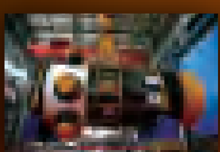
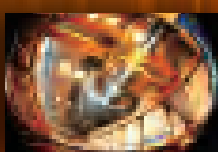
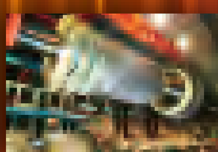
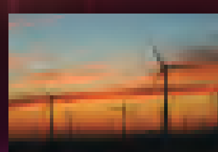
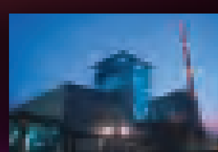
2010
ANNUAL REPORT

東方電氣
DONGFANG ELECTRIC

Dongfang Electric Corporation Limited

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

New base of Dongfang Turbine in Bajiao, Deyang

CONTENTS

CHAIRMAN'S STATEMENT

Mr. Si Zefu, Chairman of the Company

To shareholders,

The year 2010 was the last year of the period covered by the 11th Five-year Plan. During such period, Dongfang Electric Corporation Limited ("the Company") capitalized on developments opportunities arising from the country's construction projects in energy sector, kept on adjusting industrial structure, expanded capacity and enhanced core competitiveness to develop the four core businesses, i.e. high-efficiency clean energy , new energy, water energy and environmental protection, engineering and service industry. With operating results surging to a series of record highs, the Company achieved a sustainable, healthy and steady growth.

During the reporting period, the overburdened production tasks and numerous new products brought material challenges to the Company in capacity allocation, technical preparation and production organisation. The Company spared no efforts to address such challenges and over-fulfilled the production targets for the year. Over the years, the Company's production volume, operating revenue and profit have been increasing year by year. Meanwhile, the adjustment of product mix has achieved remarkable effects, with the percentage of thermal power business in operating revenue decreasing year by year while the percentage of new energy products (such as nuclear power and wind power) in sales rising continuously.

The Company continued to expand market and received effective orders worth of RMB50 billion during the reporting period, which ensured the continuous growth of the Company's orders on hand. The Company has fully entered into the market of nuclear island heavy equipments and conventional island stream turbine generating units for the third generation nuclear power technology (AP100, EPR) project. The Company has signed a batch of contracts for important projects in China such as pumped-storage project, F4 model gas turbine combination circulation heating project and direct-drive wind power project; in overseas market, the Company has signed the turkey contracts for Vietnam Duyen Hai phase 1 coal-fired power station project and Stanari coal-fired power station project in Bosnia and Herzegovina, and a contract for batch supply of direct-drive wind power equipments to India.

As for investment projects, the new base of Dongfang Turbine was completed and put into operation ahead of schedule, which honoured our solemn promise to create a brand-new Dongfang Turbine within two years; the completion of investment projects, such as the new energy base of the Company in Hangzhou and the Seaside Workshop of DFHM, provided stronger guarantee for the Company to maintain favourable production and operation momentum.

During the reporting period, the Company implemented the distribution plan for cash bonus and transfer of capital reserve to share capital to reward the investors by active distribution and increase the scale of share capital, which have far-reaching significance to the Company's long-term development in the capital market. By virtue of its constantly improving comprehensive strengths, the Company was listed as one of the "Asia Fabulous 50" by the Forbes magazine for the first time.

Looking into the future, and confronted with the opportunities and challenges brought by the "Twelfth Five-Year Plan", we are well aware of the great responsibilities on our shoulders when embarking on a new start in the Company's development history. The Company will effectively change the growth pattern, make its principal business (power generating equipment) more specialized and stronger, keep enhancing its capability for independent innovation, allocate internal resources efficiently, continue to improve management skills, pay close attention to the capital markets, build up comprehensive strength and endeavour to develop the Company into a major world-class technical equipment enterprise able to compete in the global marketplace.

Lastly, I'd like to express my gratitude to our investors for their trust and gracious support, to all members of the Board and the Supervisory Committee for their dedication and contribution and to all staff for their diligent work and devotion!

Si Zefu
Chairman

30 March 2011

The Company was awarded as one of "Forbes Asia Fabulous 50"

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. Li Yanmeng
Mr. Zhao Chunjun
Mr. Peng Shaobing

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. Peng Shaobing
Mr. Li Yanmeng
Mr. Zhao Chunjun
Mr. Zhang Xiaolun
Mr. Zhang Jilie

Strategic Development Committee
Mr. Si Zefu
Mr. Wen Shugang
Mr. Zhu Yuanchao
Mr. Li Yanmeng

Remuneration and Nomination Committee
Mr. Li Yanmeng
Mr. Zhao Chunjun
Mr. Si Zefu
Mr. Zhang Xiaolun
Mr. Wen Shugang

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. Huang 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: Computershare Hong Kong Investor Services Limited

Listing place of the Company

A shares:	Shanghai Stock Exchange
Stock name:	東方電氣
Stock code:	600875
H shares:	Stock Exchange of Hong Kong Limited (the "Stock Exchange")
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/

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

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dsb@dongfang.com

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+86 028 87583551

Production of rotor of 1,000 MW generator

Direct drive wind power generator produced by the Company

Pressure cylinder of gas turbine

Runner produced for Three Gorges

(I) MAJOR ACCOUNTING DATA (UNDER THE PRC ACCOUNTING STANDARDS)

Unit: RMB0'000

Item	Amount
Operating profit	275,589.59
Total profit	284,517.87
Net profit attributable to shareholders of the Company	257,697.48
Net profit after non-recurring profit and loss attributable to shareholders of the Company	244,963.58
Net cash flow from operating activities	195,218.47

Mr. Wen Shugang, Executive Director and President of the Company

(II) DIFFERENCES BETWEEN HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS) AND PRC ACCOUNTING STANDARDS

1. Difference between net profit and net assets in the financial reports prepared under HKFRS and PRC Accounting Standards

Unit: RMB0'000

	Net profit		Net asset	
Item	**Amount for current period**	Amount for the previous period	**Closing balance**	Opening balance
Under the PRC Accounting Standards	**257,697.48**	153,866.82	**1,103,875.43**	867,376.96
Under HKFRS	**260,067.00**	167,914.40	**1,103,788.79**	864,920.80

2. Explanation for the differences between HKFRS and PRC Accounting Standards:

The difference was mainly due to the revaluation surplus, government grants and the corresponding deferred income tax of Dongfang Turbine etc.

Nuclear power evaporators manufactured for Ningde of Fujian are being painted for delivery

Nuclear power rotor

The first 1,000MW moisture separator reheater made in China

(III) MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AS AT THE REPORTING PERIOD (UNDER THE PRC ACCOUNTING STANDARDS)

Unit: RMB0'000

		2009			2008	
Major accounting data	**2010**	After adjustment	Before adjustment	Year-on-year increase/ decrease *(%)*	After adjustment	Before adjustment
Operating revenue	**3,808,011.22**	3,322,461.35	3,322,324.71	14.61	2,850,126.98	2,849,724.28
Total profit	**284,517.87**	154,721.90	157,737.14	83.89	-2,787.94	1,096.38
Net profit attributable to shareholders of the Company	**257,697.48**	153,866.82	157,166.34	67.48	12,682.81	15,253.56
Net cash flow from operating activities	**195,218.47**	652,782.10	654,451.49	-70.09	717,650.39	717,650.39

(III) MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AS AT THE REPORTING PERIOD (UNDER THE PRC ACCOUNTING STANDARDS) (CONTINUED)

Unit: RMB0,000 Currency: Renminbi

	At the end of 2010	At the end of 2009		Year-on-year increase/ Decrease *(%)*	At the end of 2008	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Total asset	**8,225,288.85**	7,336,104.58	7,303,083.47	12.12	5,858,790.96	5,831,751.16
Owner's equity (shareholder's equity)	**1,103,875.43**	867,376.96	870,874.70	27.27	263,599.55	230,837.27

Major financial index	2010	2009		Year-on-year increase/ Decrease *(%)*	2008	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Basic earnings per share *(RMB/share)*	**1.29**	0.86	0.88	50	0.08	0.09
Net cash flow from operating activities per share *(RMB/share)*	**0.97**	3.66	3.67	-73.5	4.36	4.36


The first 600MW super-critical boiler of Qinbei Power Plant in the PRC


Stator frame of nuclear power generator

600MW high-pressure heaters to be exported to India

Stator of steam turbine generator of 660MW 60Hz to be exported to Saudi Arabia

(III) MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AS AT THE REPORTING PERIOD (UNDER THE PRC ACCOUNTING STANDARDS) (CONTINUED)

Unit: RMB0,000 Currency: Renminbi

		At the end of 2009			At the end of 2008	
	At the end of 2010	After adjustment	Before adjustment	Year-on-year increase/ Decrease *(%)*	After adjustment	Before adjustment
Net asset per share attributable to shareholders of the Company *(RMB/share)*	**5.51**	4.86	4.88	13.37	1.40	1.40

(I) STRUCTURE OF THE SHARE CAPITAL AS AT 31 DECEMBER 2010

Share Class	Numbers *(shares)*	Percentage
I A share		
1. Dongfang Electric Corporation	997,301,958	49.77%
2. Others	666,558,042	33.26%
II H share	340,000,000	16.97%
Total	2,003,860,000	100%

(II) ISSUE AND LISTING OF SECURITIES

1. Issue of securities during the last three years

Unite: Share Currency: RMB

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	26 November 2008	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 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 non-public offering on 18 November 2009.

(III) INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLER

1. The numbers of shareholders and shareholdings

Unit: share

Total number of shareholders at the end of the reporting period	105,146

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
Dongfang Electric Corporation	State-owned legal person	49.77	997,301,958	495,317,165	119,930,000	Nil
HKSCC Nominees Limited	Overseas legal person	16.88	338,316,897	169,160,298		Unknown
China Construction Bank–China Advantage Growth Stock Fund (中國建設銀行—華夏優勢增長股票型證券投資基金)	Others	1.13	22,572,552			Unknown
Xinhua Life Insurance Company Limited –Dividend–Dividend-018L-FH001 Group Shanghai (新華人壽保險股份有限公司—分紅—團體分紅—018L—FH001滬)	Others	0.95	19,058,126	9,440,752		Unknown
Bosera Value Growth Securities Investment Fund (博時價值增長證券投資基金)	Others	0.94	18,760,518			Unknown
Bank of Communications–Bosera Emerging Growth Fund (交通銀行—博時新興成長股票型證券投資基金)	Others	0.90	17,999,614			Unknown
Minmetals Investment Development Ltd.	State-owned legal person	0.80	16,000,000	8,000,000		Unknown
Agricultural Bank of China–Bank of Communications Schroder Selected Equity Fund (中國農業銀行—交銀施羅德精選股票證券投資基金)	Others	0.55	11,099,718			Unknown
Industrial and Commercial Bank of China–Bosera Selected Equity Fund (中國工商銀行—博時精選股票證券投資基金)	Others	0.50	9,999,768			Unknown
Industrial and Commercial Bank of China–China Universal Growth Focus Stock Fund (中國工商銀行—匯添富成長焦點股票型證券投資基金)	Others	0.46	9,213,257			Unknown

(III) INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLER (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. So far as known to the directors, supervisors and the chief executive of the Company, as at 31 December 2010, shareholders (other than the directors, supervisors 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 and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") 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, were as follows: (Particulars of holders of H Shares holding over 5% of the issued H share capital of the Company)

Name	Types of shareholders	Number of shares held *(shares)**	Percentage to total issued share capital *(%)*	Percentage to total issued H share capital *(%)*
JPMorgan Chase & Co.	H Share	27,437,800(L)	1.37(L)	8.07(L)
		365,200(S)	0.02(S)	0.11(S)
		19,432,800(P)	0.97(P)	5.72(P)
Baring Asset Management Limited	H Share	23,610,000(L)	1.18(L)	6.94(L)
William Blair & Company, LLC	H Share	20,702,700(L)	1.03(L)	6.08(L)
Blackrock, Inc.	H Share	20,362,098(L)	1.02(L)	5.99(L)
		1,022,800(S)	0.05(S)	0.30(S)
Deutsche Bank Aktiengesellschaft	H Share	19,549,300(L)	0.98(L)	5.75(L)
		12,058,188(S)	0.60(S)	3.54(S)
		0(P)	0.00(P)	0.00(P)
The Northern Trust Company (ALA)	H Share	20,676,532(P)	1.03(P)	6.08(P)

* *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.

The first 1,000MW nuclear reactor pressure vessel produced in China

Hoisting and installation of runner produced for Three Gorges

Save as disclosed above, as of 31 December 2010 the directors have not been informed of any person (not being a director, or a supervisor 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 or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO, or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

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 2010, the Company or its subsidiaries had not issued any convertible securities, options, warrants or any other similar rights or redeemable securities.

Rotor of 1,000MW power generator

Rotor of gas turbine

Hoisting and installation of power station boiler

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Particulars of directors, supervisors and senior management as at the end of the reporting period

Currency: RMB
Unit: share

Name	Position	Gender	Age	Commencement of term of office	Expiry of term of office	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Reasons for changes	Total emolument received from the Company in reporting period (RMB0'000) (before tax)	Whether receiving remuneration and allowance from shareholders or other associates
Si Zefu	Chairman, Executive Director	Male	52	28 June 2009	27 June 2012	0	0		59.64	NO
Zhang Xiaolun	Non-executive Director	Male	46	28 June 2009	27 June 2012	0	0		54.04	NO
Wen Shugang	Executive Director and President	Male	48	28 June 2009	27 June 2012	0	0		54.04	NO
Huang Wei	Non-executive Director	Male	45	28 June 2009	27 June 2012	0	0		52.92	NO
Zhu Yuanchao	Executive Director	Male	54	28 June 2009	27 June 2012	0	0		52.92	NO
Zhang Jilie	Non-executive Director	Male	47	28 June 2009	27 June 2012	0	0		51.14	NO
Li Yanmeng	Independent Non-executive Director	Male	66	28 June 2009	27 June 2012	0	0		6.32	NO
Zhao Chunjun	Independent Non-executive Director	Male	69	28 June 2009	27 June 2012	0	0		6.32	NO
Peng Shaobing	Independent Non-executive Director	Male	46	18 June 2010	27 June 2012	0	0		0.00	NO
Wen Bingyou	Chairman of Supervisory Committee	Male	56	28 June 2009	27 June 2012	4,119	8,238	transfer of capital reserve to share capital	0.00	YES
Wen Limin	Supervisor	Male	45	28 June 2009	27 June 2012	0	0		0.00	YES
Wang Congyuan	Supervisor	Male	46	28 June 2009	27 June 2012	0	0		40.34	NO
Zhang Zhiying	Executive Vice President	Male	50	28 June 2009	27 June 2012	0	0		56.50	NO
Han Zhiqiao	Vice President	Male	52	28 June 2009	27 June 2012	1,270	2,540	transfer of capital reserve to share capital	56.37	NO
Gong Dan	Chief Accountant and Secretary to the Board	Male	48	28 June 2009	27 June 2012	1,270	2,540	transfer of capital reserve to share capital	51.85	NO
Chen Huan	Vice President	Male	49	28 June 2009	27 June 2012	0	0		38.77	NO
Gao Feng	Vice President	Male	47	18 June 2010	27 June 2012	0	0		10.09	NO

Note: (1) Mr. Gao Feng was appointed as Vice President of the Company from 18 June 2010. The remuneration he received during the reporting period was the basic annual salary from July to December 2010.

(2) During the reporting period, the deferred performance salaries accumulated from 2007 to 2009 based on appraisal results in the following persons' terms and years of services were paid: Mr. Si Zefu, Mr. Zhang Xiaolun, Mr. Wen Shugang, Mr. Huang Wei, Mr. Zhu Yuanchao, Mr. Zhang Jilie, Mr. Zhang Zhiying, Mr. Han Zhiqiao, Mr. Gong Dan and Mr. Chen Huan. The specific amounts are as follows: RMB583,400 for Mr. Si Zefu, RMB525,100 for Mr. Zhang Xiaolun, RMB525,100 for Mr. Wen Shugang, RMB210,900 for Mr. Huang Wei, RMB513,400 for Mr. Zhu Yuanchao, RMB481,700 for Mr. Zhang Jilie, RMB160,900 for Mr. Zhang Zhiying, RMB171,600 for Mr. Han Zhiqiao, RMB253,600 for Mr. Gong Dan and RMB89,000 for Mr. Chen Huan. The above deferred performance salaries were not included in the disclosed remuneration data.

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

1. Particulars of directors, supervisors and senior management as at the end of the reporting period (Continued)

Notes: (Continued)

(3) As at 31 December 2010, the interests and short positions of the Directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO; or entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") adopted by the Company, were as disclosed above.

(4) Save as disclosed above, as at 31 December 2010, none of the Directors, supervisors or chief executive of the Company had interests and short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO; or entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

2. Biographies of Directors, Supervisors and Senior Management:

Directors

Mr. Si Zefu, aged 52, is currently the Chairman of the Company, deputy secretary of the Party Committee, director and general manager of Dongfang Electric Corporation ("DEC"). 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, factory manager and secretary of the General Party Branch of the foundry 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 Dongfang Electric Machinery Co., Ltd. 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 of Dongfang Electric Machinery Co., Ltd., 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 DEC. He has been vice secretary of the Party Committee, director and general manager of DEC since April 2008. He holds the title of senior engineer.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Directors (Continued)

Mr. Zhang Xiaolun, aged 46, is currently the non-executive director of the Company, deputy secretary of the Party Committee, executive deputy general manager and president of the Party School of DEC. 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 a 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 DEC, 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 DEC 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 DEC. He has been Deputy Secretary to the Party Committee and Vice General Manager of DEC since April 2008. He holds the title of senior engineer.

Mr. Wen Shugang, aged 48, is currently executive director and President of the Company, a member of Party Committee of DEC, and concurrently Chairman of DEC Dongfang Steam Turbine Co. Ltd., DEC Dongfang Electric Machinery Company Limited, Dongfang Boiler Group Co. Ltd., Dongfang Electric (Guangzhou) Heavy Machinery Co. Ltd. and Dongfang Electric (India) Private Limited. Mr. Wen graduated from Xi'an Jiaotong University majoring in Turbo machinery with a bachelor degree of Engineering and a master's degree of Engineering, graduated from Institute of Economics of Renmin University of China majoring in National Economy with a doctor's degree. He joined DEC 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 and General Manager of the Sichuan Dongfang Power Equipment Union Company Limited, and Deputy General Economist, assistant to General Manager of DEC. From August 1996 to July 2000, he had been a member of Party Committee and 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 DEC. From January 2002 to March 2003, he also served as general manager of Engineering Branch of DEC. He has been a member of the Party Committee of DEC since September 2007. He holds the title of Senior Engineer of a professor level of qualification.

Mr. Huang Wei, aged 45, is currently a non-executive director of the Company, a member of the Party Committee and vice general manager of DEC. He also holds concurrent posts as Chairman of DEC International Cooperation Limited. Mr. Huang graduated from Shanghai Jiao Tong University with a bachelor's degree of Ship 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 DEC in January 1989 and had been manager assistant, deputy manager, manager, deputy general manager, and general manager of the thermal power department of Sichuan Dongfang Power Equipment Union Company Limited of DEC. He served as deputy general manager of DEC from July 2000 to February 2007, a member of the Party Committee of the State Nuclear Power Technology Corporation from February 2007 to September 2008. He has been a member of the Party Committee and deputy general manager of DEC since September 2008. He holds the title of Senior Engineer.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Directors (Continued)

Mr. Zhu Yuanchao, aged 54, is currently executive director of the Company, a member of the Party Committee and the deputy general manager of DEC. 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 DFEW 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 Electric 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 DFEW from December 1999 to December 2006. He was appointed as Deputy General Manager of DEC from December 2006 to September 2008. He was a member of the Party Committee of DEC from September 2007 to July 2010 and the senior Vice President of the Company from September 2008 to June 2010. He has been a member of the Party Committee and the deputy general manager of DEC since July 2010. From December 2006 to July 2008, he also served as Chairman of DEC Investment Management Company Limited. Mr. Zhu holds the title of Senior Engineer.

