title of senior engineer.

Mr. Zhang Xiaolun, aged 45, is currently the non-executive director of the Company, and deputy secretary of the Party Group and deputy general manager of General Affairs of the Company. He graduated from Huazhong Engineering College with a bachelor degree of Engineering, majoring in Electrical Engineering. Mr. Zhang completed his post-graduate study in South Western University of Finance and Economics with an MBA Degree, majoring in Business and Management. He joined DEC in 1986 and has since held various positions including Office Secretary, Deputy Section Head of Haikou Engineering Department, Deputy Section Head of office and Secretary to the League Party Committee. From July 1992 to July 2000, he had been the Deputy Head of office of the Company, Executive Deputy Factory Manager, Factory Manager, Factory Manager and Secretary to the Party Committee of Zhongzhou Steam Turbine Works, and Assistant to the General Manager of the Company and Deputy Manger of the Engineering Branch of DEC. From July 2000 to April 2008, he had been member of the Party Committee, Director and Vice General Manager of the Company. He has been Deputy Secretary to the Party Committee and Vice General Manager of the Company since April 2008. He holds the title of senior engineer.

Mr. Wen Shugang, aged 47, is currently executive director and President of the Company, a member of Party Committee of the Company, and concurrently Chairman of DEC Dongfang Steam Turbine Co. Ltd., DEC Dongfang Electrical Machinery Company Limited, Dongfang Boiler (Group) Co. Limited, Dongfang Electric (Guangzhou) Heavy Duty Machinery Co. Ltd. and Dongfang Electric (India) Private Limited. Mr. Wen graduated from Xi'an Jiaotong University specializing in Turbo machinery with a bachelor degree of Engineering and a master's degree of Engineering. He joined the Company in 1986 and had been technical head of computing center, Assistant Engineer and Assistant to The General Manager of Sichuan Dongfang Power Equipment Union Company Limited. From July 1992 to August 1996, he had been Deputy General Manager, General Manager, Deputy General Economist, assistant to General Manager of the Sichuan Dongfang Power Equipment Union Company Limited, and Assistant to the General Manager. From August 1996 to July 2000, he had been a member of Party Committee, Deputy General Manager of DEC. From August 1996 to January 2005 he also served as Chief Engineer of DEC. From July 2000 to March 2008, he had been Deputy General Manager of the Company. From January 2002 to March 2003, he also served as general manager of Engineering Branch of the Company. He has been a member of the Party Committee of the Company since September 2007. He holds the title of professor level senior engineer.

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Directors, Supervisors and Senior Management at present (Continued)

Director (Continued)

Mr. Huang Wei, aged 44, is currently a non-executive director of the Company, a member and vice general manager of Dongfang Electric Group ("**DEG**")'s Leading Party Group. He also holds concurrent posts as the president of Dongfang Electric Group Company Central Research Institute and chairman of the board of directors of DEG International Corporation Limited. Mr. Huangwei graduated from Shanghai Jiao Tong University with a bachelor's degree of Power Machinery, University of Chongqing with a master's degree of Thermal Engineering, and Southwestern University of Finance and Economics with a Doctor's degree of Economics. He joined DEG in January 1989 and had been manager assistant, deputy manager, manager, deputy general manager, and general manager of Sichuan Dongfang Electrical Equipment Allied Company affiliated with DEG. He served as deputy general manager of DEG from July 2000 to February 2007, member of the State Nuclear Power Technology Corporation Leading Party Group from February 2007 to September 2008. He has been a DEG Leading Party Group member and deputy general manager as well as president of Dongfang Electric Group Company Central Research Institute since September 2008. He holds the title of Senior Engineer.

Mr. Zhu Yuanchao, aged 53, is currently executive director and senior vice president of the Company, a member of the Party Committee of the Company and Chairman of DEC (Wuhan) Nuclear Equipment Company Limited. He graduated from the faculty of Electrical Engineering of Hefei Industrial University and specialized in electrical engineering with a bachelor's degree in Engineering, and obtained a master's degree for Economics (Economic Management) of Central Party School. He joined Dongfang Electrical Machinery Works in 1982 and has been engaged in hydro-electric turbine generator design. Mr. Zhu served as Deputy Section Head of Electrical Equipment Department, Deputy Officer of the Chief Engineer Office and Deputy Chief Engineer in Dongfang Electrical Machinery Company Limited from April 1995 to December 1999. He also acted as Executive Director, Deputy General Manager, Chief Engineer, Vice Chairman, General Manager and Chairman of the Dongfang Electrical Machinery Company Limited, as well as Deputy Secretary, Deputy Factory Head, the Secretary to the Party Committee and Head of Dongfang Electrical Machinery Works from December 1999 to December 2006. He was appointed as Deputy General Manager of the Company from December 2006 to September 2008. He has been member of Party Committee of the Company since September 2007. From December 2006 to July 2008 he also served as Chairman of Dongfang Electric Investment Management Company Limited. He holds the title of Senior Engineer.

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Directors, Supervisors and Senior Management at present (Continued)

Director (Continued)

Mr. Zhang Jilie, aged 46, is currently a non-executive director of the Company and chief law consultant, the head of Planning and Development Department and the Head of legal affairs department of the Company. He is also the Chairman of DEC Investment Management Company Limited. Mr. Zhang graduated from Wuhan Polytechnic University majoring in Industrial Business Management with a bachelor degree of engineering. He graduated from Southwest Jiaotong University with a MBA degree specializing in Business and Management. From March 1984 to November 2000, he had been Secretary to Factory Office, Deputy Section Head of Planning Department, Section Head of Planning Department, Deputy Officer of administrative office, Officer and Secretary to Party Branch Committee of DFEW, Assistant to the General Manager, Officer of General Manager Office and Secretary to Party Branch Committee, Manufacturing Head of Dongfang Electrical Machinery Company Limited. From November 2000 to January 2007, he had been executive Deputy Factory Manager of DFEW, Assistant to General Manager and Section Head of Corporate Management Department of DEC. He concurrently acted as a director, General Manager, Secretary to Party Committee of DEC Investment Management Company Limited. From February 2004 to January 2006, he received on-the-job training in Honghe Prefecture of Yunnan Province, serving as a member of the standing committee and deputy head of the Prefecture. From January 2007 to July 2008, he had been Chief Law Consultant and the head of Legal Affairs Department of DEC, and General Manager of DEC Investment Management Company Limited. He has been Chief Law Consultant, the head of the Planning and Development Department and the head of Legal Affairs Department of DEC, and Chairman of DEC Investment Management Company Limited since August 2008. He holds the title of Senior Economist.

Mr. Li Yanmeng, aged 65, currently acts as an independent non-executive director of the Company, vice director-general of China Electricity Council, vice-chairman of China Energy Research Society and also independent director of China Coal Energy Company Limited. He has been working in Shangdong Electric Department for a long time. In 1994, he took the position as deputy director of Infrastructure Coordination Department of the Ministry of Power Industry. In 1997, he was transferred to other posts as deputy director-general and director general in State Departments of the Bureau of Key Construction, Investment and Basic Industry, in charge of programming and verifying Chinese important infrastructure facilities in field of energy, transportation, aviation and railway. From January 2003 to December 2004, he acted as vice general-manager responsible for planning, financing and investment, structural reforms and supervising in State Grid Corporation of China. From December 2004 to March 2008, he held the position as Senior Consultant.

Mr. Zhao Chunjun, aged 68, is currently an independent non-executive director of the Company, a professor of Tsinghua University, and member of Tsinghua University Administrative Affair Committee and Tsinghua University Academic Board. He is also independent director of Bank of China Investment Management Co.,Ltd. and China Communications Services Co.,Ltd.. Mr. Zhao graduated from Tsinghua University and specialized in Industry Enterprises Automatisation of Electrical Engineering Department. From 1986 to 2005, he has served as an assistant for the master of College of Economy and Management of Tsinghua University as well as First Vice-President and President. He acts as Professor, Vice Associate Supervisor of the University Academic Council since 2005. He has acted as Vice Associate Supervisor of China National MBA Education Supervisory Committee, convenor of the Managing Department of Scientific Committee of Education Ministry, senior Vice Chairman of China Federation of Industrial Economics, Honorary Professor of the Business Administration Department of the Chinese University of Hong Kong, and the Master of China Institute of Industrial Economics and Management Training since 1994.

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Directors, Supervisors and Senior Management at present (Continued)

Supervisor

Mr. Wen Bingyou, aged 55, is currently chairman of Supervisory Committee of the Company, a member of Party Branch, Leader of Disciplinary Team, director, Secretary to the Department Party Committee of the Company. He graduated from Xi'an Jiaotong University majoring in boiler design and manufacturing. He joined Dongfang Boiler Factory in 1982 and had been Deputy Officer of Water-cooled Wall Workshop of Dongfang Boiler Factory, Deputy General Manager of Dongfang Boiler Industrial Company, Manufacturing Head and Secretary to Party Branch Committee of Dongfang Boiler (Group) Company Limited from August 1991 to August 1997. From August 1997 to February 2006, he had been vice chairman of the board of directors and general manager of Dongfang Boiler (Group) Company Limited, General Economist of the Company. He has been a member of Party Branch and Leader of Disciplinary Team since February 2006, and a director of the Company since April 2008. From December 2006 to January 2008, he had also been chairman of the supervisory committee of Dongfang Steam Turbine Co. Ltd.. He has been secretary to the Department Party Committee of the Company since May 2006. He holds the title of Senior Engineer.

Mr. Wen Limin, aged 44, is currently a supervisor of the Company. He is also the Chief Accountant and Chairman of DEC Finance Company. He graduated from North China Electric Power University where he specialized in accounting and obtained a bachelor degree of economics. From July 1990 to September 2005, he had acted as accountant of Finance Section of China Gezhouba (Group) Corporation No.9 Engineering Company Ltd., Accountant of the Finance Department. subordinated to Three-Gorge Project Commanding Department of China Gezhouba (Group) Corporation, Section Head and Deputy Head of Finance and Asset Department of China Gezhouba Group Company Limited, Deputy Head and Head of Finance and Property Right Management Department China Gezhouba (Group) Corporation. He has been transferred to Finance Department of the Company as Chief Accountant up to present since September 2005. He has been Chairman of DEC Finance Company since June 2008. He holds the title of Senior Accountant and holds the Certified Public Account Certificate.

Mr. Wang Congyuan, aged 45, is currently a supervisor of the Company, Deputy Secretary of the Division of Audit of Dongfang Electrical Machinery Company Limited, Deputy Director of the Office of Board of Supervisors and Deputy Secretary of the Division of Audit of the Company. Majoring in National Economic Plan and Management under the Department of Economics, he graduated from Jilin University, and obtained a bachelor's degree in Economics. From July 1986 to June 1996, he had been Assistant to Accountant of the Financial Section of Sichuan Dongfang Power Equipment Union Company Limited, Assistant to Accountant of the Financial Section under of Shengdian Engineering Department of the Company, Vice Chief of Financial Section under Shengdian Engineering Department of the Company; from April 1997 to January 2008, he had been Deputy Director of the Audit Office under the Financial Section of DEC and Deputy Director of the Office of Audit and Supervisory Committee of DEC. He has been Deputy Secretary of the Division of Audit of Dongfang Electrical Machinery Company Limited and Deputy Director of the Office of Board of Supervisors since January 2008 and Deputy Secretary of the Division of Audit of the Company since October 2009.

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Directors, Supervisors and Senior Management at present (Continued)

Senior Management

Mr. Han Zhiqiao, aged 51, is currently a vice president of the Company. He is also a Director and the General Manager of Dongfang Electrical Machinery Company Limited under the Company. He graduated from the faculty of Hydroworks of Xian University of Technology and specialized in hydroelectric power-generating equipment. He joined DFEW in 1983 and has long been engaged in product sales and technological service. He had been the Deputy Section Head, Section Head, Deputy Department Head, Assistant to the General Manager of the Sales Service Department from December 1992 to December 1999, and had been Executive Director and Deputy General Manager, Deputy General Manager (General Affairs), Vice Chairman and General Manager of Dongfang Electrical Machinery Company Limited since December 1999. He holds the title of Senior Engineer.

Mr. Wu Huanqi, aged 44, is currently a vice president of the Company. He is also a general manager of the Engineering Branch Company of the Company. He graduated from Jiangsu Polytechnic University where he specialized in Machinery Design & Manufacture and obtained a bachelor degree of Engineering. He served as the designer, assistant to head and deputy head of Design Department, head of Product Project Management Department and head of Design Department of Dongfang Boiler Works from July 1988 to June 2001; deputy general manager of Dongfang Boiler (Group) Company Limited from June 2001 to June 2004; he had been a director and the general manager of Dongfang Boiler (Group) Company Limited from June 2004 to April 2008, and as a director and the general manager of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. from June 2007 to April 2008. He has been General Manager of Engineering Branch Company of the Company since April 2008. He holds the title of Senior Engineer.

Mr. Zhang Zhiying, aged 49, is currently a vice president of the Company, a Director and the General Manager of Dongfang Steam Turbine Co. Ltd.. Mr. Zhang graduated from Xi'an Jiaotong University with a bachelor's degree of Engineering in Turbine Machinery. From August 1982 to December 1999, he had been Assistant Engineer, Engineer and Team Leader of the main unit team of Design Department, Deputy Head of Service Division, Deputy Officer and Senior Engineer of Steam Turbine Office of Design Department, Deputy Head and Deputy Chief Economist of Operation Department of Dongfang Turbine Works; for the period from December 1999 to December 2006, he had been the Chief Economist of Dongfang Turbine Works; he has been a Director and General Manager of Dongfang Steam Turbine Co. Ltd. of the Company since December 2006. He holds the title of Senior Engineer of a professor level of qualification.

Mr. Gong Dan, aged 47 currently acts as chief accountant and secretary to the Board of Directors of the Company and head of the finance department of the Company. He graduated from Hefei Industrial University specializing in casting. He attended the postgraduate program in the Faculty of Economic Management of Sichuan University where he specialized in modern economic management. He joined DFEW in 1983 and mainly involved in technological upgrades, corporate and young workers management and organization of work of departments. He had been Deputy Secretary and Secretary to the League Party Committee, Officer of the Young Workers' Office, Head of Organization Department. Since December 1999, he also worked as Director, Deputy General Manager and Secretary to the Board of Directors of the Company. He holds the title of Senior Engineer and Senior Accountant.

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Directors, Supervisors and Senior Management at present (Continued)

Senior Management (Continued)

Mr. Chen Huan, aged 48, is currently the vice president of the Company and concurrently acted as the General Manager of service department in Donfang Electric Co. LTD. between 1979 and 1992, he graduated from Beijing University with a bachelor physics degree, then got master degree of science and technology in Beijing University of Technology and achieved doctor degree of materials and engineering materials science in Virginia University. Apart from that, he did the material scientific research work in the electron microscope lab of Chinese Academy of Sciences and University of Virginia. During 1993-1994, he worked as a postdoctoral researcher in the Center of Materials Exploring at the University of Massachusetts. During 1995-2000, Mr. Chen acted as Marketing Manager of Marketing Department, sales Chief Executive of Sales Department, Business Manager of Foreign Joint Venture Department in Siemens Westinghouse. During 2000-2004, he was foreign vice President in Shanghai Turbine Co., LTD., and he accepted management training of senior management in Siemens .During 2004-2009, he worked as Executive Vice President in Shanghai Electric Power Corporation, and in April 2009 he joined the Company. Since December 2009, he concurrently has been the part-time Manager of Service Department in Dongfang Electric Co. LTD..

(2) CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY

At the annual general meeting held on 25 June 2009, the supervisory board of the Company held a general election, in which Mr. Si Zefu, Mr. Wen Shugang, Mr. Zhu Yuanchao, Mr. Zhang Xiaolun and Mr. Zhang Jilie were reelected as directors, Mr. Huang Wei was appointed as new director, Mr. Chen Xiaoyue, Mr. Li Yanmeng and Mr. Zhao Chunjun were appointed as new independent non-executive directors; Mr. Wen Bingyou and Mr. Wen Limin were reelected as the supervisors of the shareholders' representatives.

On the trade union congress held on 24 June 2009, Mr. Wang Congyuan was elected as the supervisor of the employees' representatives.

The above directors and supervisors were appointed for a term of 3 years starting from 28 June 2009.

From 28 June 2009, Mr. Li Hongdong did not assume the office of non-executive director of the Company, Mr. Zheng Peimin, Mr. Chen Zhangwu and Mr. Xie Songlin did not assume the office of independent non-executive directors of the Company; Ms. Ma Zongqiong did not assume the office of supervisor of the employees' representatives of the Company.

On 29 June 2009, the Company held the first meeting of the sixth Board meeting, at which Mr. Wen Shugang was retained as the President of the Company, Mr. Zhu Yuanchao as the Senior Vice President, Mr. Han Zhiqiao, Mr. Wu Huanqi, Mr. Zhang Zhiying and Mr. Chen Huan as the Vice Presidents, Mr.Gong Dan as the Chief Accountant and Secretary to the Board.

On 19 March 2010, Mr. Chen Xiaoyue, the independent non-executive director of the Company died of illness after failure of medical treatment.

(3) DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

At the end of the year or at any time during the year, none of the directors or supervisors was materially interested directly or indirectly in any contract of significance of the Company.

(4) DIRECTORS', SUPERVISORS' AND SENIOR MANAGERS' INTERESTS IN SUBSCRIPTION FOR SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable the directors or supervisors of the Company to obtain benefits by means of acquisition of shares in or debentures of the Company or any other legal entity.

(5) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the directors or supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

(6) EMPLOYEES

The number of employees on register:19,461

Staff Professional Structure

Category of professional structure	Headcount
Production employees	11,570
Technicians	3,631
Management personnel	2,940
Others	192

Staff Education Background

Category of education background	Headcount
Master degree and above	528
Bachelor degree	4,041
Tertiary degree	4,247
Technical middle school and below	9,517

(6) EMPLOYEES (CONTINUED)

Staff Remuneration and Training

(1) Overall remuneration management. The Company formulated and implemented the salary budget management approach. Through establishing the assessment linkage mechanism of overall remuneration with main economic indicators such as total profit, sales revenue and ratio of profits to cost, the Company strengthens the process in the monitoring of overall remuneration use, promotes the coordination of the enterprise's overall remuneration, remuneration level and remuneration structure, as well as the coordination of enterprise's employment plan with policy-based staff and remuneration increase. The Company constantly improves the remuneration management mode of "control total, control standards, control structure", and gradually perfects the effective control measures of enterprise's labor cost.

(2) Staff remuneration management. The Company implemented hierarchical classification assessment of the staff and accordingly established salary distribution modes based on job performance. Among which, we adopt an annual salary system for senior managers; a salary target system for middle level management and core technicians; a position salary, performance salary and project bonus combined distribution mode for engineering technicians; a performance salary for functional and general managers; a position salary, performance salary and sales commission combined distribution mode for sales personnel; a basic salary, position salary and piece hourly wages combined distribution mode for technicians; an agreement wage system for contract-based staff.

(3) Staff training management. The Company gradually improved staff training management. Based on an employees' career, the Company explored the establishment of the training system, and gradually improved the professional position system, expert assessment system for each level and assignment eligibility system. A training management system for the purpose of "improving knowledge, skills and quality" has taken shape.

(1) CORPORATE GOVERNANCE

The Company is a company listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") in strict compliance with company law, securities law, the governance of listed company standards and other relevant laws and regulations and CSRC regulatory documents. The Company actively improves its corporate governance structure, establishes a modern corporate system and standardizes corporate operations. An effective checks and balance mechanism has been established with segregation of duties and coordination among the general meeting, the board of directors, supervisory committee and managers of the Company.

To improve the corporate governance structure, the Company established four special committees: the Audit and Review Committee, the Strategic Development Committee, the Remuneration and Nomination Committee and Risk Management Committee. The Company formulated and implemented corporate governance documents, including "Articles of Association", "Rules of Procedure in Shareholder's General Meeting", "Rules of Procedure In Board Meeting", "Rules of Procedure In Supervisory Meeting", "Work Rules for the Chairman", "Work Rules for Risk Management Committee", "Work Rules for the Audit and Review Committee", "Work Rules for Remuneration and Nomination Committee", "Work Rules for Independent Directors", "Regulations on Information Disclosure Management", "Regulations on Investor Relations Management", "Regulations on Connected Transactions Management Method for trading of shares of Directors, Supervisors and senior Management", "Management Method for Raised Proceeds" and "Management measures of internal report for material matters".

In order to adapt to the new organization structure after listing, the Company issued the Annual Work System of the Independent Directors, Annual Schedule of the Audit and Review Committee and the Annual Information Disclosure System for Major Discrepancies. The Company further established and improved its decision-making and supervisory mechanism whilst making timely, accurate and complete disclosure of material information, thereby safeguarding rights to information of its small and medium shareholders.

During the reporting period, the Company has complied with all the requirements under the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**")

(2) BOARD OF DIRECTORS

1. Assignment of Responsibility

In accordance with the Company's development strategy, investment and financial management structure, plan and financial supervision authorized by the shareholders' meeting, the main responsibility of the Board is to exercise the management decisions.

The Company's Chairman and Chief Executive Officer ("**CEO**") will be served by Mr. Si Zefu and Mr. Wen Shugang respectively, and the Company has a clear division about the assignment of responsibility. Chairman of the Board presides over the meeting of the Board, and has an inspection on the implementation of the decisions, which are made by the Board. CEO is in charge of the operation management, making an overall plan of the Company's business, carrying out strategies of the Board, made by the Board, and making daily decisions.

(2) BOARD OF DIRECTORS (CONTINUED)

2. Component

The Board is composed of 9 directors, and the members of the Board are as follows:

Name	Positions
Mr. Si Zefu	Chairman, Executive Director
Mr. Zhang Xiaolun	Non-executive Director
Mr. Wen Shugang	Executive Director, President
Mr. Huang Wei	Non-executive Director
Mr. Zhu Yuanchao	Executive Director, Senior Vice President
Mr. Zhang Jilie	Non-executive Director
Mr. Chen Xiaoyue	Independent Non-executive Director
Mr. Li Yanmeng	Independent Non-executive Director
Mr. Zhao Chunjun	Independent Non-executive Director

This year is the sixth Board since the foundation of the Company, the term of which is expected to end on 27 June 2012.

Members of the Board have different industry background. They all have professional knowledge in different areas, such as enterprise management, technical development, financial accounting, investment strategy, human resources etc. Their personal profile is set out in the annual report headed under section V in relation to the situation of directors, supervisors, senior managers and employees of the Company.

There was no financial, business, family or material relationship among members of the Board and between the Chairman and the chief executive officer.

A total of 3 Directors of the sixth Board of the Company assumed the role of administrative management, accounting for one third of the total number of Directors.

At present, the Company has three independent non-executive directors, accounting for 1/3 of the total number of directors. Independent non-executive directors of the Company understood the rights and obligations of a director and an independent non-executive director of a listed company. During the reporting period, the independent non-executive directors attended the Board in a prudent, responsible and serious attitude, gave full play to their experience and expertise, do a lot of work for improvement of corporate governance and major policies, voiced their pertinent and positive opinions about the important matters of the Company and connected transactions, promoted the scientific decision-making and decision-making procedures of the Board, and safeguarded the interests of the Company and public shareholders. These three independent non-executive directors also served in the Board's special committee.

