



# Annual Report 2012



DONGFANG ELECTRIC CORPORATION LIMITED

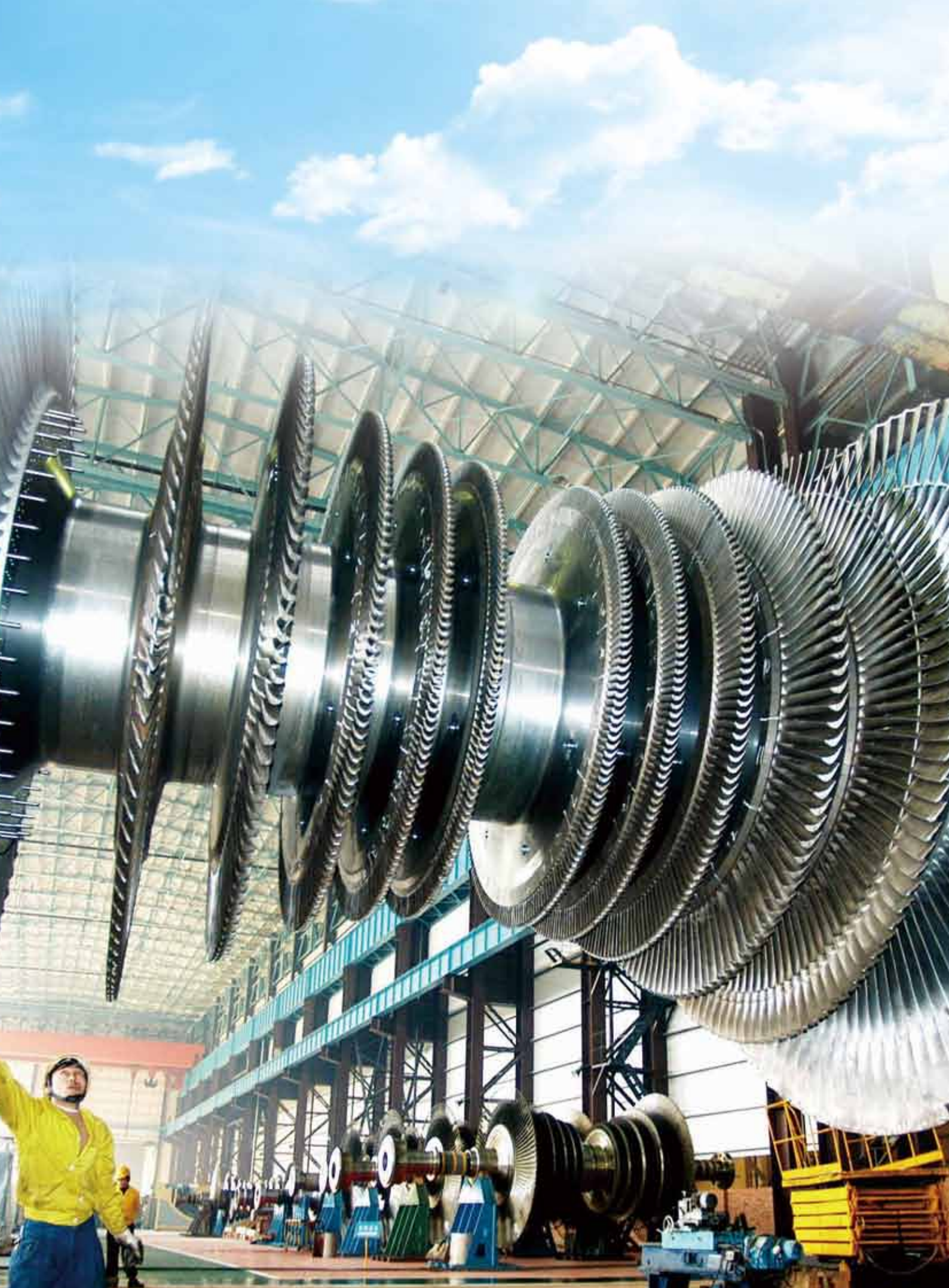
( H Share Stock Code : 1072 )

( A Share Stock Code : 600875 )

# Contents

Chairman's Statement	2
Company Profile	4
Major Accounting Data and Financial Indices	6
Report of the Board	8
Report of Supervisory Committee	26
Significant Events	33
Changes in Shares Capital and Particulars of Shareholders	39
Directors, Supervisors, Senior Management and Employees	44
Corporate Governance	56
Financial Report	75





## To shareholders,

The year 2012 witnessed our efforts to overcome difficulties and achieve transformation and development. With the support from all shareholders and through concerted efforts of all employees, by adhering to the guideline of “three shifts” (shifting our focus from scale expansion to efficiency and profit growth, from production capacity increase to technology advances, and from manufacturing-based operations to manufacturing and service-based operations), and centering around the overall requirement of “adjusting structure, driving innovation, strengthening management, and enhancing quality”, the Company went all out to carry out production and operation to lessen the adverse impact of continued international and domestic market downturn. Thanks to our hard work and efforts made for coping with difficulties, the Company maintained a stable and sustained development momentum.

2012 is a year of great challenge, with the global economic recovery remaining weak, cramping the Company’s expansion in the international market, and the domestic infrastructure construction slowing down, leaving the Company up against fiercer competition in the domestic market. These factors have led to a negative growth in operating results of the Company and a decline in the output of power generation equipment over last year.

In spite of these grave circumstances, the Company’s output of power generation equipment remained high, gas turbine and nuclear power business segments maintained their leading position domestically, the service sector grew fast, income from overseas sales hit a new record high and, in particular, the rapid growth in expenditure during the Period was brought under control.

By sharpening our strengths in principal operations and scaling up effort for new product research & development, the Company’s core competitiveness was enhanced continuously. The Company launched a full blown campaign for management improvement, aiming to tighten quality, finance, risk and investor relations management so as to advance the transformation of development mode in an all-around way.

Guangdong Lingao Nuclear Power Plant, equipped with the nuclear power facilities of the Company





Chairman, Si Zefu

Looking into 2013, the Company is still facing grim international and domestic market situations. Following the guideline of the Eighteenth National Congress of the Communist Party of China and guided by the scientific outlook on development, the Company will unswervingly forge ahead with the “three shifts”, deepen reform, deal with difficulties, improve management levels, optimize resources allocation, pursue innovation-driven growth, improve development quality and strive to maintain the good momentum of steady development.

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

27 March 2013

# Chairman's Statement



Longwan Power Plant in Indonesia,  
constructed by the Company



#### **Listing place of the Company**

A shares: Shanghai Stock Exchange  
Stock name: 東方電氣  
Stock code: 600875

H shares: The Stock Exchange of  
Hong Kong Limited  
(the “Stock Exchange”)

Stock name: Dongfang Elec  
Stock code: 1072

#### **Registered address**

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

#### **Company business address**

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

#### **Company Website**

<http://www.dec-ltd.cn/>

#### **Website for disclosure of the Company’s H share information**

<http://dfem.wsfg.hk>

#### **E-mail**

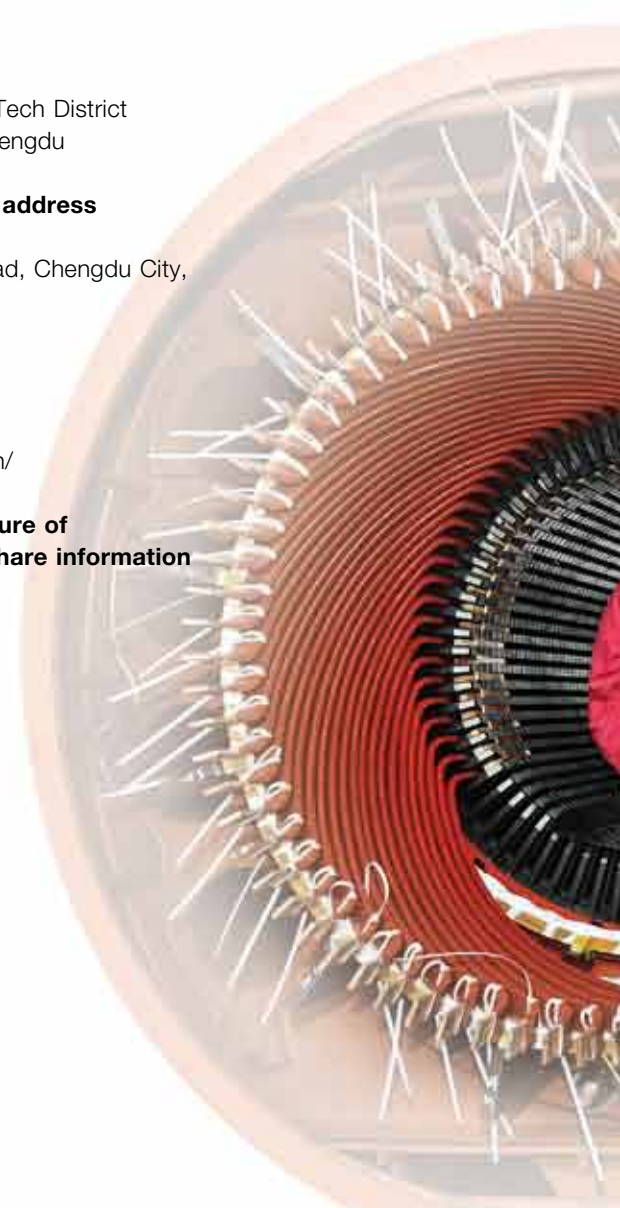
[dsb@dongfang.com](mailto:dsb@dongfang.com)

#### **Telephone**

+86 028 87583666

#### **Fax**

+86 028 87583551



# Company Profile

## Legal representative/ Chairman

Mr. Si Zefu

## Directors

Mr. Si Zefu  
Mr. Zhang Xiaolun  
Mr. Wen Shugang  
Mr. Huang Wei  
Mr. Zhu Yuanchao  
Mr. Zhang Jilie

## Independent Non-Executive Directors

Mr. Li Yanmeng  
Mr. Zhao Chunjun  
Mr. Peng Shaobing

## Supervisors

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

## Strategic Development Committee

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

## Remuneration and Appraisal Committee

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

## Risk Management Committee

Mr. Wen Shugang  
Mr. Huang Wei  
Mr. Zhang Jilie  
Mr. Peng Shaobing

## Nomination Committee

Mr. Zhao Chunjun  
Mr. Li Yanmeng  
Mr. Peng Shaobing  
Mr. Si Zefu  
Mr. Wen Shugang

## Authorized Representative

Mr. Si Zefu  
Mr. Gong Dan

## Deputy Authorized Representative

Mr. Huang Yong

## Auditor

ShineWing Certified Public Accountants  
(Special General Partnership)

## Domestic and International Financial Public Relations Company

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

# MAJOR ACCOUNTING DATA AND FINANCIAL INDICES



Mr. Wen Shugang, Director and President

## I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AT THE END OF REPORTING PERIOD

### (I) Major accounting data

Unit: RMB

Major accounting data	2012	2011	Year-on-year increase/decrease (%)	2010
Operating income	<b>38,079,202,510.13</b>	42,916,618,329.18	-11.27	38,080,112,185.86
Net profit attributable to shareholders of the Company	<b>2,191,129,345.43</b>	3,056,227,705.50	-28.31	2,576,974,795.23
Net profit after non-recurring profit and loss attributable to shareholders of the Company	<b>2,024,319,706.67</b>	2,889,860,074.45	-29.95	2,449,635,782.44
Net cash flow from operating activities	<b>-178,523,654.30</b>	-1,138,513,262.83		1,952,184,686.24

	At the end of 2012	At the end of 2011	Year-on-year increase/decrease (%)	At the end of 2010
Net assets attributable to shareholders of the Company	<b>15,678,105,417.62</b>	13,802,558,874.23	13.59	11,038,754,290.22
Total assets	<b>78,327,056,597.82</b>	82,442,725,917.98	-4.99	82,252,888,512.58





Equipment for EPR nuclear power project at Taishan, Guangdong, manufactured by the Company

## (II) Major financial data

Major financial index	2012	2011	Year-on-year in crease/decrease (%)	2010
Basic earnings per share (RMB/share)	<b>1.09</b>	1.53	-28.31	1.29
Diluted earnings per share (RMB/share)	<b>1.09</b>	1.53	-28.31	1.29
Basic earnings per share after non-recurring profit and loss (RMB/share)	<b>1.01</b>	1.44	-29.95	1.22
Weighted average return on net assets (%)	<b>14.84</b>	24.65	Decreased by 9.81 percentage points	17.75
Weighted average return on net assets after non-recurring profit and loss (%)	<b>13.71</b>	23.31	Decreased by 9.60 percentage points	16.83



The Company's brand new world-class workshop for turbine blade processing

## REPORT OF THE BOARD

### I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD

#### Overview of Overall Operations during the Reporting Period

2012 was a crucial year for the Company to tamp its foundation and plan for development. Throughout the year, the Company adhered to the guideline of “three shifts” (namely shifting from scale expansion to efficiency and profit growth, shifting from capacity expansion to technical upgrading, and shifting from manufacturing-based operations to manufacturing- and service-based operations) and spared no efforts to carry out production and business activities by following the overall requirement of “adjusting structure, promoting innovation, enhancing management and raising standards”. As such, the Company overcame the adverse impact from the continued slump in global and domestic markets and worked hard to achieve new progress in various activities, thereby sustaining a steady growth momentum.

#### Completion of operation indicators

During the Reporting Period, under the PRC Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB38,079 million, representing a year-on-year decrease of 11.27%; net profit attributable to shareholders of the Company of RMB2,191 million, representing a year-on-year decrease of 28.31%; earnings per share of RMB1.09; and gross profit margin for principal operations of 20.84%, representing a year-on-year increase of 0.10 percentage point.

#### Capacity of power generation equipments

During the Reporting Period, the Company produced power generation equipments with total capacity of 32,612.5MW, representing a decrease of 17.8% as compared with the same period last year. (For the capacity of each product, please refer to the paragraph headed “Analysis of factors affecting product revenue” below).



The world's largest bulb turbine units manufactured by the Company and exported to Brazil

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### Overview of Overall Operations during the Reporting Period (Continued)

#### Continuing market exploration

In face of tough international and domestic markets, the Company went all out to grab market share through strengthened coordination and well-considered plans. The Company's new orders for the year 2012 amounted to approximately RMB44 billion, of which exports accounted for 12% or US\$880 million. Among the new orders, 64% was attributable to high-efficiency clean energy, 14% to new energy, 8% to water energy and environmental protection, and 14% to engineering and services.

As at 31 December 2012, the Company had orders in hand of more than RMB145 billion, among which high-efficiency clean energy accounted for 60%, new energy 14%, water energy and environmental protection 9%, engineering and services 17%. Exports accounted for 19% of all of the Company's orders in hand.

Active efforts were made in exploring domestic market. The Company secured the contract for the power generating units of Xianju pumped-storage project in Zhejiang, the pumped-storage power units of which are of the largest individual capacity in China. The Company entered into a supply contract for boiler-turbine power units (機爐電設備) of Chongqing Wanzhou 2×1,000 MW project, the first generating unit with steam outlet temperature and pressure of 620°C and 28 MPa in China. In addition, the Company entered into the contract for Anyuan 2×660 MW double reheat generating units, the Company's first supply contract of 660 MW double reheat generating units. The Company continued to maintain its leading position in respect of F-class gas turbines by entering into a number of major gas turbine supply contracts. Furthermore, the Company secured the procurement contract with the State Nuclear Power Technology Corporation (SNPTC) for the development and manufacture of T/G equipment for the large advanced PWR CAP1400 demonstration project. Steady progress was achieved in international market expansion. The Company was awarded the EPC contract for the Stanari project in Bosnia and Herzegovina, indicating its official entry into the thermal power EPC market in Eastern Europe. The Company entered Central Asian markets by securing the boiler island supply contract for BTTP 2×660MW project in Kazakhstan.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### Overview of Overall Operations during the Reporting Period (Continued)

#### Remarkable achievements in production engineering management

Product manufacturing tasks were successfully completed. The first 600MW circulating fluidized bed generating unit was delivered to our client. The 1,750MW generator for Taishan nuclear power project, which has the largest individual capacity in the world, was manufactured successfully. The coal slurry gasifier which is the largest of its kind in China in terms of dimension and weight successfully rolled off production line, marking an initial breakthrough in the field of gasifiers. The EPC project of Pingdingshan 2×1,000MW generating units denitration won the “2011-2012 National Quality Engineering Gold Award”.

Engineering construction proceeded as scheduled. Currently, the Company has 30 projects in hand, with a total installed capacity of 23,227MW. In the year, two 600MW generating units were finally delivered, and fifteen 2,837MW generating units were preliminarily delivered. In 2012, fourteen 3,303MW generating units were interconnected with power grid. All the three generating units of Indonesia Longwan 3×315MW power plant project were put into operation within the year, and the No. 1 and No. 2 generating units of Pacitan project were interconnected with power grid. As to the Indian market, four generating units were interconnected with power grid. In addition, the four generating units of Jinnah hydropower project in Pakistan were interconnected with power grid.

#### Independent innovation capacity reaching a new high

The Company accomplished the development of Angu 190MW large axial-flow turbine and Gezhouba 125MW capacity expansion generating unit and 1,000MW Francis turbine unit and Xianju 375MW pumped-storage power units. The technical program for improving the quality and efficiency of 600MW thermal power units was determined. 600MW supercritical circulating fluidized bed boilers and SCR flue gas denitrators for large power station boilers were included in the national key new products. Breakthrough was made in the new models of ultra-supercritical generating units and the double reheat project. The independent research and development of 50MW F-class gas turbines proceeded as scheduled. The workshop assembling and static debugging for 5.5MW offshore wind power units were completed.

#### Gaining new experience in resource allocation

The Company actively promoted the integration of resources in international market. Through establishing unified centers and platforms for technologies and services in overseas markets, the Company managed to build an overall external image and improve the efficiency of resource use. The Company carried out an in-depth study on the industrial situation and actively promoted the integration of resources. Through investment in fixed assets, resources were put together to enhance innovative ability and core competitiveness and develop new businesses.

#### Further enhancement in overall risk management

A comprehensive risk management system for annual report preparation and reporting was implemented. Internal control system was constantly improved and great efforts were made in establishing an internal control system covering all affiliated entities of the Group. Through sorting out defects in capital management, tendering and bidding and procurement activities of the Company and its affiliated enterprises on a comprehensive basis, the Company improved relevant systems and enhanced the implementation of these systems, thereby improving its risk management such as financial management, and promoting the enhancement of its management efficiency.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (I) Analysis of Principal Operations

#### Analysis of operating results

Unit : RMB

Item	2012	2011	Year-on-year increase/decrease (%)
Operating revenue	<b>38,079,202,510.13</b>	42,916,618,329.18	<b>-11.27</b>
Selling expenses	<b>850,521,579.71</b>	888,697,144.47	<b>-4.30</b>
Administrative expenses	<b>3,578,333,642.91</b>	3,397,724,995.81	<b>5.32</b>
Finance costs	<b>-84,629,161.74</b>	-87,907,615.55	<b>-3.73</b>
Impairment loss of assets	<b>1,115,852,084.52</b>	1,270,053,851.24	<b>-12.14</b>
Total profit	<b>2,618,658,623.02</b>	3,544,056,803.56	<b>-26.11</b>
Income tax	<b>364,937,341.51</b>	425,839,071.57	<b>-14.30</b>
Net profit	<b>2,253,721,281.51</b>	3,118,217,731.99	<b>-27.72</b>
Net profit attributable to shareholders of the Company	<b>2,191,129,345.43</b>	3,056,227,705.50	<b>-28.31</b>

- (1) Sales revenue for the Reporting Period saw a decrease of 11.27% as compared with the same period last year due to the adjustments made to the lead times of certain projects under the impact of the slowdown in global and domestic economic growth in 2012.
- (2) Selling expenses for the Reporting Period decreased by 4.30% as compared with the same period last year, mainly due to a decrease in provisions made for product quality warranty in 2012 according to relevant accounting policies.
- (3) Administrative expenses for the Reporting Period increased by 5.32% as compared with the same period last year, mainly due to the increase in staff remuneration, R&D expenditures and repair charges of fixed assets of the Company for 2012.
- (4) Total profit and net profit attributable to shareholders of the Company for the Reporting Period decreased by 26.11% and 28.31% as compared with the same period last year, respectively, mainly due to the decrease in sales revenue.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (I) Analysis of Principal Operations (Continued)

#### 1. Revenue

##### (1) *Analysis of factors affecting revenue from operations*

Due to the slowdown in domestic economic growth, the electricity consumption growth rate in China in 2012 was lower than expected, which led to a decrease in market demand and the suspension or delay in delivery of a number of projects. For the purpose of controlling business risks, the Company adjusted its production schedule and postponed the delivery of certain projects according to the progress of project implementation, which led to a decrease in revenue from coal-fired generating products. As affected the slower approval by the State for nuclear power projects after the accident of Japan's Fukushima nuclear power plant, certain nuclear power projects undertaken by the Company were suspended or postponed. The revenue from nuclear power segment decreased as compared with the same period last year. Meanwhile, the revenue from wind power products decreased as compared with the same period last year due to the intensifying competition in wind power market. The aforesaid decreases in revenue from products resulted in the decrease in the revenue from operations of the Company.

##### (2) *Analysis of factors affecting product revenue (mainly from physical sales)*

In 2012, the Company continued to maintain a higher share of China's market, occupying 40% of the domestic large- and medium-sized hydropower market and approximately 30% of the domestic thermal power market as well as maintaining a leading position in the domestic gas turbine market.

In the Reporting Period, the Company produced power generation equipment with total capacity of 32,612.5MW, representing a decrease of 17.8% as compared with the same period last year, including hydro-electric turbine generator sets with total capacity of 6,682MW, representing an increase of 22.3% as compared with the same period last year; steam turbine generators with total capacity of 25,380MW, representing a decrease of 22.5% as compared with the same period last year; and wind turbine generator sets with total capacity of 550.5MW, representing a decrease of 62.1% as compared with the same period last year. In addition, the Company produced power station boilers with total capacity of 20,645MW and power station steam turbines with total capacity of 25,954.5MW, representing a decrease of 5.7% and 33.7% respectively as compared with the same period last year.

Due to the slowdown in domestic economic growth, the electricity consumption growth rate in China in 2012 was lower than expected, which led to a decrease in market demand and the suspension or delay in delivery of a number of projects. For the purpose of controlling business risks, the Company adjusted its production schedule and postponed the delivery of certain projects according to the progress of project implementation, which led to a noticeable decrease in the capacity of coal-fired generating products such as steam turbine generators and power station steam turbines. Meanwhile, the capacity of wind power generating products was lower than expected due to fewer new orders in 2012.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (I) Analysis of Principal Operations (Continued)

#### 1. Revenue (Continued)

##### (3) Analysis of orders

Due to the decrease in market demand as a result of the slowdown in domestic economic growth and the lower-than-expected electricity consumption growth rate in China in 2012, a number of projects were either suspended or delayed for delivery. As such the number of the preliminary orders completed in the Reporting Period was lower than expected.

##### (4) Major customers

During the Reporting Period, the Company's revenue derived from its top five customers amounted to RMB6,868 million, accounting for 18.04% of the Company's total revenue.

#### 2. Costs

##### (1) Cost analysis

By business

Unit: RMB

By business	Cost composition	2012	As a percentage in total costs (%)	2011	As a percentage in total costs (%)	Year-on-year increase/decrease (%)
Power generation equipment manufacturing and services	Raw materials and purchased parts	24,687,005,205.21	82.64	28,535,002,163.98	84.83	-13.49
	Direct labor costs	2,016,113,552.54	6.75	2,022,208,398.00	6.01	-0.30
	Manufacturing costs	3,170,788,752.34	10.61	3,081,058,429.02	9.16	2.91
	Total	29,873,907,510.09	100.00	33,638,268,991.00	100.00	-11.19

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (I) Analysis of Principal Operations (Continued)

#### 2. Costs (Continued)

##### (2) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB2,386 million, accounting for 15.84% of the Company's total procurement, which is lower than 30% of the Company's total procurement.

#### 3. Research and development expenses

Unit: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Research and development expenses	<b>1,257,978,055.33</b>	1,200,619,442.75	<b>4.78</b>

### (II) Analysis of Operations by Industry, Product or Region

#### 1. Principal operations by industry and product

Unit: RMB

##### Principal operations by industry

Industry	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease	Year-on-year increase/decrease	Year-on-year increase/decrease
				in operating revenue (%)	in operating costs (%)	in gross profit margin (%)
Power generation						
equipment manufacturing	37,739,345,699.73	29,873,907,510.09	20.84	-11.08	-11.19	0.10



# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (II) Analysis of Operations by Industry, Product or Region (Continued)

#### 1. Principal operations by industry and product (Continued)

##### Principal operations by product

Product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease	Year-on-year increase/decrease	Year-on-year increase/ decrease
				in operating revenue (%)	in operating costs (%)	in gross profit margin (%)
Clean high efficiency power generation equipments	20,200,166,742.82	15,749,998,160.13	22.03	-17.49	-20.09	2.53
New energy	7,664,847,200.75	6,398,558,706.19	16.52	-13.72	-8.62	-4.66
Water energy and environmental equipments	4,528,310,383.48	3,299,084,666.02	27.15	39.69	23.62	9.48
Engineering and services	5,346,021,372.68	4,426,265,977.75	17.20	-8.37	3.95	-9.82

- (1) During the Reporting Period, the operating revenue from clean high-efficiency power generation equipments decreased by 17.49% as compared with the same period last year, mainly due to a decrease of 17.56% in revenue from thermal power and a decrease of 26.73% in revenue from conventional island of nuclear power.
- (2) During the Reporting Period, the revenue from the new energy segment decreased by 13.72% as compared with the same period last year, mainly due to the decrease of 12.37% in revenue from the wind power business. Meanwhile, the gross profit margin of the new energy segment decreased by 4.66%, mainly due to the lower sales price of wind power in 2012.
- (3) During the Reporting Period, the revenue from water energy and environmental equipments increased by 39.69% as compared with the same period last year, mainly due to the growth of 33.38% in sales revenue of hydro-power equipments together with the 9.48% growth of gross profit margin, which was resulted from changes in structures of hydro-power projects in 2012.
- (4) During the Reporting Period, the gross profit margin in engineering and services decreased by 9.82% as compared with the same period last year, mainly due to the change in structure of construction projects in 2012.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (II) Analysis of Operations by Industry, Product or Region (Continued)

#### 2. Principal operations by region

Unit: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	29,059,784,443.80	-20.23
Overseas	8,679,561,255.93	44.32

### (III) Analysis of core competitiveness

The Company possesses strong capabilities in respect of technological research and development, market expansion, design and manufacture of products, and EPC contracting for power station projects, and has formed a relatively complete industrial structure, with increasing anti-risk ability and a leading position in term of development of emerging energy sectors including hydropower and nuclear power as compared with its peers in the PRC. The core competitiveness of the Company is shown in the following aspects:

1. Competitive technologies and brand: The Company has the proprietary technologies for the design and manufacture of such equipment as 300-800MW hydropower units, 300-1,000MW thermal power units, 1,000MW nuclear power units, MW-level wind power units, and heavy-duty gas turbine units, as well as technologies in EPC contracting and full-package engineering for power stations. The Company enjoys top-class technological level in the PRC, and has outperformed its domestic peers and reached advanced international level in certain aspects.
2. First-rate manufacturing capability: The Company has owned the manufacturing technology, craftsmanship, and production equipment of advanced international levels and sophisticated production management methods and approaches, thereby forming the first-rate manufacturing strength. The Company can mass-produce 300-800MW hydropower units, 300-1,000MW thermal power units, 1,000MW nuclear power units, MW-level wind power units, E-grade and F-grade heavy-duty gas turbines, flue gas desulfurizers or denitrators for large power station boilers, and other products.
3. Relatively complete industrial structure: The Company has preliminarily established a five-in-one product mix (i.e. hydropower, thermal power, wind power, nuclear power and gas), with reasonable structure of orders for each product category, and increasing anti-risk ability.
4. Market expansion capability: Through technological innovation and product mix adjustment, the Company has not only maintained considerable market expansion capability in the PRC, but also further explored overseas markets, shifting its target from the traditional Southeast Asian, south Asian, and Middle Eastern countries to African, South American and European markets.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (IV) Analysis of investment

#### Analysis of Major Subsidiaries and Investees

Unit: RMB100 million

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	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	393.10	37.02	155.15	4.31	4.18
DEC Dongfang Electric Machinery Co., Ltd.	100%	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	139.07	39.02	65.09	4.52	4.45
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, 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	193.72	45.93	116.50	9.56	8.00
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	38.14	14.63	13.15	2.01	1.78

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (V) Financial Position during the Reporting Period

#### 1. Analysis of assets, liabilities and shareholders' equity

As at 31 December 2012, the Company's total assets amounted to RMB78,327 million, down by 4.99% as compared with the beginning of the year, mainly attributable to a 13.38% decrease in cash and cash equivalents and a 11.04% decrease in inventories; total liabilities amounted to RMB61,780 million, down by 8.93% as compared with the beginning of the year, mainly attributable to 11.57%, 7.43% and 43.99% decreases in receipts in advance, trade payables and taxes payable, respectively; and shareholders' equity amounted to RMB16,548 million, up by 13.29% as compared with the beginning of the year, mainly attributable to a 27.04% increase in undistributed profit.

#### 2. Gearing ratio

As at 31 December 2012, the Company's gearing ratio (calculated as total liabilities divided by total assets) was 78.87%, representing a decrease of 3.41% as compared with the beginning of the year because the financial position of the Company was further optimized and improved.

#### 3. Bank borrowings

As at 31 December 2012, the Company had bank borrowings of RMB2,173 million due within one year and RMB126 million due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB2,173 million were fixed-rate loans. The Company has maintained a sound financing capacity due to its favorable credit rating with banks.

#### 4. Exchange risk management

With the increasing scale of the international operations of the Company, foreign exchange rate risk has become a more important element that affects the Company's operating results. With a view to effectively reduce the impact of fluctuations in foreign currency exchange rates on the Company's financial position and operating results, the Company prudently adopts exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (V) Financial Position during the Reporting Period (Continued)

#### 5. Pledge of assets

As at 31 December 2012, the Company had pledged borrowings of RMB194 million, which were related to the commercial acceptance bills that the Company applied to financial institutions for discounting. As at 31 December 2012, such commercial acceptance bills were not yet due.

#### 6. Contingent liabilities

##### (1) Possible commercial risks in relation to the Saudi Rabigh project

In July 2009, the consortium including the Company entered into an EPC contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Company undertook the supply of major equipment and provision of relevant technical services. Due to problems of certain equipments, the generating units were not put into commercial operation as scheduled. After negotiations with the project owners from Saudi Arabia, the Company carried out rectification and improvement work after the end of the 2012 summer-peak season for power generation. No. 1 generating unit was put into commercial operation on 14 December 2012, and No 2 generating unit was put into commercial operation on 28 January 2013. Currently, the Company is in the process of negotiation with the project owners from Saudi Arabia in respect of the compensation for prolongation and delivery of the project.

##### (2) Arbitration over technology contract disputes with US-based Foster Wheeler

In March 1994, Dongfang Electric Corporation (“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 imported from Foster Wheeler the technology for 50MW and 100MW non-reheat circulating fluidized-bed boilers. In January 1999, Dongfang Boiler Factory transferred its rights and obligations stipulated under the licensing agreement to Dongfang Boiler Group Co. Ltd. (“Dongfang Boiler”).

In January 2009, Foster Wheeler filed an arbitration claim with the Chamber of Commerce of Stockholm, Sweden, against DEC, Dongfang Boiler Factory and Dongfang Boiler as respondents. Foster Wheeler alleged that DEC, Dongfang Boiler Factory and Dongfang Boiler have used its technology on 135MW and 300MW boilers in violation of provisions of the licensing agreement, and claimed compensation for its losses.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (V) Financial Position during the Reporting Period (Continued)

#### 6. Contingent liabilities (Continued)

##### (2) Arbitration over technology contract disputes with US-based Foster Wheeler (Continued)

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler to pay to Foster Wheeler nominal royalties of US\$4,815,000 and unpaid royalties of US\$1,520,000 and the interest accrued thereon, and the Foster Wheeler has to return the technology licensing fees of US\$1,117,000 to Dongfang Boiler. Dongfang Boiler and DEC disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. Up to now, the Svea Court of Appeal, Sweden has not yet rendered a verdict. According to the ruling of the arbitration court of the Chamber of Commerce of Stockholm, Sweden, made on 20 October 2011, Dongfang Boiler confirmed expected liabilities for the year of RMB53,197,144.96 (including interest expenses of RMB20,399,405.96) based on the PRC Accounting Standards for Business Enterprises.

On 18 February 2013, Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. Hearings were held from 4 March to 15 March 2013, where the Company asserted no breach of contract was constituted in respect of such projects, and actively responded and strongly retorted from the technical, commercial and legal aspects. Up to now, the arbitration court has not yet rendered a verdict.

### (VI) Main Sources and Uses of Funds

#### 1. Cash flows from operating activities

During the Reporting Period, the Company's cash inflows from operating activities amounted to RMB34,634 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB34,813 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB-179 million. The net cash outflows from operating activities decreased by 84.32% as compared with the same period last year, mainly due to a significant decrease in payment for procurement as the Company further enhanced capital management in response to the decrease in total cash received from sales of goods.

# REPORT OF THE BOARD (CONTINUED)

## I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (VI) Main Sources and Uses of Funds (Continued)

#### 2. Cash flows from investing activities

During the Reporting Period, the Company's cash inflows from investing activities amounted to RMB353 million, mainly attributable to the cash received from disposal of the shares of Huaneng Power held by the Company; cash outflows from investing activities amounted to RMB1,599 million, mainly attributable to investment expenditures for purchase and construction of fixed assets and acquisition of shares of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd. (內蒙華電) by the Company; net cash flows from investing activities amounted to RMB-1,246 million. The net cash outflows from investing activities decreased by 30.84% as compared with the same period last year, mainly due to a year-on-year decrease in investment in fixed assets.

#### 3. Cash flows from financing activities

During the Reporting Period, the Company's cash inflows from financing activities amounted to RMB3,585 million, mainly attributable to short-term borrowings from financial institutions; cash outflows from financing activities amounted to RMB3,560 million, mainly attributable to the repayment of borrowings due and the payment for interest accrued thereon by the Company, as well as the distribution of 2011 cash dividends of RMB321 million to the shareholders of the Company; net cash flows from financing activities amounted to RMB26 million. The net cash flows from financing activities increased by RMB470 million as compared with the same period last year, mainly attributable to the increase in the Company's borrowings from financial institutions.

## II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD

### (I) Competition pattern and development trend of the industry

The world economy is likely to experience a narrow growth in 2013, with the Chinese economy also stabilizing and growing moderately. The domestic power generation equipment market is still in correction and steady progress. The demand for hydropower will remain somewhat stable, but with competition further intensifying. According to the overall requirement for adjustment of the power source structure, investment in thermal power is expected to stabilize; construction of nuclear power projects resumes, and the nuclear power industry is likely to maintain stable and sustained development; the wind power sector still stays in a period of correction; the gas turbine industry will maintain rapid development, as there is still a huge market demand; the power station service and energy-saving and environment protection industry will also maintain rapid growth. In overseas power generation equipment markets, there is a general pickup in the growth rate of emerging markets and developing economies, but there still exist great policy-related, legal and other risks in our target markets, therefore expansion of overseas markets still remains a great challenge.

# REPORT OF THE BOARD (CONTINUED)

## II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD (CONTINUED)

### (II) Development strategy of the Company

Under the supreme guidelines of the spirits of the “18th Party Congress”, by taking up the mission of reinvigorating the major technical equipment industry of China, and centering on the “three shifts”, the Company, always driven by market demands, will particularly develop and enhance its principal business of power generation equipment, continuously raise its independent innovation capability, effectively allocate internal resources, and boost development quality, so as to build the Company into a world-leading manufacturer of major energy and power equipment with international competitiveness.

### (III) Business plan

In 2013, the Company, in accordance with the general requirement of “seeking progress amid stability”, will take an innovation-driven approach, boost the management level and development quality, and promote the sustained and healthy development of the Company. Due to plenty of uncertainties in the domestic and overseas environments, the Company has prudently formulated the business plan for 2013, with focus placed on benefits, transformation, risk control and sustainable development. The Company expects the total capacity of power generation equipment upon completion of construction to reach 33,000MW. Major measures to be taken to achieve the target for the year include:

#### To make unsparing efforts in expansion of domestic and overseas markets

In the domestic market, the Company will accelerate the market promotion of 1,200MW thermal power units, 5.5MW offshore wind power units, 2.5MW direct-drive wind power units and other products, actively promote the application of 1,000MW double reheat, 600MW thermal power renovation and other technologies, and step up efforts in developing the market of pumped storage hydropower units. In overseas markets, the Company will tap deep into the key markets of India, Indonesia, Pakistan and Vietnam, vigorously expand the markets in the Middle East and Central Asia, make breakthroughs with key projects, and actively explore new markets in East Europe and Africa.

#### To constantly enhance the internationalized operation level of the Company

The Company will proactively press ahead with optimized resources allocation in overseas markets, and explore the top-notch design of overseas business management systems; accelerate the implementation of the resources consolidation plan in overseas markets including India, and build a unified platform to form synergy so as to facilitate the expansion of international markets, prevention of project risks, and enhancement of project management level and profitability; actively broaden channels, establish a sound and scientific sub-suppliers (分供方) management system, and build strong contract performance capabilities in engineering projects, in order to drive further growth of the Company’s engineering business.



# REPORT OF THE BOARD (CONTINUED)

## II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD (CONTINUED)

### (III) Business plan (Continued)

#### To push forward and implement the innovation-driven strategy

The Company will practically pursue the enhancement of quality and efficiency with the thermal power subcritical, supercritical 600MW units, the research and manufacture of 660MW double reheat units at Huaneng Anyuan (華能安源), enhanced ultra-supercritical 1,000MW units at Zheneng Liheng (浙能六橫) and Shenhua Wanzhou (神華萬州), the research and development of the core technology relating to 1,000MW hydropower units and 400MW pumped storage hydropower units, the research and development of CAP1400 nuclear power units, and the testing of and construction design for key components of gas-fired 50MW heavy-duty gas turbines, the trial operation of 5.5MW offshore wind turbines, and the enhancement of quality and efficiency and optimization of performance of other leading products, concretely strengthen technological breakthroughs and innovation, and boost the quality of leading products and market competitiveness by virtue of advanced science and technology.

#### To improve and boost production and engineering management

In 2013, as its production tasks still remain tight, and considering the large number of new and key products and short delivery cycles, the Company will step up preparation in respect of technology and raw materials, strengthen interaction during project implementation, and make every endeavor to solve the problem of resource bottleneck, so as to ensure the delivery of key projects on schedule, especially the delivery of gas turbines, export products, gasifiers, environment protection engineering and other products, with both quality and quantity guaranteed, and the progress in the construction of all the engineering projects.

#### To fully enhance the quality management level

The Company will reinforce the promotion of the quality management philosophy for nuclear power products, strengthen cultivation of professional talents in quality management, and consolidate the foundation for quality development; step up control over technology quality, and ensure the R&D quality of research projects, new technologies and products; study the quality risk identification and control methods for major projects and key products, and further implement quality risk control; step up quality management of engineering projects from design, procurement, civil work, to installation and debugging to ensure engineering and construction quality.

# REPORT OF THE BOARD (CONTINUED)

## II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD (CONTINUED)

### (IV) Potential risks

1. **Market risk:** As a result of a weakened national economy, and decelerated growth in domestic power demands, the completed investment in power supply engineering declined constantly, especially with significant year-on-year decrease rate of completed investment in thermal power and wind power. The demand for hydropower is constrained by various factors including environment protection, migration, and public opinion, while nuclear power projects, though reactivated, fared below expectation. As the impact of the global financial crisis still lingers, and the demand of international markets remains sluggish, project owners face grave difficulties in financing, with the risk associated with project capital rising. All this brings difficulties and risks in market expansion by the Company.

The Company will step up marketing efforts with underscored focus, based on the demand of target markets, continuously improve a fast and effective market response mechanism, and fully exert the initiative of all parties to form synergy so as to respond to market changes rapidly. Meanwhile, the Company will further optimize the allocation of internal resources, and push forward transformation and upgrade to satisfy market demands.

2. **Risk associated with increasing difficulty in recovery of loans:** Due to dynamic adjustments to macro fiscal and financial policies in the PRC, and a slowdown in the construction progress of some power station projects, the Company runs the risk of rising trade receivables and increasing difficulty in recovering loans, which may lead to a decrease of cash flow from operating activities, and reduction of monetary capital reserves of the Company.

The Company will concretely strengthen capital management, prevent capital risks, step up efforts in the recovery of loans and ensure the normal functioning of its capital chain and the satisfaction of capital demands in production and operation.

3. **Risk associated with project implementation:** Among the secured domestic projects of the Company, those of untraditional power project owners are more susceptible to economic conditions, which may pose the risk associated with project implementation. The same is true with overseas projects, which are subject to the influence of exchange rate fluctuations, the politics, economy, safety and policies of host countries, as well as the construction period and quality of projects.

By pressing ahead with the construction of the internal control system, reinforcing inspection over project contracts, and accelerating the implementation of the resource consolidation plan in overseas markets, the Company will establish a unified platform with effective synergy, promote the expansion of international markets, and enhance its capability in preventing project risks.

# REPORT OF THE BOARD (CONTINUED)

## III. PLAN FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

### (I) Implementation of the profit distribution plan for 2011

On 17 May 2012, the profit distribution plan for 2011 was considered and approved at the 2011 annual general meeting of the Company. The plan was in compliance with the Articles of Association of the Company and relevant procedures for consideration, fully protecting the legal interests of the minority investors. During the reporting period, the implementation of the aforesaid profit distribution plan had been completed.

### (II) Profit distribution plan for 2012

As audited by ShineWing Certified Public Accountants, the Company achieved RMB2,191,129,345.43 of net profit attributable to shareholders of the Company in 2012 and a net profit of RMB1,338,576,054.57. The Company proposes to pay a final cash dividend of RMB1.10 (tax inclusive) for every ten shares, totalling RMB220,424,600.00. No capital reserve will be transferred to share capital, nor distribute any bonus share. The plan is subject to consideration and approval at the 2012 annual general meeting.

### (III) Scheme or plan for profit distribution, transfer of capital reserve to share capital of the Company for the latest three years (including the reporting period)

Unit: RMB

Year	Bonus shares		Number of shares transferred into share capital for every 10 shares (share)	The amount of cash dividends (Tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statements of the corresponding year	The percentage in net profit attributable to shareholders of the Company in the consolidated statements (%)
	for every 10 shares (share)	Cash dividend for ever 10 shares (RMB) (Tax inclusive)				
2012		1.10	–	220,424,600.00	2,191,129,345.43	10.06
2011		1.60	–	320,617,600.00	3,056,227,705.50	10.49
2010		1.30	10	260,501,800.00	2,576,974,795.23	10.11

# REPORT OF THE SUPERVISORY COMMITTEE

## To the Shareholders

In 2012, the Company adhered to the guideline of “three shifts”, namely shifting from scale expansion to efficiency and profit growth, shifting from capacity expansion to technical upgrading, and shifting from manufacturing-based operations to manufacturing- and service-based operations, placed priorities on “highlighting principal operations, optimizing allocation and refining management” and forged ahead with concerted efforts. As such, the Company has sustained a steady growth momentum. The Supervisory Committee of the Company earnestly performed its duties 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 in accordance with the Company Law, the Securities Law, the Articles of Association, the Rules of Procedure of the Supervisory Committee and other relevant laws and regulations. The work of the Supervisory Committee in 2012 is set out as follows:

## I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

- (l) In light of the Company’s decision-making on operation and the exercise of its regulatory rights and obligations, the Supervisory Committee held five meetings in 2012:
  - 1. The 12th meeting of the sixth Supervisory Committee was convened in Chengdu on 28 March 2012. All of the three Supervisors were present at the meeting to consider and approve the following matters:
    - (1) The proposals in relation to the 2011 annual report of the Company and its summary were considered and approved. The Supervisory Committee was briefed on and reviewed the 2011 annual report by the office of the Board and gave the following audit opinions: the Board operated in strict compliance with relevant laws and regulations and earnestly implemented the resolutions of the general meetings. The significant decisions of the Company were made in compliance with legal and valid procedures and information disclosure was made on a timely and accurate basis. The preparation and review procedures of the 2011 annual report of the Company were in line with relevant laws and regulations, the Articles of Association and internal administrative systems of the Company.
    - (2) The proposal in relation to the 2011 financial report of the Company was considered and approved. Having been briefed on and reviewed the 2011 financial report of the Company by the finance department of the Company and the standard unqualified auditors’ report issued by ShineWing Certified Public Accountants, the Supervisory Committee was of the view that the preparation and review procedures of the 2011 financial report of the Company were in line with relevant laws and regulations, the Articles of Association and internal administrative systems of the Company and the report truly, objectively and fairly reflected the financial position and the operating results of the Company.
    - (3) The proposals relation to the profit distribution plan for 2011, annual connected transactions and the deposit and use of the proceeds in 2011 were considered and approved.

# REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

## I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (CONTINUED)

- (l) In light of the Company's decision-making on operation and the exercise of its regulatory rights and obligations, the Supervisory Committee held five meetings in 2012: (Continued)
1. The 12th meeting of the sixth Supervisory Committee was convened in Chengdu on 28 March 2012. All of the three Supervisors were present at the meeting to consider and approve the following matters: (Continued)
    - (4) The proposals relation to the Company's self-assessment report on internal control for 2011 and social responsibility report for 2011 were considered and approved. Having been briefed by the office of legal affairs and the office of the Board on their respective work, the Supervisory Committee was of the view that the Company had established a relatively complete internal control system which was effectively implemented. The Company's internal control self-assessment report gave a true and objective view of the development and operation of the Company's internal control system. The 2011 social responsibility report of the Company gave an objective and true view of the performance of social responsibilities by the Company.
    - (5) The proposal relation to the work report of the Supervisory Committee of the Company for 2011 was considered and approved.
  2. The 13th meeting of the sixth Supervisory Committee was convened in Chengdu on 23 April 2012. Two of the three Supervisors attended the meeting as Mr. Wen Bingyou, the chairman of Supervisory Committee, was on a business trip and authorized Supervisor Mr. Wen Limin to exercise the rights of and chair the meeting. The proposal relation to the 2012 first quarterly report of the Company was considered and approved at the meeting.
  3. The first meeting of the seventh Supervisory Committee was convened in Chengdu on 28 June 2012. All of the three Supervisors attended the meeting, where the proposal in relation to the election of Mr. Wen Bingyou as the chairman of the seventh Supervisory Committee was conscientiously considered and passed through voting.
  4. The second meeting of the seventh Supervisory Committee was convened in Chengdu on 20 August 2012. Two of the three Supervisors attended the meeting as Supervisor Mr. Wang Congyuan was on a business trip thus unable to attend the meeting in person and authorized Supervisor Mr. Wen Bingyou to attend and vote at the meeting on his behalf. The following matters were considered and approved at the meeting:
    - (1) The proposal in relation to 2012 interim report of the Company and its summary was considered and approved;
    - (2) The proposal in relation to 2012 unaudited interim financial report of the Company was considered and approved.

# REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

## I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (CONTINUED)

- (I) In light of the Company's decision-making on operation and the exercise of its regulatory rights and obligations, the Supervisory Committee held five meetings in 2012: (Continued)
5. The third meeting of the seventh Supervisory Committee was convened in Chengdu on 25 October 2012. Two of the three Supervisors attended the meeting as Mr. Wen Bingyou, the chairman of Supervisory Committee, was on a business trip thus unable to attend the meeting in person and authorized another Supervisor Mr. Wen Limin to attend and vote at the meeting on his behalf. The following matters were considered and approved at the meeting:
- (1) The proposal in relation to the unaudited 2011 third quarterly report of the Company was considered and approved;
  - (2) The proposal in relation to the H Share Appreciation Rights Plan of the Company was considered and approved.
- (II) The Supervisory Committee sat in on all the Board meetings, the annual general meeting and extraordinary general meetings and other important business meetings of the Company held in the reporting period in accordance with the Company Law, the Securities Law, the Articles of Association and the Rules of Procedure of the Supervisory Committee, and certain supervisors even participated in the work meetings of the President of the Company, management improvement activities, internal control building activities and the inspection on the centralized management of capital of the Company. As such, the Supervisory Committee earnestly supervised and examined the legal compliance of the Company's operations and the financial position and investments of the Company, made recommendations on the establishment of internal control related to the authorization and disposal of equity investments and other important aspects and advised the Company to pay high attention to its cash flows, enhance market development and the collection of receivables and the budget implementation of its subsidiaries. These recommendations and requirements were taken seriously by the Board, the management and the senior executives of the Company and were implemented earnestly, which further improved the Company's corporate governance and enhanced the Company's internal control.

While duly performing their supervisory duties, the Supervisory Committee also actively participated in and supported the supervision and inspection and exchange activities launched by the China Securities Regulatory Commission, the Securities Regulatory Bureau of Sichuan Province, the Chinese Association of Listed Companies (中國上市公司協會) and the Association of Listed Companies of Sichuan Province. In 2012, the Supervisory Committee had participated in the questionnaire survey in respect of the corporate governance of listed companies, the best practices of the supervisory committees of listed companies, corporate governance forums for listed companies and the consultations on the Work Guidelines for Supervisory Committees of Listed Companies in Sichuan, which created favorable conditions for the Supervisory Committee to better perform its supervisory functions.

# REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

## II. PERFORMANCE OF DUTIES BY SUPERVISORS

The Supervisors' attendance at the meetings of the Supervisory Committee held in the year (five meetings were held in the year) was set out below.

Name	Staff representative supervisor (Yes/No)	Number of meetings required to attend	Attendance in person	Attendance by proxy	Absence
Wen Bingyou	No	5	3	2	0
Wen Limin	No	5	5	0	0
Wang Congyuan	Yes	5	4	1	0

All the Supervisors attended the special training arranged by the Company on 28 June 2012. The training combined the laws and securities regulatory rules with the cases of listed companies, and offered the Supervisors an in-depth learning of the rights and obligations and liabilities of directors, supervisors and senior management of PRC Listed companies, thus further enhancing their understanding of the importance of improving corporate governance of the Company and the supervisory activities, strengthening their confidence in discharging duties of the current Supervisory Committee, and enhancing their sense of responsibility in legal and effective performance of their duties and their awareness of the risks related to violation of laws and regulations.

The election of a new session of the Supervisory Committee was completed in the reporting period. Mr. Wen Bingyou and Mr. Wen Limin, members of the current Supervisory Committee, were elected as the shareholders' representative Supervisors at the annual general meeting of the Company held on 17 May 2012, while Mr. Wang Congyuan was elected as staff representative Supervisor at the staff congress of the Company. Mr. Wen Bingyou was elected as the chairman of the current Supervisory Committee at the first meeting of the seventh Supervisory Committee.

## III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS FOR THE REPORTING PERIOD

Through carrying out the above activities, the Supervisory Committee effectively discharged its supervisory duties. At the fourth meeting of the seventh Supervisory Committee held on 29 March 2013, the Supervisory Committee reviewed its independent opinions on the activities supervised during the performance of its duties, which are set out as follows:

### (I) The Supervisory Committee's independent opinion on legal compliance of the Company's operations

Having supervised and examined the operation of the Company pursuant to its duties and responsibilities under the Company Law, the Securities Law and the Articles of Association, the Supervisory Committee is of the opinion that the Company had a relatively complete internal control system in place and operated in accordance with the laws and regulations. The resolutions of the general meetings were strictly implemented by the Board, all significant decisions of the Company were made in compliance with legal and valid procedures and information disclosure was made in a timely and accurate basis. The directors and senior management of the Company have performed their duties with due diligence, and no act by directors and senior management in violation of laws and regulations and the Articles of Association or being detrimental to the interests of the Company and its shareholders was found.

# REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

## III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS FOR THE REPORTING PERIOD (CONTINUED)

### **(II) The Supervisory Committee's independent opinion on inspection on the financial position of the Company**

During the reporting period, the Supervisory Committee has carefully monitored, examined and reviewed the financial position and financial management of the Company in 2012 by way of hearing the special reports made by the financial controller of the Company, carefully considering the financial report of the Company, reviewing auditors' report and keeping close eyes on and investigating major events. ShineWing Certified Public Accountants has audited the 2012 financial report of the Company and issued a standard unqualified auditor's report. In the opinion of the Supervisory Committee, the Company has further improved the financial system and other relevant management systems and the financial accounting and various financial management systems have been effectively executed. The preparation and review procedures of the Company's 2012 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 audited financial report truly 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 during the reporting period.

### **(III) The Supervisory Committee's Independent Opinion on the actual use of the Company's last raised proceeds**

During the reporting period, the Company did not have any project funded by proceeds raised from fundraising activities.

### **(IV) 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 in the reporting period.

### **(V) The Supervisory Committee's independent opinion on the Company's connected transactions**

The Supervisory Committee seriously and carefully considered the connected transactions of the Company and was of the opinion that the continuing connected transactions of the Company were carried out under the principle of openness, fairness, justice and voluntariness and in compliance with relevant national laws and regulations, the Articles of Association and relevant regulations of the Company; that the connected transactions were fair and reasonable with sufficient information disclosure being made and without prejudice to the interests of the Company and other shareholders, especially minority shareholders and non-connected shareholders.



# REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

## III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS FOR THE REPORTING PERIOD (CONTINUED)

### **(VI) The Supervisory Committee's independent opinion on the internal control self-assessment report**

In the reporting period, the Company carried out a self assessment on its internal controls in accordance with the Basic Standards for Enterprise Internal Control jointly issued by the Ministry of Finance of the PRC and China Securities Regulatory Commission and other authorities, the Guidelines on Internal Control of Listed Companies issued by the Shanghai Stock Exchange and other relevant national laws and regulations.

The Supervisory Committee was briefed on and carefully reviewed the 2012 internal control self-assessment report of the Board and the relevant auditors' report presented by ShineWing Certified Public Accountants. The Supervisory Committee was of the opinion that the Company had established a relatively complete internal control system, which met the current production and operation needs of the Company and can be effectively executed, thus guaranteeing the standardized operation of the Company and improving the management and control of the Company. 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.

### **(VII) The Supervisory Committee's independent opinion on the Corporate Social Responsibility Report**

The Supervisory Committee is of the opinion that the Social Responsibility Report of the Company for 2012 gives an objective and true view of the performance of social responsibilities by the Company.

# REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

## IV. THE SUPERVISORY COMMITTEE'S SPECIAL OPINION ON THE IMPLEMENTATION OF CASH DIVIDEND POLICY AND SHAREHOLDERS' RETURN PLAN AND COMPLIANCE OF RELEVANT DECISION-MAKING PROCEDURES BY THE BOARD AND THE MANAGEMENT

Pursuant to the requirements of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by China Securities Regulatory Commission and the Guidance for Cash Dividend Distribution of SSE-listed Companies (《上海證券交易所上市公司現金分紅指引》) issued by the Shanghai Stock Exchange, the Supervisory Committee carefully examined the plans for implementation of the cash dividend policy and relevant special explanations submitted by the Board, listened to the special reports delivered by the Board and other relevant departments and reviewed relevant documents concerning the profit distribution in the past three years. Based on these efforts, the Supervisory Committee has formed the opinion that the development of the Company's profit distribution plan and cash dividend policy are in line with the Articles of Association. The explanations on dividend distribution were objective and true; the decision-making on cash dividend was in compliance with the Articles of Association the cash dividend management measures. The profit distribution plan has taken into account all the shareholders of the Company and the retained undistributed profit meets the needs of the production and management of the Company. Nothing was found in the Company's decision-making on cash dividends to be detrimental to legitimate rights and interests of minority shareholders

In 2013, the Supervisory Committee will faithfully perform its supervisory functions over the activities, business and finance of the Company in accordance with the Company Law, the Securities Law, the Articles of Association, and the Rules of Procedure of the Supervisory Committee and other relevant laws and regulations, and earnestly exercise supervision over the implementation of the H Share Rights Appreciation Plan of the Company with reference to the annual work priorities of the Company and the responsibilities of the Supervisory Committee. In addition, appropriate adjustments will be made to the Rules of Procedure of the Supervisory Committee as required by the corporate governance and operation and management of the Company, so that the Supervisory Committee may play a better supervisory role and safeguard the interests of the Company and its shareholders.

# SIGNIFICANT EVENTS

## I. SHARE OPTION INCENTIVES ADOPTED BY THE COMPANY AND INFLUENCE THEREOF

In order to further improve the Company's overall remuneration structure system of the Company, and enable the interests of the shareholders to be connected with the benefits of the directors, senior management and key personnel, the Company adopted the share appreciation rights scheme during the reporting period, under which the senior management and key technical personnel of the Company were granted the H share appreciation rights. The H share appreciation rights representing a total of 16,260,000 shares were granted to 175 qualified recipients for the first time, accounting for 0.8114% of the total share capital of the Company (being 2,003,860,000 shares).

## II. MATERIAL CONNECTED TRANSACTIONS

### Routine continuing connected transactions

On 21 October 2011, the Company entered into the 2012–2014 Purchase and Production Services Framework Agreement, 2012–2014 Sales and Production Services Framework Agreement, 2012–2014 Combined Ancillary Services Framework Agreement, 2012–2014 Properties and Equipment Framework Lessee Agreement and 2012–2014 Properties and Equipment Framework Lessor Agreement with DEC, and entered into the 2012–2014 Financial Services Framework Agreement with the DEC Finance in Chengdu, Sichuan Province. Such continuing connected transactions are effective from 1 January 2012 to 31 December 2014.

DEC is the controlling shareholder of the Company, and the DEC Finance is the wholly-owned subsidiary of DEC, therefore, the agreements entered into by the Company and DEC and the DEC Finance and the routine continuing connected transactions thereunder constituted the continuing connected transactions of the Company pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The basic contents of such agreements are as follows:

### 1. 2012–2014 Purchase and Production Services Framework Agreement

DEC and its affiliated enterprises would supply the products (raw materials, semi-finished products, auxiliary equipment, supporting materials, components, production equipment and tools, processing tools, employee necessities, and other related products and materials.) and provide production services (processing service, import agency services, technical services, inspection and testing services, after-sales services, transportation services, maintenance, repair and management services for equipment and tools, repair of vehicles and other related production services) to the Company or its subsidiaries.

### 2. 2012–2014 Sales and Production Services Framework Agreement

The Company and its subsidiaries would supply the products (raw materials, semi-finished products, finished products, turbine products, boiler products, nuclear products, gas turbines, power generation equipment, production equipment, components, spare parts, supporting materials, employee necessities and other related products and materials) and provide production services (processing service, technical services, transportation services, import agency services, and other related production services) to DEC and its affiliated enterprises.

# SIGNIFICANT EVENTS (CONTINUED)

## II. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

### Routine continuing connected transactions (Continued)

#### 3. 2012–2014 Combined Ancillary Services Framework Agreement

The Company and its subsidiaries would provide the combined ancillary services (including but not limited to training services, utility services (including water, electricity and gas), communication services, combined management services and other ancillary services) to DEC and its affiliated enterprises; DEC and its affiliated enterprises would provide the combined ancillary services (including but not limited to medical services, cleaning services, employee management services, nursery services, management services for retired employees, militia services, educational services, training services, and other ancillary services) to the Company and its subsidiaries.

#### 4. 2012–2014 Financial Services Framework Agreement

DEC Finance will provide the following financial services to the Company and its subsidiaries in accordance with the permit for operating finance business(《經營金融業務許可證》)and business license it held: deposit-taking service, loans service, fund settlement services and other investment and financial services approved by the China Banking Regulatory Commission.

#### 5. 2012–2014 Properties and Equipment Framework Lessee Agreement

DEC and its affiliated enterprises would lease relevant properties to the Company and its subsidiaries.

#### 6. 2012–2014 Properties and Equipment Framework Lessor Agreement

The Company and its subsidiaries would lease relevant properties to DEC and its affiliated enterprises.

For the details of the aforesaid agreements, please refer to the announcement and circular of the Company in relation to continuing connected transactions published by the Company on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 21 October 2011 and 4 November 2011.

The aforesaid routine continuing connected transactions between the Company and DEC and other related parties are necessary for the production and operation of the Company, are in compliance with the normal commercial terms and the principle of fairness and are conducted pursuant to the relevant specific agreements. The conditions and pricing of such transactions are fair, and have gone through the approval procedures according to relevant regulations, without prejudice to the interests of the Company and shareholders. The relevant continuing connected transactions are conducive to the production and operation as well as the sustainable and stable development of the Company.

These continuing connected transactions have come into force with the approval by the independent directors of the Board and/or independent shareholders at the general meetings of the Company. As at 31 December 2012, the specific amount of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

# SIGNIFICANT EVENTS (CONTINUED)

## II. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

### Routine continuing connected transactions (Continued)

#### 6. 2012–2014 Properties and Equipment Framework Lessor Agreement (Continued)

As at 31 December 2012, the actual amount of the continuing connected transactions and their annual caps for 2012

Unit: RMB'000

Name of agreement	Total actual Amount in 2012	Proposed annual caps for 2012
Purchase and Production Services Framework Agreement	<b>1,336,442</b>	3,000,000
Sales and Production Services Framework Agreement	<b>1,242,177</b>	1,780,000
Combined Ancillary Services Framework Agreement (receipt of services)	<b>37,415</b>	150,000
Combined Ancillary Services Framework Agreement (provision of services)	<b>893</b>	2,000
Properties and Equipment Lessor Framework Agreement	<b>538</b>	3,000
		12,400,000
		(deposit plus interest income)
Financial Services Framework Agreement	<b>7,504,769</b>	12,800,000
		(loans plus interest expense)
Properties and Equipment Framework Lessee Agreement	<b>53,378</b>	80,000

The Company confirms that the aforesaid connected transactions (if applicable) and continuing connected transactions have been in compliance with the disclosure requirements under the Chapter 14A of the Listing Rules.

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.

# SIGNIFICANT EVENTS (CONTINUED)

## II. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

### Routine continuing connected transactions (Continued)

#### 6. 2012–2014 Properties and Equipment Framework Lessor Agreement (Continued)

In accordance with the Rule 14A.38 of the Listing Rules, the auditor engaged by the Company confirmed that, in 2012, 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.

## III. OTHER MATERIAL CONTRACTS

During the reporting period, there is no contract of significance between the Company or any of its subsidiaries and its controlling shareholder (as defined in Appendix 16 to the Listing Rules) or its subsidiaries.

During the reporting period, 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.

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 corporations.

# SIGNIFICANT EVENTS (CONTINUED)

## IV. APPOINTMENT OR TERMINATION OF APPOINTMENT OF THE AUDITORS

Unit: RMB0'000

Whether changed the auditor or not: No

	<b>Former auditor</b>	<b>Current auditor</b>
Domestic auditor	ShineWing Certified Public Accountants (special general partnership)	ShineWing Certified Public Accountants (special general partnership)
Remuneration of the domestic auditor	250	230
Term of audit of the domestic auditor	3	4

	<b>Name</b>	<b>Remuneration</b>
Internal control auditor	ShineWing Certified Public Accountants (special general partnership)	60

In conclusion, the Company did not change its domestic auditor in any of the past three years.

## V. PUBLIC FLOAT

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

## VI. PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## VII. AUDIT COMMITTEE

The Board has established an audit committee, which consists of three independent non-executive directors, namely Mr. Peng Shaobing, Mr. Li Yanmeng and Mr. Zhao Chunjun. The audit committee has reviewed the annual report of the Company for the reporting period, and agreed with the accounting treatment method adopted by the Company.

# SIGNIFICANT EVENTS (CONTINUED)

## VIII. FIVE YEAR'S FINANCIAL SUMMARY

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	2012 (31 December 2012)	2011 (31 December 2011)	2010 (31 December 2010)	2009 (31 December 2009) Restated	2008 (31 December 2008) Restated
Total assets	<b>78,327,056,597.82</b>	82,442,725,917.98	82,252,888,512.58	73,361,045,756.48	58,317,511,626.80
Total liabilities	<b>61,779,541,443.39</b>	67,835,972,139.68	70,468,505,994.63	64,309,496,315.79	55,692,293,879.56
Total shareholders' equity	<b>16,547,515,154.43</b>	14,606,753,778.30	11,784,382,517.95	9,051,549,440.69	2,625,217,747.24
Including: Equity attributable to shareholders of the Company	<b>15,678,105,417.62</b>	13,802,558,874.23	11,038,754,290.22	8,673,769,591.72	2,308,372,745.33
Minority interests	<b>869,409,736.81</b>	804,194,904.07	745,628,227.73	377,779,848.97	316,845,001.91
Revenue from operations	<b>38,079,202,510.13</b>	42,916,618,329.18	38,080,112,185.86	33,224,613,487.11	28,497,242,809.72
Total profit	<b>2,618,658,623.02</b>	3,544,056,803.56	2,845,178,701.11	1,547,219,037.92	10,963,825.54
Income tax expenses	<b>364,937,341.51</b>	425,839,071.57	169,164,306.04	-20,104,997.23	-140,191,357.92
Net profit	<b>2,253,721,281.51</b>	3,118,217,731.99	2,676,014,395.07	1,567,324,035.15	151,155,183.46
Including: Net profit attributable to the Company	<b>2,191,129,345.43</b>	3,056,227,705.50	2,576,974,795.23	1,538,668,156.97	152,535,624.25
Minority interests	<b>62,591,936.08</b>	61,990,026.49	99,039,599.84	28,655,878.18	-1,380,440.79

Note: Prepared in accordance with the PRC Accounting Standards



# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## I. TOTAL NUMBER OF SHARES AND STRUCTURE OF SHAREHOLDERS OF THE COMPANY

Share Class	Number (shares)	Percentage
1. A share		
1. Dongfang Electric Corporation	1,002,474,592	50.03%
2. Others	661,385,408	33.00%
2. H share	340,000,000	16.97%
Total	2,003,860,000	100%

## II. SHAREHOLDERS AND SHAREHOLDINGS

### Number of shareholders and shareholdings

Unit: share

Total number of shareholders as at 31 December 2012	144,577	Total number of shareholders at the end of the fifth trading day before disclosure of the annual report	140,986
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### 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	50.03	1,002,474,592	-8,643		
HKSCC Nominees Limited	Overseas legal person	16.87	338,145,697	-40,200		Unknown
Minmetals Investment Development Ltd.	State-owned legal person	0.80	16,023,500	23,500		Unknown
China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai (中國人壽保險股份有限公司—分紅—個人分紅—005L—FH002滬)	Others	0.59	11,859,143	5,828,983		Unknown

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

## II. SHAREHOLDERS AND SHAREHOLDINGS (CONTINUED)

### Number of shareholders and shareholdings (Continued)

#### Shareholdings of the top 10 shareholders (Continued)

Name of shareholder	Type of shareholder	Percentage (%)	Total number of shares held	Increase (decrease) in the year	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
China Life Insurance Company Limited – Traditional - Ordinary Insurance Product - 005 L – CT001 – Shanghai (中國人壽保險股份有限公司—傳統—普通保險產品—005L—CT001滬)	Others	0.39	7,871,392	194,850		Unknown
China Huarong Asset Management Co., Ltd.	Others	0.38	7,546,864	0		Unknown
Yulong Securities Investment Fund (裕隆證券投資基金)	Others	0.35	7,048,906	-1,451,094		Unknown
China Construction Bank – Yinhua – Dow Jones China 88 Select Equity Fund (中國建設銀行—銀華—道瓊斯88精選證券投資基金)	Others	0.31	6,299,832	3,009,974		Unknown
Bank of China Limited – Jiashi Hushen 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司—嘉實滬深300交易型開放式指數證券投資基金)	Others	0.26	5,274,862	1,633,102		Unknown
Guotai Junan Securities Co., Ltd. – Client Credit Trading Guarantee Securities Account (國泰君安證券股份有限公司客戶信用交易擔保證券賬戶)	Others	0.24	4,800,507	-		Unknown

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

## III. INFORMATION OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

### (I) Information of controlling shareholder

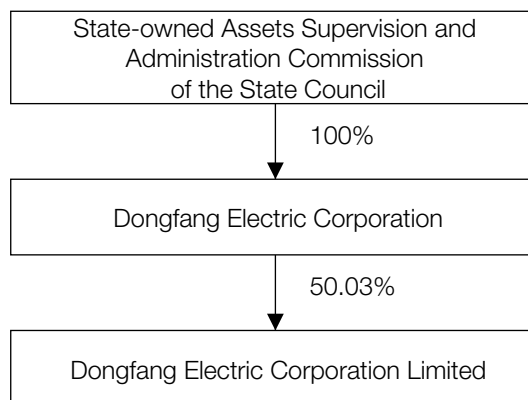
During the Reporting Period, there is no change in the controlling shareholder and de facto controller of the Company.

### (II) Information of de facto controller

#### 1. Legal person

Dongfang Electric Corporation is the controlling shareholder and de facto controller of the Company.

#### 2. Framework of the property right and controlling relationship between the Company and the controlling shareholder



# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

## IV. SHARES HELD BY HKSCC NOMINEES LIMITED ARE SHARES HELD ON BEHALF OF ITS CUSTOMERS

So far as known to the directors, supervisors and the chief executive of the Company, as at 31 December 2012, shareholders (shareholders entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting) or other persons (other than the directors, supervisors or chief executive of the Company) who hold 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 under the provisions of Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong), or to be recorded in the register required to be kept pursuant to Section 336 of the SFO, or to be notified to the Company and the Stock Exchange, were as follows:

Name	Share class	Capacity	Number of shares held	Percentage of total issued share capital (%)	Percentage in the respective class of share capital (%)
Templeton Global Advisors Limited	H Shares	Investment manager	30,777,358(L)	1.54(L)	9.05(L)
JPMorgan Chase & Co.	H Shares	Beneficial owner and Custodian	27,171,665(L)	1.36(L)	7.99(L)
			470,616(S)	0.02(S)	0.14(S)
			26,260,665(P)	1.31(P)	7.72(P)
Deutsche Bank Aktiengesellschaft	H Shares	Beneficial owner, Investment manager and person having a security interest in share	22,042,858(L)	20,715,437(S)	1.10(L)
			1.03(S)	6.48(L)	6.09(S)
BlackRock, Inc.	H Shares	Interest of corporation controlled by the substantial shareholder	18,727,442(L)	1,949,182(S)	0.93(L)
			0.10(S)	5.50(L)	0.57(S)
The Northern Trust Company	H Shares	Approved lending agent	20,231,548(P)	1.01(P)	5.95(P)

(L)- Long position, (S)- Short position, (P)- Lending pool

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

## IV. SHARES HELD BY HKSCC NOMINEES LIMITED ARE SHARES HELD ON BEHALF OF ITS CUSTOMERS (CONTINUED)

- (a) According to the disclosure of interests form submitted by JPMorgan Chase & Co. (the date of relevant event set out in the form was 19 November 2012) on 22 November 2012, these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 27,171,665 H Shares (long position) were held as to 911,000 H shares in the capacity of beneficial owner; and 26,260,665 shares (securities in lending pool) in the capacity of custodian. The 470,616 H Shares (short position) were held in the capacity of beneficial owner.
- (b) According to the disclosure of interests form submitted by Deutsche Bank Aktiengesellschaft (the date of relevant event set out in the form was 11 December 2012) on 18 December 2012, these shares were held through certain subsidiaries of Deutsche Bank Aktiengesellschaft. The 22,042,858 H Shares (long position) were held as to 1,613,258 shares in the capacity of beneficial owner; 241,600 shares in the capacity of investment manager and 20,188,000 shares in the capacity of person having a security interest in share. The 20,715,437 H Shares (short position) were held as to 538,437 shares in the capacity of beneficial owner; and 20,177,000 shares in the capacity of person having a security interest in shares.
- (c) The Company is not aware of any H shareholders holding more than 10% of the total issued share capital of the Company.
- (d) There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association.
- (e) As at 31 December 2012, the Company or its subsidiaries had not issued any convertible securities, options, warrants or any other similar rights or redeemable securities.

Save as disclosed above, as at 31 December 2012, no other persons (other than the directors, supervisors or chief executive of the Company) held 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 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, or to be notified to the Company and the Stock Exchange.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period

Unit: share

Name	Position	Gender	Age	Commencement of term of office	Expiry of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reasons for the increase/decrease	Total emolument received from the Company	Remuneration received from shareholders
										in reporting period (RMB0'000) (before tax)	(RMB0'000)
Si Zefu	Chairman	Male	54	28 June 2012	27 June 2015	0	0	0		67.76	0
Zhang Xiaolun	Director	Male	48	28 June 2012	27 June 2015	0	0	0		61.37	0
Wen Shugang	Director, President	Male	50	28 June 2012	27 June 2015	0	0	0		61.37	0
Huang Wei	Director	Male	47	28 June 2012	27 June 2015	0	0	0		60.08	0
Zhu Yuanchao	Director	Male	56	28 June 2012	27 June 2015	0	0	0		60.30	0
Zhang Jilie	Director	Male	49	28 June 2012	27 June 2015	0	0	0		58.17	0
Li Yanmeng	Independent Non-executive Director	Male	68	28 June 2012	27 June 2015	0	0	0		6.32	0
Zhao Chunjun	Independent Non-executive Director	Male	71	28 June 2012	27 June 2015	0	0	0		6.32	0
Peng Shaobing	Independent Non-executive Director	Male	48	28 June 2012	27 June 2015	0	0	0		6.32	0
Wen Bingyou	Chairman of Supervisory Committee	Male	58	28 June 2012	27 June 2015	8,238	8,238	0		60.19	0
Wen Limin	Supervisor	Male	47	28 June 2012	27 June 2015	0	0	0		60.06	0
Wang Congyuan	Supervisor	Male	48	28 June 2012	27 June 2015	0	0	0		45.27	0
Zhang Zhiying	Executive Vice President	Male	52	28 June 2012	27 June 2015	0	0	0		63.86	0
Han Zhiqiao	Vice President	Male	54	28 June 2012	27 June 2015	2,540	2,540	0		63.84	0
Gong Dan	Chief Accountant and Secretary to the Board	Male	50	28 June 2012	27 June 2015	2,540	2,540	0		63.71	0
Chen Huan	Vice President	Male	51	28 June 2012	27 June 2015	0	0	0		53.22	0
Gao Feng	Vice President	Male	49	28 June 2012	27 June 2015	0	0	0		61.38	0
Total	/	/	/	/	/	13,318	13,318	0	/	859.54	0

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

As at 31 December 2012, 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.

All of the above shares and interests disclosed represent A Shares of the Company.

There was no change in shareholdings of directors, supervisors and senior management during the reporting period.

None of the directors, supervisors and senior management or their respective associates was granted by the Company or its subsidiaries any right to sell or acquire shares or debentures of the Company nor had they exercised any such right before 31 December 2012.

Save as disclosed above, as at 31 December 2012, 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.

**Mr. Si Zefu**, born in May 1958, is currently the Chairman of the Company, deputy secretary of the Party Committee, director and general manager of Dongfang Electric Corporation. 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 and chairman of Dongfang Electric Corporation Limited since October 2007. He holds the title of senior engineer.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

**Mr. Zhang Xiaolun**, born in August 1964, is currently a 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 an MBA Degree, majoring in Business and Management. He joined DEC in 1986 and has since held various positions including Office Secretary, Deputy Section Head of Haikou Engineering Department, Deputy Section Head of office and Secretary to the Youth League 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 Executive General Manager of DEC since April 2008. He holds the title of senior engineer.

**Mr. Wen Shugang**, born in February 1963, is currently a 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 the 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 Chief 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 July 2000 to March 2008, he had been Deputy General Manager of DEC. From August 2001 to January 2005, he also served as Chief Engineer 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**, born in July 1965, is currently a 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 a key technician of the Complete Plant Section of DEC, and manager assistant, deputy 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 and deputy general manager 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.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

**Mr. Zhu Yuanchao**, born in November 1956, is currently a 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 to the Party Committee, 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**, born in August 1963, is currently a director of the Company, chief law consultant and the Head of legal affairs department of DEC, the Chairman of DEC 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 and the general manager 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), the executive director and the general manager of DEC (Jiuquan) Solar Energy Power Co., Ltd. (東方電氣集團(酒泉)太陽能發電有限公司). 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 July 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, and Chairman, General Manager and Secretary to Party Branch Committee of DFEM Control Equipment 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. Mr. Zhang holds the title of senior economist and the practicing qualification of corporate law consultant.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

**Mr. Li Yanmeng**, born in January 1945, has been an independent non-executive director of the Company and concurrently served as an external director of China National Coal Group Corporation, an independent non-executive director of China Coal Energy Company Limited and an independent non-executive director of Datang International Power Generation Co., Ltd. since 28 June 2009. 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 important Chinese infrastructure facilities in fields 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**, born in September 1941, has been an independent non-executive director of the Company since 28 June 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 an independent non-executive director of China Unicom and China Communications Services Co.,Ltd. Mr. Zhao graduated from Tsinghua University and specialized in industry enterprises automatization of Electrical Engineering Department. From 1986 to 2009, he has served as an assistant for the President of College of Economy and Management of Tsinghua University, First Vice-President, President and Vice Associate Supervisor of the University Academic Council of Tsinghua University. 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 School of Business Administration of the Chinese University of Hong Kong, and the Master of China Institute of Industrial Economics and Management Training since 1994.

**Mr. Peng Shaobing**, born in June 1964, has been an independent non-executive director of the Company since 18 June 2010. He has held offices at the Southwestern University of Finance and Economics, inter alia, the professor of the School of Accounting, doctor in economics, and instructor for doctorate students in accounting courses. Mr. Peng had been the Standing Director of the Accounting Society of China, Education Sub-council, a member of the Steering Committee of MPAcc and the Standing Director of the Accounting Society of Sichuan. Currently, Mr. Peng serves as an independent non-executive director of China Railway No.2 Engineering Group, Wuliangye and Changan Automobile. Mr. Peng attained his bachelor degree from Hunan 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 College of Accounting of Southwestern University of Finance and Economics, Mr. Peng was a research student majoring in industrial accounting and was thereafter, awarded a master degree in economics. Mr. Peng also attained from the Southwestern University of Finance and Economics, his master degree of economics and graduated with a PhD degree in economics. Since his doctorate graduation in July 1987, Mr. Peng has stayed in the Southwestern University of Finance and Economics in a continuing pursuit of his teaching career until now.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

**Mr. Wen Bingyou**, born in June 1954, is currently chairman of the Supervisory Committee of the Company, a member of the Party Committee, Leader of Party Group Disciplinary Team, director, Secretary to the Party Committee of the headquarters of DEC and the Chairman of DEC Investment Management Company Limited. He graduated and 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 Manufacturing Section 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, Chief Economist of DEC. He has been a member of Party Group and Leader of Party Group Disciplinary Team since February 2006, and a director of DEC 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 has been the Chairman of DEC Investment Management Company Limited since September 2011. He holds the title of senior engineer.

**Mr. Wen Limin**, born in March 1966, 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.

**Mr. Wang Congyuan**, born in August 1964, is currently a supervisor of the Company, deputy head of the Audit Division and deputy director of the Office of Supervisory Committee of Dongfang Electric Corporation Limited, and deputy head of Audit Division of DEC. 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 Dongfang Electric Corporation Limited since January 2008. He has been deputy head of the Audit Division of DEC since October 2009. He holds the title of senior accountant.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

**Mr. Zhang Zhiying**, born in December 1960, 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 thermal turbomachinery. 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 Dongfang Electric Corporation Limited 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 Dongfang Electric Corporation Limited since June 2010. He holds the title of senior engineer.

**Mr. Han Zhiqiao**, born in October 1958, is currently a vice president of the Company. He is also the General Manager and secretary of the Party committee of the International Engineering Branch Company of Dongfang Electric Corporation Limited. He graduated from the faculty of Hydroworks of Xi'an University of Technology with a Bachelor's degree in engineering 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 Dongfang Electric Corporation Limited and director and General Manager of Dongfang Electric Machinery Company Limited from October 2007 to December 2010. He has been the vice president of Dongfang Electric Corporation Limited since December 2010, and he concurrently served as the General Manager of the Engineering Branch Company of Dongfang Electric Corporation Limited from December 2010 to June 2011. He has also concurrently served as the General Manager and secretary of the Party committee of the International Engineering Branch Company of Dongfang Electric Corporation Limited since June 2011. He holds the title of senior engineer.

**Mr. Gong Dan**, born in January 1963, currently acts as chief accountant, chief law consultant 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 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 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 Youth League Committee, Officer of the Young Workers' Office, and Deputy Head and Head of Organization Department. From December 1999 to October 2007, he also worked as an executive 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 Dongfang Electric Corporation Limited since October 2007. He has also concurrently served as the chief law consultant of Dongfang Electric Corporation Limited since June 2011. He holds the title of senior engineer and senior accountant.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)

**Mr. Chen Huan**, born in November 1961, 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 Dongfang Electric Corporation Limited from December 2009 to March 2011. He has been the vice president of Dongfang Electric Corporation Limited since June 2009.

**Mr. Gao Feng**, born in January 1964, is currently the vice president of the Company 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 an MBA degree from Southwest Jiaotong University majoring in business management. He started his career 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 Chief 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 Dongfang Electric Corporation Limited from January 2008 to June 2010, and Vice President of and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from June 2010 to December 2010. He has been Vice President of Dongfang Electric Corporation Limited since December 2010. He holds the title of senior engineer.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## II. POSITIONS HELD BY EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RETIRED DURING THE REPORTING PERIOD

### (I) Positions held in shareholders entities

Name	Name of shareholders entities	Position
Si Zefu	Dongfang Electric Corporation	Director, general manager and deputy secretary of the Party Committee
Zhang Xiaolun	Dongfang Electric Corporation	Executive deputy general manager and deputy secretary of the Party Committee
Wen Shugang	Dongfang Electric Corporation	A member of the Party Committee
Huang Wei	Dongfang Electric Corporation	Deputy general manager and a member of the Party Committee
Zhu Yuanchao	Dongfang Electric Corporation	Deputy general manager and a member of the Party Committee
Zhang Jilie	Dongfang Electric Corporation	Chief law consultant and the Head of legal affairs department
Wen Bingyou	Dongfang Electric Corporation	Director, Leader of Disciplinary Team of the Party Committee and a member of the Party Committee
Wen Limin	Dongfang Electric Corporation	Chief Accountant
Wang Congyuan	Dongfang Electric Corporation	Deputy head of Audit Department

For the commencing dates of the above people's positions in shareholder's entities, please refer to their detailed biographies as set out in "Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period" above.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## III REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of directors, supervisors and senior management

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

Basis of determination for the remuneration of directors, supervisors and senior management

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

Remuneration payable to directors, supervisors and senior management

Please refer to table above about changes in the shareholding and remuneration of directors, supervisors and senior management .

Total remuneration actually paid to directors, supervisors and senior management as at the end of the reporting period

During the reporting period, there were a total of 17 members of directors, supervisors and senior management, and the total remuneration actually paid to them amounted to RMB8,595,400 for the year 2012.

## IV. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY

At the annual general meeting held on 17 May 2012, the Board and the supervisory committee of the Company held a general election for the seventh Board and the seventh supervisory committee, in which Mr. Si Zefu, Mr. Wen Shugang, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Zhu Yuanchao and Mr. Zhang Jilie were elected as Directors; Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing were elected as independent non-executive Directors; and Mr. Wen Bingyou and Mr. Wen Limin were elected as supervisors representing shareholders. On the trade union congress held on 11 May 2012, Mr. Wang Congyuan was elected as the supervisor of the employees' representatives. The above directors and supervisors were appointed for a term of 3 years starting from 28 June 2012. On 28 June 2012, the Company held the first meeting of the seventh Board, at which Mr. Wen Shugang was retained as the President of the Company, Mr. Zhang Zhiying as the Executive Vice President, Mr. Han Zhiqiao, Mr. Chen Huan and Mr. Gao Feng as the Vice Presidents, Mr. Gong Dan as the Chief Accountant and Secretary to the Board. The term of the above senior management of the Company is the same as that of the members of the seventh Board.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## V. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

### (I) Information on employees

The number of employees on register of the Company	698
The number of employees on register of principal subsidiaries	20,277
Total	20,975
The number of retired employees whose expenses shall be assumed by the Company and principal subsidiaries	12,788

### Professional Composition

<b>Category of professional structure</b>	<b>Headcount</b>
Production	11,319
Sales	540
Technical	5,031
Financial	438
Administrative	3,647
Total	20,975

### Education Background of Employees

<b>Category of education background</b>	<b>Headcount</b>
Master degree and above	1,154
Bachelor degree	5,812
Tertiary degree	4,963
Technical middle school and below	9,046
Total	20,975



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## V. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES (CONTINUED)

### (II) Remuneration policy

- (1) Total remuneration management. The Company formulated and promulgated the Total Salary Budget Management Measures for the Wholly-owned and Controlled Subsidiaries, and the Total Salary Budget Management Measures for Branches and Business Units to carry out budget management of the total payroll of its member companies. Such rules emphasize a profit-oriented income distribution and provide guidance to each enterprise's production and operation through the overall salary budget, so as to control cost.
- (2) Employee salary management. The Company formulated and promulgated Management Rules for Employee Salary (Trial) and Associated Management Rules, and provided guidance to member enterprises to improve income distribution management, enhance management rules for employee salary, rationally adjust and control composition of salary package, and improve performance assessment mechanism for employees, so as to create a reasonable salary distribution system and assessment mechanism and a normal and competitive promotion mechanism.

### (III) Training plan

The Company and its subsidiaries have always highly valued the training of staff, further improved the staff training management system covering all staff and formulated training program for different levels and categories of employees. In 2012, the Company's training covered 144,578 persons/times in total, including 176 persons/times of management team, 6,090 persons/times of middle-class cadres, 30,653 persons/times of engineering technicians, 26,284 persons/times of managerial personnel and 81,357 persons/times of skilled talents. Through such specific trainings, the professional level and comprehensive quality of staff were enhanced, thus providing talents guarantee for the sustainable development of the Company.

## VI. 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 reporting period.

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.

## VII. 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).

# CORPORATE GOVERNANCE

## (I) CORPORATE GOVERNANCE AND EXPLANATION ON MATTERS SUCH AS INSIDERS REGISTRATION MANAGEMENT

The Company has been committed to continuously improving its corporate governance structure and standardizing corporate operations in strict compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations of the CSRC and requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. An effective check 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.

In accordance with new requirements of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Company newly formulated the Regulations for the Work of Remuneration and Assessment Committee, Regulations for the Work of Nomination Committee, Procedures for a Director Candidate Nominated by Shareholders, Shareholders Communication Policy and Administrative Measures for Cash Dividends, and revised the Articles of Association and the Regulations for the Work of Audit Committee.

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 Users to further maintain openness, fairness and justice of information disclosure of the Company.

During the reporting period, major aspects of corporate governance are as follows:

### 1. In relation to shareholders and general meetings

The Company is able to treat all shareholders equally with due respect and protect their interests. In particular, medium and minority shareholders are entitled to their status and fully exercise their rights with their legal interests being protected. The Company ensures that shareholders are entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations. By following the relevant requirements set out in the Articles of Association and the Rules of Procedure for the General Meeting, it can be ensured that general meetings are convened and held in a legal, regulated and orderly manner and, in respect of voting for connected transactions, related persons are arranged to abstain from voting in accordance with relevant requirements so as to ensure that connected transactions are open, equal and fair. During the reporting period, the Company held two shareholders general meetings which were witnessed by lawyers with their legal opinions issued in such respect.

### 2. In relation to Directors and the Board of Directors

The Board of Directors of the Company comprises 9 Directors, of which 3 are independent non-executive Directors. The Board has set up the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee. All the Directors are familiar with relevant laws and regulations as well as their responsibilities, power and rights and obligations, and are able to fully express opinions on the matters discussed. All Directors were able to perform their duties in an honest, faithful and diligent manner and in the interests of the Company and all Shareholders as a whole. The Company convened the Board meetings in strict accordance with statutory procedures. During the reporting period, a total of 9 Board meetings were convened.

# CORPORATE GOVERNANCE (CONTINUED)

## (I) CORPORATE GOVERNANCE AND EXPLANATION ON MATTERS SUCH AS INSIDERS REGISTRATION MANAGEMENT (CONTINUED)

### 3. In relation to supervisors and the Supervisory Committee

The Supervisory Committee of the Company comprises 3 supervisors, of which 2 are shareholders representative supervisors and 1 is staff representative supervisor. Embracing the principle of being responsible for all shareholders of the Company, the Supervisory Committee supervised and inspected the legal compliance of the Company's operations, financial affairs and investments of the Company and maintained the legitimate interests of the Company and its shareholders 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 of Procedure of the Supervisory Committee. During the reporting period, the Supervisory Committee held a total of 5 meetings.

### 4. In relation to stakeholders

The Company is able to fully respect and protect the legal interests of stakeholders and also places high emphasis on social responsibility, with a view to achieve a balance among the interests of various parties including shareholders, staff and the society for enhancing the continuous and healthy development of the Company.

## (II) SUPERVISORY COMMITTEE'S DESCRIPTION ON RISKS IN THE COMPANY

The Supervisory Committee is not aware of any violation by the Company of laws, regulations, Articles of Association, nor any acts detrimental to the interests of Shareholders or the Company.

## (III) THE COMPANY'S EXPLANATION ON NON-INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF OPERATION, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

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

## (IV) APPRAISAL MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM

In order to standardize evaluation and management of remuneration for the Company's senior management members and improve the Company's incentive mechanism, the Company formulated the Administrative Measures for Remuneration of Senior Management, stipulating that the senior management shall receive their remunerations on an annual basis, which shall be determined by the Remuneration and Assessment Committee with reference to annual comprehensive assessment results based on the Company's annual operation targets and the operation targets allocated to each position in accordance with the Administrative Measures for Remuneration of Senior Management. Meanwhile, in order to further improve the overall remuneration structure and align the interests of Shareholders with those of the Directors and senior management, the Company adopted the H Share Appreciation Rights Scheme during the reporting period to grant H Share Appreciation Rights to the Directors and senior management of the Company and key technical and managerial personnel, which further optimized the assessment and incentive mechanism for senior management.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT

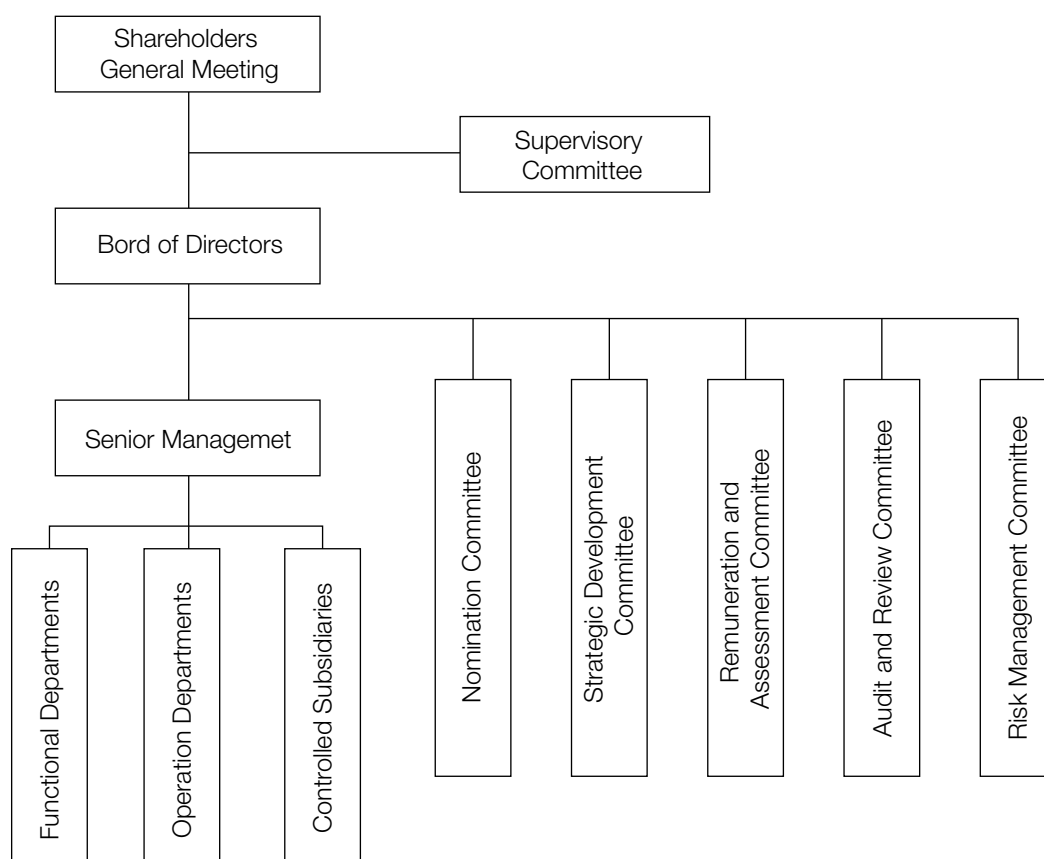
### Corporate governance practices

The Company has been committed to improvement of corporate governance and regards the corporate governance as a part of value creation of the Company, to reflect the commitments of all Directors and senior management in respect of corporate governance, maintain transparency and accountability for Shareholders and maximize the value for all Shareholders.

The documents related to corporate governance of the Company include the Articles of Association, Rules of Procedure for the General Meeting, Rules of Procedure for the Board Meeting, Rules of Procedure for the Supervisory Meeting, Work Rules for the Special Committees under the Board and Work Rules for the President, etc. To achieve the highest level of corporate governance, the Board of Directors of the Company has set up 5 special committees, namely the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee.

The Code on Corporate Governance Practices as previously set out in Appendix 14 to the Listing Rules has been revised and amended to be the Corporate Governance Code, which became effective from 1 April 2012. During the reporting period, the Company has complied with all the code provisions of the Code on Corporate Governance Practices and the Corporate Governance Code.