Mr. Zhang Jilie, aged 47, is currently a non-executive director of the Company, chief law consultant and the Head of legal affairs department of DEC, the Chairman of DEC Investment Management Company Limited, the Chairman of DEM Emei Semiconductor Material Co., Ltd., the Chairman of Jiangsu Huachuang Photoelectricity Technology Company Limited (江蘇華創光電科技有限公司) and the Chairman of DEC (Yixing) MAGI Solar Energy Technology Co., Ltd. (東方電氣集團(宜興)邁吉太陽能科技有限公司). 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 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 Electric 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 from August 2008 to December 2010. He has been the Chief Law Consultant and the Head of legal affairs department of DEC since December 2010. He holds the title of Senior Economist and the practicing qualification of corporate law consultant.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Directors (Continued)

Mr. Li Yanmeng, aged 66, has been acting as an independent non-executive director of the Company since 2009, vice director-general of China Electricity Council, vice-chairman of China Energy Research Society and also independent non-executive director of China Coal Energy Company Limited. He graduated from the Department of Electric Power of Wuhan University of Hydraulic and Electrical Engineering majoring in thermal power stations and power engineering. 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 of State Grid Corporation of China.

Mr. Zhao Chunjun, aged 69, has been an independent non-executive director of the Company since 2009. He has acted as a professor of Tsinghua University, and member of Tsinghua University Administrative Affair Committee and Tsinghua University Academic Board. He is also independent non-executive 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 President 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.

Mr. Peng Shaobing, aged 46, has been an independent non-executive director of the Company since 2009. He has held offices at the Southwestern University of Finance and Economics, inter alia, the Dean of the School of Accounting, Professor, Doctor in Economics, Instructor for doctorate students in Accounting and Financial Management courses. Mr. Peng had been the Standing Director of the Accounting Society of China, Education Sub-council, a member of the Education and Training Committee of the Chinese Institute of Certified Public Accountants (CICPA) and Corporate Governance and Internal Measures Consultant to CICPA's Finance Department. Currently, Mr. Peng serves as the Independent non-executive Director of China Railway No.2 Engineering Group, Wuliangye., Chengfa Aeroscience & Technology and Changan Automobile. Mr. Peng attained his Bachelor Degree from Hunan University, College of Finance & Economics, majoring in Accounting with an emphasis in the areas of Industrial Accounting and was awarded a Bachelor Degree in Economics. During his postgraduate career at the Southwestern University of Finance and Economics, Mr. Peng was a research student in the School of Accounting majoring in Accounting and was thereafter, awarded a Masters Degree in Economics. Mr. Peng also attained from the Southwestern University of Finance and Economics, his Doctorate Degree from the School of Accounting and graduated with a PhD in Economics. Since his doctorate graduation in June 1987, Mr. Peng has stayed in the Southwestern University of Finance and Economics in a continuing pursuit of his teaching career until now.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Supervisors

Mr. Wen Bingyou, aged 56, is currently chairman of Supervisory Committee of the Company, a member of the Party Committee, Leader of Disciplinary Team, director, Secretary to the Party Committee of the headquarters of DEC. He graduated obtained his bachelor's degree in engineering 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 Party Committee of the headquarters of DEC since May 2006. He holds the title of Senior Engineer.

Mr. Wen Limin, aged 45, is currently a supervisor of the Company. He is also the Chief Accountant of DEC and Chairman of China Dongfang Electric Corporation Finance Company Limited. He graduated from Beijing Institute of Hydraulic and Electric Power Management where he majored in accounting and obtained a bachelor degree in economics. He obtained an EMBA Degree from South Western University of Finance and Economics. From July 1990 to September 2005, he had acted as accountant of Finance Section of China Gezhouba (Group) Corporation No.9 Engineering Company, Accountant of the Finance Department of 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 DEC as Chief Accountant up to present since September 2005. He has been Chairman of China Dongfang Electric Corporation Finance Company Limited since June 2008. He holds the title of Senior Accountant and holds the Certified Public Accountant Certificate.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Supervisors (Continued)

Mr. Wang Congyuan, aged 46, is currently a supervisor, deputy head of the Audit Division and deputy director of the Office of Supervisory Committee of the Company, and deputy head of Audit Division of DEC, as well as the Chairman of the Supervisory Committee of DEC Dongfang Electric Machinery Company Limited, the Chairman of the Supervisory Committee of DEC Dongfang Steam Turbine Co. Ltd., the Chairman of the Supervisory Committee of Dongfang Boiler Group Company Limited , the Chairman of the Supervisory Committee of DEC (Wuhan) Nuclear Equipment Company Limited, the chief supervisor of China Dongfang Electric Corporation Finance Company Limited., the Chairman of the Supervisory Committee of DEC Dongfeng Electrical Machinery Company Limited, the Chairman of the Supervisory Committee of Dongfang Electric Emei Semiconductor Material Co., Ltd., a supervisor of Dongfang Hitachi (Chengdu) Electric Control Equipments Co., Ltd. (東方日立(成都)電控設備有限公司), a supervisor of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. (東方電氣(廣州)重型機器有限公司)and a supervisor of Dongfang Electric (Leshan) New Energy Equipments Co., Ltd. (東方電氣(樂山)新能源設備有限公司). He graduated from national economy plan and management department of Jilin University and obtained the bachelor's degree in economics. From July 1986 to June 1996, Mr. Wang served as assistant accountant of Dongfang Power Station Complete Equipment Company Limited, assistant accountant and deputy head of Shengdian Construction Department of China Dongfang Electric Corporation. From April 1997 to January 2008, he served as deputy director of Audit Office under Financial Department of China Dongfang Electric Corporation, deputy director of Office of Audit and Supervisory Committee of China Dongfang Electric Corporation. Mr. Wang has been the deputy head of Auditing Department and deputy director of Office of Supervisory Committee of the Company since January 2008. He has been deputy head of the Audit Division of DEC since October 2009. He holds the title of senior accountant.

Senior Management

Mr. Zhang Zhiying, aged 50, is currently an executive vice president of the Company. 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; he had been the Chief Economist of Dongfang Turbine Works from December 1999 to December 2006, a Director and General Manager of DEC Dongfang Steam Turbine Co. Ltd. from December 2006 to October 2007, the vice president of the Company and a Director and the General Manager of DEC Dongfang Steam Turbine Co. Ltd. from October 2007 to June 2010; he has been an executive vice president of the Company since June 2010. He holds the title of Senior Engineer.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Senior Management (Continued)

Mr. Han Zhiqiao, aged 52, is currently a vice president of the Company. He is also the General Manager of the Engineering Branch Company of the Company. He graduated from the faculty of Hydroworks of Xi'an University of Technology and majored in hydroelectric power generating equipment. He attended the MBA course jointly held by Southwest Jiaotong University and University of South Australia and obtained MBA degree. 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 of Dongfang Electric Machinery Company Limited from December 1992 to December 1999, and had been Executive Director and Deputy General Manager, Vice Chairman and General Manager, Director and General Manager of Dongfang Electric Machinery Company Limited from December 1999 to October 2007. He had been Vice President of the Company and Director and General Manager of Dongfang Electric Machinery Company Limited from October 2007 to December 2010. He has been the vice president of the Company and the General Manager of the Engineering Branch Company since December 2010. He holds the title of senior engineer.

Mr. Gong Dan, aged 48, currently acts as chief accountant and secretary to the Board of the Company as well as a director of DEC Dongfang Steam Turbine Co. Ltd., DEC Dongfang Electric Machinery Co.,Ltd. and Dongfang Boiler Group Co. Ltd. He graduated from Department of Mechanics of Hefei Industrial University majoring in casting and obtained a bachelor's degree of Engineering. He attended the postgraduate program in the Department of Economic Management of Sichuan University where he majored in modern economic management. He joined DFEW in 1983 and mainly involved in production technology, corporate management, management of young workers and the running of the organisation department. He had been Deputy Secretary and Secretary to the League Party Committee, Officer of the Young Workers' Office, Head of Organization Department. From December 1999 to October 2007, he also worked as Director, Deputy General Manager and Secretary to the Board of Directors of Dongfang Electric Machinery Company Limited. He has been chief accountant and secretary to the Board of Directors of the Company since October 2007. He holds the title of Senior Engineer and Senior Accountant.

Mr. Chen Huan, aged 49, is currently the vice president of the Company. From 1979 to 1992, he graduated from Beijing University with a bachelor degree in physics, from Beijing University of Technology with a master degree in materials science and engineering, from University of Virginia with a doctor degree in materials science and engineering. Apart from that, he did the material scientific research work in the electron microscope lab of Chinese Academy of Sciences and University of Virginia. From 1993 to 1994, he worked as a postdoctoral researcher in the Center of Materials Development Center at the University of Massachusetts. From 1995 to 2000, Mr. Chen acted as Marketing Manager of Marketing Department, Chief Sales Executive of Sales Department, Business Manager of Foreign Joint Venture Department in Siemens Westinghouse. From 2000 to 2004, he was Vice President (on behalf of the foreign party) in Shanghai Turbine Co., LTD. From 2004 to 2009, Mr. Chen worked as Executive Vice President in Shanghai Electric Power Corporation, and the vice president of Central Research Institute of Shanghai Electric Group Co., Ltd. He joined the Company in April 2009 and acted as the General Manager of Power Station Service Division in the Company from December 2009 to 10 March 2011. He has been the vice president of the Company since June 2009.

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

2. Biographies of Directors, Supervisors and Senior Management: (Continued)

Senior Management (Continued)

Mr. Gao Feng, aged 47, is currently the vice president of the Company, the director of Dongfang Electric (Guangzhou) Heavy Machinery Co. Ltd. and the chairman of DEC (Wuhan) Nuclear Equipment Company Limited. He graduated from Electrical Engineering Department of University of Chongqing where he majored in electric machinery and obtained a bachelor degree of engineering. He obtained a MBA degree from Southwest Jiaotong University majoring in Business Management. He started his carrier in 1984, and held various positions in DFEW such as technician, engineer, Deputy Station Head of Quality Inspection Office from July 1984 to April 1995. Mr. Gao served as Deputy Section Head, Section Head, Deputy General Quality Controller and Deputy Department Head of Dongfang Electric Machinery Company Limited from April 1995 to February 2001. He had been Deputy General Economist of DFEW and General Manager of Dongfang Electrical Appliance Company (東電電器公司). from February 2001 to January 2002, and Assistant to General Manager of Dongfang Electric Machinery Company Limited from January 2002 to November 2002. He had been Executive Director and Deputy General Manager of Dongfang Electric Machinery Company Limited from November 2002 to June 2005, and Assistant to General Manager and General Manager of Nuclear Power Division of Dongfang Electric Corporation from June 2005 to January 2008. He had been Assistant to President and General Manager of Nuclear Power Division of the Company from January 2008 to June 2010, and Vice President of and General Manager of Nuclear Power Division of the Company from June 2010 to December 2010. He has been Vice President of the Company since December 2010. He holds the title of senior engineer.

(2) PARTICULARS OF TENURE OF OFFICE IN SHAREHOLDERS ENTITIES

Name	Name of shareholders entities	Position	Whether received remuneration and allowance
Si Zefu	Dongfang Electric Corporation	Director, general manager and deputy secretary of the Party Committee	No
Zhang Xiaolun	Dongfang Electric Corporation	Executive deputy general manager and deputy secretary of the Party Committee	No
Wen Shugang	Dongfang Electric Corporation	A member of the Party Committee	No
Huang Wei	Dongfang Electric Corporation	Deputy general manager and a member of the Party Committee	No
Zhu Yuanchao	Dongfang Electric Corporation	Deputy general manager and a member of the Party Committee	No
Zhang Jilie	Dongfang Electric Corporation	Chief law consultant and the Head of legal affairs department	No
Wen Bingyou	Dongfang Electric Corporation	Director, Leader of Disciplinary Team of the Party Committee and a member of the Party Committee	Yes
Wen Limin	Dongfang Electric Corporation	Chief Accountant	Yes
Wang Congyuan	Dongfang Electric Corporation	Deputy head of Audit Department	No

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

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

Mr. Peng Shaobing was elected as an additional independent non-executive director of the Company at the annual general meeting of the Company held on 18 June 2010.

The appointment of Mr. Gao Feng as Vice President of the Company and the resignation of Mr. Zhu Yuanchao as senior Vice President of the Company were considered and approved at the tenth meeting of the sixth board of directors of the Company which was held on 18 June 2010.

The resignation of Mr. Wu Huanqi as Vice President of the Company was considered and approved at the fourteenth meeting of the sixth board of directors of the Company which was held on 24 November 2010.

(4) DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")), in which a director or supervisor of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the year.

None of directors or supervisors of the Company, either directly or indirectly, in any forms, entered into or proposed to enter into any contracts, in which they have material interests which are crucial.

(5) DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT MEMBERS' INTERESTS IN SUBSCRIPTION FOR SHARES OR DEBENTURES

At no time during the reporting period 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.

(6) 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).

(7) EMPLOYEES OF THE COMPANY

The number of employees on register	19,990	The number of retired employees whose expenses shall be assumed by the Company	12,433

Structure of employees is as follows:

1. Professional Composition

Category of professional structure	Headcount
Production employees	11,772
Technicians	4,206
Marketing management personnel	505
Financial and audit personnel	451
Administrative management personnel	349

2. Education Background of Employees

Category of education background	Headcount
Master degree and above	742
Bachelor degree	4,895
Tertiary degree	4,721
Technical middle school and below	9,632

(7) EMPLOYEES OF THE COMPANY (CONTINUED)

3. Remuneration and Training of Employees

(1) Overall remuneration management. The Company formulates and implements 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) Employee 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) Employee training management. The Company fully takes advantage of domestic and international resources to conduct rotation trainings on staff. In 2010, the Company selected 450 middle-ranking cadres and reserve cadres to participate in an intensified training for one month and held fourteen training courses for cadres. The Company cooperated with South Western University of Finance and Economics to hold senior training course of financial management and provided a comprehensive training for 32 senior management members in finance and accounting. We organized 20 key management members to go to Hitachi to exchange and learn new technology and modern management methods, jointly held a senior training course on overseas project management with Tianjin University to enhance management knowledge and comprehensive ability of overseas project managers in international engineering projects. According to preliminary statistics, the trainings held by the Group for various talents received over 110,000 attendances, with per capita attendances exceeding 4 times and training hours exceeding 25 hours.

4. Remuneration of Directors

As for the standards relating to the remuneration paid by the Company to its directors, please refer to Note 45 to the financial statements.

(I) CORPORATE GOVERNANCE

The Company is a company listed on the Shanghai Stock Exchange and the 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 Strategic Development Committee, the Audit and Review 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 Work System on the Annual Report of Independent Directors, Schedule of the Audit and Review Committee in Annual Report and the Information Disclosure System for Major Discrepancies of Annual Report. In order to regulate insider information management and strengthen confidentiality of insider information, the Company issued Systems for Registration of Insiders and Management for External User to further maintain openness, fairness and justice of information disclosure of the Company. 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.

For the year ended 31 December 2010, the Company has complied with principles as set out in the Code of Corporate Governance Practices under Appendix 14 of the Listing Rules. The Company has fully complied with all code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

(II) BOARD OF DIRECTORS

1. Assignment of Responsibility

The main responsibility of the Board is to exercise the management decisions in the Company’s development strategy, management structure, investment and finance, plan and financial supervision as authorized at the shareholders’ meeting. The major responsibility of the management is to manage, operate and coordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

The Company’s Chairman and Chief Executive Officer (“CEO”) will be served by different persons 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 daily operation and management.

(II) BOARD OF DIRECTORS (CONTINUED)

2. Composition

The Board is composed of 9 directors, including 3 independent directors. This session of Board 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 Section V headed Directors, Supervisors and Senior Management in this annual report.

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.

Independent non-executive directors of the Company understood the rights and obligations as 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 at general meetings. 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 and Non-executive Directors is expected to last for 3 years, eligible for re-election upon expiry of terms. The independent Non-executive directors shall be persons with no connected relationship with the management staff in the Company and major shareholders, and their term is expected to last for 3 years. Their rotation could not exceed 2 sessions.

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, fulfill 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 regulatory bodies to director and sticks to the principle of strict compliance.

(II) BOARD OF DIRECTORS (CONTINUED)

3. Director (Continued)

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company as set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") under Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that, for the year ended 31 December 2010, all Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

The Company confirmed that it has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines requirements of the Listing Rules and are independent in accordance with the provisions of the guidelines.

4. Meeting of the Board of Directors

In 2010, 9 Board Meetings were convened by the Company to discuss the overall strategy, investment plan, business and financial performance of the Company. The 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.

Attendance of the Board meetings and meetings of each special committee (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
Executive Directors					
Si Zefu	9/9	1/1			1/1
Wen Shugang	7/9	1/1			1/1
Zhu Yuanchao	8/9	1/1			
Non-executive Directors					
Zhang Xiaolun	7/9			2/2	1/1
Huang Wei	8/9				
Zhang Jilie	5/9			2/2	
Independent Non-executive Directors					
Li Yanmeng	8/9	1/1		2/2	1/1
Zhao Chunjun	7/9			1/2	1/1
Peng Shaobing	5/5			1/1	

(II) BOARD OF DIRECTORS (CONTINUED)

4. Meeting of the Board of Directors (Continued)

Note: (1) Mr. Peng Shaobing was elected as an additional independent non-executive director of the sixth Board of the Company on 18 June 2010.

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

(3) Independent non-executive directors did not raise objection to proposals of the Board meetings and the meetings other than Board Meetings for the year.

(III) 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 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 sixth Board comprises independent non-executive director Mr. Zhao Chunjun (Chairman), Mr. Li Yanmeng, Mr. Peng Shaobing, non-executive director Mr. Zhang Xiaolun and Mr. Zhang Jilie.

During 2010, the Audit and Review Committee convened 2 meetings. As for detailed attendances, please refer to the table set out in the section headed "Board meeting" of part VI of this annual report. All the 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.

The main work of the Audit and Review Committee for this year includes: reviewing the Company's annual results and audited financial statements for 2009, nominating ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the auditors of the Company for 2010, debriefing the report on the execution of connected transactions of the Company in 2009, reviewing interim unaudited financial statements for 2010, reviewing interim results report for 2010.

(III) 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 sixth Board comprised Executive Director Mr. Si Zefu (Chairman), Mr. Wen Shugang, Mr. Zhu Yuanchao and Independent non-executive Director Mr. Li Yanmeng.

The Strategic Development Committee held 1 meeting in 2010. For details of the attendance, please refer to the table set out in the section headed "Board meeting" of part VI of this annual report. Main work includes: discussion of the preliminary ideas of the Company on "the Twelfth Five-Year Plan" and etc.

3. Remuneration and Nomination Committee

The main duties of Remuneration and Nomination Committee are:

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

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

The Remuneration and Nomination Committee of the sixth Board comprises Independent Non-executive Director Mr. Li Yanmeng (Chairman), Mr. Zhao Chunjun and Executive Director Mr. Si Zefu, and Mr. Wen Shugang and Non-executive Director Mr. Zhang Xiaolun. Directors of the listed company, especially the president and the chairman, do not relate to one another with respect to finance, business and family, or other material relations.

During 2010, the Remuneration and Nomination Committee convened 1 meeting, For details of the attendance, please refer to the table set out in the section headed "Board meeting" of part VI of this annual report. The committee mainly reviewed the remuneration affairs of the Company's directors, supervisors and senior management disclosed in the Company's annual report for 2009 and assessed the performance of executive directors.

After studying the Company's demands for directors and supervisors, Remuneration and Nomination Committee presents suggestions on any proposed changes and selects and recommends candidates of directors and supervisors based on their working experience, professional knowledge and professional dedication. According to "Working Rules of Remuneration and Nomination Committee" of the Company, it formulates the policy for the nomination of directors and supervisors.

(III) SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

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;

(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 Sixth Board comprised Executive Director Mr. Si Zefu (Chairman), Mr. Wen Shugang and Non-executive Director Mr. Huang Wei, Mr. Zhang Jilie and Independent Non-executive Director Mr. Zhao Chunjun.

(IV) 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 2010, the Supervisory Committee held 4 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.