3. Director

The directors are elected or replaced by shareholders. Director elections adopt the cumulative voting system. Director candidates shall be nominated by the Board or Supervisory Committee, or the shareholders with at least 1% alone or combined issued shares. The term of executive directors or independent non-executive directors is expected to last for 3 years. Once the term ends, there is a re-election. The independent non-executive directors can be the management staff in the Company and major shareholders without any connected relationship. The term of independent non-executive directors is expected to be 3 years. Their rotation could not exceed 2 sessions.

(2) BOARD OF DIRECTORS (CONTINUED)

3. Director (Continued)

The Company has received the annual confirmation letters on their independencies from Mr. Li Yanmeng and Mr. Zhao Chunjun, being the independent non-executive directors (Mr. Chen Xiaoyue passed way on 19 March 2010) and considered that they were independent under Rule 3.12 of the Listing Rules of the Hong Kong Stock Exchange.

Through the secretary of the Board, all the directors can obtain the related information and latest trends about regulatory, supervision and other continuous responsibility, which the directors of a listed company must comply with. In this way, they can ensure the responsibility to be understood, implementation of the procedures of the Board and compliance with appropriate laws. The Board and special committees shall be entitled to appoint an independent organization for its service, in accordance with needs to exercise powers, fulfil duties and run its business. Reasonable fees arising from it shall be borne by the Company.

The Company strictly abides by the relevant binding clauses, which are applied to the securities trading conducted by the directors, as provided by the domestic and Hong Kong regulatories to director and sticks to the principle of strict compliance.

The Company had adopted a code of conduct regarding securities transactions by directors during the reporting period on terms no less than those required by Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange. The Company has also prepared this report after enquiring all directors. All the directors of the Company have ensured that they completely abide by the required standards regarding securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers.

4. Meeting of the Board of Directors

During the reporting period, 8 Board Meetings were convened by the Company (3 of which were held by the fifth Board and 5 of which were held by the sixth Board) to discuss the overall strategy, investment plan, business and financial performance of the Company. All Directors of the Company (including Mr. Si Zefu, Mr. Wen Shugang, Mr. Zhu Yuanchao, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Zhang Jilie, Mr. Chen Xiaoyue, Mr. Li Yanmeng and Mr. Zhao Chunjun) attended the meetings with 100% attendance rate (including those who entrusted other Directors to attend the meeting). Please refer to the following table for the attendance rate of the directors from the fifth and sixth Board of the Company during the reporting period. Those Board Meetings can effectively produce quick and prudent decisions by effective discussion. The independent non-executive directors of the Company had no objection to the Company’s decisions.

(2) BOARD OF DIRECTORS (CONTINUED)

4. Meeting of the Board of Directors (Continued)

Attendance of the Board meetings and meetings of each special committee (numbers of attendance in person/numbers of meetings) of the fifth Board during the reporting period are as follows:

Name	The fifth Board	Strategic Development Committee	Risk Management Committee	Audit and Review Committee	Remuneration and Nomination Committee
Directors					
Si Zefu	3/3	1/1			1/1
Zhang Xiaolun	2/3*	1/1			1/1
Wen Shugang	3/3	1/1			1/1
Zhu Yuanchao	3/3				
Zhang Jilie	3/3			0/1	
Li Hongdong	3/3			1/1	
Independent Non-executive Directors					
Chen Zhangwu	3/3			1/1	1/1
Xie Songlin	3/3	1/1		1/1	1/1
Zheng Peimin	3/3			1/1	1/1

Attendance of the Board meetings and meetings of each special committee (numbers of attendance in person/numbers of meetings) of the sixth Board during the reporting period are as follows:

Name	The sixth Board	Strategic Development Committee	Risk Management Committee	Audit and Review Committee	Remuneration and Nomination Committee
Directors					
Si Zefu	5/5	2/2	1/1		
Zhang Xiaolun	3/5*			1/2	
Wen Shugang	3/5*	0/2	1/1		
Zhu Yuanchao	2/5*	0/2			
Zhang Jilie	5/5		1/1	2/2	
Huang Wei	4/5*		1/1		
Independent Non-executive Directors					
Chen Xiaoyue	3/3			1/2	
Li Yanmeng	3/3	2/2		2/2	
Zhao Chunjun	2/3*		1/1	1/2	

(2) BOARD OF DIRECTORS (CONTINUED)

4. Meeting of the Board of Directors (Continued)

**Note:*

Directors who could not attend the Board Meetings in person entrusted other Directors to attend and vote at the meetings.

Members who could not attend the meetings of each of the Committees in person entrusted other members to attend and vote at the meetings.

Independent non-executive directors, in person or through proxies, recorded good attendance for Board meetings this year, and did not raise objection to proposals of the Board meetings and the meetings other than Board Meetings for the year.

(3) SPECIAL COMMITTEES UNDER THE BOARD

The Board has established four special committees, each of which has the defined terms of responsibilities to oversee the affairs of the Company's specific aspects.

1. Audit and Review Committee

The Board has established the Audit and Review Committee under the Board pursuant to the requirements of the Hong Kong Stock Exchange and CSRC. The Board is obliged to prepare for a true and fair presentation of the consolidated financial statements of the Company for the year, while the Audit and Review Committee is a non-standing organization under the Board and is accountable to the Board.

The main duties of the Audit and Review Committee are:

(1) to propose the appointment or change of external auditors;

(2) to supervise the Company's internal audit system and its implementation;

(3) to take charge of the communication between the internal auditors and external auditors;

(4) to audit the Company's financial information and its disclosure; and

(5) to examine the Company's internal control system.

The Audit and Review Committee of the fifth Board comprises independent non-executive director Mr. Zheng Peimin (Chairman), independent non-executive director Mr. Chen Zhangwu, independent non-executive director Mr. Xie Songlin, director Mr. Zhang Jilie and director Mr. Li Hongdong.

The Audit and Review Committee of the sixth Board comprises independent non-executive director Mr. Zhao Chunjun (Chairman), independent non-executive director Mr. Chen Xiaoyue, independent non-executive director Mr. Li Yanmeng, director Mr. Zhang Xiaolun and director Mr. Zhang Jilie.

During the reporting period, the Audit and Review Committee convened 3 meetings (1 of which was held by the fifth Audit and Review Committee and 2 of which were held by the sixth Audit and Review Committee), the foregoing meetings mainly include: reviewing and approving the Company's annual financial statements for 2008, reviewing and approving the Annual Work Regulations of Audit and Review Committee, reviewing and approving interim unaudited financial statements for 2009, reviewing and approving interim results announcement for 2009 and reviewing and approving the Company's appointment of auditors for 2009. All members of the Audit and Review Committee of the Company attended meetings with 100% attendance rate (including those who entrusted other members to attend the meeting). Please refer to the table set out in "The Meeting of the Board of Directors" under Section (2)(4) of the Corporate Governance Report of the Company for the attendance rate of each members of the fifth Audit and Review Committee and the sixth Audit and Review Committee of the Company during the reporting period. All matters passed at the meetings are well documented and maintained in accordance with the relevant rules. All the significant matters discussed by the Audit and Review Committee are also reported to the Board.

(3) SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

2. Strategic Development Committee

The main duties of the Strategic Development Committee are to provide opinions for the Company's strategies and review the proposals for significant investments.

The Strategic Development Committee under the fifth Board comprised Director Mr. Si Zefu (Chairman), Director Mr. Zhang Xiaolun, Director Mr. Wen Shugang and Independent Non-executive Director Mr. Xie Songlin.

The Strategic Development Committee under the sixth Board comprised Director Mr. Si Zefu (Chairman), Director Mr. Wen Shugang, Director Mr. Zhu Yuanchao and Independent Non-executive Director Mr. Li Yanmeng.

During the reporting period, the Strategic Development Committee held 3 meetings in 2009 (1 of which was held by the fifth Strategic Development Committee and 2 of which were held by the sixth Strategic Development Committee). The attendance rate of all members of the Strategic Development Committee of the Company was 100% (including those who entrusted other members to attend the meeting). Please refer to the table set out in "The Meeting of the Board of Directors" under Section (2)(4) of the Corporate Governance Report of the Company for the attendance rate of the Strategic Development Committee of the Company at meetings of the fifth and sixth Strategic Development Committee during the reporting period.

3. Remuneration and Nomination Committee

The Board of the Company established the Remuneration and Nomination Committee under the Board in accordance with the Hong Kong Listing Rules of the Hong Kong Stock Exchange. The Remuneration and Nomination Committee is a non-standing organization under the Board and is accountable to the Board.

The main duties of Remuneration and Nomination Committee are:

(1) to research selection criteria and procedure of directors and managers and make recommendations;

(2) to search for qualified candidates for directors and managers extensively;

(3) to review the candidates for directors and managers and make recommendations;

(4) to research the assessment criteria for directors and managers, carry out assessment and make recommendations; and

(5) to research and review the policy and proposal for the remuneration of directors and senior management.

The Remuneration and Nomination Committee of the fifth Board comprises Independent Non-executive Director Mr. Zheng Peimin (Chairman), Independent Non-executive Director Mr. Chen Zhangwu, Independent Non-executive Director Mr. Xie Songlin, Director Mr. Si Zefu, Director Mr. Zhang Xiaolun and Director Mr. Wen Shugang.

The Remuneration and Nomination Committee of the sixth Board comprises Independent Non-executive Director Mr. Li Yanmeng (Chairman), Independent Non-executive Director Mr. Zhao Chunjun, Independent Non-executive Director Mr. Chen Xiaoyue, Director Mr. Si Zefu, Director Mr. Zhang Xiaolun and Director Mr. Wen Shugang.

(3) SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

3. Remuneration and Nomination Committee (Continued)

During the reporting period, the Remuneration and Nomination Committee convened 1 meeting (the meeting was held by the fifth Remuneration and Nomination Committee), the foregoing meetings mainly include: reviewing and approving the Company's annual report for 2008 which discloses the remuneration affairs of the Company's directors, supervisors and senior management are disclosed and the report about the emoluments of the members of the Sixth Board and the Supervisory Committee etc. The attendance rate of all members of the Remuneration and Nomination Committee of the Company was 100% (including those who entrusted other members to attend the meeting). Please refer to the table set out in "The Meeting of the Board of Directors" under Section (2)(4) of the Corporate Governance Report of the Company for the attendance rate of the Remuneration and Nomination Committee at meetings of the fifth Remuneration and Nomination Committee of the Company during the reporting period.

The procedure of determining the remuneration of directors, supervisors and senior management of the Company: the annual remuneration is determined in accordance with the requirements of relevant policies in the PRC and with reference to the assessment on Company's assets, business results and individual duties and contributions in line with the principle that remuneration shall be linked with profit and assessment of work targets, subject to the required review and approval procedures.

The performance appraisal and incentives of the senior management of the Company: the annual remuneration is determined in accordance with the requirements of relevant policies in the PRC and with reference to the assessment on Company's assets, business results and individual duties and contributions in line with the principle that remuneration shall be linked with profit and assessment of work targets, subject to the required review and approval procedures.

4. Risk Management Committee

The main duties of the Risk Management Committee are:

(1) to provide risk defense guidance for operation management; review and determine the system and process of risk management control; organise risk monitoring in the operation management process; provide solution for existing risks;

(2) to review risk control of the Company on a regular basis, the Management shall report to the Committee on risk control; and

(3) to assess the risks and management status as well as risk management competency and level of the Company, and provide suggestions to improve risk management and internal control of the Company.

The Risk Management Committee of the Fifth Board comprised Director Si Zefu (Chairman), Director Zhang Xiaolun, Director Mr. Wen Shugang, Director Zhang Jilie and Independent Non-executive Director Chen Zhangwu.

The Risk Management Committee of the Sixth Board comprised Director Si Zefu (Chairman), Director Mr. Wen Shugang, Director Mr. Huang Wei, Director Mr. Zhang Jilie and Independent Non-Executive Director Mr. Zhao Chunjun.

During the reporting period, the Risk Management Committee held one meeting (which was convened by the sixth Risk Management Committee). The attendance rate of all members of the Risk Management Committee of the Company was 100% (including those who entrusted other members to attend the meeting. Please refer to the table set out in "The Meeting of the Board of Directors" under Section (2)(4) of the Corporate Governance Report of the Company for the attendance rate of the Risk Management Committee at meetings of the sixth Risk Management Committee of the Company during the reporting period.

(4) SUPERVISORY SYSTEM

1. Supervisory Committee

The Supervisory Committee is the Company's standing supervisory institution. The Supervisory Committee is responsible for supervising the Board and its members and senior management members, so as to prevent them from abusing their authorities and violating the lawful interests of shareholders, the Company and its staff. Number of supervisors and the composition of the Supervisory Committee are in compliance with the relevant laws and regulations. In 2009, the Supervisory Committee held 5 meetings altogether, each of which was attended by all supervisors (in person or their proxies). The Supervisors, on behalf of shareholders monitored the Company's finance and to ensure the directors and senior management have complied with relevant regulations. The members of the Supervisory Committee attended all Board meetings and fulfilled their duties in an earnest manner.

2. Establishment and improvement of internal control system

The Company has set up relevant internal management systems and procedures for corporate governance, operation, construction, finance and administration and personnel. Meanwhile, internal control system was established in respect of corporate strategy, product R&D, finance, investment and financing, market operation, internal audit, production safety, environment protection, human resources and information disclosure to ensure the effective implementation of the management systems. Furthermore, the Board set up specially the Risk Management Committee to supervise the implementation of internal control concerning finance and operation to safeguard shareholders' interests and the Company's assets.

3. Company discloses the Board's verification opinion on self-assessment report and the audit agency of the internal control system

In 2009, the Board has conducted self-assessment for the Company's internal control system and drew up a "Internal control assessment report in 2009". The Board considers that the Company has established a relatively perfect internal control pattern and risk management system, providing reasonable assurance to the Company's effective operation and stable development on any aspects. The Company has not engaged any accounting firms to verify and evaluate the internal control situation of the Company this year.

4. Auditors

During the reporting period, the Company appointed ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the domestic auditor and international auditor of the Company respectively. Remuneration paid by the Company to ShineWing Certified Public Accountants, the domestic auditor, and SHINEWING (HK) CPA Limited, the international auditor, in respect of their annual audit services amounted to RMB1 million and HK$ 0.8 million.

In preceding three financial years from the reporting period, the Company appointed Deloitte Touche Tohmatsu CPA Ltd. as the domestic auditors and Deloitte Touche Tohmatsu as the international auditors of the Company, respectively, providing annual auditing services.

(5) SHAREHOLDERS AND OTHER INTERESTED PARTIES

1. Shareholders' General Meeting

As the highest authority of the Company, the general meeting performs its functions and power in determining the material events of the Company under the laws. The annual general meeting or extraordinary general meeting provides a direct communication channel for the Board and the shareholders. Hence, the Company regards highly of the shareholders' meetings. Notice of meeting is delivered 45 days in advance. All directors and members of senior management are requested to attend. The Company encourages all shareholders to attend the shareholders' meeting and welcomes shareholders to express their opinions in the meeting.

(5) SHAREHOLDERS AND OTHER INTERESTED PARTIES (CONTINUED)

2. Independence of Operation, Personnel, Assets, Organization and Finance of the Company from its Controlling Shareholder

The Company has independent business and operation ability within its registered business scope. The Company is independent from its controlling shareholder in operation, personnel, assets, organization and finance.

3. Information disclosure and investor relation management

Secretary of the Board and representative on securities affairs are responsible for information disclosure and entertaining the shareholders and attending to investors' visits. The Company has always maintained a good relationship with shareholders. The major communication channels available in the Company include: shareholders' meetings, corporate website, email, fax and telephone etc., which enable shareholders to express views and exercise their rights. In order to further strengthen investor relations management works, the Company formulated "Information Disclosure System" and "Investor Relation Management System", so as to ensure the information is disclosed in an open, fair and just manner and to enhance transparency.

There were a large quantity of disclosures and new requirements for 2009. The Company made careful analysis on key and difficult points of information disclosure, designated responsibility for most difficult tasks and communicated timely with regulatory authorities, and thus completed preparation of periodical reports and relevant disclosure in time and as required. Disclosure of the annual and semi-annual reports of the Company is not only in strict accordance with rules and regulations, but also shows the Company's characteristics, which is praised by supervisor institutions, stock exchanges and investors.

On investor relationship management, the Company held performance presentations and road shows in the mainland and Hong Kong during the year. The Company has also received hundreds of visits from domestic and overseas investors, shareholders, fund managers and analysts through meetings and telephone conference. The investor Relationship page was opened on our website for investors for more understanding of the Company. All year-round investors receptions along with timely performance presentations and road shows have further strengthened the investor relations management works and gained brand effects for the Company in capital markets.

4. Other interested parties

The status of appraisal and incentives for senior management members. The annual remuneration is determined in accordance with the relevant rules and regulations of the PRC and with reference to the assessment on Company's assets, business results and individual duty and contribution in line with the principle that annual salaries shall be linked with profit and assessment of work object, subject to required review and approval procedures. The 34th meeting of the Fifth Board reviewed and approved the Proposal for the Remuneration of Members of the Sixth Board of Directors and Supervisory Committee.

The Company pursues legitimate and honest business. While seeking to maximise interests for shareholders, we actively protect lawful rights of investors, creditors and employees, treating clients and suppliers with integrity, enthusiastically developing new energy, and promoting coordinated and harmonious development of the Company and society. The Board prepared the Social Responsibility Report for 2009.

(1) ANNUAL GENERAL MEETING OF SHAREHOLDERS

Meeting Rounds	Dates	Newspapers for Resolutions to be Published	Resolution Published Date
First Round	25 June 2009	China Security Journal, Shanghai Security Journal, Security Daily	26 June 2009

(2) PROVISIONAL GENERAL MEETING OF SHAREHOLDERS

Meeting Rounds	Dates	Newspapers for Resolutions to be Published	Resolution Published Date
First Round	11 February 2009	China Security Journal, Shanghai Security Journal, Security Daily	12 February 2009
Second Round	25 June 2009	China Security Journal, Shanghai Security Journal, Security Daily	26 June 2009
Third Round	30 December 2009	China Security Journal, Shanghai Security Journal, Security Daily	31 December 2009

(1) MANAGEMENT DISCUSSION AND ANALYSIS

1. Operation review for the Reporting Period

(1) Overall Operation Analysis

The year 2009 is a critical year for the Company's post-disaster reconstruction and industry structural adjustment. In a bid to promote the spirit of Dongfang Turbine, the Company was quick to carry post-disaster reconstruction forward, accelerated industry structural adjustment with reference to market dynamics and enhanced its innovative capability. Together with market expansion campaigns at home and abroad, it managed to put the enterprise on a sustainable and stable footing with record-breaking production value, revenue and other economic indicators. With industry-leading capacity of power generation equipment and new orders kept mounting, it laid solid foundation for the Company's sustainable development.

(2) Operation during the Reporting Period

— Ranked first for production with year-round targets fully met

In 2009, the capacity of power generation equipment produced by the Company amounted to 29,033.8MW, including 33 hydro-electric turbine generator sets with a capacity of 4,949.5MW, 45 steam turbine generators with a capacity of 22,280MW, 1,203 wind power generation sets with a capacity of 1,804.3MW, 49 power station boilers with a capacity of 22,151MW and 67 power station steam turbines with a capacity of 27,167.5MW.

— Remarkable progress in market expansion and improvement in order portfolio

In face of the global financial crisis and large-scale correction of the domestic power equipment market, the Company still saw impressive growth in the number of new orders in 2009. New orders for the year amounted to RMB56.8 billion, including approximately US$2.1 billion from overseas. Among the new orders, 46.3% of which attributed to thermal power generation, 25.5% attributed to nuclear power, 14.6% attributed to wind power, 5.1% attributed to hydro power and 8.5% attributed to other power generation, indicating further improvement in our order portfolio. As at the end of 2009, the Company had orders in hand of more than RMB130 billion, including thermal power generation (52%), hydro power (8%), wind power (7%), nuclear power (29%) and others (4%). Export accounted for 15% of all orders in hand.

In the international market, the Company made the first foray into the power markets of countries such as Brazil, Saudi Arabia and Botswana, among which, the Brazil Jerry Project (巴西杰瑞項目) was the order with the largest contract value for exported complete hydro-power generation equipment in China. The Rabigh thermal power project in Saudi Arabia (沙特阿拉伯拉比格火電項目) is the first 60Hz thermal power generation equipment in China to be introduced to the high-end market of the Middle East.

In the domestic market, the Company secured a cluster of important contracts such as the 600MW super-critical CFB project, being the exemplary project in Baima of Sichuan Province with the highest capacity of its kind in the world. Apart from attaining sufficient order for wind power, the Company made breakthroughs in the nuclear power market by a successful bid of the 1,000MW AP1000 Project (3rd generation) in Taohuajiang and the subcontracting contract of certain Taishan EPR nuclear island main equipment. Henceforth, the Company became the first enterprise to manufacture CPR1000, ERP and AP1000 nuclear island and conventional island equipments simultaneously.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(2) Operation during the Reporting Period (Continued)

— Breakthroughs in nuclear power development

Full market penetration in the 3rd generation nuclear power equipment. Upon acquisition of the subcontracting contract of certain Taishan EPR nuclear island main equipment, the Company also entered into the order contract of steam generator and nuclear reactor pressure vessel for nuclear power construction in Taohuajiang in Hunan, which marked the Company's full entrance to the 3rd generation nuclear power equipment. As a result, the Company became the sole enterprise capable of manufacturing AP1000, 2nd generation EPR and nuclear island heavy equipment as well as conventional island steam turbine generating units in one row around the globe. The Company also made unremitting efforts to secure contracts relating to the AP1000 cooperation project of 1#2# pressurizers in Haiyang nuclear station and certain Taishan EPR nuclear island main equipment consecutively.

The Company further optimised its network for nuclear power equipment manufacturing by entering into the supply agreements of inner reactor component and control rod driving device for two generating units for large CPR1000 projects as well as the supply agreements for Ningde, high and low pressure generating units at Fangchenggang (防城港機組高低加) and STR, which marked its official entry to the manufacturing business of nuclear power conventional island ancillary units.

The Company pressed ahead with technical renovation initiatives at its plants. While DFHM made promising progress in its Phase III construction which is expected to be put into operation next year, technical innovation of control rod driving device and inner reactor component is gathering pace. Meanwhile, Dongfang Turbine and Dongfang Electrical Machinery (東方電機) also stepped up in efforts with the technical renovation in relation to mass production capability of nuclear power.

The production of nuclear power equipment is getting full steam ahead. The first 1,000MW nuclear reactor pressure vessel in China was produced and delivered successfully. During the year, DFHM produced 2 sets of steam generators and had developed mass production capabilities at the initial stage. Areva-Dongfang (東方阿海琺) completed the testing and delivery of the first main bump of Unit 4 in Ling'ao (嶺澳4號機第一台主泵). The conventional island steam turbine units of projects such as Ling'ao (Phase II), Hongyanhe, Ningde, Fangjiashan and Fuqing were put into production.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(2) Operation during the Reporting Period (Continued)

— Scaled new heights in technical innovation

As for 600 to 1,000MW conventional thermal generating units of high installed capacity and parameter, the Company made transitional moves from introducing the technology, learning, absorbing the technology to reinvention, with a focus on the development of 60HZ thermal power products. The Company has world-class strength of self-development and design of large-scale hydro power generation and unrivalled technical know-how of 1,000MW nuclear power equipment manufacturing in China. Both localisation and bulk production of MW wind power were completed. The Company's 1,000MW ultra-super-critical units were awarded the grand prize of scientific and technological progress of China Machinery Industry (中國機械工業科技進步特等獎), while the 300MW CFB boiler was accredited as self-innovative products of China. The Company also completed the overall denitration solution for power plant boiler and independently developed the sea water gas desulphurisation solution for 600MW boiler.