The chart for corporate governance structure of the Company is as follows:



# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 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' general 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. The details of the Shareholders' general meeting in 2012 are as follows:

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2011 annual general meeting	17 May 2012	<p>The following ordinary resolutions were considered at the meeting:</p> <ol style="list-style-type: none"><li>1. the report of the Board of the Company for the year ended 31 December 2011;</li><li>2. the report of the Supervisory Committee of the Company for the year ended 31 December 2011;</li><li>3. the proposal for the distribution of profits after tax for the year ended 31 December 2011;</li><li>4. the audited financial statements of the Company for the year ended 31 December 2011;</li><li>5. the appointment of the auditors of the Company for the year 2012;</li><li>6. To elect members of the seventh session of the Board;</li><li>7. To elect Mr. Wen Bingyou as the member of the seventh session of the Supervisory Committee of the Company;</li><li>8. To elect Mr. Wen Limin as the member of the seventh session of the Supervisory Committee of the Company;</li><li>9. To determine the remuneration of the members of the seventh session of the Board;</li><li>10. To determine the remuneration of the members of the seventh session of the Supervisory Committee of the Company.</li></ol> <p>The following special resolution was considered at the meeting: To grant a general mandate to the Directors to allot and issue new shares</p>	passed	www.sse.com.cn	18 May 2012

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 1. Shareholders' General Meeting (Continued)

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2012 first extraordinary general meeting	14 December 2012	The following resolutions were considered at the meeting by way of open ballot: 1. To consider and approve the "H Share Appreciation Rights Scheme of Dongfang Electric Corporation Limited"; 2. To consider and approve the "Grant of Authority to the Board of Directors to Deal with the Relevant Matters of H Share Appreciation Rights Scheme"; 3. Resolutions in relation to the proposed amendments to Articles 191, 198 and 124 of the Articles of Association, and grant of a general mandate to the Board to deal with all matters relating to the proposed amendments to the Articles of Association; 4. To consider and approve the proposal in relation to the purchase of liability insurance for Directors, supervisors and senior management of the Company.	passed	www.sse.com.cn	15 December 2012

#### 2. 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 Company's Chairman and President will be served by different persons respectively, and the Company has a clear assignment of responsibility. The Chairman of the Board presides over the meeting of the Board, and has an inspection on the implementation of the resolutions made by the Board. The major responsibility of the President 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.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 2. Board of Directors (Continued)

##### (2) Composition

The Board is composed of 9 directors, including 3 independent non-executive directors, representing one third of all directors. The independent non-executive directors of the Company are Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing, and the remaining directors of the Company are Mr. Si Zefu, Mr. Zhang Xiaolun, Mr. Wen Shugang, Mr. Huang Wei, Mr. Zhu Yuanchao and Mr. Zhang Jilie; the Chairman of the Company is Mr. Si Zefu and the President of the Company is Mr. Wen Shugang. This session of Board is the seventh Board since the foundation of the Company, the term of which is expected to end on 27 June 2015.

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 profiles are set out in the section headed “Directors, Supervisors, Senior Management and Employees” in this annual report. For the biographical details of the directors of the Company, please refer to page 45 to 48 in the annual report.

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 meetings in a prudent, responsible and serious attitude, gave full play to their experience and expertise, did a lot of work for improvement of corporate governance and major decision-makings, voiced their pertinent and objective 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 committees.

##### (3) Corporate governance functions

The Board of Directors shall perform the corporate governance functions as set out below:

to develop and review the Company’s policies and practices on corporate governance;

to review and monitor the training and continuous professional development of directors and senior management;

to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;

to develop, review and monitor the code of conduct and compliance code applicable to employees and directors;

to review the Company’s compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 2. Board of Directors (Continued)

##### (4) Directors

The directors are elected or replaced at general meetings. Director elections adopt the cumulative voting system. Director candidates may be nominated by the Board or the Supervisory Committee, or the shareholders individually or jointly holding at least 1% issued shares of the Company. The term of directors (except for independent non-executive directors) is 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 of office could not exceed 2 sessions

Through the secretary of the Board, all the directors can obtain the related information and latest trends about statutory, regulatory 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 appropriate compliance with applicable laws and regulations. The Board and special committees shall be entitled to appoint an independent organization for its service, in accordance with needs to exercise powers, fulfil duties and run its business. Reasonable fees arising from it shall be borne by the Company.

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

##### *Securities transactions by Directors*

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 ("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 2012, 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.

##### *Director's service contract*

The Company has entered into separate service contracts with each Director of the seventh session of the Board.



# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 2. Board of Directors (Continued)

##### (5) Meeting of the Board of Directors

During the reporting period, 9 Board meetings were convened by the Company with the attendance rate of 100% (including attendance by proxy) 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 Directors to the Board meetings and shareholders' general meetings

Name	Independent director or not	Required attendance during the year	Attendance at the Board meetings				Absence from two consecutive meetings or not	Attendance at general meetings
			Attendance in person	Attendance by communication equipment		Absence		
				Attendance by proxy	Attendance by proxy			
Si Zefu	No	9	9	2	0	0	No	2
Zhang Xiaolun	No	9	7	2	2	0	No	2
Wen Shugang	No	9	8	2	1	0	No	1
Huang Wei	No	9	6	2	3	0	No	0
Zhu Yuanchao	No	9	7	2	2	0	No	1
Zhang Jilie	No	9	8	2	1	0	No	1
Li Yanmeng	Yes	9	7	2	2	0	No	0
Zhao Chunjun	Yes	9	8	2	1	0	No	1
Peng Shaobing	Yes	9	8	2	1	0	No	0

Number of board meetings convened during the year	9
Among which: number of meetings convened on-site	7
Number of meetings convened by communication equipment	2
Number of meetings convened by a combination of the above two means	0

Directors who could not attend the Board meetings in person appointed other directors to attend and vote at the meetings on their behalves.

Independent non-executive directors did not raise objection to proposals of the Board meetings or other proposals during the reporting period.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 3. Special committees of the Board

The Board has established five 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:

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external accountants (i.e. external auditing agencies), and to approve the remuneration and terms of engagement of the external accountants, and deal with any questions of its resignation or dismissal;
- (ii) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting opinions contained in them;
- (iii) to oversee the Company's financial reporting system and internal control procedures;
- (iv) to review the material connected transactions, and monitor their fairness, compliance and disclosure.

The Audit and Review Committee of the seventh Board comprises independent non-executive Directors Mr. Peng Shaobing (Chairman), Mr. Zhao Chunjun and Mr. Li Yanmeng.

During 2012, the Audit and Review Committee convened 3 meetings mainly to consider and approve the Assessment Report on the Internal Control of the Company in 2011, the Company's audited financial statements for 2011, Regulations for the Work of Audit and Review Committee and the unaudited interim financial report for 2012, etc.

##### Members of the Audit and Review Committee and attendance at its meetings

Name	Position	Required attendance in 2012	Actual Attendance
Peng Shaobing ( <i>Independent non-executive Director</i> )	Chairman of the committee	3	3
Li Yanmeng ( <i>Independent non-executive Director</i> )	Member	3	3
Zhao Chunjun ( <i>Independent non-executive Director</i> )	Member	3	3

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

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 3. Special committees of 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 seventh Board comprises Directors Mr. Si Zefu (Chairman), Mr. Wen Shugang, Mr. Zhu Yuanchao and independent non-executive Director Mr. Li Yanmeng.

The Strategic Development Committee did not hold any meeting in 2012.

##### (3). Remuneration and Assessment Committee

The main duties of the Remuneration and Assessment Committee are:

- (i) to formulate remuneration plan or scheme for directors, supervisors and senior managers based on their work scope, duties and importance with reference to the compensation levels of similar positions in comparable companies;
- (ii) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior managers and on the establishment of a formal and transparent procedure for developing such remuneration policy;
- (iii) to review and approve the management's remuneration proposals by reference to the corporate goals and objectives set by the Board;
- (iv) to make recommendations to the Board on the remuneration of independent non-executive directors;
- (v) to review the performance of duties by directors, supervisors and senior managers and conduct annual performance assessment on them;
- (vi) to monitor the implementation of the Company's remuneration system;

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 3. Special committees of the Board (Continued)

##### (3). Remuneration and Assessment Committee (Continued)

The Remuneration and Assessment Committee of the seventh Board comprises independent non-executive Directors Mr. Li Yanmeng (Chairman), Mr. Zhao Chunjun and Mr. Peng Shaobing and Director Mr. Zhang Xiaolun.

During 2012, the Remuneration and Assessment Committee convened 3 meetings to mainly consider and pass the proposals in respect of the Report on Remuneration of the Directors of the Seventh Board, the Supervisors and Senior Management for 2011, the Remuneration Plan for the Members of the Seventh Session of the Board and the Supervisory Committee and Senior Management, Regulations for the Work of Remuneration and Assessment Committee, the H Share Appreciation Rights Scheme of the Company and the Administrative Measures for Assessment Management for Implementation of the H Share Appreciation Rights Scheme, and submitted the same to the Board for consideration.

Pursuant to the Remuneration Plan for the Members of the Seventh Session of the Board and the Supervisory Committee and Senior Management, the proposed remunerations of independent non-executive Directors comprise a basic annual salary of RMB70,000 (additional RMB10,000 for those holding the position of chairman of a special committee) which will be calculated based on the actual working time during the year, and allowances of RMB3,000 for each attendance of the meeting of the Board or the special committee, all on a pre-tax basis. The proposed remuneration packages of Directors other than independent non-executive Directors consist of the basic annual salary, performance-based pay, special bonus, medium and long-term incentive awards and benefits. For the proposed remunerations of the Supervisors (including the chairman of the Supervisory Committee), the policy on the remunerations of Directors other than independent non-executive Directors shall apply.

*Members of the Remuneration and Assessment Committee and attendance at its meetings*

<b>Name</b>	<b>Position</b>	<b>Required attendance in 2012</b>	<b>Actual Attendance</b>
Li Yanmeng ( <i>Independent non-executive Director</i> )	Chairman of the committee	3	3
Zhao Chunjun ( <i>Independent non-executive Director</i> )	Member	3	3
Peng Shaobing ( <i>Independent non-executive Director</i> )	Member	3	3
Zhang Xiaolun ( <i>Director</i> )	Member	3	2

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 3. Special committees of the Board (Continued)

##### (4). Risk Management Committee

The main duties of the Risk Management Committee are:

- (i) to submit the Annual Report on Overall Risk Management to the Board of Directors;
- (ii) to consider the Company's risk management strategies and the solutions for major risk management;
- (iii) to consider the judgment criteria or the judgment mechanism related to major decision-makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions;
- (iv) to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department;
- (v) to consider the establishment of the risk management organizations, and their proposed responsibilities.

The Risk Management Committee of the seventh Board comprises Directors Mr. Wen Shugang (Chairman), Mr. Huang Wei and Mr. Zhang Jilie and independent non-executive Director Mr. Peng Shaobing.

During 2012, the Risk Management Committee convened 1 meeting to debrief the Report on the Assessment of Internal Control of Dongfang Electric Corporation Limited for 2011 from the legal affairs department, and agreed to submit the same to the Board for consideration.

*Members of the Risk Management Committee and attendance at its meetings*

<b>Name</b>	<b>Position</b>	<b>Required attendance in 2012</b>	<b>Actual Attendance</b>
Wen Shugang ( <i>Director</i> )	Chairman of the committee	1	1
Huang Wei ( <i>Director</i> )	Member	1	1
Zhang Jilie ( <i>Director</i> )	Member	1	1
Peng Shaobing ( <i>Independent non-executive Director</i> )	Member	1	1

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 3. Special committees of the Board (Continued)

##### (5) Nomination Committee

The main duties of the Nomination Committee are:

- (i) to review the structure and size of the Board as well as the compositions (including skills, knowledge and experience) of the Board and the senior management at least once a year based on the Company's business activities, the size of assets and the shareholding structure and make recommendations to the Board regarding any proposed changes pursuant to the Company's strategies;
- (ii) to consider the standards and procedure for selection of directors and senior managers, and make recommendations to the Board;
- (iii) to review the qualifications of candidates for directors and senior managers and make recommendations thereon;
- (iv) to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (v) to assess the independence of independent non-executive directors;
- (vi) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors (in particular the Chairman and the President).

The Nomination Committee of the seventh Board comprises independent non-executive Directors Mr. Zhao Chunjun (Chairman), Mr. Li Yanmeng and Mr. Peng Shaobing and Directors Mr. Si Zefu and Mr. Wen Shugang.

During 2012, the Nomination Committee convened 1 meeting to consider and approve the revised Regulations for the Work of Nomination Committee, and agreed to submit the same to the Board for consideration.

Pursuant to the Regulations for the Work of Nomination Committee, a list of proposed candidates shall be first put forward by persons or organizations having the right to nominate directors of the Company to the Nomination Committee for review before being presented to the Board for consideration. The list, if approved by the Board, shall be submitted to the general meeting for consideration. In respect of the procedures for examining the qualifications of candidates for directors, the Nomination Committee may request the relevant department of the Company to provide or may collect by itself all relevant information about the occupation, academic qualifications, professional titles, detailed working experience of the candidates and compile written reports, and then the Nomination Committee shall convene a meeting to conduct a qualification review on the candidate(s) according to the employment requirements of directors and senior managers, and specify its opinions and recommendations on selection in the form of proposals.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 3. Special committees of the Board (Continued)

##### (5) Nomination Committee (Continued)

###### Members of the Nomination Committee and attendance at its meetings

Name	Position	Required attendance in 2012	Actual Attendance
Zhao Chunjun ( <i>Independent non-executive Director</i> )	Chairman of the committee	1	1
Li Yanmeng ( <i>Independent non-executive Director</i> )	Member	1	1
Peng Shaobing ( <i>Independent non-executive Director</i> )	Member	1	1
Si Zefu ( <i>Director</i> )	Member	1	1
Wen Shugang ( <i>Director</i> )	Member	1	1

#### 4. Duties of the management team

Pursuant to the duties and powers assigned to them under the Articles of Association, the management team mainly discharge the following duties:

- (1) to take charge of the management of the production and business operations of the Company, to organize the implementation of the resolutions of the board of directors, and to report the work to the board of directors;
- (2) to organize the implementation of the annual business plans and investments plans of the Company;
- (3) to propose development programs, annual production and operation plans, annual budget, plans for after-tax profit distributions and plans for making up losses of the Company;
- (4) to formulate plans for the establishment of the internal management organization of the Company;
- (5) to formulate the basic management system of the Company;
- (6) to formulate basic rules and regulations of the Company;
- (7) to propose to appoint or dismiss the Senior Vice President, Vice President, Chief Accountant and other officers of the Company;
- (8) to represent the Company externally in handling important business matters within the scope of authorization by the board of directors;

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 5. Secretary to the Board

- (1) The Company has a secretary to the Board who shall be appointed by the Board and is a senior management member of the Company.
- (2) The primary duties of the secretary to the Board are to take charge of the information disclosure, investor relationship management and shareholding management affairs, organize and make preparations for the Board meetings and shareholders' general meetings, etc.

#### 6. Participation of Directors, supervisors and senior management in training and continuous professional development

During the reporting period, the Company arranged trainings for All Directors, supervisors and senior management on the topics such as the Listing Rules, Director's Responsibilities, Prevention of Insider Transactions and Information Disclosure. In addition, the Company also organized Directors, supervisors and senior management to attend relevant training programs of CSRC Sichuan Branch and the Association of Listed Companies of Sichuan Province, to develop and refresh their knowledge and skills to help ensure that they make contributions to the board on an informed and relevant basis.

#### 7. Information disclosure and investor relation management

Secretary to the Board and representative of securities affairs are responsible for information disclosure and investor relation management.

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 and make effective communication with regulatory authorities. Accordingly, the Company finished the disclosure work as required. In 2012, the Company has made information disclosure for 97 times in mainland China and Hong Kong, covering regular reports and temporary announcements.

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. The Company's communication methods with investors include shareholders' general meetings, results briefing conferences, road shows, reception of investor's visits, teleconference, the Company's website and email box, facsimile and hotline, etc, to enable shareholders to express opinions or exercise rights.



# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 8. Auditors

During the reporting period, the Audit and Review Committee proposed to retain ShineWing Certified Public Accountants as the internal control auditing firm of the Company for 2012 considering its performance in providing audit services. The Board adopted such proposal and appointed ShineWing Certified Public Accountants as the auditor of the Company. Remuneration paid by the Company to ShineWing Certified Public Accountants in respect of their annual audit services is set out below. As at the end of the reporting period, ShineWing Certified Public Accountants has provided auditing services for the Company for 4 years. Set out below are the audit services and non-audit services provided by it:

*Unit: RMB0'000*

Whether changed the accounting firm: No

	<b>Former</b>	<b>Existing</b>
Name of domestic accounting firm	ShineWing Certified Public Accountants (Special General Partnership)	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration for domestic accounting firm	250	230
Service length of the domestic accounting firm (year)	3	4

	<b>Name</b>	<b>Remuneration</b>
Accounting firm in respect internal control	ShineWing Certified Public Accountants (Special General Partnership)	60

#### 9. Acknowledgement of the directors and auditor

All directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2012.

ShineWing Certified Public Accountants, the auditor of the Company, has acknowledged its reporting responsibilities in the Auditor's Report of the financial statements prepared under the PRC accounting standards for the year ended 31 December 2012.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 10. Material changes in the constitutional documents of the Company

On 14 December 2012, the Company convened the 2012 first extraordinary general meeting, at which the Resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved. For details, please refer to the Notice of Extraordinary General Meeting of Dongfang Electric Corporation Limited published by the Company on 27 October 2012.

#### 11. Internal controls

The Board is responsible for implementing the internal control systems of the Company and its subsidiaries and reviewing the effectiveness of such systems. The Board assesses and reviews the effectiveness of the internal control systems and procedures based on the information derived from discussions with the senior management, internal audit team and external auditor and the reports from the internal audit team. Our internal audit team regularly reviews the effectiveness of our Company's material internal controls, including financial, operational and compliance controls and risk management functions according to the audit plans and reports to the Board with its findings and makes recommendations to improve the internal controls of our Company. The Audit and Review Committee has reviewed the comments of external auditors provided at the Audit and Review Committee meetings.

The Board reviews the efficiency of the internal control system of the Company and its subsidiaries. With reference to assessment opinions from the Audit and Review Committee, the senior management, the internal audit team and external auditor, the Board makes its assessment on the efficiency of the internal control. The annual review of the system of internal control also includes consideration of the adequacy of resources, qualifications and experience of staff of accounting and financial reporting functions, including their training programme and training budget.

For the year ended 31 December 2012, based on the assessment made by the Audit and Review Committee, the senior management and the internal audit team, the Board reviewed the internal control systems of the Company and its subsidiaries.

# CORPORATE GOVERNANCE (CONTINUED)

## (V) CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### 12. Shareholders' rights

Procedures for Shareholders convening an extraordinary general meeting ("EGM")

Shareholders requesting to convene an EGM shall follow the procedures below:

- (1) The shareholders who individually or jointly hold 10% or more of the Company's issued shares have the right to propose the board of directors to convene an EGM, and shall put forward the proposal to the board of directors in written form. The board of directors shall, in accordance with the laws, administrative regulations and these Articles, give a written reply on whether to convene an EGM or not within 10 days upon receipt of the proposal. The aforesaid amount of the shares held by the shareholders is calculated on the date of the written proposal put forwarded by the shareholders.
- (2) If the board of directors does not agree to convene an EGM or fails to give feedback within 10 days upon receipt of the proposal, the shareholders who individually or jointly hold 10% or more of the Company's issued shares shall have the right to propose the supervisory committee to convene an EGM, but shall put forward the request to the supervisory committee in written form.
- (3) If the supervisory committee fails to send out a notice of the EGM within the prescribed time limit, it shall be deemed that the supervisory committee will not convene or preside over the meeting, and the shareholders who individually or jointly hold 10% or more of the Company's issued shares for a consecutive 90 or more days may convene and preside over the meeting by themselves. The procedures of convening the meeting shall be the same with that of convening the meeting by the board of directors, and the place of the meeting shall be at the domicile of the Company.
- (4) Where shareholders decide to convene the EGM by themselves, they shall send out a written notice to the board of directors, and shall put on the records of the dispatched office of CSRC at the locality of the Company and the stock exchange. Before the resolution of the EGM is announced, the proportion of the summoning shareholders shall be no less than 10%.

The shareholders that convene the meeting shall, when circulating a notice of meeting and making an announcement on the resolution of a shareholders' general meeting, submit the relevant certification materials to the dispatched office of CSRC at the locality of the Company and the stock exchange.

- (5) In respect of the EGM convened by shareholders on their own initiative, the board of directors and its secretary shall show cooperation. The board of directors shall provide the register of shareholders on the date of equity registration.
- (6) The necessary expenses for convening the EGM by shareholders shall be borne by the Company. The expenses will be deducted from the sum owed by the Company to the directors in neglect of duty.

# CORPORATE GOVERNANCE (CONTINUED)

## PROCEDURES FOR PUTTING FORWARD PROPOSALS TO THE SHAREHOLDERS' GENERAL MEETING

When the Company convenes a shareholders' general meeting, shareholders individually or jointly holding 3% or more shares of the Company are entitled to make proposals to the Company.

The shareholders who individually or jointly hold 3% or more of the shares of the Company may put forward a temporary proposal and submit it to the convener in written form within 10 days before the meeting is held. The convener shall issue a supplementary notice of the meeting and announce the contents of the temporary proposal within 2 days upon receipt of the aforesaid proposal.

When the Company is to convene an annual general meeting, shareholders holding 5% or more of the shares carrying voting rights or the supervisory committee shall have the right to put forward new motions in writing to the Company. The Company shall include in the agenda of the meeting the matters which are within the scope of responsibilities of the general meeting in accordance with the prescribed procedures.

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A DIRECTOR CANDIDATE

For the procedures for proposing a director candidate, please refer to the information published on 21 June 2012 under the Investor Relation section at the Company's website [www.dec-ltd.cn](http://www.dec-ltd.cn).

## PROCEDURES FOR SHAREHOLDERS TO MAKE ENQUIRIES TO THE BOARD

Shareholders may send any enquiries and questions in writing to the "company secretary" of the Company who will forward the same to the Board. The contact details of the company secretary are set out as follows:

Secretarial office of the Board of Dongfang Electric Corporation Limited at No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province, the PRC

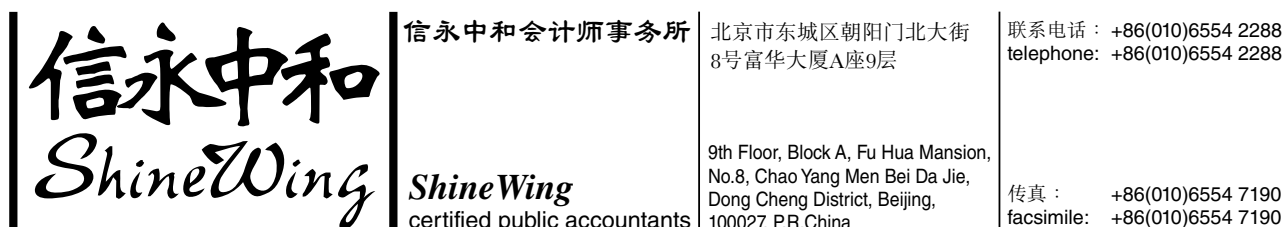
Postal code: 610036

Email: [dsb@dongfang.com](mailto:dsb@dongfang.com)

Shareholders may also put forward enquiries to the Board at the shareholders' general meeting of the Company.

# FINANCIAL REPORT

## (I) REPORT OF THE AUDITORS



XYZH/2012CDA3042-1

### To the Shareholders of Dongfang Electric Corporation Limited

We have audited the accompanying financial statements of Dongfang Electric Corporation Limited (hereinafter referred to as "the Company"), which comprise the consolidated and parent's balance sheets as at 31 December 2012, the consolidated and parent's income statement, consolidated and parent's cash flow statement and consolidated and parent's statement of the changes in equity for the year then ended, as well as the explanatory notes to the financial statements.

## I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of the financial statements. This responsibility includes: (1) preparing for the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control in preparation of financial statements that are free from major material misstatement, whether due to frauds or errors.

## II. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the Regulations for Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in China. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

# FINANCIAL REPORT (CONTINUED)

## III. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and parent's financial position as of 31 December 2012 and the consolidated and parent's financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises.

ShineWing Certified Public Accountants (Special General Partnership)

*Chinese Certified Public Accountant:* **Song Chaoxue (宋朝學)**

*Chinese Certified Public Accountant:* **Liao Jiping (廖繼平)**

Beijing, the PRC

27 March, 2013

## (II) FINANCIAL REPORT (CD ROM IS ENCLOSED)

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

Dongfang Electric Corporation Limited

27 March 2013

**Dongfang Electric Corporation Limited**  
**FINANCIAL STATEMENTS**  
**AND THE AUDIT REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

[English Translation for Reference Only  
Should there be any inconsistency between the Chinese and English version,  
the Chinese version shall prevail.]

<b>Index</b>	<b>Pages</b>
<b>• Auditors' Report</b>	
<b>• Financial Statements</b>	
<b>Consolidated Balance Sheet</b>	1-2
<b>Balance Sheet of Parent Company</b>	3-4
<b>Consolidated Income Statement</b>	5
<b>Income Statement of Parent Company</b>	6
<b>Consolidated Cash Flow Statement</b>	7
<b>Cash Flow Statement of Parent Company</b>	8
<b>Consolidated Statement of Changes in Equity</b>	9-10
<b>Statement of Changes in Equity of Parent Company</b>	11-12
<b>Notes to the Financial Statements</b>	13-179

## Consolidated Balance Sheet

December 31, 2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Assets	Notes	The Ending Balance	The Beginning Balance
<b>Current Assets:</b>			
Cash	VI. 1	8,960,708,524.63	10,345,027,829.13
Clearing Provision			
Funds for Lending			
Trading Financial Assets	VI. 2	30,311,323.96	64,969,532.34
Notes Receivable	VI. 3	2,568,756,924.94	2,240,345,399.29
Accounts Receivable	VI. 4	14,991,233,562.34	14,240,086,148.67
Prepayments	VI. 5	5,784,631,010.52	5,728,312,159.37
Premium Receivable			
Cession Accounts Receivable			
Provision for Cession Contract Receivable			
Interests Receivable	VI. 6	61,740,939.07	76,378,518.13
Dividends Receivable	VI. 7	136,612.20	
Other Receivables	VI. 8	325,693,411.09	309,264,085.87
Purchase Redeemable Financial Assets			
Inventory	VI. 9	31,901,091,912.16	35,859,918,720.62
Non-current Assets Maturing Within One Year			
Other Current Assets			
<b>Total Current Assets</b>		<b>64,624,304,220.91</b>	<b>68,864,302,393.42</b>
<b>Non-current Assets:</b>			
Issued loans and Advances			
Available-for-sale Financial Assets	VI. 10	413,013,757.00	308,987,298.90
Investments to be held until maturity			
Long-term Accounts Receivable			
Long-term Equity Investment	VI. 11	590,419,356.09	456,044,512.62
Investment Property	VI. 12	27,479,503.13	29,120,431.80
Fixed Assets	VI. 13	9,873,036,157.62	10,004,175,568.58
Construction in Progress	VI. 14	723,924,491.91	836,061,475.90
Project Materials	VI. 15	113,464.96	169,875.22
Liquidation of Fixed Assets			
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	VI. 16	997,185,846.76	991,153,405.69
Research and Development Expenditure			
Goodwill			
Long-term Deferred Expenses	VI. 17	615,000.10	769,883.26
Deferred Income Tax Assets	VI. 18	1,076,964,799.34	951,941,072.59
Other Non-current Assets			
<b>Total Non-current Assets</b>		<b>13,702,752,376.91</b>	<b>13,578,423,524.56</b>
<b>Total Assets</b>		<b>78,327,056,597.82</b>	<b>82,442,725,917.98</b>

Legal Representative :

Accounting Director :

Accounting Manager :



## Consolidated Balance Sheet (Continued)

December 31, 2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Liabilities and Shareholder's Equity	Notes	The Ending Balance	The Beginning Balance
<b>Current Liabilities :</b>			
Short-term Loans	VI. 21	2, 118, 520, 012. 90	2, 272, 298, 661. 98
Borrowings from Central Bank			
Absorbed Deposits and Interbank Deposits			
Borrowing funds			
Tradable Financial Liabilities	VI. 22	25, 830, 967. 05	30, 643, 140. 64
Notes Payable	VI. 23	4, 107, 094, 766. 78	3, 847, 524, 566. 75
Accounts Payable	VI. 24	13, 385, 150, 089. 62	14, 460, 216, 174. 87
Advances From Customers	VI. 25	37, 594, 148, 516. 54	42, 510, 698, 850. 55
Funds arising from selling Repo Financial Assets			
Commission Payable			
Accrued Payroll	VI. 26	398, 694, 229. 45	407, 917, 862. 46
Taxes & Fees Payable	VI. 27	251, 202, 094. 65	448, 458, 426. 69
Interests Payable			
Dividends Payable	VI. 28	2, 008, 723. 98	1, 560, 249. 58
Other Payables	VI. 29	2, 027, 341, 175. 03	1, 871, 026, 035. 12
Cession Accounts Payable			
Provision for Insurance Contract			
Funds arising from acting trading of securities			
Funds arising from acting underwriting of securities			
Non-current Liabilities Maturing Within One Year	VI. 30	54, 320, 000. 00	116, 320, 000. 00
Other Current Liabilities	VI. 31	80, 844, 288. 14	85, 945, 216. 36
<b>Total Current Liabilities</b>		<b>60, 045, 154, 864. 14</b>	<b>66, 052, 609, 185. 00</b>
<b>Non-Current Liabilities:</b>			
Long-term Loans	VI. 32	125, 827, 585. 21	165, 808, 428. 01
Bonds Payable			
Long-term Accounts Payable	VI. 33	685, 252. 84	685, 252. 84
Specified Accounts Payable	VI. 34		22, 744, 416. 01
Estimated Liabilities	VI. 35	1, 064, 299, 498. 92	937, 485, 337. 58
Deferred Income Tax Liabilities	VI. 18	3, 932, 355. 83	11, 640, 378. 99
Other Non-current Liabilities	VI. 36	539, 641, 886. 45	644, 999, 141. 25
<b>Total Non-current Liabilities</b>		<b>1, 734, 386, 579. 25</b>	<b>1, 783, 362, 954. 68</b>
<b>Total Liabilities</b>		<b>61, 779, 541, 443. 39</b>	<b>67, 835, 972, 139. 68</b>
<b>Shareholder's Equity:</b>			
Capital Stock	VI. 37	2, 003, 860, 000. 00	2, 003, 860, 000. 00
Capital Reserves	VI. 38	5, 074, 096, 576. 25	5, 075, 180, 693. 34
Less: Treasury Stock			
Special Reserves	VI. 39	8, 196, 251. 24	
Surplus Reserves	VI. 40	453, 492, 120. 76	319, 634, 515. 30
Provision for General Risk			
Undistributed Profit	VI. 41	8, 158, 283, 796. 26	6, 421, 629, 656. 29
Difference from Translated Statements in Foreign Currency		-19, 823, 326. 89	-17, 745, 990. 70
<b>Total Shareholder's Equity Attributed to Parent Company</b>		<b>15, 678, 105, 417. 62</b>	<b>13, 802, 558, 874. 23</b>
Minority Shareholder's Equity	VI. 42	869, 409, 736. 81	804, 194, 904. 07
<b>Total Shareholder's Equity</b>		<b>16, 547, 515, 154. 43</b>	<b>14, 606, 753, 778. 30</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>78, 327, 056, 597. 82</b>	<b>82, 442, 725, 917. 98</b>

Legal Representative :

Accounting Director :

Accounting Manager :

## Balance Sheet of Parent Company

December 31,2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Assets	Notes	The Ending Balance	The Beginning Balance
<b>Current Assets:</b>			
Cash		2, 203, 547, 671. 62	957, 119, 761. 29
Tradable Financial Assets		27, 485, 157. 46	56, 730, 129. 44
Notes Receivable		266, 372, 194. 03	
Accounts Receivable	XV.1	1, 377, 064, 861. 07	1, 064, 893, 369. 14
Prepayments		10, 100, 985, 516. 35	10, 451, 389, 189. 40
Interests Receivable			
Dividends Receivable		131, 436, 444. 73	131, 436, 444. 73
Other Receivables	XV.2	4, 847, 306, 312. 72	4, 713, 787, 123. 40
Inventory		1, 752, 735, 050. 46	1, 320, 520, 044. 30
Non-current Assets Maturing Within One Year			
Other Current Assets		500, 000, 000. 00	
<b>Total Current Assets</b>		21, 206, 933, 208. 44	18, 695, 876, 061. 70
<b>Non-current Assets:</b>			
Tradable Financial Assets			
Available-for-sale Financial Assets		413, 013, 757. 00	308, 987, 298. 90
Long-term Accounts Receivable			
Long-term Equity Investment	XV.3	9, 912, 836, 546. 65	9, 849, 213, 121. 07
Investment Property		17, 578, 768. 87	18, 607, 769. 97
Fixed Assets		16, 218, 046. 15	16, 936, 514. 49
Construction in Progress		8, 268, 357. 69	6, 157, 545. 00
Project Materials			
Liquidation of Fixed Assets			
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		31, 456. 51	54, 464. 20
Research and Development Expenditure			
Goodwill			
Long-term Deferred Expenses			
Deferred Income Tax Assets		38, 324, 514. 58	28, 907, 753. 67
Other Non-current Assets			
<b>Total Non-current Assets</b>		10, 406, 271, 447. 45	10, 228, 864, 467. 30
<b>Total Assets</b>		31, 613, 204, 655. 89	28, 924, 740, 529. 00

Legal Representative :

Accounting Director :

Accounting Manager :

**Balance Sheet of Parent Company (Continued)**

December 31, 2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Liabilities and Shareholder's Equity	Notes	The Ending Balance	The Beginning Balance
<b>Current Liabilities :</b>			
Short-term Loans		789,404,374.03	700,000,000.00
Tradable Financial Liabilities		24,806,984.26	30,643,140.64
Notes Payable			
Accounts Payable		2,202,784,201.56	1,444,860,565.38
Advances From Customers		14,825,352,928.26	14,149,324,543.24
Accrued payroll		17,428,338.16	20,542,443.76
Taxes & Fees Payable		-92,051,672.41	-109,472,667.43
Interests Payable			
Dividends Payable			
Other Payables		1,605,846,103.06	1,458,747,586.34
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities			
<b>Total Current Liabilities</b>		19,373,571,256.92	17,694,645,611.93
<b>Non-Current Liabilities:</b>			
Long-term Loans			
Bonds Payable			
Long-term Accounts Payable			
Specified Accounts Payable			
Estimated Liabilities			
Deferred Income Tax Liabilities		326,442.49	4,473,190.34
Other Non-current Liabilities		351,927.71	1,000,000.00
<b>Total Non-current Liabilities</b>		678,370.20	5,473,190.34
<b>Total Liabilities</b>		19,374,249,627.12	17,700,118,802.27
<b>Shareholder's Equity:</b>			
Capital Stock		2,003,860,000.00	2,003,860,000.00
Capital Reserves		5,137,951,847.90	5,141,577,000.43
Less:Treasury Stock			
Special Reserves			
Surplus Reserves		741,855,237.19	607,997,631.73
Provision for General Risk			
Undistributed Profit		4,355,287,943.68	3,471,187,094.57
<b>Total Shareholder's Equity Attributed to Parent Company</b>		12,238,955,028.77	11,224,621,726.73
<b>Total Shareholder's Equity</b>		12,238,955,028.77	11,224,621,726.73
<b>Total Liabilities and Shareholder's Equity</b>		31,613,204,655.89	28,924,740,529.00

Legal Representative :

Accounting Director :

Accounting Manager :

## Consolidated Income Statement

Jan.-Dec.,2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec.,2012	Jan.-Dec.,2011
<b>1-Total Operating Income</b>		38,079,202,510.13	42,916,618,329.18
Therein: Operating Income	VI. 46	38,079,202,510.13	42,916,618,329.18
Interest Income			
Premium Earned			
Commission Income			
<b>2-Total Operating cost</b>		35,746,806,430.03	39,660,796,872.70
Therein: Operating Cost	VI. 46	30,001,922,705.62	33,954,397,638.01
Interest Expenditure			
Commission Expenditure			
Surrender Expenditure			
Net Amount of Compensation			
Net Amount of Provision for Insurance Contract			
Policy Bonus Expenditure			
Cession Expenditure			
Operating taxes and surcharges	VI. 47	284,805,579.01	237,830,858.72
Sales expenses	VI. 48	850,521,579.71	888,697,144.47
General and administrative expense	VI. 49	3,578,333,642.91	3,397,724,995.81
Financial expenses	VI. 50	-84,629,161.74	-87,907,615.55
Losses on Impairment of Assets	VI. 51	1,115,852,084.52	1,270,053,851.24
Add: Net income from fair value changes	VI. 52	-29,846,034.79	-41,087,165.89
Investment Income	VI. 53	179,665,206.21	141,600,995.37
Therein: Income from investment to subsidiaries and joint ventures		170,903,239.91	122,079,261.11
Foreign Exchange Gain			
<b>3-Operating Profit</b>		2,482,215,251.52	3,356,335,285.96
Add: Non-operating Income	VI. 54	233,888,232.18	255,411,857.33
Less: Non-operating Expense	VI. 55	97,444,860.68	67,690,339.73
Therein: Net losses on disposal of non-current assets		2,925,418.52	13,596,302.65
<b>4-Total Profit</b>		2,618,658,623.02	3,544,056,803.56
Less: Income Tax Expense	VI. 56	364,937,341.51	425,839,071.57
<b>5-Net Profit</b>		2,253,721,281.51	3,118,217,731.99
Net Profit Attributed to Shareholders of parent Company		2,191,129,345.43	3,056,227,705.50
Gains/Losses on Minority Shareholder's Equity		62,591,936.08	61,990,026.49
<b>6-Earnings Per Share :</b>			
(1) Primary earning per share	VI. 57	1.09	1.53
(2) Dilutive earning per share	VI. 57	1.09	1.53
<b>7-Other Comprehensive Income</b>	VI. 58	-5,702,488.72	-31,921,743.88
<b>8-Total Comprehensive Income</b>		2,248,018,792.79	3,086,295,988.11
Total Comprehensive Income Attributed to Shareholders of parent Company		2,185,426,856.71	3,024,305,961.62
Total Comprehensive Income Attributed to Minority Shareholders		62,591,936.08	61,990,026.49

Legal Representative :

Accounting Director :

Accounting Manager :

## Income Statement of Parent Company

Jan.-Dec.,2012

Preparating Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec., 2012	Jan.-Dec., 2011
<b>1-Total Operating Income</b>		12,489,390,389.55	13,676,689,310.64
Therein: Operating Income	XV.4	12,489,390,389.55	13,676,689,310.64
Interest Income			
Premium Earned			
Commission Income			
<b>2-Total Operating cost</b>		12,165,816,961.83	12,856,159,774.42
Therein: Operating Cost	XV.4	11,814,804,227.95	12,594,601,404.12
Interest Expenditure			
Commission Expenditure			
Surrender Expenditure			
Net Amount of Compensation			
Net Amount of Provision for Insurance Contract			
Policy Bonus Expenditure			
Cession Expenditure			
Operating taxes and surcharges		15,384,374.37	3,416,582.80
Sales expenses		41,856,449.35	35,936,442.41
General and administrative expense		207,996,979.36	188,438,017.57
Financial expenses		24,260,140.10	-37,297,612.77
Losses on Impairment of Assets		61,514,790.70	71,064,940.29
Add: Net income from fair value changes		-23,408,815.60	-40,825,738.92
Investment Income	XV.5	1,059,919,227.66	983,788,451.62
Therein: Income from investment to subsidiaries and joint ventures		87,220,385.28	60,322,039.08
Foreign Exchange Gain			
<b>3-Operating Profit</b>		1,360,083,839.78	1,763,492,248.92
Add: Non-operating Income		31,686,588.40	4,233,031.59
Less: Non-operating Expense		44,472.63	1,025,038.68
Therein: Net losses on disposal of non-current assets		32,032.11	2,325.00
<b>4-Total Profit</b>		1,391,725,955.55	1,766,700,241.83
Less: Income Tax Expense		53,149,900.98	89,782,234.00
<b>5-Net Profit</b>		1,338,576,054.57	1,676,918,007.83
Net Profit Attributed to Shareholders of parent Company		1,338,576,054.57	1,676,918,007.83
Gains/Losses on Minority Shareholder's Equity			
<b>6-Earnings Per Share :</b>			
(1) Primary earning per share			
(2) Dilutive earning per share			
<b>7-Other Comprehensive Income</b>		-3,625,152.53	-19,075,173.38
<b>8-Total Comprehensive Income</b>		1,334,950,902.04	1,657,842,834.45
Total Comprehensive Income Attributed to Shareholders of parent Company		1,338,576,054.57	1,657,842,834.45
Total Comprehensive Income Attributed to Minority Shareholders			

Legal Representative :

Accounting Director :

Accounting Manager :

**Consolidated Cash Flow Statement**  
Jan.-Dec.,2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec.,2012	Jan.-Dec.,2011
<b>1-CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Cash received from sales of goods or rendering of services		33,841,054,173.63	35,236,182,935.71
Net increase of Clients' Deposits and Interbank Deposits			
Net increase of Borrowings from the Central Bank			
Net increase of Borrowing funds from other financial institution			
Cash received from original Insurance Contract			
Cash received from Reinsurance Contract			
Net increase of Insurers' Deposits and Investment Funds			
Net increase of disposal of Trading Financial Assets			
Cash received from Interest and Commission			
Net increase of Borrowing Funds			
Net increase of Repurchase Business			
Tax Refund		298,058,101.96	445,772,036.70
Cash received from other operating related activities	VI. 59	495,012,696.88	552,449,268.36
<b>SUB-TOTAL OF CASH INFLOWS</b>		34,634,124,972.47	36,234,404,240.77
Cash paid for goods and services		26,569,050,816.64	29,893,242,286.89
Net increase of Issued Loans and Advances			
Net increase of funds in the Central Bank and Interbank			
Cash paid for compensation of Original Insurance Contract			
Cash paid for Interest and Commission			
Cash paid for Policy Bonus			
Cash paid to/for employees		3,478,203,746.76	3,047,781,506.15
Tax payments		3,424,384,773.77	3,180,018,463.16
Cash paid for other operating related activities	VI. 59	1,341,009,289.60	1,251,875,247.40
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		34,812,648,626.77	37,372,917,503.60
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		-178,523,654.30	-1,138,513,262.83
<b>2-CASH FLOWS FROM INVESTING ACATIVITIES :</b>			
Cash received from disposal of investments		279,708,656.58	99,855,722.18
Cash received from returns on investments		46,649,053.83	30,042,866.93
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		26,144,135.47	23,635,339.96
Net cash received from disposal of subsidiaries or other operating units			
Cash received from other investing related activities			
<b>SUB-TOTAL OF CASH INFLOWS</b>		352,501,845.88	153,533,929.07
Cash paid to acquire fixed assets,intangible assets and other long-term assets		1,194,534,944.31	1,861,909,811.75
Cash paid to acquire investments		404,000,000.00	93,397,122.48
Net increase of pledge loan			
Net Cash paid for acquiring subsidiaries or other operating units			
Cash paid for other investing related activities			
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		1,598,534,944.31	1,955,306,934.23
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		-1,246,033,098.43	-1,801,773,005.16
<b>3-CASH FLOWS FROM FINANCING ACTIVITIES :</b>			
Cash received from absorbing investment			
Therein: The Investment absorbed by Subsidiaries from Minority Shareholders			
Cash received from borrowings		3,499,417,510.08	2,692,298,661.98
Cash received from issuing bonds			
Cash received from other financing related activities	VI. 59	85,940,000.00	47,100,000.00
<b>SUB-TOTAL OF CASH INFLOWS</b>		3,585,357,510.08	2,739,398,661.98
Repayments of borrowings		3,069,086,554.85	2,780,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		490,523,477.58	403,452,056.74
Therein: Devidents paid to Minority Shareholders by Subsidiaries		16,790,505.11	2,417,874.40
Cash payments for other financing related activities			
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		3,559,610,032.43	3,183,452,056.74
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		25,747,477.65	-444,053,394.76
<b>4-EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		43,582,095.64	-1,987,061.47
<b>5-NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		-1,355,227,179.44	-3,386,326,724.22
Add: Cash and cash equivalents balance at the beginning of the period		10,284,224,638.84	13,670,551,363.06
<b>6- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		8,928,997,459.40	10,284,224,638.84

Legal Representative :

Accounting Director :

Accounting Manager :

## Cash Flow Statement of Parent Company

Jan.-Dec., 2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec., 2012	Jan.-Dec., 2011
<b>1-CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Cash received from sales of goods or rendering of services		11,904,497,346.42	11,970,179,062.44
Net increase of Clients' Deposits and Interbank Deposits			
Net increase of Borrowings from the Central Bank			
<b>Net increase of Borrowing funds from other financial institution</b>			
Cash received from original Insurance Contract			
Cash received from Reinsurance Contract			
Net increase of Insurers' Deposits and Investment Funds			
Net increase of disposal of Trading Financial Assets			
<b>Cash received from Interest and Commission</b>			
<b>Net increase of Borrowing Funds</b>			
<b>Net increase of Repurchase Business</b>			
Tax Refund		293,382,303.89	408,795,217.89
Cash received from other operating related activities	XV.6	98,237,995.66	148,642,997.19
<b>SUB-TOTAL OF CASH INFLOWS</b>		<b>12,296,117,645.97</b>	<b>12,527,617,277.52</b>
Cash paid for goods and services		10,318,520,959.29	11,748,725,650.39
Net increase of Issued Loans and Advances			
<b>Net increase of funds in the Central Bank and Interbank</b>			
Cash paid for compensation of Original Insurance Contract			
Cash paid for Interest and Commission			
Cash paid for Policy Bonus			
Cash paid to/for employees		178,984,530.89	151,294,923.76
<b>Tax payments</b>		<b>165,587,713.87</b>	<b>80,761,389.09</b>
<b>Cash paid for other operating related activities</b>	XV.6	<b>481,360,931.16</b>	<b>145,430,474.02</b>
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		<b>11,144,454,135.21</b>	<b>12,126,212,437.26</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,151,663,510.76</b>	<b>401,404,840.26</b>
<b>2-CASH FLOWS FROM INVESTING ACATIVITIES:</b>			
Cash received from disposal of investments		279,708,656.58	99,855,722.18
<b>Cash received from returns on investments</b>		<b>1,002,295,802.08</b>	<b>928,290,907.30</b>
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		2,120.50	
Net cash received from disposal of subsidiaries or other operating units			
Cash received from other investing related activities			
<b>SUB-TOTAL OF CASH INFLOWS</b>		<b>1,282,006,579.16</b>	<b>1,028,146,629.48</b>
<b>Cash paid to acquire fixed assets,intangible assets and other long-term assets</b>		<b>5,944,156.74</b>	<b>13,770,369.91</b>
<b>Cash paid to acquire investments</b>		<b>1,031,940,000.00</b>	<b>274,167,122.48</b>
<b>Net increase of pledge loan</b>			
Net Cash paid for acquiring subsidiaries or other operating units			
<b>Cash paid for other investing related activities</b>			
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		<b>1,037,884,156.74</b>	<b>287,937,492.39</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>244,122,422.42</b>	<b>740,209,137.09</b>
<b>3-CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received from absorbing investment			
Therein: The Investment absorbed by Subsidiaries from Minority Shareholders			
Cash received from borrowings		1,489,404,374.03	2,050,000,000.00
Cash received from issuing bonds			
Cash received from other financing related activities	XV.6	85,940,000.00	47,100,000.00
<b>SUB-TOTAL OF CASH INFLOWS</b>		<b>1,575,344,374.03</b>	<b>2,097,100,000.00</b>
Repayments of borrowings		1,400,000,000.00	5,600,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		344,855,100.00	297,765,759.77
Therein: Devidents paid to Minority Shareholders by Subsidiaries			
Cash payments for other financing related activities			
<b>SUB-TOTAL OF CASH OUTFLOWS</b>		<b>1,744,855,100.00</b>	<b>5,897,765,759.77</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-169,510,725.97</b>	<b>-3,800,665,759.77</b>
<b>4-EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>20,152,703.12</b>	<b>16,281,114.46</b>
<b>5-NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,246,427,910.33</b>	<b>-2,642,770,667.96</b>
Add: Cash and cash equivalents balance at the beginning of the period		957,119,761.29	3,599,890,429.25
<b>6- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>2,203,547,671.62</b>	<b>957,119,761.29</b>