Attendance of the meetings of the Supervisory Committee (attendance in person/numbers of meetings)

Name	The sixth Supervisory Committee
Wen Bingyou	4/4
Wen Limin	4/4
Wang Congyuan	3/4

(IV) SUPERVISORY SYSTEM (CONTINUED)

2. Supervision and inspection of internal control system of the Company

(1) Establishment of internal control system of the Company

In order to regulate the management and continue to modify and improve various internal control systems, the Company formulated relevant management measures in respect of use of seals, collection of bills, management of letters of guarantee and asset management. In accordance with Cai Kuai [2008] No. 7 Document "Basic Rules for Internal Control of Companies", "Guidelines on Internal Control of the Shanghai Stock Exchange" and "Supporting Guidelines on Internal Control", the Company conducted supervision and inspection on internal control management of the Company through various forms such as regulating procedures for reviewing and issuance of systems, internal audit, conducting identification and assessment of risks. The Company has established filing system for management systems of its subsidiaries and further strengthened supervision on internal control of subsidiaries.

The Board of the Company provides guidance on inspection and supervision of internal control and reviews work report on supervision of internal control submitted by the inspection and supervision department and takes the report as the basis for assessing the operation of internal control. After the end of the reporting period, the inspection and supervision department will submit work report on inspection and supervision of internal control to the Board. The management of the Company attaches great importance to reports and suggestions of each functional department and regulatory institutions, and adopts various measures to timely rectify deviations incurred in the operation of control.

In accordance with requirements of relevant laws and regulations, the Company formulated a series of systems such as Management Measures on Financial and Accounting Reports, Regulations on Accounting Policies and Accounting Estimates, Management Measure on Information Disclosure to define related processes for preparation, submission, analysis and utilization of financial reports, regulate assignment of duties, range of authority and procedures of approval, thus ensuring the mutual separation of incompatible positions including preparation, audit and disclosure of financial reports, and no misrepresentation in and omission from the financial reports of the Company.

(2) Inspection of internal control systems of the Company

In 2010, the Company conducted 30 special audits of internal control in respect of annual work priorities of the Company. For problems identified in audits, the Company proposed suggestions in improvement of management systems, standard of invitation and evaluation of bids, enhancement of asset management and contract management and etc.

Judging from results of the audits, the Company and its major subsidiaries have established internal control systems covering all the business areas, critical control points and risk fields and no material defects of internal control have been found. In accordance with laws and regulations issued by the state, the Company and its subsidiaries constantly improved internal control systems and made strict regulations and control on material events such as corporate investment management, contract management, management of invitation and evaluation of bids. The Company's management is standard and no material violation of regulations and disciplines, which caused material economic loss, has been found.

(IV) SUPERVISORY SYSTEM (CONTINUED)

3. Problems existing in internal control and their rectification

(1) Existing problems

Through self-assessment of the Company's internal control, the Company carefully analyzed and summarized shortages and defects in the establishment of internal control systems and various control activities found in the course of assessment, which mainly include the followings: as the Company continues to expand into new business fields, the Company shall further strengthen its risk management awareness, and build internal control and risk management culture within the Company.

(2) Rectification measures

In line with the changes in external environment and requirements of corporate development planning as well as higher standards for corporate operation, development and management, the Company will, in accordance with the specific requirements of relevant laws and administrative regulations of the state, effectively disseminate the knowledge on internal control to various business links and practically enhance execution ability of corporate internal control. Meanwhile, it will constantly amend and improve internal control systems, strengthen risk management, ensure investment in research and development, and boost proprietary innovation capability, thus securing the sustainable, stable and healthy development of the Company. According to "the Twelfth Five-Year Plan" of the Company, it will further improve the management and control model of parent-subsidiaries and sort out management relationships at each level. Further, the Company will carry out identification and assessment of risks in business areas, improve mechanism and system of internal control and cultivate corporate culture of risk management and internal control of the Company.

(3) Review of the internal control system

The Directors of the Company reviewed the effectiveness of the system of internal control of the Company and its subsidiaries, covering all material controls (including financial, operational and compliance controls and risk management functions).

4. Work plan and implementation scheme for establishment and improvement of internal control system of the Company in 2011

The Company plans to comb and diagnose various aspects such as corporate organization structure, management system, business process, control system based on existing management document system of the Company and by virtue of professional support of intermediaries, timely arrange rectification and improvement in respect of defects in the design of internal control system and differences from "Basic Rules for Internal Control of Companies" and its application guidelines. It will gradually integrate internal control system into its daily operation and management activities and form a permanent mechanism of internal control of the Company through continuous supervision, assessment and rectification in future to ensure its effective operation. Currently, various assignments have been conducted as schedule.

(IV) SUPERVISORY SYSTEM (CONTINUED)

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

In 2010, the Board conducted self-assessment for the Company's internal control and prepared the Self-Assessment Report of Internal Control for 2010. The Board considers that from 1 January of this year to the end of this reporting period, the Company's existing internal control system was basically sound and had covered various levels and links of the operation of the Company and formed a relatively standard management system; its execution was effective, which could prevent and timely find, rectify substantial errors and frauds which may occur in the operation of the Company, protect security and completeness of corporate assets, and ensure the authenticity, accuracy and timeliness of accounting records and accounting information; there did not exist material defects in completeness, reasonability and effectiveness. With the development of the Company, the adjustment in relevant business functions, the changes in external environment and the enhancement of management requirements, internal control still need constant modification and improvement. The Company has not engaged any accounting firms to verify and evaluate the internal control situation of the Company for the year.

6. 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 and SHINEWING (HK) CPA Limited in respect of their annual audit services amounted to RMB1.5 million and RMB 0.8 million respectively. As at the end of the reporting period, each of ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited have provided auditing services for the Company for 2 years, during which ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited have not provided material non-auditing services for the Company.

For the last three financial years before the reporting period, the Company appointed Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the Company's domestic and international auditors respectively to provide annual audit.

7. Acknowledgement of the directors and auditors

All Directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2010.

SHINEWING (HK) CPA Limited, the auditor of the Company, has acknowledged its reporting responsibilities in the Auditor's Report of the financial statements prepared under Hong Kong Financial Standards for the year ended 31 December 2010.

(V) 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.

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 of securities affairs are responsible for information disclosure and receiving 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.

As for information disclosure, in order to enable the investors to understand the Company's operation conditions, the Company made meticulous organization and careful arrangement to strengthen coordination of information disclosure work, analyze and identify keys and difficulties, timely appoint responsible units to resolve such issues and make effective communication with regulatory department. Accordingly, the Company satisfactorily finished the disclosure work as required. In 2010, the Company has made information disclosure for 86 times in mainland China and Hong Kong, covering regular reports, transfer of capital reserve into share capital and temporary announcements. The Company was granted the "2010 Mention Award for Excellent Information Disclosure" by Shanghai Stock Exchange.

(V) SHAREHOLDERS AND OTHER INTERESTED PARTIES (CONTINUED)

3. Information disclosure and investor relation management (Continued)

In investor relation management, the Company organized investors to discuss key issues, analyzed trend of capital market and operation status of the Company and timely kept up with investors' opinions on the Company, so as to make a targeted communication with investors and enhance communication quality. The Company further regulated processes of reception arrangements and made such processes standard and professional. In the past year, the Company received 58 batches of investors on site and organized and convened telephone conferences for over 40 times. In response to the increasing concerns on nuclear power industry in capital market, the Company held the Roadshow and Presentation on Results for the year 2009 in Shenzhen and Hong Kong in April 2010 and organized nearly 100 institution investors and analysts to attend the reverse roadshow held in DFHM, which enabled the value of the Company to be fully recognized by investors. The Company has won the award "Top 100 IR Companies for the 5th Session China Investor Relation".

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 2010.

(I) ANNUAL GENERAL MEETING OF SHAREHOLDERS

Session of Meeting	Date	Newspapers for Publication of Resolutions	Publication Date of Resolution
First meeting	18 June 2010	China Security Journal, Shanghai Securities News, Securities Daily	19 June 2010

(II) EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Session of Meeting	Date	Newspapers for Publication of Resolutions	Publication Date of Resolution
First Meeting	8 September 2010	China Security Journal, Shanghai Securities News, Securities Daily	9 September 2010

(I) MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

(1) Analysis on Overall Operations

The year 2010 was the last year of the period covered by the 11th Five-year Plan. During the period covered by the 11th Five-year Plan, the Company has capitalized on developments opportunities, speeded up the development of its core businesses, and actively promoted the adjustment of its industrial structure to develop the four core businesses, i.e. high-efficiency clean energy (including thermal power complete equipments, nuclear power conventional island equipments and gas turbines), new energy (including wind power, nuclear power nuclear island equipments), water energy and environmental protection (including hydro power complete equipments and environmental protection), engineering and service industry (including engineering projects and power station renovation projects, etc.). The capacity of the power generation equipments has increased from 20,280MW in 2005 to 34,510MW in 2010, with an average annual growth rate of 12.6%. The operating revenue has increased sharply from RMB16.3 billion in 2005 to RMB38.08 billion in 2010, with an average annual growth rate of 19.0%. The Company's profitability has been continuously enhanced and its economic efficiency has been further improved to achieve a sustainable and steady growth.

(2) Operations during the Reporting Period

— **Production targets fully achieved**

In 2010, the Company's power generation equipments have generated electricity totaling 34,511MW, of which 5,440.5MW was generated by 18 hydro-electric turbine generator units, 26,673MW by 48 steam turbine generator units, 2,397.5MW by 1,596 wind power generator units, 20,505MW by 47 power station boilers and 32,844.4MW by 78 power station steam turbines.

— **Remarkable progress in market expansion**

The Company's new effective orders for the year 2010 amounted to approximately RMB50 billion, including US$1.7 billion from exports, which accounted for 22%. Among the new orders, 43% was attributable to high-efficiency clean energy, 25% to new energy, 4% to water energy and environmental protection, and 28% to engineering and service industry. The continuing perfection of the order placing structure has provided a solid basis for further optimization of the Company's business structure. As at 31 December 2010, the Company had orders in hand of more than RMB140 billion, including high-efficiency clean energy (63%), new energy (16%), water energy and environmental protection (10%), and engineering and service industry (11%). Exports accounted for 16% of all of the Company's orders in hand.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(2) Operations during the Reporting Period (Continued)

— **Remarkable progress in market expansion** (Continued)

In the international market, the Company has signed the turnkey contract for the Vietnam Duyen Hai phase 1 coal-fired power station project 2×622MW, which is the largest engineering project to date undertaken by Chinese enterprises in Vietnam in terms of its scale and amount. The Company has signed the turnkey contract for STANARI 1×300MW coal-fired power station project in Bosnia and Herzegovina, which is another milestone in the Company's internationalization progress. The Company has signed the supply contract with KSK of India to supply 166 sets of 1.5MW direct drive wind power equipment (the contract of Bosnia and Herzegovina and the contract for KSK of India have not been included in the new orders effective in 2010), thus realizing the first batch exports of wind power equipments.

In the domestic market, the Company has fully entered into the market of nuclear island main equipments and conventional island stream turbine generating units for the third generation nuclear power technology (AP1000, EPR) project. The Company has won the bid for the 4×300MW pumped-storage power project in Xianyou, Fujian, which brought an end to the long-term monopoly of foreign companies in the research and development of pumped-storage power generation equipments. The Company has successfully launched the F4 model gas turbine with high power and high efficiency, which has enabled the Company to win the bid for the gas turbine combination circulation heating project in Gaobeidian, Beijing. In addition, the newly launched direct drive wind turbine generating units have gradually won recognition from users.

— **Steady Progress in Nuclear Power**

In 2010, the Company has continued to promote the nuclear safety culture construction by strengthening relevant trainings, holding feedback meetings on Ling'ao (Phase II) project experiences, building a common platform for sharing experiences of the Group, and has ensured the smooth progress of batch production of the Company's nuclear power equipments. The manufacture of EPR nuclear island equipments and conventional island stream turbine generating units in Taishan has proceeded smoothly. The preliminary production technology preparations for projects such as AP 1000 Haiyang have progressed as scheduled. Nuclear island equipments and conventional island stream turbine generating units in projects such as Hongyanhe, Ningde, Fangjiashan, Fuqing and Yangjiang has reached their peak production period. The Company has made new achievements in the development of nuclear power markets. Upon successfully entering into the field of the third generation nuclear power technology (AP 1000, EPR) nuclear island main equipments, the Company has secured the supply contract for two stream turbine generating units of the AP 1000 project and become the only power generation equipment manufacturer in the world which has undertaken the manufacture of the AP 1000, EPR nuclear island main equipments and conventional island stream turbine generating units at the same time.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(2) Operations during the Reporting Period (Continued)

— **Steady Progress in Nuclear Power** (Continued)

In 2010, the Company has improved its support for field installation services and ensured the early realization of commercial operation of No.1 equipment of Phase II of Ling'ao project on 20 September 2010. This was another milestone in China's nuclear power development history. The Company's utilization of localized equipments has laid a solid foundation for China's millions KW nuclear power stations to realize the idea of "independent design, independent manufacture, independent construction and independent operation".

In 2010, the Company has further strengthened the cultivation of the nuclear equipment design capability, and established the nuclear equipment design institute. Dongfang (Guangzhou) Heavy Machinery Co., Ltd (東方(廣州)重機公司), Dongfang (Wuhan) Nuclear Equipment Co., Ltd(東方(武漢)核武公司)and Dongfang Turbine Co., Ltd (東方汽輪機公司)have successively obtained manufacture licenses issued by the National Nuclear Safety Administration, symbolizing the Company's capability of supplying complete sets of nuclear island main equipments (reactor pressure vessels, steam generators, main pumps, reactor internals, control rod drive mechanism and pressure stablisers, etc.).

— **Technology Accelerated the Structural Adjustment**

Projects for the development of key products have progressed smoothly. The Company has independently researched and developed the super-critical 600MW CFB, ultra-super-critical 1000MW directly air-cooled power units and 60HZ660MW large thermal power generating units. The hydro power development and model tests of 75MW super-large bulb turbine units in Gerry, Brazil and large 300MW pumped-storage power units in Xianyou, Fujian have successfully passed for the owner's acceptance on the international neutral platform, and their comprehensive hydro power performance indicators have reached the international advanced level. The 1.5MW direct drive wind power generating units and 2MW variable-speed pitch-regulated double-fed constancy frequency wind power generating units with proprietary intellectual property rights owned by the Company were successively incorporated into the grid.

The construction of the key laboratories has been accelerated. The construction of experiment platform for turbine core technology of an international advanced level by the Company has smoothly passed for acceptance by the State. The Company has accelerated the construction of a series of key infrastructure laboratories, such as the test centre for "clean and high-efficiency combustion technology" and the "research and development platform for nuclear island heavy equipment technology", etc.

Technological innovation consecutively won awards. The project of "ultra-super-critical 1000MW thermal power large equipment research and development and industrialization" has won the second class award of the National Prize for Progress in Science and Technology. The project of "300MW CFB boiler demonstration engineering and localization" has won the third class award of the National Prize for Technological Progress in Energy given by the National Energy Bureau.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(2) Operations during the Reporting Period (Continued)

– **Technology Accelerated the Structural Adjustment** (Continued)

The adjustment of product structure resulted in early effectiveness. The smooth development and research on new energy and new technology by the Company have laid a solid foundation for the Company's adjustment of its product structure. Of the income generated from operations in 2010, high-efficiency energy has accounted for 54.23%, new energy for 25.31%, water energy and environmental protection for 7.87%, and engineering and service industry for 12.59%. The sales share of new energy products such as nuclear power and wind power has increased continually, demonstrating that the Company's intensified development of renewable energies in recent years and active adjustment of product structure have resulted in early effectiveness.

– **Investments Went Smoothly**

The new base of Dongfang Turbine（東方汽輪機公司）was completed and put into operation as scheduled. Near the second anniversary of 5.12 Wenchuan earthquake, the new base of Dongfang Turbine（東方汽輪機公司）in Deyang was completed and put into operation on 10 May 2010. The new energy base of the Company in Hangzhou, and the combined construction of Phase III project of DFHM（東方重機公司）in Haikou base and two plants were completed and put into operation. The expansion project of Dongfang Boiler（東方鍋爐廠）in Deyang base was completed and put into operation. The production lines for the capacity expansion and technological innovation project (Phase II) of Dongfang KWH（東方凱特瑞）(Phase II) was put into full operation. The investment projects of major fixed assets were completed successively, which would greatly improve the Company's productivity and efficiency, solve the production bottleneck problems and provide an effective guarantee for the Company to maintain good production and operation.

– **Capital Market Improved the Brand Image**

During the Reporting Period, the Company has implemented the distribution scheme of cash bonus and the transfer of capital reserve to additional share capital, so as to provide returns to investors by active distribution and increase the scale of its share capital. These have profound positive effects on the Company's long term development in the capital market. The Company has paid more attention to investor relationship management and achieved significant progress in information disclosure. The Company has won the "Outstanding Award Nomination for Information Disclosure of the year 2010" given by the Shanghai Stock Exchange. By virtue of its constantly improving comprehensive strengths, the Company was listed as one of the "Top 50 Listed Companies in Asia" by the Forbes magazine for the first time.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during 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: RMB0'000

Operation Indicator	Reporting Period	Reporting Period of Last Year	Increasing Percentage
Prepared in accordance with PRC Accounting Standards for Business Enterprises			
Operating Revenue	3,808,011.22	3,322,461.35	14.61
Net Profit Attributable to Shareholders of the Company	257,697.48	153,866.82	67.48
Profit Per Share *(RMB)*	1.29	0.86	50
Profit Per Share after Extraordinary Items *(RMB)*	1.22	0.91	34.07
Prepared in Accordance with Hong Kong Financial Standards			
Operating Revenue	3,760,383.20	3,277,475.00	14.73
Profit attributable to shareholders after taxation and minority interests	260,067.00	167,914.40	54.88
Earnings Per Share *(RMB)*	1.298	0.937	38.53

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

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

— **Main Business Revenues and Profit Variation Analysis during the Reporting Period** (Continued)

In 2010, the Company achieved the operating revenue of RMB38.08 billion, with a year-on-year rise of 14.61%, mainly due to the continuous increase in sales revenue of new energy products including wind power and nuclear power as well as substantial increase in sales revenue of construction and services. Thanks to the adjustment of the Company's product mix and actual effect in cost reduction and efficiency increase, the gross profit margin for the Company's major operations increased from 17.00% to 19.93%, up 2.93 percentage points.

— **Principal Operations by Industry and Product**

Unit: RMB '00 million

Industry/ Product	Operating Revenue	Operating Cost	Operating Profit Margin (%)	Year-on-year Increase/ Decrease in Operating Revenue (%)	Year-on-year Increase/ Decrease in Operating Cost (%)	Year-on-year Increase/ Decrease in Operating Profit Margin (percentage point)
By Industry						
Machinery Fabrication	376.04	301.10	19.93	14.73	10.68	2.93
By Product						
Clean High-efficiency Power Generating Equipments	203.94	165.57	18.81	-2.70	-4.56	1.58
New Energy	95.18	74.40	21.83	25.55	19.45	3.99
Water Energy and Environmental Equipments	29.58	24.41	17.48	-8.87	-14.97	5.92
Engineering and Service	47.34	36.72	22.43	379.54	385.49	-0.95

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

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

– **Main Customers and Suppliers**

Unit: RMB '00 million

Item	Total amount for Top 5	Percentage in total amount for the year *(%)*
Sales Customers	84.40	22.16
Suppliers	34.52	10.47

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

(4) Financial Analysis (Under Hong Kong Financial Reporting Standards)

1. Financial Status

As at 31 December 2010, the current assets of the Company amounted to RMB69,669,923,000 (2009: RMB64,119,096,000). Items with relatively more significant changes from 2009 and the reasons are as follows: (1) Amounts due from customers for contract works were RMB2,439,680,000 (2009: RMB1,575,806,000), up 54.82% over 2009, which was mainly due to the remarkable growth of income from items such as new nuclear energy, 1,000MW clean high-efficiency power generating equipments and projects; and (2) inventories amounted to RMB32,187,434,000 (2009: RMB27,156,484,000), up 18.53% over 2009, which was mainly due to the continuous growth in the Company's output of new energy products such as wind power and nuclear power and the Company's further increase in its scale of production by the end of 2010.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(4) Financial Analysis (Under Hong Kong Financial Reporting Standards) (Continued)

1. Financial Status (Continued)

As at 31 December 2010, the non-current assets of the Company amounted to RMB12,765,799,000 (2009: RMB10,488,672,000). Items with relatively more significant changes from 2009 and the reasons are as follows: construction in progress amounted to RMB1,492,828,000 (December 2009: RMB2,528,680,000), which was down 40.96% over the beginning of the year; property, plant and equipment amounted to RMB8,861,751,000 (December 2009: RMB6,122,194,000), which was mainly due to the Company's re-categorisation of such items from being construction in progress to fixed assets upon the completion of post-disaster reconstruction project of Dongfang Turbine (東方汽輪機公司) and the completion of Phase III Project of DFHM (東方重機公司), and the successive completion of the Company's new energy base construction projects.