— Sound progress in major construction projects such as post-disaster reconstruction

Thanks to public interest and support and hard work of all management members and staff of Dongfang Turbine, the construction of its new base is quickly underway as scheduled. As a matter of urgency and given the unique nature of the project, the Company had fulfilled all procedures for national approval in 2009 whilst expediting the construction progress. To date, save as the designated railway and the office complex which are expected to be completed and delivered for use in the first half of 2010, equipment installation or production tasks of all other production and ancillary plants had been transferred to sub-plants.

Among other major investment projects, the Tianjin wind power technology project (天津風電科技項目) commenced trial production ahead of schedule and main works of construction projects such as the port project phase III in Guangzhou, the new energy base of Hangzhou and medium power equipment project were completed and are undergoing equipment installation and trial run. All these laid solid foundation for the full development of scalability of the Company's new energy industries such as wind power and nuclear power in 2010.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(2) Operation during the Reporting Period (Continued)

— Built brand reputation for the Company in the capital market

The non-public issue of A shares had been completed, whereby the Company successfully issued 119.93 million A shares in November 2009 and raised proceeds of RMB5 billion. The proceeds raised ensured smooth reconstruction and construction of nuclear power projects of Dongfang Turbine, thereby facilitating the sustainable and healthy development of the Company and leading to significant improvement in its financial portfolio.

The Company further promoted standardised operation of the listed Company by completing the re-election of the fifth supervisory committee of the Company and appointing three new independent non-executive directors providing expertise for the sixth Board according to the procedural requirements of standardised operation of the listed Company. These initiatives improved the operation of all special committees under the Board and promoted standardised operation across the Board. Moreover, the Company entered into and revised the terms governing the Framework Agreements on Connected Transactions between the Company and Dongfang Electric Corporation from 2009 to 2011, which ensured statutory and effective commencement of connected transactions necessary for normal production and operation of the Company. The execution of connected transactions such as the Company's acquisition of 27.3% equity interest in DFHM held by the Company was considered and approved at the general meeting, which helped the listed Company consolidate and develop its nuclear power business. Frequent reception of investors throughout the years and opportune organization of results presentation and road shows of the Company allowed for more in-depth management of investor relations and earned the Company brand reputation in the capital markets.

On 18 December 2009, the Company was awarded the "Top 10 Classic M&A and Reorganization Model Award" (十佳典型併購重組案例獎) at the 8th China Corporate Governance Forum, the top award for mergers and acquisitions and reorganizations in the capital markets of China.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(3) Main Businesses and Their Operations (In Accordance with PRC Accounting Standards)

— Main Business Revenues and Profit Variation Analysis during the Reporting Period

Unit: (RMB) 10,000

Operation Indicator	Reporting Period	Reporting Period of Last Year	Increasing Percentage
Prepared in accordance with PRC Accounting Standards			
Operating Income	3,322,324.71	2,849,724.28	16.58
Net Profit Owned by Shareholders from Listed Companies	157,166.34	15,253.56	930.36
Profit Per Share *(RMB)*	1.76	0.19	826.32
Profit Per Share with Extraordinary Losses Deducted *(RMB)*	1.86	1.84	1.09
Prepared in Accordance with HK's Accounting Standards			
Operating Revenue	3,275,413.20	2,771,716.00	18.17
Profit for the year attributable to owners of the Company	171,213.80	45,644.00	275.11
Profit Per Share *(RMB)*	1.911	0.555	244.32

In 2009, the Company achieved the operating income of RMB33.223 billion, with a year-on-year rise of 16.58%, mainly coming from wind power products whose sales revenue was raised significantly. With the continuous output of the nuclear products, their revenue will increase gradually. Gross profit rate of the Company's main businesses increased from 15.79% to 16.91%, up by 1.12 percentage point.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(3) Main Businesses and Their Operations (In Accordance with PRC Accounting Standards) (Continued)

— Main Businesses' Condition Explained by Industries and Products

Unit: (RMB) 0.1 Billion

Industry/ Product	Operating Revenue	Operating Cost	Operating Profit Rate *(%)*	Year-on-year Operating Revenue Variation *(%)*	Year-on-year Operating Cost Variation *(%)*	Year-on-year Operating Profit Variation *(%)*
Divided by Industries						
Machinery Fabrication	327.54	272.15	16.91	18.17	16.60	1.12
Divided by Products						
Hydropower Product	30.16	26.96	10.61	16.14	14.87	0.99
Thermal Power Product	207.95	167.42	19.49	2.37	0.33	1.63
Wind Power Product	62.79	51.80	17.50	139.90	123.60	6.02
Nuclear Power Product	21.34	21.45	-0.52	117.00	120.52	-1.60
Others	5.30	4.52	14.72	-56.00	-55.53	-0.91

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(3) Main Businesses and Their Operations (In Accordance with PRC Accounting Standards) (Continued)

— Main Businesses' Condition Explained by Industries and Products (Continued)

1. Among the Company's main businesses, the thermal power products' revenue increased a little bit compared to last year, with its sales of RMB20.795 billion. Its revenue accounted for 63.49% of the main revenue, down from last year's 73.29%, a 9.8 percentage point fall. This meant the product structure was adjusted further toward rationalization. This year's operating profit of the thermal products was 19.49%, a year-on-year 1.63 percentage point increase.

2. In 2009 the wind power products' sales reached RMB6.279 billion, a year-on-year increase of 139.9%, accounting for 19.17% of the year's main operating revenues. The operating profit rate was 17.50%, a 6.02 percentage point increase compared with the same period of last year. The main reason was scale production of the wind power products with increasing scale economic benefits. Meanwhile, with the introduction, absorption and innovation of the wind power technology, its nationalization rate was promoted quickly, which largely reduced the costs of the wind power products.

3. With the continuous output of the nuclear power products, its sales revenue increased by 117% compared with that of the corresponding period of last year. Its composing percentage among the main revenues increased from 3.55% to 6.51% by 2.96 percentage point. The operating profit of nuclear products was -0.52% mainly due to its non-scale production. Besides, some of the components must be imported internationally, which increased the procurement costs and lead to the losses of the nuclear products. With the increase in its nationalization rate and its scale production, its production costs had been controlled well.

4. The revenue of the hydropower products was almost on the same level with last year's. The operating profit rate was 10.61%, a year-on-year increase of 0.99 percentage point. The main reason for this was that the Company had adjusted its products' structure toward rationalization, which increased the profit.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(4) FINANCIAL ANALYSIS (prepared under the Hong Kong Financial Reporting Standards)

1. Financial Status

As at 31 December 2009, the current assets of the Company amounted to RMB64,021,339,000 (2008: RMB52,360,037,000). Items with relatively significant changes from last year and the reasons are listed as follows: 1. Cash and deposits in banks amounted to RMB14,675,384,000 (2008: RMB11,505,153,000), grew by 27.55% over 2008, which is primarily because 1) the Company successfully raised proceeds of nearly RMB5 billion from the non-public issuance during the year, and 2) the Company strengthened its efforts on loans collection amidst the global financial crisis, resulting in relatively sufficient monetary funds of the Company at the end of 2009. 2. Inventories amounted to RMB27,023,288,000 (2008: RMB20,233,200,000), grew by 33.55% from last year, which is mainly due to 1) the increased parts and components purchased for expanded production of new energy products, especially wind power products of the Company, and 2) consumption of products in process resources for long-cycle projects like nuclear products and 100MW thermal power projects. 3. Construction in progress amounted to RMB2,526,814,000 (December 2008: RMB1,450,616,000), grew by 74.18% from the beginning of last year, which is mainly due to 1) the Company's continued utilisation of proceeds raised to finance its projects, and 2) the increased infrastructure and equipment for the Company's ongoing construction of post-disaster reconstruction projects.

As at 31 December 2009, the total liabilities of the Company amounted to RMB65,232,774,000 (2008: RMB56,176,726,000). Items with relatively significant changes from last year and the reasons are listed as follows: 1. trade and other payables amounted to RMB47,113,306,000 (2008: RMB31,676,339,000), grew by 48.73% over 2008. The increase is mainly attributable to more payables to suppliers for surging productive material purchases, to cater for high output in recent years, the undersupply of certain key resources around the world and a heavily loaded production schedule; 3. accounts payable to parent amounted to RMB1,587,907,000 (2008: RMB3,625,908,000), reduced by 56.20% over 2008, which is mainly composed by the Company's payment of part of the consideration for the acquisition of the residual 31.61% equity interest in Dongfang Boiler; 4. the liabilities of the Company was estimated to be RMB585,455,000 (2008: RMB332,966,000), which is mainly due to the significant increase in estimated liabilities incurred from sales of wind power as the Company's sales revenue from wind power increased substantially.

During the reporting period, profit attributable to shareholders of the Company increased by RMB1,255,698,000 from last year, mainly attributable to asset loss of RMB1,535,517,000 in the "5.12" earthquake during the same period last year.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(4) FINANCIAL ANALYSIS (prepared under the Hong Kong Financial Reporting Standards) (Continued)

2. Cash Flow

   As at 31 December 2009, the cash and cash equivalents of the Company recorded a net increase of RMB3,172,538,000 over last year. The increase is mainly attributable to our active receivable collection and the rapid recovery of trade receivables during the year. However, the increase in expense of purchase business corresponding to the expansion in production and operation decreased net cash generated from operating activities to RMB2,472,574,000, reduced by 33.89% over the same period last year. Moreover, the Company raised proceeds of nearly RMB5 billion from the non-public issuance of new A Shares in 2009, uplifted our overall cash flow.

3. Borrowings

   As at 31 December 2009, the Company held bank borrowings of RMB467,306,000 due within one year, and RMB615,000,000 due more than one year. Loans, cash and cash equivalents held by the Company are denominated in Renminbi. The Company maintains sound financing capacity on the back of healthy credit status and future sustainable profitability.

4. Gearing Ratio

   As at the end of 2009, gearing ratio of the Company was 87.82%, representing a decrease of 7.98 percentage points from 95.8% as at the end of last year. The decrease is mainly attributable to the improvement in capital structure as a result of the proceeds of nearly RMB5 billion raised from the non-public issuance in 2009, and the writing off of over 15 assets of Dongfang Turbine, a subsidiary of the Company, as at the end of 2008 due to the earthquake.

5. During the year, the Company did not pledge any asset.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(4) FINANCIAL ANALYSIS (prepared under the Hong Kong Financial Reporting Standards) (Continued)

6. Risk in Exchange Rate Fluctuation and any related Hedging

In 2009, the stable global foreign exchange market witnessed fluctuation of exchange rates of Reminbi against US dollar and euro within a normal range. It is expected that multiple regional reserve currency systems will emerge around the world after the financial storm, which will gradually replace the single US dollar reserve system in the future. With wider and deeper global presence of the Company, Renminbi exchange rate is playing a more and more important role in its business. Given the complicated and volatile international financial situation and the actual operation of its own, the Company proactively adopted financial leverage instruments including forward exchange settlement in its international projects in 2009 to limit the risks arising from exchange rate.

7. Contingent Liabilities

The contractual dispute litigation between Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd.(廣州經濟技術開發區建設監理有限公司)and DFHM.

In February 2005, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. and DFHM entered into the Management Contract on Project Construction. Subsequently, the parties had disputes on the payment in respect of the clause "settlement and review compensation awards(結算審核獎勵報酬)" stipulated in the Management Contract and failed to reach an agreement. In February 2009, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. filed an action to the People's Court of Nansha District, requesting DFHM to pay the deferred service fee of RMB360,000, the additional service fee for Phase I improvement project of RMB600,000 and settlement and review compensation awards(結算審核獎勵報酬)RMB6,955,700, totaling RMB7,915,720. As at the date of this financial report, the case is still pending for judgment.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(5) The operating conditions of major subsidiaries and joint stock companies (under PRC Accounting Standards)

Unit: (RMB) 0.1 Billion

Name of Company	Stockholders Equity *(%)*	Main Products or Services	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Income
Dongfang Electric Group Dongfang Turbine Co , Ltd.	100	the production, processing and marketing of steam turbines, turbine, gas turbines, compressors, fans, pumps and auxiliary equipments, wind generating sets , solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the corresponding equipments ; mechanical equipment and accessories as well as the related import and export business.	18.46	387.11	26.47	129.29	8.67	6.95
Dongfang Electric Group Dongfang Electric Motors Co., Ltd.	100	the design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors ;the design manufacturing and sales of control equipments; the transformation of power stations , the installation of power station equipments.	20	121.56	31.08	63.35	5.58	6.16

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation review for the Reporting Period (Continued)

(5) The operating conditions of major subsidiaries and joint stock companies (under PRC Accounting Standards) (Continued)

Name of Company	Stockholders Equity (%)	Main Products or Services	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Income
Dongfang Boiler (Group), Inc	99.66	The design, manufacturing, and sales of power station boilers, power station equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	4.01	164.13	32.02	122.06	5.21	4.98

2. Future Outlook of the New Year

(1) Industry growth trends and market outlook

In 2010, the global and domestic economic landscape look more promising than that of 2009 as a whole. However, as much uncertainties linger, fundamentals for economic recovery are yet to be consolidated at home and worldwide. The year 2010 is set to be full of challenges and opportunities for China to drive its economy. In broad terms, domestic demand for power will continue to grow while the construction of certain power source projects of domestic power enterprises that is currently underway will gather pace in 2010, thereby posing greater pressure on the production and delivery of products of the Company. By 2010, new construction projects of thermal power generation in China is expected to decrease, which will severely affect the number of orders for thermal power generation of the Company in the future. External market demand will gradually pick up but market competition will be more intense.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year (Continued)

(2) Business growth plan for 2010

In face of complicated and evolving dynamics at home and abroad, the Company will grasp the opportunity arising from the national development of low-carbon economy, continue to adjust its business portfolio to change the way of attaining economic growth, phase out obsolete production capabilities, enhance development quality, devise master plans for practices such as power station services and develop new profit growth engines. At present, the Company has sufficient orders in hand and active production and operation are anticipated to continue in 2010. Key economic indicators such as operating revenue and production value will still maintain steady momentum and a total of 30,100MW production capacity of power generation equipment is to be completed. In order to meet its business targets, the Company intends to adopt the following strategies:

— Full penetration to domestic and overseas markets

Reinforce efforts to expand domestic thermal power, hydro power, nuclear power, wind power, gas turbine and environmental protection markets. Take the initiatives and adopt effective measures to ensure steady growth in its share in the domestic thermal power and hydro power markets. Make the best of the focus of the State on the development of new and clean energies such as nuclear power and wind power to consolidate and expand our leading presence in these two industries and further expand and strengthen our business in these two areas. Actively enlarge our market share in thermal power, hydro power, old unit renovation and environmental protection products by concerted efforts.

Expand our business reach in international market. Enhance marketing efforts and continue to explore conventional markets such as India, Vietnam and Iran. Actively explore new markets such as the Middle East, Eastern Europe, South America and Africa and gradually expand into the middle to high-end markets. To integrate sales point with market channels to cater for different customers' demand, in a bid to enhance the market share of DEC products in the international market.

— Actively adjust product structure

Conscientiously look into and actively promote product structural adjustment of the Company, effectively alter the way of attaining economic growth, accelerate the process of phasing out obsolete production capabilities and strive to improve development quality. Continue to reinforce hydro and thermal power markets, improve functions of products and expand overseas market. Expand our wind power business by increasing our market share. Top the league in the nuclear power market in China by accelerating power station renovation and the development of our service business.

— Strive for completion of production assignments

Focus on projects approved by the State and international projects according to the grant of approval for these projects and our liquidity position, reinforce communications with users and aspire to achieve optimum production arrangement to cater for the need of users for delivery of products and reduce production and business risks. Enforce management on progress, quality and capital and reinforce preliminary study and research and internal collaboration for implementation of projects. Strengthen administration of external sub-contracting, materials procurement and workflows to avert risks and ensure completion of construction of overseas projects as scheduled.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year (Continued)

(2) Business growth plan for 2010 (Continued)

— Promote self-innovation with a pragmatic approach

Improve and develop our existing major products in accordance with industry policies and mid to long-term technological development plans of the State and a market-oriented approach. Focus on enhancing self-innovation capability of new energy technology and capturing the vantage point to exercise energy development strategy in the future. Emphasise on accelerating the industrialisation of new energy. Make the best of the new economic development featuring low-carbon economy to develop new products and expand new markets.

Propel self-innovation and large-scale, clean and highly efficient development of key technologies and key components for conventional power generation equipment to enhance product quality. Improve research and development competence of core technologies of products such as large-scale hydro power generating units, large-scale thermal power generating units, heavy gas turbines and nuclear power generating units.

Accelerate and promote improvement and industrialization of technical know-how of new energies to cater for the development of low-carbon economy in the international community in the future. Spare no effort to develop technologies for large-scale wind power generation, including new energy technologies for coastal and onshore wind power generation, tidal power generation and biomass generation.

— Continuously promote quality enhancement

In 2010, large-scale market correction and adjustments to product structure, post-disaster reconstruction, mass production of nuclear power, overseas construction projects, the introduction and learning of technologies for producing 100kW ultra-super-critical units, in addition to the mass production of wind power and other projects, will bring new challenges to quality regulation, quality control and after-sales service.

The Company will further strengthen the awareness of quality across the workplace, strike an optimum balance between quality and technology and focus on resolving bottleneck problems including technical restraints in improving product quality, so as to connect quality with technology such that technical development will be driven by quality and product quality will be enhanced by technical development. Complete construction projects with a specific focus, especially on quality control throughout the process of overseas construction projects to ensure construction quality.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year (Continued)

(2) Business growth plan for 2010 (Continued)

— Continue to lift management standards

Reinforce comprehensive risk management to effectively avert risks. Further improve and optimise internal control system.

Further strengthen financial management. Build regulations and improve systems around two major aspects, budget and capital management. Enhance management and scientific preparation of financial budgets. Move forward to enforce centralised capital control to achieve capital efficiency to the fullest.

Strengthen management on investment. Bring disciplined control on the approach, procedures, projects and costs in relation to investments to ensure the best resources for the right purpose. Facilitate supervision and coordination efforts for key projects under construction to ensure that strategic new energy construction projects are put into production as planned.

— Ensure that the new base of Dongfang Turbine is put into production as scheduled

Bearing the target of full completion of reconstruction and commencement of production of Dongfang Turbine in mind, step up organization, leadership and coordination efforts and exercise strict control over investment scale to ensure that the office complex and designated railway are put into operation in the first half of 2010 in accordance with the key construction timeline, in a bid to fully meet construction targets of the new base of Dongfang Turbine.

(2) INVESTMENT DURING THE REPORTING PERIOD

1. Use of Proceeds

Unit: (RMB) 10,000

Year of proceeds	Method	Total amount	Total amount used in the year	Total amount used accumulatively	Total amount of remaining proceeds	Use and purpose for remaining proceeds
2009	Non-public issuance of shares	499,987.00	321,654.20	321,654.30	178,332.70	The remaining proceeds are deposited in special account for the projects funded by proceeds
2008	Public issuance of new shares	129,734.60	59,065.51	59,065.51	70,669.09	The remaining proceeds are deposited in special account for the projects funded by proceeds

(2) INVESTMENT DURING THE REPORTING PERIOD (CONTINUED)

2. Projects unrelated to Raised Proceeds

No.	Name of project	Major content of the project	Total investment	Unit in charge	Aggregate	Image progress
1	Medium Power Equipment Project (Phase I)	Annual production capacity of 1,000 sets of wind power generating and nuclear power main cold pump generators (核電主冷泵電機) with the capacity of 2,166MW. Acquisition of approximately 224 acres of land and completion of new combined plants for processing and assembly of equipment and complex office buildings of the Company covering approximately 37,536m². Purchase of 68 sets of new equipment.	48,180	Dongfang Electrical Machinery Company Limited	21,384	Plants and office buildings has already passed inspection and started operation, over half of the greenery work completed and roads in regions pending for asphalting.
2	DEC (Wuhan) Nuclear Equipment Company Limited Expansion Project	Acquisition of approximately 74 acres of land and completion of new plants, office buildings, canteens and dorms for shift covering approximately 21,010m². Addition of certain key equipment. Annual production capacity of 4 inner reactor component sets.	44,165	DEC (Wuhan) Nuclear Equipment Company Limited	7,060	Foundation work completed and main structure of plants and ancillary buildings completed.
3	DEC Seaside Workshop Constriction Phase III Project (東方電氣出海口基地三期工程建設項目)	Introduction of key equipment such as large plate bending rolls and narrow gap automatic welding machines, addition of major equipment such as submerged arc automatic welding machines and automatic grinding machines. Completion of the new two combinations and five crossovers of plants (聯二廠房五跨). Completion of the new gross floor area of 56,640m². Expansion of canteens by approximately 1,793m². Roads in plants area, greenery and regional power lines etc.	90,201	Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	33,821	Foundation work completed, main structure completed and color coated steel partially completed.

(3) PROFITS FOR THE YEAR AND THE PLAN ON CAPITALIZING OF COMMON RESERVES

ShineWing Certified Public Accountants has audited our accounts based on PRC Accounting Standards .In accordance with the audit, the Company has realised a net profit of RMB381 million in 2009. Up to 31 December 2009, the retained earnings of the Company is RMB1.358 billion and the reserves of the Company is RMB6.158 billion. The profit-sharing plan in 2009 is presented here:

1. To distribute a final cash dividend of RMB1.6 per 10 shares for the year of 2009, representing a total of RMB160,308,800; and

2. A bonus issue of 10 shares for every 10 shares of capital of capital reserve account held by the shareholders. Upon completion of the issue, the share capital of the Company will increase from RMB1,001,930,000 to RMB2,003,860,000 and the share premium decreased by RMB1,001,930,000 correspondingly.

(4) CASH DIVIDENDS FOR THE LATEST THREE YEARS

Unit:(RMB)

The year of cash dividends	**The amount of cash dividends (tax included)**	**net profit attributable to shareholders of listed companies in the consolidated accounts of the years of cash dividends**	**The percentage in net profit attributable to shareholders of listed companies in the consolidated accounts** *(%)*
2008	17,640,000.00	176,000,000	10.02
2007	196,080,000.00	1,989,855,973.51	9.85
2006	90,000,000.00	829,855,821.20	10.85

(1) WORK OF SUPERVISORY COMMITTEE

The Number of Meetings Held	Five
Particulars of the Meeting of Supervisory Committee	Particulars of the Meeting Topics of Supervisory Committee
The sixteenth meeting of the fifth Supervisory Committee was convened on 7 April 2009	Approved and passed the resolution concerning the property loss written down matters of the Company for the year 2008 ,Resolution concerning the Company's audited financial report of 2008, the Proposal for Profit after Taxation Distribution Plan of the Company for the year 2008, the 2008 Annual Report and Its Summary, the Proposal for the 2008 Annual Social Responsibility Report, the resolution concerning the Annual Internal Control Self-assessment for the year 2008,Report and Work Report of the Supervisory Committee for the year 2008
The seventeenth meeting of the fifth Supervisory Committee was convened on 24 April 2009	Approved and passed the Resolution concerning the 2009 First Quarterly Report of Dongfang Electric Corporation Limited, Resolution concerning continuing related party transactions, Resolution concerning the scheme for the Company's non-public issuance of A shares, Resolution concerning the plan for the Company's non-public issuance of A shares, Resolutions concerning the share subscription contract with effective conditions entered into between the Company and DEC Group
The first meeting of the sixth Supervisory Committee was convened on 29 June 2009	Elected Mr. Wen Bingyou as the chairman of the sixth Supervisory Board
The second meeting of the sixth Supervisory Committee was convened on 26 August 2009	Consideration and approval of the Proposal for the Unaudited Interim Financial Report of the Company for 2009, the Proposal for the Company's 2009 Interim Report
The third meeting of the sixth Supervisory Committee was convened on 28 October 2009	Consideration and approval of the Proposal for the 2009 Third Quarterly Report

According to the Law of Company, the Articles of Association of the Company and Rules and Procedure of the Supervisory Committee, the Supervisory Committee attended the thirty-third, the thirty-fourth and the thirty-fifth meeting of the fifth Board as well as the first, the second, the third, the fourth and the fifth meeting of the sixth Board. The Supervisory Committee also attended the annual general meeting of the Company, extraordinary general meeting and other types of office meetings. These provided the basis for the Supervisory Committee to know well the operation of the Board and senior management.