Legal Representative:

Accounting Director:

Accounting Manager:

**Consolidated Statement of Movement on Shareholder's Equity**  
**Jan.-Dec., 2012**

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of this period									
	Shareholder's Equity Attributed to the Parent Company								Minority Shareholder's Equity	Total Shareholder's Equity
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Others		
1-The ending balance for last year	2,003,860,000.00	5,075,180,693.34			319,634,515.30		6,421,629,656.29	-17,745,990.70	804,194,904.07	14,606,753,778.30
Add:Amounts from Accounting Policy Changes										
Corrections on last period's accounting errors										
Others										
2-The beginning balance of this year	2,003,860,000.00	5,075,180,693.34			319,634,515.30		6,421,629,656.29	-17,745,990.70	804,194,904.07	14,606,753,778.30
3-Increase and decrease for this period (decrease represents as '-')		-1,084,117.09		8,196,251.24	133,857,605.46		1,736,654,139.97	-2,077,336.19	65,214,832.74	1,940,761,376.13
(1) Net profit							2,191,129,345.43		62,591,936.08	2,253,721,281.51
(2) Other Comprehensive Income		-3,625,152.53						-2,077,336.19		-5,702,488.72
Subtotal of (1) and (2)		-3,625,152.53					2,191,129,345.43	-2,077,336.19	62,591,936.08	2,248,018,792.79
(3) Shareholders' Investment and Capital Reduction		2,541,035.44							20,203,380.57	22,744,416.01
I.Capital investment										
II.Share-based Payment recorded in shareholder's equity										
III.Others		2,541,035.44							20,203,380.57	22,744,416.01
(4) Profit Distribution					133,857,605.46		-454,475,205.46		-18,156,759.51	-338,774,359.51
I.Provision for Surplus Reserves					133,857,605.46		-133,857,605.46			
II.Provision for General Risk										
III.Distribution to Shareholders							-320,617,600.00		-18,156,759.51	-338,774,359.51
IV.Others										
(5) Internal transfer of Shareholders' Equity										
I.Capital Reserves transfer to Capital (or Share Capital)										
II.Surplus Reserve transfer to Capital (or Share Capital)										
III.Surplus Reserve offset losses										
IV.Others										
(6) Special Reserves				8,196,251.24					576,275.60	8,772,526.84
I.Accrued in this period				48,805,326.70					2,626,014.33	51,431,341.03
II.Used in this period				-40,609,075.46					-2,049,738.73	-42,658,814.19
(7) Others										
4-The ending balance for this period	2,003,860,000.00	5,074,096,576.25		8,196,251.24	453,492,120.76		8,158,283,796.26	-19,823,326.89	869,409,736.81	16,547,515,154.43

Legal Representative :

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Accounting Director :

Accounting Manager :



**Consolidated Statement of Movement on Shareholder's Equity**  
**Jan.-Dec., 2012**

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of last period									
	Shareholder's Equity Attributed to the Parent Company								Minority Shareholder's Equity	Total Shareholder's Equity
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Others		
1-The ending balance for last year	2,003,860,000.00	5,094,255,444.33			151,942,714.52		3,793,595,551.57	-4,899,420.20	745,628,227.73	11,784,382,517.95
Add:Amounts from Accounting Policy Changes										
Corrections on last period's accounting errors										
Others										
2-The beginning balance of this year	2,003,860,000.00	5,094,255,444.33			151,942,714.52		3,793,595,551.57	-4,899,420.20	745,628,227.73	11,784,382,517.95
3-Increase and decrease for this period (decrease represents as '-')		-19,074,750.99			167,691,800.78		2,628,034,104.72	-12,846,570.50	58,566,676.34	2,822,371,260.35
(1) Net profit							3,056,227,705.50		61,990,026.49	3,118,217,731.99
(2) Other Comprehensive Income		-19,075,173.38						-12,846,570.50		-31,921,743.88
Subtotal of (1) and (2)		-19,075,173.38					3,056,227,705.50	-12,846,570.50	61,990,026.49	3,086,295,988.11
(3) Shareholders' Investment and Capital Reduction		422.39							-5,475.75	-5,053.36
I.Capital investment										
II.Share-based Payment recorded in shareholder's equity										
III.Others		422.39							-5,475.75	-5,053.36
(4) Profit Distribution					167,691,800.78		-428,193,600.78		-3,417,874.40	-263,919,674.40
I.Provision for Surplus Reserves					167,691,800.78		-167,691,800.78			
II.Provision for General Risk										
III.Distribution to Shareholders							-260,501,800.00		-3,417,874.40	-263,919,674.40
IV.Others										
(5) Internal transfer of Shareholders' Equity										
I.Capital Reserves transfer to Capital (or Share Capital)										
II.Surplus Reserve transfer to Capital (or Share Capital)										
III.Surplus Reserve offset losses										
IV.Others										
(6) Special Reserves										
I.Accrued in this period										
II.Used in this period										
(7) Others										
4-The ending balance for this period	2,003,860,000.00	5,075,180,693.34			319,634,515.30		6,421,629,656.29	-17,745,990.70	804,194,904.07	14,606,753,778.30

Legal Representative :

Accounting Director :

Accounting Manager :

**Statement of Movements on Equity for Parent Company**

Jan.-Dec., 2012

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of this period							
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Total Shareholder's Equity
1-The ending balance for last year	2,003,860,000.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57	11,224,621,726.73
Add:Amounts from Accounting Policy Changes								
Corrections on last period's accounting errors								
Others								
2-The beginning balance of this year	2,003,860,000.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57	11,224,621,726.73
3-Increase and decrease for this period (decrease represents as '-')		-3,625,152.53			133,857,605.46		884,100,849.11	1,014,333,302.04
(1) Net profit							1,338,576,054.57	1,338,576,054.57
(2) Other Comprehensive Income		-3,625,152.53						-3,625,152.53
Subtotal of (1) and (2)		-3,625,152.53					1,338,576,054.57	1,334,950,902.04
(3) Shareholders' Investment and Capital Reduction								
I.Capital investment								
II.Share-based Payment recorded in shareholder's equity								
III.Others								
(4) Profit Distribution					133,857,605.46		-454,475,205.46	-320,617,600.00
I.Provision for Surplus Reserves					133,857,605.46		-133,857,605.46	
II.Provision for General Risk								
III.Distribution to Shareholders							-320,617,600.00	-320,617,600.00
IV.Others								
(5) Internal transfer of Shareholders' Equity								
I.Capital Reserves transfer to Capital (or Share Capital)								
II.Surplus Reserve transfer to Capital (or Share Capital)								
III.Surplus Reserve offset losses								
IV.Others								
(6) Special Reserves								
I.Accrued in this period								
II.Used in this period								
(7) Others								
4-The ending balance for this period	2,003,860,000.00	5,137,951,847.90			741,855,237.19		4,355,287,943.68	12,238,955,028.77

Legal Representative :

Accounting Director :

Accounting Manager :

**Statement of Movements on Equity for Parent Company**

**Jan.-Dec., 2012**

**Preparing Unit: Dongfang Electric Corporation Limited**

Unit: RMB Yuan

Items	The amount of last period							
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Total Shareholder's Equity
1-The ending balance for last year	2,003,860,000.00	5,160,652,173.81			440,305,830.95		2,222,462,687.52	9,827,280,692.28
Add:Amounts from Accounting Policy Changes								
Corrections on last period's accounting errors								
Others								
2-The beginning balance of this year	2,003,860,000.00	5,160,652,173.81			440,305,830.95		2,222,462,687.52	9,827,280,692.28
3-Increase and decrease for this period (decrease represents as '-')		-19,075,173.38			167,691,800.78		1,248,724,407.05	1,397,341,034.45
(1) Net profit							1,676,918,007.83	1,676,918,007.83
(2) Other Comprehensive Income		-19,075,173.38						-19,075,173.38
Subtotal of (1) and (2)		-19,075,173.38					1,676,918,007.83	1,657,842,834.45
(3) Shareholders' Investment and Capital Reduction								
I.Capital investment								
II.Share-based Payment recorded in shareholder's equity								
III.Others								
(4) Profit Distribution					167,691,800.78		-428,193,600.78	-260,501,800.00
I.Provision for Surplus Reserves					167,691,800.78		-167,691,800.78	
II.Provision for General Risk								
III.Distribution to Shareholders							-260,501,800.00	-260,501,800.00
IV.Others								
(5) Internal transfer of Shareholders' Equity								
I.Capital Reserves transfer to Capital (or Share Capital)								
II.Surplus Reserve transfer to Capital (or Share Capital)								
III.Surplus Reserve offset losses								
IV.Others								
(6) Special Reserves								
I.Accrued in this period								
II.Used in this period								
(7) Others								
4-The ending balance for this period	2,003,860,000.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57	11,224,621,726.73

Legal Representative :

Accounting Director :

Accounting Manager :

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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### I. General information

Dongfang Electric Corporation Limited (“The precursor is Dongfang Electric Machinery Co., Ltd, hereinafter referred to as the Company, but called as group including subsidiaries”) was founded on 28 December 1993 in Deyang, Sichuan, the People’s Republic of China (the “PRC”), ratified by the National Development and Reform Commission, according to the related documents. As the exclusive promoter of the Company, Dongfang Electric Machinery Co., Ltd became the shareholder through converting its operation assets into shares of the Company.

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 “SEHK”) since 6 June 1994, then on 4 July 1995, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (the “A Shares”) in the PRC and have been listed on the Shanghai Stock Exchange since 10 October 1995 approved by the document (1994) No.42 from the State Commission for Restructuring the Economic Systems. After that, the share capital of the Company had increased 450,000,000 shares.

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) (《关于东方电机股份有限公司国有股划转有关问题的批复》(国资产权[2005]1604号) 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 Dongfang Electric Corporation (“DEC”), a stated-owned enterprise established in the PRC which is directly supervised by SASAC. DEC is also the parent of DFEW.

In November 2007, the Company had 273,165,244 domestic listed Renminbi ordinary shares of Dongfang Boiler Group Co., Ltd (68.05% equity) and 100% capital shares of Dongfang Angturbine Co., Ltd by issuing to China Dongfang Electric Corporation 367, 000, 000 domestic listed private placement of the A Shares based on “Approval of the Dongfang Electrical Machinery Company Limited issuing directly to China Dongfang Electric Corporation to purchase the assets ” ( [2007] No.172) by China Securities Regulatory Commission issued. On 26 October 2007, the Company was named Dongfang Electric Corporation with resolutions of the 2nd Provisional Shareholder Meeting.

In November 2008, the Company issued 65,000,000 domestic listed Renminbi ordinary shares in the PRC by “Approval of certain issues in the additional shares of Dongfang Electric Corporation ([2008] No.1100) from the China Securities Regulatory Commission on 5 September 2008. The capital shares had changed to 882, 000, 000 yuan.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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On 6 November 2009, China Securities Regulatory Commission promulgated “Approval of certain issues in private placement of the Shares of Dongfang Electric Corporation” ([2009] No. 1151) to approve the Company transferred 119,930,000 domestic listed private placement of the A Shares to eight special companies including China Dongfang Electric Corporation in November 2009. The Company had increased to 1,001,930,000.

According to the resolutions of annual general meeting of the shareholders on 18 June 2010, the 1st domestic shareholders class meeting in 2010 and foreign shareholders class meeting, the Company decided to increase 10 shares per 10 shares to all shareholders.

By the end of 2012, the capital shares of the corporation is 2,003,860,000: domestic shares without selling restrictions domestically-listed are 1,663,860,000, representing 83.03% of the share capital; shares without selling restrictions held by foreign investors listed overseas is 340,000,000, 16.97% of the share capital. The Company’s serial number of business license of legal entity is 510109000059366. The registered address is No.18 Xixin Avenue Western high-tech district, Chengdu City, Sichuan Province. The head quarter is No.333 Shuhan Avenue, Jinniu district, Chengdu City, Sichuan Province.

The parent and ultimate controller of the Company is China Dongfang Electric Corporation. DEC is a state-owned company registered in China. The shareholders’ general meeting is authority of the Company, deciding management policies, funding, investing and distribution of the profit in accordance with the law. The Board of Directors is responsible for the shareholders’ general meeting, enjoying the decision-making power in production and operation according to law. The Management executes resolutions of the Board and the shareholders’ general meeting, organizes production and management. The Company establishes nine functional departments including the Office of Board, the Office of the President, the Human Resources Department, the Department of the Economic Operation, the Legal Affairs Department, the Department of Science and Technology Quality, Marketing, Accounting and Auditing. Moreover, there are three business units, Combustion Engine Division, Nuclear Power Division and Power Services Division. The Company is composed of six subsidiaries: Dongfang Angturbine Co., Ltd, Dongfang Boiler Group Co., Ltd, Dongfang Electric Machinery Co., Ltd, Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd, and Dong Fang Electric (India) Private Limited, Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.

The Group is specialized in the power equipment manufacturing industry. The business ranges are as follows: general equipment manufacturing industry, electronic and mechanical equipment manufacturing industry, equipment for nuclear power, wind power equipment, renewable energy power generation equipment; R&D, manufacturing and sales of industrial control and automation, environmental protection and energy-saving equipment, petrochemical vessel ,as well as apparatus, ordinary machinery; manufacturing and sales of industrial gases; design of the power station; development, sales and services of electric power equipment; contracting or sub-contracting of the power equipment manufacturing, mechanical and electrical equipment and

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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complete set of engineering overseas. In addition, the Company provides the export of equipments, materials and labors, import and export, the professional service with high effectiveness and high quality, technological exchange and popularization. The key productions involve power generating equipments of hydro, thermal, nuclear, wind, and gas turbine generating unit.

### **II. Basis of preparation of financial statements**

The Group's financial statements have been prepared on a going concern basis and based on actual transactions and events, in accordance with "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance and the accounting policies and estimates of the Group as stated in Note IV "Principal accounting policies and accounting estimates".

Where the enterprise has decided or is forced to discontinue the operations in the current or the next accounting period and it is clear that the enterprise is not in a going concern condition, its financial statements should be prepared on other appropriate basis. The financial statements should be highlighted that it is not prepared in a going concern basis. The reason of not adopting going concern basis and the basis now is adopted in the preparation of financial statements should be disclosed.

### **II. Statement of compliance of Accounting Standards for Business Enterprises**

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and related accounting requirements, and present truly and completely the consolidated and Company's financial position and their financial performance and cash flows and other related information.

### **III. Principal accounting policies and accounting estimates**

#### **1. Accounting period**

The accounting period of the Group is from 1 January to 31 December of each calendar year.

Where the accounting period of the Company is less than one year, the actual reporting period of the financial statements should be stated. If the accounting period of the subsidiary is not consistent with the national Accounting Standards, whether any adjustments need to be stated.

#### **2. Recording currency**

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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The recording currency of the Group is Renminbi (“RMB”)

Where the recording currency of the Group is not RMB, the consideration for choosing a foreign currency as the recording currency and method of translation into RMB should be stated.

Where the recording currency of subsidiaries is not consistent with the Group, the details should be stated.

### 3. Basis of preparation and principle of measurement

The Group’s financial statements have been prepared on an accrual basis. Except for financial assets held for trading, available-for-sale financial assets which are measured at fair value, the financial statements are prepared under the historical cost convention.

### 4. Foreign currency transactions and translation of financial statements denominated in foreign currency

#### (1) Foreign currency transactions

Foreign currency transactions are translated into RMB at the spot exchange rate (or actual situation) of the transaction dates. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items in foreign currencies carried at fair value are translated at the spot exchange rates of the date when the fair value was determined. Non-monetary items in foreign currency measured at historical cost shall continue to be translated into the reporting currency at the spot exchange rate at the date of transactions

#### (2) Translation of financial statements denominated in foreign currency

Asset and liability items in the balance sheet of foreign operations are translated at the spot exchange rates at the balance sheet date; equity items other than undistributed profits are translated at the spot exchange rates at the date of the transactions. Income and expense items in the income statements are translated at the spot exchange rate (or actual situation) at the date of the transactions. All resulting translation differences are recognised as a separate component of equity. The cash flows in foreign currencies are translated at the spot exchange rate (or actual situation) at the date when the cash flows incurred. The impact of the foreign currency translation on the cash is presented in the cash flow statement separately.

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

---

When a foreign operation is partially disposed of or sold, translation differences that were recorded in equity are recognised in the income statements as part of the disposal gain or loss.

### 5. Basis of recognition of cash and cash equivalents

Cash in the Group's cash flows statement represents cash on hand and deposits that can be readily draw on demand. Cash equivalents in the cash flow statement represent short-term (3 months or less), and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

### 6. Financial assets and financial liabilities

#### (1) Financial assets

##### 1) Classification of financial assets

Financial assets are classified into four categories according to the purposes of investments and their economic substance: "Financial assets at fair value through profit or loss", "Held-to-maturity investments", "Loan and receivables" and "Available-for-sale financial assets".

Financial assets at fair value through profit or loss are those financial assets that have been acquired principally for the purpose of selling in the short terms. They are presented in the balance sheets as "Financial assets held for trading".

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has positive intention and ability to hold to maturity.

Loan and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition.

##### 2) Recognition and measurement of financial assets

A financial asset is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

---

transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loan and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss are recorded as 'Gain or loss from changes in fair value'. Interest or cash dividends received during the period in which such financial assets are held, are recognized as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognized as 'Gain or loss on Investment' and adjust the gain or loss from changes in fair value accordingly.

Exchange for impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets is de-recognized, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in equity are charged to profit or loss for the period as 'Investment income'. Interests for the period in which the assets are held is calculated using the effective interest method is charge to profit or loss for the period as 'Investment income'. Cash dividends declared by the in-vestee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'.

### 3) Impairment of financial assets

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

When there is a significant or prolonged decline in the fair value of available-for-sale financial assets, the accumulated losses in fair value that was previously directly recorded in shareholder's equity are transferred out and recognized as impairment losses. For the available-for-sale investment on debt

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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instruments which impairment losses have been recognized, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previous recognized impairment loss is reversed into profit or loss for the period. For an investment in an equity instrument classified as available-for-sale equity on which impairment loss has been recognized, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

#### 4) Transfer of financial assets

A financial asset is de-recognized when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities. The extent of the continuous involvement represents the extent to which the entity exposes to changes in the value of such financial asset.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset being transferred is allocated between the portions that to be de-recognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

#### (2) Financial liabilities

Financial liabilities of the Group are classified as "financial liabilities at fair value through profit or loss" and "other financial liabilities" on initial recognition.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

---

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other liabilities are subsequently measured at amortized cost using the effective interest method.

A financial liability is de-recognized when the underlying present obligations (or part of it) are discharged. The difference between the carrying amount of the financial liability de-recognized and the consideration paid is recognized in profit or loss for the period.

### (3) Determination of financial assets and financial liabilities

(a) Where there is active trading market, the fair value of the financial instruments is determined by reference to the quoted price in the active trading market. In the active trading market, the fair value of financial assets already held by the Group or the financial liabilities that the group is proposed to assume is determined by the current bid price of the corresponding assets or liabilities. The fair value of financial assets that the Group is propose to acquired or the liabilities already assumed by the Group is determined by the ask price of the corresponding assets and liabilities. Where the financial assets and financial liabilities do not have bid price or ask price, and there are no significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by reference to the quoted prices of recent transactions. Where there are significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by the quoted price of the most recent transactions as adjusted by reference to the current prices or interest rate. Where there is sufficient evidence to show that the market quoted price of the recent transactions is the fair value of such financial assets or financial liabilities is determined by the quoted price of the recent transaction after making appropriate adjustments.

(b) Where there is no active trading market for the financial instruments, the fair value of such financial instruments is determined by valuation techniques. Valuation techniques include making reference to the price of recent market transactions by knowledgeable and willing parties; making reference to the current fair value of another financial assets that are the substantially identical to such financial assets; discounting method of cash flows, share option valuation model, etc.

### 7. Provision for bad debts on receivables

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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Criteria for provision for bad debts on receivables: the debtors are dissolved, bankrupt, insolvent, in significant difficulty in cash flows, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or the debtors are defaulted for repayment more than x years; or there are conclusive evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the balance sheet date, receivables are assessed for impairment on individual or portfolio basis. Provision for bad debts is recognized in the profit or loss for the period. When there are objective evidences indicating the receivable are considered not recoverable, it is written off against the allowance account in accordance with the approval procedures of the Group.

Guideline: In making provision for bad debts, consideration should be given in the following sequence: (1) consider whether provision should be made for the accounts receivable that are individually significant. If provision is needed, it should be made by the method as stated in (1) below; (2) consider whether provision for bad debts by portfolio can reflect the risk characteristics for accounts receivable other than those individually significant. If it can, provision for bad debts should be made by the method as stated in (2) below. Otherwise, the reason and provision for bad debts should be made by the method as stated in (3) below.

(1) Receivables that are individually significant and provided for bad debts on individual basis

<b>Recognition criteria of individually significant receivables</b>	<b>Receivables of more than RMB30,000,000 is regarded as individually significant receivable</b>
<b>Recognition method of provision for bad debts for individually significant receivables on individual basis</b>	<b>Provision for bad debts is made as the excess of the carrying amount over the present value of the estimated future cash flows</b>

(2) Receivables that are provided for bad debts on portfolio basis

Guideline: Where provision for bad debts is made by methods other than aging analysis, the enterprise may provide the bad debts on receivables based on the grouping of receivables according to the relationships with the counterparties (e.g. related parties), nature of receivables (e.g. deposits, prepayments, etc), the safeguard measures of the transaction (e.g. security, guarantee, etc), the goodwill of the counter parties (e.g. government, large-scale corporation with long-term strategic co-operation, etc). Provision for bad debts may be made by aging analysis, balance percentage method or other methods.

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Basis for determination of portfolio</b>	
<b>Aged group</b>	<b>The group of credit risk characteristics is determined by the aging of the receivables</b>
<b>Method of provision of bad debts on portfolio basis (Aging analysis, balance percentage method, other methods)</b>	
<b>Aged group</b>	<b>Aging analysis</b>

Proportion of provision for bad debts for receivables by aging analysis

<b>Aged</b>	<b>Proportion to accounts receivable (%)</b>	<b>Proportion to other receivable (%)</b>
<b>Within one year</b>	<b>5</b>	<b>5</b>
<b>1-2 years</b>	<b>10</b>	<b>10</b>
<b>2-3 years</b>	<b>20</b>	<b>20</b>
<b>3-4years</b>	<b>40</b>	<b>40</b>
<b>4-5years</b>	<b>50</b>	<b>50</b>
<b>Over 5 years</b>	<b>100</b>	<b>100</b>

(3) Receivables that is individually insignificant but not providing for bad debts individually

<b>Reason for provision for bad debts individually</b>	<b>Receivables with individually insignificant amount and provision for bad debts made on portfolio basis cannot reflect its credit risk characteristics</b>
<b>Method of provision</b>	<b>Provision for bad debts is made as the excess of its carrying amount over the present value of the estimated future cash flows</b>

## 8. Inventories

Inventories of the Group include raw materials, packaging material, low-value consumables, work in progress and finished goods etc.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase. Cost is calculated using first-in-first-out/ weighted average method/ specific identification method when the inventories are issued or consumed. Low value consumables and packaging material are amortized by one-time write off or 50/50 basis.

At the balance sheet date, inventories are stated at the lower of costs or net realizable value. Where the inventories become damaged, partially or wholly obsolete or whose selling price is lower than its cost, provision for inventory impairment is made for amount of cost that are expected irrecoverable. For finished goods and bulk raw material, inventory impairment provision is provided at the difference of cost of single item of inventory exceeding its net realizable value. For inventories with tremendous number and relatively low unit price, provision is determined according to the type of inventory.

Net realizable value of finished goods, work in progress or held-for-sale raw materials are determined by their estimated selling price less estimated selling expenses and related taxes. Net realizable value for raw material held for production are determined by the estimated selling price of finished goods less the estimated cost to completion, selling expenses and taxes.

### 9. Long-term equity investments

Long-term equity investments include equity investments in entity over which the Group has control, joint control or significant influence; and equity investments in entity over which the Group does not have control, joint control or significant influence and it has no quoted price in an active market and the fair value cannot be reliably measured.

Joint control is the contractual agreement sharing of control over an economic activity. Joint control exists only when any investor does not have power to control operating activities unilaterally and decisions relating to the basis operating activity of the entity require the unanimous consent of the parties sharing the control.

Significant influence exists when the investor has the power to participate in the in-vestee's financial and operating policy decision-making, but not able to control or jointly control, together with other parties, the formulation of these policies. Significant influence exists when the Group directly or indirectly owned 20% or more but less than 50% shares with voting rights in the in-vestee company. Significant influence cannot be established where there are objective evidences indicating that the Group is incapable of participating in the decision-making of operating policies in the investee company.

The investment cost for long-term equity investment acquired through business combination under common control is the carrying value of the share of equity at the combination date in the acquired company. The investment cost for long-term equity investment acquired through business combination not

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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under common control is the fair value at the date of combination (acquisition) of the assets given up, liabilities incurred or committed and equity instruments issued.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the Group by the investor, the investment cost is the consideration as specified in the relevant contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring, exchange of non-monetary assets, the cost of investment is determined according to the relevant accounting standards.

Investments in subsidiaries are accounted for by the Group using cost method and adjusted for by equity method when preparing consolidated financial statements. Investments in equities that the Group does not have control, joint control or significant influence and do not have quoted market price in active markets and its fair value cannot be reliably measured are accounted for using cost method. Investments in entities over which the Group does not have control, joint control or significant influence but have quoted prices in active market and their fair value can be measured reliably are accounted for under available-for-sale financial assets.

Under the cost method, long-term equity investments are measured initially at its investment cost, and adjusted by the amount of additional investment and the amount recovered. Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group will recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the date of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated companies and joint ventures is offset according to the shareholding attributable to the Group and accounted for as investment income and loss based on such basis. If there are debit difference for the long-term equity investments debit difference for joint ventures and associates that have been already existed at the first implementation date of the Standards, the investment income should be recognized after deducting the amortization of such difference on a straight-line basis over the original remaining period.

Where the Group has no longer joint control or significant influence in the investee company as a result of reduction of the investment and there are no quoted prices for the investment in active market and its fair value cannot be measured reliably, it will be changed to be accounted for using cost method. Where the Group obtains control over the investee company as results from such as making additional investment, the long-term equity investments will

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

also be changed to be accounted for using cost method. Where the Group obtain joint control or significant influence over the in-vestee company as results from such as making additional investment or where Group has no longer control but remain joint control or significant influence over the in-vestee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the in-vestee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

### 10. Investment properties

The investment properties of the Group include land use rights leased out, land use rights held for after appreciation and leased buildings.

Investment property is initially recorded at cost. The cost for investment properties purchased from outsiders includes purchase prices, related taxes and directly attributable expenditure. The cost of self-constructed investment properties includes construction expenses incurred for bringing the assets to the conditions ready for use.

Investment properties of the Group are subsequently measured using cost model. Depreciation or amortization is provided for over their estimated useful lives and estimated residual percentage. The estimated useful life, residual percentage and annual depreciation (amortization) rate of investment properties are as follows:

Item	Depreciable life (Year)	Rate of net salvage value	Annual depreciation rate (%)
Land use right	50		2
Buildings			
Including: productive building	20	5%	4.75
non-productive building	25	5%	3.80

Where the usage of an investment property is changed into owner-occupied, it shall be reclassified as fixed asset or intangible asset at the date of change. Where the usage of an owner-occupied is changed to earning rental income or capital appreciation, it will be transferred from fixed asset or intangible



## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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asset into investment property as from the date of change. On conversion, the carrying amount immediate before conversion is taken as the cost of the assets.

An investment property is de-recognized when it is disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from disposal, transfer, retirement or damaged of the investment property after the carrying amount and related taxes is recognized in profit or loss for the current period.

Where the investment properties are accounted for using fair value model, the following should be disclosed: (1) the basis for adoption of such accounting policy should be disclosed, including the basis of which there are active property market at the location of the investment properties; (2) the Group has abilities to obtain market price and other relevant information of the same or similar properties from the property market as the basis of the fair value valuation of the investment properties; and (3) description of key assumption and major uncertain factor in determining of the fair value of the investment properties.

### 11. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

Fixed assets consist of buildings, plant and machinery, motor vehicles, office equipment and others. The fixed assets are initially measured at cost. The cost of fixed assets purchased from outsiders includes purchase prices, related import taxes and necessary expenses incurred for bringing the assets to the working condition for its intended use. The cost of self-constructed fixed assets includes construction expenses incurred for bringing the assets to the working condition for its intended use. The cost of fixed assets injected by investors to the Group is measured at the considerations as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets will be recorded at their fair value. The cost of fixed assets acquired under finance lease arrangement is measures at the lower of their fair value and the present value of the minimum lease payment at the inception of the leases.

Subsequent expenditure relating to fixed assets, such as repairing expenditures, renovation and improvements are recognized as the cost of fixed assets when they meet the recognition criteria. The carrying amount of the replaced parts is de-recognized. All other subsequent expenditures not meeting the recognition criteria are charged in the profit or loss for the current period.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Except for those fixed assets that are fully depreciated but still in use and lands that are separately recorded, depreciation is provided for fixed assets over their estimated useful life using the average life method (or other method). Depreciation charge is included in the cost of fixed assets or expenses for the period according to the usage of the assets. The useful life, estimated residual value and annual depreciation rate of each classification of the Group's fixed assets are as follows:

Items	Estimated useful lives (Year)	Annual depreciation
Building		
Including: productive building	20	4.75%
non-productive building	25	3.80%
Equipments	10	9.50% or double decline balance method
Vehicles	6	15.83%
Instruments	6	15.83% or double decline balance method
Computers	5	19.00% or double decline balance method
Others	6	15.83% or double decline balance method

The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes are accounted for as a change in an accounting estimate.

A fixed asset is de-recognized when it is disposed or expected not bringing economic benefit from its use or disposal. The net amount of proceeds from disposal, transfer, retirement or damage of the asset after the carrying amount and related taxes is recognized in profit or loss for the current period.

### 12. Work in progress

The cost of construction in progress is measured based on actual construction expenditures incurred. Cost of self-operating construction is measured at such cost as direct materials, direct wages, and direct construction expenditures. Cost of sub-contracting construction is measured at such cost as

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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construction cost payable. Cost of equipment installation work is measured at such cost as cost of equipment being installed, installation cost, and test running cost. Cost of construction in progress also includes capitalized borrowing costs and exchange difference.

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed.

### 13. Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset commence capitalized as part of the cost of assets when expenditures for the asset have been incurred; the borrowing costs have been incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying assets under acquisition, construction or production become ready for their intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

For specific borrowings obtained for the acquisition of qualifying assets, the amount of borrowing costs to be capitalized is the interest expenses actually incurred during the period of capitalization deducting any interest income earned from depositing the unused borrowings in the banks or any investment income arising from temporary investment of those borrowings. For general borrowings obtained for the acquisition of qualifying assets, the amount of borrowing to be capitalized is determined by applying the weighted average effective interest rate of general borrowings, to weighted average of the excess amount of cumulative expenditures on the assets over the amount of specific borrowings.

Qualifying assets are assets (fixed assets, investment property, inventories) that necessarily take a substantial period of time (usually more than 1 year) for acquisition, construction or production to become ready for their intended use or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities is resumed.

### 14. Intangible assets

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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Intangible assets of the Group include land use right, patents, technologies. Intangible assets are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

Land-use rights are amortized evenly over the lease terms as from the date of purchase. Patents, technologies and other intangible assets are amortized over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Amortization charge is included in the cost of assets or expenses, as appropriate, for the period according to the usage of the assets.

The estimated useful life and amortization method of intangible assets with finite useful life are reviewed at the end of each financial year. Any changes are accounted for as a change in an accounting estimate. The estimated useful life of intangible assets with indefinite useful life is reviewed in each accounting period. Where there are objective evidences that the useful life of the intangible assets become definite, then the useful life of the assets is estimated and amortization is provided over its estimated useful life.

### 15. Research and development

Research and development expenditures of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. Expenditure on the research phase is recognized in profit or loss for the period as incurred. Expenditure on the development phase is recognised as an intangible asset only if all of the following conditions are satisfied:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) There is intention to complete the intangible asset for use or sale;
- (3) There is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period. Capitalized expenditure on the development phase are stated in the balance sheet as 'Development Expenditure' and transfer to as 'Intangible assets' when they become ready for their intended use.

### 16. Long-term prepayments

Long-term prepaid expenses are recorded on actual expense, amortized on the straight-line basis over the expected beneficial period and are presented at cost net of accumulated amortization. Long-term expenses item which would not bring any benefits over expected beneficial period are transferred into expenses current period based on cost net of accumulated amortization.

All expenses incurred during the Company's pre-operating period are recorded as long-term prepaid expenses and will be expensed in the first month of commercial operations.

### 17. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group's share of the net identifiable assets of the invested company or acquiree at the date of acquisition or combination.

Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates or jointly controlled entities is included in the carrying amount of the long-term equity investment.

### 18. Impairment of long-term non-financial assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. Goodwill arising in a business combination and intangible asset with infinite useful life are tested for impairment annually no matter there is any indication of impairment or not. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined on the basis of the asset groups or asset portfolio to which the asset belongs.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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If the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss and charged to profit or loss for the period. Once an impairment loss on the assets is recognized, it is not reversed in a subsequent period. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

The indications of impairment are as follows:

- (1) The market price of an asset declines substantially during the period. The decline is explicitly more than that as expected caused by passage of time or normal application;
- (2) There are significant changes in the economic, technical or legal environment in which the enterprise is operating and in the market of an asset in the current period or in the near future causing an adverse impacts on the enterprise;
- (3) The market interest rate or rate of return of other investments was increased in the current period that affects the discount rate used by enterprise to calculate the present value of estimated cash flow resulting in a substantial decline in the recoverable amount of the assets;
- (4) There is evidence to demonstrate that the asset has gone obsolete or damaged;
- (5) The asset has already been or will be left idle, retired or disposed before it was planned;
- (6) There is evidence from the entity's internal reports that economic returns of the asset, such as generation of net cash flows or realisation operating profit (loss), was lower or will be lower than expectation;
- (7) Other signs indicating the assets have been impaired.

### 19. Employee's benefits

Employee's benefits are recognized as liabilities during the accounting period when the employee renders services to the Group. Employee's benefits are allocated to related cost of assets and expense based on different beneficiaries. Compensation for termination of relationship with employees is recognized in the profit or loss for the period.

Employee's benefits include salaries, bonus, allowances and subsidies; staff benefits, social security contributions; housing funds; union funds and staff education funds and other expenditure incurred for services rendered by employees.

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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Where there are provisions for termination benefits or annuity plans, the details should be disclosed separately.

When the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy, the compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the current period if the Group has a formal plan for termination of employment relationship in place or has made an offer for voluntary redundancy, which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer.

### 20. Share-based payments

Share-based payment represents transactions in which the Company receives services from employee or other suppliers by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. Share-based payments included equity-settled share-based payments and cash-settled share-based payments

An equity-settled share-based payment in exchange for the employee's services is measured at the fair value at the date when the equity instruments are granted to the employee. Such fair value during the vesting period of service or before the prescribed exercisable conditions are achieved is recognized as relevant cost or expense on a straight-line during the vesting period based on the best estimated quantity of exercisable equity instruments.

A cash-settled share-based payment is measured at the fair value at the date at which the Group incurred liabilities that are determined based on the price of the shares or other equity instruments. If it is immediately vested, the fair value of the liabilities at the date of grant is recognized as relevant cost or expense, and corresponding liabilities. If it is exercisable only when the vesting period of service is expired or the prescribed conditions are achieved, the fair value of liabilities undertaken by the Group are re-measured at each balance sheet date based on the best estimate of exercisable situation.

The fair value of the liabilities is re-measured at each balance sheet date. Any changes are recognized in the profit or loss for the year.

### 21. Bonds issued

Bonds are recognized initially at the fair value. The related transaction costs are recognized as the cost. Bonds are subsequently measured at amortized cost.

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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The difference between the amounts of the proceeds and face value of the bonds is treated as premium or discount and is amortized using effective interest rate method over the period of the bond as interest expenses.

### 22. Provisions

Provision is recognized for an obligation related to a contingency, such as guarantee given to external parties, discounted commercial notes, pending litigation or arbitration, product quality warranty, as a liability when all of the following conditions are satisfied: 1) the obligation is a present obligation to the Group; 2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; 3) the amount of the obligation can be measured reliably.

Provision is measured at the best estimate of the expenditures required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the amount of provision is measured using the cash flows estimated to settle present obligation. Provisions are reviewed at each balance sheet date. If there are any changes, the carrying amount of provisions will be adjusted to reflect the current best estimate.

### 23. Recognition of revenue

Guideline: Where there are special industries (such as property development) in the consolidation scope, the disclosures of revenue recognition and measurement should be made according to the relevant requirements of Accounting Standards for Business Enterprises combining with the actual circumstances of the enterprise. The disclosures should be able to demonstrate the characteristics of the operations generating the revenue and the details of judgment. The disclosures should be avoided from directly copying from the standards.

The operating revenues of the Group mainly included revenue from sales of goods, rendering of services and transferring of assets use rights and construction contracts. The principles of revenue recognition are as follows:

(1) Sales of goods are recognized when 1) the significant risks and rewards of the ownership of commodities are transferred to customers; 2) the Group has no longer retained continuous management rights generally associated with the ownerships; 3) the Group has no longer effective control over the commodities sold; 4) the amount of revenue can be reliably measured; 5) it is very likely that the economic benefits will be flowed to the Company; and 6) when the related costs that has incurred or will be incurred can be reliably measured.



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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(2)Revenue from rendering of services is recognized when 1) total revenue and total costs of the services can be measure reliably; 2) the associated economic benefits are probably flow to the Group; 3) the stage of completion of the services can be estimated reliably. At the balance sheet date, revenue is recognized using the percentage of completion method when the outcome of the services rendered are estimated reliably. The percentage of completion method is determined as the proportion of completed work measured/ services rendered to date over the total contracted services/ (the proportion of costs incurred to date over the total estimated cost). Where the outcome of the service rendering transaction cannot be reliably estimated or the costs incurred are not expected to be recoverable, no revenue will be recognized. The costs incurred are charged to profit or loss for the period.

(3)Revenue from transfer of asset use rights is recognized when the economic benefits in connection with the transaction are probably flow to the Group and the amount of revenue can be reliably measured.

### 24. Construction contracts

If the total contract revenue can be measured in a reliable way, the economic benefits pertinent to the contract flowing into the enterprise and, actual contract costs incurred clearly distinguished and measured in a reliable way and both the schedule of the contracted project and the contract costs to complete the contract measured in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of- completion method on the date of the balance sheet.

If the outcome of a construction contract cannot be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively:

- a. If the contract costs can be recovered, the contract revenue shall be acknowledged in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period they are incurred.
- b. If the contract costs cannot be recovered, these costs shall be acknowledged as contract expenses immediately when incurred and no contract revenue shall be acknowledged.

In accordance with the conditions of construction contract including hydraulic power unit, nuclear power unit, steam turbine and electric generator which are more than 1000MW, the Group confirms cost and income of contract based on criterion of construction contract. Due to the nature of power station boiler, the income is confirmed when the rate of completion reaches a certain degree.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	Percentage of completion	Notes
1000MW power station boiler, Environment protection production	≥10%	
600MW power station boiler, Environment protection production	≥20%	
300MW-600MW power station boiler, Environment protection production	≥30%	Excluding 600MW
200MW-300MW power station boiler, Environment protection production	≥40%	Excluding 300MW
100MW-200MW power station boiler, Environment protection production		Excluding 200MW
Including: CFB power station boiler	≥40%	
Others	≥50%	

On the balance sheet date, the Group should recheck the contract. Unless the balance between cost and income of the contract is existed, the Group shall draw impairment loss.

### 25. Government grants

A government grant is recognized when the Group complies with the conditions attaching to the grant and when the Group is able to receive the grant. Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount, it is measured at the amount receivable. Where a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1.

Assets-related government grants are recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognised as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period.

### 26. Deferred tax assets and deferred tax liabilities

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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Deferred tax assets and deferred liabilities are recognized based on the differences between tax bases of assets and liabilities and respective carrying amount (temporary differences). Deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are deemed as temporary differences. These temporary differences are recognised as deferred tax assets. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference. At the balance sheet date, the carrying value of the recognized deferred tax assets is reviewed. If it is very likely that no future taxable profits will be available to offset the deferred tax assets, the carrying value of the deferred tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount previously reduced will be reversed.

### 27. Leases

Leases are classified as finance leases and operating leases at the date of inception.

Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. The Group, as a lessee, recognizes the assets under finance lease at the lower of their fair value at the inception of the leases and the present value of minimum lease payments. The corresponding liability is recorded as "Long-term payable" at the amount of minimum lease payments. Their difference is recorded as unrecognized finance lease charge.

Operating leases are leases other than finance leases. The Group, as a lessee, recognizes lease payment on a straight-line basis over the terms of the relevant lease and allocated to as a cost of an assets or an expense for the period. The Group, as a lessor, recognizes lease payments as rental income on a straight-line basis over the terms of the relevant lease.

### 28. Accounting for income tax

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are deal with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying amount of goodwill. All other current tax and deferred tax are recognized in the profit or loss for the period.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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The tax currently payable is the amount of tax payable to taxation bureau by the enterprise in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred tax assets and deferred tax liabilities at the end of period that should be recognized using the balance sheet liabilities approach and their balances originally recognized.

### 29. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. The Group recognizes assets and liabilities obtained through a business combination at the combination date or acquisition date. The combination date or acquisition date is the date on which the absorbing party or acquirer obtains effectively control over the party being absorbed or acquired.

Under a business combination involving entities under common control, assets and liabilities obtained are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is adjusted against capital reserve. Any excess over capital reserve is adjusted against undistributed profits.

Under a business combination involving entities not under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the period after re-assessment.

### 30. Preparation of consolidated financial statements

#### (1) Determination of consolidation scope

The consolidated financial statements included all subsidiaries and special purpose entities that the Company has effective control.

#### (2) Principles, procedures and method of preparation of consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with "Accounting Standards for Business Enterprises No. 33 – Consolidated financial statements" and relevant requirements. All the significant intro-group balances and transactions are eliminated in the preparation of

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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the consolidated financial statements. The portion of the shareholders' equity of the subsidiaries, which is not attributable to the parent company, is separately presented as non-controlling interest in the shareholders' equity in the consolidated financial statements.

When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries with the Company, the financial statements of subsidiaries are adjusted to bring them in line with that adopted by the Company in preparation of the consolidated financial statements.

The financial statements of subsidiaries that are acquired through business combinations not involving entities under common control is adjusted on the basis of the fair value of the net identifiable assets acquired on the acquisition date in the preparation of the consolidated financial statements. Subsidiaries that are acquired through business combinations involving entities under common control are deemed as if the business combinations had been occurred at the beginning of the year of combination. The consolidated financial statements include the assets, liabilities, operating results and cash flows of these subsidiaries at their carrying amount from the beginning of the year of combination.

### 31. Segment information

The Group determines the operating segments on the basis of internal structure, management requirements and internal reporting system and adopts these operating segments as the basis for reporting segments for disclosure purposes. An operating segment is a component of the Group that satisfies all of the following conditions: 1) it is able to earn revenue and incur expenses from ordinary business activities; 2) its operating results are regularly reviewed by the Group's management for making decision about resources to be allocated to the segment and to assess its performance; and 3) for which the financial information on the financial position, operating results and cash flow of these components is available to the Group. Two or more operating segments can be aggregated into one single operating segment if they have similar economic characteristic and satisfy certain conditions.

Transfer price between segments is determined with reference to the market price. Common expenses, except for those cannot not be allocated reasonably, are allocated to each segment based on revenue.

### 32. Assets held for sale and termination of business operation

Assets held for sale should meet the following requires simultaneity:

A. the Group has made the decision to handle the assets.

B. the Group has sign the irrevocable contract for assets transferred with assignee, which shall be completed within one year.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Unless non-current assets are classified into assets held for sale, it shall listed based on the lower of the book value and the fair value deducting cost in the balance sheet. The difference between the book value and the fair value deducting cost is recognized assets impairment losses.

### 33. Accounting Policies, Changes in Accounting Estimates and Errors

No accounting policies, accounting estimates changing and errors within this accounting period.

### 34. Explanations on the correction of errors

No correction of errors within this accounting period

## IV. Taxation

The Company is subject to the following taxes:

### 1. Categories of Taxes and Tax Rate

Type of tax	Tax basis	Tax rate
VAT	The sales of goods and provision of taxable services	17%
Business tax	Provision of taxable services, transfer of intangible assets or the sale of immovable properties	3%、5%
Urban maintenance and construction tax	Turnover taxes	5%、7%
Additional education fees	Turnover taxes	3%
Urban real estate tax	The rental income of 70%of building	1.2%/12%
Land use tax	Taxable land	3-12 yuan/m <sup>2</sup>
Corporate income tax		

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Type of tax	Tax basis	Tax rate
Including: DEC、Dongfang Steam Turbine Co., Ltd、Dongfang boiler group Co., Ltd、Dongfang Electric Machinery Co., Ltd, Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd,Shenzhen Dongfang Boiler Control Co., Ltd, and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd	Taxable income	15%
Dong Fang Electric (India) Private Limited	Taxable income	32.445%
Other subordinate companies	Taxable income	25%

### 2. Tax preference and approval

(1) Dongfang Boiler Group Co., Ltd on October 12, 2011 has obtained the high and new technology enterprises certificates. The certificates are jointly issued by Science &Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, SAT with No. GF201151000188. Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd has got high and new technology enterprises certificate No.GR201044000150 on September 26, 2010 which is jointly issued by Science &Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Local Taxation Bureau and Guangdong provincial Office, SAT.Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd has got high and new technology enterprises certificate No. GR201012000046 on December 16, 2010 which is jointly issued by Science &Technology Department of Tianjin, Department of Finance of Tianjin, Tianjin Local Taxation Bureau and Tianjin provincial Office, SAT. In addition, Due to the previous certificate No. GR200951000220 matured, Chengdu Kai Terui Company has applied high and new technology enterprises certificate GF201251000183 from Science &Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, SAT on Nov 28, 2012. According to the provision of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the enterprises above shall pay their enterprise income taxes according to the present Law at the preferential rate of 15%.