As at 31 December 2010, the total liabilities of the Company amounted to RMB70,652,206,000 (2009: RMB65,580,780,000). Items with relatively more significant changes from 2009 and the reasons are as follows:(1)trade and other payables amounted to RMB54,113,142,000 (2009: RMB47,179,970,000), which was up 14.70% over 2009, which was mainly attributable to the more payables due to suppliers for surging production raw material purchases resulted from a tight production schedule of the Company; (2) amounts due to associates amounted to RMB2,828,732,000 (2009: RMB5,504,908,000), down 48.61% from 2009, which was mainly due to the settlement by the Company of the outstanding consideration for acquisition of equity interests from controlling shareholders during the Reporting Period; and (3) the liabilities of the Company was estimated to be RMB781,890,000 (2009: RMB591,695,000), up 32.14% over 2009, which was mainly due to the further increase in provisions for product quality margin by the Company with the continuous growth of sales income of the Company.

During the Reporting Period, profit attributable to shareholders of the Company has increased by RMB921,526,000 from 2009, which was mainly attributable to the continuous growth of sales income from new energy products such as wind power and nuclear power, the significant rise in income from projects and service sales, the Company's product structure adjustment and the effective efforts in reducing cost and increasing efficiency.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(4) Financial Analysis (Under Hong Kong Financial Reporting Standards) (Continued)

2. Cash Flow

As at 31 December 2010, the amount of cash and cash equivalents of the Company recorded a net decrease of RMB1,037,691,000 from 2009. The decrease was mainly attributable to the increase in expenses of the purchase business corresponding to the expansion in production and operation, leading to a decrease in the amount of net cash generated from operating activities by RMB1,946,421,000 or 37.51% from 2009; in addition, the amount of net cash used for investing activities has dropped by RMB1,338,525,000 or 33% from 2009. This was mainly attributable to the decrease in cash payment for investing activities of the Company with the successive completion of the post-disaster reconstruction projects and fund raising projects; the amount of net cash generated from financing activities has decreased by RMB3,527,308,000 or 158% from 2009. This was mainly due to the rise in cash flow from financing activities resulting from the proceeds of approximately RMB5 billion raised by the Company from the non-public additional issue of A shares in 2009.

3. Borrowings

As at 31 December 2010, the Company had bank borrowings of RMB2,366,320,000 due within one year, and RMB275,808,000 due in more than one year. Loans, cash and cash equivalents held by the Company are all denominated in Renminbi. The Company has maintained a sound financing capacity due to its healthy credit status and future sustainable profitability.

4. Gearing Ratio

As at the end of 2010, the gearing ratio of the Company was 85.71%, representing a decrease of 2.19 percentage points from 87.90% as at the end of 2009. The decrease was mainly attributable to the continuous accumulation of owners' interests thanks to the good sustainable profit level maintained in 2010 by the Company.

5. During the Reporting Period, the Company has not pledged any asset.

6. Risk in Exchange Rate Fluctuation and any related Hedging

In 2010, the global foreign exchange market was stable. The fluctuations in exchange rates of Reminbi against US dollar and Euro were 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 a wider and deeper global presence of the Company, Renminbi exchange rate has become a more important and influential element in the Company's business. Given the complicated and volatile international financial situations and the Company's actual operation, the Company has proactively adopted financial leverage instruments including forward exchange settlement in its international projects in 2010 to limit the risks arising from exchange rate fluctuations.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(4) Financial Analysis (Under Hong Kong Financial Reporting Standards) (Continued)

7. Contingent Liabilities

(1) The case concerning project settlement with 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)

In February 2005, DFHM (東方重機公司) and 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) entered into the Management Contract on Construction Project. The parties failed to reach a consensus on the payment in respect of the "settlement and review compensation rewards(結算審核獎勵報酬)" stipulated in the Management Contract on Construction Project. In February 2009, 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) filed an action to the People's Court of Nansha District, requesting DFHM (東方重機公司) to pay the service fee for deferred work of RMB360,000, the additional service fee for Phase I improvement project of RMB600,000 and settlement and review compensation rewards(結算審核獎勵報酬)of RMB6,955,700, totaling RMB7,915,720. As at the publishing date of this financial report, the case is still pending for judgment.

(2) The case concerning the contract dispute with Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司)

In May 2005, Donguo Joint Stock Company (東鍋股份公司) entered into a contract with Zigong Dongfang Color Steel Structure Co., Ltd.(自貢市東方彩鋼結構有限公司) for the color steel project for roofs of some workshops. Zigong Dongfang Color Steel Structure Co., Ltd.(自貢市東方彩鋼結構有限公司) subcontracted, without permission, the project to Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司), which further subcontracted the project to Deyang Runxin Color Steel Co., Ltd. (德陽潤鑫彩鋼有限公司). Disputes in relation to deduction of construction cost arose between the contract-issuing party (subcontract-issuing party) and the contractor (subcontractor) due to low construction quality.

In August 2010, Dongguo Joint Stock Company (東鍋股份公司) received an indictment issued by Intermidiate People's Court of Zigong City in relation to the contract dispute case of Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司) versus Deyang Runxin Color Steel Co., Ltd. (德陽潤鑫彩鋼有限公司). Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司) claimed RMB2,588,200 for contract loss from Deyang Runxin Color Steel Co., Ltd. (德陽潤鑫彩鋼有限公司). In this case, Dongguo Joint Stock Company (東鍋股份公司) was regarded as the third person. Currently, no hearing has been held for this case.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

(4) Financial Analysis (Under Hong Kong Financial Reporting Standards) (Continued)

7. Contingent Liabilities (Continued)

(3) Arbitration over technology disputes with US-based Foster Wheeler

In March 1994, DEC, Dongfang Boiler Factory（東方鍋爐廠）and US-based Foster Wheeler entered into a licensing agreement, whereby DEC and Dongfang Boiler Factory（東方鍋爐廠）imported from Foster Wheeler the technology for 50MW and 100MW non-reheat loop fluidized-bed boilers. In January 1999, Dongfang Boiler Factory（東方鍋爐廠）transferred its rights and obligations stipulated under the licensing agreement to Dongguo Joint Stock Company（東鍋股份公司）.

In January 2009, Foster Wheeler filed an arbitration claim with the Chamber of Commerce of Stockholm, Sweden against DEC, Dongfang Boiler Factory（東方鍋爐廠）and Dongguo Joint Stock Company（東鍋股份公司）as respondents. Foster Wheeler alleged that DEC, Dongfang Boiler Factory（東方鍋爐廠）and Dongguo Joint Stock Company（東鍋股份公司）have used its technology on 135MW and 300MW boilers in violation of provisions of the licensing agreement, and claimed compensation for its losses. DEC has submitted a statement of defense to the Chamber of Commerce of Stockholm, Sweden. It is expected that hearings will be held for this case in 2011.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Operation Review during the Reporting Period (Continued)

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

Unit: RMB '00 million

Name of Company	Equity Interest	Main Products or Services	Registered Capital	Total Assets	Net Assets	Operating Revenue	Operating Profit	Net Profit
DEC 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	462.09	31.44	155.12	8.15	8.08
DEC 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.	20.00	137.54	34.20	63.49	5.21	5.89
Dongfang Boiler (Group), Inc	99.67%	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.)	16.06	167.47	36.40	110.28	7.67	6.76
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co. Ltd.	65.1813%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; Projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	41.30	11.79	21.32	2.04	1.72

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year

(1) Industry growth trends and market outlook

The year 2011 is the first year of the period covered by the 12th Five-Year Plan, the implementation of which will instill new energy into the economic development. The State will accelerate the shift of economic development mode, and launch new energy plannings and strategic plans for emerging industries to push forward the development of industries relating to new energy, clean energy and energy-saving and emission reduction. In the domestic market, the demand for electricity and installed power generators will continue to rise. However, there will be more significant changes in the structure of installed power generators. In addition, there will be a rapid increase in the capacity of installed hydro power generators. The installed capacity of nuclear power generators will continue to increase on safety basis. The demand for wind power will maintain at a relatively rapid increase. But there will be more keen market competitions. The demand for traditional thermal power will tend to be more rational. These will serve as good opportunities for the Company to optimize its product structure, expand its market share of new energy products and improve its comprehensive competitiveness. Even though the demand from overseas market is picking up gradually, the disordered competition problems of domestic power equipment enterprises in overseas markets will become stark, which will bring opportunities as well as challenges to the Company in expanding overseas markets.

(2) Business growth plan for 2011

In 2011, the Company will make a good start at its operation by taking advantage of the 12th Five-Year Plan so as to reach a new level in its operation and development and further increase its sales revenue. The Company plans that the total amount of production of completed power generation equipments will be 38,000 MW. In order to achieve its business targets, the Company intends to adopt the following strategies:

— **Overall planning for market expansion**

Strengthening market planning and strategic deployment. Strengthening preliminary market research and analysis and improving the planning, operation and control of marketing. Strengthening the marketing and promotion of new products such as pumped storage power, high parameter ultra-super critical thermal power, IGCC, and offshore wind power. Making effective use of market resources, continuing to develop new products and the market of power station services and to steadily increase its market shares.

Actively explore overseas markets by consolidating and stabilizing the market shares in India, intensifying the development of new markets in Europe, Middle East and South America. The Company will progressively enter the high and middle-end market and expand the market penetration and coverage of the Company's products. The Company will actively explore the highly potential service market of complete renovation of overseas power stations.

(I) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year (Continued)

(2) Business growth plan for 2011 (Continued)

— **To promote quality improvement continuously**

In 2011, the Company will focus on shaping a good quality culture, and promoting the quality management principle of nuclear power, "safety first and quality first" in the Group. The Company will also promote the principle of "Everything is guided; everything is documented; everything is accountable and everything is supervised" in all works to enhance the quality awareness of all staff, so as to further implement the quality responsibility system, to improve and perfect the construction of quality assurance system and to emphasize the quality control throughout the production and operation processes. The Company will especially focus on the comprehensive quality control in overseas projects such as Rabigh thermal power project in Saudi Arabia, Duyen Hai I 2×600MW Project in Vietnam and Jerry Project in Brazil to ensure a stable quality in project construction, products and equipments.

— **To improve the strength through technological innovation**

The Company will further tackle key problems in design and manufacturing technology. The Company will optimize and improve the product performance indicators and localization levels based on the research and development of key products such as 1000 MW ultra-super critical units, 600 MW CFB boiler, 60 HZ large-capacity thermal power units, large pumped storage power units, large tubular turbine units, heavy duty gas turbine and wind power of 3 to 5 MW power. The Company will further accelerate technological breakthroughs in rotor welding technology of nuclear power and control rod drive mechanism manufacturing technology. At the same time, the Company will speed up the improvement of manufacturing technology on F4 gas turbine and critical components of megawatts nuclear suite to achieve localization and batch production. The Company will push ahead the construction of research and test facilities. The Company will accelerate the innovation of nuclear power technology, speed up the development of new energy technologies such as IGCC and the tidal power, as well as their reserves, thereby laying a solid foundation for the Company's further development.

— **To ensure timely delivery with scientific production schedule**

In 2011, the Company's production of power generation equipments will further increase. The output frequency of nuclear power products will be higher and there will be more new products and key products, which will bring great pressure and challenges to the Company in respect of the preparation of raw materials, technologies and supply chain management. The Company will strengthen the contractual awareness of all staff and improve the effectiveness of its project management. The Company will strengthen the production of key equipments and the control of key procedures, and make the most of internal and external resources to ensure timely delivery of key products. The Company will reinforce supply chain management to control resources effectively. The Company will also improve the management of project progress, cost, quality and safety, and enhance the project budget management. In addition, the Company will improve and enhance the management of construction subcontracts to ensure the achievement of project construction period objectives and batch production of nuclear power.

(2) INVESTMENT DURING THE REPORTING PERIOD

1. Use of Proceeds

Unit: RMB0'000

Year	Method for raising capital	Total amount of the proceeds	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	474,229.38	474,229.38	25,757.72	The remaining proceeds are deposited in special account for the projects funded by proceeds
2008	Public issuance of new shares	129,734.60	111,255.99	111,255.99	18,478.61	The remaining proceeds are deposited in special account for the projects funded by proceeds

2. Projects unrelated to Raised Proceeds

Unit: RMB0'000

No.	Name of project	Major content of the project	Total investment	Unit in charge	Accumulatively completed investment as of December
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.	48,180	Dongfang Electrical Machinery Company Limited	42,282
2	DEC (Wuhan) Nuclear Equipment Company Limited Expansion Project	Acquisition of approximately 74 acres of land and completion of new plants, office buildings. Addition of certain key equipment. Annual production capacity of 4 inner reactor component sets.	44,165	DEC (Wuhan) Nuclear Equipment Company Limited	16,618.39
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 56,640m^2.	90,201	Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	53,132

(3) SUBSTANTIAL CONTRACTS

There is no contract of significance for the provision of services to the Company (or its subsidiaries) by the controlling shareholder of the Company (or its subsidiaries).

There is no contract of significance between the Company (or any of its subsidiaries) and its controlling shareholder (as defined in Appendix XVI of the Listing Rules) (or its subsidiaries).

No contracts (other than service contracts with any Director, supervisor or fulltime employees of the Company), pursuant to which any persons, firms or corporate assume the management and administration of the whole or any substantial part of the business of the Company, were entered into or existed during or at the end of the year.

No contracts, to which the Company, its subsidiary or controlling company, or subsidiary of the controlling company of the Company, is a party, and in which, a Director or supervisor of the Company, either directly or indirectly, in any forms, had material interests at any time during the year, existed during or at the end of the year(In any case as mentioned above, the Directors or supervisors of the Company are of the opinion that the contract has material relations with the Company's business and the material relations that relevant Directors and supervisors have in the contract are or had been crucial).The contracts referred herein do not include the service contract of a Director or supervisor of the Company or the contract entered into between the Company and an enterprise, in which the Director or supervisor of the Company had material relations due to their concurrently holding position as director and supervisor at the enterprise.

At no time during or at the end of the year was the Company, its subsidiary or controlling company, or subsidiary of the controlling company of the Company, a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate.

(4) CHARITY DONATION

The Company has donated a total of RMB4 million to the people in Haiti suffered from the disaster of earthquake and Qingping Village suffered from the disaster of large debris flow.

(5) PROFIT DISTRIBUTION PLAN FOR THE YEAR

As audited by ShineWing Certified Public Accountants in accordance with PRC Accounting Standards , the Company achieved a consolidated net profit of RMB2,676,014,395.07 (including RMB2,576,974,795.23 of net profit attributable to shareholders of the Company) in 2010 and the Company achieved a net profit of RMB1,138,864,544.52. According to the Articles of Association of the Company, the distribution plan of profit after taxation in 2010 is presented as follows: to appropriate 10% of the profit after taxation of the Company amounting to RMB113,886,454.45 to the statutory surplus reserve; to distribute a cash dividend of RMB1.3 (tax inclusive) per 10 shares, totaling RMB260,501,800.00. The remaining retained earnings are carried forward to 2011.

(6) CASH DIVIDENDS OF THE COMPANY FOR THE LATEST THREE YEARS

Unit:RMB

The year of cash dividends	The amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statements of the years of cash dividends	The percentage in net profit attributable to shareholders of the Company in the consolidated statements *(%)*
2009	160,308,800.00	1,571,663,366.16	10.20
2008	17,640,000.00	176,000,000	10.02
2007	196,080,000.00	1,989,855,973.51	9.85

(7) DURING THE REPORTING PERIOD, INSIDERS OF THE COMPANY HAVE NOT USED INSIDER INFORMATION IN TRADING IN SHARES OF THE COMPANY BEFORE THE DISCLOSURE OF MATERIAL SENSITIVE INFORMATION IMPACTING SHARE PRICE OF THE COMPANY

(I) WORK OF THE SUPERVISORY COMMITTEE

Number of Meetings Held	Four
Particulars of the Meetings of the Supervisory Committee	Meeting Agenda
The fourth meeting of the sixth Supervisory Committee was convened on 14 April 2010	The following resolutions were considered and approved at the meeting: the resolutions in relation to the 2010 ANNUAL REPORT of the Company, the Company's self-assessment report on internal control for the year 2009 and social responsibility report for the year 2009, the property loss written down matters of the Company for the year 2009, the 2009 audited financial report, the profit after taxation distribution plan for the year 2009, the deposit and use of the raised proceeds in 2009 and the work report of the Supervisory Committee for the year 2009.
The fifth meeting of the sixth Supervisory Committee was convened on 29 April 2010	The resolution in relation to the 2010 first quarterly report of the Company was considered and approved.
The sixth meeting of the sixth Supervisory Committee was convened on 24 August 2010	The resolutions in relation to 2010 unaudited interim financial report of the Company and the special report on the deposit and actual use of the raised proceeds as at 30 June 2010 were considered and approved.
The seventh meeting of the sixth Supervisory Committee was convened on 24 November 2010	The resolution in relation to the 2010 third quarterly report of the Company was considered and approved.

From the perspective of being responsible for all shareholders of the Company, the Supervisory Committee earnestly performed its duties and exercised its authority granted by relevant laws and regulations and actively and effectively supervised the legal compliance of the Company's operations and the duty performance of the directors, managers and other senior management members of the Company to promote standard operation of the Company and maintain the legitimate interests of the Company and its shareholders and employees in accordance with the Company Law, the Securities Law and other laws and regulations as well as the requirements of the Articles of Association and Rules and Procedure of the Supervisory Committee.

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

Having supervised and examined the legal compliance of the Company's operations pursuant to its duties and responsibilities under the Company Law and the Articles of Association, the Supervisory Committee is of the opinion that the Board of Directors of the Company was able to operate the Company and strictly implement the resolutions of general meetings in strict compliance with the Company Law, the Securities Law and the Articles of Association as well as the requirements of other relevant laws, regulations and rules and that all significant decisions of the Company were made in compliance with legal procedures and information disclosure was timely and accurately made. In addition, in order to further standardize its operation, the Company has further established and improved its internal management rules and internal control mechanisms. The directors and managers of the Company have performed their duties with due diligence and discipline, and no act by directors and senior management in violation of the laws, regulations and the Articles of Association or being detrimental to the interests of the Company and its shareholders was found.

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

The Supervisory Committee has carefully monitored, examined and reviewed the financial position and operation of the Company in 2010 by way of hearing the special reports made by the financial controller of the Company, considering the annual report of the Company, examining the independent auditor's report and conducting in-depth investigations on major concerns. In the opinion of the Supervisory Committee, the financial system of the Company is relatively complete with standard operation. The preparation and review procedures of the Company's 2010 Financial Report are in compliance with all requirements of the laws, regulations, the Articles of Association and internal administrative systems of the Company, and the report truly, accurately, and objectively reflects the financial position and the operating results of the Company. None of the personnel participating in preparation and review of this annual report was involved in any breach of confidentiality.

ShineWing Certified Public Accountants has audited the 2010 Annual Report of the Company and issued a standard unqualified auditor's report.

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

On 18 November 2009, the Company issued 119,930,000 additional A shares to specific investors following compliance procedures, and raised 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 the intended use of proceeds for the 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 Boilers, Technical Renovation Project of MW Nuclear Power Conventional Island of Dongfang Electric and replenishing liquidity as stated in its undertakings and the resolutions passed at the general meeting. As at the end of the reporting period, an accumulative aggregate of RMB4,742,293,800 had been utilized and the remaining proceeds of RMB257,577,200 was deposited in the custodian account.