(2) THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON LEGAL COMPLIANCE OF THE COMPANY'S OPERATIONS

The Supervisory Committee considers that during the reporting period, according to relevant laws, regulations and articles of association, the Company has established a relatively sound internal control system to operate in compliance with the laws. The Board has strictly executed resolutions passed at the general meetings. The Company's decision procedures for significant matters are legal and relevant information is timely and accurately disclosed. When directors and managers of the Company diligently performed their duties, no act in violation of the laws, regulations and the Articles of Association of the Company or detrimental to the interest of the Company was found.

(3) THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON INSPECTION ON THE FINANCIAL POSITION OF THE COMPANY

During the reporting period, the Supervisory Committee carefully examined and reviewed the financial position and financial management of the Company. After the examination, the Supervisory Committee is of the view that the financial system of the Company is relatively complete with standard management, and laws and regulations including Accounting Law, Accounting Standard for Business Enterprises were strictly executed. The Supervisory Committee of the Company prudently reviewed the Company's 2009 Financial Report to be submitted at the general meeting, and is of the opinion that it truly, accurately, and objectively reflects the financial position and the operating results of the Company, and the preparation and review procedures of the report are in compliance with all requirements of the laws, regulations, the Articles of Association of the Company and internal administrative systems of the Company. None of the personnel participating in preparation and review of this annual report was engaged in any act in breach of confidentiality regulations.

ShineWing Certified Public Accountants has audited the 2009 Annual Report of the Company and issued a standard unqualified auditor's report.

(4) THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON THE ACTUAL USE OF THE COMPANY'S LAST RAISED PROCEEDS

During the reporting period, the Company issued 119,930,000 new A shares with net proceeds of RMB4,999,870,000, which was deposited under the Third Party Custody Agreement on Special Account for Proceeds entered into as required by CSRC and the Shanghai Stock Exchange. The Company did not change actual use of proceeds for the earlier stage of projects including Hanwang Remote Base Reconstruction Projects of Dongfang Steam Turbine Company Limited (including grade F 50 MW (IGCC)), Combustion Technology Experiment Center Project of Clean High-efficiency and Additional Liquidity of Technical Renovation Project of MW Conventional Island for Nuclear Power Station of Dongfang Electric according to its undertakings and resolutions passed at the general meeting.

(5) THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON ACQUISITION AND DISPOSAL OF ASSETS OF THE COMPANY

During the reporting period, the Company acquired Dongfang Electric (Guangzhou) Heavy Machinery Company Limited, owned by China Dongfang Electric Group Company Limited. The Company held 27.3% shares in the Company. The acquisition procedures were in compliance with the relevant state laws and regulations and the acquisition considerations were fair and reasonable, in the interests of the shareholders of the Company.

Assets transactions were conducted at reasonable prices in strict compliance with the market rules. No insider dealing or act detrimental to the interests of the shareholders or resulting in assets loss of the Company was found.

(6) THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON THE COMPANY'S CONNECTED TRANSACTIONS

During the reporting period, the approval procedures for connected transactions between the Company and relevant parties took place in the purpose of production and operation with written contracts, which were in compliance with all requirements of the laws, regulations, the Articles of Association of the Company and were well regulated, which reflected the principle of fairness, justness and equitableness. No act detrimental to the interests of the Company and shareholders was found.

(1) ACQUISITION OF 27.3% EQUITY INTEREST IN DONGFANG ELECTRIC (GUANGZHOU) HEAVY DUTY MACHINERY CO. LTD.

At 31 December 2009, the Company acquired 27.3% equity interest of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. held by Dongfang Electric Corporation Limited by way of cash, at the price of RMB 155.7874 million. With the registered address of Panyu District of Guangzhou Nansha Economic and Technological Development Zone Industrial Park Huangge and registered capital of RMB542.40 million, is mainly engaged in the manufacture and of inner reactor pressure equipment for civil nuclear facilities, and design, manufacture and sale of nuclear power generation equipment. Upon completion of this acquisition, the Company held 27.3% equity interest directly, and held 30% equity interest by the subsidiary of Wuhan Boiler Group Company Limited. The remaining few shareholders: Guangdong Electric Group Co., Ltd., Guangzhou Nansha Gonghua Investment Co., Ltd., Guangzhou Guangzhong Group Co., Ltd. and China Second Heavy Machinery Corporation held the proportion of shares: 26.11%, 7.30%, 6.64% and 2.65%.

(2) MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

Daily Continuing Connected Transactions Framework Agreements

In 2007, in order to regulate the Company, the subsidiaries of the Company and the controlling shareholder Dongfang Electric Group and continuing connected transactions among other related legal entities, the Company signed a three-year purchase, sales, financial services and other related transaction framework agreement with the Company and other affiliated legal entities when the mainly business assets listed on the market. On 5 May, 2009, according to company management changes, the Company revised the *Financial Services Framework Agreement*, signed in 2007, *Properties and Equipment Lease Framework Agreement (lease)* and the 2009 annual caps of *Huaxi Purchase and Production Service Framework Agreement*, and *2009-2011 Financial Services Framework Agreement*, signed with Tokyo Electric Power Group and other related legal entities, *2009-2011 Properties and Equipment Lease Framework Agreement (lease)*, *2009-2011 Huaxi Purchase and Production Service Framework Agreement* and *2010-2011 Purchase and Production Services Framework Agreement*, signed with Tokyo Electric Power Group and other related legal entities, *2010-2011 Sales and Production Services Framework Agreement, 2010-2011 Combined Ancillary Services Framework Agreement, 2010-2011 Properties and Equipment Lease Framework Agreement (leased)*. Please refer to the announcements on connected transactions published by the Company on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 5 May 2009 for details of the agreements. The amount of annual caps of these connected transactions were approved by the Directors of the Board of the Company and shareholders, both being non-related parties, on the general meetings of the Company. As at 31 December 2009, the specific amount of those significant connected transactions did not exceed shareholders’ approved caps at the annual general meeting.

(2) MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD (CONTINUED)

Daily Continuing Connected Transactions Framework Agreements (Continued)

Actual incurred amounts and annual caps of connected transactions in 2009

Unit: (RMB) '000

Name of agreement	Total actual incurred amount in 2009	Proposed annual caps for 2009
Purchase and Production Services Framework Agreement	2,545,688	4,440,186
Sales and Production Services Framework Agreement	2,351,445	3,338,147
Combined Ancillary Services Framework Agreement (receipt of services)	75,880	77,630
Combined Ancillary Services Framework Agreement (provision of services)	10,038	43,870
Properties and Equipment Lease Framework Agreement (leased)	1,594	1,960
Financial Services Framework Agreement (deposit plus interest income)	4,601,338	6,240,000
Financial Services Framework Agreement (loans plus interest expense)	78,309	6,260,000
Properties and Equipment Lease Framework Agreement (lease)	33,970	100,000
Huaxi Purchase and Production Service Framework Agreement	53,253	92,000

Independent directors have confirmed that the above connected transactions are required for normal operations, based on normal commercial terms and the terms of which are fair and reasonable and in line with the interests of shareholders as a whole.

The Board appointed the Company's international auditors to carry out certain agreed procedures on the continuing connected transactions conducted during the Company's normal course of business. International auditors have reported the results to the Board and confirmed the matters referred to in Article 14A.38 of the Listing Rules of the Hong Kong Stock Exchange.

(3) SUCCESSFUL COMPLETION OF NON-PUBLIC ISSUE OF A SHARES

On 18 November 2009, the Company issued 119,930,000 shares of Renminbi ordinary shares in the non-public issue of new shares at the price of RMB42.07, raising proceeds of RMB5 billion. The raised proceeds will be used for reconstruction and nuclear construction projects of the Company.

(4) PUBLIC FLOAT

To the knowledge of the Directors, based on the public information available, the number of shares held by the public is enough and in compliance with the Listing Rules on the Hong Kong Stock Exchange.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE MEMBERS OF
DONGFANG ELECTRIC CORPORATION LIMITED
(established in the Deyang City, Sichuan Province, the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Dongfang Electric Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 138, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
15 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Revenue	9	**32,754,132**	27,717,160
Cost of sales		**(27,437,106)**	(23,402,772)
Gross profit		**5,317,026**	4,314,388
Other income	10	**596,948**	1,120,884
Distribution expenses		**(788,181)**	(466,647)
Administrative expenses		**(3,146,106)**	(2,795,908)
Loss from 12 May Earthquake	11	**—**	(1,535,517)
Share of profit of associates		**18,555**	9,090
Share of profit of jointly controlled entities		**4,941**	7,854
Finance costs	12	**(275,740)**	(324,664)
Profit before taxation		**1,727,443**	329,480
Income tax credit	13	**8,929**	125,580
Profit for the year	14	**1,736,372**	455,060
Exchange differences arising on translation of foreign operations and other comprehensive income (expenses) for the year		**2,273**	(7,552)
Total comprehensive income for the year		**1,738,645**	447,508
Profit for the year attributable to:			
Owners of the Company		**1,712,138**	456,440
Minority interests		**24,234**	(1,380)
		1,736,372	455,060
Total comprehensive income attributable to:			
Owners of the Company		**1,714,411**	448,888
Minority interests		**24,234**	(1,380)
		1,738,645	447,508
Earnings per share- basic and diluted	17	**RMB1.911**	RMB0.555

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2009

	NOTES	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	18	**5,930,188**	3,270,635	3,276,620
Construction in progress	19	**2,526,814**	1,450,616	321,374
Prepaid lease payments	20	**793,405**	702,360	244,222
Investment properties	21	**26,369**	27,871	29,373
Intangible assets	22	**106,140**	123,391	116,322
Interests in associates	23	**87,252**	51,332	42,242
Interests in jointly controlled entities	24	**120,040**	120,881	121,368
Available-for-sale investments	25	**30,400**	39,600	55,099
Deferred tax assets	26	**635,609**	490,183	290,197
		10,256,217	6,276,869	4,496,817
Current assets				
Inventories	27	**27,023,288**	20,233,200	12,081,060
Amounts due from associates	28	**46,867**	1,270,368	—
Amounts due from related parties	29	**1,608,559**	2,503,030	1,676,920
Trade and other receivables	30	**17,551,114**	14,321,945	12,667,286
Prepaid lease payments	20	**7,874**	6,974	11,718
Other tax assets	35	**1,278,526**	468,361	4,273
Amounts due from customers for contract works	31	**1,575,806**	1,627,629	1,442,840
Derivative financial instruments	32	**4,177**	—	—
Restricted bank balances	33	**150,456**	280,890	—
Pledged bank deposits	33	**99,288**	142,487	206,331
Cash and deposits in banks and a financial institution	33	**14,675,384**	11,505,153	4,857,946
		64,021,339	52,360,037	32,948,374

As At 31 December 2009

	NOTES	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Current liabilities				
Amounts due to customers for contract works	31	**7,877,881**	10,425,315	6,921,204
Amounts due to related parties	29	**5,379,744**	7,261,303	4,726,637
Trade and other payables	34	**47,113,306**	31,676,339	17,695,590
Derivative financial instruments	32	**2,910**	—	—
Enterprise income tax liabilities		**122,562**	159,049	271,058
Other tax liabilities	35	**435,552**	214,578	74,597
Borrowings	36	**467,306**	718,215	753,028
Provision	37	**585,455**	332,966	228,378
Deferred income	38	**195,683**	150,316	86,508
Termination benefit	44	**4,353**	12,150	16,472
		62,184,752	50,950,231	30,773,472
Net current assets		**1,836,587**	1,409,806	2,174,902
Total assets less current liabilities		**12,092,804**	7,686,675	6,671,719
Non-current liabilities				
Deferred income	38	**763,228**	808,499	811,981
Borrowings	36	**615,000**	722,320	295,820
Long term liabilities		**685**	685	685
Termination benefit	44	**81,012**	69,083	64,973
Amounts due to related parties	29	**1,587,907**	3,625,908	1,848,000
Deferred tax liabilities	26	**190**	—	—
		3,048,022	5,226,495	3,021,459
Net assets		**9,044,782**	2,460,180	3,650,260

As At 31 December 2009

	NOTES	**31/12/2009** **RMB'000**	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Capital and reserves				
Share capital	39	**1,001,930**	882,000	817,000
Reserves		**7,682,254**	1,261,335	1,808,737
Equity attributable to owners of the Company		**8,684,184**	2,143,335	2,625,737
Minority interests		**360,598**	316,845	1,024,523
Total Equity		**9,044,782**	2,460,180	3,650,260

The consolidated financial statements on pages 58 to 138 were approved and authorized for issue by the board of directors on 15 April 2010 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2009

	Attributable to owners of the Company								
	Share capital *RMB'000*	Capital surplus *RMB'000* *(Note a)*	Statutory surplus reserve *RMB'000* *(Note b)*	Merger reserve *RMB'000* *(Note c)*	Translation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
At 1 January 2008, as originally stated	817,000	126,310	711,263	(2,500,173)	–	3,384,163	2,538,563	860,601	3,399,164
Effect of common control combination	–	–	–	148,081	–	(60,907)	87,174	163,922	251,096
At 1 January 2008, as restated	817,000	126,310	711,263	(2,352,092)	–	3,323,256	2,625,737	1,024,523	3,650,260
Profit for the year	–	–	–	–	–	456,440	456,440	(1,380)	455,060
Other comprehensive expenses for the year	–	–	–	–	(7,552)	–	(7,552)	–	(7,552)
Total comprehensive income (expenses) for the year	–	–	–	–	(7,552)	456,440	448,888	(1,380)	447,508
Transfer	–	4,295	244,690	–	–	(248,985)	–	–	–
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	68,256	68,256
Dividends paid to minority interests	–	–	–	–	–	–	–	(7,273)	(7,273)
Dividends paid *(Note 16)*	–	–	–	–	–	(196,080)	(196,080)	–	(196,080)
Shares issued *(Note 39)*	65,000	1,332,500	–	–	–	–	1,397,500	–	1,397,500
Transaction costs attributable to issue of shares	–	(100,107)	–	–	–	–	(100,107)	–	(100,107)
Distribution to DEC as a result of the 31.61% acquisition *(Notes 2 and Note d)*	–	–	–	–	–	(2,032,603)	(2,032,603)	(767,281)	(2,799,884)
As 31 December 2008, as restated	882,000	1,362,998	955,953	(2,352,092)	(7,552)	1,302,028	2,143,335	316,845	2,460,180

	Attributable to owners of the Company								
	Share capital RMB'000	Capital surplus RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Merger reserve RMB'000 (Note c)	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2009	882,000	1,362,998	955,953	(2,352,092)	(7,552)	1,302,028	2,143,335	316,845	2,460,180
Profit for the year	–	–	–	–	–	1,712,138	1,712,138	24,234	1,736,372
Other comprehensive income for the year	–	–	–	–	2,273	–	2,273	–	2,273
Total comprehensive income for the year	–	–	–	–	2,273	1,712,138	1,714,411	24,234	1,738,645
Transfer	–	–	38,056	–	–	(38,056)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	(5,568)	(5,568)
Dividends paid *(Note 16)*	–	–	–	–	–	(17,640)	(17,640)	–	(17,640)
Contribution from minority shareholders	–	–	–	–	–	–	–	24,428	24,428
Shares issued *(Note 39)*	119,930	4,925,525	–	–	–	–	5,045,455	–	5,045,455
Transaction costs attributable to issue of shares	–	(45,585)	–	–	–	–	(45,585)	–	(45,585)
Merger reserve arising from common control combination	–	–	–	(155,792)	–	–	(155,792)	659	(155,133)
At 31 December 2009	1,001,930	6,242,938	994,009	(2,507,884)	(5,279)	2,958,470	8,684,184	360,598	9,044,782

Notes:

(a) Capital surplus includes share premium and contribution from China Dongfang Electric Corporation ("DEC"). Capital surplus may be used to adjust against the difference between the consideration and the acquired net assets arising from business combination under common control. Included in the balance is part of the share premium amounted to RMB6,162,502,000 (2008: RMB1,282,562,000) which is not distributable.

(b) In accordance with the PRC Company Law and the relevant Articles of Association, the Company and its subsidiaries are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the statutory surplus reserve.

Statutory surplus reserve is part of shareholders' equity and when its balance reaches an amount equal to 50% of the registered capital, further appropriation need not be made. According to the PRC Company Law, statutory surplus reserve may be used to make up past losses, to increase production and business operations or to increase capital by means of conversion and to adjust against the excess of difference between the consideration and the acquired net assets arising from business combination under common control over the capital surplus at the date of combination. However when funds from statutory surplus reserve are converted to capital, the funds remaining in such reserve shall amount to not less than 25% of the registered capital.

(c) During the year ended 31 December 2007, the Company acquired 100% equity interest of Dongfang Turbine Co., Ltd.（東方汽輪機有限公司）("Dongfang Turbine") and 68.05% equity interest of Dongfang Boiler (Group) Co., Ltd.（東方鍋爐（集團）股份有限公司）("Dongfang Boiler") from DEC (the "2007 Group Reorganisation").

During the year ended 31 December 2009, the Company acquired 27.3% equity interest in Dongfang Guangzhou Heavy Machinery Co., Ltd.（東方電氣（廣州）重型機器有限公司）("DFHM") from DEC (the "2009 Group Reorganisation").

The above acquisitions were accounted for using merger accounting (see Note 2 for details). Merger reserve represents the difference between the par value of common shares issued or consideration paid for the purpose of 2007 and 2009 Group Reorganisation and the share capital of Dongfang Boiler, Dongfang Turbine and DFHM attributable to DEC.

(d) Upon the completion of the 2007 Group Reorganisation, the Company further acquired 31.61% equity interest of Dongfang Boiler from DEC in 2008 ("31.61% Acquisition"). The difference between the 31.61% of Dongfang Boiler attributable to DEC and the fair value of the consideration paid and payable for the acquisition is accounted for as equity transaction.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		**1,727,443**	329,480
Adjustments for:			
Finance costs		**275,740**	324,664
Interest income		**(171,264)**	(147,977)
Release of government grant for property, plant and equipment		**(195,683)**	(311,204)
Allowance for bad and doubtful debts (net of reversal of doubtful debts)		**500,635**	285,813
Fair value change in derivative financial instruments		**(1,267)**	—
Loss from 12 May Earthquake		**—**	1,535,517
Depreciation and amortisation		**585,444**	509,215
Impairment loss of available-for-sale investments		**5,000**	15,499
Impairment loss on inventories		**292,994**	—
Discount on acquisition		**—**	(7,021)
Share of profit of jointly controlled entities		**(4,941)**	(7,854)
Share of profit of associates		**(18,555)**	(9,090)
Gain on disposal of available-for-sale investments		**(395)**	—
Loss on disposal of property, plant and equipment and intangible assets		**565**	35,011
Operating cash flows before movements in working capital		**2,995,716**	2,552,053

For The Year Ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Increase in trade and other payables		**15,567,401**	13,646,662
Increase in provision		**252,489**	104,588
Increase in deferred income		**195,779**	371,530
Decrease (increase) in amounts due from customers for contract works		**51,823**	(184,789)
Increase (decrease) in provision in termination benefit		**4,132**	(212)
Increase in inventories		**(7,100,447)**	(9,252,875)
(Decrease) increase in amounts due to customers for contract works		**(2,547,434)**	3,504,111
Increase in trade and other receivables		**(3,807,899)**	(1,807,763)
(Decrease) increase in amounts due to related parties		**(1,881,559)**	912,928
Decrease (increase) in amounts due from related parties		**977,146**	(932,593)
Increase in other tax assets		**(810,165)**	(464,088)
Increase in other tax liabilities		**220,974**	139,981
Decrease (increase) in amounts due from associates		**1,223,501**	(1,270,368)
Donations received for 12 May Earthquake		**—**	402,405
Use of donations received for 12 May Earthquake		**(130,434)**	(121,515)
Cash from operations		**5,211,023**	7,600,055
PRC enterprise income tax paid		**(172,794)**	(186,415)
NET CASH FROM OPERATING ACTIVITIES		**5,038,229**	7,413,640
INVESTING ACTIVITIES			
Interest received		**171,264**	147,977
Decrease (increase) in restricted bank balances		**130,434**	(280,890)
Increase in pledged bank deposits		**43,199**	63,844
Proceeds from disposal of property, plant and equipment		**8,582**	—
Dividends received from jointly controlled entity		**5,782**	8,341
Proceeds from disposal of available-for-sale investments		**4,595**	—
Payment for construction in progress		**(3,815,773)**	(1,761,436)
Purchase of property, plant and equipment		**(440,614)**	(132,725)
Prepayment for land lease		**(110,352)**	(501,572)
Purchase of intangible assets		**(7,848)**	(29,436)
Acquisition of a subsidiary	40	**—**	1,049
NET CASH USED IN INVESTING ACTIVITIES		**(4,010,731)**	(2,484,848)

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
FINANCING ACTIVITIES			
Net proceeds from issue of ordinary shares		**4,999,870**	1,297,393
Contribution from minority shareholders		**24,428**	—
New loans raised		**10,939**	1,650,528
(Decrease) increase in amounts due to related parties		**(1,879,209)**	440,970
Repayment of loans		**(369,168)**	(1,260,841)
Cash consideration of group reorganisation		**(155,133)**	—
Interest paid		**(463,479)**	(177,702)
Dividends and distribution paid		**(17,640)**	(196,080)
Dividends paid to minority shareholders		**(5,568)**	(7,273)
NET CASH FROM FINANCING ACTIVITIES		**2,145,040**	1,746,995
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,172,538**	6,675,787
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**11,505,153**	4,857,946
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(2,307)**	(28,580)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and deposits in banks and a financial institution		**14,675,384**	11,505,153

1. GENERAL

The Company was established on 28 December 1993 in Deyang, Sichuan, the PRC as a joint stock limited company. With effect from the same date, the Company assumed the business of manufacture and selling power equipment, electric motors and their respective auxiliary parts together with the relevant assets and liabilities from Dongfang Electrical Machinery Works ("DFEW"). On 31 May 1994, the Company placed and issued 170,000,000 overseas listed foreign investment shares (the "H Shares") to the public in Hong Kong and the H Shares have been listed on The Stock Exchange of Hong Kong Limited since 6 June 1994. On 4 July 1995, with the approval of the relevant authorities including China Securities Regulatory Commission, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (the "A Shares") in the PRC. The A Shares have been listed on the Shanghai Stock Exchange since 10 October 1995. On 30 December 2005, the State-owned Assets Supervision and Administration Commission ("SASAC") promulgated "Approval of certain issues in the transfer of state-owned shares of Dongfang Electrical Machinery Company Limited" (National asset rights [2005] No. 1604) (《關於東方電機股份有限公司國有股劃轉有關問題的批復》(國資產權[2005]1604號) to approve the transfer of 220,000,000 non-circulating State-owned domestic shares, representing DFEW's then 48.89% of the share capital of the Company, from DFEW to DEC, a stated-owned enterprise established in the PRC which is directly supervised by SASAC. DEC is also the parent of DFEW.