(2) Dongfang Turbine Co., Ltd and Dongfang Electric Machinery Co., Ltd have obtained the high and new technology enterprises certificates No. GR200951000307 and GR20095100306 separately on December 28, 2009. The certificates are jointly issued by Science &Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, SAT. East pot AG has got high and new technology enterprises certificate No.GR200944200022 on June 27, 2009 which is jointly issued by Science &Technology Department of

## **Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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Shenzhen, Department of Finance of Shenzhen, Shenzhen Local Taxation Bureau and Shenzhen provincial Office, SAT. According to the provision of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the enterprises above shall pay their enterprise income taxes according to the present Law at the preferential rate of 15%.

(3) Considering that the high and new technology enterprises certificates expired in 2012, Dongfang Turbine Co., Ltd, Dongfang Electric Machinery Co., Ltd and East pot AG are applying for certificates to the group which is composed of Science & Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, SAT again. At the same time, East pot AG is also being examined Shenzhen Commission of science and Technology Innovations. According to the facts above, the Management executes believe the three companies, including Dongfang Turbine Co., Ltd, Dongfang Electric Machinery Co., Ltd and East pot AG can be verified and qualified and continue to pay their enterprise income taxes at the preferential rate of 15%.

(4) According to the provision of Article 2 of the Notice on Tax Reductions and Exemptions in Western Development (《关于深入实施西部大开发战略有关税收政策问题的通知》(财税[2011]58号)), the companies in the western shall enjoy enterprise income taxes at the preferential rate of 15% from Jan 1, 2011 to Dec 31, 2020. And the main businesses of above companies should satisfy the document (Catalogue of encouraged industries in Western 《西部地区鼓励类产业目录》), accounting for 70% of total revenue. Until Dec 31, 2012, above catalogue mentioned is still not appeared. According to relative documents, including “the Notice on Tax Reductions and Exemptions in Western Development” from State Administration of Taxation, as well as “the Announce on the Enterprise Income Tax implemented in Western Development” issued State Administration of Taxation of Gansu, Dongfang (Jiuquan) New Energy Co., Ltd can pay their enterprise income taxes at the preferential rate of 15% from Jan 1, 2011 to Dec 31, 2012. In view of facts above mentioned, the group believes that the main operation of the company and Dongfang Electric Autocontrol Engineering Co., Ltd shall conform with standards of another document from National Development and Reform Commission ( Catalogue of industry adjusted ) and continue to pay their enterprise income taxes at the preferential rate of 15%

(5)3. The income tax rate of Dong Fang Electric (India) Private Limited was 33.2175% last year. In 2012, the Company has paid the income tax for 32.445% in accordance with tax policy adjusted by Indian Government.

## **V. Corporation Consolidation and Consolidation Financial statement**

### 1. Subsidiaries



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Type	Registered Address	Business Character	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2012 (RMB 10,000.00)	Others (RMB 10,000.00)
<b>Subsidiaries acquired under the same control</b>							
<b>Secondary subsidiaries</b>							
Dongfang Turbine Co., Ltd	Limited Company	Deyang	manufacture	184,600.00	The production sales and processing of steam turbine, hydraulic turbine, gas turbine and Wind Turbine-Generator & Plants	254,200.40	290,150.00
Dongfang Boiler Group., Ltd	Holding Company	Zigong	manufacture	160,566.10	The P&D, design and sales of power boiler,auxiliary equipment and industrial boiler	439,139.54	62,100.00
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	Limited Company	Guangzhou	manufacture	115,109.57	Except laws or regulations prohibited	69,946.66	
<b>Third subsidiaries</b>							
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	Limited Company	Tianjin	manufacture	15,986.96	The production, sales and service of MW level wind turbines	9,418.98	
<b>Subsidiaries acquired not under the same control</b>							
<b>Secondary subsidiaries</b>							

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Type	Registered Address	Business Character	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2012 (RMB 10,000.00)	Others (RMB 10,000.00)
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Limited Company	Wuhan	manufacture	19,636.00	The design and production of Nuclear Power Equipment of reactor internals	13,156.00	
<b>Subsidiaries acquired by investment</b>							
<b>Secondary subsidiaries</b>							
Dongfang Electric Machinery Co., Ltd	Limited Company	Deyang	manufacture	200,000.00	The design, production and sales of harbor, turbo generator and AC and DC motor	200,000.00	91,750.00
Dong Fang Electric (India) Private Limited	Limited Company	Calcutta	service	32,000 (Indian Rupee)	Retrofitting the system, maintaining power plant operation and training employees	5,480.04	
<b>Third subsidiaries</b>							
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd	Limited Company	Chengdu	manufacture	2,386.09 (EURO)	The design, production and sales of selective catalytic reduction of Nitrogen	14,323.23	
Shenzhen Dongfang Boiler Control Co., Ltd	Limited Company	Shenzhen	manufacture	1,000.00	The R&D, production and development of power station boiler and control system	510.00	

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Type	Registered Address	Business Character	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2012 (RMB 10,000.00)	Others (RMB 10,000.00)
DFEM Control Equipment Co., Ltd	Limited Company	Deyang	manufacture	10,050.00	The design, production and sales of harbor、turbo generator and AC and DC motor	10,940.28	
Dongfang Electric Power Equipment Co., Ltd	Limited Company	Deyang	manufacture	4,275.43	The production and sales of AC and DC motor, micro hydropower and special motor	4,321.91	
DFEM Tooling and Moulding Co., Ltd	Limited Company	Deyang	manufacture	1,460.00	The processing and design, sales of industrial mold and cutting tool	1,782.23	
Dongfang (Hangzhou) Energy Equipment	Limited Company	Hangzhou	manufacture	30,000.00	The retrofitting and installation of wind turbine generators and tide generators	30,000.00	
Dongfang Electric Wind Power Technology Co., Ltd	Limited Company	Tianjin	manufacture	20,000.00	The design, production, installation and sales of wind turbine generators	20,000.00	
Dongfang (Tongliao) Wind Power	Limited Company	Tongliao	service	3,000.00	The installation, maintaining and services of wind turbine generators	3,000.00	
Dongfang (Jiuquan) New Energy	Limited Company	Jiuquan	manufacture	3,000.00	The development of new energy and installation, maintaining and services of equipments	3,000.00	

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Type	Registered Address	Business Character	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2012 (RMB 10,000.00)	Others (RMB 10,000.00)
Dongfang Electric (Hulunbeir) New Energy Co., Ltd.	Limited Company	Hulun Buir	manufacture	3,000.00	The R&D of wind power generation and installation, maintaining and services of equipments	3,000.00	

(Continued)

Name	Shares holding (%)	Voting rights (%)	Whether include in consolidation	Minority equity	The Amount for offsetting the gain and loss of minor shareholders in the minor shareholders' equity
<b>Subsidiaries acquired under the same control</b>					
<b>Secondary subsidiaries</b>					
Dongfang Turbine Co., Ltd	100	100	Yes	—	—
Dongfang Boiler Group., Ltd	99.67	99.67	Yes	14,777,339.49	—
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	65.1813	65.1813	Yes	509,351,184.36	—
<b>Third subsidiaries</b>					
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	50.36	50.36	Yes	95,245,531.95	

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Shares holding (%)	Voting rights (%)	Whether include in consolidation	Minority equity	The Amount for offsetting the gain and loss of minor shareholders in the minor shareholders' equity
<b>Subsidiaries acquired not under the same control</b>					
<b>Secondary subsidiaries</b>					
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	67	67	Yes	68,686,173.13	—
<b>Subsidiaries acquired by investment</b>					
<b>Secondary subsidiaries</b>					
Dongfang Electric Machinery Co., Ltd	100	100	Yes	—	—
Dong Fang Electric (India) Private Limited*	100	100	Yes	—	—
<b>Third subsidiaries</b>					
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd	61.42	61.42	Yes	102,786,574.30	—
Shenzhen Dongfang Boiler Control Co., Ltd	51	51	Yes	77,157,900.24	—
DFEM Control Equipment Co., Ltd	99.50	99.50	Yes	718,064.74	—
Dongfang Electric Power Equipment Co., Ltd	98.83	98.83	Yes	537,383.19	—
DFEM Tooling and Moulding Co., Ltd	99.315	99.315	Yes	149,585.41	—
Dongfang (Hangzhou) Energy Equipment	100	100	Yes	—	—

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Shares holding (%)	Voting rights (%)	Whether include in consolidation	Minority equity	The Amount for offsetting the gain and loss of minor shareholders in the minor shareholders' equity
Dongfang Electric Wind Power Technology Co., Ltd	100	100	Yes	—	—
Dongfang (Tongliao) Wind Power	100	100	Yes	—	—
Dongfang (Jiuquan) New Energy	100	100	Yes	—	—
Dongfang Electric (Hulunbeir) New Energy Co., Ltd.	100	100	Yes	—	—

\* In favor of the SASAC of the State Council and the shareholders of Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd, the Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd has transferred the value-added tax subsidies of the import tariffs 22,744,416.01 received before to invest from Dongqi Investment & Development Co., Ltd and BENEFO. The share capital of Dongfang Turbine Co., Ltd has reduced from 55.63% to 50.36%, however, the capital shares of DEC has increased 2,541,035.44

\* To meet the Indian law for the majority of shareholders and composition, Chen Weiming and Liang Jian hold 0.005% shares of Dong Fang Electric (India) Private Limited consigned by DEC

\* By the end of 2012, the subsidiaries of the company has not issued bonds

### 2. The interpretation on the scope of consolidation

The scopes of consolidation agree with last year

### 3. Translation of Foreign Currency Statements

Dongfang Electric (India) Private Limited is using Indian Rupee as the recording currency. On the balance sheet date, the Yuan- Indian Rupee exchange rate of the asset and liability items in the balance sheets is 1 to 0.11428; and the income and cash flows sheets is 1 to 0.11428

## VI. Notes to the Consolidated Financial Statements

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 1. Cash funds

Item	Dec-31-2012			Dec-31-2011		
	Local currency	Exchange rate	Amount (RMB)	Local currency	Exchange rate	Amount (RMB)
<b>Cash in hand</b>			2,612,684.28			1,926,567.17
RMB	412,707.46	1.00	412,707.46	558,265.01	1.00	558,265.01
USD	61,598.13	6.2855	387,175.04	77,987.48	6.3009	491,391.29
Hong Kong Dollar	22,482.12	0.8109	18,229.63	22,482.12	0.8107	18,226.25
Indian Rupee	12,119,552.38	0.1143	1,385,022.43	4,766,891.00	0.1189	565,154.72
Pakistan Rupee	3,710,823.49	0.06286	233,262.36	2,275,885.49	0.07001	159,334.74
Vietnamese Dong	588,979,185.46	0.00029	176,287.36	447,257,565.66	0.00030	134,195.16
<b>Cash in Bank</b>			8,898,755,678.57			10,258,162,294.58
RMB	7,257,829,682.32	1.00	7,257,829,682.32	9,430,845,668.13	1.00	9,430,845,668.13
USD	232,351,536.24	6.2855	1,460,445,581.09	106,698,248.85	6.3009	672,294,996.22
Hong Kong dollar	177,684.95	0.8109	144,074.87	177,654.55	0.8107	144,024.54
Japanese Yen	1,379,010.00	0.07304	100,667.73	1,574,927.00	0.08110	127,731.29
EURO	5,362,748.01	8.3176	44,605,192.85	3,670,906.92	8.1625	29,963,777.75
Indian Rupee	225,892,623.38	0.1143	25,815,009.00	328,826,169.25	0.1189	38,900,135.82
Pakistan Rupee	1,293,428,438.33	0.06286	81,304,911.63	1,223,939,106.66	0.07001	85,687,976.86
Vietnamese Dong	22,660,441,262.00	0.00029	6,782,496.68	659,858,618.00	0.00030	197,983.97

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012			Dec-31-2011		
	Local currency	Exchange rate	Amount (RMB)	Local currency	Exchange rate	Amount (RMB)
Convertible mark	5,116,144.82	4.2470	21,728,062.40			
<b>Other monetary assets</b>			59,340,161.78			84,938,967.38
RMB	58,546,685.51	1.00	58,546,685.51	84,938,967.38	1.00	84,938,967.38
Indian Rupee	6,943,264.53	0.1143	793,476.27			
<b>Total</b>			<b>8,960,708,524.63</b>			<b>10,345,027,829.13</b>

1.1 The balance of cash and cash equivalents decreased RMB 1,384,319,304.50, declining 13.38%, from 2011 to 2012. It is because that the company has paid 1,194,534,944.31 for the fixed assets

1.2 By the end of 2012, the total of the cash and cash equivalents the DEC deposited in Dongfang Electric Finance Co., LTD are RMB 6,419,827,493.67, including: currency deposit 1,246,934,815.25, fixed deposit 3,895,000,000.00, call-deposit 490,000,000.00, Dollar currency deposit 20,896,955.56 (equivalent to RMB 131,347,814.17), Dollar fixed deposit 100,900,000.00 (equivalent to RMB 634,206,950.00), Euro currency deposit 2,685,620.16 (equivalent to RMB 22,337,914.25). At the beginning of 2012, the total translated into RMB are 6,705,879,326.27, including: currency deposit 1,849,506,453.75, fixed deposit 4,450,000,000.00, call-deposit 270,000,000.00, Dollar currency deposit 9,397,281.85 (equivalent to RMB 59,211,333.21), Dollar fixed deposit 8,000,000.00 (equivalent to RMB 50,407,200.00), Euro currency deposit 3,277,713.85 (equivalent to RMB 26,754,339.31).

1.3 The other monetary assets involve the deposit for investment 27,629,096.55; letter of credit and the performance guarantee 31,711,065.23.

1.4 On 31 Dec 2012, there are RMB 31,711,065.23 restricted due to the wage of migrant worker, the performance guarantee and letter of credit. At the beginning of 2012, the total of letter of credit and the performance guarantee restricted are 60,803,190.29

## 2. Transactional financial assets



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012	Dec-31-2011
Transactional equity investment instruments	25,623,903.72	27,149,792.84
Including: listed in PRC	25,623,903.72	27,149,792.84
Derivative financial assets	4,687,420.24	37,819,739.50
<b>Total</b>	<b>30,311,323.96</b>	<b>64,969,532.34</b>

2.1 Compared with 2011, transactional financial assets decreased RMB 34,658,208.38, declining 53.35%. The reason is forward foreign exchange settlement and sales expired.

2.2 The equity investment instruments involve 46,602 Renminbi ordinary shares of Sichuan YouLi investment holding Co., Ltd held by the Group, accounting for 0.0114% of registered capital., as well as 7,272,665 Renminbi ordinary shares of China XD Electric Co., Ltd, accounting for 0.1669% of registered capital. The fair value of the equity investment instruments above are measured by the closing price of the stock market.

2.3 The Derivative financial asset is the contract of 383.2 million US Dollar forward foreign exchange settlement and sales between the Group and bank signed. The fair value should be decided by banks offer.

2.4 There are not transactional financial assets restricted by the end of 2012.

### 3. Notes receivable

#### 3.1 Classification of notes receivable

Item	Dec-31-2012	Dec-31-2011
Bank acceptance notes	2,457,222,173.63	2,237,045,399.29
Trade acceptance notes	111,534,751.31	3,300,000.00
<b>Total</b>	<b>2,568,756,924.94</b>	<b>2,240,345,399.29</b>

3.2 The total of undue discount trade acceptance notes with recourse is RMB 193,955,625.44

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

3.3 The total of undue notes receivables which has endorsed is RMB 1,580,703,921.34, and the top 5 of notes receivables are as follows:

Type of notes receivables	Company of insurance	Issue date	Due date	Amount	Note
Bank acceptance	Sino-steel Equipment & Engineering Co., Ltd	2012-11-02	2013-05-02	15,000,000.00	2012-11-02
Bank acceptance	Sino-steel Equipment & Engineering Co., Ltd	2012-11-02	2013-05-02	15,000,000.00	2012-11-02
Bank acceptance	Shanxi Datang Yungang International Thermal Power Co. Ltd	2012-08-28	2013-02-26	10,000,000.00	2012-08-28
Bank acceptance	Shaanxi Qingshui Chuan Power Company Limited	2012-08-15	2013-02-15	10,000,000.00	2012-08-15
Bank acceptance	Foshan Hua Chaoshun Stainless Steel Co., Ltd	2012-10-19	2013-04-19	10,000,000.00	2012-10-19
<b>Total</b>	--			<b>60,000,000.00</b>	

3.4 The total of undue discount notes receivables is RMB 458,068,000.00. It is shown as follows:

Type of notes receivables	Company of insurance	Issue date	Due date	Amount	Note
Trade acceptance notes	Huarun power (Wenzhou) Co., Ltd	2012-08-06	2013-08-06	278,880,000.00	
Trade acceptance notes	Huarun power (Wenzhou) Co., Ltd	2012-08-23	2013-08-23	128,440,000.00	
Trade acceptance notes	Huarun power (Wenzhou) Co., Ltd	2012-08-23	2013-08-23	50,748,000.00	
<b>Total</b>				<b>458,068,000.00</b>	

### 4. Account receivables

Item	Dec-31-2012	Dec-31-2011
Account receivables	19,025,831,908.38	17,483,287,106.01

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012	Dec-31-2011
Less: Provision for bad debts	4,034,598,346.04	3,243,200,957.34
<b>Net book value</b>	<b>14,991,233,562.34</b>	<b>14,240,086,148.67</b>

4.1 The aging of accounts receivable is analyzed below:

Aging	Dec-31-2012	Dec-31-2011
Within 1 year	7,236,756,539.25	7,926,150,897.28
1-2 years	4,027,312,887.90	3,291,061,227.87
2-3 years	2,234,117,651.98	1,890,177,413.94
3-4 years	990,630,771.02	794,056,249.24
4-5 years	502,415,712.19	338,640,360.34
<b>Total</b>	<b>14,991,233,562.34</b>	<b>14,240,086,148.67</b>

4.2 Classification of account receivable

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	778,434,595.00	4.09	484,713,492.50	62.27
Account receivable withdrawal bad debt provision by age combination	18,219,027,313.38	95.76	3,521,514,853.54	19.33
Single insignificant and provision for bad debts	28,370,000.00	0.15	28,370,000.00	100.00
<b>Total</b>	<b>19,025,831,908.38</b>	<b>—</b>	<b>4,034,598,346.04</b>	<b>—</b>

(Continued)

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2011			
	Book Balance		Provision for Bad Debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	306,446,250.00	1.75	207,740,500.00	67.79
Account receivable withdrawal bad debt provision by age combination	17,176,840,856.01	98.25	3,035,460,457.34	17.67
Single insignificant and provision for bad debts				
<b>Total</b>	<b>17,483,287,106.01</b>	<b>—</b>	<b>3,243,200,957.34</b>	<b>—</b>

4.2.1 Single significant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Guangdong Jinghai Power Co. Ltd	334,165,955.00	167,082,977.50	50	Capital tense for enterprises
Huaneng Power International INC	253,276,250.00	126,638,125.00	50	Capital tense for enterprises
Inner Mongolia Hohehot Jinshan Power Co. Ltd	109,034,750.00	109,034,750.00	100	High risk for illegal project
Datang Hancheng second power Co., Ltd	48,825,700.00	48,825,700.00	100	High risk for the quality dispute
Datang Weihe power Co., Ltd	33,131,940.00	33,131,940.00	100	High risk for the quality dispute
<b>Total</b>	<b>778,434,595.00</b>	<b>484,713,492.50</b>	<b>—</b>	<b>—</b>

4.2.2 Accounts receivable withdrawal bad debt provision by age combination

Aging	Dec-31-2012			Dec-31-2011		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	7,617,188,486.07	40.03	380,859,424.32	8,310,948,763.67	47.54	415,547,438.19

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Aging	Dec-31-2012			Dec-31-2011		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
1-2 years	4,436,842,097.68	23.32	443,684,209.78	3,650,019,082.97	20.88	365,001,908.31
2-3 years	2,581,055,422.09	13.57	516,211,084.42	2,323,625,986.19	13.29	464,725,197.24
3-4 years	1,596,497,433.86	8.39	638,598,973.53	1,272,367,915.40	7.28	508,947,166.16
4-5 years	890,565,424.41	4.68	445,282,712.22	677,280,720.70	3.87	338,640,360.36
Over 5 years	1,096,878,449.27	5.77	1,096,878,449.27	942,598,387.08	5.39	942,598,387.08
<b>Total</b>	<b>18,219,027,313.38</b>	<b>95.76</b>	<b>3,521,514,853.54</b>	<b>17,176,840,856.01</b>	<b>98.25</b>	<b>3,035,460,457.34</b>

4.2.3 Single insignificant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Shanxi Linfen Thermal Power Co. Ltd	28,370,000.00	28,370,000.00	100	The project not approved and capital tense for enterprises
<b>Total</b>	<b>28,370,000.00</b>	<b>28,370,000.00</b>	—	—

4.3 Reversal of bad debt provision

Name	Accounts receivable character	Reversal of bad debt provision	Reason for reversal	Whether produce in related transaction
Chongqing turbine Co. Ltd	Overdue the payment for goods	9,400.00	Overdue the statute of limitations	No
Datang International Power Generation Co. Ltd	Overdue the payment for goods	9,600.00	Overdue the statute of limitations	No
<b>Total</b>		<b>19,000.00</b>		

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

4.4 The debtor who is a shareholder of the Company with 5% or more voting rights is as follows:

Name	Dec-31-2012		Dec-31-2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	56,752,334.00	21,741,472.55	144,891,884.17	28,371,408.91
<b>Total</b>	<b>56,752,334.00</b>	<b>21,741,472.55</b>	<b>144,891,884.17</b>	<b>28,371,408.91</b>

4.5 The top 5 of accounts receivable are as follows:

Items	Relationship	Amount	Age	Rate (%)
Dongfang Electric Group International Cooperation Co., Ltd	Related party under the same control	900,260,801.20	0-5 years	4.73
BGR ENERGY SYSTEMS LIMITED	Customer	642,111,789.29	0-3 years	3.37
Guangdong Jinghai Power Co. Ltd	Customer	334,165,955.00	1-3 years	1.76
China Three Gorges Corporation	Customer	301,732,199.61	0-2 years	1.59
Xiangshui Changjiang Wind Power Co. Ltd	Customer	283,802,349.70	1-2 years	1.49
<b>Total</b>		<b>2,462,073,094.80</b>		<b>12.94</b>

4.6 The total of the debtors who are related parties is RMB 1,081,942,182.93, accounting for 5.69% of accounts receivable. Referencing to note of the financial statements 3.VI.

4.7 The foreign currency of accounts receivable

Items	Dec-31-2012			Dec-31-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	133,775,314.50	6.2855	840,844,739.30	155,225,677.19	6.3009	978,061,469.41

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	Dec-31-2012			Dec-31-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
EURO	5,312,941.06	8.3176	44,190,918.56	5,013,711.94	8.1625	40,924,423.71
Indian Rupee	150,608,973.92	0.11428	17,211,593.54	86,689,277.91	0.1183	10,255,341.58
<b>Total</b>			<b>902,247,251.40</b>			<b>1,029,241,234.70</b>

4.8 About the revenue of the construction contract, it is handled by the relative agreements of contract. If the customers have a long history and good credit, the group shall give the more credit time, such as 2-3 years

4.9 The sales revenue is confirmed according to the relative agreements of contract. In general, the customers can get the credit period within 1 year. To new and shot time customers, the group can receive the amount paid within 180 days

### 5. Advances to suppliers

#### 5.1 Aging of Advances to Suppliers

Aging	Dec-31-2012		Dec-31-2011	
	Amount	Rate (%)	Amount	Rate (%)
Within 1 year	3,755,378,345.93	64.92	3,264,700,838.62	56.99
1-2 years	1,284,742,117.29	22.21	1,234,518,302.73	21.55
2-3 years	535,242,318.54	9.25	671,725,728.64	11.73
Over 3 years	209,268,228.76	3.62	557,367,289.38	9.73
<b>Total</b>	<b>5,784,631,010.52</b>	<b>100.00</b>	<b>5,728,312,159.37</b>	<b>100.00</b>

The balances of advances to suppliers which ages are over 1 year have reached RMB 2,029,252,664.59. This is because the amount paid for material, consigned processing with a long cycle in advance, the Group has not received goods.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

5.2 The top 5 of advances to suppliers are as follows:

Items	Relationship	Amount	Age	Reason
ALSTOM POWER TURBOMACHINES	Supplier	1,096,594,233.34	0-3 years	The shipments have not been received
MITSUBISHI HEAVY INDUSTRIES.LTD	Supplier	633,533,748.37	0-3 years	The shipments have not been received
FOMASS.P.A	Supplier	289,322,233.52	0-3 years	The shipments have not been received
Guangdong Electric Power Design Institute	Designer	192,297,350.77	Within 1 year	The design have not been completed
Saarschmiede GmbH Freiformschmiede	Supplier	101,457,479.50	0-3 years	The shipments have not been received
<b>Total</b>		<b>2,313,205,045.50</b>		

5.3 The debtors who are a shareholder of the Company with 5% or more voting rights are as follows:

Name	Dec-31-2012		Dec-31-2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	729,495.33		60,000.00	

5.4 The foreign currency of advances to suppliers

Item	Dec-31-2012			Dec-31-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	142,316,070.53	6.2855	894,527,661.29	413,025,516.90	6.3009	2,602,432,479.44
Japanese yen	3,576,934,565.00	0.073049	261,291,493.04	5,700,560,798.16	0.0811	462,315,480.73
EURO	181,077,134.57	8.3176	1,506,127,174.47	179,458,556.51	8.1625	1,464,830,467.51
Pound	509,056.00	10.1611	5,172,568.92	547,428.00	9.7116	5,316,401.76
Swiss franc	2,475,579.01	6.8219	16,888,152.45	4,450,117.63	6.7287	29,943,506.50



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012			Dec-31-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
Pakistan Rupee	3,500,000.00	0.0629	220,010.00	224,027.00	0.1183	26,502.39
HKD	14,530,113.00	0.8109	11,781,742.13			
Indian Rupee	398,878.00	0.1143	45,583.78			
Vietnamese Dong	55,619,857,989.00	0.00029931	16,647,579.69			
<b>Total</b>			<b>2,712,701,965.77</b>			<b>4,564,864,838.33</b>

### 6. Interests receivable

#### 6.1 Interests receivable

Item	Dec-31-2011	Increase	Decrease	Dec-31-2012
Interest of fixed deposit	76,378,518.13	101,455,258.36	116,092,837.42	61,740,939.07

6.2 There are not overdue interests in the current period.

### 7. Dividend receivable

Item	Dec-31-2011	Increase	Decrease	Dec-31-2012	Reason	Impairment
Within 1 year		2,847,552.03	2,710,939.83	136,612.20	—	—
Including: Babcock-Hitachi Dongfang Boiler Co. Ltd		2,847,552.03	2,710,939.83	136,612.20	Applying to handle	No
<b>Total</b>		<b>2,847,552.03</b>	<b>2,710,939.83</b>	<b>136,612.20</b>		

### 8. Other receivables

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012	Dec-31-2012
Other receivables	633,559,541.11	594,736,351.77
Less: Provision for bad debts	307,866,130.02	285,472,265.90
<b>Net book value</b>	<b>325,693,411.09</b>	<b>309,264,085.87</b>

8.1 The aging of other receivables is analyzed below:

Aging	Dec-31-2012	Dec-31-2011
Within 1 year	198,582,793.48	186,941,400.08
1-2 years	36,895,554.93	37,330,476.13
2-3 years	25,895,545.97	68,344,938.13
3-4 years	51,352,540.08	8,953,062.87
4-5 years	7,525,204.63	2,049,762.66
Over 5 years	5,441,772.00	5,644,446.00
<b>Total</b>	<b>325,693,411.09</b>	<b>309,264,085.87</b>

8.2 Classification of other receivable

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	198,472,170.30	31.33	186,464,106.30	93.95
Account receivable withdrawal bad debt provision by age combination	422,337,370.81	66.66	118,652,023.72	28.09

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single insignificant and provision for bad debts	12,750,000.00	2.01	2,750,000.00	21.57
<b>Total</b>	<b>633,559,541.11</b>	<b>—</b>	<b>307,866,130.02</b>	<b>—</b>

(Continued)

Item	Dec-31-2011			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	200,502,428.30	33.71	186,464,106.30	93.00
Account receivable withdrawal bad debt provision by age combination	391,483,923.47	65.82	96,258,159.60	24.59
Single insignificant and provision for bad debts	2,750,000.00	0.47	2,750,000.00	100.00
<b>Total</b>	<b>594,736,351.77</b>	<b>—</b>	<b>285,472,265.90</b>	<b>—</b>

8.2.1 Single significant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
China Technology Securities Co., Ltd	186,464,106.30	186,464,106.30	100	Note 1
The loan for staff	12,008,064.00			Note 2

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
China Technology Securities Co., Ltd	186,464,106.30	186,464,106.30	100	Note 1
<b>Total</b>	<b>198,472,170.30</b>	<b>186,464,106.30</b>	—	

Note 1: The interpretation refers to note to financial statements 1. XIII;

Note 2: The loan for staff is the turnover fund of purchasing house provided by Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd. And it is no risk to the repayment of the loan by deducting from the wages of the staff.

### 8.2.2 Other receivable withdrawal bad debt provision by age combination

Aging	Dec-31-2012			Dec-31-2011		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	198,508,203.67	31.33	9,925,410.19	196,657,052.81	33.07	9,832,852.73
1-2 years	40,869,727.68	6.45	4,086,972.75	40,230,306.80	6.76	4,023,030.67
2-3 years	31,025,432.46	4.90	6,205,086.49	79,667,695.16	13.40	15,933,539.03
3-4 years	78,244,250.14	12.35	31,297,700.06	13,183,948.09	2.22	5,273,579.22
4-5 years	13,105,805.27	2.07	6,552,902.64	1,099,525.33	0.18	549,762.67
Over 5 years	60,583,951.59	9.56	60,583,951.59	60,645,395.28	10.20	60,645,395.28
<b>Total</b>	<b>422,337,370.81</b>	<b>66.66</b>	<b>118,652,023.72</b>	<b>391,483,923.47</b>	<b>65.83</b>	<b>96,258,159.60</b>

### 8.2.3 Single insignificant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Hanwang town government	2,750,000.00	2,750,000.00	100	Land compensation fund paid before earthquake, it is little chance to collect.

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Sichuan Wind Power Industry Investment Co., Ltd	10,000,000.00			Note 3
<b>Total</b>	<b>12,750,000.00</b>	<b>2,750,000.00</b>		

Note3: The DEC should pay 10,000,000 for Sichuan Wind Power Industry Investment Co., Ltd as investment. However, it is not confirmed that capital checking has not been completed.

8.3 There are no other receivables collected in 2012, which is drawn full bad debt provision or high rate in the previous year.

8.4 Reversal of bad debt provision

Name	Accounts receivable character	Reversal of bad debt provision	Reason for reversal	Whether produce in related transaction
Pan Sanbao	Leaving for sick	8,427.50	The debtor was dead	No
Chen Yuanjun	Revolving fund	183,864.00	The company was written off	No
<b>Total</b>		<b>192,291.50</b>		

8.5 The debtors who are shareholders of the Company with 5% or more voting rights are as follows:

Name	Dec-31-2012		Dec-31-2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	20,219,602.29	5,511,142.24	19,768,918.22	4,488,445.91
<b>Total</b>	<b>20,219,602.29</b>	<b>5,511,142.24</b>	<b>19,768,918.22</b>	<b>4,488,445.91</b>

8.6 The top 5 of other receivable are as follows:

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	Relationship	Amount	Age	Rate (%)
China Technology Securities Co., Ltd	The third party	186,464,106.30	Over 5 years	29.43
China Nuclear Power Engineering Co., Ltd	Customer	86,235,571.23	0-4 years	13.61
Dongqi Investment & Development Co., Ltd	Related party under the same control	32,928,810.32	0-3 years	5.20
Chengdu Tongxin Real Estate Development Co. Ltd	The third party	30,000,000.00	Within 1 year	4.74
Chongqing Xin Longda Real Estate Development Co., Ltd	Customer	19,500,000.00	Over 5 years	3.08
<b>Total</b>	—	<b>355,128,487.85</b>		<b>56.06</b>

8.7 The total of the debtors who are related parties is RMB 56,954,536.97, accounting for 8.99% of accounts receivable. Referencing to note of the financial statement 3. VI.

8.8 The foreign currency of other receivable

Items	Dec-31-2012			Dec-31-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	103,143.00	6.2855	648,305.33	52,892.00	6.3009	333,267.20
Euro	235.90	8.3176	1,962.12			
India Rupee	7,677,718.30	0.1143	877,409.65	10,565,841.60	0.1183	1,249,939.06
Pakistan Rupee	294,773,143.94	0.06286	18,529,439.83	289,791,340.94	0.07001	20,288,291.78
Vietnamese Dong	11,728,638,408.00	0.00029	3,510,498.76	701,554,522.00	0.000300	210,466.36
<b>Total</b>			<b>23,567,615.69</b>			<b>22,081,964.40</b>

## 9. Inventory

9.1 Classification of inventory

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	Dec-31-2012		
	Book Balance	Provision for obsolete stock	Book value
Raw material	6,789,389,731.70	76,240,999.78	6,713,148,731.92
Semi-finished cost	19,697,548,759.42	223,563,346.37	19,473,985,413.05
Finished goods	1,207,972,236.45	130,231,200.63	1,077,741,035.82
Low cost consumables	57,955,428.06	295,584.25	57,659,843.81
Assets formed by construction contracts	4,842,204,295.85	534,346,657.00	4,307,857,638.85
Others	270,699,248.71		270,699,248.71
<b>Total</b>	<b>32,865,769,700.19</b>	<b>964,677,788.03</b>	<b>31,901,091,912.16</b>

(Continued)

Item	Dec-31-2011		
	Book Balance	Provision for obsolete stock	Book value
Raw material	8,743,649,430.59	84,196,909.40	8,659,452,521.19
Semi-finished cost	22,102,876,349.65	50,624,420.22	22,052,251,929.43
Finished goods	1,074,403,775.22	131,468,193.18	942,935,582.04
Low cost consumables	64,100,897.79	271,123.10	63,829,774.69
Assets formed by construction contracts	3,973,835,301.47	561,273,120.80	3,412,562,180.67
Others	728,886,732.60		728,886,732.60
<b>Total</b>	<b>36,687,752,487.32</b>	<b>827,833,766.70</b>	<b>35,859,918,720.62</b>

9.2 Provision for obsolete stock

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2011	Current year additions	Current year reductions		Dec-31-2012
			Reversal	Others	
Raw material	84,196,909.40	19,830,082.93	20,623,235.68	7,162,756.87	76,240,999.78
Semi-finished cost	50,624,420.22	196,257,862.83		23,318,936.68	223,563,346.37
Finished goods	131,468,193.18	36,292,608.78		37,529,601.33	130,231,200.63
Low cost consumables	271,123.10	36,263.15		11,802.00	295,584.25
Assets formed by construction contract	561,273,120.80	251,273,867.20		278,200,331.00	534,346,657.00
<b>Total</b>	<b>827,833,766.70</b>	<b>503,690,684.89</b>	<b>20,623,235.68</b>	<b>346,223,427.88</b>	<b>964,677,788.03</b>

9.2.1 The reasons about the provision for obsolete stock of Semi-finished cost and finished goods increased is decline in sale price of the productions due to the competitive market. Inventory impairment provision is provided at the difference of cost of single item of inventory exceeding its net realizable value

9.2.2 The projects implementing construction contracts including Xinjiang aluminum Greek, Hubei Jingmen, Gansu Jiujiia and Inner Mongolia Wu Haijun are expected the balance between total cost and total income. Therefore, the Group draws the provision for assets formed by construction contract.

9.2.3 The provision for obsolete stock is transferred out partly. On the one hand, the Group used raw material which had been drawn provision for obsolete stock. On the other hand, the provision for obsolete stock drawn is deducted for loss decreased in light of the percentage of completion method on the date of the balance sheet.

### 9.3 Provision for obsolete stock drawn

Items	Principle	Reasons for reversal	Rate
Raw material	Net value is lower than book value	Net value is increased	0.30%
Semi-finished cost	Net value is lower than book value		
Finished goods	Net value is lower than book value		



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	Principle	Reasons for reversal	Rate
Low cost consumables	Net value is lower than book value		
Assets formed by construction contract	Total income is lower than total cost		

9.4 There are no inventories mortgaged or frozen

### 10. Available-for-sale financial assets

Item	Dec-31-2012	Dec-31-2011
Sellable equity instrument investments	413,013,757.00	308,987,298.90
Including: listed in PRC	413,013,757.00	308,987,298.90
<b>Total</b>	<b>413,013,757.00</b>	<b>308,987,298.90</b>

The equity investment instruments involve RMB 14,453,900 ordinary shares of Power Development Co., Ltd held by the Groups as well as RMB 50,000,000 ordinary shares of HuaNeng Power International INC. The fair value of the equity investment instruments above are measured by the closing price of the stock market.

### 11. Long-term equity investment

11.1 Classification of Long-term equity investment

Item	Dec-31-2012	Dec-31-2011
The cost method	56,976,314.66	56,976,314.66
The equity method	573,319,356.09	423,944,512.62
<b>Total</b>	<b>630,295,670.75</b>	<b>480,920,827.28</b>
Less: Impairment of long-term equity investment	39,876,314.66	24,876,314.66
<b>Book value of long-term equity investment</b>	<b>590,419,356.09</b>	<b>456,044,512.62</b>

11.2 Analysis of Long-term equity investment

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012	Dec-31-2011
Listed company		
Unlisted company	590,419,356.09	456,044,512.62
<b>Total</b>	<b>590,419,356.09</b>	<b>456,044,512.62</b>

### 11.3 Long-term equity investment measured by the cost method and the equity method

Name	Share holding %	Voting rights %	Amount	Dec-31-2011	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2012	Provision for impairment	Provision for impairment increased
<b>The cost method</b>										
Sichuan Huadian Yibin power generation Co., Ltd	10.00	10.00	23,800,000.00	23,800,000.00				23,800,000.00	23,800,000.00	
Guangdong oil shale power generation Co., Ltd	10.00	10.00	23,500,000.00	23,500,000.00				23,500,000.00	15,000,000.00	15,000,000.00
Beijing Huaqing gas turbines and gas combined cycle technology Engineering Co., Ltd	15.49	15.49	5,500,000.00	5,500,000.00				5,500,000.00		
Sichuan East Electricity Real Estate Development Co., Ltd	12.50	12.50	1,000,000.00	1,000,000.00				1,000,000.00		
Guangdong East Station Equipment Co.,Ltd	11.11	11.11	1,100,000.00	1,100,000.00				1,100,000.00		

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Share holding %	Voting rights %	Amount	Dec-31-2011	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2012	Provision for impairment	Provision for impairment Increased
Sichuan Nangao Highway Development Co., Ltd	0.05	0.05	1,000,000.00	1,000,000.00				1,000,000.00		
Chengdu Electric Co., Ltd			455,373.41	455,373.41				455,373.41	455,373.41	
Southwest of machinery industry (Group) Corporation joint venture	2.37	2.37	210,000.00	210,000.00				210,000.00	210,000.00	
Wuxi Hostel			150,000.00	150,000.00				150,000.00	150,000.00	
Deyang City Mechanical and electrical equipment import and Export Co., Ltd			100,941.25	100,941.25				100,941.25	100,941.25	
Southwest of the means of production center			60,000.00	60,000.00				60,000.00	60,000.00	
Chengdu Southwest tank engineering Co., Ltd	16.13	16.13	50,000.00	50,000.00				50,000.00	50,000.00	
Sichuan electrical import and Export Co.,Ltd	5.00	5.00	50,000.00	50,000.00				50,000.00	50,000.00	
<b>Subtotal</b>			56,976,314.66	56,976,314.66				56,976,314.66	39,876,314.66	15,000,000.00
<b>The equity method</b>										
Dongfang Hitachi Boiler Co., Ltd	50	50	34,137,830.00	125,916,646.10		13,468,329.80	2,847,552.03	136,537,423.87		

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Share holding %	Voting rights %	Amount	Dec-31-2011	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2012	Provision for impairment	Provision for impairment Increased
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	49	49	99,306,720.24	142,453,230.96		75,491,357.67	3,619,188.00	214,325,400.63		
Dongfang AREVA	50	50	75,000,000.00	136,244,273.22		88,762,366.66	29,596,959.70	195,409,680.18		
Leshan East Lok bulky Co., Ltd	49	49	490,000.00	15,580,697.68		5,218,470.45	1,960,000.00	18,839,168.13		
Sichuan Wind Power Industry Investment Co., Ltd	20	20	4,000,000.00	3,749,664.66	6,000,000.00	-1,541,981.38		8,207,683.28		
<b>Subtotal</b>			<b>212,934,550.24</b>	<b>423,944,512.62</b>	<b>6,000,000.00</b>	<b>181,398,543.20</b>	<b>38,023,699.73</b>	<b>573,319,356.09</b>		
<b>Total</b>			<b>269,910,864.90</b>	<b>480,920,827.28</b>	<b>6,000,000.00</b>	<b>181,398,543.20</b>	<b>38,023,699.73</b>	<b>630,295,670.75</b>	<b>39,876,314.66</b>	<b>15,000,000.00</b>

Sichuan Wind Power Industry Investment Co., Ltd is invested and established by Sichuan Energy Industry Investment Co., Ltd, Zhejiang East China Engineering Science and technology development Co., Ltd and Sichuan Hengzhan Investment Co., Ltd jointly in October 2011. The registered capital of Sichuan Wind Power Industry Investment Co., Ltd is RMB 1 billion (RMB 50 million of paid-up capital by the end of 2012), including RMB 20 million of subscribed capital contribution invested by the Company (including:RMB 10 million has not confirmed by capital verification), accounting for 20% of registered capital. The main business of the Company is to develop and establish windmill-powered plants.

### 11.4 Investment in joint ventures and associated enterprises

Name	Type	Registered Address	Legal representative	Organization Code	Business Character	Share holding (%)	Voting right (%)
Joint ventures							

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Type	Registered Address	Legal representative	Organization Code	Business Character	Share holding (%)	Voting right (%)
Dongfang Hitachi Boiler Co., Ltd	Limited Company	Zhejiang	Ma Yi	60945797-5	manufacture	50%	50%
Dongfang AREVA	Limited Company	Deyang	He Yongcheng	77981616-8	manufacture	50%	50%
Associated enterprises							
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	Limited Company	Guangzhou	Zhang Wenfeng	76401165-8	manufacture	49%	49%
Leshan East Lok bulky Co., Ltd	Limited Company	Leshan	Shao Xiaobing	20696663-6	Transportation	49%	49%
Sichuan Wind Power Industry Investment Co., Ltd	Limited Company	Chengdu	Guo Yong	58496725-7	Development of Power Station	20%	20%

(Continued)

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Joint ventures					
Dongfang Hitachi Boiler Co., Ltd	610,070,998.46	336,996,151.07	273,074,847.39	531,008,145.82	28,354,378.52
Dongfang AREVA	1,554,636,153.33	1,163,816,792.97	390,819,360.36	874,190,571.99	163,688,100.41
Associated enterprises					
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	775,081,480.69	338,658,196.40	436,423,284.29	607,765,078.52	154,063,995.26
Leshan East Lok bulky Co., Ltd	52,663,397.46	8,182,401.90	44,480,995.56	25,199,273.00	10,649,939.69

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Sichuan Wind Power Industry Investment Co., Ltd	43,682,561.81	844,277.47	41,038,416.37	1,075.2	-7,810,038.94
<b>Total</b>	<b>3,036,134,591.75</b>	<b>1,848,497,819.81</b>	<b>1,185,836,903.97</b>	<b>2,038,164,144.53</b>	<b>348,946,374.94</b>

The principal accounting policies and accounting estimates of joint ventures and associated enterprises are same as the DEC

### 11.5 Impairment of long-term equity investment

Name	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012	Reason
Sichuan Huadian Yibin power generation Co., Ltd	23,800,000.00			23,800,000.00	Deficit
Guangdong oil shale power generation Co., Ltd		15,000,000.00		15,000,000.00	Deficit
Chengdu Electric Co., Ltd	455,373.41			455,373.41	The company shall be written off
Southwest Machinery Joint Venture Corporation	210,000.00			210,000.00	Deficit
Wuxi Hostel	150,000.00			150,000.00	The Company can't contact the debtor
Deyang City Mechanical and electrical equipment import and export Co., Ltd	100,941.25			100,941.25	The Company can't contact the debtor
Southwest of the means of production center	60,000.00			60,000.00	The Company can't contact the debtor
Chengdu Southwest tank engineering Co., Ltd	50,000.00			50,000.00	The company is closed
Sichuan electrical import and Export Co., Ltd	50,000.00			50,000.00	Deficit
<b>Total</b>	<b>24,876,314.66</b>	<b>15,000,000.00</b>		<b>39,876,314.66</b>	

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

11.5.1 Guangdong oil shale power generation Co., Ltd is established based on investing the project of Maoming oil shale power generation from Shareholders. However, it cannot get the resource of oil shale mine, the DEC is considering the cancellation of Guangdong oil shale power generation Co., Ltd, approved by the shareholders of Guangdong oil shale power generation Co., Ltd. Due to the project of Maoming oil shale power generation ended, the DEC has withdrawn RMB 15,000,000.00 the provision for impairment

11.5.2 The investment in Chengdu Electric Co., Ltd, Wuxi Hostel, Deyang City Mechanical and electrical equipment import and Export Co that the Group can't contact has been drawn full provision for impairment.

11.5.3 The investment of Sichuan Huadian Yibin power generation Co., Ltd has been drawn full provision for impairment. This is mainly because of Sichuan Huadian Yibin power generation Co., Ltd running in the deficit after snow-ice disaster in 2008 and 12 May earthquakes.