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

The Company did not carry out any major acquisition and disposal of assets or merger through absorption during the year.

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

During the reporting period, written contracts had been entered into in respect of all the connected transactions between the Company and relevant parties, with approval procedures being in compliance with relevant rules, pricing being in line with market principles and transaction amounts falling within the framework agreements approved at the general meeting. No violation in respect of the cash flows and transactions between was found. The transactions were fair and reasonable with sufficient information disclosure and no act detrimental to the interests of the Company or its shareholders was found.

(VII) THE SUPERVISORY COMMITTEE'S REVIEW OF THE INTERNAL CONTROL SELF-ASSESSMENT REPORT

Pursuant to the Guidance for Internal Control of Companies Listed on the Shanghai Stock Exchange(上海證券交易所上市公司內部控制指引)and the relevant laws and regulations issued by the CSRC, the Supervisory Committee issued the following opinions in respect of the Company's internal control self-assessment report for the year 2010:

The Company has established a sound internal control system which plays an effective role in control and prevention over all key links, major investment and material risks and has been implemented in an effective way. No material weakness was found in internal control system of the Company during the reporting period. The Company's internal control self-assessment report gives a true and objective view of the construction and operation of the Company's internal control system.

(VIII) THE SUPERVISORY COMMITTEE'S OPINION ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company has carried out an overall assessment on its social responsibilities. The Company put great efforts in developing green industries and endeavoured to revitalize the equipment manufacturing industry in the country, while being committed to creating stable long-term returns to its shareholders, offering high-quality and high-efficiency products and services to its customers and providing broad development space for its employees, thus fulfilling its responsibilities as a corporate citizen. As such, the Company has played a model role in promoting social harmony and development.

The Supervisory Committee is of the opinion that the Social Responsibility Report of the Company for 2010 gives an objective and true view of the performance of social responsibilities by the Company.

(1) CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

— Continuing Connected Transactions

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

Actual amounts of the continuing connected transactions as of 31 December 2010 and annual caps for 2010

Unit: RMB '000

Name of agreement	Total actual amount from January to December 2010	Proposed annual caps for 2010
Purchase and Production Services Framework Agreement	1,677,784	5,200,000
Sales and Production Services Framework Agreement	1,368,407	2,500,000
Combined Ancillary Services Framework Agreement (receipt of services)	70,187	90,000
Combined Ancillary Services Framework Agreement (provision of services)	18	7,000
Properties and Equipment Lease Framework Agreement (lease-out)	0	2,000
Financial Services Framework Agreement	7,683,78	8,320,000 (deposit plus interest income)
	2,089,830	8,480,000 (loans plus interest expense)
Properties and Equipment Lease Framework Agreement (lease-in)	50,096	80,000
Huaxi Purchase and Production Service Framework Agreement	30,945	75,000

The Company confirmed that details of the aforesaid connected transactions (if applicable) and continuing connected transactions are in compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

(1) CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD (CONTINUED)

The independent non-executive directors of the Company had reviewed these continuing connected transactions and confirmed that these transactions have been entered into:

1. in the ordinary business of the Company;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with the Listing Rule 14A.38, the auditor engaged by the Company confirmed that, in 2010, these continuing connected transactions:

(1) had been approved by the Board of the Company;

(2) was conducted pursuant to pricing policy of the Company (if applicable);

(3) entered into in accordance with the relevant agreement governing the transactions; and

(4) had not exceeded the cap disclosed in previous announcements.

(2) PUBLIC FLOAT

Based on the public information to the knowledge of the Company and its directors as at the date of the annual report, the number of shares held by the public is enough and in compliance with the Listing Rules.

(1) UNDER HONG KONG FINANCIAL STANDARDS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RMB'000	2009 RMB'000 (Restated)
Revenue	**37,603,832**	32,774,750
Cost of sales	**(30,499,710)**	(27,425,341)
Gross profit	**7,104,122**	5,349,409
Other income	**673,798**	593,633
Distribution expenses	**(806,970)**	(794,267)
Administrative expenses	**(4,063,945)**	(3,185,808)
Share of profit of associates	**40,960**	18,555
Share of profit of jointly controlled entities	**50,657**	4,941
Finance costs	**(118,850)**	(289,171)
Profit before tax	**2,879,772**	1,697,292
Income tax (charge) credit	**(180,062)**	10,508
Profit for the year	**2,699,710**	1,707,800
Other comprehensive income		
Fair value gain on available-for-sale financial assets	**5,641**	—
Exchange differences arising on translation	**379**	2,273
Income tax relating to change in fair value arising from available-for-sale financial assets	**(802)**	—

(1) UNDER HONG KONG FINANCIAL STANDARDS (CONTINUED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	2010 ***RMB'000***	2009 *RMB'000* (Restated)
Other comprehensive income for the year	**5,218**	2,273
Total comprehensive income for the year	**2,704,928**	1,710,073
Profit for the year attributable to:		
Owners of the Company	**2,600,670**	1,679,144
Non-controlling interests	**99,040**	28,656
	2,699,710	1,707,800
Total comprehensive income attributable to:		
Owners of the Company	**2,605,888**	1,681,417
Non-controlling interests	**99,040**	28,656
	2,704,928	1,710,073
Earnings per share- basic and diluted	**RMB1.298**	RMB0.937

(2) PREPARED UNDER THE PRC ACCOUNTING STANDARDS

CONSOLIDATED INCOME STATEMENT

January to December 2010

Unit: RMB

Item			2010	2009
I.	**Total revenue from operations**		**38,080,112,185.86**	33,224,613,487.11
	Including:	Revenue from operations	**38,080,112,185.86**	33,224,613,487.11
		Interest income		
		Premiums earned		
		Income from fee and commission		
II.	**Total operating costs**		**35,442,500,547.07**	31,628,468,113.21
	Including:	Operating cost	**30,379,877,894.54**	27,483,690,836.23
		Interest payments		
		Fee and commission expenses		
		Surrender value		
		Net expenditure for compensation payments		
		Net drawing on provision for insurance contracts		
		Expenditures for insurance policy dividend		
		Reinsurance costs		
		Business taxes and surcharges	**227,478,364.68**	74,976,062.20
		Selling expenses	**806,972,779.58**	794,214,910.50
		Administrative expenses	**3,081,524,109.96**	2,300,336,739.66
		Finance cost	**-40,198,130.67**	148,489,800.90
		Impairment loss	**986,845,528.98**	826,759,763.72
	Add:	Gain from change in fair value (loss is represented by "-")	**26,662,888.86**	1,619,515.47
		Gains from investment (loss is represented by "-")	**91,621,356.39**	24,124,067.37
	Including:	Gains from investment in associates and joint ventures	**91,617,082.59**	23,496,020.84
		Gains from foreign currencies exchange (loss is represented by "-")		

(2) PREPARED UNDER THE PRC ACCOUNTING STANDARDS (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

January to December 2010 (continued)

Item	2010	2009
III. Profit from operations (loss is represented by "-")	**2,755,895,884.04**	1,621,888,956.74
Add: Non-operating income	**204,004,997.89**	222,808,497.44
Less: Non-operating expenses	**114,722,180.82**	297,478,416.26
Including: Loss from disposal of non-current assets	**7,722,812.27**	6,985,650.04
IV. Total profit (Total loss is represented by "-")	**2,845,178,701.11**	1,547,219,037.92
Less: Income tax expense	**169,164,306.04**	-20,104,997.23
V. Net profit (Net loss is represented by "-")	**2,676,014,395.07**	1,567,324,035.15
Net profit attributable to owners of the parent company	**2,576,974,795.23**	1,538,668,156.97
Profit or loss attributable to minority shareholders	**99,039,599.84**	28,655,878.18
VI. Earnings per share		
(I) Basic earnings per share	**1.29**	0.86
(II) Diluted earnings per share	**1.29**	0.86
VII. Other comprehensive income	**5,218,347.75**	2,271,891.30
VIII. Total comprehensive income	**2,681,232,742.82**	1,569,595,926.45
Total comprehensive income attributable to owners of the parent company	**2,582,193,142.98**	1,540,940,048.27
Total comprehensive income attributable to minority shareholders	**99,039,599.84**	28,655,878.18

As for a merger of enterprises under the same control occurred in the year, the net profit realized by the merged party before merger was RMB655,542.59.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	
Turnover	**37,603,832**	32,774,750	27,721,187	24,112,338	22,433,762
Profit before taxation	**2,879,772**	1,697,292	290,639	2,616,566	2,753,870
Income tax (charge) credit	**(180,062)**	10,508	132,553	(346,335)	(324,977)
Profit for the year	**2,699,710**	1,707,800	423,192	2,270,231	2,428,893
Minority interests	**99,040**	28,656	(7,542)	123,551	175,941
Profit attributable to the owners of the Company	**2,600,670**	1,679,144	430,734	2,146,680	2,252,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	
Total assets	**82,435,722**	74,607,768	58,914,711	37,481,655	32,428,751
Total liabilities	**(70,652,206)**	(65,580,780)	(56,443,753)	(33,788,747)	(26,590,894)
Minority interests	**(745,628)**	(377,780)	(329,605)	(1,043,446)	(886,770)
Net assets	**11,037,888**	8,649,208	2,141,353	2,649,462	4,951,087

DONGFANG ELECTRIC CORPORATION LIMTIED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

DONGFANG ELECTRIC CORPORATION LIMTIED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENTS

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
DONGFANG ELECTRIC CORPORATION LIMITED
(established in the Deyang City, Sichuan Province, the People's Republic of China ("PRC") 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 A3 to A102, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 in accordance with our agreed terms of engagement, 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 about whether the consolidated financial statements are free from material misstatement.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

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 of the consolidated financial statements that give a true and fair view 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 2010 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
30 March 2011

DONGFANG ELECTRIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
Revenue	9	37,603,832	32,774,750
Cost of sales		(30,499,710)	(27,425,341)
Gross profit		7,104,122	5,349,409
Other income	10	673,798	593,633
Distribution expenses		(806,970)	(794,267)
Administrative expenses		(4,063,945)	(3,185,808)
Share of profit of associates		40,960	18,555
Share of profit of jointly controlled entities		50,657	4,941
Finance costs	11	(118,850)	(289,171)
Profit before tax		2,879,772	1,697,292
Income tax (charge) credit	12	(180,062)	10,508
Profit for the year	13	2,699,710	1,707,800
Other comprehensive income			
Fair value gain on available-for-sale financial assets		5,641	-
Exchange differences arising on translation		379	2,273
Income tax relating to fair value change on available-for-sale financial assets		(802)	-
Other comprehensive income for the year		5,218	2,273
Total comprehensive income for the year		2,704,928	1,710,073
Profit for the year attributable to:			
Owners of the Company		2,600,670	1,679,144
Non-controlling interests		99,040	28,656
		2,699,710	1,707,800
Total comprehensive income attributable to:			
Owners of the Company		2,605,888	1,681,417
Non-controlling interests		99,040	28,656
		2,704,928	1,710,073
Earnings per share- basic and diluted	17	RMB1.298	RMB0.937

DONGFANG ELECTRIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Non-current Assets				
Property, plant and equipment	18	8,861,751	6,122,194	3,426,958
Construction in progress	19	1,492,828	2,528,680	1,456,458
Prepaid lease payments	20	831,873	817,558	727,563
Investment properties	21	24,867	26,369	27,871
Intangible assets	22	130,794	106,140	123,391
Interests in associates	23	112,373	87,252	51,332
Interests in jointly controlled entities	24	180,989	120,040	120,881
Available-for-sale investments	25	413,150	30,400	39,600
Deferred tax assets	26	706,936	646,137	497,156
Derivative financial instruments	32	10,238	3,902	-
		12,765,799	10,488,672	6,471,210
Current Assets				
Inventories	27	32,187,434	27,156,484	20,358,514
Amounts due from associates	28	-	46,867	1,270,368
Amounts due from related parties	29	1,545,037	1,608,559	2,503,030
Trade and other receivables	30	19,522,727	17,486,194	14,255,952
Prepaid lease payments	20	20,520	8,399	7,499
Other tax assets	36	153,877	1,278,526	475,768
Amounts due from customers for contract works	31	2,439,680	1,575,806	1,627,629
Derivative financial instruments	32	21,050	275	-
Held for trading investments	33	25,303	-	-
Restricted bank balances	34	-	150,456	280,890
Pledged bank deposits	34	83,744	99,288	142,487
Cash and deposits in banks and a financial institution	34	13,670,551	14,708,242	11,521,364
		69,669,923	64,119,096	52,443,501
Current Liabilities				
Amounts due to customers for contract works	31	7,798,514	7,877,881	10,425,315
Amounts due to related parties	29	2,828,732	5,504,908	7,291,359
Trade and other payables	35	54,113,142	47,179,970	31,767,178
Derivative financial instruments	32	209	1,814	-
Enterprise income tax liabilities		99,047	124,537	159,049
Other tax liabilities	36	1,405,168	438,515	214,578
Borrowings	37	2,366,320	467,306	718,215
Provision	38	781,890	591,695	334,098
Deferred income	39	129,711	195,683	150,316
Termination benefit	44	23,268	4,353	12,150
		69,546,001	62,386,662	51,072,258
Net Current Assets		123,922	1,732,434	1,371,243
Total Assets less Current Liabilities		12,889,721	12,221,106	7,842,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT ENDED 31 DECEMBER 2010

(Continued)

	Notes	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Non-current Liabilities				
Derivative financial instruments	32	5,097	1,096	-
Deferred income	39	756,009	763,228	808,499
Borrowings	37	275,808	760,000	867,320
Long term liabilities		685	685	685
Termination benefit	44	63,570	81,012	69,083
Amounts due to related parties	29	-	1,587,907	3,625,908
Deferred tax liabilities	26	5,036	190	-
		1,106,205	3,194,118	5,371,495
Net assets		11,783,516	9,026,988	2,470,958
Capital and reserves				
Share capital	40	2,003,860	1,001,930	882,000
Reserves		9,034,028	7,647,278	1,259,353
Equity attributable to owners of the Company		11,037,888	8,649,208	2,141,353
Non-controlling interests		745,628	377,780	329,605
Total Equity		11,783,516	9,026,988	2,470,958

The consolidated financial statements on pages A3 to A102 were approved and authorised for issue by the board of directors on 30 March 2011 and are signed on its behalf by:

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Director Director

DONGFANG ELECTRIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	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	Investment revaluation reserve RMB'000	Other reserve RMB'000 (Note d)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009, as originally stated	882,000	1,362,998	955,953	(2,352,092)	(7,552)	-	-	1,302,028	2,143,335	316,845	2,460,180
Effect of common control combination	-	-	-	27,815	-	-	-	(29,797)	(1,982)	12,760	10,778
At 1 January 2009, as restated	882,000	1,362,998	955,953	(2,324,277)	(7,552)	-	-	1,272,231	2,141,353	329,605	2,470,958
Total comprehensive income for the year	-	-	-	-	2,273	-	-	1,679,144	1,681,417	28,656	1,710,073
Transfer	-	-	38,056	-	-	-	-	(38,056)	-	-	-
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(5,568)	(5,568)
Dividends paid (Note 16)	-	-	-	-	-	-	-	(17,640)	(17,640)	-	(17,640)
Contributions from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	24,428	24,428
Shares issued (Note 40)	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 and 1 January 2010, as restated	1,001,930	6,242,938	994,009	(2,480,069)	(5,279)	-	-	2,895,679	8,649,208	377,780	9,026,988
Total comprehensive income for the year	-	-	-	-	379	4,839	-	2,600,670	2,605,888	99,040	2,704,928
Transfer	-	-	113,886	-	-	-	-	(113,886)	-	-	-
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(4,713)	(4,713)
Dividends paid (Note 16)	-	-	-	-	-	-	-	(160,309)	(160,309)	-	(160,309)
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	265,856	265,856
Issue of bonus shares (Note 40)	1,001,930	(1,001,930)	-	-	-	-	-	-	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(18,891)	-	(18,891)	(30,343)	(49,234)
Merger reserve arising from common control combination	-	-	-	(38,008)	-	-	-	-	(38,008)	38,008	-
At 31 December 2010	2,003,860	5,241,008	1,107,895	(2,518,077)	(4,900)	4,839	(18,891)	5,222,154	11,037,888	745,628	11,783,516

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 RMB5,160,572,000 (2009: RMB6,162,502,000) which is not distributable.

(b) In accordance with the Company Law of the People's Republic of China (the "PRC") 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) The merger reserve of the Group comprise the difference between the share capital of the subsidiaries acquired attributable to DEC and the nominal value of the share issued or the consideration paid by the Company for the group restructuring transactions in previous years.

(d) Other reserve represents the difference between the consideration and the book value of the identifiable assets and liabilities attributable to the additional interest acquired in subsidiaries.

DONGFANG ELECTRIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	2010 RMB'000	2009 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	2,879,772	1,697,292
Adjustments for:		
Finance costs	118,850	289,171
Interest income	(178,990)	(171,539)
Release of government grant for property, plant and equipment	(188,459)	(195,683)
Allowance for bad and doubtful debts (net off reversal of allowance for bad and doubtful debts)		
-trade receivables	717,163	583,927
-amount due from related parties	42,147	(83,305)
Fair value changes in derivative financial instruments	(25,351)	(1,267)
Fair value changes in held for trading investments	(1,312)	-
Depreciation and amortisation	929,520	600,517
Impairment loss on available-for-sale investments	3,800	5,000
Impairment loss on inventories	193,793	292,994
Share of profit of jointly controlled entities	(50,657)	(4,941)
Share of profit of associates	(40,960)	(18,555)
Gain on disposal of available-for-sale investments	-	(395)
Loss on disposal/written off of property, plant and equipment and intangible assets	4,082	565
Operating cash flows before movements in working capital	4,403,398	2,993,781
Increase in inventories	(5,209,884)	(7,108,329)
Decrease in amounts due from associates	46,867	1,223,501
Decrease in amounts due from related parties	21,375	977,146
Increase in trade and other receivables	(2,753,696)	(3,808,959)
Decrease (increase) in other tax assets	1,124,649	(810,165)
(Increase) decrease in amounts due from customers for contract works	(863,874)	51,823
Decrease in amounts due to customers for contract works	(79,367)	(2,547,434)
Decrease in amounts due to related parties	(1,629,641)	(1,881,559)
Increase in trade and other payables	6,933,172	15,543,334
Increase in other tax liabilities	966,653	228,805
Increase in provision	190,195	257,597
Decrease in provision in termination benefit	1,473	4,132
Use of donations received for 12 May Earthquake	-	(130,434)
Cash generated from operations	3,151,320	4,993,239
PRC enterprise income tax paid	(262,307)	(170,256)
NET CASH FROM OPERATING ACTIVITIES	2,889,013	4,822,983

DONGFANG ELECTRIC CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	2010 RMB'000	2009 RMB'000 (Restated)
INVESTING ACTIVITIES		
Interest received	178,990	171,539
Decrease in restricted bank balances	150,456	130,434
Decrease in pledged bank deposits	15,544	43,199
Proceeds from disposal of property, plant and equipment	6,263	8,582
Proceeds from disposal of derivative financial instruments	636	-
Purchase of available-for-sale investments	(380,909)	-
Additional investment in jointly controlled entities	(17,500)	-
Dividends received from associates	980	-
Dividends received from jointly controlled entity	7,208	5,782
Proceeds from disposal of available-for-sale investments	-	4,595
Payments for construction in progress	(2,404,199)	(3,836,655)
Purchase of property, plant and equipment	(154,334)	(465,462)
Purchase of intangible assets	(75,756)	(7,848)
Purchase of land use rights	(45,040)	(110,352)
Purchase of held for trading investments	(23,991)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,741,652)	(4,056,186)
FINANCING ACTIVITIES		
Net proceeds from issue of ordinary shares	-	4,999,870
Increase in deferred income	115,268	195,779
Contribution from non-controlling shareholders	265,856	24,428
New loans raised	10,960,808	190,939
Repayment of loans	(9,545,986)	(454,168)
Decrease in amounts due to related parties	(2,635,243)	(1,879,209)
Dividends paid	(160,309)	(17,640)
Interest paid	(131,878)	(476,910)
Cash consideration paid for acquisition of additional interest in a subsidiary	(49,234)	-
Dividends paid to non-controlling shareholders	(4,713)	(5,568)
Cash consideration paid for group reorganisation	-	(155,133)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,185,431)	2,422,388
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,038,070)	3,189,185
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,708,242	11,521,364
Effects of exchange rate changes on the balance of cash held in foreign currencies	379	(2,307)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash and deposits in banks and a financial institution	13,670,551	14,708,242

1. GENERAL

The Company was established on 28 December 1993 in Deyang, Sichuan, the People's Republic of China (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 (the "Stock Exchange") 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 China Donfgang Electric Corporation ("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 and its subsidiaries (the "Group") is principally engaged in the business of manufacture and sale of high efficiency and clean energy generation products, new energy generation products, hydro power and environmental protection equipment and provision of construction services for power stations.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The 2009 and 2010 Group Reorganisation (as defined below) 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 (Guangzhou) Heavy Machinery Co., Ltd ("DFHM") and Tianjin Turbine Blade Construction Company Limited ("Tianjin Blade") are under the common control of DEC.