The directors of the Company consider that its immediate parent and ultimate parent is DEC which is a state-owned enterprise established in the PRC. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is principally engaged in the business of manufacture and sale of main thermal power equipment, main hydro power equipment and AC/DC motors which are used in large-scale coal-fired, gas-fired, and nuclear power plants and wind power generation sets, as well as provision of engineering and repairing services. The Company also has the capacity to manufacture nuclear island equipment (mainly reactor pressure vessels and steam generators) and convention island equipment (mainly moisture separator re-heaters). The principal activities of its subsidiaries are set out in note 46.

In accordance with the acquisition agreement and the supplementary agreement entered into between the Company and DEC which were approved by China Securities Regulatory Commission on 18 October 2007, the Company acquired 100% equity interest of Dongfang Turbine which carries the business of design, manufacture and sale of turbines and related power generation equipment which are used in large-scale coal-fired, gas-fired and nuclear power plants as well as wind power generation sets, and 68.05% equity interest of Dongfang Boiler (representing all of DEC's interest in Dongfang Boiler) which carries the business of design, manufacture and sale of boilers which are used in large-scale thermal coal-fired and oil-fired power plants, production of pressure vessels for non-power generation industrial use as well as auxiliary equipment and environmental protection products for power generation equipment, manufacture of nuclear island equipment (mainly reactor pressure vessels and steam generators) and conventional island equipment (mainly moisture separator re-heaters) from DEC. Upon the completion of the 2007 Group Reorganisation on 18 October 2007, DEC holds 69.87% equity interest of the Company.

During the year ended 31 December 2008, DEC undertook to implement a share exchange offer to purchase unrestricted A shares of Dongfang Boiler. As confirmed by the China Securities Depository and Clearing Compurgation Limited Shanghai Branch in March 2008, DEC exchanged 31.61% unrestricted A shares of Dongfang Boiler which the Company then acquired from DEC at a consideration of approximately RMB153,543,000 ("31.61% Acquisition"). The listing status of Dongfang Boiler was terminated by the Shanghai Stock Exchange since then. Upon the completion of 31.61% Acquisition, the Company holds 99.66% equity interest of Dongfang Boiler and DEC holds 54.02% equity interest of the Company.

1. GENERAL (CONTINUED)

During the year ended 31 December 2009, the Company and DEC entered into an acquisition agreement for the purchase of 27.3% equity interest in Dongfang Guangzhou Heavy Machinery Co., Ltd (東方電氣(廣州)重型機器有限公司) ("DFHM"), a limited liability company established in the PRC, for which DEC held 57.3% controlling interest since May 2004. (DEC held 27.3% equity interest of DFHM directly and the other 30% equity interest in DFHM through its 50.12% shareholding in the Company). DFHM was previously accounted for as an associate of the Group before the 2009 Group Reorganisation. Upon the completion of the 2009 Group Reorganisation on 30 December 2009, the Group holds 57.3% controlling interest (effective interest of 57.2%) in DFHM and was treated as a subsidiary.

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The 2007 and 2009 Group Reorganisation have been accounted for as combination of businesses under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting under Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") since the directors of the Company consider that the Company, Dongfang Turbine, Dongfang Boiler and DFHM are under the common control of DEC.

2007 Group Reorganisation

For the year ended 31 December 2008, the consolidated statement of comprehensive income and the consolidated statement of cash flows have been prepared as if the group structure after the 2007 Group Reorganisation had been in existence since 1 January 2007 or since their respective dates of incorporation or establishment where this is a shorter period in accordance with the respective equity interests in the individual companies attributable to DEC. The consolidated statement of financial position of the Group as at 1 January 2007 has been prepared to present the assets and liabilities of the companies comprising the Group after the 2007 Reorganisation as if the revised group structure had been in existence at these dates and in accordance with the respective equity interests of these businesses attributable to DEC at these dates. Consequently, the share capital in respect of the 367,000,000 common shares issued for the purposes of the 2007 Group Reorganisation is shown as if it had always been issued. All significant intragroup transactions, balances, income and expenses are eliminated on combination.

The total consideration for the acquisition of 100% equity interest of Dongfang Turbine and 68.05% equity interest of Dongfang Boiler has been satisfied by the allotment and issue of 367,000,000 common shares of the Company to DEC and a RMB4,252 million cash consideration. RMB1,000 million of which was paid in 2007 and five equal annual instalments totalling RMB2,310 million is payable by the Company to DEC after the completion of the 2007 Group Reorganisation which carries interest at 6.08% per annum (see note 29).

Dongfang Boiler is a joint stock limited company established in the PRC and its A Shares are listed on the Shanghai Stock Exchange since December 1996 and its listing status was terminated in March 2008.

Dongfang Turbine was established on 27 December 2006 in the PRC under the Company Law of the PRC. On the same day, it took over the core business of the manufacture and sale of turbines and related power generation equipment previously carried on by 東方汽輪機廠.

2. BASIS OF PREPARATION (CONTINUED)

The 31.61% Acquisition

The 31.61% Acquisition in 2008 does not result in a change of control in Dongfang Boiler and thus is accounted for as equity transactions (i.e. transactions with DEC in its capacity as owner). The total consideration for the 31.61% Acquisition has been satisfied by cash consideration representing five equal annual instalments totalling RMB2,799,884,000 payable to DEC after the completion of the 31.61% Acquisition which carries interest at 6.08% per annum (see note 29).

2009 Group Reorganisation

The consolidated statement of comprehensive income and the consolidated statement of cash flows in this report have been prepared as if the group structure after the 2009 Group Reorganisation had been in existence since 1 January 2008. The Company and DFHM are under common control of DEC since May 2004. The consolidated statement of financial position of the Group as at 1 January 2008 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at these dates and in accordance with the respective equity interests of these companies attributable to DEC at these dates.

The total consideration for the acquisition of 27.3% equity interest of DFHM amounted to RMB 155,792,000 and was satisfied by cash. DFHM was established on 2 September 2003 in the PRC under the Company Law of the PRC and is engaged in the business of manufacturing of components for nuclear island equipment.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1(Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exceptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-Settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of Minimum Funding Requirement[3]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2010.
6 Effective for annual periods beginning on or after 1 January 2013.
7 Effective for annual periods beginning on or after 1 July 2010.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs affecting presentation and disclosure only (Continued)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures) (Continued)

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17 that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Other than the business combination which constitutes reorganisation of entities under common control, the acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority interest in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can been measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets and are classified as other income. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress and freehold land) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold land is stated at cost

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and freehold land over their estimated useful lives and after taking into account of their estimated residual value. Straight-line depreciation method is applied to buildings and motor vehicles and declining-balance method is applied to plant and machinery and furniture, fixtures and equipment.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Freehold land is stated at cost (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Prepaid lease payments

The prepayment made on acquiring land use right represents prepaid lease payment and it is accounted for as an operating lease. The prepaid lease payment is realised to consolidated statement of comprehensive income on a straight-line basis over the lease term, or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from associates, amounts due from related parties, trade and other receivables, restricted bank balances, pledged bank deposits and cash and deposits in banks and a financial institution) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrowing will enter into bankruptcy or financial re-organisation.

For certain categories of financial assets, such as amounts due from associates, trade receivables and amounts due from related parties, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from associates, amounts due from related parties, trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amounts due from associates, amounts due from related parties, trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including amounts due to related parties, trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly to the consolidated statement of comprehensive income for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settled the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows (where the effect is material).

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions. The Group also offers a scheme for early termination of elderly employees before their statutory retirement dates. The terms of early termination vary among the early retired employees depending on various factors including position and length of services. Early retirement benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

5A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION

As described in Note 2, the Group had undertook the 2009 Group Reorganisation. The following demonstrates the effect of adopting merger accounting for common control combination on the consolidated statement of financial position:

Consolidated statement of financial position as at 31 December 2009:

	Group (before adopting merger accounting for the 2009 Group Reorganisation)	DFHM	Adjustments		Group (after adopting merger accounting for the 2009 Group Reorganisation)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	194,042	–	(194,042)	–	–
Other assets – net	8,737,052	307,819	(89)	–	9,044,782
Net assets	8,931,094	307,819	(194,131)	–	9,044,782
Share capital	1,001,930	542,400	(542,400)	–	1,001,930
Other reserves	4,731,495	–	(7,711)	–	4,723,784
Retained earnings (accumulated losses)	2,968,510	(234,581)	228,063	(3,522)	2,958,470
Minority interests	229,159	–	127,917	3,522	360,598
	8,931,094	307,819	(194,131)	–	9,044,782

5A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION (CONTINUED)

Consolidated statement of financial position as at 31 December 2008:

	Group (before adopting merger accounting for the 2009 Group Reorganisation)	DFHM	Adjustments		Group (after adopting merger accounting for the 2009 Group Reorganisation)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	107,536	–	(107,536)	–	–
Other assets – net	2,161,017	299,582	(419)	–	2,460,180
Net assets	2,268,553	299,582	(107,955)	–	2,460,180
Share capital	882,000	542,400	(542,400)	–	882,000
Other reserves	(188,774)	–	148,081	–	(40,693)
Retained earnings (accumulated losses)	1,386,399	(242,818)	122,442	36,005	1,302,028
Minority interests	188,928	–	163,922	(36,005)	316,845
	2,268,553	299,582	(107,955)	–	2,460,180

5A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION (CONTINUED)

Consolidated statement of financial position as at 1 January 2008:

	Group (before adopting merger accounting for the 2009 Group Reorganisation)	DFHM	Adjustments		Group (after adopting merger accounting for the 2009 Group Reorganisation)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	132,832	–	(132,832)	–	–
Other assets — net	3,266,332	383,903	25	–	3,650,260
Net assets	3,399,164	383,903	(132,807)	–	3,650,260
Share capital	817,000	542,400	(542,400)	–	817,000
Other reserves	(1,662,600)	–	148,081	–	(1,514,519)
Retained earnings (accumulated losses)	3,384,163	(158,497)	37,966	59,624	3,323,256
Minority interests	860,601	–	223,546	(59,624)	1,024,523
	3,399,164	383,903	(132,807)	–	3,650,260

Notes: *(a)* The above adjustments represent the elimination of the share capital of the combining entity under common control against the investment cost. The different has been recorded as merger reserve in the consolidated financial statements. Adjustments are also made to minority interests as a result of the combination.

(b) The above adjustments represent the sharing of results by the minority interests of the combining entity under common control.

5B. SUMMARY OF THE EFFECTS FOR COMMON CONTROL COMBINATION

The effect of changes in accounting policies resulted from the adoption of common control combination for the current and prior years by line items are as follows:

	2009	2008
	RMB'000	*RMB'000*
Revenue	**1,332,862**	545,818
Cost of sales	**(1,261,056)**	(518,857)
Other income	**15,226**	6,969
Distribution expenses	**(2,051)**	(2,145)
Administrative expenses	**(114,197)**	(74,197)
Share of profit of associates	**(2,471)**	25,296
Finance costs	**(36,979)**	(45,194)
Income tax expenses	**74,762**	2,841
Increase (decrease) in profit for the year	**6,096**	(59,469)
Attributable to:		
Equity owners of the Company	**2,574**	(23,464)
Minority interests	**3,522**	(36,005)
	6,096	(59,469)

The effects of the adoption of common control combination on the Group's basic earnings per share for the current and prior year:

	2009	2008
	RMB	*RMB*
Expressed in RMB per share		
Reported figures before adjustments	**1.908**	0.584
Adjustments arising on common control combination	**0.003**	(0.029)
Restated	**1.911**	0.555

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the entity's accounting policies

The followings are the critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Prepaid lease payments and ownership of buildings and investment properties

Despite the Group has paid the full purchase consideration as detailed in Notes 18, 20 and 21, certain of the Group's building ownership certificates and rights to the use of the land and investment properties were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise these buildings land use rights and investment properties on the grounds that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling the usage of these buildings and land use rights. The absence of formal titles of these land use rights does not impair the value of the relevant properties to the Group.

Key sources of estimation uncertainty

The followings are the key assumptions concurring the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value. Straight-line depreciation method is applied to buildings and motor vehicles and declining-balance method is applied to plant and machinery and furniture, fixtures and equipment.

The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Impairment loss on inventories

The management of the Company reviews the inventories listing on a product-by-product basis at end of each reporting period and makes allowance for slow moving inventory items. As at 31 December 2009, the allowance for inventories amounting to approximately RMB397,957,000 (31/12/2008: RMB104,963,000, 1/1/2008: RMB104,963,000). The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions.

Allowance for bad and doubtful debts and other receivables

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses. The amount of provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 December 2009, the carrying amount of trade receivable is approximately RMB9,932,681,000 (31/12/2008: RMB7,993,041,000, 1/1/2008: RMB8,539,363,000) (net of allowance for doubtful debts of approximately RMB1,482,070,000 (31/12/2008: RMB898,760,000, 1/1/2008:RMB719,430,000)).

Provision

Provision has been made for additional costs to repair or replace defective goods, such as labour (whether internal or external) and material costs, and cost that might not be recovered from customers for rework. The provision requires management to estimate the extent of repair and replacements with reference to historical warranty trends and may vary as a result of new materials and altered manufacturing process. Any of these factors may affect the extent of the repair or replacement required and therefore the ultimate repair and replacement costs to be incurred in the future period. As at 31 December 2009, the carrying amount of provision is approximately RMB585,455,000 (31/12/2008: RMB332,966,000, 1/1/2008:RMB228,378,000).

Construction contract

Revenue from construction contracts of certain products of main thermal power equipment, main hydro power equipment, nuclear power equipment and environment production products for power generation equipment of the Group are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. In recognition of profit and loss on the construction contracts, the management makes their best estimation of the future expected revenue from the contracts and future expected cost to complete the job. The estimates are determined by the management based on the current market conditions and expected time cost, material cost, other overhead expense to be incurred, expectations of future changes in the market and experience of similar transactions. Should there be a change in these estimates, then will be an impact on the amount of contract revenue or contract loss.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment

The impairment losses for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

7. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank borrowings disclosed in Note 36, cash and deposits in banks and a financial institution and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

The Group's supervisory committee reviews the capital structure on an ongoing basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2008.

8. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Financial assets			
Loans and receivables (including cash and deposits in banks and a financial institution)	**26,290,014**	22,778,752	14,609,218
Available-for-sale investments	**30,400**	39,600	55,099
Derivative financial instruments	**4,177**	—	—
	26,324,591	22,818,352	14,664,317
Financial liabilities			
Amortised cost	**18,976,755**	19,526,173	8,894,939
Derivative financial instruments	**2,910**	—	—
	18,979,665	19,526,173	8,894,939

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, amounts due from associates, amounts due from related parties, trade and other receivables, restricted bank balances, pledged bank deposits, cash and deposits in banks and a financial institution, amounts due to related parties, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Remminbi and other currencies in which the Group conducts business may affect its financial condition and results of operations. Certain bank balances, trade and other receivables, trade and other payables are denominated in currencies other than RMB. Foreign currencies are also used to settle expenses for overseas operations.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets			Liabilities		
	31/12/2009	31/12/2008	1/1/2008	**31/12/2009**	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
		(Restated)	(Restated)		(Restated)	(Restated)
USD	**1,392,923**	1,314,554	1,024,008	**1,283,540**	756,360	4,835
Euro ("EUR")	**1,447,979**	1,474,256	484,919	**387,996**	169,951	3,846
Pakistani Rupees	**50,772**	48,773	—	**47,747**	55,053	—
Indian Rupees	**24,884**	22,937	—	**3,375**	1,611	—
JPY	**303,600**	318,473	405,769	**33,118**	57,574	26,532
CHF	**21,516**	16,218	21,079	**460**	1	—

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2008: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2008: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2008: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before taxation where RMB weakening 10% (2008: 10%) against the relevant currency. For a 10% (2008: 10%) strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
USD	**10,938**	55,819	101,917
EUR	**105,998**	130,431	48,107
Pakistani Rupees	**303**	(628)	—
Indian Rupees	**2,151**	2,133	—
JPY	**27,048**	26,090	37,924
CHF	**2,106**	1,622	2,108

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits, deposits in banks and a financial institution, borrowings and amount due to immediate holding entity. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need rise.

The Group's deposits in banks and a financial institution are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings which carry at prevailing market interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate is mainly concentrated on the fluctuation of benchmark interest rate arising from the Group's RMB denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instrument at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point (2008: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's:

Post tax profit for the year ended 31 December 2009 would increase/decrease by approximately RMB3,900,000 (2008: increase/decrease by approximately RMB4,900,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate borrowings with banks and a financial institution.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables and amounts due from related parties at end of the each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (including Hong Kong), which accounted for over 90% (2008: 90%) of the total trade receivables as at 31 December 2009.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity tables

	Weighted Average Effective interest rate %	Within 1 year RMB'000	1-2 year RMB'000	2-3 year RMB'000	More than 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2009 RMB'000
31/12/2009							
Non-derivative financial instruments							
Amounts due to related parties	–	2,609,377	–	–	–	2,609,377	2,609,377
Amounts due to related parties	6.08%	–	1,152,991	672,415	–	1,825,406	1,587,907
Trade and other payables	–	13,697,165	–	–	–	13,697,165	13,697,165
Borrowings	4.16%	486,754	179,019	146,915	376,688	1,189,376	1,082,306
		16,793,296	1,332,010	819,330	376,688	19,321,324	18,976,755
Derivative financial instruments							
Foreign currency contracts		1,910	1,215	–	–	3,125	2,910
		16,795,206	1,333,225	819,330	376,688	19,324,449	18,979,665

	Weighted Average Effective interest rate %	Within 1 year RMB'000	1-2 year RMB'000	2-3 year RMB'000	More than 3 years RMB'000	Total Undiscounted cash flows RMB'000	Carrying amount at 31/12/2008 RMB'000
31/12/2008							
Amounts due to related parties	–	2,685,970	–	–	–	2,685,970	2,685,970
Amounts due to related parties	6.08%	1,574,203	1,150,027	1,219,949	2,003,216	5,947,395	5,109,884
Trade and other payables	–	10,289,784	–	–	–	10,289,784	10,289,784
Borrowings	5.89%	762,170	813,336	–	–	1,575,506	1,440,535
		15,312,127	1,963,363	1,219,949	2,003,216	20,498,655	19,526,173

8. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity tables (Continued)

	Weighted Average Effective Interest rate	Within 1 year	1-2 year	2-3 year	More than 3 years	Total Undiscounted cash flows	Carrying amount at 1/1/2008
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1/1/2008							
Amounts due to related parties	–	1,599,003	–	–	–	1,599,003	1,599,003
Amounts due to related parties	6.08%	490,090	519,887	551,496	1,170,054	2,731,527	2,310,000
Trade and other payables	–	3,937,088	–	–	–	3,937,088	3,937,088
Borrowings	5.78%	796,553	331,005	–	–	1,127,558	1,048,848
		6,822,734	850,892	551,496	1,170,054	9,395,176	8,894,939

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

— the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

— the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

— foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The directors of the Company also consider that the fair value of the long-term portion of liabilities approximates to their carrying amount as they are carried at amortised cost by using an effective interest rate method.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
2009				
Derivative financial instruments	—	4,177	—	4,177
Derivative financial instruments	—	2,910	—	2,910

Gain arising from fair value changes of derivative financial instruments of approximately RMB1,267,000 was included in profit or loss for the year.

9. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services rendered by the Group during the year and is analysed as follows:

	2009 ***RMB'000***	2008 *RMB'000* (Restated)
Sales of goods	**14,480,250**	11,167,348
Revenue from construction contracts	**18,196,224**	16,482,896
Revenue from engineering and repairing services	**77,658**	66,916
	32,754,132	27,717,160

9. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

During the year ended 31 December 2008, the Group operates in three major segments as follows- main thermal power equipment, main hydro power equipment, wind power generation sets and others (including environmental production products for power generation equipment, nuclear power equipment, AC/DC motors, oil-fired power plants, production of pressure vessels for non-power generation industrial use and engineering and repairing services for power stations).

During the year ended 31 December 2009, upon the completion of the 2009 Group Reorganisation, manufacture, construction and sales of nuclear power equipments is classified as an individual segment as DFHM is mainly engaged in this business segment. Segment information for the year ended 31 December 2008 has been restated accordingly.

Principal activities are manufacture and sale of the following products:

Main thermal power equipment	main thermal power equipment (including turbines and boilers)
Main hydro power equipment	main hydro power equipment
Wind power generation sets	wind power generation sets
Nuclear power generation sets	nuclear power equipments
Others	environmental production products for power generation equipment, AC/DC motors, oil-fired power plants, production of pressure vessels for non-power generation industrial use providing engineering and repairing services for power stations

Following the 2007 and 2009 Group Reorganisation, the operation of the Group has been enlarged and the segments become integrated to each others. Sales orders from customers now cover various segments of the Group and the Group places bulk purchase orders of raw materials which will subsequently be assigned to the sales orders. Accordingly, significant part of the corresponding assets and liabilities are commonly used among segments. In the opinion of directors, to give details of segment analysis of the assets and liabilities is impracticable.

9. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2009

	Main Thermal Power Equipment RMB'000	Main Hydro Power Equipment RMB'000	Wind Power Generation Sets RMB'000	Nuclear Power Generation Sets RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue							
External sales	20,795,119	3,015,993	6,278,952	2,133,808	530,260	–	32,754,132
Inter-segment sales	596,580	–	–	2,558,906	2,438	(3,157,924)	–
Total	21,391,699	3,015,993	6,278,952	4,692,714	532,698	(3,157,924)	32,754,132
Segment profit (loss)	3,884,740	284,061	1,104,458	(33,335)	77,102	–	5,317,026
Other income							596,948
Distribution expenses							(788,181)
Administrative expenses							(3,146,106)
Share of profit of associates							18,555
Share of profit of jointly controlled entities							4,941
Finance costs							(275,740)
Profit before taxation							1,727,443

Inter-segment sales are charged at prevailing market rates.

9. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

For the year ended 31 December 2008

	Main Thermal Power Equipment *RMB'000*	Main Hydro Power Equipment *RMB'000*	Wind Power Generation Sets *RMB'000*	Nuclear Power Generation Sets *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Revenue							
External sales	20,314,376	2,596,921	2,617,299	983,319	1,205,245	–	27,717,160
Inter-segment sales	394,060	–	–	549,130	169	(943,359)	–
Total	20,708,436	2,596,921	2,617,299	1,532,449	1,205,414	(943,359)	27,717,160
Segment profit (loss)	3,631,199	249,886	300,470	(1,745)	134,578	–	4,314,388
Other income							1,120,884
Distribution expenses							(466,647)
Administrative expenses							(2,795,908)
Loss from 12 May Earthquake							(1,535,517)
Share of profit of associates							9,090
Share of profit of jointly controlled entities							7,854
Finance costs							(324,664)
Profit before taxation							329,480

Inter-segment sales are charged at prevailing market rates.

Geographical segments

More than 90% of the Group's sales and provision of services are provided to customers located in the PRC and all of the Group's carrying amount of segment assets and additions to property, plant and equipment are situated in the PRC. Accordingly, no segmental analysis of geographical segment is presented for both years.