11.5.4 No capability of capital transferred is restricted

### 12. Investment real estate

12.1 Investment real estate measured under cost pattern

Items	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012
<b>Original book value</b>	<b>41,751,558.04</b>			<b>41,751,558.04</b>
Buildings	34,894,338.04			34,894,338.04
Land use rights	6,857,220.00			6,857,220.00
<b>Depreciation and amortization</b>	<b>12,631,126.24</b>	<b>1,640,928.67</b>		<b>14,272,054.91</b>
Buildings	11,533,971.04	1,503,784.27		13,037,755.31
Land use rights	1,097,155.20	137,144.40		1,234,299.60
<b>Provision for the impairment</b>				
<b>Book value</b>	<b>29,120,431.80</b>	-	-	<b>27,479,503.13</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012
Buildings	23,360,367.00	-	-	21,856,582.73
Land use rights	5,760,064.80	-	-	5,622,920.40

12.2 In 2012, depreciation and amortization amount is RMB 1,640,928.67 and same as the previous year.

12.3 Analysis of Investment real estate based on the ages and region

Item	Dec-31-2012	Dec-31-2011
China	27,479,503.13	29,120,431.80
Mid-term(10-50 years)	27,479,503.13	29,120,431.80
<b>Total</b>	<b>27,479,503.13</b>	<b>29,120,431.80</b>

12.4 The ownership certificate of investment real estate uncompleted

Chongqin Huiyuan mansion (the book value RMB 17,578,768.87) has not got the ownership certificate. The director believe that the risk and return of investment real estate has been transferred to the company and the value of assets cannot be impaired. The company can obtain the certificate at the right time

12.5 There is no investment real estate mortgaged or guaranteed.

### 13. Fixed assets

13.1 Fixed Assets Details

Item	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
<b>Original book value</b>	<b>14,232,959,286.56</b>	<b>1,146,106,800.47</b>	<b>126,477,332.50</b>	<b>15,252,588,754.53</b>
Land	27,022,453.08		918,260.87	26,104,192.21



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Building	6,074,676,080.58	486,128,153.16	2,201,519.00	6,558,602,714.74
Machines and equipments	7,218,884,120.77	512,183,644.06	104,072,698.33	7,626,995,066.50
Motors and vehicles	327,943,577.05	24,937,833.25	5,479,253.68	347,402,156.62
Instruments, electronic equipment and others	584,433,055.08	122,857,170.00	13,805,600.62	693,484,624.46
<b>Depreciation</b>	<b>4,228,507,513.80</b>	<b>1,246,590,960.90</b>	<b>112,712,947.41</b>	<b>5,362,385,527.29</b>
Land				
Building	943,994,243.12	298,377,413.25	16,696.01	1,242,354,960.36
Machines and equipments	2,829,419,495.36	759,450,268.85	95,264,953.71	3,493,604,810.50
Motors and vehicles	167,678,463.06	42,350,534.82	4,724,257.44	205,304,740.44
Instruments, electronic equipment and others	287,415,312.26	146,412,743.98	12,707,040.25	421,121,015.99
<b>Provision for impairment</b>	<b>276,204.18</b>	<b>16,949,910.22</b>	<b>59,044.78</b>	<b>17,167,069.62</b>
Land				
Building				
Machines and equipments	102,542.52	16,856,030.22		16,958,572.74
Motors and vehicles	147,534.60	90,000.00	56,152.29	181,382.31
Instruments, electronic equipment and others	26,127.06	3,880.00	2,892.49	27,114.57
<b>Book value</b>	<b>10,004,175,568.58</b>	-	-	<b>9,873,036,157.62</b>
Land	27,022,453.08	-	-	26,104,192.21
Building	5,130,681,837.46	-	-	5,316,247,754.38
Machines and equipments	4,389,362,082.89	-	-	4,116,431,683.26

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Motors and vehicles	160,117,579.39	-	-	141,916,033.87
Instruments, electronic equipment and others	296,991,615.76	-	-	272,336,493.90

13.1.1 The land is the land use right taken by Dong Fang Electric (India) Private Limited

13.1.2 In 2012, there are 1,086,925,733.83 yuan constructions in progress transferred into the fixed assets.

13.1.3 Until 31 Dec 2012, accumulated depreciation drawn is RMB 1,246,590,960.90, while is RMB 1,176,158,666.52 the pervious year.

13.1.4 Net profits from the fixed assets sold are RMB 3,380,937.80

13.1.5 There are no fixed assets mortgaged or guaranteed.

13.1.6 There are no fixed assets laid aside.

13.2 Analysis of fixed assets based on the ages and regions

Item	Dec-31-2012	Dec-31-2011
China	5,316,247,754.38	5,130,681,837.46
Mid-term(10-50 years)	5,316,247,754.38	5,130,681,837.46
<b>Total</b>	<b>5,316,247,754.38</b>	<b>5,130,681,837.46</b>

13.3 Fixed Assets for operating lease

Item	Dec-31-2012		Dec-31-2011	
	Original book value	Net book value	Original book value	Net book value
Machines and equipments	14,025,876.30	6,074,396.63	25,393,315.56	7,965,313.19
Vehicles	200,000.00	10,000.00	163,500.00	31,798.35

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012		Dec-31-2011	
	Original book value	Net book value	Original book value	Net book value
Electronic equipment	5,555.56	1,938.40	15,384.62	2,735.44
<b>Total</b>	<b>14,231,431.86</b>	<b>6,086,335.03</b>	<b>25,572,200.18</b>	<b>7,999,846.98</b>

13.4 The ownership certificates of fixed assets uncompleted

Item	Dec-31-2012	
	Original book value	Net book value
The thirteen fixed assets including GYM employee activities, dining room, factory and experimental station of Dongfang Boiler	220,452,742.08	204,747,489.57
The four fixed assets involving office building, factory, dining room and dormitory of Hangzhou new energy Co., Ltd	178,350,647.69	163,679,584.41
The six assets of Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	135,923,061.77	122,333,795.43
Factory and office building of the Dongfang Turbine	124,343,630.26	110,641,940.47
The three assets including factory, dormitory and storehouse of Jiuquan new energy	102,591,237.75	94,269,328.54
The four assets of Dongfang Electric heavy-duty machine Co., Ltd	83,011,714.00	67,674,210.51
The ten assets of the DEC including factory, dining room and office building	256,404,465.53	219,833,486.07
Factory of DFEM Control Equipment Co., Ltd	49,065,714.86	46,152,438.11
The two assets of Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	98,382,105.82	14,983,292.71
<b>Total</b>	<b>1,248,525,319.76</b>	<b>1,044,315,565.82</b>

(Continued)

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Reason	Time for the certificates got
The thirteen fixed assets including GYM employee activities, dining room, factory and experimental station of Dongfang Boiler	It is handling financial settlement of the completed project	2013
The four fixed assets involving office building, factory, dining room and dormitory of Hangzhou new energy Co., Ltd	It is handling financial settlement of the completed project	2013
The six assets of Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	It is handling financial settlement of the completed project	2013
Factory and office building of the Dongfang Turbine	It is handling financial settlement of the completed project	2013
The three assets including factory, dormitory and storehouse of Jiuquan new energy	It is handling financial settlement of the completed project	June, 2013
The four assets of Dongfang Electric heavy-duty machine Co., Ltd	It is handling financial settlement of the completed project	2013
The ten assets of the DEC including factory, dining room and office building	It is handling financial settlement of the completed project	2013-2014
Factory of DFEM Control Equipment Co., Ltd	It is applying for the certificates	2013
The two assets of Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	It is handling financial settlement of the completed project	2013

13.5 By the end of 2012, there is RMB 115,550.00 provision for impairment from constructions in progress. In addition, the machines and equipments purchased Dongfang Electric heavy-duty machine Co., Ltd for special project have drawn RMB 16,834,360.22 provision for impairment

### 14. Construction in progress

14.1 Detail on construction in progress

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012			Dec-31-2011		
	Amount	Impairment	Book Value	Amount	Impairment	Book Value
Construction in progress	724,162,181.91	237,690.00	723,924,491.91	837,795,751.18	1,734,275.28	836,061,475.90

### 14.2 Impairment of construction in progress

Items	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012
Dual power works	125,100.00	112,590.00		237,690.00
Installation works	1,493,625.28		1,493,625.28	
Others	115,550.00		115,550.00	
<b>Total</b>	<b>1,734,275.28</b>	<b>112,590.00</b>	<b>1,609,175.28</b>	<b>237,690.00</b>

14.2 There are no constructions in progress mortgaged or guaranteed.

### 15. Projects materials

Item	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012
Structures and equipment	169,875.22	85,044,075.54	85,100,485.80	113,464.96

There are no projects materials mortgaged or guaranteed

### 16. Intangible assets

Item	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012
<b>Original book value</b>	<b>1,422,144,173.00</b>	<b>57,595,195.22</b>	<b>19,200.00</b>	<b>1,479,720,168.22</b>
Software	48,491,520.08	35,092,710.40	19,200.00	83,565,030.48
Land use right	1,031,997,047.55	15,785,844.82		1,047,782,892.37

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2011	Current year additions	Current year reductions	Dec-31-2012
Patent	10,019,319.79			10,019,319.79
Non-patented technology	331,636,285.58	6,716,640.00		338,352,925.58
<b>Amortization</b>	<b>340,562,257.81</b>	<b>51,562,754.15</b>	<b>19,200.00</b>	<b>392,105,811.96</b>
Software	15,296,538.59	11,177,158.36	19,200.00	26,454,496.95
Land use right	96,891,578.51	19,081,594.74		115,973,173.25
Patent	2,396,992.05	51,953.08		2,448,945.13
Non-patented technology	225,977,148.66	21,252,047.97		247,229,196.63
<b>Provision for impairment</b>	<b>90,428,509.50</b>			<b>90,428,509.50</b>
Land use right	90,428,509.50			90,428,509.50
<b>Book Value</b>	<b>991,153,405.69</b>	-	-	<b>997,185,846.76</b>
Software	33,194,981.49	-	-	57,110,533.53
Land use right	844,676,959.54	-	-	841,381,209.62
Patent	7,622,327.74	-	-	7,570,374.66
Non-patented technology	105,659,136.92	-	-	91,123,728.95

16.1 Analysis of fixed assets based on the ages and regions

Item	Dec-31-2012	Dec-31-2011
China	841,381,209.62	844,676,959.54
Mid-term(10-50 years)	841,381,209.62	844,676,959.54
<b>Total</b>	<b>841,381,209.62</b>	<b>844,676,959.54</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

16.2 In 2012, the amount of accumulated amortization drawn is RMB 51,562,754.15, while is RMB 50,825,833.03 the previous year

16.3 Net book value of land use right which have not had the ownership certificate is RMB 28,769,477.28 (Original book value RMB 30,820,924.00), while is RMB 75,022,247.88 (Original book value RMB 77,867,210.20) the previous year

16.4 Hanwang production base was destroyed completely in 5.12 Wenchuan earthquakes. Dongfang Angturbine Co., Ltd has withdrawn full provision for impairment of intangible assets based on “Approval of certain issues in the reconstruction of Hanwang production base “([2008] No. 417) by SASAC authorized;

16.5 There are no intangible assets mortgaged or guaranteed.

### 17. Long-term prepaid expenses

Item	31-Dec-2011	Current year additions	Amortization	Current year reductions	31-Dec-2012	Reason for decreasing
Maintenance cost for power distribution equipment	595,000.06		69,999.96		525,000.10	
Management cost for power cable	126,000.00		36,000.00		90,000.00	
Renovation cost for rental housing	48,883.20	13,682.60	62,565.80			
<b>Total</b>	<b>769,883.26</b>	<b>13,682.60</b>	<b>168,565.76</b>		<b>615,000.10</b>	

### 18. Deferred tax asset and deferred tax liabilities

18.1 Deferred tax asset and deferred tax liabilities

Item	31-Dec-2012	31-Dec-2011
<b>Deferred tax asset</b>		
Provision for impairment of Assets	789,611,745.50	651,452,886.35
Accrued liabilities	158,606,140.26	140,573,909.87

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	31-Dec-2012	31-Dec-2011
Unrealized profit for internal transaction	60,281,360.32	88,669,145.16
Accrued payroll	37,558,493.82	39,826,245.45
Government subsidies	9,478,812.31	10,163,675.60
Accounts payables	7,781,572.52	3,684,512.44
Fair value changes of transactional financial assets	3,721,047.64	4,596,471.10
Fair value changes of transactional financial liabilities	3,421,676.78	3,181,678.83
Fixed assets depreciation	3,339,822.59	3,947,165.42
Fair value changes of sellable financial assets	3,164,127.60	2,524,394.81
Deductible loss carried forward to the next year		3,136,910.74
Amortization for intangible assets		184,076.82
<b>Total</b>	<b>1,076,964,799.34</b>	<b>951,941,072.59</b>
<b>Deferred tax liabilities</b>		
Value added after evaluation	3,299,633.00	5,893,045.09
Fair value changes in transactional financial assets	590,130.56	5,702,461.29
Fixed assets depreciation	42,592.27	44,872.61
<b>Total</b>	<b>3,932,355.83</b>	<b>11,640,378.99</b>

### 18.2 Details of unrecognized deferred tax asset

Item	31-Dec-2012	31-Dec-2011
Deductible loss carried forward to the next year	144,958,012.61	124,519,978.89
Provision for obsolete stock	164,379,445.12	140,185,045.48



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	31-Dec-2012	31-Dec-2011
Provision for bad debts	38,640,643.86	11,833,780.12
Estimated liabilities	12,594,492.56	1,579,448.11
Unrealized profit for internal transaction		13,269,272.63
Government subsidies	9,995,801.33	
<b>Total</b>	<b>370,568,395.48</b>	<b>291,387,525.23</b>

The Group cannot recognize the deductible temporary differences of deferred tax asset by the end of 2011. This is mainly because of the uncertain of taxable income tax obtained by Hangzhou new energy company and Jiuquan new energy company, Tongliao Wind Power Company and Hulunbuir new energy company. Moreover, neither deductible loss nor deductible temporary differences is determined as deferred tax asset.

### 18.3 Due date of deductible loss of unrecognized deferred tax asset

Years	31-Dec-2012	31-Dec-2011	Note
2013		4,243,615.79	
2014		14,583,181.81	
2015	81,362,056.54	87,359,957.04	
2016	16,120,623.83	18,333,224.25	
2017	47,475,332.24		
<b>Total</b>	<b>144,958,012.61</b>	<b>124,519,978.89</b>	

### 18.4 Deductible and Taxable temporary differences

Item	31-Dec-2012	31-Dec-2011
<b>Deductible temporary differences</b>		

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Item</b>	<b>31-Dec-2012</b>	<b>31-Dec-2011</b>
Provision for impairment of assets	5,445,949,559.30	4,473,822,293.56
Estimated debts	1,064,299,498.92	937,485,337.58
Unrealized profit for internal transaction	363,732,206.33	408,839,885.76
Accrued payroll	249,348,447.48	264,972,873.04
Deductible loss carried forward to the next year	144,958,012.61	145,190,298.77
Government grants	73,187,883.43	64,246,647.11
Accounts payables	51,877,150.20	24,563,416.40
Fair value changes in transactional financial liabilities	24,806,984.27	30,643,140.64
Fair value changes of transactional financial assets	22,811,178.53	21,211,192.21
Fixed assets depreciation	22,265,483.93	26,314,436.18
Fair value changes of sellable financial assets	21,094,184.00	16,829,298.68
Amortization for intangible assets		1,227,178.81
<b>Subtotal</b>	<b>7,484,330,589.00</b>	<b>6,415,345,998.74</b>
<b>Taxable temporary differences</b>		
Value added after evaluation	21,997,553.34	39,286,967.25
Fair value changes in transactional financial assets	3,934,203.74	38,016,408.60
Fixed assets depreciation	131,275.30	135,087.26
<b>Subtotal</b>	<b>26,063,032.38</b>	<b>77,438,463.11</b>

**19. Region of non-current Assets**

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	Dec-31-2012		Dec-31-2011	
	China	Overseas	China	Overseas
Investment real estate	27,479,503.13		29,120,431.80	
Fixed assets	9,846,490,761.76	26,545,395.86	9,976,600,368.69	27,575,199.89
Constructions in progress	713,395,489.12	10,529,002.79	832,386,327.39	3,675,148.51
Projects materials	113,464.96		169,875.22	
Intangible assets	997,185,846.76		991,153,405.69	
<b>Total</b>	<b>11,584,665,065.73</b>	<b>37,074,398.65</b>	<b>11,829,430,408.79</b>	<b>31,250,348.40</b>

**20. Details of provision for impairment of assets**

20.1 Impairment of assets in 2012

Item	Dec-31-2011	Current year additions	Current year reductions		Dec-31-2012
			Reversal	Others	
Provision for bad debts	3,528,673,223.24	814,023,677.82		232,425.00	4,342,464,476.06
Provision for obsolete stock	827,833,766.70	503,690,684.89	20,623,235.68	346,223,427.88	964,677,788.03
Impairment of long-term equity investment	24,876,314.66	15,000,000.00			39,876,314.66
Provision for impairment of fixed assets	276,204.18	16,949,910.22		59,044.78	17,167,069.62
Provision for impairment of construction in progress	1,734,275.28	112,590.00		1,609,175.28	237,690.00
Provision for impairment of intangible assets	90,428,509.50				90,428,509.50
<b>Total</b>	<b>4,473,822,293.56</b>	<b>1,349,776,862.93</b>	<b>20,623,235.68</b>	<b>348,124,072.94</b>	<b>5,454,851,847.87</b>

20.2 Impairment of assets in 2011

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Dec-31-2011	Increase	Decrease		Dec-31-2012
			Reversal	Others	
Provision for bad debts	2,494,963,019.51	1,036,905,273.34		3,195,069.61	3,528,673,223.24
Provision for obsolete stock	591,750,262.78	559,446,497.11	64,352,220.24	259,010,772.95	827,833,766.70
Impairment of long-term equity investment	24,876,314.66				24,876,314.66
Provision for impairment of fixed assets	2,040,466.07			1,764,261.89	276,204.18
Provision for impairment of construction in progress	1,734,275.28				1,734,275.28
Provision for impairment of intangible assets	90,428,509.50				90,428,509.50
<b>Total</b>	<b>3,205,792,847.80</b>	<b>1,596,351,770.45</b>	<b>64,352,220.24</b>	<b>263,970,104.45</b>	<b>4,473,822,293.56</b>

### 21. Short term borrowings

Type	31-Dec-2012			31-Dec-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
Guarantee loans	193,955,625.44	1.00	193,955,625.44	452,298,661.98	1.00	452,298,661.98
Credit loans	1,924,564,387.46	1.00	1,924,564,387.46	1,820,000,000.00	1.00	1,820,000,000.00
<b>Total</b>			<b>2,118,520,012.90</b>			<b>2,272,298,661.98</b>

21.1 Dongfang Electric Finance Co., Ltd has discounted the trade acceptance notes with recourse of the DEC, Shenzhen Dongfang Boiler Control Co., Ltd, DFEM Control Equipment Co., Ltd and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. By the end of 2012, these notes have formed the guarantee loans

21.2 No overdue short-term borrowings is included in the balance amount.

21.3 As at the date of this financial report, the Group paid RMB 315,605,311.06

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 22. Transactional Financial Liabilities

Item	31-Dec-2012	31-Dec-2011
Derivative Financial Instruments	25,830,967.05	30,643,140.64
<b>Total</b>	<b>25,830,967.05</b>	<b>30,643,140.64</b>

Derivative Financial Instruments was the foreign currency forward contracts of selling USD 288,700,000, and the fair value was determined based on bank quote.

### 23. Notes Payable

Item	31-Dec-2012	31-Dec-2011
Bank notes	688,492,348.55	773,618,229.69
Commercial draft	3,418,602,418.23	3,073,906,337.06
<b>Total</b>	<b>4,107,094,766.78</b>	<b>3,847,524,566.75</b>

23.1 The notes payable have increased RMB 259,570,200.03, raising 6.75%. The mainly reason that the group lacks capital under the sales funds declining and prefers to pay for products by the notes

23.2 Included in the balance amount it is notes payable amounting to approximately RMB 4,107,094,766.78 aged within one year

### 24. Accounts payables

#### 24.1 Accounts payables

Aging	31-Dec-2012	31-Dec-2011
Within one year	9,578,267,258.07	11,184,128,254.18
1-2 years	1,876,094,829.84	2,262,461,944.04
2-3 years	1,044,970,982.43	600,913,896.71

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

<b>Aging</b>	<b>31-Dec-2012</b>	<b>31-Dec-2011</b>
Over 3 years	885,817,019.28	412,712,079.94
<b>Total</b>	<b>13,385,150,089.62</b>	<b>14,460,216,174.87</b>

The balance amount at year ended of over one year is mainly warranty provision to purchase materials

24.2 The balance at year ended of creditor who is a shareholder of the Company with 5% or more voting rights are as follows:

<b>Name of creditors</b>	<b>31-Dec-2012</b>	<b>31-Dec-2011</b>
DEC	711,600.00	603,000.00
<b>Total</b>	<b>711,600.00</b>	<b>603,000.00</b>

24.3 The balance amount of the creditors who related parties can refer to note of financial statement 3. VI

24.4 The balance at year ended of foreign currency is as follows

<b>Foreign currency</b>	<b>31-Dec-2012</b>			<b>31-Dec-2011</b>		
	<b>Local Currency</b>	<b>Exchange rate</b>	<b>Renminbi</b>	<b>Local Currency</b>	<b>Exchange rate</b>	<b>Renminbi</b>
US Dollar	4,762,946.07	6.2855	29,937,497.52	5,493,963.72	6.3009	34,616,916.00
Japanese Yen	553,480,600.00	0.073049	40,431,204.35	557,030,406.00	0.0811	45,175,165.93
Euro	262,510.63	8.3176	2,183,458.42	7,463,635.61	8.1625	60,921,925.67
Canadian Dollar	914,006.00	6.3184	5,775,055.51	914,006.00	6.1777	5,646,454.87
Pound	100,000.00	10.1611	1,016,110.00			
Hong Kong dollar	92,392.25	0.8109	74,916.26			
Swiss Franc	135,334.41	6.8219	923,237.81			
Convertible mark	382,649.62	4.2470	1,625,097.63			

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Foreign currency	31-Dec-2012			31-Dec-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
Indian Rupee				65,722,272.00	0.1183	7,774,944.78
<b>Total</b>			<b>81,966,577.50</b>			<b>154,135,407.25</b>

24.5 All the accounts payables must handle in credit period of 180 according to the policy of group

### 25. Advances from customers

#### 25.1 Advances from customers

Item	31-Dec-2012	31-Dec-2011
<b>Total</b>	<b>37,594,148,516.54</b>	<b>42,510,698,850.55</b>
Including: over 1 year	12,042,434,521.50	11,305,949,207.20

25.1.1 The balance amount has declined 4,916,550,334.01 from 2011 to 2012, decreasing 11.57%. It is mainly reason that the main customers pay less for the products advance under the monetary policies tighten

25.1.2 The over-one-year advances from customers was mainly caused by unsettled power generators

25.2 The balance at year ended of creditor who is a shareholder of the Company with 5% or more voting rights were as follows:

Name of creditors	31-Dec-2012	31-Dec-2011
China Dongfang Electric Corporation	59,790,104.50	289,129,694.92
<b>Total</b>	<b>59,790,104.50</b>	<b>289,129,694.92</b>

25.3 The total of the creditors who are related parties is RMB 728,804,060.89, accounting for 1.94% of advances from customers. Referencing to note of the financial statements 3. VI.

25.4 The balance at year ended of foreign currency is as follows:

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Foreign currency	31-Dec-2012			31-Dec-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	419,788,490.49	6.2855	2,638,580,556.98	386,634,002.31	6.3009	2,436,142,185.15
Euro	11,209,616.38	8.3176	93,237,105.21	10,710,142.96	8.1625	87,421,541.91
Indian Rupee	61,395,556.97	0.11428	7,016,284.25	84,293,716.00	0.1183	9,971,946.61
Pakistani Rupee	406,223,625.30	0.06286	25,535,217.09	406,223,625.30	0.07001	28,439,716.00
<b>Total</b>			<b>2,764,369,163.53</b>			<b>2,561,975,389.67</b>

**26. Employee benefits payable**

Items	31-Dec-2011	Current year	Current year	31-Dec-2012
Salaries, wages and allowances	189,435,919.00	2,082,106,157.78	2,093,817,662.60	177,724,414.18
Employee welfare		305,518,959.08	305,518,959.08	
Social insurance	120,079,514.70	662,430,251.02	662,819,999.27	119,689,766.45
Including: Fundamental medical insurance	6,303,941.34	113,426,708.87	119,580,108.20	150,542.01
Supplementary medical insurance	4,622,000.00	79,129,963.26	83,751,963.26	
Fundamental pension	17,892,719.41	318,117,806.09	335,829,823.35	180,702.15
Annuity	86,668,247.40	91,135,713.03	58,510,680.17	119,293,280.26
Unemployment insurance	2,224,780.30	37,909,642.51	40,104,305.79	30,117.02
Injury insurance	1,769,982.33	14,302,801.15	16,052,716.99	20,066.49



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	31-Dec-2011	Current year	Current year	31-Dec-2012
Maternity insurance	597,843.92	8,407,616.11	8,990,401.51	15,058.52
Housing fund	6,051,606.30	213,122,215.90	212,556,098.90	6,617,723.30
Employee committee fees and employee education fees	24,931,018.98	88,096,227.95	80,493,023.30	32,534,223.63
Non-monetary benefits		2,768,003.73	2,768,003.73	
Termination benefits	67,419,803.48	42,178,490.22	48,819,167.28	60,779,126.42
Others		94,732,504.03	93,383,528.56	1,348,975.47
<b>Total</b>	<b>407,917,862.46</b>	<b>3,490,952,809.71</b>	<b>3,500,176,442.72</b>	<b>398,694,229.45</b>

26.1 The balance at year ended of salaries and wages include two parts: one part, it is unpaid wages 72,555,292.46 yuan formed before new accounting standards, another part, it is the bonus paid in 2013

26.2 Included in termination benefits for compensation of cancellation of labor relations is RMB 440,967.72, while the previous year is RMB 306,027.40

26.3 The cash-settled share-based payment is the incentive plan of stock appreciation rights of H shares approved by the first extraordinary general meeting of shareholders. This plan is aimed at the directors, management executives and the core technical staffs. Referencing to note to the financial statements VII.

### 27. Taxes payable

Item	31-Dec-2012	31-Dec-2011
Value-added tax	14,853,151.24	36,105,482.90
Enterprise income tax	166,323,198.89	343,690,833.35
City maintenance and construction tax	19,854,107.27	8,989,139.90
Education tax	9,051,637.35	4,818,186.64
Individual income tax	21,926,041.25	25,342,907.45
Local education tax	6,318,221.47	8,885,952.85

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	31-Dec-2012	31-Dec-2011
Stamp duty	5,334,125.29	7,842,431.18
Business tax	1,693,242.78	2,621,723.11
Land use tax	3,017,229.23	5,207,315.62
House property tax	2,577,471.31	4,471,804.07
Embankment protection charges	190,622.25	162,363.43
Fund of deputy food	143,871.86	137,020.16
Water conservancy and construction special funds	98,052.41	167,873.86
Others	-178,877.95	15,392.17
<b>Total</b>	<b>251,202,094.65</b>	<b>448,458,426.69</b>

The balance amount has decreased 197,256,332.04 yuan compared with 2011, declining 43.99%. The main reason that the group has reduced enterprise income tax due to the profit decreased

**28. Dividends payable**

Name of shareholders	31-Dec-2012	31-Dec-2011	Reason for unpaid dividends
China Western Power Industrial Co., Ltd.	365,662.57	283,442.57	
Other outside shareholders	1,643,061.41	1,276,807.01	Note
<b>Total</b>	<b>2,008,723.98</b>	<b>1,560,249.58</b>	

Note: Included in dividends payable aged over one year is dividends to be drawn by non-controlling shareholders of Dongfang Boiler Group., Ltd. After delisting in August 6, 2008, Dongfang Boiler Group., Ltd had signed the agreement with Shanghai branch of CSDCC. The two parties had agreed with non-controlling shares which can be handled by Dongfang Boiler Group., Ltd. Non-controlling shareholders can get cash bonus after relative procedures completed

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 29. Other payables

#### 29.1 Other payables

Item	31-Dec-2012	31-Dec-2011
<b>Total</b>	<b>2,027,341,175.03</b>	<b>1,871,026,035.12</b>
Including: over 1 year	1,901,162,875.85	1,567,590,320.09

The balance amount at year ended aged over one year is A Shares issued to acquire Dongfang Turbine Co., Ltd and Dongfang Boiler Group., Ltd in 2007. In basis of the agreement, the balance is the profit of the DEC from valuation date of acquiree to the acquisition completed date

29.2 The balance at year ended of creditor who is a shareholder of the Company with 5% or more voting rights were as follows:

Name of creditors	31-Dec-2012	31-Dec-2011
DEC	1,391,974,400.76	1,307,710,535.78
<b>Total</b>	<b>1,391,974,400.76</b>	<b>1,307,710,535.78</b>

#### 29.3 Significant other payables

Name of creditors	Amount	Aging	Properties
DEC	1,391,685,375.78	0-5 years	Net profit and government Differences formed by business combination
Ling Dong Nuclear Power Co., Ltd.	117,999,668.28	1-2 years	Progress billings
Alstom Power Turbo Machines	85,141,989.12	Within 1 year	Site service fees and progress billings
Dongfang boiler works	33,672,840.00	1-5 years	Rental expenses and management fees
Guangdong Electric Power Design Institute	9,245,456.27	Within 1 year	Tax in advance
<b>Total</b>	<b>1,637,745,329.45</b>	—	

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

29.4 The balance amount of the creditors who related parties can refer to note of financial statement 3. VI

29.5 The balance at year ended of foreign currency was as follows:

Foreign currency	31-Dec-2012			31-Dec-2011		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	741,589.91	6.2855	4,661,263.38	662,798.53	6.3009	4,176,227.26
Japanese Yen	18,000.00	0.0730	1,314.88	18,000.00	0.0811	1,459.85
Euro	365,673.94	8.3176	3,041,529.56	484,097.14	8.1625	3,951,442.91
Indian Rupee	24,277,974.42	0.1143	2,774,486.92	12,185,306.00	0.1189	1,448,832.88
Pakistani Rupee	847,497.50	0.0629	53,273.69	505,219.60	0.0700	35,365.37
Vietnamese dong	30,889,232,811.00	0.00029	9,245,147.38			
<b>Total</b>			<b>19,777,015.81</b>			<b>9,613,328.27</b>

### 30. Non-current Liabilities maturing within one year

30.1 Non-current Liabilities maturing within one year

Item	31-Dec-2012	31-Dec-2011
Long-term borrowings maturing within one year	54,320,000.00	116,320,000.00
<b>Total</b>	<b>54,320,000.00</b>	<b>116,320,000.00</b>

30.2 Long-term borrowings maturing within one year

Items	31-Dec-2012	31-Dec-2011
Guarantee loans		50,000,000.00

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	31-Dec-2012	31-Dec-2011
Credit loans	54,320,000.00	66,320,000.00
<b>Total</b>	<b>54,320,000.00</b>	<b>116,320,000.00</b>

### 30.3 Details of long-term borrowings maturing within one year

Name of creditors	Start date	End date	Currency	Interest rate (%)	31-Dec-2011	31-Dec-2010
					Amount	Amount
Dongfang Electric Finance Co., Ltd	2010-2-21	2013-2-21	CNY	4.86	30,000,000.00	
Deyang City Finance Bureau	2001-11	2010-11	CNY	2.55	16,320,000.00	16,320,000.00
Sichuan Development Holding Co., Ltd	2010-8-4	2013-8-2	CNY		4,000,000.00	
Sichuan Development Holding Co., Ltd	2010-8-24	2013-8-23	CNY		4,000,000.00	
ICBC(China) Tianjin Hangu branch	2007-10-31	2012-10-26	CNY	7.65		50,000,000.00
Dongfang Electric Finance Co., Ltd	2009-11-09	2012-11-09	CNY	4.86		30,000,000.00
Dongfang Electric Finance Co., Ltd	2010-02-21	2012-02-21	CNY	4.86		20,000,000.00
<b>Total</b>					<b>54,320,000.00</b>	<b>116,320,000.00</b>

### 30.4 Details of overdue borrowings

Name of creditor	Amount	Overdue period	Interest rate (%)	Reason for overdue	Tentative repayment period
Deyang City Finance Bureau	16,320,000.00	25-73 months	2.55	Not been collected	—
<b>Total</b>	<b>16,320,000.00</b>				

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Overdue loans at year ended are bond funds which have been borrowed from Deyang Finance Bureau since 2001, based on the agreement between Dongfang Turbine Co., Ltd and Deyang Finance Bureau. The loans are used the reconstruction project of gas and steam technology and due from Nov, 2006 to Nov, 2010 gradually. By the end of 2012, the group has not repay the loans

### 31. Other current liabilities

Items	31-Dec-2012	31-Dec-2011
Deferred income	80,844,288.14	85,945,216.36
<b>Total</b>	<b>80,844,288.14</b>	<b>85,945,216.36</b>

Deferred income is to be included in non-operating revenue in 2003. It can refer to note of financial statement 37. V

### 32. Long-term borrowings

#### 32.1 Long-term borrowings

Item	31-Dec-2012	31-Dec-2011
Guarantee loans		50,000,000.00
Credit loans	180,147,585.21	232,128,428.01
Less: long-term borrowings maturing within one year	54,320,000.00	116,320,000.00
<b>Total</b>	<b>125,827,585.21</b>	<b>165,808,428.01</b>

#### 32.2 Due date analysis of long-term borrowings

Due date	31-Dec-2012	31-Dec-2011
Within 1-2 years	70,000,000.00	38,000,000.00
Within 2-5 years	55,827,585.21	127,808,428.01
<b>Total</b>	<b>125,827,585.21</b>	<b>165,808,428.01</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

## 32.3 Significant of long-term borrowings

Name of creditors	Start date	End date	Currency	Rates (%)	31-Dec-2011	31-Dec-2010
					Amount	Amount
Dongfang Electric Finance Co., Ltd	2011-06-28	2014-06-28	CNY	5.76	50,000,000.00	50,000,000.00
CCB(China) Jiangxia Branch	2010-04-30	2016-04-29	CNY	5.35	39,800,000.00	40,000,000.00
BOC(China) Hongshan Branch	2011-07-06	2014-07-06	CNY	5.76	20,000,000.00	20,000,000.00
Dongfang Electric Finance Co., Ltd	2010-04-23	2015-04-23	CNY	5.18	16,027,585.21	17,808,428.01
<b>Total</b>					<b>125,827,585.21</b>	<b>127,808,428.01</b>

32.4 No extended borrowings is included in the long-term borrowings.

**33. Long-term accounts payables**

Name of creditors	31-Dec-2012	31-Dec-2011
National special reserve fund	685,252.84	685,252.84
<b>Total</b>	<b>685,252.84</b>	<b>685,252.84</b>

## 33.1 Details on long-term accounts payables

Name of creditors	Date	31-Dec-2011	Interest rate(%)	Interest	31-Dec-2012	Condition for long-term accounts payables
<b>Total</b>	—	<b>685,252.84</b>	—		<b>685,252.84</b>	—
Including: National special reserve fund		685,252.84			685,252.84	

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 34. Specified accounts payables

Items	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Tariffs on imported equipment and VAT refunds	22,744,416.01		22,744,416.01	

Pursuant to the Notice 11[2007] "The implementation of the State Council to accelerate the revitalization of equipment manufacturing and notice of import tax policy" issued by Ministry of Finance, and the Bureau of Planning and Development of State-owned Assets Supervision, the amount of money which are the tariffs on import equipments and value-added tax refunds have been received by Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd. As at the date of this financial report, the company has transferred tax refunds to state capital

### 35. Estimated liabilities

Items	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Product quality assurance	889,173,760.13	800,964,580.06	722,098,760.26	968,039,579.93
Loss of pending litigation		53,197,144.96		53,197,144.96
Loss of contracts to be executed	41,527,435.90	32,524,786.32	37,773,589.74	36,278,632.48
Others	6,784,141.55			6,784,141.55
<b>Total</b>	<b>937,485,337.58</b>	<b>886,686,511.34</b>	<b>759,872,350.00</b>	<b>1,064,299,498.92</b>

35.1 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.

35.2 The loss of pending litigation amount is 53,197,144.96 yuan. It is the claim for compensation from Forster Wheeler Co., Ltd. Referencing to note of the financial statements 1. VIII



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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35.3 The loss of contracts to be executed is recognized based on amounts of total contract costs exceed total contract revenue. In 2012, the loss of contracts drawn is RMB 32,524,786.32

35.4 The balance at the year ended of others was estimated compensation to suppliers.

### 36. Other non-current liabilities

36.1 Details on other non-current liabilities

Items	31-Dec-2012	31-Dec-2011
Deferred income	539,641,886.45	644,999,141.25
Including: Value-added tax refund of the third enterprises	444,260,011.34	508,370,442.68
Other appropriations research and government finance	95,381,875.11	136,628,698.57
<b>Total</b>	<b>539,641,886.45</b>	<b>644,999,141.25</b>

According to the relatives document “The notice on tax policies of the third enterprises in the Eleventh Five-Year period” and “the notice on the policies of Value-added tax rebates , Dongfang Turbine Co., Ltd, Dongfang Boiler Group., Ltd and DEC will receive Value-added tax refund of the third enterprises from Jan 1,2006to Dec 31.2008. The group will handle separately making a distinction between government grants related assets and government grants related income

Other appropriations for research or government finance are used in the development of wind power, nuclear power equipment and innovation from financial, as well as science and technology departments. The group will handle separately making a distinction between government grants related assets and government grants related income. Or it will be included non-operating revenue.

36.2 Government grants

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	31-Dec-2011		31-Dec-2012		Included in the profit and loss	Refunds	Reasons for refunds
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities			
VAT refunds of the third enterprises	508,370,442.68	66,418,170.16	444,260,011.34	61,921,207.19	68,607,394.31		
Government Finance	49,968,881.84	5,393,277.27	43,311,481.24	7,060,316.26	14,790,361.61		
Technical innovation	54,501,333.34	2,352,001.33	7,968,000.00	1,685,333.34	47,200,001.33		
Research	9,998,463.86	3,628,645.15	13,865,527.46	9,214,501.82	20,487,394.37		
Infrastructure construction	9,995,801.33	220,984.00	9,774,817.33	220,984.00	220,984.00		
Others	12,164,218.20	7,932,138.45	20,462,049.08	741,945.53	15,282,324.81		
<b>Total</b>	<b>644,999,141.25</b>	<b>85,945,216.36</b>	<b>539,641,886.45</b>	<b>80,844,288.14</b>	<b>166,588,460.43</b>		

**37. Share capital**

37.1 Share capital for 2012

Types of share capital	31-Dec-2011		Changs in 2012			31-Dec-2012	
	Amount	Proportion (%)	Reserves conversion	Others	Subtotal	Amount	Proportion (%)
<b>Restricted circulating shares</b>	<b>119,930,000</b>	<b>5.98</b>		-119,930,000	<b>-119,930,000</b>		
Including: State-owned domestic shares	119,930,000	5.98		-119,930,000	<b>-119,930,000</b>		
<b>Subtotal</b>	<b>119,930,000</b>	<b>5.98</b>		-119,930,000	<b>-119,930,000</b>		
<b>Unrestricted circulating shares</b>							

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Types of share capital	31-Dec-2011		Changs in 2012			31-Dec-2012	
	Amount	Proportion (%)	Reserves conversion	Others	Subtotal	Amount	Proportion (%)
Including: A shares	1,543,930,000	77.05		119,930,000	<b>119,930,000</b>	1,663,860,000	83.03
H shares	340,000,000	16.97				340,000,000	16.97
<b>Subtotal</b>	<b>1,883,930,000</b>	<b>94.02</b>		<b>119,930,000</b>	<b>119,930,000</b>	<b>2,003,860,000</b>	<b>100</b>
<b>Total</b>	<b>2,003,860,000</b>	<b>100</b>				<b>2,003,860,000</b>	<b>100</b>

37.2 Share capital for 2011

Types of share capital	31-Dec-2010		Changs in 2011			31-Dec-2011	
	Amount	Proportion (%)	Reserves conversion	Others	Subtotal	Amount	Proportion (%)
<b>Restricted circulating shares</b>	<b>119,930,000</b>	<b>5.98</b>				<b>119,930,000</b>	<b>5.98</b>
Including: State-owned domestic shares	119,930,000	5.98				119,930,000	5.98
Other domestic shares							
<b>Subtotal</b>	<b>119,930,000</b>	<b>5.98</b>				<b>119,930,000</b>	<b>5.98</b>
<b>Unrestricted circulating shares</b>							
Including: A shares	1,543,930,000	77.05				1,543,930,000	77.05
H shares	340,000,000	16.97				340,000,000	16.97
<b>Subtotal</b>	<b>1,883,930,000</b>	<b>94.02</b>				<b>1,883,930,000</b>	<b>94.02</b>
<b>Total</b>	<b>2,003,860,000</b>	<b>100</b>				<b>2,003,860,000</b>	<b>100</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 38. Capital reserve

#### 38.1 Capital reserve for 2012

Items	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
<b>Share premium</b>	5,083,399,637.75			5,083,399,637.75
Including: Invested by shareholders	5,091,111,837.75			5,091,111,837.75
Differences formed by business combination	-7,712,200.00			-7,712,200.00
<b>Others</b>	-8,218,944.41	82,948,589.14	84,032,706.23	-9,303,061.50
Including: others	6,085,959.46	2,541,035.44		8,626,994.90
Fair value changes in Available-for-sale investments	-14,304,903.87	80,407,553.70	84,032,706.23	-17,930,056.40
<b>Total</b>	<b>5,075,180,693.34</b>	<b>82,948,589.14</b>	<b>84,032,706.23</b>	<b>5,074,096,576.25</b>

Pursuant to the Notice 11[2007] "The implementation of the State Council to accelerate the revitalization of equipment manufacturing and notice of import tax policy" issued by Ministry of Finance, and the Bureau of Planning and Development of State-owned Assets Supervision , the tax refunds has been transferred to state capital by Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.