2009 Group Reorganisation

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 DFHM, a limited liability company established in the PRC (the "2009 Group Reorganisation"), 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 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.

The consolidated statement of financial position, 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 Reorgnisation had been in existence since DFHM has been under DEC's control since May 2004. The corresponding adjustment has been made in the Group's financial statement for the year ended 31 December 2009.

2010 Group Reorginsation

Tianjin Blade was established on 11 January 2007 in the PRC under the Company Law of the PRC and is engaged in the business of manufacturer and sales of wind power generation sets and related services.

In March 2010, Dongfang Turbine Company Limited ("Dongfang Turbine"), a subsidiary of the Company, acquired 55.63% equity interest in Tianjin Blade through the contribution of capital injection to Tianjin Blade (the "2010 Group Reorganisation"). Dongfang Turbine did not hold any equity interest in Tianjin Blade before the 2010 Group Reorganisation.

Tinjian Blade has been under the DEC's control since April 2007 for which DEC held 85% equity interest in Tianjin Blade. The consolidated statement of financial position, statement of comprehensive income and the consolidated statement of cash flows in this report have been prepared as if the group structure after the 2010 Group reorganisation had been in existence since Tianjin Blade has been under DEC's control in 2007. In addition, the Group's consolidated statement of financial position as at 1 January and 31 December 2009 have been restated accordingly. The assets and liabilities of the companies now comprising the Group are as if the current Group structure after the 2010 Group reorganisation had been in existence since Tinjin Blade has been under DEC's control in 2007 and in accordance with the respective equity interests of Tianjin Blade.

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 and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard (''HKAS'') 27(Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation (''Int'') 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (IFRIC)-Int 17	Distributions of Non-Cash Assets to Owners

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.

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised 2008) prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods, may be affected by future transactions for which HKFRS3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

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

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

In prior years, there are no specific requirements in HKFRSs regarding changes in ownership interests in existing subsidiaries. Under HKAS 27 (Revised 2008), all increases or decreases in such interests that do not result in the Group losing control over the subsidiaries are dealt with in equity, with no impact on goodwill or profit or loss.

Amendment to HKAS 17 Lease

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment 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 amendment has removed such a requirement. Instead, the amendment requires 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 leasee. The directors of the Company anticipate that the application of the amendments to HKAS 17 will not have a significant impact.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS3 (Revised in 2008), HKFRS7, HKAS1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

HKFRS 9 is effective for annual periods beginning on or after1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS 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 and by the Hong Kong Companies Ordinance.

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principle accounting policies are set out below.

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 and up to the effective date of disposal, as appropriate.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint ventures (Continued)

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 net assets 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 (which includes any long-term interest that, in substance, form part of the Group's net investment in the 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.

Revenue from the sales of goods is recognised when goods are delivered and legal title has passed.

Service income and management fee income is recognised when services are provided.

Compensation income is recognised when the Group's rights to receive payment have been established.

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

Interest income from a financial assets recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measure reliably. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, if any.

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 over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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.

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 profit or loss in the period in which the item is derecognised.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

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 amounts 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.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items are measured in terms of historical cost in a foreign currency are not retranslated.

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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 under the heading of the translation reserve (attributable to non-controlling interests as appropriate).

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 not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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.

The benefit of a government at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on prevailing market interest rates.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 associate with investments in subsidiaries and associates, and interests in 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to be extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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 classified into one of the three categories, including financial assets as fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL including financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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 FVTPL, loans and receivables.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

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 losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the 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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrowing will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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.

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, amount 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 are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 losses 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 investment revaluation reserve.

Financial liabilities and equity instruments

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 generally classified into financial liabilities at FTVL and other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL including financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liability at fair value through profit or loss include held-for-trading derivative financial instrument that is not designated and effective as hedging instrument. At the end of each reporting period subsequent to initial recognition, financial liability at fair value through profit or loss is measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which it arises.

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 and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives 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. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated equity is recognised in profit or loss.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle 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).

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 an 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION

As described in Note 2, the Group had undertook the 2010 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 2010:

	Group (before adopting merger accounting for the 2010 Group Reorganisation)	Tinjain Blade	Adjustments		Group (after adopting merger accounting for the 2010 Group Reorganisation)
	RMB'000	RMB'000	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000
Original investment in combining entity	111,000	-	(111,000)	-	-
Other assets – net	11,652,166	194,498	(63,148)	-	11,783,516
Net assets	11,763,166	194,498	(174,148)	-	11,783,516
Share capital	2,003,860	144,726	(144,726)	-	2,003,860
All other reserves	3,806,258	34,685	(29,069)	-	3,811,874
Retained earnings	5,293,719	15,087	(74,955)	(11,697)	5,222,154
Non-controlling interests	659,329	-	74,602	11,697	745,628
	11,763,166	194,498	(174,148)	-	11,783,516

5A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION (Continued)

Consolidated statement of financial position as at 31 December 2009:

	Group (before adopting merger accounting for the 2010 Group Reorganisation)	Tinjian Blade	Adjustments		Group (after adopting merger accounting for the 2010 Group Reorganisation)
	RMB'000	RMB'000	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000
Original investment in combining entity	-	-	-	-	-
Other assets - net	9,044,782	38,725	(56,519)	-	9,026,988
Net assets	9,044,782	38,725	(56,519)	-	9,026,988
Share capital	1,001,930	50,000	(50,000)	-	1,001,930
All other reserves	4,723,784	-	27,815	-	4,751,599
Retained earnings (accumulated losses)	2,958,470	(11,275)	(47,094)	(4,422)	2,895,679
Non-controlling interests	360,598	-	12,760	4,422	377,780
	9,044,782	38,725	(56,519)	-	9,026,988

5A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION (Continued)

Consolidated statement of financial position as at 1 January 2009:

	Group (before adopting merger accounting for the 2010 Group Reorganisation)	Tinjian Blade	Adjustments		Group (after adopting merger accounting for the 2010 Group Reorganisation)
	RMB'000	RMB'000	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000
Original investment in combining entity	-	-	-	-	-
Other assets - net	2,460,180	28,758	(17,980)	-	2,470,958
Net assets	2,460,180	28,758	(17,980)	-	2,470,958
Share capital	882,000	50,000	(50,000)	-	882,000
All other reserves	(40,693)	-	27,815	-	(12,878)
Retained earnings (accumulated losses)	1,302,028	(21,242)	(14,717)	6,162	1,272,231
Non-controlling interests	316,845	-	18,922	(6,162)	329,605
	2,460,180	28,758	(17,980)	-	2,470,958

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 non controlling interests as a result of the combination.

(b) The above adjustments represent the sharing of results by the non-controlling 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:

	2010 RMB'000	2009 RMB'000
Revenue	14,130	20,618
Cost of sales	69,637	11,765
Other income	4	(3,315)
Distribution expenses	(4,936)	(6,086)
Administrative expenses	(67,319)	(39,702)
Finance costs	(8,379)	(13,431)
Income tax (charge) credit	(214)	1,579
Increase (decrease) in profit for the year	2,923	(28,572)
Attributable to:		
Owners of the Company	(8,774)	(32,994)
Non-controlling interests	11,697	4,422
	2,923	(28,572)

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

	2010 RMB	2009 RMB (Restated)
Expressed in RMB per share		
Reported figures before adjustments	1.302	0.955
Adjustments arising on common control combination	(0.004)	(0.018)
Restated	1.298	0.937

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.

6. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 judgment 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.

Ownership of buildings and investment properties

Despite the Group has paid the full purchase consideration as detailed in Notes 18 and 21, certain of the Group's building ownership certificates for property, plant and equipment 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 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.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the name party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cashflows of 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)

Amortisation of intangible assets and prepaid lease payment

Intangible assets and prepaid lease payment are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management estimation. The Group assesses annually the useful lives of the intangible assets and prepaid lease payment and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be charged in the future period.

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 2010, the carrying amount of inventories is approximately RMB32,187,434,000 (31/12/2009: RMB27,156,484,000) (net of allowance approximately RMB591,750,000) (31/12/2009: RMB397,957,000) 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

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 2010, the carrying amount of trade receivables is approximately RMB12,104,537,000 (31/12/2009: RMB9,932,448,000) (net of allowance for bad and doubtful debts of approximately RMB2,199,220,000 (31/12/2009: RMB1,482,057,000). As at 31 December 2010, the carrying amount of amounts due from related parties is approximately RMB1,545,037,000 (31/12/2009: RMB1,608,559,000) (net of allowance for bad and doubtful debts of approximately RMB149,395,000 (31/12/2009: RMB107,248,000). As at 31 December 2009, the carrying amount of amounts due from associates is approximately RMB46,867,000 (2010: Nil). No impairment was recognised in both years.

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 2010, the carrying amount of provision is approximately RMB781,890,000 (31/12/2009: RMB591,695,000).

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

Key sources of estimation uncertainty (Continued)

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.

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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings, cash and deposits in banks and a financial institution and equity attributable to owners of the Company, comprising issued capital as disclosed in respective notes and reserves as disclosed in consolidated statement of change in equity.

The Group's supervisory committee reviews the capital structure on an ongoing basis. As 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.

8. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Financial assets			
Loans and receivables (including cash and deposits in banks and a financial institution)	27,306,183	26,325,187	22,797,061
Available-for-sale investments	413,150	30,400	39,600
Derivative financial instruments	31,288	4,177	-
Held for trading investments	25,303	-	-
	27,775,924	26,359,764	22,836,661
Financial liabilities			
At amortised cost	19,641,675	19,313,583	19,352,079
Derivative financial instruments	5,306	2,910	-
	19,646,981	19,316,493	19,352,079

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, derivative financial instruments, held for trading investments, 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, interest rate risk and other price 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. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

8. FINANCIAL INSTRUMENTS (Continued)

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

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.

The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk including forward foreign exchange contracts to hedge the exchange rate risk arising in foreign currency sales.

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		
	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
United State Dollars ("USD")	2,577,162	1,392,923	1,314,554	789,569	1,283,540	756,360
Euro ("EUR")	1,485,987	1,447,979	1,474,256	41,567	387,996	169,951
Pakistani Rupees	76,095	50,772	48,773	33,558	47,747	55,053
Indian Rupees	40,152	24,884	22,937	27,919	3,375	1,611
Japanese Yen ("JPY")	403,462	303,600	318,473	39,762	33,118	57,574
Switzerland Franc ("CHF")	24,413	21,516	16,218	-	460	1

8. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) ***Currency risk*** (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2009: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2009: 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 year end for a 10% (2009: 10%) change in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan in a currency other than the functional currency of the lender of the borrower. A positive number below indicates an increase in post-tax profit where RMB strengthening 10% (2009: 10%) against the relevant currency. For a 10% (2009: 10%) weakening 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.

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
USD	178,759	10,938	55,819
EUR	144,442	105,998	130,431
Pakistani Rupees	4,254	303	(628)
Indian Rupees	1,223	2,151	2,133
JPY	36,370	27,048	26,090
CHF	2,441	2,106	1,622

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits, 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 with a financial institution are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest risk is presented.

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

8. FINANCIAL INSTRUMENTS (Continued)

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

(ii) Interest rate risk (Continued)

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2009: 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 rates.

If interest rates had been 100 basis points (2009: 100 basis points) higher/lower and all other variables were held constant, the Group's:

- post tax profit for the year ended 31 December 2010 would decrease/increase by approximately RMB1,118,000 (2009: increase/decrease by approximately RMB3,900,000). 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.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The managements manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in the power generation industry sector quoted in the Shanghai Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

8. FINANCIAL INSTRUMENTS (Continued)

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

(iii) ***Other price risk*** (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting date.

If the prices of the respective equity instruments had been 5% (2009: nil) higher / lower:

- post-tax profit for the year ended 31 December 2010 would increase / decrease by approximately RMB1,075,000 (2009: nil) as a result of the changes in fair value of held-for-trading investments; and
- Investment revaluation reserve would increase/decrease by approximately RMB16,195,000 (2009: nil) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2010, 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.

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, amounts due from associates and amounts due from related parties at the end of the 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.

8. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (including Hong Kong), which accounted for over 90% (2009: 90%) of the total trade receivables as at 31 December 2010.

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 risk tables

The following table details the Group's remaining contractual maturity for its non-derivative 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

	Within 1 year	1-2 year	2-3 year	3-5 year	Over 5 years	Total undiscounted cash flows	Carrying amount at 31/12/2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31/12/2010							
Non-derivative financial instruments							
Amounts due to related parties	847,426	-	-	-		847,426	847,426
Trade and other payables	16,152,121	-	-	-		16,152,121	16,152,121
Borrowings	2,479,241	142,703	43,704	81,708	48,199	2,795,555	2,642,128
	19,478,788	142,703	43,704	81,708	48,199	19,795,102	19,641,675
Derivative financial instruments							
Foreign currency contracts	321	5,595	-	-		5,916	5,306
	19,479,109	148,298	43,704	81,708	48,199	19,801,018	19,646,981

8. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity tables - Continued

	Within 1 year	1-2 year	2-3 year	3-5 year	Over 5 years	Total undiscounted cash flows	Carrying amount at 31/12/2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31/12/2009							
Non–derivative financial instruments							
Amounts due to related parties	2,742,141	1,152,991	672,415	-		4,567,547	4,322,448
Trade and other payables	13,763,829	-	-	-		13,763,829	13,763,829
Borrowings	486,754	179,019	163,867	153,030	392,365	1,375,035	1,227,306
	16,992,724	1,332,010	836,282	153,030	392,365	19,706,411	19,313,583
Derivative financial instruments							
Foreign currency contracts	1,910	1,215	-	-	-	3,125	2,910
	16,994,634	1,333,225	836,282	153,030	392,365	19,709,536	19,316,493

	Within 1 year	1-2 year	2-3 year	3-5 years	Over 5 years	Total Undiscounted cash flows	Carrying amount at 1/1/2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1/1/2009							
Non–derivative financial instruments							
Amounts due to related parties	3,824,275	1,150,027	1,219,949	2,003,216	-	8,197,467	7,384,940
Trade and other payables	10,381,604	-	-	-	-	10,381,604	10,381,604
Borrowings	762,170	976,627	-	-	-	1,738,797	1,585,535
	14,968,049	2,126,654	1,219,949	2,003,216	-	20,317,868	19,352,079

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

8. FINANCIAL INSTRUMENTS (Continued)

(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;
- 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; and
- 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 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).

8. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

31/12/2010

Financial assets at FVTPL	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	-	31,288	-	31,288
Held for trading investments	25,303	-	-	25,303
Available-for-sale financial assets				
Listed equity securities	381,050	-	-	381,050
Financial liabilities at FVTPL				
Derivative financial instruments	-	5,306	-	5,306

31/12/2009

Financial assets at FVTPL	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	-	4,177	-	4,177
Financial liabilities at FVTPL				
Derivative financial instruments	-	2,910	-	2,910

9. REVENUE AND SEGMENT INFORMATION

Revenue represents sale of goods and services rendered by the Group for the year. An analysis of the Group's revenue for the year is as follows:

	2010 RMB'000	2009 RMB'000 (Restated)
Sales of goods	16,958,244	14,799,001
Revenue from construction contracts	20,615,143	17,942,740
Revenue from engineering and repairing services	30,445	33,009
	37,603,832	32,774,750

The Group's operating segments, based on information reported to board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

In order to better evaluate the nature and financial effects of the business activities on which the Group engages and the economic environments in which the Group operates, the Group has changed the composition of the reportable segments in the current year. The business segment for the comparable period has been restated accordingly.

Before the change of composition of the reportable segments, the operating segments operated by the Group was (i) Main thermal power equipment, (ii) Main hydro power equipment, (iii) Wind power generation sets, (iv) Nuclear power generation sets and (v) Others.

After the change of composition of business segments, the operating segments operated by the Group under HKFRS 8 are as follows:

High efficiency and clean energy	Thermal power equipment products, nuclear power conventional island equipment products and power transmission and distribution equipment products
New energy	Nuclear power nuclear island equipment products, wind power equipment products
Hydro power and environmental protection equipments	Hydro power generation equipment products and environmental protection equipment products
Construction and services	Construction service and engineering and repairing services for power stations

9. REVENUE AND SEGMENT INFORMATION (Continued)

Following the group reorganisation in recent years, 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.

As no discrete information in respect of segment assets, liabilities and other information is for the assessment of performance and allocation of resources for different reportable segments and thus, other than reportable segment revenue and results, no analysis of segment assets, liabilities and other information is presented.

9. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2010

	High Efficiency and Clean Energy	New Energy	Hydro power and Environmental Protection Equipments	Construction and Services	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	20,394,229	9,518,148	2,957,645	4,733,810	-	37,603,832
Inter-segment sales	5,283,616	1,851,129	-	(247,505)	(6,887,240)	-
Total	25,677,845	11,369,277	2,957,645	4,486,305	(6,887,240)	37,603,832
Segment profit	3,609,269	1,995,588	466,336	1,032,929	-	7,104,122
Other income						673,798
Distribution expenses						(806,970)
Administrative expenses						(4,063,945)
Share of profit of associates						40,960
Share of profit of jointly controlled entities						50,657
Finance costs						(118,850)
Profit before taxation						2,879,772

Inter-segment sales are charged at prevailing market rate.

9. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2009

	High Efficiency and Clean Energy	New Energy	Hydro power and Environmental Protection Equipments	Construction and Services	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	20,960,912	7,581,128	3,245,552	987,158	-	32,774,750
Inter-segment sales	1,465,437	1,785,908	-	(95,641)	(3,155,704)	-
Total	22,426,349	9,367,036	3,245,552	891,517	(3,155,704)	32,774,750
Segment profit	3,322,932	920,251	343,929	762,297	-	5,349,409
Other income						593,633
Distribution expenses						(794,267)
Administrative expenses						(3,185,808)
Share of profit of associates						18,555
Share of profit of jointly controlled entities						4,941
Finance costs						(289,171)
Profit before taxation						1,697,292

Inter-segment sales are charged at prevailing market rate.

9. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2010 RMB'000	2009 RMB'000 (Restated)
Thermal power equipment	16,779,120	19,634,298
Wind power equipment	7,637,552	6,278,232
Nuclear power equipment	4,561,177	2,084,051
Hydro power equipment	2,611,222	3,015,993
Power transmission and distribution equipment	934,528	545,459
Environmental protection equipment	346,423	229,559
Construction and services	4,733,810	987,158
	37,603,832	32,774,750

Geographical information

The Group's revenue from continuing operations from external customers by geographical location is detailed below:

	2010 RMB'000	2009 RMB'000 (Restated)
PRC	33,243,241	32,434,786
Overseas	4,360,591	339,964
	37,603,832	32,774,750

Information about major customers

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

10. OTHER INCOME

	2010 RMB'000	2009 RMB'000 (Restated)
Interest income	178,990	171,539
Consultancy service income	15,189	53,194
Release of government grant for property, plant and equipment *(Note 39)*	188,459	195,683
Fair value changes in derivative financial instruments	25,351	1,267
Fair value changes in held for trading investments	1,312	-
Gain from sales of scrap and other materials	155,325	111,498
Gain on disposal of available-for-sale investments	-	395
Net rental income (less: direct outgoings of RMB612,000 (2009: RMB612,000))	1,081	1,933
Government subsidies *(Note a)*	55,277	-
Net foreign exchange gain	-	31,170
Management fees received from DEC	14,300	-
Compensation income *(Note b)*	6,098	15,327
Others	32,416	11,627
	673,798	593,633

Note a: The amount represented loan interest subsidies received by the Group from the PRC government with non specific conditions attached.