There was no individual customer contributed more than 10% of the Group's turnover for both years.

10. OTHER INCOME

	2009 RMB'000	2008 RMB'000 (Restated)
Interest income	**171,264**	147,977
Consultancy service income	**53,194**	165,925
Release of government grant for the property, plant and equipment *(Note 38)*	**195,683**	311,204
Fair value change in derivative financial instruments	**1,267**	—
Discount on acquisition *(Note 40)*	**—**	7,021
Donation for the 12 May Earthquake from *(Note 34)*:		
— general public	**—**	352,405
— government	**—**	50,000
Gain from sales of scrap materials and other materials	**113,686**	76,400
Gain on disposal of available-for-sale investments	**395**	—
Net rental income (less: direct outgoings of RMB612,000 (2008: RMB54,000))	**1,933**	550
Net foreign exchange gain	**31,170**	1,555
Compensation income *(Note)*	**15,310**	—
Others	**13,046**	7,847
	596,948	1,120,884

Note: Compensation income paid by insurance company for damage of plant and machinery in 12 May Earthquake.

11. LOSS FROM 12 MAY EARTHQUAKE

There was an earthquake with a magnitude of 8.0 on the Richter scale struck Wenchuan area of Sichuan Province on 12 May 2008 ("12 May Earthquake"). The urban areas of Chengdu and Deyang and Zigong City, where the Company and its subsidiaries are located, were affected. In the 12 May Earthquake, the production facilities for the steam turbine operation of Dongfang Turbine in Hanwang Town of Mianzhu, Sichuan Province were seriously damaged.

After assessing the net realisable value of the inventories, recoverable amount of property, plant and equipment and construction in progress and the future usage of the land, loss of approximately RMB1,535,517,000 arising from full written off of inventories, property, plant and equipment and construction in progress and full impairment of land no longer in use recognised as follows:

	RMB'000
Written off of inventories	1,106,838
Written off of property, plant and equipment	239,635
Written off of construction in progress	147,134
Impairment of prepaid lease payment	41,910
	1,535,517

12. FINANCE COSTS

	2009 **RMB'000**	2008 *RMB'000* (Restated)
Bank loans and other borrowings wholly repayable		
within five years	**52,614**	47,944
over five years	**11,466**	11,466
Interest on amounts due to related parties	**240,607**	277,084
Total borrowing costs	**304,687**	336,494
Less: amount capitalised	**(28,947)**	(11,830)
	275,740	324,664

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 1.75% (2008: 0.71%) per annum to expenditure on qualifying assets.

13. INCOME TAX CREDIT

	2009 **RMB'000**	2008 *RMB'000* (Restated)
PRC enterprise income tax		
— Current year	**137,680**	76,043
— Overprovision in prior years	**(1,373)**	(1,637)
	136,307	74,406
Deferred tax *(Note 26)*	**(145,236)**	(199,986)
	(8,929)	(125,580)

13. INCOME TAX CREDIT (CONTINUED)

The tax credit for the years can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Profit before taxation	**1,727,443**	329,480
Tax charge at enterprise tax rate of 15% (2008: 15%) *(b)*	**259,116**	49,422
Tax effect of income not taxable for tax purpose	**(44,499)**	(101,283)
Tax effect of share of profit of associates	**(2,783)**	(1,363)
Tax effect of share of profit of jointly controlled entities	**(741)**	(1,178)
Tax effect of expenses not deductible for tax purpose	**52,140**	67,556
Tax effect of tax benefits *(c)*	**(47,775)**	(77,444)
Tax exemption for 12 May Earthquake *(d)*	**(111,690)**	(111,344)
Utilisation of tax losses previously not recognised	**(58,660)**	—
Tax effect of tax losses not recognised	**29,922**	94,926
Effect of excess of applicable tax rate for deferred tax over current tax on deductible temporary difference	**(76,430)**	(19,209)
Overprovision in prior years	**(1,373)**	(1,637)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,156)**	(24,026)
Tax credit for the year	**(8,929)**	(125,580)

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

(b) Applicable income tax rate of 15% represents the relevant income tax rate of the Company, 東方電氣集團東方電機有限公司 ("Dongfang Machinery"), Dongfang Boiler and Dongfang Turbine, which are the major entities of the Group.

Pursuant to the provisions from the State Council in 2007 in relation to the Development of the Western Region, the enterprise tax rate of the Company, Dongfang Machinery, Dongfang Boiler, Dongfang Turbine and Chengdu Dongfong KWH Catalysts Co., Ltd. is 15% until 2010.

The enterprise tax rate of Shenzhen Dongfang Boiler Control Co., Ltd. ("Shenzhen Dongfang") is 15% as it has been assessed as "High-New Technology Enterprises" under the Enterprise Income Tax Law for the successive three years from 2009 (2008: 25%).

The enterprise tax rate of Dongfang Electric (India) Private Limited ("Dongfang India") is 30%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of other PRC subsidiaries is 25% from 1 January 2008 onwards. The relevant tax rates for the Group's other subsidiaries in the PRC is 25% (2008: 25%).

(c) Tax benefits represents an incentive scheme, in addition to the research and development cost which is deductible for tax purpose, further tax benefit was granted in respect of the research and development cost incurred. The tax benefit in last year also included tax credits on acquisition of qualified property, plant and equipment.

13. INCOME TAX CREDIT (CONTINUED)

Notes: (Continued)

(d) Pursuant to No.104 [2008]《關於支持汶川地震災後恢復重建有關稅收政策問題的通知》issued by the tax bureau, Dongfang Turbine and Dongfang Machinery are exempted for enterprise income tax for the year ended 31 December 2008 as Dongfang Machinery and Dongfang Turbine are located in the area of 12 May Earthquake.

Pursuant to No.131 [2009]《關於延長部份稅收優惠政策執行期限的的通知》issued by the tax bureau, Dongfang Turbine and Dongfang Machinery are exempted for enterprise income tax for the year ended 31 December 2009.

14. PROFIT FOR THE YEAR

	2009 *RMB'000*	2008 *RMB'000* (Restated)
Profit for the year has been arrived at after charging:		
Salaries and wages	**1,650,837**	1,494,791
Retirement benefits scheme contributions		
— defined contribution plans *(Note 44)*	**216,787**	176,617
Staff welfare	**191,381**	157,816
Housing fund *(Note 44)*	**182,434**	148,449
Termination benefits *(Note 44)*	**38,416**	39,456
Total staff costs *(Note a)*	**2,279,855**	2,017,129
Auditor's remuneration	**1,800**	4,100
Amortisation of intangible assets	**24,781**	22,056
Amortisation of prepaid lease payments	**18,407**	6,268
Allowance for bad and doubtful debts		
(net of reversal of doubtful debts)	**500,635**	285,813
Cost of inventories recognised as an expense	**27,437,106**	23,402,772
Depreciation on property, plant and equipment	**540,754**	479,389
Depreciation on investment properties	**1,502**	1,502
Impairment loss on available-for-sale investments	**5,000**	15,499
Impairment loss on inventories (included in cost of sales)	**292,994**	—
Loss on disposal of property, plant and equipment	**247**	34,700
Loss on disposal of intangible assets	**318**	311
Rental expense	**6,114**	13,738
Research and development expenditure	**637,005**	510,811
Share of tax of associates		
(included in share of profit of associates)	**5,096**	2,040
Share of tax of jointly controlled entities		
(included in share of profit of joint controlled entities)	**2,584**	2,378
12 May Earthquake rehabilitation cost and		
resettlement cost for affected employees		
(included in administrative expenses)	**—**	402,405

Note: (a) Directors' and supervisors' emoluments are included in the above staff costs.

15. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 17 (2008: 12) directors and supervisors were as follows:

For the year ended 31 December 2009

	Directors emoluments *RMB'000*	Salaries allowance and benefits in kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Si Ze Fu	—	478	15	493
Zhu Yuan Chao	—	424	15	439
Wen Shu Gang	—	434	15	449
Huang Wei (appointed on 28 June 2009)	—	149	8	157
Zhang Xiao Lun	—	434	15	449
Zhang Ji Lie	—	406	15	421
Li Hong Dong (retired on 27 June 2009)	—	436	8	444
	—	2,761	91	2,852
Independent non-executive directors:				
Chen Xiao Yue (appointed on 28 June 2009)	63	—	—	63
Li Yan Meng (appointed on 28 June 2009)	63	—	—	63
Zhao Chun Jun (appointed on 28 June 2009)	63	—	—	63
Chen Zhang Wu (retired on 27 June 2009)	50	—	—	50
Xie Song Lin (retired on 27 June 2009)	50	—	—	50
Zheng Pei Min (retired on 27 June 2009)	50	—	—	50
	339	—	—	339

	Directors emoluments *RMB'000*	Salaries allowance and benefits in kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Supervisors:				
Wen Bing You*	—	—	—	—
Wen Li Min*	—	—	—	—
Wang Cong Yuan (appointed on 28 June 2009)	—	349	15	364
Ma Zong Qiong* (retired on 27 June 2009)	—	—	—	—
	—	349	15	364
Total	339	3,110	106	3,555

15. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2008

	Directors emoluments *RMB'000*	Salaries allowance and benefits in kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Si Ze Fu	—	489	16	505
Zhu Yuan Chao (appointed on 9 October 2008)	—	441	15	456
Wen Shu Gang	—	441	15	456
Li Hong Dong	—	561	15	576
Zhang Xiao Lun	—	441	15	456
Zhang Ji Lie	—	416	12	428
	—	2,789	88	2,877
Independent non-executive directors:				
Chen Zhang Wu	50	—	—	50
Xie Song Lin	50	—	—	50
Zheng Pei Min	50	—	—	50
	150	—	—	150
Supervisors:				
Wen Bing You*	—	—	—	—
Wen Li Min*	—	—	—	—
Ma Zong Qiong*	—	—	—	—
	—	—	—	—
Total	150	2,789	88	3,027

* Emoluments paid by DEC.

15. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

None of the directors received more than HK$1,000,000 (equivalent to RMB880,000) for any of these two years. No directors waived or agreed to waive any emoluments for these two years.

The five highest paid individuals in the Group in 2009 and 2008 were all directors and supervisors of the Company and details of their emoluments are included above.

During the years ended 31 December 2009 and 2008, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

	2009 ***RMB'000***	2008 *RMB'000*
The Company		
Dividends recognised as distribution during the year		
2008 final dividend of RMB0.02		
(2008: 2007 final dividend of RMB0.24) per ordinary shares	**17,640**	196,080

The final dividend of RMB0.16 (2008: RMB0.02) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The directors recommend a bonus issue to the shareholders whose names appear on the register of members of the Company as at 15 April 2010 on the basis of 10 bonus issue shares for every 10 shares held by them. Such bonus issue of shares are to be approved by the shareholders in the forthcoming Company's annual general meeting. These consolidated financial statements do not reflect the bonus issue of shares.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2009 ***RMB'000***	2008 *RMB'000* (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**1,712,138**	456,440

17. EARNINGS PER SHARE (CONTINUED)

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**896,129**	822,417

Diluted earnings per share was the same as basic earnings per share for the two years ended 31 December 2009 as there were no diluting events existed during both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	**Buildings**	**Plant and machinery**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2008 (Restated)	—	1,826,068	3,363,082	320,072	141,038	5,650,260
Transfer from construction in progress *(Note 19)*	—	70,207	407,232	33,992	12,899	524,330
Additions	32,128	10,216	69,530	16,830	4,021	132,725
Acquired on acquisition of a subsidiary	—	50,426	39,907	288	63	90,684
Disposals/written off	—	(35,678)	(51,313)	(55,930)	(1,830)	(144,751)
Written off on 12 May Earthquake	—	(182,328)	(202,830)	(76,884)	(812)	(462,854)
At 31 December 2008 (Restated)	32,128	1,738,911	3,625,608	238,368	155,379	5,790,394
Transfer from construction in progress *(Note 19)*	—	2,012,588	689,608	50,012	16,314	2,768,522
Additions	1,466	141,814	214,099	33,250	49,985	440,614
Disposals	—	(3,730)	(14,822)	(7,927)	(1,329)	(27,808)
At 31 December 2009	33,594	3,889,583	4,514,493	313,703	220,349	8,971,722

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2008 (Restated)	—	517,838	1,605,197	179,617	70,988	2,373,640
Charge for the year	—	71,614	339,439	50,384	17,952	479,389
Eliminated on disposals/written off	—	(29,371)	(26,300)	(53,561)	(819)	(110,051)
Written off on 12 May Earthquake	—	(84,550)	(98,185)	(39,851)	(633)	(223,219)
At 31 December 2008 (Restated)	—	475,531	1,820,151	136,589	87,488	2,519,759
Charge for the year	—	101,691	356,019	60,215	22,829	540,754
Eliminated on disposals	—	(1,265)	(10,583)	(6,060)	(1,071)	(18,979)
At 31 December 2009	—	575,957	2,165,587	190,744	109,246	3,041,534
CARRYING AMOUNTS						
At 31 December 2009	33,594	3,313,626	2,348,906	122,959	111,103	5,930,188
At 31 December 2008 (Restated)	32,128	1,263,380	1,805,457	101,779	67,891	3,270,635
At 1 January 2008 (Restated)	—	1,308,230	1,757,885	140,455	70,050	3,276,620

The buildings are located on land held under medium term leases and are situated in the PRC.

The freehold land is situated in India.

As at 31 December 2009, the Company has not obtained the building ownership certificates for certain buildings with carrying amounts of approximately RMB2,153,772,000 (31/12/2008: RMB123,164,000, 1/1/2008: RMB129,592,000). All the buildings are located in the PRC. In the opinion of the directors, the absence of building ownership certificates to these buildings does not impair the value of the relevant buildings of the Group.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

After taking into account of their estimate residual value, straight-line depreciation method is applied to buildings and motor vehicles and declining-balance method is applied to plant and machinery and furniture, fixtures and equipment. The useful lives of the above items of property, plant and equipment are as follows:

	Useful life
Freehold land	Infinity
Buildings for production	20
Buildings for non-production	25
Plant and machinery	10
Furniture, fixtures and equipment	5-6
Motor vehicles	6

19. CONSTRUCTION IN PROGRESS

	2009 ***RMB'000***	2008 *RMB'000* (Restated)
COST		
As at 1 January	**1,450,616**	321,374
Acquired on acquisition of a subsidiary *(Note 40)*	**—**	27,440
Additions	**3,844,720**	1,773,266
	5,295,336	2,122,080
Transfer to property, plant and equipment *(Note 18)*	**(2,768,522)**	(524,330)
Written off on 12 May Earthquake	**—**	(147,134)
As at 31 December	**2,526,814**	1,450,616

20. PREPAID LEASE PAYMENTS

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
Analysed for reporting purposes as:			
Current portion	**7,874**	6,974	11,718
Non-current portion	**793,405**	702,360	244,222
	801,279	709,334	255,940

Included in prepaid lease payments with carrying amount of approximately RMB302,939,000 (2008: RMB239,076,000) which the Group is in the process of obtaining the land use right certificate.

The amounts represent the medium-term land use rights situated in the PRC for a period of 50 years.

21. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2008, 31 December 2008 and 2009	35,287
ACCUMULATED DEPRECIATION	
At 1 January 2008	5,914
Provided for the year	1,502
At December 2008	7,416
Provided for the year	1,502
At December 2009	8,918
CARRYING VALUES	
At 31 December 2009	26,369
At 31 December 2008 (Restated)	27,871
At 1 January 2008 (Restated)	29,373

The investment properties were located in the PRC and were held to earn rentals or for capital appreciation. As at 31 December 2009, the fair value of above investment properties is approximately RMB57,760,000 (31/12/2008: RMB51,990,000, 1/1/2008: RMB53,330,000). The fair value of the investment properties as at 31 December 2009 have been arrived at based on a valuation carried out by Vigers Asia Pacific Ltd, an independent third party not connected with the Group. The valuation was determined by reference to recent market price for similar properties in same locations and conditions.

As at 31 December 2009, the property usage permit of an investment property has not been granted by relevant government authorities with the aggregate carrying values of approximately RMB20,666,000 (31/12/2008: RMB21,693,000, 1/1/2008: RMB22,721,000). In the opinion of the directors of the Company, the absence of property usage permit to the investment property does not impair the value of the relevant investment property to the Group. The directors of the Company also believe that property usage permit to the investment property will be granted to the Group in due course.

The above investment properties are depreciated on a straight-line basis over 25 years.

22. INTANGIBLE ASSETS

	Technology know-how *RMB'000*	Computer software and telecommunication system *RMB'000*	Total *RMB'000*
COST			
At 1 January 2008 (Restated)	225,306	5,739	231,045
Additions	22,738	6,698	29,436
Disposal	—	(1,348)	(1,348)
At 31 December 2008 (Restated)	248,044	11,089	259,133
Additions	3,208	4,640	7,848
Disposal	—	(670)	(670)
At 31 December 2009	251,252	15,059	266,311
AMORTISATION			
At 1 January 2008 (Restated)	112,513	2,210	114,723
Charge for the year	19,022	3,034	22,056
Elimination on disposal	—	(1,037)	(1,037)
At 31 December 2008 (Restated)	131,535	4,207	135,742
Charge for the year	22,228	2,553	24,781
Elimination on disposal	—	(352)	(352)
At 31 December 2009	153,763	6,408	160,171
CARRYING VALUES			
At 31 December 2009	97,489	8,651	106,140
At 31 December 2008 (Restated)	116,509	6,882	123,391
At 1 January 2008 (Restated)	112,793	3,529	116,322

All of the Group's intangible assets were acquired from third parties. The above intangible assets have definite useful lives and are amortised on a straight-line basis over 3 to 15 years and 3 to 5 years for technology know-how and computer software and telecommunication system, respectively, being the shorter of useful life or the corresponding license periods.

23. INTERESTS IN ASSOCIATES

	31/12/2009 **RMB'000**	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Cost of investment in unlisted associates in the PRC	**99,796**	99,796	99,796
Share of post-acquisition losses	**(12,544)**	(48,464)	(57,554)
	87,252	51,332	42,242

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of establishment	Principal place of operation	Class of share held	Registered capital held by the Group	Proportion of voting power held	Principal
Leshan City Dongle Heavy Piece Handling Co., Ltd.	Limited liability company	PRC	PRC	Registered Capital	49%	49%	Provision of transportation and warehousing services
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sino-foreign Equity Joint Venture	PRC	PRC	Registered Capital	49%	49%	Manufacturing of components and spare parts for gas fired steam turbines

The summarised audited financial information prepared under HKFRS in respect of the Group's associates is set out below:

	31/12/2009 **RMB'000**	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Total assets	**350,028**	413,649	306,605
Total liabilities	**(171,962)**	(308,890)	(220,397)
Net assets	**178,066**	104,759	86,208
Group's share of net assets of associates	**87,252**	51,332	42,242
Revenue	**231,867**	193,099	14,979
Profit (loss) for the year	**37,867**	18,551	(42,896)
Group's share of profit (loss) of associates for the year	**18,555**	9,090	(21,019)

As at 31 December 2009, there was unrealised profit of approximately RMB 35,439,000 (2008: Nil) included in the inventories of the Group.

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
Cost of unlisted investments in jointly controlled entities	**76,637**	76,637	76,637
Share of post-acquisition profits, net of dividends received	**43,403**	44,244	44,731
	120,040	120,881	121,368

As at 31 December 2009 and 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Country of establishment	Principal place of operation	Class of share held	Registered capital held by the Group	Proportion of voting power held	Principal activities
Areva-Dongfang Reactor Coolant Pumps Company Limited	Limited liability company	PRC	PRC	Registered Capital	50%	50%	Design, manufacture and sales of reactor coolant pumps for unclear power stations
Badcock-Hitichi Dongfang Boiler Limited	Limited liability company	PRC	PRC	Registered Capital	50%	50%	Design, manufacture and sales of self-generating boilers

The summarised audited financial information related to the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**749,300**	414,092	261,620
Total liabilities	**629,260**	293,211	140,252
Income	**310,741**	377,918	270,668
Expenses	**305,800**	370,064	249,797

25. AVAILABLE-FOR-SALE INVESTMENTS

As at 31st December 2009, the investments are as follow:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity securities, at cost	**51,476**	57,720	57,720
Less: impairment losses recognised	**(21,076)**	(18,120)	(2,621)
	30,400	39,600	55,099

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB4,200,000, which had been carried at cost less impairment before the disposal. A gain on disposal of RMB395,000 bas been recognised in profit or loss for the current year.

26. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years are as follows:

	Warranty provision	Accrual for payroll	Loss on construction contracts	Allowance on inventories	Depreciation allowance	Allowance on trade and other receivables	Tax loss	Fair value change in derivative financial instruments	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008 (Restated)	(34,257)	(48,205)	(30,198)	(10,724)	(7,602)	(153,177)	–	–	(6,034)	(290,197)
(Credit) debit to consolidated statement of comprehensive income	(15,686)	659	6,090	3,326	1,360	(55,216)	(109,211)	–	(31,308)	(199,986)
At 31 December 2008 (Restated)	(49,943)	(47,546)	(24,108)	(7,398)	(6,242)	(208,393)	(109,211)	–	(37,342)	(490,183)
(Credit) debit to consolidated statement of comprehensive income	(66,509)	4,391	(8,393)	(20,539)	591	(105,538)	46,919	190	3,652	(145,236)
At 31 December 2009	(116,452)	(43,155)	(32,501)	(27,937)	(5,651)	(313,931)	(62,292)	190	(33,690)	(635,419)

26. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The follow is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000*	1/1/2008 *RMB'000*
Deferred tax assets recognised on the consolidated statement of financial position	**635,609**	490,183	290,197
Deferred tax liabilities recognised on the consolidated statement of financial position	**(190)**	—	—
	635,419	490,183	290,197

At the end of the reporting period, the Group has total tax losses of approximately RMB830,603,000 (31/12/2008: RMB1,413,257,000, 1/1/2008: RMB412,992,000) available for offsetting against future profits. A deferred tax asset has been recongised in respect of approximately RMB336,933,000 (31/12/2008: RMB728,000,000, 1/1/2008: Nil). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB493,670,000 (31/12/2008: RMB685,257,000, 1/1/2008: RMB412,992,000) due to the unpredictability of future profits streams. Included in unrecognised tax losses as at 31 December 2009, there are losses of approximately Nil (31/12/2008: RMB407,768,000, 1/1/2008: RMB5,224,000), RMB294,190,000 (31/12/2008: RMB277,489,000, 1/1/2008: RMB407,768,000) and RMB199,480,000 (31/12/2008: Nil, 1/1/2008: Nil) that will expire in 2012, 2013 and 2014 respectively.

27. INVENTORIES

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
Raw materials and consumables	**8,528,968**	7,204,052	3,818,265
Work in progress	**18,063,433**	12,594,649	7,889,652
Finished goods	**376,246**	399,527	362,254
Spare parts and consumables	**54,641**	34,972	10,889
	27,023,288	20,233,200	12,081,060

28. AMOUNTS DUE FROM ASSOCIATES

Amounts represent the advance payments to associates for contract works and are unsecured and interest-free. The directors consider the construction works would be completed within twelve months from the end of reporting period.

29. AMOUNTS DUE FROM/TO RELATED PARTIES

All of the Group's revenue generated from related parties are through construction projects. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions, and the Group offers credit terms generally accepted in the power equipment manufacturing industry of two to three years to them, which vary depending on the size of contract, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables effectively, quality of customers are evaluated periodically.