#### 38.2 Capital reserve for 2011

Items	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
<b>Share premium</b>	5,083,399,215.36	422.39		5,083,399,637.75
Including: Invested by shareholders	5,091,111,415.36	422.39		5,091,111,837.75
Differences formed by business combination	-7,712,200.00			-7,712,200.00

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
<b>Others</b>	10,856,228.97	79,894,258.49	98,969,431.87	-8,218,944.41
Including: others	6,061,184.44	24,775.02		6,085,959.46
Fair value changes in Available-for-sale investments	4,795,044.53	79,869,483.47	98,969,431.87	-14,304,903.87
<b>Total</b>	<b>5,094,255,444.33</b>	<b>79,894,680.88</b>	<b>98,969,431.87</b>	<b>5,075,180,693.34</b>

### 39. Special reserve

Items	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Special reserve for safety production		48,805,326.70	40,609,075.46	8,196,251.24

The group has drawn special reserve for safety production, in basis of the document “The notice on the management and drawing of special reserve for safety production” from Ministry of Finance of the People’s Republic of China and MSS

### 40. Surplus reserve

#### 40.1 Surplus reserve for 2012

Items	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Statutory surplus reserve	319,634,515.30	133,857,605.46		453,492,120.76
<b>Total</b>	<b>319,634,515.30</b>	<b>133,857,605.46</b>		<b>453,492,120.76</b>

In accordance with the articles of association, statutory surplus reserve is reserved as 10% of net profit

#### 40.2 Surplus reserve for 2011

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
Statutory surplus reserve	151,942,714.52	167,691,800.78		319,634,515.30
<b>Total</b>	<b>151,942,714.52</b>	<b>167,691,800.78</b>		<b>319,634,515.30</b>

**41. Undistributed profits(retained profit)**

## 41.1 Undistributed profits for 2012

Item	Amount
Undistributed profits at beginning of year	<b>6,421,629,656.29</b>
Undistributed profits at beginning of year	<b>6,421,629,656.29</b>
Add: net profit for the year	2,191,129,345.43
Less: Appropriation to surplus reserve	133,857,605.46
Dividend	320,617,600.00
Undistributed profits at end of year	<b>8,158,283,796.26</b>

The final dividend of RMB 0.16 per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting, totaling of RMB 320,617,600.00 (Including: tax)

## 41.2 Undistributed profits for 2011

Item	Amount
Undistributed profits at beginning of year	<b>3,793,595,551.57</b>
Undistributed profits at beginning of year	<b>3,793,595,551.57</b>
Add: net profit for the year	3,056,227,705.50
Less: Appropriation to surplus reserve	167,691,800.78

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	Amount
Dividend	260,501,800.00
Undistributed profits at end of year	<b>6,421,629,656.29</b>

### 42. Minority shareholders equity

Name of subsidiaries	Share(%)	31-Dec-2012	31-Dec-2011
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	34.8187	509,351,184.36	461,850,215.80
Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd	38.58	102,786,574.30	92,781,034.97
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	49.64	95,245,531.95	91,160,421.88
Shenzhen Dongfang Boiler Control Co., Ltd	49	77,157,900.24	76,339,491.99
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	33	68,686,173.13	67,679,289.96
Dongfang Boiler Group Co., Ltd	0.33	14,777,339.49	13,024,799.93
DFEM Control Equipment Co., Ltd	0.50	718,064.74	694,393.87
Dongfang Electric Power Equipment Co., Ltd	1.17	537,383.19	525,360.34
DFEM Tooling and Moulding Co., Ltd	0.685	149,585.41	139,895.33
<b>Total</b>		<b>869,409,736.81</b>	<b>804,194,904.07</b>

### 43. Net current assets

Item	31-Dec-2012	31-Dec-2011
Current assets	64,624,304,220.91	68,864,302,393.42
Less: current liabilities	60,045,154,864.14	66,052,609,185.00
<b>Net current assets</b>	<b>4,579,149,356.77</b>	<b>2,811,693,208.42</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

**44. Differences between total assets and current liabilities**

Item	31-Dec-2012	31-Dec-2011
Total assets	78,327,056,597.82	82,442,725,917.98
Less: current liabilities	60,045,154,864.14	66,052,609,185.00
<b>Differences</b>	<b>18,281,901,733.68</b>	<b>16,390,116,732.98</b>

**45. Borrowings**

Details on the borrowings:

Item	31-Dec-2012	31-Dec-2011
Short term borrowings from bank	2,118,520,012.90	2,272,298,661.98
Long term borrowings	180,147,585.21	282,128,428.01
Long-term accounts payables	685,252.84	685,252.84
<b>Total</b>	<b>2,299,352,850.95</b>	<b>2,555,112,342.83</b>

## 45.1 The analysis of the borrowings

Item	31-Dec-2012	31-Dec-2011
Borrowings from bank		
-Within 5 years	2,298,667,598.11	2,554,427,089.99
Subtotal	2,298,667,598.11	2,554,427,089.99
Others	685,252.84	685,252.84
<b>Total</b>	<b>2,299,352,850.95</b>	<b>2,555,112,342.83</b>

## 45.2 Due date analysis of borrowings



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	31-Dec-2012	31-Dec-2011
Within 1 year	2,172,840,012.90	2,388,618,661.98
1-2 years	70,000,000.00	38,000,000.00
2-5 years	55,827,585.21	127,808,428.01
Over 5 years	685,252.84	685,252.84
<b>Total</b>	<b>2,299,352,850.95</b>	<b>2,555,112,342.83</b>

**46. Revenue and cost of sales**

Item	2012	2011
Main operation	37,739,345,699.73	42,442,890,520.58
Other sales	339,856,810.40	473,727,808.60
<b>Total</b>	<b>38,079,202,510.13</b>	<b>42,916,618,329.18</b>
Cost of main operation	29,873,907,510.09	33,638,268,991.00
Cost of sales-others	128,015,195.53	316,128,647.01
<b>Total</b>	<b>30,001,922,705.62</b>	<b>33,954,397,638.01</b>
Gross profit of main operation	7,865,438,189.64	8,804,621,529.58
Gross profit of sales-others	211,841,614.87	157,599,161.59
<b>Total</b>	<b>8,077,279,804.51</b>	<b>8,962,220,691.17</b>

46.1 Revenue classification by industry

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Manufacture of generator	37,739,345,699.73	29,873,907,510.09	42,442,890,520.58	33,638,268,991.00
<b>Total</b>	<b>37,739,345,699.73</b>	<b>29,873,907,510.09</b>	<b>42,442,890,520.58</b>	<b>33,638,268,991.00</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

46.2 Revenue and cost of sales from major product and services

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
<b>Clean and efficient power generation equipment</b>	<b>20,200,166,742.82</b>	<b>15,749,998,160.13</b>	<b>24,483,368,327.91</b>	<b>19,709,385,353.12</b>
Thermal power equipment	16,499,820,371.34	12,423,206,652.39	20,013,929,164.78	15,506,013,449.81
Power transmission and distribution equipment	1,248,802,295.52	1,157,355,376.12	1,123,314,870.92	1,083,286,726.11
Nuclear island equipment	2,451,544,075.96	2,169,436,131.62	3,346,124,292.21	3,120,085,177.20
<b>New energy</b>	<b>7,664,847,200.75</b>	<b>6,398,558,706.19</b>	<b>8,883,542,910.72</b>	<b>7,002,005,201.19</b>
Wind power equipment	6,340,781,883.12	5,473,427,071.62	7,236,038,917.46	5,931,842,235.19
Nuclear power equipment	1,324,065,317.63	925,131,634.57	1,647,503,993.26	1,070,162,966.00
<b>Hydro power and environmental protection equipment</b>	<b>4,528,310,383.48</b>	<b>3,299,084,666.02</b>	<b>3,241,668,377.03</b>	<b>2,668,808,403.52</b>
Hydro power	3,713,572,955.95	2,769,323,298.34	2,784,291,976.14	2,282,993,535.17
Environmental protection equipment	814,737,427.53	529,761,367.68	457,376,400.89	385,814,868.35
<b>Construction services for power stations.</b>	<b>5,346,021,372.68</b>	<b>4,426,265,977.75</b>	<b>5,834,310,904.92</b>	<b>4,258,070,033.17</b>
Construction services	4,311,599,260.64	3,668,728,981.46	4,878,776,406.75	3,627,295,024.20
Repairing services	759,117,666.93	497,270,854.68	722,625,720.36	406,107,575.42

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Others	275,304,445.11	260,266,141.61	232,908,777.81	224,667,433.55
<b>Total</b>	<b>37,739,345,699.73</b>	<b>29,873,907,510.09</b>	<b>42,442,890,520.58</b>	<b>33,638,268,991.00</b>

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

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
PRC	29,059,784,443.80	22,969,621,528.45	36,428,841,119.02	29,335,312,095.61
Overseas	8,679,561,255.93	6,904,285,981.64	6,014,049,401.56	4,302,956,895.39
<b>Total</b>	<b>37,739,345,699.73</b>	<b>29,873,907,510.09</b>	<b>42,442,890,520.58</b>	<b>33,638,268,991.00</b>

46.4 Top 5 clients for revenue

Items	Revenue	Proportion to total revenue (%)
China Guangdong Nuclear Power Holding Corporation	2,009,049,795.88	5.28%
Sembcorp Gulf O&M Co. Ltd	1,619,276,867.45	4.25%
ENERGIA SUSTENTAVEL DO BRASIL S.A	1,092,543,810.80	2.87%
The energy (Gansu) wind power Co., Ltd	1,078,700,000.00	2.83%
The third (Shandong) Electric Power Construction Engineering Company	1,068,659,634.96	2.81%
<b>Total</b>	<b>6,868,230,109.09</b>	<b>18.04%</b>

The total revenue of top 5 clients is RMB 6,868,230,109.09, making up 18.04% of its annual revenue, while is RMB 7,550,743,303.23, accounting for 17.59%

## 47. Operating taxes and surcharges

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Tax rate	2012	2011
Business tax	3%/5%	16,646,630.15	7,806,114.48
City maintenance and construction tax	5%/7%	154,537,103.15	132,827,260.48
Education tax	3%	66,660,151.54	54,562,058.24
Local education tax	1%、2%	44,439,652.83	40,274,383.69
Embankment protection charges	0.1%-1%	1,415,848.35	1,601,757.17
Fund of deputy food	0.1%	370,604.59	289,621.67
Other		735,588.40	469,662.99
<b>Total</b>		<b>284,805,579.01</b>	<b>237,830,858.72</b>

**48. Sales expenses**

Items	2012	2011
Quality deposit and customer service charges	548,518,993.08	614,699,708.88
Salaries and wages	180,033,892.59	158,572,324.87
Business trip	45,681,715.50	52,672,155.31
Others	76,286,978.54	62,752,955.41
<b>Total</b>	<b>850,521,579.71</b>	<b>888,697,144.47</b>

**49. General and administrative expense**

Items	2012	2011
Research and development	1,257,978,055.33	1,200,619,442.75
Salaries and Salaries and wages	1,011,505,465.87	867,170,691.58

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Items</b>	<b>2012</b>	<b>2011</b>
Including: Salaries and wages	584,369,548.20	599,375,019.97
Stuff welfare	108,406,426.44	98,464,038.66
Repairing	314,657,920.35	288,338,752.17
Tax	113,632,966.94	105,556,372.69
Depreciation	101,676,331.55	117,573,989.62
Business trip	76,906,856.39	72,260,862.36
Marketing	71,635,481.28	79,563,715.18
In charge of production safety	60,022,651.36	
Lease	57,349,994.89	57,899,771.45
Amortization of intangible assets	43,413,432.60	42,671,050.44
Water and electrical charges	38,484,399.62	41,173,000.54
Green fee	28,722,403.31	37,927,283.43
Tele-communication charges	13,477,955.47	19,274,052.16
Others	388,869,727.95	467,696,011.44
<b>Total</b>	<b>3,578,333,642.91</b>	<b>3,397,724,995.81</b>

**50. Financial expenses**

<b>Items</b>	<b>2012</b>	<b>2011</b>
Interest expense	174,446,942.73	134,126,585.80
Less: interest received	180,081,361.00	236,011,044.35

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Add: Exchange losses	-35,607,710.32	-33,513,458.33
Add: Other expenses	-43,387,033.15	47,490,301.33
<b>Total</b>	<b>-84,629,161.74</b>	<b>-87,907,615.55</b>

In 2012, the group had received fiscal interest discounts 60,685,800.00 yuan and reduced other expenses

### 50.1 Details of interest expense

Items	2012	2011
Loans, including:		
Maturity of loans within 5 years	174,446,942.72	140,913,178.95
Maturity of loans over 5 years		
<b>Subtotal</b>	<b>174,446,942.72</b>	<b>140,913,178.95</b>
Less: interests capitalized		6,786,593.15
<b>Total</b>	<b>174,446,942.72</b>	<b>134,126,585.80</b>

### 50.2 Details of interest received

Items	2012	2011
Interests of deposits	180,081,361.00	236,011,044.35
<b>Total</b>	<b>180,081,361.00</b>	<b>236,011,044.35</b>

### 51. Impairment losses

Item	2012	2011
Bad debts	814,023,677.82	1,036,905,273.34
Impairment loss on inventories	269,881,456.48	233,148,577.90

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Item</b>	<b>2012</b>	<b>2011</b>
Impairment loss on fixed assets	16,834,360.22	
Impairment loss on long-term equity investment	15,000,000.00	
Impairment loss on construction in progress	112,590.00	
<b>Total</b>	<b>1,115,852,084.52</b>	<b>1,270,053,851.24</b>

**52. Net income/loss from fair value changes**

<b>Item</b>	<b>2012</b>	<b>2011</b>
Transactional financial assets	-34,658,208.38	-15,525,550.56
Including: fair value changes in derivative financial instrument	-33,132,319.26	7,164,616.86
Transactional financial liabilities	4,812,173.59	-25,561,615.33
Including: fair value changes in derivative financial instrument	4,812,173.59	-25,561,615.33
<b>Total</b>	<b>-29,846,034.79</b>	<b>-41,087,165.89</b>

**53. Investment income**

## 53.1 Investment income

<b>Items</b>	<b>2012</b>	<b>2011</b>
Investment in associate under equity method	170,903,239.91	122,079,261.11
Investment income during holding transactional financial assets		301,359.90
Investment income during holding available-for-sale assets	7,445,390.00	11,488,788.80
Disposal of transactional financial assets		6,657,406.86
Disposal of available-for-sale financial assets	1,316,576.30	1,074,178.70
<b>Total</b>	<b>179,665,206.21</b>	<b>141,600,995.37</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 53.2 Long-term equity investment income under the equity method

Item	2012	2011	Reasons for increase or decrease
<b>Total</b>	<b>170,903,239.91</b>	<b>122,079,261.11</b>	
Including: Dongfang AREVA	88,762,366.66	60,572,374.42	Increase in sales revenue and net profit
Mitsubishi Heavy Industries Dongfang gas Turbine Co., Ltd	64,996,054.38	40,949,348.76	Increase in sales revenue and net profit
Dongfang Hitachi Boiler Co., Ltd	13,468,329.80	16,096,205.24	Decrease in sales revenue and net profit
East Lok bulky Co., Ltd	5,218,470.45	4,711,668.03	Increase in sales revenue and net profit
Sichuan Wind Power Industry Investment Co., Ltd	-1,541,981.38	-250,335.34	Expenses spent before establishment

### 54. Non-recurring income

Non-recurring Income

Items	2012	2011
Net profit for non - current assets disposal	6,306,356.32	5,820,494.15
Include: Net profit for fixed assets disposal	6,306,356.32	5,820,494.15
Donations		599,985.86
Government grants	216,862,261.86	185,706,829.34
Compensation for breaching of contracts	1,740,521.86	2,169,749.90
Penalty income	119,766.90	1,533,259.22
Others	8,859,325.24	59,581,538.86
<b>Total</b>	<b>233,888,232.18</b>	<b>255,411,857.33</b>

The non-recurring profit and loss at year ended is RMB 233,888,232.18, While is RMB 255,411,857.33 in 2011



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 55. Non-recurring expenses

Item	2012	2011
Losses for non-current assets disposal	2,925,418.52	13,596,302.65
Include: Losses for fixed assets disposal	2,925,418.52	13,596,302.65
Compensation and penalty	59,422,717.76	5,016,505.65
Estimated contract losses	32,524,786.32	46,433,333.33
Inventory shortage	1,855,697.68	24,954.76
Donation	55,000.00	1,300,000.00
Other losses	661,240.40	1,319,243.34
<b>Total</b>	<b>97,444,860.68</b>	<b>67,690,339.73</b>

55.1 The pending amount is 53,197,144.96 yuan. It is the claim for compensation from Forster Wheeler Co., Ltd.

55.2 The contract losses at the year ended was estimated compensation to suppliers

55.3 The non-recurring profit and loss at year ended is RMB 97,444,860.68, comparing with RMB 67,690,339.73 in 2011

### 56. Expense of income tax

Item	2012	2011
Tax expense	497,032,102.95	670,742,160.05
Including: tax expense in China	495,166,410.67	668,932,618.62
tax expense in India	1,865,692.28	1,809,541.43
Deferred tax	-132,094,761.44	-244,903,088.48
<b>Total</b>	<b>364,937,341.51</b>	<b>425,839,071.57</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

**57. Calculation for basic earnings per share and diluted earnings per share**

Items	Numbering	2012	2011
Profit for the year attribute to owners of the Company	1	2,191,129,345.43	3,056,227,705.50
Non-operating profit (losses) attribute to owners of the Company	2	166,809,638.76	166,367,631.05
Total comprehensive income attribute to owners of the Company	3=1-2	2,024,319,706.67	2,889,860,074.45
Shares at 1 January 2012	4	2,003,860,000.00	2,003,860,000.00
ordinary shares issued on the voluntary reinvestment of dividends ( I )	5		
Ordinary share issued as a result of the conversion of a debt instrument ( II )	6		
Accumulated month after increasing in shares	7		
Decrease in shares	8		
Accumulated month after decreasing in shares	9		
Reverse share split	10		
Months in reporting period	11	12	12
Weighted average share outstanding	12=4+5+6×7÷11-8×9÷11-10	2,003,860,000.00	2,003,860,000.00
<b>Basic earnings per share ( I )</b>	13=1÷12	<b>1.09</b>	<b>1.53</b>
<b>Basic earnings per share ( II )</b>	14=3÷12	<b>1.01</b>	<b>1.44</b>

**58. Other comprehensive income**

Items	2012	2011
1. Available-for-sale financial instrument gains and losses	-4,264,885.32	-22,470,527.54
Less: Tax effect of available-for-sale financial instrument	-639,732.79	-3,370,579.14
Other comprehensive income from income of the previous year transferred		

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Items</b>	<b>2012</b>	<b>2011</b>
<b>Subtotal</b>	-3,625,152.53	-19,099,948.40
2. Other comprehensive income from subsidiaries under equity method		24,775.02
Less: Tax effect of Other comprehensive income from subsidiaries under equity method		
Other comprehensive income from income of the previous year transferred		
<b>Subtotal</b>		24,775.02
3. Foreign currency translation adjustments	-2,077,336.19	-12,846,570.50
<b>Subtotal</b>	-2,077,336.19	-12,846,570.50
<b>Total</b>	<b>-5,702,488.72</b>	<b>-31,921,743.88</b>

**59. Cash Flow Statement**

59.1 Cash received/paid related to others of operating/investment/financing activities

59.1.1 Cash received related to others of operating activities

<b>Items</b>	<b>2012</b>
Interest	194,718,940.06
Government grants	158,151,056.56
Deposit	54,998,600.81
Reimbursement	45,537,672.46
Compensation	7,956,895.35
Imprest	2,287,211.36
Others	31,362,320.28
<b>Total</b>	<b>495,012,696.88</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

## 59.1.2 Cash paid related to others of operating activities

<b>Items</b>	<b>2012</b>
Business trip	186,800,765.51
Repairing	175,184,057.03
Research and development	103,771,714.69
Marketing	100,208,549.40
Net agency business	59,460,599.61
Customer service	55,398,662.69
Comprehensive service	54,429,219.13
Commission	50,887,792.29
Transportation	48,091,081.04
Deposit	36,245,334.66
Lease	33,568,628.34
Uniform fee	29,572,539.66
Litigation costs	26,158,410.97
Retirement benefit costs	23,608,102.16
Guard and fire fee	21,076,286.23
Property management fee	19,991,005.62
Stationery	19,775,132.86
Water and electric charges	19,702,773.30

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Items</b>	<b>2012</b>
Conference	17,853,587.79
Green fee	14,556,070.77
Imprest	14,373,744.61
Agent fee	14,174,661.05
Tele-communication fee	13,875,274.34
Overseas fee	13,861,968.50
Insurance	12,894,536.65
Others	175,488,790.70
<b>Total</b>	<b>1,341,009,289.60</b>

59.1.3 Cash received related to others of financing activities

<b>Items</b>	<b>2012</b>
Infrastructure fund to China Dongfang Electric Corporation	85,940,000.00
<b>Total</b>	<b>85,940,000.00</b>

59.2 Supplementary of consolidated cash flow statement

<b>Items</b>	<b>2012</b>	<b>2011</b>
<b>Reconciliation of net profit / (loss) to cash flows from operating activities</b>		
Net profit / (loss)	2,253,721,281.51	3,118,217,731.99
Add: Provision for / (Reversal of) asset impairment	1,115,852,084.52	1,270,053,851.24
Depreciation of fixed assets	1,248,094,745.17	1,177,662,450.79

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	2012	2011
Amortization of intangible assets	51,699,898.55	50,962,977.43
Amortization of other assets	168,565.76	916,738.42
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	-3,441,166.90	6,822,554.03
Losses (Gains) on scrapping of fixed assets	60,229.10	953,254.47
Losses (Gains) on change in fair value	29,846,034.79	41,087,165.89
Finance expenses (income)	73,925,566.51	102,600,188.94
Investment losses (income)	-179,665,206.21	-141,600,995.37
Decrease(Increase) in Deferred tax asset	-124,383,993.96	-246,806,440.44
Increase(decrease) in Deferred tax liability	-7,708,023.16	-8,802,964.33
Decrease (Increase) in inventories	3,955,020,222.28	-1,515,591,172.97
Decrease (Increase) in operating receivables	-2,198,444,005.14	-2,580,034,184.55
Increase (Decrease) in operating payables	-6,393,269,887.12	-2,414,954,418.37
Other		
<b>Net cash flows from operating activities</b>	<b>-178,523,654.30</b>	<b>-1,138,513,262.83</b>
<b>Investing and financing activities that do not involve cash receipts and payments</b>		
<b>Net increase in cash and cash equivalents</b>		
Cash at end of year	8,928,997,459.40	10,284,224,638.84
Less: cash at beginning of year	10,284,224,638.84	13,670,551,363.06
<b>Net increase in cash and cash equivalents</b>	<b>-1,355,227,179.44</b>	<b>-3,386,326,724.22</b>

### 59.3 Cash and cash equivalents

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Item	2012	2011
Cash	8,928,997,459.40	10,284,224,638.84
Include: cash in hand	2,612,684.28	1,926,567.17
Cash in bank can be payable immediately	8,898,755,678.57	10,257,386,790.12
Other monetary assets can be payable immediately	27,629,096.55	24,911,281.55
<b>Cash and cash equivalents at the year ended</b>	<b>8,928,997,459.40</b>	<b>10,284,224,638.84</b>

## VII. Related Parties and Related Party Transactions

### 1. Related Parties

#### 1.1 Parent company

Name	Type of enterprise	Registered address	Nature of business	Legal representative	Organization code
China Dongfang Electric Corporation	Holding company	China Chengdu	Hydro power, nuclear power project, sale and manufacture of equipments	Si Zefu	62160427-X

#### 1.1.2 Changes in registered capital of parent company

All the amount shows below is presented as 10K as a unit.

Name	2011	Increased	Decreased	2012
DEC	347,869.49	131,298.01		479,167.50

#### 1.1.3 Changes are shares held by parent company

Name	Amount		Proportion (%)	
	2012	2011	2012	2011
China Dongfang Electric Corporation	1,002,474,592	1,002,483,235	50.03	50.03

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 1.2 Subsidiaries

See notes IV.

### 1.3 Associates

See notes 11.V

### 1.4 Other related parties

Items	Name of related parties	Principal activities	Organization code
(1) Enterprises under the same immediate and ultimate parent company			
	Dongfang Electric Machinery Works	Lease	25010228-9
	Dongfang Boiler Works	Manufacture and sales of products	62071142-8
	Dongfang Electric Finance Co., Ltd	Finance services	20180342-4
	DEC Dongfeng Electric Machinery Co., Ltd	Manufacture and sales of products	20695104-7
	Guangdong Dongfang Power Station Equipment Co., Ltd)	Manufacture and sales of products	190323512
	DEC International Corporation Co., Ltd	Manufacture and sales of products	20183938-X
	DEC Project Cargo Logistics Co., Ltd	Logistics	660499803
	Deyang Dongfang Aberle System Corporation Limited	Manufacture and sales of products	7523158943
	Dongqi Investment and Development Co., Ltd	Rendering of services	79396893-4
	Dongfang Electric Corporation Materials Co., Ltd	Manufacture and sales of products	20182555-1
	DEC Henan Station Auxiliary Equipment Co., Ltd	Manufacture and sales of products	17492080-0
	DEC Emei Semiconductor Materials Co., Ltd	Manufacture and sales of products	20745435-X
	DEM Real Estate Development Co., Ltd	Rendering of services	73834699-9



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	Name of related parties	Principal activities	Organization code
	DEC (Yixing) Magi solar Co., Ltd	sales of products and service	68050543-1
	DEM Metal Component Co., Ltd	Manufacture and sales of products	21425869-9
	Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	Manufacture and sales of products	735885911
	Dongqi Hospital	Medical and health services	74003577-8
	DEC(Sichuan) Property Management Co., Ltd	Property management	711888800
	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	Procurement	72031207-X
	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	Procurement	68613241-0
	Leshan Dongfeng Casting and Forging Co., Ltd	Procurement	72089811-1
	Deyang Dongqi Science & Technology Industrial Company	Procurement	20510113-9
(2) Investors with significant influence			
	China Western Power Industrial Co., Ltd	Procurement	76230685-8
	Envirotherm GmbH Essen, Germany	Procurement	
	Alstom Power Turbo Machines	Manufacture and sales of products	17771651-4
	Guangdong Yudean Group Co., Ltd	Procurement	73048602-2
3. Others			
	Directors and the management		

**2. Related Party Transactions****2.1 Pricing Strategies and Approval Process of Transactions**

Pricing policy of related party transaction is the adoption of market price , if market price is not available, cost-plus pring would be adopted; Neither the

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

market price is suitable; pricing should be according to the agreement.

Transactions between related person less than RMB 300,000.00, or transactions between related party less than RMB 3,000,000.00 or 0.5% of audited net assets would be approved by the CEO office.

Transactions between related person higher than RMB 300,000.00, or transactions between related party higher than RMB 3,000,000.00 or between 0.5% - 5% of audited net assets would be approved by the board of directors.

Transactions between related parties higher than RMB 3,000,000.00 and more than 5% of audited net assets would be approved by the general meeting of shareholders.

### 2.2 Purchase of goods

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
<b>Immediate parent and ultimate parent</b>	960,000.00	0.01	1,800,000.00	0.01
Including: China Dongfang Electric Corporation	960,000.00	0.01	1,800,000.00	0.01
<b>Associates:</b>	426,567,733.40	2.83	475,875,461.86	2.69
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	426,567,733.40	2.83	475,875,461.86	2.69
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	1,250,128,580.05	8.34	1,669,043,408.88	9.42
Including: Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	633,220,233.84	4.20	956,974,861.84	5.40
Dongfang Electric Corporation Materials Co., Ltd	351,834,090.33	2.34	502,299,883.99	2.84
Deyang Dongfang Aberle System Corporation Limited	64,069,458.01	0.43	69,364,758.18	0.39
DEC Henan Station Auxiliary Equipment Co., Ltd	68,585,323.07	0.46	36,902,173.13	0.21

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	56,944,796.00	0.38	59,997,264.96	0.34
DEC (Yixing) Magi solar Co., Ltd	49,338,568.22	0.33		
DEC Project Cargo Logistics Co., Ltd	22,420,301.60	0.15	1,639,340.00	0.01
DEC Dongfeng Electric Machinery Co., Ltd	2,303,733.84	0.02	28,943,385.19	0.16
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	1,125,358.97	0.01		
DEC International Corporation Co., Ltd	232,876.86	0.01	12,921,741.59	0.07
Leshan Dongfeng Casting and Forging Co., Ltd	53,839.31	0.01		
<b>Investors with significant influence</b>	<b>65,098,764.38</b>	<b>0.43</b>	<b>9,478,632.47</b>	<b>0.05</b>
Including: China Western Power Industrial Co., Ltd	63,635,911.16	0.42	9,478,632.47	0.05
Guangdong Yudean Group Co., Ltd	1,462,853.22	0.01		
<b>Total</b>	<b>1,742,755,077.83</b>	<b>--</b>	<b>2,156,197,503.21</b>	<b>--</b>

### 2.3 Receiving of services

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
<b>Immediate parent and ultimate parent</b>	<b>10,766,000.00</b>	<b>5.64</b>	<b>9,370,000.00</b>	<b>4.44</b>
Including:China Dongfang Electric Corporation	10,766,000.00	5.64	9,370,000.00	4.44
<b>Associates:</b>	<b>5,924,447.71</b>	<b>3.11</b>	<b>11,799,800.00</b>	<b>5.60</b>
Including: Leshan East Lok bulky Co., Ltd	4,232,140.00	2.22	4,754,800.00	2.26

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
Babcock-Hitachi Dongfang Boiler Co., Ltd	1,692,307.71	0.89	7,045,000.00	3.34
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	112,002,027.47	58.72	156,877,860.97	41.52
Including:DEC Project Cargo Logistics Co., Ltd	61,186,539.65	32.07	70,263,705.03	0.44
Dongqi Hospital	18,887,432.60	9.90	21,030,595.09	9.97
DEC Dongfeng Electric Machinery Co., Ltd	10,275,213.68	5.39		
DEC(Sichuan) Property Management Co., Ltd	6,330,737.00	3.32	4,701,072.12	2.23
Dongfang Boiler Works	5,486,320.00	2.88	7,332,300.00	3.48
Dongqi Investment and Development Co., Ltd	5,000,000.00	2.62	41,694,162.40	19.77
Dongfang Electric Corporation Materials Co., Ltd	2,494,779.27	1.31	1,830,756.51	0.87
Dongfang Electric Corporation Materials Co., Ltd	1,670,259.91	0.88	2,207,748.47	1.05
DEC International Corporation Co., Ltd	670,745.36	0.35	5,903,832.72	2.80
Guangdong Corporation			400,000.00	0.19
DEM Real Estate Development Co., Ltd			9,829.66	0.01
Deyang Dongfang Aberle System Corporation Limited			1,503,858.97	0.71
<b>Investors with significant influence</b>	812,944.20	0.43	1,788,197.20	0.85
Including: Alstom Power Turbo Machines	812,944.20	0.43	1,788,197.20	0.85
<b>Total</b>	<b>129,505,419.38</b>	<b>--</b>	<b>179,835,858.17</b>	<b>--</b>

### 2.4 Interest expenses

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	145,123,632.38	83.19	115,265,699.83	85.94
Including:Dongfang Electric Finance Co., Ltd	145,123,632.38	83.19	115,265,699.83	85.94
<b>Total</b>	<b>145,123,632.38</b>	<b>--</b>	<b>115,265,699.83</b>	<b>--</b>

2.5 Sales of goods

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
<b>Immediate parent and ultimate parent</b>	5,627,083.77	0.02	367,605,427.41	0.87
Including:China Dongfang Electric Corporation	5,627,083.77	0.02	367,605,427.41	0.87
<b>Associates:</b>	36,016,776.98	0.14	35,299,145.32	0.16
Including:Dongfang Areva Nuclear Pump Co., Ltd	30,030,244.75	0.12		
Babcock-Hitachi Dongfang Boiler Co., Ltd	3,145,299.16	0.01	35,299,145.32	0.16
Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou)Co., Ltd	2,841,233.07	0.01		
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	997,509,021.54	3.87	715,960,711.49	1.81
Including: DEC International Corporation Co., Ltd	914,776,366.65	3.52	677,453,501.91	1.60
DEM Metal Component Co., Ltd	29,925,297.34	0.12		
DEC Dongfeng Electric Machinery Co., Ltd	20,548,714.39	0.08	3,384,598.46	0.02

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
Guangdong Corporation	13,982,766.81	0.05	2,928,955.68	0.01
Deyang Dongfang Aberle System Corporation Limited	10,697,519.52	0.04	357,743.60	0.01
Sichuan Dongfang Electric Auto control Engineering Co., Ltd	4,757,232.13	0.02	25,753,066.79	0.12
DEC Henan Station Auxiliary Equipment Co., Ltd	1,102,634.10	0.01	5,252,383.65	0.02
DEM Metal Component Co., Ltd	1,043,276.92	0.01		
DEC Project Cargo Logistics Co., Ltd	589,743.59	0.01	292,830.63	0.01
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	85,470.09	0.01		
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd			518,400.00	0.01
Zhonghe Seawater Desalination Engineering Co., Ltd			19,230.77	0.01
<b>Investors with significant influence</b>	<b>6,232,756.23</b>	<b>0.02</b>	<b>9,059,387.58</b>	<b>0.04</b>
Including: Alstom Power Turbo Machines			5,380,847.42	0.02
China Western Power Industrial Co., Ltd	3,403,697.27	0.01	332,786.33	0.01
Envirotherm GmbH Essen, Germany	2,829,058.96	0.01	3,345,753.83	0.01
<b>Total</b>	<b>1,045,385,638.52</b>	<b>--</b>	<b>1,127,924,671.80</b>	<b>--</b>

### 2.6 Rendering of services

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
<b>Immediate parent and ultimate parent</b>	<b>300,000.00</b>	<b>0.29</b>	<b>21,367.52</b>	<b>0.01</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
Including: China Dongfang Electric Corporation	300,000.00	0.29	21,367.52	0.01
<b>Associates</b>	64,824.19	0.06	40,000.00	0.03
Including: Dongfang Areva Nuclear Pump Co., Ltd	64,824.19	0.06		
Babcock-Hitachi Dongfang Boiler Co., Ltd			40,000.00	0.03
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	32,948,629.19	31.70	38,946,190.81	12.80
Including: Dongqi Investment and Development Co., Ltd	29,760,000.00	28.64		
DEM Metal Component Co., Ltd			29,463,765.18	6.22
Deyang Dongfang Aberle System Corporation Limited	892,811.55	0.86	999,489.85	0.69
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	832,074.99	0.80		
DEC International Corporation Co., Ltd	773,666.67	0.74	2,143,547.01	1.48
DEC Dongfeng Electric Machinery Co., Ltd	511,669.70	0.49	26,900.00	0.02
DEC Henan Station Auxiliary Equipment Co., Ltd	114,400.00	0.11	85,000.00	0.06
DEC (Yixing) Magi solar Co., Ltd	50,854.70	0.05		
DEC Emei Semiconductor Materials Co., Ltd	13,151.58	0.01	14,258.00	0.01
Guangdong Corporation			529,914.53	0.37
Dongfang Electric Corporation Materials Co., Ltd			5,683,316.24	3.92
<b>Investors with significant influence</b>	2,233.00	0.01	2,407,001.82	1.66

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
China Western Power Industrial Co., Ltd	2,233.00	0.01	2,407,001.82	1.66
<b>Total</b>	<b>33,315,686.38</b>	<b>--</b>	<b>41,414,560.15</b>	<b>--</b>

2.7 Interesting income

Types and Names of Related parties	2012		2011	
	Amount	Proportion(%)	Amount	Proportion(%)
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	146,658,766.83	81.44	188,850,716.46	79.97
Including: Dongfang Electric Finance Co., Ltd	146,658,766.83	81.44	188,850,716.46	79.97
<b>Total</b>	<b>146,658,766.83</b>	<b>--</b>	<b>188,850,716.46</b>	<b>--</b>

2.8 Lease

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Recognized lease income in 2012
Dongfang Boiler Group Co., Ltd	Babcock-Hitachi Dongfang Boiler Co., Ltd	Land use right, buildings and equipments	1 -Jan-2009	31-Dec-2013	Price agreement	1,594,222.52
<b>Total</b>						<b>1,594,222.52</b>

2.9 Rental



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Recognized lease expenses in 2012
Dongfang Boiler Works	Dongfang Boiler Group Co., Ltd	Buildings and equipments	1-Jan-2012	31-Dec-2012	Price agreement	5,434,800.00
China Dongfang Electric Corporation	Dongfang Boiler Group Co., Ltd	Buildings	1-Jan-2012	31-Dec-2012	Price agreement	4,372,560.00
DEC Project Cargo Logistics Co., Ltd	Alstom Power Turbo Machines	Motors and vehicles	1-Jan-2012	31-Dec-2012	Price agreement	56,860.00
Dongfang Electric works	Dongfang Electric Machinery Co., Ltd	Plants , land and equipments	1-July-2009	30-June-2014	Price agreement	18,974,188.16
China Dongfang Electric Corporation	The Company	Buildings	1-Jan-2012	31-Dec-2012	Price agreement	24,540,000.00
<b>Total</b>						<b>53,378,408.16</b>

### 2.10 Assets transferred between related parties

Name of related parties	Type of related transaction	2012		2011	
		Amount	Proportion (%)	Amount	Proportion (%)
Dongfang Electric works	Land purchased by Dongfang Electric Machinery Co., Ltd	15,785,844.82	100.00		

### 2.11 Details of guarantee between related parties

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Guarantor	Guarantee	Amount (RMB 10k)	Start date	End date	Whether complete the guarantee
Dongqi Investment and Development Co., Ltd	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	5,000.00	31-Oct- 2012	30-Oct-2014	No

### 2.12 Borrowings between related parties

Name of related parties	Amount (RMB )	Start Date	End Date	Borrowers
Dongfang Electric Finance Co., Ltd	20,000,000.00	2010-02-21	2012-02-21	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	30,000,000.00	2009-11-09	2012-11-09	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	15,000,000.00	2011-05-12	2012-05-12	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	30,000,000.00	2010-02-21	2013-02-20	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	20,000,000.00	2012-05-18	2013-05-17	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	15,000,000.00	2012-11-05	2013-11-04	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	10,000,000.00	2012-07-05	2013-07-04	Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd
Dongfang Electric Finance Co., Ltd	15,000,000.00	2011-02-16	2012-02-16	Shenzhen Dongfang Boiler Control Co., Ltd
Dongfang Electric Finance Co., Ltd	15,000,000.00	2011-10-26	2012-10-26	Shenzhen Dongfang Boiler Control Co., Ltd
Dongfang Electric Finance Co., Ltd	15,000,000.00	2012-02-24	2013-02-24	Shenzhen Dongfang Boiler Control Co., Ltd
Dongfang Electric Finance Co., Ltd	15,000,000.00	2012-09-26	2013-09-26	Shenzhen Dongfang Boiler Control Co., Ltd
Dongfang Electric Finance Co., Ltd	500,000,000.00	2012-03-31	2012-08-12	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-06-12	2012-09-12	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-08-16	2012-12-12	Dongfang Turbine Co., Ltd

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name of related parties	Amount (RMB )	Start Date	End Date	Borrowers
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-08-22	2012-12-12	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	100,000,000.00	2012-06-18	2013-06-18	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-06-26	2013-06-26	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-07-17	2013-07-17	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-08-02	2013-08-02	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-08-16	2013-08-16	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-10-15	2013-10-15	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	200,000,000.00	2012-10-23	2013-10-23	Dongfang Turbine Co., Ltd
Dongfang Electric Finance Co., Ltd	30,000,000.00	2012-10-25	2013-10-25	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd., repaid
Dongfang Electric Finance Co., Ltd	30,000,000.00	2012-06-12	2013-06-12	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd., repaid
Dongfang Electric Finance Co., Ltd	30,000,000.00	2012-07-06	2013-07-06	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd., repaid
Dongfang Electric Finance Co., Ltd	20,000,000.00	2011-01-13	2012-01-13	Alstom Power Turbo Machines
Dongfang Electric Finance Co., Ltd	20,000,000.00	2012-01-17	2013-01-17	Alstom Power Turbo Machines
Dongfang Electric Finance Co., Ltd	10,000,000.00	2012-04-19	2013-04-19	Alstom Power Turbo Machines
Dongfang Electric Finance Co., Ltd	50,000,000.00	2011-06-28	2014-06-28	Alstom Power Turbo Machines
Dongfang Electric Finance Co., Ltd	20,000,000.00	2011-07-06	2014-07-06	Alstom Power Turbo Machines
Dongfang Electric Finance Co., Ltd	50,000,000.00	2012-06-04	2012-06-15	Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd
Dongfang Electric Finance Co., Ltd	80,000,000.00	2012-07-19	2013-01-19	Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd
Dongfang Electric Finance Co., Ltd	50,000,000.00	2012-08-02	2013-02-02	Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name of related parties	Amount (RMB )	Start Date	End Date	Borrowers
Dongfang Electric Finance Co., Ltd	100,000,000.00	2012-10-25	2013-04-25	Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd
Dongfang Electric Finance Co., Ltd	100,000,000.00	2012-11-23	2013-06-23	Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd
Dongfang Electric Finance Co., Ltd	10,000,000.00	2012-04-12	2012-10-12	Dongfang Electric Machinery Co., Ltd
Dongfang Electric Finance Co., Ltd	10,000,000.00	2012-06-18	2013-06-17	Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd
Dongfang Electric Finance Co., Ltd	10,000,000.00	2011-06-16	2012-06-16	Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd
Dongfang Electric Finance Co., Ltd	20,000,000.00	2011-12-30	2012-12-30	Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd
Dongfang Electric Finance Co., Ltd	50,000,000.00	2011-10-27	2012-10-27	Hangzhou new Energy Company
Dongfang Electric Finance Co., Ltd	50,000,000.00	2012-11-07	2013-11-07	Hangzhou new Energy Company
Dongfang Electric Finance Co., Ltd	193,955,625.44			Discount trade acceptance notes with resource
<b>Total</b>	<b>3,533,955,625.44</b>			

### 2.13 Key management's emoluments

Items	2012	2011
Key management's emoluments	8,595,529.64	6,812,500.00

#### 2.13.1 Directors' and supervisors' emoluments

The emoluments paid or payable to each of the directors and supervisors are as follows at the year ended 31 December 2012

Name	Director and Supervisor fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
<b>Directors</b>					
Si Zefu		291,884.00	336,000.00	49,704.63	677,588.63

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>:Name</b>	<b>Director and Supervisor fees</b>	<b>Salaries, allowance and benefits</b>	<b>Performance salary</b>	<b>Social insurance</b>	<b>Total</b>
Zhang xiaolun		265,884.00	302,400.00	45,407.13	613,691.13
Wen Shugang		265,884.00	302,400.00	45,419.71	613,703.71
Huang Wei		260,684.00	295,680.00	44,463.47	600,827.47
Zhu Yuanchao		260,684.00	295,680.00	46,595.08	602,959.08
Zhang jilie		252,884.00	285,600.00	43,260.64	581,744.64
Li Yanmeng	63,235.29				63,235.29
Zhao Chunjun	63,235.29				63,235.29
Peng Shaobing	63,235.29				63,235.29
<b>Supervisors</b>					-
Wen Bingyou*		260,684.00	295,680.00	45,522.77	601,886.77
Wen Limin*		260,684.00	295,680.00	44,234.50	600,598.50
Wang Congyuan		431,697.98	-	21,031.73	452,729.71
<b>Total</b>	<b>189,705.87</b>	<b>2,550,969.98</b>	<b>2,409,120.00</b>	<b>385,639.66</b>	<b>5,535,435.51</b>

At the year ended 31 December 2011

<b>Name</b>	<b>Director and Supervisor fees</b>	<b>Salaries, allowance and benefits</b>	<b>Performance salary</b>	<b>Social insurance</b>	<b>Total</b>
<b>Directors</b>					
Si Zefu		284,996.00	318,000.00	49,704.63	652,700.63

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Director and Supervisor fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
Zhang xiaolun		258,996.00	286,200.00	45,407.13	590,603.13
Wen Shugang		258,996.00	286,200.00	45,419.71	590,615.71
Huang Wei		253,796.00	279,840.00	44,463.47	578,099.47
Zhu Yuanchao		253,796.00	279,840.00	46,595.08	580,231.08
Zhang jilie		245,996.00	270,300.00	43,260.64	559,556.64
Li Yanmeng	63,235.29				63,235.29
Zhao Chunjun	63,235.29				63,235.29
Peng Shaobing	63,235.29				63,235.29
<b>Supervisors</b>					
Wen Bingyou*					
Wen Limin*					
Wang Congyuan		303,930.75	142,388.00	21,031.73	467,350.48
<b>Total</b>	<b>189,705.87</b>	<b>1,860,506.75</b>	<b>1,862,768.00</b>	<b>295,882.39</b>	<b>4,208,863.01</b>

\*Emoluments paid by DEC

### 2.13.2 Top 5 of key management's emoluments

Included in key management's emoluments 1 of top 5 directors (2011:3) is disclosed as above, the emoluments of remaining 4 directors (2011: 2) is as follows:

Items	2012	2011
Salaries, allowance and benefits	927,536.00	449,992.00

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	2012	2011
Performance salary	1,470,600.00	649,600.00
Social insurance	129,728.78	68,646.70
<b>Total</b>	<b>2,527,864.78</b>	<b>1,168,238.70</b>

No director waived and agreed to waive any emoluments paid by the Group during the years ended 31 December 2012 and 2011, and none of director's emolument exceeds HKD 1 million.

### 3. Cash between related parties

#### 3.1 Cash deposited in related parties

Name of related parties	Currency	31-Dec-2012 (RMB)	31-Dec-2011 (RMB)
Enterprises under the same immediate and ultimate parent company			
including: Dongfang Electric Finance Co., Ltd	CNY	5,631,934,815.25	6,569,506,453.75
Dongfang Electric Finance Co., Ltd	USD	765,554,764.17	109,618,533.21
Dongfang Electric Finance Co., Ltd	EUR	22,337,914.25	26,754,339.31
<b>Total</b>		<b>6,419,827,493.67</b>	<b>6,705,879,326.27</b>

#### 3.2 Notes receivable between related parties

Name of related parties	Dec-31-2012	Dec-31-2011
<b>Other enterprises under the control of the same parent company</b>		
Including: DEC Dongfeng Electric Machinery Co., Ltd	150,000.00	
<b>Total</b>	<b>150,000.00</b>	

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 3.3 Accounts receivable between related parties

Name of related parties	2012		2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Immediate parent and ultimate parent</b>	56,752,334.00	21,741,472.55	144,891,884.17	28,371,408.91
Including: China Dongfang Electric Corporation	56,752,334.00	21,741,472.55	144,891,884.17	28,371,408.91
<b>Associates</b>	10,549,246.15	663,462.31	4,130,000.00	206,500.00
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	3,088,000.00	290,400.00	4,130,000.00	206,500.00
Dongfang Areva Nuclear Pump Co., Ltd	7,461,246.15	373,062.31		
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	982,637,836.39	310,741,759.18	863,193,448.17	199,068,169.70
Including: DEC International Corporation Co., Ltd	900,260,801.20	281,375,693.09	763,532,893.38	182,228,594.65
Zhonghe Seawater Desalination Engineering Co., Ltd	22,284,100.00	9,902,050.00		
Guangdong Corporation	18,669,764.12	12,450,308.17	18,232,001.12	11,269,747.25
DEC Emei Semiconductor Materials Co., Ltd	17,799,525.12	3,488,066.26	17,784,137.77	1,764,816.89
Sichuan Dongfang Electric Auto control Engineering Co., Ltd	10,793,508.90	539,675.45	18,773,884.67	938,694.23
DEC Dongfeng Electric Machinery Co., Ltd	4,193,948.76	221,247.44	630,562.12	34,778.11
Dongfang Electric Corporation Materials Co., Ltd	3,344,889.39	614,894.47	8,092,688.89	632,475.88
Deyang Dongqi Science & Technology Industrial Company	2,480,400.00	1,240,200.00		
Dongfang Electric works	1,334,975.46	835,828.12	1,407,349.46	462,066.15



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name of related parties	2012		2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongqi Investment and Development Co., Ltd	1,301,839.54	65,091.98		
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	108,613.90	5,430.70		
DEC (Yixing) Magi solar Co., Ltd	59,500.00	2,975.00		
Dongqi Hospital	5,970.00	298.50		
DEC Project Cargo Logistics Co., Ltd			264,625.50	13,231.28
Deyang Dongfang Aberle System Corporation Limited			2,700.00	135.00
DEM Metal Component Co., Ltd			34,472,605.26	1,723,630.26
<b>Investors with significant influence</b>	<b>32,002,766.39</b>	<b>5,288,386.29</b>	<b>31,428,208.42</b>	<b>2,727,331.28</b>
Including: Alstom Power Turbo Machines	28,528,600.00	5,111,859.72	28,528,600.00	2,555,929.86
Envirotherm GmbH Essen, Germany	3,404,166.36	173,026.57	1,981,828.39	99,091.42
China Western Power Industrial Co., Ltd	70,000.03	3,500.00	917,780.03	72,310.00
<b>Total</b>	<b>1,081,942,182.93</b>	<b>338,435,080.33</b>	<b>1,043,643,540.76</b>	<b>230,373,409.89</b>

3.4 Others receivable between related parties

Name of related parties	2012		2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Immediate parent and ultimate parent</b>	<b>20,219,602.29</b>	<b>5,511,142.24</b>	<b>19,768,918.22</b>	<b>4,488,445.91</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name of related parties	2012		2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Including: China Dongfang Electric Corporation	20,219,602.29	5,511,142.24	19,768,918.22	4,488,445.91
<b>Associates</b>			2,272,663.90	533,972.30
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd			734,160.32	36,708.02
Dongfang Areva Nuclear Pump Co., Ltd			1,538,503.58	497,264.28
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	36,734,934.68	2,095,926.32	16,867,405.22	898,064.87
Including: Dongqi Investment and Development Co., Ltd	32,928,810.32	1,714,390.52	453,000.00	45,300.00
Dongfang Electric works	1,700,335.86	147,074.40	1,241,152.20	62,057.61
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd	1,537,786.50	122,193.50	733,283.41	36,664.17
DEM Real Estate Development Co., Ltd	558,777.00	111,755.40	558,777.00	55,877.70
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	9,225.00	512.50	1,025.00	51.25
DEC Dongfeng Electric Machinery Co., Ltd			82,115.20	8,211.52
DEC International Corporation Co., Ltd			13,798,052.41	689,902.62
<b>Total</b>	<b>56,954,536.97</b>	<b>7,607,068.56</b>	<b>38,908,987.34</b>	<b>5,920,483.08</b>

3.5 Prepayments between related parties

Name of related parties	2012		2011	
	Amount	Provision for bad	Amount	Provision for bad
<b>Immediate parent and ultimate parent</b>	729,495.33		60,000.00	

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name of related parties	2012		2011	
	Amount	Provision for bad	Amount	Provision for bad
including: China Dongfang Electric Corporation	729,495.33		60,000.00	
<b>Associates</b>	30,325,601.61		7,345,099.00	
Including: Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	23,361,416.59		7,345,099.00	
Babcock-Hitachi Dongfang Boiler Co., Ltd	6,964,185.02			
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	183,794,891.60		116,921,820.38	
Including: DEC Dongfeng Electric Machinery Co., Ltd	62,713,442.00		44,334,323.50	
Dongfang Electric Corporation Materials Co., Ltd	60,335,271.50		19,774,538.90	
DEC International Corporation Co., Ltd	32,962,515.20		32,773,639.00	
DEC (Yixing) Magi solar Co., Ltd	12,300,000.00			
DEC Project Cargo Logistics Co., Ltd	8,936,750.00		3,659,390.00	
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	5,413,709.40		2,438,000.00	
DEC Henan Station Auxiliary	1,012,000.00		11,421,614.45	
Deyang Dongfang Aberle System Corporation Limited	121,203.50		2,520,314.53	
<b>Total</b>	<b>214,849,988.54</b>		<b>124,326,919.38</b>	

3.6 Interests receivable between related parties

Name of related parties	Dec-31-2012
<b>Other enterprises under the control of the same parent company</b>	61,740,939.07

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Name of related parties</b>	<b>Dec-31-2012</b>
Including: Dongfang Electric Finance Co., Ltd	61,740,939.07
<b>Total</b>	<b>61,740,939.07</b>

3.7 Short borrowings between related parties

<b>Name of related parties</b>	<b>Dec-31-2012</b>	<b>Dec-31-2011</b>
<b>Other enterprises under the control of the same parent company and ultimate parent</b>		
Including: Dongfang Electric Finance Co., Ltd	2,078,955,625.44	1,795,000,000.00
<b>Total</b>	<b>2,078,955,625.44</b>	<b>1,795,000,000.00</b>

3.8 Notes payable between related parties

<b>Name of related parties</b>	<b>2012</b>	<b>2011</b>
<b>Associates</b>	79,500,000.00	36,000,000.00
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	77,000,000.00	36,000,000.00
Leshan East Lok bulky Co., Ltd	2,500,000.00	
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	284,243,943.17	496,129,794.98
Including: Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	126,345,028.48	
Dongfang Electric Corporation Materials Co., Ltd	57,287,279.27	44,250,000.00
DEC Project Cargo Logistics Co., Ltd	31,596,048.51	8,081,133.00
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	24,000,000.00	

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name of related parties	2012	2011
DEC Henan Station Auxiliary Equipment Co., Ltd	20,142,000.00	10,000,000.00
Dongfang Electric works	15,341,662.91	
DEC Dongfeng Electric Machinery Co., Ltd	6,158,400.00	
Deyang Dongfang Aberle System Corporation Limited	2,973,524.00	
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	400,000.00	1,500,000.00
Dongfang Electric Finance Co., Ltd		432,298,661.98
<b>Investors with significant influence</b>	6,000,000.00	
Including: China Western Power Industrial Co., Ltd	6,000,000.00	
<b>Total</b>	<b>369,743,943.17</b>	<b>532,129,794.98</b>

### 3.9 Accounts payable between related parties

Name of related parties	2012	2011
<b>Immediate parent and ultimate parent</b>	711,600.00	603,000.00
including: China Dongfang Electric Corporation	711,600.00	603,000.00
<b>Associates</b>	48,708,922.59	75,867,399.23
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	48,708,922.59	74,395,159.23
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou)		1,472,240.00
<b>Other enterprises under the control of the same parent company</b>	511,115,817.12	891,168,306.93
Including: Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	245,864,048.71	380,428,072.65
Dongfang Electric Corporation Materials Co., Ltd	105,889,931.08	181,567,105.03

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name of related parties	2012	2011
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	65,613,167.75	65,796,222.95
Dongqi Investment and Development Co., Ltd	26,406,749.32	204,400,230.39
DEC Project Cargo Logistics Co., Ltd	16,208,509.77	7,990,619.37
DEC International Corporation Co., Ltd	10,790,822.20	24,029,450.30
Dongqi Hospital	10,267,115.48	6,614,157.97
Deyang Dongfang Aberle System Corporation Limited	9,966,964.68	928,767.00
Dongfeng Electric Machinery Co., Ltd	8,250,762.70	4,257,706.65
DEC Henan Station Auxiliary Equipment Co., Ltd	8,116,145.42	9,959,864.35
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	3,741,600.01	5,152,503.01
Dongfang Electric works		34,454.57
Leshan Dongfeng Casting and Forging Co., Ltd		9,152.69
<b>Investors with significant influence</b>	66,199,710.92	70,651,804.28
Including: China Western Power Industrial Co., Ltd	64,736,857.70	70,651,804.28
Guangdong Yudean Group Co., Ltd	1,462,853.22	
<b>Total</b>	<b>626,736,050.63</b>	<b>1,038,290,510.44</b>

### 3.10 Others payable between related parties

Name of related parties	2012	2011
<b>Immediate parent and ultimate parent</b>	1,391,974,400.76	1,307,710,535.78
Including: China Dongfang Electric Corporation	1,391,974,400.76	1,307,710,535.78

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name of related parties	2012	2011
<b>Associates</b>	200,000.00	200,000.00
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	200,000.00	200,000.00
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	42,961,734.87	42,755,298.69
Including: Dongfang Boiler Works	33,672,840.00	38,520,335.47
Dongqi Investment and Development Co., Ltd	5,237,100.00	37,100.00
DEC Project Cargo Logistics Co., Ltd	1,900,000.00	750,000.00
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	1,551,794.87	2,847,863.22
Guangdong Corporation	200,000.00	200,000.00
Dongfang Electric Corporation Materials Co., Ltd	200,000.00	200,000.00
DEC Henan Station Auxiliary Equipment Co., Ltd	200,000.00	200,000.00
<b>Investors with significant influence</b>	9,150,723.13	9,514,792.02
Including: Alstom Power Turbo Machines	5,609,193.57	4,863,349.11
Envirotherm GmbH Essen, Germany	3,041,529.56	3,951,442.91
China Western Power Industrial Co., Ltd	500,000.00	700,000.00
<b>Total</b>	<b>1,444,286,858.76</b>	<b>1,360,180,626.49</b>

### 3.11 Advance from customers between related parties

Name of related parties	2012	2011
<b>Immediate parent and ultimate parent</b>	59,790,104.50	289,129,694.92

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Name of related parties</b>	<b>2012</b>	<b>2011</b>
Including: China Dongfang Electric Corporation	59,790,104.50	289,129,694.92
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	669,013,956.39	996,009,038.73
Including: DEC International Corporation Co., Ltd	667,073,561.79	993,994,872.04
Guangdong Corporation	948,230.20	633,825.20
DEC Emei Semiconductor Materials Co., Ltd	375,900.00	375,900.00
Deyang Dongfang Aberle System Corporation Limited	313,346.00	313,346.00
DEC Dongfeng Electric Machinery Co., Ltd	302,400.00	319,000.00
Dongfang Electric works	518.40	518.40
Dongfang Electric Corporation Materials Co., Ltd		79,510.00
DEM Metal Component Co., Ltd		290,598.29
DEM Real Estate Development Co., Ltd		1,468.80
<b>Total</b>	<b>728,804,060.89</b>	<b>1,285,138,733.65</b>

## 3.12 Dividends payable between related parties

<b>Name of related parties</b>	<b>2012</b>	<b>2011</b>
<b>Investors with significant influence</b>	365,662.57	283,442.57
Including: China Western Power Industrial Co., Ltd	365,662.57	283,442.57
<b>Total</b>	<b>365,662.57</b>	<b>283,442.57</b>

## 3.13 Long-term borrowings maturing within one year between related parties



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name of related parties	2012	2011
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	30,000,000.00	50,000,000.00
Including: China Western Power Industrial Co., Ltd	30,000,000.00	50,000,000.00
<b>Total</b>	<b>30,000,000.00</b>	<b>50,000,000.00</b>

### 3.14 Long-term borrowings

Name of related parties	2012	2011
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	70,000,000.00	70,000,000.00
Including: China Western Power Industrial Co., Ltd	70,000,000.00	70,000,000.00
<b>Total</b>	<b>70,000,000.00</b>	<b>70,000,000.00</b>

## VIII. Plan of Dividend paid

1. The plan of stock appreciation right of H shares has approved in the 1st domestic shareholders class meeting on Dec 14, 2012. It is mainly involving three parts:

1.1 The plan of stock appreciation right is valid for 5 years starting the right first granted. If the group performs well, the stock appreciation right can be vested and the holders can receive the amount of the increase in cash or shares at three times.