Note b: Compensation income was received from insurance companies for damage of the Group's plant and machinery.

11. FINANCE COSTS

	2010 RMB'000	2009 RMB'000 (Restated)
Interest on:		
Bank loans and other borrowings wholly repayable		
within five years	32,086	61,816
over five years	1,031	11,466
Interest on amounts due to related parties	99,562	244,836
Total borrowing costs	132,679	318,118
Less: amount capitalised in the cost of qualifying assets	(13,829)	(28,947)
	118,850	289,171

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 0.52% (2009: 1.75%) per annum to expenditure on qualifying assets.

12. INCOME TAX CHARGE (CREDIT)

	2010 RMB'000	2009 RMB'000 (Restated)
PRC Enterprise Income Tax		
- Current year	236,817	139,656
- Overprovision in prior years	-	(1,373)
	236,817	138,283
Deferred tax (Note 26)	(56,755)	(148,791)
	180,062	(10,508)

12. INCOME TAX CHARGE (CREDIT) (Continued)

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

	2010 RMB'000	2009 RMB'000 (Restated)
Profit before taxation	2,879,772	1,697,292
Tax charge at enterprise tax rate of 15% (2009: 15%) (b)	431,966	254,593
Tax effect of income not taxable for tax purpose	(12,362)	(44,499)
Tax effect of share of profit of associates	(6,144)	(2,783)
Tax effect of share of profit of jointly controlled entities	(7,599)	(741)
Tax effect of expenses not deductible for tax purpose	32,945	52,978
Tax effect of tax benefits (c)	(21,323)	(47,775)
Tax exemption for 12 May Earthquake (d)	(261,782)	(111,690)
Utilisation of tax losses previously not recognised	(39,380)	(58,660)
Tax effect of tax losses not recognised	29,869	29,922
Effect of excess of applicable tax rate for deferred tax over current tax on deductible temporary difference	13,749	(80,762)
Overprovision in prior years	-	(1,373)
Effect of different tax rates of subsidiaries operating in other jurisdictions	20,123	282
Tax charge (credit) for the year	180,062	(10,508)

12. INCOME TAX CREDIT (Continued)

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, Dongfang Machinery, Dongfang Boiler (Group) Company Limited ("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 Dongfang KWH Catalysts Co., Ltd is 15% until 2010.

The enterprise tax rate of Dongfang Guangzhou Heavy Machinery Co., Ltd is 15% as it has been assessed as "High-New Technology Enterprises" under the Enterprise Income Tax Law for the three successive years from 2010 (2009: 25%).

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 (2009: 15%).

The enterprise tax rate of Dongfang Electric (India) Private Limited ("Dongfang India") is 30% (2009: 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.

(c) Tax benefits represents an incentive scheme, in addition to the research and development cost which is deductible for tax purpose, further tax benefit ranging from 10% to 50% was granted in respect of certain approved research and development cost incurred.

(d) Pursuant to No. 131 [2009] 《關於延長部份稅收優惠政策執行期限的通知》 and 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 Donfang Machinery are exempted for enterprise income tax for the year ended 31 December 2010 and 2009.

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2010 RMB'000	2009 RMB'000 (Restated)
Salaries and wages	2,007,515	1,657,236
Retirement benefits scheme contributions		
- defined contribution plans (Note 44)	239,521	217,550
Staff welfare	267,165	192,514
Housing fund (Note 44)	194,956	183,040
Termination benefits (Note 44)	46,538	38,416
Total staff costs (Note a)	2,755,695	2,288,756
Auditor's remuneration	2,300	1,800
Amortisation of intangible assets	51,085	24,781
Amortisation of prepaid lease payments	18,604	19,457
Allowance for bad and doubtful debts (net off reversal of doubtful debts)		
-trade receivables	717,163	583,927
-amount due from related parties	42,147	(83,305)
Cost of inventories recognised as an expense	30,499,710	27,425,341
Depreciation on property, plant and equipment	858,329	554,777
Depreciation on investment properties	1,502	1,502
Impairment loss on available-for-sale investments	3,800	5,000
Impairment loss on inventories (included in cost of sales)	193,793	292,994
Loss on disposal of property, plant and equipment	4,065	247
Written off of intangible assets	17	318
Rental expense	66,423	34,737
Research and development expenditure	977,393	647,006
Share of tax of associates (included in share of profit of associates)	3,653	5,096
Share of tax of jointly controlled entities (included in share of profit of joint controlled entities)	7,157	2,584

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

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 13 (2009: 17) directors and supervisors were as follows:

For the year ended 31 December 2010

	Directors fees	Salaries, allowance and benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Si Ze Fu	-	528	17	545
ZhuYuan Chao	-	464	17	481
Wen Shu Gang	-	475	17	492
Huang Wei	-	464	17	481
Zhang Xiao Lun	-	475	17	492
Zhang Ji Lie	-	448	17	465
	-	2,854	102	2,956
Independent non-executive directors:				
Chen Xiao Yue (Passed away on 19 March 2010)				
Li Yan Meng	63	-	-	63
Peng Shao Bing (appointed on 18 June 2010)*	-	-	-	-
Zhao Chun Jun	63	-	-	63
	126	-	-	126
Supervisors:				
Wen Bing You*	-	-	-	-
Wen Li Min*	-	-	-	-
Wang Cong Yuan	-	355	17	372
	-	355	17	372
Total	126	3,209	119	3,454

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2009

	Directors fees	Salaries, allowance and benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Si Ze Fu	-	478	15	493
ZhuYuan 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
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

* Emoluments paid by DEC.

No director waived and agreed to waive any emoluments paid by the Group during the years ended 31 December 2010 and 2009.

During the two years ended 2010 and 2009, no emoluments were paid by the Group to the directors as in inducement to join or upon joining the Group or as compensation for loss of office.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: five) were directors and supervisors of the Company whose emoluments are included in the disclosure in note 14 above. The emoluments of the remaining two (2009: Nil) individuals were as follows:

	2010 RMB'000	2009 RMB'000
Salaries and allowances	1,014	-
Retirement benefits scheme contributions	34	-
	1,048	-

None of the remaining individuals received more than HK$1,000,000 (equivalent to RMB880,000) for any of these two years.

During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Dividends recognised as distribution during the year 2009 Final – RMB0.16 (2009: 2008 final dividend RMB0.22) per ordinary shares	160,309	17,640

The final dividend of RMB 0.13 (2009: RMB0.16) 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 has been approved by the shareholders at the annual general meeting held on 18 June 2010. The details are set out in the announcement of the Company dated 29 April 2010.

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:

	2010 RMB'000	2009 RMB'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	2,600,670	1,679,144
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,003,860	1,792,258

The weighted average number of ordinary shares for the purpose of basic earnings per share during the year ended 31 December 2009 has been adjusted for bonus issue in respect of the effect of capitalisation of capital reserve and the new shares were issued to the shareholders on 18 June 2010.

Diluted earnings per share was the same as basic earnings per share for the two years ended 31 December 2010 and 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 2009 (Restated)	32,128	1,864,010	3,653,618	244,681	157,645	5,952,082
Transfer from construction in progress (Note 19)	-	2,037,446	689,608	50,012	16,314	2,793,380
Additions	1,466	144,968	230,958	37,955	50,115	465,462
Disposals	-	(3,730)	(14,822)	(7,927)	(1,329)	(27,808)
At 31 December 2009 (Restated)	33,594	4,042,694	4,559,362	324,721	222,745	9,183,116
Transfer from construction in progress (Note 19)	-	1,512,898	1,836,791	72,306	31,885	3,453,880
Additions	-	47,791	77,736	11,965	16,842	154,334
Disposals	-	(2,836)	(18,076)	(13,914)	(2,110)	(36,936)
At 31 December 2010	33,594	5,600,547	6,455,813	395,078	269,362	12,754,394
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2009 (Restated)	-	478,715	1,821,480	137,018	87,911	2,525,124
Charge for the year	-	110,587	359,433	61,567	23,190	554,777
Eliminated on disposals	-	(1,265)	(10,583)	(6,060)	(1,071)	(18,979)
At 31 December 2009 (Restated)	-	588,037	2,170,330	192,525	110,030	3,060,922
Charge for the year	-	246,197	518,456	61,777	31,899	858,329
Eliminated on disposals	-	(962)	(13,013)	(11,027)	(1,606)	(26,608)
At 31 December 2010	-	833,272	2,675,773	243,275	140,323	3,892,643
CARRYING AMOUNTS						
At 31 December 2010	33,594	4,767,275	3,780,040	151,803	129,039	8,861,751
At 31 December 2009 (Restated)	33,594	3,454,657	2,389,032	132,196	112,715	6,122,194
At 1 January 2009 (Restated)	32,128	1,385,295	1,832,138	107,663	69,734	3,426,958

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 2010, the Company has not obtained the building ownership certificates for certain buildings with carrying amounts of approximately RMB2,421,505,000 (31/12/2009: RMB2,153,772,000). 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 to the Group.

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 (Years)
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

	2010 RMB'000	2009 RMB'000 (Restated)
COST		
As at 1 January	2,528,680	1,456,458
Additions	2,418,028	3,865,602
	4,946,708	5,322,060
Transfer to property, plant and equipment (Note 18)	(3,453,880)	(2,793,380)
As at 31 December	1,492,828	2,528,680

20. PREPAID LEASE PAYMENTS

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Analysed for reporting purposes as:			
Current asset	20,520	8,399	7,499
Non-current asset	831,873	817,558	727,563
	852,393	825,957	735,062

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 2009, 31 December 2009 and 2010	35,287
ACCUMULATED DEPRECIATION	
At 1 January 2009	7,416
Provided for the year	1,502
At 31 December 2009	8,918
Provided for the year	1,502
At 31 December 2010	10,420
CARRYING VALUES	
At 31 December 2010	24,867
At 31 December 2009 (Restated)	26,369
At 1 January 2009 (Restated)	27,871

The investment properties were located on land held under medium term leases in the PRC and were held to earn rentals or for capital appreciation. As at 31 December 2010, the fair value of above investment properties is approximately RMB61,820,000 (31/12/2009: RMB57,760,000). The fair value of the investment properties as at 31 December 2010 has 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 2010, the property usage permit of an investment property has not been granted by relevant government authorities with the aggregate carrying values of approximately RMB19,638,000 (31/12/2009: RMB20,666,000). 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	Computer software and telecommunication system	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2009 (Restated)	248,044	11,089	259,133
Additions	3,208	4,640	7,848
Disposals	-	(670)	(670)
At 31 December 2009 (Restated)	251,252	15,059	266,311
Additions	66,093	9,663	75,756
Written-off	-	(24)	(24)
At 31 December 2010	317,345	24,698	342,043
AMORTISATION			
At 1 January 2009 (Restated)	131,535	4,207	135,742
Charge for the year	22,228	2,553	24,781
Elimination on disposals	-	(352)	(352)
At 31 December 2009 (Restated)	153,763	6,408	160,171
Charge for the year	45,521	5,564	51,085
Elimination on written-off	-	(7)	(7)
At 31 December 2010	199,284	11,965	211,249
CARRYING VALUES			
At 31 December 2010	118,061	12,733	130,794
At 31 December 2009 (Restated)	97,489	8,651	106,140
At 1 January 2009 (Restated)	116,509	6,882	123,391

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Cost of investment in unlisted associates in the PRC	99,796	99,796	99,796
Share of post-acquisition profit/(loss), net of dividend received	12,577	(12,544)	(48,464)
	112,373	87,252	51,332

23. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2010 and 2009, 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 activities
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

23. INTERESTS IN ASSOCIATES (Continued)

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Total assets	477,390	350,028	413,649
Total liabilities	(248,057)	(171,962)	(308,890)
Net assets	229,333	178,066	104,759
Group's share of net assets of associates	112,373	87,252	51,332
Revenue	291,381	231,867	193,099
Profit for the year	83,592	37,867	18,551
Group's share of profit of associates for the year	40,960	18,555	9,090

24. INTERESTS IN JOINLY CONTROLLED ENTITIES

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Cost of unlisted investments in jointly controlled entities	94,137	76,637	76,637
Share of post-acquisition profits, net of dividends received	86,852	43,403	44,244
	180,989	120,040	120,881

24. INTERESTS IN JOINLY CONTROLLED ENTITIES (Continued)

As at 31 December 2010 and 2009, 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

24. INTERESTS IN JOINLY CONTROLLED ENTITIES (Continued)

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:

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Total assets	2,050,948	1,498,600	828,184
Total liabilities	1,688,970	1,258,520	586,422
Income	1,034,528	621,482	755,836
Expenses	933,214	611,600	740,128

25. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Equity securities listed in the PRC, at fair value	381,050	-	-
Unlisted equity securities, at cost	56,976	51,476	57,720
Less: impairment losses recognised	(24,876)	(21,076)	(18,120)
	32,100	30,400	39,600
	413,150	30,400	39,600

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Shanghai Stock Exchange.

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 the 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.

For the year ended 31 December 2009, the Group disposed of certain unlisted securities with carrying amount of approximately RMB4,200,000 which has been carried at cost less impairment before disposal. A gain on disposal of approximately RMB395,000 has been recognised in profit for loss.

26. DEFERRED TAX ASSETS/LIABILITIES

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

	Warranty provision	Allowance on inventories	Allowance on trade and other receivables	Tax losses	Fair value change in derivative financial instruments	Fair value change in available-for-sale investment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (Restated)	(50,113)	(7,398)	(208,411)	(112,823)	-	-	(118,411)	(497,156)
(Credit) charge to profit or loss	(67,899)	(20,539)	(105,586)	50,531	190	-	(5,488)	(148,791)
At 31 December 2009 (Restated)	(118,012)	(27,937)	(313,997)	(62,292)	190	-	(123,899)	(645,947)
(Credit) charge to profit or loss	(35,661)	(32,963)	(118,897)	58,466	4,044	-	68,256	(56,755)
Charge to other comprehensive income	-	-	-	-	-	802	-	802
At 31 December 2010	(153,673)	(60,900)	(432,894)	(3,826)	4,234	802	(55,643)	(701,900)

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 following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	706,936	646,137	497,156
Deferred tax liabilities recognised on the consolidated statement of financial position	(5,036)	(190)	-
	701,900	645,947	497,156

At the end of the reporting period, the Group has unused tax losses of approximately RMB450,959,000 (31/12/2009: RMB830,603,000) available for offsetting against future profits. A deferred tax asset has been recongised in respect of approximately RMB20,695,000 (31/12/2009: RMB336,933,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB430,264,000 (31/12/2009: RMB493,670,000) due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of Nil (31/12/2009: Nil), RMB415,681,000 (31/12/2009: RMB294,190,000,) and RMB14,583,000 (31/12/2009: RMB199,480,000) that will expire in 2012, 2013 and 2014 respectively.

27. INVENTORIES

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Raw materials and consumables	8,448,317	8,570,608	7,260,918
Work in progress	23,116,626	18,148,446	12,627,129
Finished goods	590,890	376,246	399,527
Spare parts and consumables	31,601	61,184	70,940
	32,187,434	27,156,484	20,358,514

28. AMOUNTS DUE FROM ASSOCIATES

Amounts represented the advance payments to associates for contract works and were unsecured and interest-free. The amounts were fully repaid during the year ended 31 December 2010.

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.

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Amounts due from related parties			
Trade receivables:			
Fellow subsidiaries	704,857	815,754	664,650
Jointly controlled entities	25,162	4,414	321
Immediate holding entity	405,668	220,833	977,204
Less: allowance for doubtful debts	(149,395)	(107,248)	(189,923)
	986,292	933,753	1,452,252
Prepayment for materials and contract works:			
Fellow subsidiaries	553,808	617,289	1,033,640
Jointly controlled entities	-	56,860	16,481
Immediate holding entity	4,937	657	657
	558,745	674,806	1,050,778
	1,545,037	1,608,559	2,503,030

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Amounts due to related parties			
Trade payables:			
Fellow subsidiaries	811,020	1,557,010	1,090,980
Jointly controlled entities	34,464	129,592	81,528
Immediate holding entity	1,141	603	1,420
	846,625	1,687,205	1,173,928
Receipt in advance:			
Fellow subsidiaries	1,313,764	1,253,682	855,560
Jointly controlled entities	52,703	18,001	19,207
Immediate holding entity	614,839	1,498,684	2,216,590
	1,981,306	2,770,367	3,091,357
Cash consideration payable to immediate holding entity for:			
Acquisition of 100% Dongfang Turbine and 68.05% of Dongfang Boiler *(Note a)*	-	1,403,651	3,252,336
Acquisition of 31.61% Dongfang Boiler *(Note b)*	-	1,126,592	2,799,884
	-	2,530,243	6,052,220

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Interest payable to immediate holding entity	801	-	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	-
	801	105,000	599,762
	2,828,732	7,092,815	10,917,267
Analysed for reporting purpose:			
Current portion	2,828,732	5,504,908	7,291,359
Non-current portion	-	1,587,907	3,625,908
	2,828,732	7,092,815	10,917,267

Notes:

(a) The RMB1,403,651,000 as at 31 December 2009 represented the remaining cash consideration payable to DEC arising from the acquisition of 100% equity interest of Dongfang Turbine and 68.05% of equity interest of Dongfang Boiler during the year ended 31 December 2007 ("2007 Acquisition"). The original outstanding balance included RMB942,336,000 which was 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 Acquisition which carries interest at 6.08% per annum. The amount was fully settled during the year ended 31 December 2010.

During the year ended 31 December 2009, RMB1,848,685,000 was repaid to DEC. During the year ended 31 December 2010, the Group had repaid the remaining balance of RMB1,403,641,000. The payment schedule is mutually agreed between the Company and DEC.

(b) The RMB 2,799,884,000 represented the cash consideration payable to DEC arising from the acquisition of 31.61% equity interest of Dongfang Boiler in 2008 ("2008 Acquisition"), which represents five equal annual instalments totalling RMB2,799,884,000 payable to DEC after the completion of the 2008 Acquisition which carries interest at 6.08% per annum. The amount was fully settled during the year ended 31 December 2010.

During the year ended 31 December 2009, RMB1,673,292,000 was repaid to DEC (including 1 early installment of RMB559,997,000). During the year ended 31 December 2010, the Group had repaid the remaining balance of RMB1,126,592,000. The payment schedule is mutually agreed between the Company and DEC.

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

Notes:

(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 RMB59 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 RMB 180 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 RMB46 million of the specialised fund to be allocated to DFHM. The amount was fully repaid during the year ended 31 December 2010.

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

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.

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Within 1 year	426,327	662,391	967,803
1 - 2 years	272,723	152,140	183,705
2 - 3 years	133,758	75,862	288,709
More than 3 years	153,484	43,360	12,035
	986,292	933,753	1,452,252

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

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

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

	31/12/2010 RMB'000	31/12/2009 RMB'000	1/1/2009 RMB'000
2-3years	67,883	54,831	77,153
More than 3 years	79,429	43,360	12,035
	147,312	98,191	89,188

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 for doubtful debts of trade receivables due from related parties during the year are as follows:

Movement in the allowance for doubtful debts

	31/12/2010 RMB'000	31/12/2009 RMB'000	1/1/2009 RMB'000
Balance at beginning of the year	107,248	189,923	83,440
Impairment loss recognised on receivables	42,147	-	106,483
Amount recovered during the year	-	(82,675)	-
Balance at end of the year	149,395	107,248	189,923

Included in the allowance for doubtful debts are individually impaired trade receivables due from related parties with an aggregate balance of approximately RMB149,395,000 (31/12/2009: RMB107,248,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

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

The following is an aged analysis of trade payables due to related parties presented based on the invoice date as at the end of the reporting period:

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Within 1 year	625,397	1,576,177	1,125,964
1 - 2 years	168,542	103,415	19,465
2 - 3 years	48,876	7,094	21,516
More than 3 years	3,810	519	6,983
	846,625	1,687,205	1,173,928

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.