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Amounts due from related parties due within one year			
Trade receivables:			
Fellow subsidiaries	**815,754**	664,650	372,353
Jointly controlled entities	**4,414**	321	—
Immediate holding entity	**220,833**	977,204	629,925
Less: allowance for doubtful debts	**(107,248)**	(189,923)	(83,440)
	933,753	1,452,252	918,838
Prepayment for materials and contract work:			
Fellow subsidiaries	**617,289**	1,033,640	675,042
Jointly controlled entities	**56,860**	16,481	—
Immediate holding entity	**657**	657	83,040
	674,806	1,050,778	758,082
	1,608,559	2,503,030	1,676,920

29. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	31/12/2009 **RMB'000**	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Amounts due to related parties			
Trade payables:			
Fellow subsidiaries	**1,431,846**	1,060,924	391,295
Jointly controlled entities	**129,592**	81,528	—
Immediate holding entity	**603**	1,420	265,372
	1,562,041	1,143,872	656,667
Receipt in advance:			
Fellow subsidiaries	**1,253,682**	855,560	824,618
Jointly controlled entities	**18,001**	19,207	—
Immediate holding entity	**1,498,684**	2,216,590	1,841,016
	2,770,367	3,091,357	2,665,634
Cash consideration payable to immediate holding entity for:			
2007 Group Reorganisation *(Note a)*	**1,403,651**	3,252,336	3,252,336
31.61% Acquisition *(Note b)*	**1,126,592**	2,799,884	—
	2,530,243	6,052,220	3,252,336

29. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	31/12/2009 **RMB'000**	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Interest payable to immediate holding entity	**–**	158,792	–
Advance from immediate holding entity for 12 May Earthquake *(Note c)*	**–**	440,970	–
Advance from immediate holding entity to DFHM *(Note d)*	**105,000**	–	–
	105,000	599,762	–
	6,967,651	10,887,211	6,574,637
Analysed for reporting purpose:			
Current portion	**5,379,744**	7,261,303	4,726,637
Non-current portion	**1,587,907**	3,625,908	1,848,000
	6,967,651	10,887,211	6,574,637

Notes:

(a) The RMB1,403,651,000 (2008: RMB3,252,336,000) represents the remaining cash consideration payable to DEC arising from the 2007 Group Reorganisation. The original outstanding balance included RMB942,336,000 which is interest-free and repayable on demand; and five equal annual installments totalling RMB2,310,000,000 payable to DEC after the completion of the 2007 Group Reorganisation which carries interest at 6.08% per annum.

During the year ended 31 December 2009, RMB1,848,685,000 was repaid to DEC (2008: Nil) and RMB461,315,000 (2008: RMB1,386,000,000) will be repayable to DEC after one year from the end of the reporting period. The payment schedule is mutually agreed between the Company and DEC.

(b) The RMB 2,799,884,000 represents the cash consideration payable to DEC arising from the 31.61% Acquisition in 2008, which represents five equal annual instalments totalling RMB2,799,884,000 payable to DEC after the completion of the 31.61% Acquisition which carries interest at 6.08% per annum.

During the year ended 31 December 2009, RMB1,673,292,000 was repaid to DEC (including 1 early installment of RMB559,977,000) (2008: Nil). RMB1,126,592,000 (2008: RMB2,239,907,000) is payable to DEC after one year from the end of the reporting period. The payment schedule is mutually agreed between the Company and DEC.

29. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

Notes: (Continued)

(c) Pursuant to the Notice 417 [2008] "Rehabilitation planning and feasibility study of the relocation of the Hanwang production plant of Dongfang Turbine" issued by the Bureau of Planning and Development of State-owned Assets Supervision and Administration Commission of the State Council, the total cost of the rehabilitation of Dongfang Turbine is RMB5.097 billion; of which RMB1.5 billion would be contributed from the State as state-owned capital to the Company; RMB2 billion from bank borrowings and the remaining from the Group's internal resources. The rehabilitation work is expected to be completed by two and a half year.

Pursuant further to the Notice 318 [2008] issued by the Ministry of Finance ("MOF") "Regarding the notice from Ministry of Finance on the 2008 Central State capital budget allocated to Dongfang Electric Corporation" and Notice 397 of 2008 issued by MOF "Regarding the allocation of funds for rehabilitation of Central enterprises in Wenchuan earthquake disaster area", a total of RMB440.97 million and RMB559.03 million was received by the Company on 25 December 2008 and 16 January 2009 respectively. The aggregate of RMB1.0 billion shall be used for the rehabilitation of Dongfang Turbine only.

During the year ended 31 December 2009, Dongfang Turbine had fully repaid the RMB1.0 billion to DEC.

(d) Pursuant to the Notice 7 [2009] "Nuclear Island of heavy equipment, construction of research and development test platform" issued by DEC, according to the Ministry of Finance ("MOF") approved allocation of project funding program, through the fourth Management Meeting of DEC in 2009, it was resolved that proceeds amounted to RMB 59 million for the nuclear island for heavy equipment technology research and development platform project to be allocated to DFHM.

Pursuant to the Notice 9 [2009] "Technology improvement project of million kilowatt nuclear power conventional island" issued by DEC, DEC submitted the Feasibility Analysis Report of the project to National Development and Reform Commission ("NDRC"). Upon NDRC approval, in accordance with the Notice 1044[2008] of [MOF], MOF granted PRC Government Loan amounted to RMB180 million to DEC as specialised capital investment in DEC by the Government. Through the fourth Management Meeting of DEC in 2009, it was resolved that RMB 46 million of the specialised fund to be allocated to DFHM.

Upon the completion of the 2009 Group Reorganisation, DEC has resolved that the total amount of RMB 105 million will be repaid to DEC in 2010.

Apart from as mentioned above, other balances with related parties are interest-free and unsecured. In respect to the trade balances, the general credit period offer to/from related parties is two to three years.

29. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

The following is an aged analysis of amounts due from related parties based on invoice date net of impairment losses at the end of the reporting period:

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000*	1/1/2008 *RMB'000*
Within 1 year	**662,391**	967,803	577,702
1-2 years	**152,140**	183,705	316,272
2-3 years	**75,862**	288,709	24,578
More than 3 years	**43,360**	12,035	286
	933,753	1,452,252	918,838

The Group allows an average credit period of 180 days to its related parties, where payment in advance is normally required. The Group does not hold any collateral over trade receivables from related parties.

Trade receivables from related parties which are past due at the reporting date for which the Group has not provided, the aged analysis is set out as follow:

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000*	1/1/2008 *RMB'000*
2-3 years	**54,831**	77,153	24,578
More than 3 years	**43,360**	12,035	286
	98,191	89,188	24,864

Impairment of the above amounts has not been provided by the Group as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in allowance of doubtful trade receivables due from related parties during the year are as follows:

Movement in the allowance for doubtful debts

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000*	1/1/2008 *RMB'000*
Balance at beginning of the year	**189,923**	83,440	111,683
Impairment loss recognised on receivables	**—**	106,483	—
Amount recovered during the year	**(82,675)**	—	(28,243)
Balance at end of the year	**107,248**	189,923	83,440

29. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

Included in the allowance for doubtful debts are individually impaired amounts due from related parties with an aggregate balance of approximately RMB107,248,000 (31/12/2008: RMB189,923,000, 1/1/2008: RMB83,440,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

The following is an aged analysis of amounts due to related parties presented based on the invoice date at the end of the reporting period which is trade in nature:

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
Within 1 year	**1,451,013**	1,095,908	628,928
1-2 years	**103,415**	19,465	15,684
2-3 years	**7,094**	21,516	7,231
More than 3 years	**519**	6,983	4,824
	1,562,041	1,143,872	656,667

The average credit period for payment of purchases of goods from related parties is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

30. TRADE AND OTHER RECEIVABLES

Portion of the Group's revenue is generated through construction projects. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions, and the Group offers credit terms generally accepted in the power equipment manufacturing industry of two to three years to its customers, which vary depending on the size of contract, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables effectively, quality of customers are evaluated periodically.

For sales of products, a credit period normally at one year may be granted to large or long-established customers with good repayment history. Revenue from small, new or short-term customers is normally expected to be settled 180 days after provision of services or delivery of goods.

30. TRADE AND OTHER RECEIVABLES (CONTINUED)

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade receivables	**11,414,751**	8,891,801	9,258,793
Less: allowance for doubtful debts	**(1,482,070)**	(898,760)	(719,430)
	9,932,681	7,993,041	8,539,363
Prepayment for raw materials	**7,166,848**	6,194,343	4,041,183
Deposits and other receivables	**451,585**	134,561	86,740
	17,551,114	14,321,945	12,667,286

Included in the trade receivables is bills receivable amounted to approximately RMB986,983,000 (31/12/2008: RMB143,350,000, 1/1/2008: RMB755,264,000) aged within one year.

The following is an aged analysis of trade receivables based on invoice date net of impairment losses at the end of the reporting period:

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 1 year	**5,914,447**	4,705,417	5,714,435
1–2 years	**2,263,598**	2,040,215	1,990,857
2–3 years	**1,088,549**	853,186	691,570
More than 3 years	**666,087**	394,223	142,501
	9,932,681	7,993,041	8,539,363

Before accepting any new customer, the Group carries out research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. For the year ended 31 December 2009, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 19.57% (2008: 17.9%) of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 6.79% (2008: 7.26%) of the Group's total turnover. There is no customer who represents more than 5% (2008: 5%) of the total balance of trade debtors. In the opinion of directors, trade and other receivables neither past due nor impaired are of good credit quality at the end of the reporting period. The Group does not hold any collateral over these balances.

30. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables which are past due at the reporting date for which the Group has not provided for impairment loss, the aged analysis is set out as follow:

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
1–2 years	**–**	–	1,904
2–3 years	**257,270**	20,466	21,467
More than 3 years	**227,344**	10,735	29,938
	484,614	31,201	53,309

Allowance of the above amounts has not been made by the Group as there has not been a significant change in credit quality and the amounts are still considered recoverable. The directors of the Company consider they are in good credit quality. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of trade receivables during the year are as follows:

Movement in the allowance for doubtful debts

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
Balance at beginning of the year	**898,760**	719,430	493,076
Impairment losses recognised on receivables	**583,310**	179,330	226,354
Balance at end of the year	**1,482,070**	898,760	719,430

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB1,482,070,000 (31/12/2008: RMB898,760,000, 1/1/2008: RMB719,430,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

31. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	31/12/2009	31/12/2008	1/1/2008
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less recognised losses	**14,407,447**	13,407,390	3,133,790
Less: progress billings	**(20,709,522)**	(22,205,076)	(8,612,154)
	(6,302,075)	(8,797,686)	(5,478,364)
Analysed for reporting purposes as:			
Amounts due from customers for contract works	**1,575,806**	1,627,629	1,442,840
Amounts due to customers for contract works	**(7,877,881)**	(10,425,315)	(6,921,204)
	(6,302,075)	(8,797,686)	(5,478,364)

Included in the trade receivables are retentions held by customers for contract works amounted to approximately RMB5,130,524,000 (31/12/2008: RMB2,868,222,000, 1/1/2008: RMB3,576,666,000). Retention receivables amounting to RMB2,166,137,000 (31/12/2008: RMB1,650,867,000, 1/1/2008: RMB1,387,920,000) would be settled after twelve months from the end of the reporting period.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Forward currency contracts	**4,177**	**(2,910)**	—	—

The Group has entered into seventeen forward currency contracts to manage its exchange rate exposures against US dollars which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to RMB1,267,000 were credit to the consolidated statement of comprehensive income during the year. The above transactions involving derivative financial instruments are with China Construction Bank and Industrial and Commercial Bank of China.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2009, the Group had short forward currency contracts with nominal contract amount of USD 261 million and maturities from March 2010 to January 2012. The major terms of the foreign currency forward contracts outstanding at 31st December 2009 are as follows:

Notional amount	Maturity	Exchange rates
Sell USD1,490,000	1 July 2011	USD0.1482 to RMB1
Sell USD6,300,000	4 January 2012	USD0.1491 to RMB1
Sell USD3,830,000	1 April 2011	USD0.1477 to RMB1
Sell USD6,300,000	10 October 2011	USD0.1487 to RMB1
Sell USD32,700,000	4 January 2011	USD0.1479 to RMB1
Sell USD34,520,000	15 October 2010	USD0.1473 to RMB1
Sell USD44,043,000	1 July 2010	USD0.1469 to RMB1
Sell USD32,670,000	19 April 2010	USD0.1464 to RMB1
Sell USD10,210,000	29 March 2010	USD0.1467 to RMB1
Sell USD4,900,000	28 June 2010	USD0.1470 to RMB1
Sell USD13,580,000	28 September 2010	USD0.1476 to RMB1
Sell USD9,610,000	28 December 2010	USD0.1483 to RMB1
Sell USD15,900,000	28 March 2011	USD0.1496 to RMB1
Sell USD20,800,000	28 June 2011	USD0.1509 to RMB1
Sell USD4,240,000	28 September 2011	USD0.1521 to RMB1
Sell USD8,000,000	5 August 2010	USD0.1462 to RMB1
Sell USD12,000,000	8 August 2011	USD0.1512 to RMB1

33. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS/CASH AND DEPOSITS IN BANKS AND A FINANCIAL INSTITUTION

Pledged bank deposits represents deposits pledged for short-term bank loans facilities granted to the Group and are therefore classified as current assets.

The weighted average effective interest rates on pledged bank deposits and cash and deposits in banks and a financial institution as at 31 December 2009 were 1.98% to 2.25% (31/12/2008: 1.35% to 1.71%, 1/1/2008: 2.25% to 3.6%) and 0.36% (31/12/2008: 0.36%, 1/1/2008: 0.72%) respectively.

The restricted bank balances amounting to approximately RMB150,456,000 (31/12/2008: RMB280,890,000, 1/1/2008: Nil) represent bank deposits received for the donation for 12 May Earthquake, the usage of which is restricted to the said event (Note 34).

33. RESTRICTED BANK BALANCES/PLEDGED BANK DEPOSITS/CASH AND DEPOSITS IN BANKS AND A FINANCIAL INSTITUTION (CONTINUED)

Included in bank balances and cash are the following amounts denominated in foreign currencies other than the functional currency of the Group to which they relate:

	31/12/2009 *RMB'000*	31/12/2008 *RMB'000*	1/1/2008 *RMB'000*
USD	**215,548**	150,784	549
HKD	**160**	158	149
EUR	**26,777**	4,684	—
Pakistani Rupees	**28,038**	48,744	—
Indian Rupees	**22,241**	19,708	—
JPY	**101**	104	—
	292,865	224,182	698

34. TRADE PAYABLES AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the end of the reporting period:

	31/12/2009 *RMB'000*	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
Within 1 year	**11,451,738**	8,917,658	3,411,942
1-2 years	**749,311**	145,120	167,384
2-3 years	**63,043**	88,885	—
3-4 years	**70,166**	—	—
	12,334,258	9,151,663	3,579,326
Receipt in advance	**33,416,141**	21,386,555	13,758,502
Accrual for 12 May Earthquake rehabilitation and resettlement cost *(Note)*	**150,456**	280,890	—
Other payables and accruals	**1,212,451**	857,231	357,762
	47,113,306	31,676,339	17,695,590

34. TRADE PAYABLES AND OTHER PAYABLES (CONTINUED)

The average credit period for payment of purchases of goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the trade payables is bills payable amounting to RMB3,074,711,000 (2008: RMB2,578,327,000) aged within one year. Included in the other payables is retentions payable to customers for contract works approximately amounted to RMB431,040,000 (2008: RMB272,002,000).

Note : In 2008, the Group received donations amounting to RMB402,405,000 from the general public and the government for the 12 May Earthquake. The Group specifically formed a committee to govern and closely monitor the utilisation of the donations. The committee decided to restrict the usage of the donations to rehabilitation of the disaster area and resettlement of the affected employees of the Group. The balance of RMB150,456,000 (31/12/2008: RMB280,890,000, 1/1/2008: Nil), kept at designated bank accounts of the Group, represents the amount not yet paid at year end.

35. OTHER TAX ASSETS/LIABILITIES

	31/12/2009 ***RMB'000***	31/12/2008 *RMB'000* (Restated)	1/1/2008 *RMB'000* (Restated)
Value added tax input	**1,278,526**	468,361	4,273
Value added tax output	**(390,807)**	(180,473)	(53,551)
Business tax	**(1,667)**	(3,465)	(779)
Property tax	**(486)**	(276)	(7,157)
Stamp duty	**(5,745)**	(4,891)	(5,465)
Education tax	**(10,315)**	(9,360)	(67)
City maintenance tax	**(18,857)**	(5,670)	(781)
Others	**(7,675)**	(10,443)	(6,797)
	842,974	253,783	(70,324)
Analysed for reporting purpose as:			
Other tax asset	**1,278,526**	468,361	4,273
Other tax liabilities	**(435,552)**	(214,578)	(74,597)
	842,974	253,783	(70,324)

36. BORROWINGS

	31/12/2009 RMB'000	31/12/2008 RMB'000 (Restated)	1/1/2008 RMB'000 (Restated)
Secured bill discounted with recourse	**—**	—	398,348
Unsecured bank loans	**1,065,986**	1,411,535	640,000
Secured bank loans	**—**	15,000	—
Unsecured other loans	**16,320**	14,000	10,500
	1,082,306	1,440,535	1,048,848
Carrying amount repayable:			
On demand or within one year	**467,306**	718,215	753,028
More than one year, but not exceeding two years	**365,000**	232,320	295,820
More than two years, but not exceeding five years	**60,000**	300,000	—
More than five years	**190,000**	190,000	—
	1,082,306	1,440,535	1,048,848
Less:			
Amount due within one year shown under current liabilities	**(467,306)**	(718,215)	(753,028)
Amount due after one year	**615,000**	722,320	295,820

At 1 January 2008, the bills discounted with recourse are at fixed rate which carry interest at 5.86% per annum.

As at 31 December 2009, the Group has variable-rate bank borrowings amounting to RMB390,000,000 (2008: RMB490,000,000) which carry interest at benchmark interest rate. Interest is repricing in accordance with People's Bank of China regulatories simultaneously.

As at 31 December 2009, other bank loans are fixed-rate borrowings amounting to RMB675,986,000 (2008: RMB936,535,000) which carry interest at 4.37% (2008: 6.12%) per annum respectively;

As at 31 December 2008, approximately RMB19,280,000 (1/1/2008: RMB18,830,000) property, plant and equipment and RMB19,690,000 (1/1/2008: RMB19,289,000) intangible assets are pledged for the secured bank loans.

As at 31 December 2009, other loans are fixed-rate borrowings which carry interest at 2.55% per annum (31/12/2008: 2.55%, 1/1/2008: 2.55% to 6.39%).

37. PROVISION

	RMB'000
At 1 January 2008	228,378
Provided for the year	182,160
Amount utilised	(77,572)
At 31 December 2008	332,966
Provided for the year	409,360
Amount utilised	(156,871)
At 31 December 2009	585,455

The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for power equipment for two to three years. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials and altered manufacturing processes.

38. DEFERRED INCOME

Deferred income represents non-conditional government grants received for acquisition and improvement of property, plant and equipment.

The deferred income is released to consolidated statement of comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

	31/12/2009 RMB'000	31/12/2008 RMB'000	1/1/2008 RMB'000
At 1 January	**958,815**	898,489	924,141
Additions	**195,779**	371,530	56,620
Release to consolidated statement of comprehensive income	**(195,683)**	(311,204)	(82,272)
At 31 December	**958,911**	958,815	898,489
Analysed for reporting purposes as:			
Current portion	**195,683**	150,316	86,508
Non-current portion	**763,228**	808,499	811,981
	958,911	958,815	898,489

39. SHARE CAPITAL OF THE COMPANY

Authorized, issued and fully paid:	Restricted circulating state-owned domestic shares *'000*	A shares *'000*	H shares *'000*	Total *'000*	Total *RMB'000*
Numbers of shares					
1 January 2008	548,300	98,700	170,000	817,000	817,000
Issued during the year *(a)*	—	65,000	—	65,000	65,000
Transfer *(b)*	(152,722)	152,722	—	—	—
31 December 2008	395,578	316,422	170,000	882,000	882,000
Issued during the year *(c)*	106,407	13,523	—	119,930	119,930
31 December 2009	501,985	329,945	170,000	1,001,930	1,001,930
Share capital					
1 January 2008	548,300	98,700	170,000	817,000	817,000
Issued during the year *(a)*	—	65,000	—	65,000	65,000
Transfer *(b)*	(152,722)	152,722	—	—	—
31 December 2008	395,578	316,422	170,000	882,000	882,000
Issued during the year *(c)*	106,407	13,523	—	119,930	119,930
31 December 2009	501,985	329,945	170,000	1,001,930	1,001,930

The nominal value of the Company's shares amounted to RMB 1.00 each.

Notes:

(a) In order to finance the 31.61% Acquisition and the Group's development, as approved by China Securities Regulatory Commission on 9 September 2008, the Company issued 65,000,000 A shares at RMB20.5 per share. The allocation was made in November 2008 to the existing shareholders of A share. The new shares rank pari passu with the existing shares in all respects.

(b) Approximately 152,722,000 restricted circulating state-owned domestic shares were converted to circulating A shares on 10 March 2008, 6 June 2008 and 4 August 2008 respectively as confirmed by China Securities Regulatory Commission.

(c) The board of directors of the Company approved on 24 April 2009 that the proposed placing of not more than 145,000,000 new A Shares by the Company to not more than ten investors (including DEC) at the placing price of not less than RMB35.09 per A Share. The resolution was passed at the extraordinary general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders held on 25 June 2009. The allocation of 119,930,000 shares was made in November 2009 to the existing shareholders of A shares at RMB42.07 per share. The new shares rank pari passu with the existing shares in all respects.

40. ACQUISITION OF A SUBSIDIARY

On 29 December 2008, the Group acquired 67% of the equity interest of 武漢鍋爐集團核設備製造有限公司 ("Wuhan Nuclear") which was established on 18 November 2008 by way of RMB131,560,000 capital injection to Wuhan Nuclear. This acquisition has been accounted for using the purchase method. The amount of discount on acquisition arising as a result of the acquisition of RMB7,021,000 was recorded in other income.

The net assets acquired in the transaction, and the discount on acquisition arising, were as follows:

	Acquiree's carrying amount and fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	90,684
Construction in progress	27,440
Inventories	6,103
Other receivables	5,198
Bank balances and cash	132,609
Other payable	(53,197)
Borrowings	(2,000)
	206,837
Minority interests	(68,256)
Discount on acquisition (included in other income)	(7,021)
Total consideration satisfied by:	
Cash	131,560
Net cash inflow arising on acquisition:	
Cash consideration paid	(131,560)
Bank balances and cash acquired	132,609
	1,049

There is no contribution from Wuhan Nuclear to the Group's profit and revenue for the year.

If the acquisition had been completed on 1 January 2008, total Group's turnover for the year would have been increased by approximately RMB1,477,000 and profit for the year ended 31 December 2008 would have been decreased by approximately RMB2,267,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

The discount on acquisition is attributable to the ability of the Group in negotiating the agreed terms of the transaction with the vendor.