1.2 The conditions which can get the right including three parts: first, EVA should exceed 2.2 billion; second, the growth rate of revenue is not less than 9.00%; Third, ROE must be higher than 13%.

1.3 There are three terms about the right exercised: First, EVA should exceed 2.4 billion, Second, the growth rate of revenue is not less than 9.00%; Third, ROE should not be below 13% , equaling to the same industry level at least

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

The board of the group has confirmed the day as the first grant date on Dec 14, 2012 according to shareholders class meeting, the value is HKD15.14 per shares in basis of the closing price of H shares. Until Dec 31, 2012, the amount is 16,260,000 shares received by 175 staffs. It is involving 11 directors and senior managers, 164 key managers and staffs.

### 2. Accounting method on stock appreciation right first granted

Item	Condition
Fair value of liabilities confirmed by shares	BS-model
Accumulated liabilities produced by cash payment	1,348,975.47
Cost confirmed by cash payment	1,348,975.47

## IX.Contingencies liabilities

1.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 Arbitration Institute of Stockholm Chamber of Commerce made the judgment that Dongfang Boiler should pay USD 4,815,000.00 nomination commission and unpaid USD 1,520,000.00 commission to USFW, meanwhile USFW return USD 1,117,000.00 to Dongfang Boiler as technology license fee and DEC take joint liability. DEC, Dongfang Boiler and DBF sued at the Svea Court of Appeal for revocating the judgment mentioned above. As at the date of this financial report, the case is still pending for judgment. Dongfang Boiler Group Co, Ltd has confirmed the estimated liabilities RMB 53,197,144.96 according to the judgment of the Arbitration Institute of Stockholm Chamber of Commerce until Dec 31, 2012

At the same time, U.S. Foster Wheeler has required the compensation of 14 other projects to the Arbitration Institute of Stockholm Chamber of Commerce on Feb 18,2013. The DEC believes above projects mentioned can meet the agreement and offer evidences from technology, commercial matters and law actively. And till now, the Arbitration Institute of Stockholm Chamber of Commerce has not made the decision on the case.

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

2. Power project of Saudi Arabia Rabigh is tender by the DEC as the union on July 2009. The DEC is responsible for supplying the machine and technology.

After the 1#unit completed, there is problem in boiler which cannot be finished on time. According to the agreement with customer, this problem had been solved in July 2012, the 1#unit and 2#unit also was used in Dec, 2012 and Jan 2013. The customer requires the DEC for compensation. By the year ended, the group is communicating and negotiating with the customer for settlement

3. Apart from mentioned above, there is no other significant contingency liabilities up till 31 December 2012.

### X. Commitments

1. Significant commitments

1.1 Commitment on Capital Expenditure

The balance of investment expenditures of contracts already signed that have not fully fulfilled at the year ended is 96,098.68, and the details are as below:

Items	Contract sum (RMB 10K)	Amount paid (RMB 10K)	Amount to be paid (RMB 10K)	Tentative investment period	Notes
Construction projects	112,176.25	57,045.82	55,130.43	2013-2014	
Equipments	74,954.72	41,028.65	33,926.07	2013-2014	
Techniques	8,766.98	1,724.80	7,042.18	2013-2014	
<b>Total</b>	<b>195,897.95</b>	<b>99,799.27</b>	<b>96,098.68</b>		

1.2 Lease contracts already signed and the financial effect

The details of balance of irrevocable operating lease and finance lease at the year ended are as below:

Period	Dec-31-2012	Dec-31-2011
Within 1 year	26,972,900.82	30,195,003.48

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Period	Dec-31-2012	Dec-31-2011
1-2 year	21,610,410.16	20,162,591.88
2-3 year	2,184,627.04	19,668,846.28
Over 3 years	3,428,917.98	
<b>Total</b>	<b>54,196,856.00</b>	<b>70,026,441.64</b>

### 1.3 Other significant financial commitments

The balance at the year ended of irrevocable letter of credit is RMB 2,346,793,298.16 including: the Renminbi letter of credit balance of 25,305,876.00, the US Dollar letter of credit balance of 84,919,937.36(Renminbi of 533,764,266.28), the EURO letter of credit balance of 102,040,249.82 (Renminbi of 848,729,981.90), the Japanese Yen letter of credit balance of 12,609,116,582.00 (Renminbi of 921,083,357.20, the Swiss Franc letter of credit balance of 346,888.77(Renminbi of 2,366,440.50), the British Pound letter of credit balance of 485,000.00(Renminbi of 4,928,133.50) and the HKD letter of credit balance of 13,091,500.00 (Renminbi of 10,615,242.78)

The balance at the year ended of letter of guarantee is RMB 21,943,845,536.82, including: the Renminbi letter of guarantee balance of 15,902,663,125.42, the US Dollar letter of guarantee balance of 893,550,090.63(Renminbi of 5,616,409,094.65), the EURO letter of guarantee balance of 32,144,932.38(Renminbi of 267,368,689.56), the Indian Rupee letter of guarantee balance of 806,943,264.53 (Renminbi of 92,217,476.27) and Pakistan Rupee letter of guarantee balance of 1,037,021,172.80 (Renminbi of 65,187,150.92)

2. Apart from mentioned above, there is no other significant events after balance sheet up till 31 December 2012

## XI.Events after balance sheet date

### 1. Profit distribution plan

By the March 27, 2013, the sixth meeting of the seventh board of directors reviewed and agreed of the 2012 annual profit distribution plan, cash dividends per share of RMB 0.11 (including tax), totaling RMB of 220,424,600.00. This plans still need to submit to the Company's annual general meeting for consideration.

2. Apart from mentioned above, there is no other significant events after balance sheet.

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

**XII..Information of segments**

Segments reporting in 2012

Items	High efficiency and clean energy generation products	New energy	Hydro power and environmental protection equipment	construction services for power stations	Others	Offset	Total
Operating income	28,004,533,259.15	8,976,729,291.99	4,577,778,275.07	5,713,939,724.49	368,404,850.83	9,562,182,891.40	38,079,202,510.13
Including: revenue derived from customers outside the enterprise	20,200,166,742.82	7,664,847,200.75	4,528,310,383.48	5,346,021,372.68	339,856,810.40		38,079,202,510.13
Revenue derived from other segments	7,804,366,516.33	1,311,882,091.24	49,467,891.59	367,918,351.81	28,548,040.43	9,562,182,891.40	
Operating cost	23,319,370,885.11	7,708,074,838.08	3,333,968,739.63	4,907,160,632.99	4,967,372,915.54	8,638,960,752.74	35,596,987,258.61
Operating profit (loss)	4,685,162,374.04	1,268,654,453.91	1,243,809,535.44	806,779,091.50	-4,598,968,064.71	923,222,138.66	2,482,215,251.52
Total assets					108,548,772,886.39	30,221,716,288.57	78,327,056,597.82
Total liabilities					82,387,757,805.86	20,608,216,362.47	61,779,541,443.39
Others							
Depreciation and amortization					1,299,963,209.48		1,299,963,209.48
Capitalized expenses							
Non-cash expenses other than depreciation and amortization							

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Segments reporting in 2011

Items	High efficiency and clean energy generation products	New energy	Hydro power and environmental protection equipment	construction services for power stations	Others	Offset	Total
Operating income	32,190,427,023.62	10,422,484,025.31	3,261,170,475.33	6,441,109,256.50	502,917,156.66	9,901,489,608.24	42,916,618,329.18
Including: revenue derived from customers outside the enterprise	24,483,368,327.91	8,883,542,910.72	3,241,668,377.03	5,834,310,904.92	473,727,808.60		42,916,618,329.18
Revenue derived from other segments	7,707,058,695.71	1,538,941,114.59	19,502,098.30	606,798,351.58	29,189,348.06	9,901,489,608.24	
Operating cost	26,950,586,503.93	8,561,491,366.87	2,688,320,510.98	5,300,553,363.22	5,100,944,983.23	9,041,613,685.01	39,560,283,043.22
Operating profit (loss)	5,239,840,519.69	1,860,992,658.44	572,849,964.35	1,140,555,893.28	-4,598,027,826.57	859,875,923.23	3,356,335,285.96
Total assets					111,229,809,563.68	28,787,083,645.70	82,442,725,917.98
Total liabilities					86,970,704,035.67	19,134,731,895.99	67,835,972,139.68
Others							
Depreciation and amortization					1,228,625,428.22		1,228,625,428.22
Capitalized expenses							

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	High efficiency and clean energy generation products	New energy	Hydro power and environmental protection equipment	construction services for power stations	Others	Offset	Total
Non-cash expenses other than depreciation and amortization							

The total revenue derived from customers outside the enterprise are as followed:

Revenue derived from customers outside the enterprise	2012	2011
China	29,399,641,254.20	36,459,026,757.38
Overseas	8,679,561,255.93	6,457,591,571.80
<b>Total</b>	<b>38,079,202,510.13</b>	<b>42,916,618,329.18</b>

### XIII. Financial instruments and risk management

The Group's major financial instruments include borrowings, accounts receivables, accounts payables, tradable financial assets and transactional financial liabilities, 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.

#### 1. Risk management objectives and policies

##### 1.1 Market risk

##### 1.1.1 Currency risk

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Remminbi, US Dollar, ERUO, PKR and Indian Rupee 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. Apart from foreign currency details as below, the assets and liabilities of the Group is denominated in RMB.

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:

Items	31- Dec- 2012 (RMB)					
	USD	PKR	INR	EUR	Others	Total
<b>Assets</b>						
Cash	1,460,832,756.13	81,538,173.99	27,993,507.70	44,605,192.85	28,949,818.67	1,643,919,449.34
Derivative financial assets	4,687,420.24					4,687,420.24
Accounts receivables	840,844,739.30		17,211,593.54	44,190,918.56		902,247,251.40
Other receivables	648,305.33	18,529,439.83	877,409.65	1,962.12	35,104.99	20,092,221.92
<b>Total</b>	<b>2,307,013,221.00</b>	<b>100,067,613.82</b>	<b>46,082,510.89</b>	<b>88,798,073.53</b>	<b>28,984,923.66</b>	<b>2,570,946,342.90</b>
<b>Liabilities</b>						
Derivative financial liabilities	25,830,967.05					25,830,967.05
Accounts payables	29,937,497.52			2,183,458.42	49,845,621.56	81,966,577.50
Other payables	4,661,263.38	53,273.69	2,774,486.92	3,041,529.56	9,246,462.26	19,777,015.81
<b>Total</b>	<b>60,429,727.95</b>	<b>53,273.69</b>	<b>2,774,486.92</b>	<b>5,224,987.98</b>	<b>59,092,083.82</b>	<b>127,574,560.36</b>

(Continue)



## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	31- Dec- 2011 (RMB)					
	USD	PKR	INR	EUR	Others	Total
<b>Assets</b>						
Cash	672,786,387.51	85,847,311.60	39,465,290.54	29,963,777.75	622,161.21	828,684,928.61
Derivative financial assets	37,819,739.50					37,819,739.50
Accounts receivables	978,061,469.41		10,255,341.58	40,924,423.71		1,029,241,234.70
Other receivables	333,267.20	20,288,291.78	1,249,939.06		210,466.36	22,081,964.40
<b>Total</b>	<b>1,689,000,863.62</b>	<b>106,135,603.38</b>	<b>50,970,571.18</b>	<b>70,888,201.46</b>	<b>832,627.57</b>	<b>1,917,827,867.21</b>
<b>Liabilities</b>						
Derivative financial	30,643,140.64					30,643,140.64
Accounts payables	34,616,916.00		7,774,944.78	60,921,925.67	50,821,620.80	154,135,407.25
Other payables	4,176,227.26	35,365.37	1,448,832.88	3,951,442.91	1,459.85	9,613,328.27
<b>Total</b>	<b>69,436,283.90</b>	<b>35,365.37</b>	<b>9,223,777.66</b>	<b>64,873,368.58</b>	<b>50,823,080.65</b>	<b>194,391,876.16</b>

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.

### 1.1.2 Interest rate risk—cash flow interest risk

Interest rate risk is mainly related to variable rate borrowings with banks and a financial institution.

### 1.2 Credit risk

As at 31 December 2012, 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 counter-parties provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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consolidated statement of financial position.

In order to reduce 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.

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

4.73% and 12.94% of the balance at year ended of accounts receivable comes from the biggest customer and top 5 customers respectively, so no concentration of credit risk in the Group.

### 1.3 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. The management closely supervises the utilization of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

<b>31-Dec-2012</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Cash	8,960,708,524.63				8,960,708,524.63
Transactional Financial Assets	30,311,323.96				30,311,323.96
Notes Receivable	2,568,756,924.94				2,568,756,924.94
Accounts Receivable	14,991,233,562.34				14,991,233,562.34
Interests Receivable	61,740,939.07				61,740,939.07

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>31-Dec-2012</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Dividends Receivable	136,612.20				136,612.20
Other Receivables	325,693,411.09				325,693,411.09
<b>Total of financial assets</b>	<b>26,938,581,298.23</b>				<b>26,938,581,298.23</b>
Short-term borrowings	2,118,520,012.90				2,118,520,012.90
Transactional Financial Liabilities	25,010,078.21	721,187.13	99,701.71		25,830,967.05
Notes Payable	4,107,094,766.78				4,107,094,766.78
Accounts Payable	13,385,150,089.62				13,385,150,089.62
Other Payables	2,027,341,175.03				2,027,341,175.03
Dividends Payable	2,008,723.98				2,008,723.98
Accrued Payroll	398,694,229.45				398,694,229.45
Non-current Liabilities Maturing Within One Year	54,320,000.00				54,320,000.00
Long-term borrowings		70,000,000.00	55,827,585.21		125,827,585.21
<b>Total of financial liabilities</b>	<b>22,118,139,075.97</b>	<b>70,721,187.13</b>	<b>55,927,286.92</b>		<b>22,244,787,550.02</b>

**2. Fair Value**

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

2.1 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;

2.2 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

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

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2.3 The fair value of derivative financial instrument is determined with reference to quoted market prices.

### XIV. Other significant events

1. Details of national debt investments of Dongfang Boiler Group Co., Ltd

In 2004, Dongfang Boiler Group Co., Ltd RMB 197,173,563.16 of national debts was illegally pledged by China Technology Securities Co., Ltd Chongqing branch. Bank accounts of China Technology Securities Co., Ltd were frozen after report.

Dongfang Boiler Group Co., Ltd received RMB 10,709,456.86 distributed by China Technology Securities bankruptcy liquidation commission on 4 August 2008.

As at the date of this financial report, the remaining compensation was deposited by insolvency administrator of this case.

At the end of the year, 100% of RMB 186,464,106.30 of remaining compensation is totally recognized as provision of bad debts.

2. Lease

2.1 Operating lease

Items	2012	2011
Building	21,856,582.73	23,360,367.00
Land use right	5,622,920.40	5,760,064.80
Machines and equipments	6,074,396.63	7,965,313.19
Vehicles	10,000.00	31,798.35
Office equipment and others	1,938.40	2,735.44
<b>Total</b>	<b>33,565,838.16</b>	<b>37,120,278.78</b>

2.2 Significant minimum operating lease payments

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Remaining lease periods</b>	<b>2012</b>	<b>2011</b>
Within 1 year	26,972,900.82	30,195,003.48
1-2 years	21,610,410.16	20,162,591.88
2-3 years	2,184,627.04	19,668,846.28
Over 3 years	3,428,917.98	
<b>Total</b>	<b>54,196,856.00</b>	<b>70,026,441.64</b>

3. Financial assets and financial liabilities are initially measured at fair value

<b>Items</b>	<b>31-Dec-2011</b>	<b>Changes in fair value through profit or loss</b>	<b>Changes in fair value through equity</b>	<b>Impairment</b>	<b>31-Dec-2012</b>
<b>Financial assets</b>					
Financial assets as fair value through profit or loss	27,149,792.84	-1,525,889.12			25,623,903.72
Derivative financial assets	37,819,739.50	-18,663,874.08			4,687,420.24
Available-for-sale financial assets	308,987,298.90		-4,264,885.32		413,013,757.00
<b>Subtotal</b>	<b>373,956,831.24</b>	<b>-20,189,763.20</b>	<b>-4,264,885.32</b>		<b>443,325,080.96</b>
<b>Financial liabilities</b>					
Derivative financial liabilities	30,643,140.64	-4,812,173.59			25,830,967.05
<b>Subtotal</b>	<b>30,643,140.64</b>	<b>-4,812,173.59</b>			<b>25,830,967.05</b>

4. Foreign currency financial assets and liabilities

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	31-Dec-2011	Changes in fair value through profit or loss	Changes in fair value through equity	Impairment	31-Dec-2012
<b>Financial assets</b>					
Cash	828,684,928.61				1,643,919,449.34
Derivative financial assets	37,819,739.50	-33,132,319.26			4,687,420.24
Accounts receivable	1,029,241,234.70				902,247,251.40
Other receivable	22,081,964.40				20,092,221.92
<b>Subtotal</b>	<b>1,917,827,867.21</b>	<b>-33,132,319.26</b>			<b>2,570,946,342.90</b>
<b>Financial liabilities</b>					
Derivative financial liabilities	30,643,140.64	-4,812,173.59			25,830,967.05
Accounts payable	154,135,407.25				81,966,577.50
Other payable	9,613,328.27				19,777,015.81
<b>Subtotal</b>	<b>194,391,876.16</b>	<b>-4,812,173.59</b>			<b>127,574,560.36</b>

### 5. Annuity plan

Pursuant to Notice 1201[2007]"Reply to annuity system of China Dongfang Electric Corporation" issued by State-owned Assets Supervision and Administration Commission , annuity is listed out as employee benefit and expenses, and the specialised account is entrusted to China Life Pension Company Limited for operation.

## XV. Notes to the parent's financial statements

### 1. Accounts receivables

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	31-Dec-2012	31-Dec-2011
Accounts receivable	1,522,935,622.50	1,156,600,186.56
Less: provision for bad debts	145,870,761.43	91,706,817.42
<b>Net book value</b>	<b>1,377,064,861.07</b>	<b>1,064,893,369.14</b>

1.1 Age of accounts receivable:

Aging	31-Dec-2012	31-Dec-2011
Within 1 year	710,651,944.73	577,683,258.23
Between 1-2 years	418,573,451.36	463,144,746.12
Between 2-3 years	247,839,464.98	14,884,004.32
Between 3-4 years		9,181,360.47
<b>Total</b>	<b>1,377,064,861.07</b>	<b>1,064,893,369.14</b>

1.2 Risk of accounts receivable classified

Item	Dec-31-2012			
	Book balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
proportion of provision for bad debts for receivables by aging	1,522,935,622.50	100.00	145,870,761.43	9.58
<b>Total</b>	<b>1,522,935,622.50</b>	<b>—</b>	<b>145,870,761.43</b>	<b>—</b>

(Continue)

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2011			
	Book balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
proportion of provision for bad debts for receivables by aging	1,156,600,186.56	100.00	91,706,817.42	7.93
<b>Total</b>	<b>1,156,600,186.56</b>	<b>—</b>	<b>91,706,817.42</b>	<b>—</b>

The aging of accounts receivable and related provision for bad debts is analysed as below:

Aging	31-Dec-2012			31-Dec-2011		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	748,054,678.66	49.12	37,402,733.93	608,087,640.24	52.58	30,404,382.01
Between 1-2 years	465,081,612.63	30.54	46,508,161.26	514,605,273.47	44.49	51,460,527.35
Between 2-3 years	309,799,331.21	20.34	61,959,866.24	18,605,005.40	1.61	3,721,001.08
Between 3-4 years				15,302,267.45	1.32	6,120,906.98
<b>Total</b>	<b>1,522,935,622.50</b>	<b>—</b>	<b>145,870,761.43</b>	<b>1,156,600,186.56</b>	<b>—</b>	<b>91,706,817.42</b>

1.3 The balance at year ended has no debtor who is a shareholder of the Company with 5% or more voting rights.

1.4 The top 5 of account receivable

Items	Relationship	Amount	Aging	Proportion to book value of account receivable(%)
BGR ENERGY SYSTEMS LIMITED	Client	642,111,789.29	0-3years	42.16
Huaneng (Beijing) Thermal Power Co., Ltd	Client	134,595,992.48	Within 1 year	8.84



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	Relationship	Amount	Aging	Proportion to book value of account receivable(%)
Shanxi International Energy Group Hongguang Power Co. Ltd	Client	124,449,000.00	0-2 years	8.17
LANCO INTERNATIONAL PTE LTD	Client	110,860,820.53	0-2 years	7.28
Northern Power Generation Company	Client	96,667,840.27	0-3years	6.35
<b>Total</b>		<b>1,108,685,442.57</b>		<b>72.80</b>

1.5 Related parties in accounts receivable

Item	Relationship	31-Dec-2012			31-Dec-2011		
		Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Dong Fang Electric (India) Private Limited	Subsidiary	4,620,393.11	0.30%	439,320.71	4,640,253.70	0.40%	232,012.69
<b>Total</b>		<b>4,620,393.11</b>	<b>0.30%</b>	<b>439,320.71</b>	<b>4,640,253.70</b>	<b>0.40%</b>	<b>232,012.69</b>

1.6 Foreign currency in accounts receivable

Items	31-Dec-2012			31-Dec-2011		
	Local currency	Exchange rate	Renminbi	Local currency	Exchange rate	Renminbi
US Dollar	133,734,567.57	6.2855	840,588,624.47	153,541,672.76	6.3009	967,450,725.89
Euro	4,276,524.20	8.3176	35,570,417.69	4,234,524.20	8.1625	34,564,303.78
<b>Total</b>			<b>876,159,042.16</b>			<b>1,002,015,029.67</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 2. Other receivables

Item	31-Dec-2012	31-Dec-2011
Other receivable	4,876,088,737.97	4,735,218,701.96
Less: provision for bad debts	28,782,425.25	21,431,578.56
<b>Net book value</b>	<b>4,847,306,312.72</b>	<b>4,713,787,123.40</b>

#### 2.1 Age of other receivable:

Aging	31-Dec-2012	31-Dec-2011
Within 1 year	169,873,064.85	230,862,392.38
Between 1-2 years	202,757,084.37	833,065,913.46
Between 2-3 years	829,369,994.59	3,624,983,356.66
Between 3-4 years	3,624,594,817.95	24,875,460.90
Between 4-5 years	20,711,350.96	
<b>Total</b>	<b>4,847,306,312.72</b>	<b>4,713,787,123.40</b>

#### 2.2 Risk of other receivable classified

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	4,748,710,000.00	97.38		

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Account receivable withdrawal bad debt provision by age combination	117,378,737.97	2.41	28,782,425.25	24.52
Single insignificant and provision for bad debts	10,000,000.00	0.21		
<b>Total</b>	<b>4,876,088,737.97</b>	<b>—</b>	<b>28,782,425.25</b>	<b>—</b>

(Continued)

Item	Dec-31-2011			
	Book Balance		Provision for Bad Debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	4,620,770,000.00	97.58		
Account receivable withdrawal bad debt provision by age combination	114,448,701.96	2.42	21,431,578.56	18.73
Single insignificant and provision for bad debts				
<b>Total</b>	<b>4,735,218,701.96</b>	<b>—</b>	<b>21,431,578.56</b>	<b>—</b>

2.2.1 Single significant and provision for bad debts

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Book Balance	Provision for bad debts	Rate(%)	Reason
Dongfang Turbine Co., Ltd	2,984,590,000.00			Budgets and A shares issuing
Dongfang Electric Machinery Co., Ltd	942,850,000.00			Budgets and A shares issuing
Dongfang Boiler Group., Ltd	663,000,000.00			The capital for infrastructure projects and share
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	113,970,000.00			The capital for innovation
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	44,300,000.00			The capital for innovation
<b>Total</b>	<b>4,748,710,000.00</b>			

2.2.2 The aging of other receivable and related provision for bad debts are as follows:

Aging	31-Dec-2012			31-Dec-2011		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	33,613,752.47	0.69	1,680,687.62	52,728,834.14	1.11	2,636,441.76
1-2 years	24,430,093.75	0.50	2,443,009.38	18,406,570.51	0.39	1,840,657.05
2-3 years	16,087,493.23	0.33	3,217,498.64	1,854,195.82	0.04	370,839.16
3-4 years	1,824,696.59	0.04	729,878.64	41,459,101.49	0.88	16,583,640.59
4-5 years	41,422,701.93	0.85	20,711,350.97			
<b>Total</b>	<b>117,378,737.97</b>	<b>2.41</b>	<b>28,782,425.25</b>	<b>114,448,701.96</b>	<b>2.42</b>	<b>21,431,578.56</b>

2.2.3 Single insignificant and provision for bad debts

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Book Balance	Provision for bad debts	Rate(%)	Reason
Sichuan Wind Power Industry Investment Co., Ltd	10,000,000.00			Note 1
<b>Total</b>	<b>10,000,000.00</b>		—	

Note 1: The amount Sichuan Wind Power Industry Investment Co., Ltd received is investment. However, it is not confirmed that capital checking has not been completed.

2.3 The debtors who are shareholders of the Company with 5% or more voting rights are as follows:

Item	31-Dec-2012		31-Dec-2011	
	Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
DEC	20,219,602.29	5,511,142.25	19,768,918.22	4,488,445.91
<b>Total</b>	<b>20,219,602.29</b>	<b>5,511,142.25</b>	<b>19,768,918.22</b>	<b>4,488,445.91</b>

2.4 The top 5 of other receivables

Items	Relationship	Amount	Aging	Proportion to book value of account receivable (%)	Reason
Dongfang Turbine Co., Ltd	Subsidiary	2,987,384,174.00	0-4 years	61.27	Budgets, A shares issuing and the capital for wind and power
Dongfang Electric Machinery Co., Ltd	Subsidiary	975,412,694.47	0-5 years	20.00	Budgets and A shares issuing
Dongfang Boiler Group., Ltd	Subsidiary	663,066,530.00	0-34years	13.60	The capital for infrastructure projects and share

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	Relationship	Amount	Aging	Proportion to book value of account receivable (%)	Reason
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	Subsidiary	114,005,165.21	1-4 years	2.34	The capital for innovation
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	1-2 years	0.91	The capital for innovation
<b>Total</b>		<b>4,784,168,563.68</b>		<b>98.12</b>	

2.5 Related parties in other receivable

Items	Relationship	Amount	Proportion to book value of account receivable(%)
Dongfang Turbine Co., Ltd	Subsidiary	2,987,384,174.00	61.27
Dongfang Electric Machinery Co., Ltd	Subsidiary	975,412,694.47	20.00
Dongfang Boiler Group., Ltd	Subsidiary	663,066,530.00	13.60
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	Subsidiary	114,005,165.21	2.34
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	0.91
China Dongfang Electric Corporation	Parent	20,219,602.29	0.41
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	Under the control of the same parent company	9,225.00	0.00
Shenzhen Dongfang Boiler Control Co., Ltd	Subsidiary	5,225.00	0.00
<b>Total</b>		<b>4,804,402,615.97</b>	<b>98.53</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 2.6 Foreign currency in other receivable

Items	31-Dec-2012			31-Dec-2011		
	Local currency	Exchange rate	Renminbi	Local currency	Exchange rate	Renminbi
US Dollar	103,143.00	6.2855	648,305.33	52,892.00	6.3009	333,267.20
EURO	235.90	8.3176	1,962.12			
Pakistan Rupee	294,773,143.94	0.06286	18,529,439.83	289,791,340.94	0.07001	20,288,291.78
Vietnamese Dong	11,728,638,408.00	0.00029	3,510,498.76	701,554,522.00	0.00030	210,494.42
<b>Total</b>			<b>22,690,206.04</b>			<b>20,832,053.40</b>

### 3. Long-term Investments

#### 3.1 Long-term equity investments

Item	31-Dec-2012	31-Dec-2011
Long-term equity Investments under cost method	9,709,219,183.19	9,709,219,183.19
Long-term equity Investments under equity method	203,617,363.46	139,993,937.88
<b>Total</b>	<b>9,912,836,546.65</b>	<b>9,849,213,121.07</b>
Less: Impairment of long-term equity investment		
<b>Book value of long-term equity investment</b>	<b>9,912,836,546.65</b>	<b>9,849,213,121.07</b>

#### 3.2 Analyzing of long-term equity investments

Item	31-Dec-2012	31-Dec-2011
Listed company		
Unlisted company	9,912,836,546.65	9,849,213,121.07
<b>Total</b>	<b>9,912,836,546.65</b>	<b>9,849,213,121.07</b>

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

### 3.3 Long-term equity Investments under cost method and equity method

Name	Share holding %	Voting rights %	Amount	Dec-31-2011	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2012	Provision for impairment	Provision for impairment Increased
<b>The cost method</b>										
Dongfang Boiler Group., Ltd	99.67	99.67	4,391,395,417.83	4,391,395,417.83			320,056,779.20	4,391,395,417.83		
Dongfang Turbine Co., Ltd	100	100	2,542,003,999.71	2,542,003,999.71			384,864,158.06	2,542,003,999.71		
Dongfang Electric Machinery Co., Ltd	100	100	2,000,000,000.00	2,000,000,000.00			237,565,975.00	2,000,000,000.00		
Dong Fang Electric (India) Private Limited	100	100	54,800,373.28	54,800,373.28				54,800,373.28		
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	67.00	67.00	131,560,000.00	131,560,000.00				131,560,000.00		
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	51.0452	51.0452	589,459,392.37	589,459,392.37			21,449,963.82	589,459,392.37		
<b>Subtotal</b>			<b>9,709,219,183.19</b>	<b>9,709,219,183.19</b>			<b>963,936,876.08</b>	<b>9,709,219,183.19</b>		
<b>The equity method</b>										
Dongfang Areva Nuclear Pump Co., Ltd	50	50	75,000,000.00	136,244,273.22		88,762,366.66	29,596,959.70	195,409,680.18		



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Name	Share holding %	Voting rights %	Amount	Dec-31-2011	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2012	Provision for impairment	Provision for impairment Increased
Sichuan Wind Power Industry Investment Co., Ltd	20	20	4,000,000.00	3,749,664.66	6,000,000.00	-1,541,981.38		8,207,683.28		
Subtotal			79,000,000.00	139,993,937.88	6,000,000.00	87,220,385.28	29,596,959.70	203,617,363.46		
<b>Total</b>			<b>9,788,219,183.19</b>	<b>9,849,213,121.07</b>	<b>6,000,000.00</b>	<b>87,220,385.28</b>	<b>993,533,835.78</b>	<b>9,912,836,546.65</b>		

3.4 Investment in joint ventures and associated enterprises

Name	Type	Registered Address	Legal representative	Organization Code	Business Character	Share holding (%)	Voting right (%)
Joint ventures							
Dongfang Areva Nuclear Pump Co., Ltd	Limited Company	Deyang	He Yongcheng	77981616-8	Manufacture	50	50
Associated enterprises							
Sichuan Wind Power Industry Investment Co., Ltd	Limited Company	Chengdu	Guo Yong	58496725-7	Development of power station	20	20
<b>Total</b>							

(Continued)

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Joint ventures					

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Dongfang AREVA	1,554,636,153.33	1,163,816,792.97	390,819,360.36	874,190,571.99	163,688,100.41
Associated enterprises					
Sichuan Wind Power Industry Investment Co., Ltd	43,682,561.81	844,277.47	41,038,416.37	1,075.20	-7,810,038.94
<b>Total</b>	<b>1,598,318,715.14</b>	<b>1,164,661,070.44</b>	<b>431,857,776.73</b>	<b>874,191,647.19</b>	<b>155,878,061.47</b>

The principal accounting policies and accounting estimates of joint ventures and associated enterprises are same as the DEC

3.5 The balance at year ended has no significant restricted long-term investments.

### 4. Revenue and cost of sales

Item	2012	2011
Main operation	12,480,768,985.76	13,662,510,983.77
Other sales	8,621,403.79	14,178,326.87
<b>Total</b>	<b>12,489,390,389.55</b>	<b>13,676,689,310.64</b>
Cost of main operation	11,812,921,536.75	12,592,540,765.03
Cost of sales-others	1,882,691.20	2,060,639.09
<b>Total</b>	<b>11,814,804,227.95</b>	<b>12,594,601,404.12</b>
Gross profit of main operation	667,847,449.01	1,069,970,218.74
Gross profit of sales-others	6,738,712.59	12,117,687.78
<b>Total</b>	<b>674,586,161.60</b>	<b>1,082,087,906.52</b>

#### 4.1 Revenue classification by industry

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Manufacture of generator	12,480,768,985.76	11,812,921,536.75	13,662,510,983.77	12,592,540,765.03
<b>Total</b>	<b>12,480,768,985.76</b>	<b>11,812,921,536.75</b>	<b>13,662,510,983.77</b>	<b>12,592,540,765.03</b>

### 4.2 Revenue and cost of sales from major product and services

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
Clean and efficient power generation equipment	6,495,133,837.17	6,375,922,364.90	6,532,052,429.37	6,396,011,995.55
New energy	1,354,774,526.65	1,329,582,014.37	1,648,223,229.59	1,538,747,509.03
Construction services for power stations.	4,630,860,621.94	4,107,417,157.48	5,482,235,324.81	4,657,781,260.45
<b>Total</b>	<b>12,480,768,985.76</b>	<b>11,812,921,536.75</b>	<b>13,662,510,983.77</b>	<b>12,592,540,765.03</b>

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

Items	2012		2011	
	Revenue	Cost of sales	Revenue	Cost of sales
PRC	8,081,529,345.91	7,958,016,308.43	9,717,618,104.28	9,436,932,082.77
Overseas	4,399,239,639.85	3,854,905,228.32	3,944,892,879.49	3,155,608,682.26
<b>Total</b>	<b>12,480,768,985.76</b>	<b>11,812,921,536.75</b>	<b>13,662,510,983.77</b>	<b>12,592,540,765.03</b>

### 4.4 Top 5 clients for revenue

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Items	Revenue	Proportion to total revenue (%)
China Guangdong Nuclear Power Holding Corporation	2,009,049,795.88	15.91%
Semb corpGulf O&M Co. Ltd	1,619,276,867.45	12.97%
China Nuclear Power Engineering Co. Ltd	1,062,866,255.85	8.47%
LANCO INTERNATIONAL PTE LTD	782,194,527.32	6.26%
China (Hezhou) Resources Power Holdings Company Limited	711,319,811.73	5.57%
<b>Total</b>	<b>6,184,707,258.23</b>	<b>49.18%</b>

### 5. Investment income

#### 5.1 Investment income

Item	2012	2011
Long-term equity Investments under cost method	963,936,876.08	903,944,678.28
Long-term equity Investments under equity method	87,220,385.28	60,322,039.08
Investment income during holding transactional financial assets		301,359.90
Investment income during holding available-for-sale financial assets	7,445,390.00	11,488,788.80
Disposal of transactional financial assets		6,657,406.86
Disposal of available-for-sale financial assets	1,316,576.30	1,074,178.70
<b>Total</b>	<b>1,059,919,227.66</b>	<b>983,788,451.62</b>

#### 5.2 The investment income under cost method

Name	2012	2011	Reason for changes
<b>Including:</b>			

## Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2012

Name	2012	2011	Reason for changes
Dongfang Turbine Co., Ltd	384,864,158.06	355,288,611.00	Increase in sales revenue and net profit
Dongfang Boiler Group Co., Ltd	320,056,779.20	288,051,101.28	Increase in sales revenue and net profit
Dongfang Electric Machinery Co., Ltd	237,565,975.00	260,604,966.00	Decrease in profit
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	21,449,963.82		Increase in profit
<b>Total</b>	<b>963,936,876.08</b>	<b>903,944,678.28</b>	

### 5.3 The investment income under equity method

Name	2012	2011	Reason for changes
Dongfang Areva Nuclear Pump Co., Ltd	88,762,366.66	60,572,374.42	Increase in sales revenue and net profit
Sichuan Wind Power Industry Investment Co., Ltd	-1,541,981.38	-250,335.34	Expenses spent before establishment
<b>Total</b>	<b>87,220,385.28</b>	<b>60,322,039.08</b>	

## 6. Cash Flow Statement

### 6.1 Cash received/paid related to others of operating/investment/financing activities

#### 6.1.1 Cash received related to others of operating activities

Items	2012
Reimbursement	42,647,495.01
Government grants	30,458,500.00
Interest	16,978,777.29
Deposit	4,393,336.42
Advances received	2,546,547.73

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Items</b>	<b>2012</b>
Compensation	1,096,906.45
Others	116,432.76
<b>Total</b>	<b>98,237,995.66</b>

## 6.1.2 Cash paid related to others of operating activities

<b>Items</b>	<b>2012</b>
Net agency business	341,046,361.90
Lease	25,296,319.70
Commission	23,901,366.83
Marketing	19,851,325.55
Business trip	15,294,531.05
Agent fee	8,066,817.69
Overseas fee	6,182,456.15
Property management fee	5,440,577.00
Conference	5,261,739.89
Imprest	5,086,262.62
Transportation	4,007,175.32
Tender fee	3,830,234.56
Others	18,095,762.90
<b>Total</b>	<b>481,360,931.16</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

## 6.1.3 Cash received related to others of financing activities

<b>Items</b>	<b>2012</b>
Infrastructure fund to China Dongfang Electric Corporation	85,940,000.00
<b>Total</b>	<b>85,940,000.00</b>

## 6.2 Supplementary of consolidated cash flow statement

<b>Items</b>	<b>2012</b>	<b>2011</b>
<b>Reconciliation of net profit / (loss) to cash flows from operating activities</b>		
Net profit / (loss)	1,338,576,054.57	1,676,918,007.83
Add: Provision for / (Reversal of) asset impairment	61,514,790.70	71,064,940.29
Depreciation of fixed assets	4,966,624.76	3,173,762.10
Amortization of intangible assets	23,007.69	23,907.69
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	32,032.11	2,325.00
Losses (Gains) on change in fair value	23,408,815.60	40,825,738.92
Finance expenses (income)	-860,349.35	-45,921,113.09
Investment losses (income)	-1,059,919,227.66	-983,788,451.62
Decrease(Increase) in Deferred tax asset	-8,777,028.12	-21,831,535.50
Increase(decrease) in Deferred tax liability	-4,146,747.85	45,875.97
Decrease (Increase) in inventories	-432,215,006.16	-990,191,639.52
Decrease (Increase) in operating receivables	-285,233,992.93	-41,654,965.36
Increase (Decrease) in operating payables	1,514,294,537.40	692,737,987.55

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

<b>Items</b>	<b>2012</b>	<b>2011</b>
<b>Net cash flows from operating activities</b>	1,151,663,510.76	401,404,840.26
<b>Investing and financing activities that do not involve cash receipts and payments</b>		
<b>Net increase in cash and cash equivalents</b>		
Cash at end of year	2,203,547,671.62	957,119,761.29
Less: cash at beginning of year	957,119,761.29	3,599,890,429.25
<b>Net increase in cash and cash equivalents</b>	<b>1,246,427,910.33</b>	<b>-2,642,770,667.96</b>

## 6.3 Cash and cash equivalents

<b>Item</b>	<b>2012</b>	<b>2011</b>
Cash	2,203,547,671.62	957,119,761.29
Include: cash in hand	1,593,850.75	1,138,591.32
Cash in bank can be payable immediately	2,174,324,724.32	955,887,807.22
Other monetary assets can be payable immediately	27,629,096.55	93,362.75
<b>Cash and cash equivalents at the year ended</b>	<b>2,203,547,671.62</b>	<b>957,119,761.29</b>

**XVI. Supplementary information**

## 1. Summary of non-recurring profit or loss in 2011

<b>Items</b>	<b>2012</b>	<b>Notes</b>
Net profit for non-current assets disposal	3,380,937.80	
Government grants recognised in profits or loss	277,548,061.86	
Gains or losses from changes in fair value of financial assets and liabilities held for trading except	-209,312.82	



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

Items	2012	Notes
for hedging contracts and disposal of financial assets and liabilities held for trading and available-for-sale financial assets		
Other non-operating income and expenses other than the aforementioned items	-83,799,828.16	
Subtotal	196,919,858.68	
Impact on income tax	26,050,877.36	
Impact on monetary interests (post tax)	4,059,342.56	
<b>Total</b>	<b>166,809,638.76</b>	

## 2. Weighted average return on net assets and earnings per share

Year ended 31 December 2012	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2012	2011	2012	2011	2012	2011
Net profit attributable to ordinary shareholders of the Company	14.84	24.65	1.09	1.53	1.09	1.53
Net profit after deducting non-recurring profit or loss attributable	13.71	23.31	1.01	1.44	1.02	1.44

**XVII.Approval of the Financial Statements**

The financial statements have been approved by the board of directors on 27 March 2013.

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2012

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Dongfang Electric Corporation Limited

Legal representative: Si Zefu

Person in charge of accounting function: Gong Dan

Person in charge of accounting department: Zeng Yi

27 March 2013