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Trade receivables	14,303,757	11,414,505	8,891,804
Less: allowance for doubtful debts	(2,199,220)	(1,482,057)	(898,760)
	12,104,537	9,932,448	7,993,044
Prepayment for raw materials	6,957,131	7,099,613	6,126,252
Deposits and other receivables	461,059	454,133	136,656
	19,522,727	17,486,194	14,255,952

30. TRADE AND OTHER RECEIVABLES (Continued)

Included in the trade receivables is bills receivable amounted to approximately RMB1,379,477,000 (31/12/2009: RMB986,983,000, 1/1/2009: RMB143,350,000) aged within one year.

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Within 1 year	7,352,651	5,914,214	4,705,420
1 – 2 years	2,564,832	2,263,598	2,040,215
2 – 3 years	1,421,080	1,088,549	853,186
More than 3 years	765,974	666,087	394,223
	12,104,537	9,932,448	7,993,044

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 2010, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 22.24% (2009: 19.57%) of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 7.85% (2009: 6.79%) of the Group's total turnover. There is no customer who represents more than 5% (2009: 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.

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

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
1 - 2 years	185,082	257,270	20,466
2 - 3 years	128,638	227,344	10,735
	313,720	484,614	31,201

30. TRADE AND OTHER RECEIVABLES (Continued)

Impairment 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

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Balance at beginning of the year	1,482,057	898,760	719,430
Impairment losses recognised on receivables	717,163	583,297	179,330
Balance at end of the year	2,199,220	1,482,057	898,760

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB2,199,220,000 (31/12/2009: RMB1,482,057,000, 1/1/2009: RMB 898,760,000) 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

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less recognised losses	33,651,741	14,407,447	13,407,390
Less: progress billings	(39,010,575)	(20,709,522)	(22,205,076)
	(5,358,834)	(6,302,075)	(8,797,686)
Analysed for reporting purposes as:			
Amounts due from contract customers	2,439,680	1,575,806	1,627,629
Amounts due to contract customers	(7,798,514)	(7,877,881)	(10,425,315)
	(5,358,834)	(6,302,075)	(8,797,686)

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

Included in the trade receivables are retentions held by customers for contract works amounted to approximately RMB6,622,142,000 (31/12/2009: RMB5,130,524,000). Retention receivables amounting to RMB4,008,334,000 (31/12/2009: RMB2,166,137,000) would be settled after twelve months from the end of the reporting period.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	Current			Non-current		
	31/12/2010	31/12/2009	1/1/2009	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial assets						
-Forward contracts	21,050	275	-	10,238	3,902	-
Derivative financial liabilities						
- Forward contracts	209	1,814	-	5,097	1,096	-

The Group has entered into 42 (2009: 17) foreign currency forward 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 RMB25,351,000 (2009: RMB1,267,000) were credit to the consolidated statement of comprehensive income during the year. The above transactions involving derivative financial instruments are mainly with China Construction Bank and Industrial, Commercial Bank of China and Bank of China.

32. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2010, the Group had short forward currency contracts with nominal contract amount of USD495 million (2009: RMB 261 million) and maturities from January 2011 to December 2013 (2009: March 2010 to January 2012) respectively. The major terms of the foreign currency forward contracts outstanding at 31st December 2010 are as follows:

Notional amounts	Maturity	Exchange rates
Sell USD32,700,000	4 January 2011	USD0.1479 to RMB1
Sell USD18,910,000	4 January 2011	USD0.1479 to RMB1
Sell USD15,900,000	28 March 2011	USD0.1496 to RMB1
Sell USD4,800,000	1 April 2011	USD0.1485 to RMB1
Sell USD20,800,000	28 June 2011	USD0.1509 to RMB1
Sell USD19,980,000	1 July 2011	USD0.1488 to RMB1
Sell USD12,000,000	8 August 2011	USD0.1479 to RMB1
Sell USD12,000,000	8 August 2011	USD0.1479 to RMB1
Sell USD20,030,000	12 October 2011	USD0.1507 to RMB1
Sell USD11,700,000	31 December 2011	USD0.1545 to RMB1
Sell USD25,250,000	4 January 2012	USD0.1510 to RMB1
Sell USD11,200,000	28 March 2012	USD0.1538 to RMB1
Sell USD10,000,000	28 March 2012	USD0.1538 to RMB1
Sell USD11,900,000	30 March 2012	USD0.1553 to RMB1
Sell USD41,960,000	28 June 2012	USD0.1548 to RMB1
Sell USD10,000,000	28 June 2012	USD0.1548 to RMB1
Sell USD11,900,000	29 June 2012	USD0.1569 to RMB1
Sell USD40,570,000	28 September 2012	USD0.1558 to RMB1
Sell USD10,000,000	28 September 2012	USD0.1558 to RMB1
Sell USD11,900,000	28 September 2012	USD0.1545 to RMB1
Sell USD16,040,000	28 December 2012	USD0.1563 to RMB1
Sell USD19,000,000	31 December 2012	USD0.1555 to RMB1
Sell USD12,000,000	28 March 2013	USD0.1562 to RMB1
Sell USD10,000,000	27 September 2013	USD0.1594 to RMB1
Sell USD10,000,000	27 December 2013	USD0.1601 to RMB1

The major terms of the foreign currency forward contracts outstanding at 31st December 2009 are as follows:

Notional amounts	Maturity	Exchange rates
Sell USD10,210,000	29 March 2010	USD0.1467 to RMB1
Sell USD32,670,000	19 April 2010	USD0.1464 to RMB1
Sell USD44,043,000	1 July 2010	USD0.1469 to RMB1
Sell USD13,580,000	28 September 2010	USD0.1476 to RMB1
Sell USD34,520,000	15 October 2010	USD0.1473 to RMB1
Sell USD32,700,000	4 January 2011	USD0.1479 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 USD12,000,000	8 August 2011	USD0.1512 to RMB1

33. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
Listed investments:			
- Equity securities listed in the PRC	25,303	-	-

The fair value of the above listed securities are determined based on the quoted market bid prices available on the Shanghai Stock Exchange.

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

Pledged bank deposits represents fixed interest rate deposits pledged for letter of credit, performance letter of guarantee and bills payables to the Group and are therefore classified as current assets.

The market interest rates on pledged bank deposits and cash and deposits in banks and a financial institution as at 31 December 2010 were 2.50% to 2.75% (31/12/2009: 1.98% to 2.25%, 1/1/2009: 1.35% to 1.71%) and 0.36% (31/12/2009: 0.36%, 1/1/2009: RMB0.36%) respectively.

The restricted bank balances is nil (31/12/2009: RMB 150,456,000, 1/1/2009: RMB280,890,000) which represent bank deposits received for the donation for 12 May earthquake, the usage of which restricted to the said event (Note 35).

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:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
USD	514,999	215,548	150,784
HKD	170	160	158
EUR	39,238	26,777	4,684
Pakistani Rupees	76,095	28,038	48,744
Indian Rupees	39,393	22,241	19,708
JPY	14,366	-	-
Vietnam Dong	839	101	104
	685,100	292,865	224,182

35. TRADE PAYABLES AND OTHER PAYABLES

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Within 1 year	12,551,694	11,514,468	9,006,513
1 - 2 years	868,740	749,981	145,120
2 - 3 years	345,629	63,151	88,885
3 - 4 years	66,479	70,166	-
	13,832,542	12,397,766	9,240,518
Receipt in advance	37,961,021	33,416,141	21,385,574
Accrual for 12 May Earthquake rehabilitation and resettlement cost *(Note)*	-	150,456	280,890
Other payables and accruals	2,319,579	1,215,607	860,196
	54,113,142	47,179,970	31,767,178

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 approximately RMB2,940,038,000 (2009: RMB3,074,711,000) aged within one year. Included in the other payables is retentions payable to customers for contract works approximately amounted to RMB716,914,000 (2009: RMB431,040,000).

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. For the year ended 31 December 2009, the amount of approximately RMB150,456,000 kept at designated bank accounts of the Group. During the year, the amount has been fully utilised.

36. OTHER TAX ASSETS /(LIABILITIES)

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Value added tax input	153,877	1,278,526	475,768
Value added tax output	(1,307,019)	(393,469)	(180,473)
Business tax	(3,577)	(1,667)	(3,465)
Property tax	(3,271)	(486)	(276)
Stamp duty	(7,409)	(5,745)	(4,891)
Education tax	(22,991)	(10,395)	(9,360)
City maintenance tax	(45,567)	(19,043)	(5,670)
Others	(15,334)	(7,710)	(10,443)
	(1,251,291)	840,011	261,190
Analysed for reporting purpose as:			
Other tax asset	153,877	1,278,526	475,768
Other tax liabilities	(1,405,168)	(438,515)	(214,578)
	(1,251,291)	840,011	261,190

37. BORROWINGS

	31/12/2010 RMB'000	31/12/2009 RMB'000 (Restated)	1/1/2009 RMB'000 (Restated)
Unsecured bank loans	2,625,808	1,210,986	1,556,535
Secured bank loans	-	-	15,000
Unsecured other loans	16,320	16,320	14,000
	2,642,128	1,227,306	1,585,535
Carrying amount repayable:			
On demand or within one year	2,366,320	467,306	718,215
More than one year, but not exceeding two years	130,000	165,000	232,320
More than two years, but not exceeding five years	105,808	275,000	445,000
More than five years	40,000	320,000	190,000
	2,642,128	1,227,306	1,585,535
Less:			
Amount due within one year shown under current liabilities	(2,366,320)	(467,306)	(718,215)
Amount due after one year	275,808	760,000	867,320

All borrowings are denominated in RMB.

As at 31 December 2010, the Group has variable-rate bank borrowings amounting to RMB111,808,000 (2009: RMB390,000,000) which carry interest at benchmark interest rate. Interest is repricing in accordance with People's Bank of China regulatories simultaneously. The effective interest rate is range from 5.27% to 5.85% per annum (2009: 4.86% to 5.4%).

As at 31 December 2010, the fixed-rate bank borrowings amounting to RMB2,514,000,000 (2009: RMB820,986,000) which carry interest at 4.78% (2009: 4.37%) per annum respectively;

As at 31 December 2010, other loans of RMB16,320,000 (2009: RMB16,320,000) carried fixed interest rate at 2.55% per annum (2009: 2.55% per annum).

38. PROVISION

	RMB'000
At 1 January 2009 (Restated)	334,098
Provided for the year	414,468
Amount utilised	(156,871)
At 31 December 2009 (Restated)	591,695
Provided for the year	654,476
Amount utilised	(464,281)
At 31 December 2010	781,890

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.

39. 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:

	31/12/2010 RMB'000	31/12/2009 RMB'000	1/1/2009 RMB'000
At 1 January	958,911	958,815	898,489
Additions	115,268	195,779	371,530
Release to consolidated statement of comprehensive income	(188,459)	(195,683)	(311,204)
At 31 December	885,720	958,911	958,815
Analysed for reporting purposes as:			
Current portion	129,711	195,683	150,316
Non-current portion	756,009	763,228	808,499
	885,720	958,911	958,815

40. SHARE CAPITAL OF THE COMPANY

	Restricted circulating state-owned domestic shares	A shares	H shares	Total	Total
	’000	’000	’000	‘000	RMB’000
Authorised, issued and fully paid:					
Numbers of shares					
1 January 2009	395,578	316,422	170,000	882,000	882,000
Issued during the year (a)	106,407	13,523	-	119,930	119,930
31 December 2009	501,985	329,945	170,000	1,001,930	1,001,930
Issued during the year (b)	501,985	329,945	170,000	1,001,930	1,001,930
31 December 2010	1,003,970	659,890	340,000	2,003,860	2,003,860
Share capital					
1 January 2009	395,578	316,422	170,000	882,000	882,000
Issued during the year (a)	106,407	13,523	-	119,930	119,930
31 December 2009	501,985	329,945	170,000	1,001,930	1,001,930
Issued during the year (b)	501,985	329,945	170,000	1,001,930	1,001,930
31 December 2010	1,003,970	659,890	340,000	2,003,860	2,003,860

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

40. SHARE CAPITAL OF THE COMPANY (Continued)

Notes:

(a) 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.

(b) 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 has been approved by the shareholders at the annual general meeting held on 18 June 2010.

The new bonus shares issued during the year ended 31 December 2010 rank pari passu in all respects with other shares in issue.

41. CONTINGENT LIABILITIES

(a) In February 2005, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. and DFTM entered into the Management Control 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）RMB6,955,000, totalling RMB7,915,000. 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. The directors of the Company are of the opinion that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cashflows of the Group.

(b) According to the license agreement signed between DEC, Dongfang Boiler Factory ("DBF") and U.S. Foster Wheeler ("USFW") in March 1994, DEC and DBF obtained the 50MW and 100MW thermal levels of non re-circulating fluidized bed boiler technology from USFW. In January 1999, DBF transferred the rights and obligations of the license agreements to Dongfang Boiler. Referring to this matter, USFW sued DEC, DBF and Dongfang Boiler at the Arbitration Institute of Stockholm Chamber of Commerce for violating the said agreement, and claimed for a compensation of economic loss. DEC submitted a statement of defense to the Arbitration Institute of Stockholm Chamber of Commerce. The court case is expected to be heard in March 2011. 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. The directors of the Company are of the opinion that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cashflows of the Group.

41. CONTINGENT LIABILITIES (Continued)

(c) In May 2005, Dongfang Boiler sub-contracted part of its construction contracts to Zigong Dongfang Steel Co., Ltd ("ZDS"), in which ZDS has further sub-contracted to Deyang Runxin Color Co., Ltd. In August 2010, Dongfang Boiler, ZDS and Deyang Runxin Color Co., Ltd were sued for the construction quality and construction costs disputations by the customer. The customer claimed for a compensation of approximately RMB2,588,000 . 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. The directors of the Company are of the opinion that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cashflows of the Group.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The investment properties of the Group are expected to generate rental yields of 6.81% (2009: 9.65%) 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.

	2010 RMB'000	2009 RMB'000
Within one year	1,806	1,851
In the second to fifth year inclusive	3,251	5,078
Total	5,057	6,929

42. OPERATING LEASE ARRANGEMENTS (Continued)

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:

	2010 RMB'000	2009 RMB'000
Within one year	20,239	18,360
In the second to fifth year inclusive	56,477	73,440
	76,716	91,800

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:

	2010 RMB'000	2009 RMB'000 (Restated)
Capital expenditure for the acquisition of:		
Construction in progress		
- contracted for but not provided in the consolidated financial statements	1,494,350	2,694,952

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 2010, the retirement benefits scheme contributions made by the Group amounted to RMB239,521,000 (2009: RMB217,550,000).

44. RETIREMENT BENEFITS PLANS AND HOUSING FUND (Continued)

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 2010, the housing fund contributions made by the Group amounted to RMB194,956,000 (2009: RMB183,040,000).

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 2009	81,233
Addition provision for the year	38,416
Amount paid	(34,284)
At 31 December 2009	85,365
Addition provision for the year	46,538
Amount paid	(45,065)
At 31 December 2010	86,838

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	RMB'000	RMB'000
Reported as:			
Current liabilities	23,268	4,353	12,150
Non-current liabilities	63,570	81,012	69,083
	86,838	85,365	81,233

45. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties as disclosed in Note 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:

	2010 RMB'000	2009 RMB'000 (Restated)
Expenditure		
Interest paid and payable	99,562	244,836
Purchase of raw materials	1,938,417	3,091,799
Purchase of producing facilities	-	540,335
Sub-contracting services	156,683	75,880
Rental expenses	53,171	33,970
Management fee	19,128	29,413
	2,266,961	4,016,233
Revenue		
Sales of finished goods	1,359,018	2,420,069
Other income		
Provision of power supply	16,013	10,038
Interest income	40,693	37,584
Management fee income	14,300	-
Rental income	1,601	1,594
	72,607	49,216

45. RELATED PARTY TRANSACTIONS (Continued)

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

		2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000 (Restated)
DEC and its subsidiaries	Other receivables	65,187	11,582	48,487
	Bills receivables	-	1,832	11,000
	Other payables	1,282,407	90,225	1,023,065
	Bills payables	579,379	65,500	102,579
DEC Finance Company (subsidiary of DEC)	Deposits	-	5,925,499	1,104,626
Jointly controlled entities	Other receivables	-	1,242	1,302
	Other payables	773	200	200
	Bills payables	51,500	72,000	102,500

The above current accounts with related parties are unsecured interest-free and repayable on demand.

(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:

	2010 RMB'000	2009 RMB'000 (Restated)
Sales	34,098,892	28,292,714
Purchases	13,630,835	13,357,800
Amounts due from other state-controlled entities	12,220,361	11,568,092
Amounts due to other state-controlled entities	51,174,452	42,460,188

(d) Compensation of key management personnel

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

	2010 RMB'000	2009 RMB'000
Short-term employee benefits	5,721	5,531
Post-employment benefits	197	166
	5,918	5,697

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 remuneration of directors and supervisors paid by DEC in 2010 and 2009.

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				
				2010 %	2009 %	2010 %	2009 %	2010 %	2009 %	
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)股份有限公司	PRC	Registered Capital	RMB1,605,661	99.66	99.66	-	-	99.66	99.66	Design, manufacture and sales of boiler
Dongfang Machinery* 東方電機有限公司	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* 東方電機動力設備有限公司	PRC	Registered Capital	RMB42,754	-	-	98.83	98.83	98.83	98.83	Manufacture and sales of AC/DC electrical motors
DFHM* 東方電氣（廣州）重型機器有限公司	PRC	Registered Capital	RMB1,151,096	65.18	57.30	-	-	65.18	57.30	Manufacture of components for nuclear island equipment.

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

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
				Directly		Indirectly				
			'000	2010 %	2009 %	2010 %	2009 %	2010 %	2009 %	
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	RMB100,050	-	-	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* 成都東方凱特瑞保化劑有限責任公司	PRC	Registered Capital	EUR23,861	-	-	61.42	60.87	61.42	60.87	Design, manufacture and sales of Selective Catalytic Reduction catalysts
Wuhan Nuclear* 東方電氣(武漢)核設備有限公司	PRC	Registered Capital	RMB196,360	67.00	67.00	-	-	67.00	67.00	Design, manufacture and sales of nuclear power equipment
Dongfang India* 東方電氣(印度)有限公司	India	Share capital	Rupees320,000	99.99	100.00	-	-	99.99	100.00	Design, manufacture and sales of power equipment

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

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
				Directly		Indirectly				
			'000	2010 %	2009 %	2010 %	2009 %	2010 %	2009 %	
Dongfang (Hangzhou) Energy Equipment* 東方電氣新能源設備(杭州)有限公司	PRC	Registered Capital	RMB300,000	-	-	100.00	100.00	100.00	100.00	Manufacture and sales of wind and todal turbines
Tianjin Blade* 天津東汽風電葉片工程有限公司	PRC	Registered Capital	RMB144,726	-	-	55.63	-	55.63	-	Manufacture and sales of wind turbine blades
Dongfang (Tongliao) Wind Power* 東方電氣（通遼）風電工程技術有限公司	PRC	Registered Capital	RMB30,000	-	-	100.00	100.00	100.00	100.00	Provide installation, maintenance and after sales service for wind power generation equipment
Dongfang (Jiuquan) New Energy* 東方電氣（酒泉）新能源有限公司	PRC	Registered Capital	RMB30,000	-	-	100.00	100.00	100.00	100.00	Develop new energy technologies and provide installation, maintenance and after sales service for equipment
Dongfang (Tianjin) Wind Power* 東方電氣(天津)風電科技有限公司	PRC	Registered Capital	RMB200,000			100.00	100.00	100.00	100.00	Design, manufacture, install and sales of wind power generation equipment

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

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

During the year ended 31 December 2010, the Group acquired additional 7.88% of the equity interest in DFHM from the non-controlling shareholders at a consideration of approximately RMB49,234,000. As the consideration exceeds the Group's acquisition of the additional interests in the net assets amount of DFHM by approximately RMB18,891,000, such amount has been recognised and recorded in other reserve for the year ended 31 December 2010.

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. 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 2009 has also been presented to conform with the presentation of the current year.