41. CONTINGENT LIABILITIES

In February 2005, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. and DFHM entered into the Management Contract on Project Construction. Subsequently, the parties had disputes on the payment in respect of the clause "settlement and review compensation awards (結算審核獎勵報酬)" stipulated in the Management Contract and failed to reach an agreement. In February 2009, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. filed an action to the People's Court of Nansha District, requesting DFHM to pay the deferred service fee of RMB360,000, the additional service fee for Phase I improvement project of RMB600,000 and settlement and review compensation awards (結算審核獎勵報酬) RMB6,955,700, totaling RMB7,915,720. As at the date of this financial report, the case is still pending for judgment. The outcome of the litigation is uncertain at this stage. In the opinion of the directors, no provision is required in respect of this litigation.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The investment properties of the Group are expected to generate rental yields of 10.80% (2008: 3.38%) on an ongoing basis. All of the properties held have committed tenants ranging from one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

	2009	2008
	RMB'000	*RMB'000*
Within one year	**1,851**	485
In the second year	**5,078**	131
In the third year	**—**	31
Total	**6,929**	647

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	RMB'000	*RMB'000*
Within one year	**18,360**	15,529
In the second year	**18,360**	375
In the third to fifth year	**55,080**	—
	91,800	15,904

Operating lease payments represent rentals payable by the Group for office premise. Leases are negotiated for one to five years. Rental was fixed at the inception of the lease. No provision for contingent rent and terms of renewal were established in the leases.

43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2009 **RMB'000**	2008 RMB'000
Capital expenditure for the acquisition of:		
Construction in progress		
— contracted for but not provided in the consolidated financial statements	**2,568,082**	2,915,020

44. RETIREMENT BENEFITS PLANS AND HOUSING FUND

The employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. For the year ended 31 December 2009, the retirement benefits scheme contributions made by the Group amounted to RMB216,787,000 (2008: RMB176,617,000).

The Group's full-time employees are entitled to a housing fund. The fund can be used by the employees to purchase housing, or claimed upon their retirement. The Group is required to make annual contributions to the housing fund on 11% of employees' salaries. From 1 February 2005, the contribution rate was changed to 15%. For the year ended 31 December 2009, the housing fund contributions made by the Group amounted to RMB182,434,000 (2008: RMB148,449,000).

In addition, Dongfang Machinery and Dongfang Turbine offered a scheme for early retirement of certain elderly employees before their statutory retirement dates. Under the scheme, the early retired employees are entitled to certain benefits monthly till their statutory retirement dates.

The movements of the expected expenditure to settle such early termination obligation and amount utilised are as follows:

	Termination benefit *RMB'000*
At 1 January 2008	81,445
Additional provision for the year	39,456
Amount paid	(39,668)
At 31 December 2008	81,233
Addition provision for the year	38,416
Amount paid	(34,284)
At 31 December 2009	85,365

44. RETIREMENT BENEFITS PLANS AND HOUSING FUND (CONTINUED)

	31/12/2009 RMB'000	31/12/2008 RMB'000	1/1/2008 RMB'000
Reported as:			
Current liabilities	**4,353**	12,150	16,472
Non-current liabilities	**81,012**	69,083	64,973
	85,365	81,233	81,445

45. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties as disclosed in Notes 1, 2 and 29 respectively, during the year, the Group entered into the following transactions with its related parties:

(a) Transactions with DEC and its subsidiaries and Group's associates and jointly controlled entities:

	2009 RMB'000	2008 RMB'000 (Restated)
Expenditure		
Interest paid and payable	**240,607**	317,553
Purchase of raw materials	**3,091,799**	2,785,543
Purchase of producing facilities	**540,335**	—
Sub-contracting services	**75,880**	1,146,403
Rental expenses	**33,970**	—
Management fee	**29,413**	19,054
	4,012,004	4,268,553
Revenue		
Sales of finished goods	**2,420,069**	3,051,397
Other income		
Provision of power supply	**10,038**	53,114
Interest income	**37,584**	9,412
Rental income	**1,594**	—
	49,216	62,526

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Current accounts with related parties are as follows:

Name of related Company	Related balances	**2009** **RMB'000**	2008 *RMB'000* (Restated)	2007 *RMB'000* (Restated)
DEC and its subsidiaries	Other receivables	**11,582**	48,487	24,101
	Bills receivables	**1,832**	11,000	—
	Other payables	**90,225**	1,023,065	2,888
	Bills payables	**65,500**	102,579	184,347
DEC Finance Company (subsidiary of DEC)	Deposits	**5,925,499**	1,104,626	360,818
Jointly controlled entities	Other receivables	**1,242**	1,302	—
	Other payables	**200**	200	—
	Bills payables	**72,000**	102,500	—

(c) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under DEC, which is controlled by the PRC government. Apart from the transactions with DEC and its subsidiaries disclosed in (a) and (b) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions/balances with other state-controlled entities in the PRC (Continued)

Material transactions/balances with other state-controlled entities are as follows:

	2009 *RMB'000*	2008 *RMB'000* (Restated)
Sales	**28,292,714**	25,222,612
Purchases	**13,357,800**	9,138,456
Amounts due from other state-controlled entities	**11,568,092**	11,304,456
Amounts due to other state-controlled entities	**42,460,188**	39,249,783

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 *RMB'000*	2008 *RMB'000*
Short-term employee benefits	**5,531**	4,972
Post-employment benefits	**166**	312
	5,697	5,284

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

There is no remuneration of directors and supervisors paid by DEC in 2009 and 2008.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place/ country of incorporation or registration/ operation	Class of share held	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
			'000	*Directly*		*Indirectly*				
				2009	2008	**2009**	2008	**2009**	2008	
				%	%	%	%	%	%	
Dongfang Turbines* 東方汽輪機有限公司	PRC	Registered Capital	RMB1,846,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Design, manufacture and sales of turbines
Dongfang Boiler* 東方鍋爐(集團)有限公司	PRC	Registered Capital	RMB401,415	**99.66**	99.66	**–**	–	**99.66**	99.66	Design, manufacture and sales of boiler
Dongfang Machinery* 東電有限	PRC	Registered Capital	RMB2,000,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Sales of thermal power equipment, main hydro power equipment etc.
DFEM Power Equipment* 東電設備工程有限公司	PRC	Registered Capital	RMB42,754	**–**	–	**98.83**	98.83	**98.83**	98.83	Manufacture and sales of AC/DC electrical motors
DFHM* 東方重機	PRC	Registered Capital	RMB542,400	**57.30**	57.30	**–**	–	**57.30**	57.30	Manufacture of components for nuclear island equipment.
DFEM Tooling and Moulding Co., Ltd*. 東電工模具有限公司	PRC	Registered Capital	RMB14,600	**–**	–	**99.32**	99.32	**99.32**	99.32	Manufacture and sales of tools and moulds
DFEM control Equipment Co., Ltd*. 東電控制設備有限公司	PRC	Registered Capital	RMB13,000	**–**	–	**96.15**	96.15	**96.15**	96.15	Manufacture and sales of control equipment of power generators
Shenzhen Dongfang* 深圳東方鍋爐控制有限公司	PRC	Registered Capital	RMB10,000	**–**	–	**51.00**	51.00	**51.00**	51.00	Research and manufacture of power station boiler control system
Chengdu Dongfang KWH Catalysts Co., Ltd* 成都東方凱瑞保化劑有限責任公司	PRC	Registered Capital	EUR22,822	**–**	–	**60.27**	51.00	**60.27**	51.00	Design, manufacture and sales of Selective Catalytic Reduction catalysts
Wuhan Nuclear* 武漢核設設備	PRC	Registered Capital	RMB196,360	**67.00**	67.00	**–**	–	**67.00**	67.00	Design, manufacture and sales of nuclear power equipment
Dongfang India* 東方印度	India	Share capital	Rupees320,000	**100.00**	100.00	**–**	–	**100.00**	100.00	Design, manufacture and sales of power equipment

* The English translation of the subsidiaries is for identification purpose only.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the both years. All the PRC subsidiaries are domestic enterprises.

47. EVENT AFTER THE REPORTING PERIOD

On 15 April 2010, the board of directors proposed the bonus issue to the shareholders on the basis of 10 bonus A shares for every 10 A shares and 10 bonus H shares for every 10 H shares in issue on the record date. The bonus shares will rank pari passu in all respects with the existing A shares and H shares in issue with effect for the record date. Details of this transaction are stated in the announcement of the Company dated 15 April 2010.

48. COMPARATIVE FIGURES

As described in Notes 2, 5A and 5B, the Group had undertaken common control combination during the year and restatement of comparative figures have been made on the consolidated financial statements. Consolidated statement of financial position as at 1 January 2008 has also been presented to conform with the presentation of the current year.

XYZH/2009CDA3032/01

ALL SHAREHOLDERS OF DONGFANG ELECTRIC CORPORATION LIMITED:

We have audited the accompanying financial statements (consolidated and company) of Dongfang Electric Corporation Limited (the "Company"), which comprise the consolidated balance sheets as at 31 December 2009, and the consolidated income statements, and consolidated cash flow statements, and consolidated statement of change in equity for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. OPINION

In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and the results of operations and cash flows of the Company for the year then ended.

ShineWing Certified Public Accountants

Certified Public Accountant, PRC
Guo Dong Chao

Certified Public Accountant, PRC
Liao Ji Ping

Beijing, PRC
15 April 2010

ShineWing Certified Public Accountants Chengdu Branch
Floor 12, Block A, No.1, Hang Kong Road,
Air China Century Center, Chengdu, P. R. China

THE COMPANY'S AND CONSOLIDATED BALANCE SHEETS

At 31 December 2009

	Group		Company	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
	RMB	*RMB*	***RMB***	*RMB*
Assets				
Current Assets:				
Monetary funds	**14,925,127,755.23**	11,928,529,661.20	**6,074,484,094.01**	2,718,569,783.94
Trading financial asset	**4,702,846.35**	173,825.46	**2,478,782.00**	—
Notes receivable	**986,983,300.00**	143,350,254.46	**—**	—
Accounts receivables	**9,896,693,949.65**	9,297,125,696.58	**108,240,966.76**	65,170,334.40
Advances to suppliers	**7,900,632,449.23**	8,511,285,225.63	**7,896,254,126.47**	4,690,695,836.23
Dividend receivables	**—**	—	**131,436,444.73**	—
Interest receivable	**46,689,300.00**	13,681,500.00	**—**	—
Other receivables	**404,424,766.67**	160,045,820.50	**3,689,096,985.77**	516,866,762.56
Inventories	**28,579,424,569.31**	21,860,828,174.25	**610,174,257.45**	38,244,681.21
Other current assets	**—**	—	**60,000,000.00**	—
Total current assets	**62,744,678,936.44**	51,915,020,158.08	**18,572,165,657.19**	8,029,547,398.34
Non-current assets:				
Long term equity investment	**237,692,386.66**	212,375,378.41	**9,219,099,498.93**	9,147,347,829.72
Properties held for investment	**32,402,186.73**	34,041,886.46	**20,665,669.76**	21,693,441.92
Fixed assets	**5,951,753,468.37**	3,388,699,762.82	**7,703,679.72**	5,154,517.02
Construction in progress	**2,526,561,066.14**	1,450,365,892.53	**—**	—
Construction materials	**253,212.26**	250,702.26	**—**	—
Intangible assets	**901,099,985.69**	587,125,273.02	**84,946.25**	10,584.00
Long-term deferred expenses	**271,516.20**	352,971.00	**—**	—
Deferred income tax assets	**636,121,948.08**	490,203,416.42	**2,579,789.24**	989,843.54
Other non-current assets	**—**	239,076,185.80	**—**	—
Total non-current assets	**10,286,155,770.13**	6,402,491,468.72	**9,250,133,583.90**	9,175,196,216.20
Total assets	**73,030,834,706.57**	58,317,511,626.80	**27,822,299,241.09**	17,204,743,614.54

At 31 December 2009

	Group		Company	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
	RMB	*RMB*	***RMB***	*RMB*
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short term loans	**450,985,857.08**	704,214,900.00	**5,518,753,137.08**	107,214,900.00
Trading financial liabilities	**2,909,505.42**	–	**2,909,505.42**	–
Notes payable	**3,074,710,593.44**	2,578,326,227.59	**–**	–
Account payable	**10,850,984,283.17**	7,566,916,564.69	**253,273,180.78**	631,058,537.86
Advances from customers	**43,991,800,338.60**	34,831,625,775.42	**10,095,833,460.96**	5,702,692,903.88
Salaries and wages payable	**399,940,423.42**	362,138,462.40	**14,340,161.27**	13,202,135.96
Taxes payable	**(720,412,091.32)**	(94,734,116.81)	**12,919,986.34**	(15,820,646.44)
Interest payable	**43,137.17**	158,792,490.11	**–**	158,792,490.11
Dividend payable	**2,657,986.67**	406,494.67	**–**	–
Other payable	**1,987,968,200.04**	2,923,268,969.59	**1,492,104,621.73**	2,406,872,906.45
Other current liabilities	**–**	741,164.58	**–**	–
Non-current liabilities within one year	**16,320,000.00**	1,035,976,838.80	**–**	1,021,976,838.80
Total current liabilities	**60,057,908,233.69**	50,067,673,771.04	**17,390,134,053.58**	10,025,990,066.62
Non-current liabilities:				
Long-term borrowings	**615,000,000.00**	722,320,000.00	**1,587,907,355.20**	3,625,907,355.20
Long-term payables	**1,588,592,608.04**	3,626,592,608.04	**–**	–
Special long term payables	**105,000,000.00**	–	**–**	–
Estimated payables	**658,042,803.20**	332,966,104.96	**–**	–
Deferred income tax liabilities	**21,489,762.71**	30,402,751.06	**371,817.30**	–
Other non-current liabilities	**915,456,521.66**	912,338,644.46	**–**	–
Total non-current liabilities	**3,903,581,695.61**	5,624,620,108.52	**1,588,279,172.50**	3,625,907,355.20
TOTAL LIABILITIES	**63,961,489,929.30**	55,692,293,879.56	**18,978,413,226.08**	13,651,897,421.82

The Company's And Consolidated Balance Sheets (Continued)

At 31 December 2009

	Group		Company	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
	RMB	*RMB*	***RMB***	*RMB*
SHAREHOLDERS' EQUITY				
Paid-in capital	**1,001,930,000.00**	882,000,000.00	**1,001,930,000.00**	882,000,000.00
Capital reserve	**6,104,620,981.69**	1,380,473,146.10	**6,157,743,241.06**	1,349,556,013.10
Surplus reserves	**38,056,260.07**	—	**326,419,376.50**	288,363,116.43
Retained earnings	**1,569,418,629.72**	53,451,530.02	**1,357,793,397.45**	1,032,927,063.19
	8,714,025,871.48	2,315,924,676.12	**8,843,886,015.01**	3,552,846,192.72
DIFFERENCE FROM TRANSLATION OF FOREIGN CURRENCY STATEMENT	**(5,278,835.20)**	(7,551,930.79)	**—**	—
	8,708,747,036.28	2,308,372,745.33	**8,843,886,015.01**	3,552,846,192.72
Total equity attributable to the parent				
Minority interests	**360,597,740.99**	316,845,001.91	**—**	—
TOTAL SHAREHOLDERS' EQUITY	**9,069,344,777.27**	2,625,217,747.24	**8,843,886,015.01**	3,552,846,192.72
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**73,030,834,706.57**	58,317,511,626.80	**27,822,299,241.09**	17,204,743,614.54

THE COMPANY'S AND CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2009

Item	Group 2009 RMB	Group 2008 RMB	Company 2009 RMB	Company 2008 RMB
1. Operating Revenue	**33,223,247,119.22**	28,497,242,809.72	**3,507,304,573.48**	973,039,996.20
Less: Operating cost	**27,510,828,696.70**	23,911,238,095.80	**3,347,361,726.84**	902,541,606.43
Business tax and surcharges	**74,649,293.66**	59,611,841.99	**3,289,165.20**	796,310.47
Sales expenses	**788,128,008.73**	466,545,470.85	**21,459,735.09**	11,749,649.95
Administrative expenses	**2,260,884,575.04**	1,750,793,507.24	**113,686,957.77**	92,744,143.74
Financial costs	**135,214,648.69**	228,148,420.86	**224,974,261.34**	265,437,986.83
Loss of assets impairment	**826,639,616.57**	623,462,062.13	**6,661,328.90**	6,598,956.96
Add: Profit from changes in fair value	**1,619,515.47**	(712,078.56)	**(430,723.42)**	–
Investment income	**24,124,067.37**	16,662,968.05	**589,597,341.90**	8,382,967.57
Including: Investment income from associated enterprises and joint ventures	**23,496,020.84**	16,836,028.02	**(12,282,923.16)**	8,382,967.57
2. Operating Profit	**1,652,645,862.67**	1,473,394,300.34	**379,038,016.82**	(298,445,690.61)
Add: Non-operating revenue	**222,191,638.28**	524,147,137.68	**306,455.50**	9,024.65
Less: Non-operating expenditure	**297,466,134.85**	1,986,577,612.48	**–**	5.00
3. Profit before tax	**1,577,371,366.10**	10,963,825.54	**379,344,472.32**	(298,436,670.96)
Less: Income tax fee	**(18,525,786.88)**	(140,191,357.92)	**(1,218,128.40)**	(989,843.54)
4. Net profit	**1,595,897,152.98**	151,155,183.46	**380,562,600.72**	(297,446,827.42)
Net profit attributable to the shareholders of the parent company	**1,571,663,366.16**	152,535,624.25		
Profit and loss attributable to minority shareholders	**24,233,786.82**	(1,380,440.79)		
5. Earnings per share				
Basic earnings per share	**1.76**	0.19		

THE COMPANY'S AND CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2009

Item	Group 2009 RMB	Group 2008 RMB	Company 2009 RMB	Company 2008 RMB
1. CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from sales of goods and rendering services	**44,476,815,394.88**	43,065,264,426.53	**9,035,948,935.72**	5,817,402,906.97
Tax refund	**139,579,371.85**	231,983,870.66	**130,769.23**	–
Other cash receipts relating to operating activities	**581,215,004.96**	1,232,490,111.84	**674,622,167.33**	242,931,551.78
Sub-total of cash inflows from operating activities	**45,197,609,771.69**	44,529,738,409.03	**9,710,701,872.28**	6,060,334,458.75
Cash paid for goods and services	**33,785,285,328.17**	33,310,710,930.66	**9,136,385,810.67**	4,140,367,186.41
Cash paid to and on behalf of employees	**2,521,097,302.66**	2,040,944,606.39	**77,055,478.58**	56,041,257.48
Tax payments	**733,721,976.65**	728,176,643.76	**15,079,616.45**	16,727,311.02
Other cash payments relating to operating activities	**1,612,990,301.07**	1,273,402,329.76	**247,091,589.61**	89,891,967.75
Sub-total of cash outflows from operating activities	**38,653,094,908.55**	37,353,234,510.57	**9,475,612,495.31**	4,303,027,722.66
Net cashflows from operating activities	**6,544,514,863.14**	7,176,503,898.46	**235,089,376.97**	1,757,306,736.09

For the year ended 31 December 2009

Item	Group 2009 RMB	Group 2008 RMB	Company 2009 RMB	Company 2008 RMB
2. CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash received from disposal of investments	**4,595,216.02**	–	**–**	–
Cash received from gains in investment	**6,342,479.50**	7,672,540.91	**470,443,820.33**	–
Net cash received from disposal of fixed assets, intangible assets and other long term assets	**6,843,889.20**	4,961,172.80	**1,198.00**	–
Net cash received from disposal of subsidiaries and associates	**8,016,690.51**	–	**–**	–
Other cash received from activities related to investment	**2,052,339.27**	1,049,106.89	**–**	–
Sub-total of cash inflows from investing activities	**27,850,614.50**	13,682,820.60	**470,445,018.33**	–
Cash paid to acquire fixed assets, intangible assets and other long term assets	**3,685,368,309.83**	2,267,762,038.96	**3,712,911.96**	3,297,903.35
Cash paid to acquire investments	**155,787,400.00**	–	**3,398,317,400.00**	1,759,991,972.98
Other cash paid for activities related to investment	**486,660.78**	383,521.14	**–**	–
Sub-total of cash outflows from investing activities	**3,841,642,370.61**	2,268,145,560.10	**3,402,030,311.96**	1,763,289,876.33
Net cashflows from investment activities	**(3,813,791,756.11)**	(2,254,462,739.50)	**(2,931,585,293.63)**	(1,763,289,876.33)

For the year ended 31 December 2009

Item	Group 2009 RMB	Group 2008 RMB	Company 2009 RMB	Company 2008 RMB
3. CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash received from capital contribution	**5,024,298,035.59**	1,738,812,160.60	**4,999,870,035.59**	1,738,623,146.10
Cash received from borrowing	**1,741,439,419.15**	1,435,000,000.00	**9,400,000,000.00**	–
Other cash received from financing-related activities	**1,019,030,000.00**	402,219.66	**914,030,000.00**	–
Sub-total of cash inflows from financing activities	**7,784,767,454.74**	3,174,214,380.26	**15,313,900,035.59**	1,738,623,146.10
Cash payments of borrowings	**5,635,444,811.32**	760,000,000.00	**7,471,976,838.80**	–
Dividends paid, profit distributed or interest paid	**485,333,561.91**	390,629,057.97	**431,648,434.08**	330,808,673.91
Other cash payment to financing-related activities	**1,355,000,000.00**	–	**1,355,000,000.00**	–
Sub-total of cash outflows from financing activities	**7,475,778,373.23**	1,150,629,057.97	**9,258,625,272.88**	330,808,673.91
Net cashflows from financing activities	**308,989,081.51**	2,023,585,322.29	**6,055,274,762.71**	1,407,814,472.19
4. EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS:	**(2,306,826.04)**	(28,579,822.35)	**(2,864,535.98)**	(21,040,545.77)
5. NET INCREASE IN CASH AND CASH EQUIVALENTS:	**3,037,405,362.50**	6,917,046,658.90	**3,355,914,310.07**	1,380,790,786.18
Add: Cash and cash equivalents at the beginning of the period	**11,788,434,105.76**	4,871,387,446.86	**2,718,569,783.94**	1,337,778,997.76
6. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**14,825,839,468.26**	11,788,434,105.76	**6,074,484,094.01**	2,718,569,783.94

FIVE YEAR'S FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover	**32,754,132**	27,717,160	24,112,338	22,433,762	3,047,858
Profit before taxation	**1,727,443**	329,480	2,623,918	2,753,870	617,201
Income tax credit (charge)	**8,929**	125,580	(346,335)	(324,977)	(82,213)
Profit for the year	**1,736,372**	455,060	2,277,583	2,428,893	534,988
Minority interests	**24,234**	(1,380)	126,893	175,941	290
Profit attributable to					
the owners of the Company	**1,712,138**	456,440	2,150,690	2,252,952	534,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**74,277,556**	58,636,906	37,445,191	32,428,751	9,049,500
Total liabilities	**(65,232,774)**	(56,176,726)	(33,794,931)	(26,590,894)	(6,807,371)
Minority interests	**(360,598)**	(316,845)	(1,024,523)	(886,770)	(232,877)
Net assets	**8,684,184**	2,143,335	2,625,737	4,951,087	2,009,252

DOCUMENTS AVAILABLE FOR INSPECTION

1. Full text and summary of the annual report for 2009 as signed by the Chairman of the Board, the financial controller of the Company and appropriate accounting staff of the Company;

2. Financial statements duly signed and stamped by the Company's Legal Representative, General Accountant and Finance Manager;

3. Originals of the auditor's reports duly signed and sealed by the accounting firms and certified public accountants;

4. Originals of all the documents and announcements of the Company which were published in the newspapers designated by CSRC; and

5. The Articles of Association of the Company.