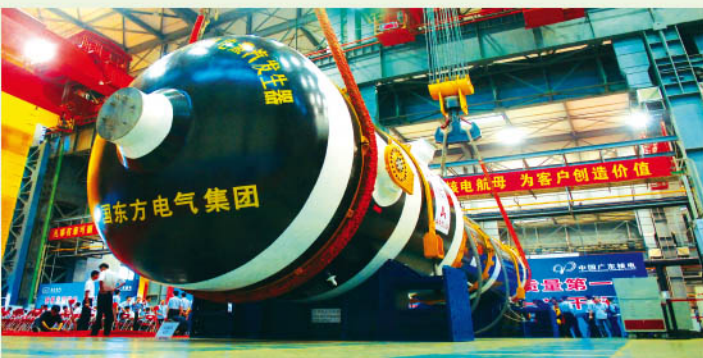


東方電氣股份有限公司
Dongfang Electric Corporation Limited



2009

INTERIM
REPORT



(H Share Stock Code: 1072)

(A Share Stock Code: 600875)

SUMMARY OF RESULTS (PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS)

- Turnover in the first half of 2009 amounted to RMB15,174 million, representing an increase of 25.72% compared with the same period last year
- Net profit attributable to the Company in the first half of 2009 amounted to RMB687 million, representing an increase of 55.10% compared with the same period last year
- Earnings per share amounted to RMB0.78 in the first half of 2009, representing an increase of 44.44% compared with the same period last year
- New orders in the first half of 2009 amounted to RMB34 billion

I. IMPORTANT NOTICE

1. The board of directors (the “Board”), the supervisory committee and the directors, supervisors and senior management of Dongfang Electric Corporation Limited (the “Company”) have confirmed that this report contains no false representation, misleading information or material omission. The Board of the Company jointly and severally accepts responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.
2. The financial statements in this interim report have not been audited.
3. Mr. Si Zefu, Chairman of the Company, Mr. Gong Dan, Chief Accountant, and Mr. Zeng Yi, Deputy Head of Finance Department have declared that they confirm the truthfulness and completeness of the financial report in this interim report.

II. MAJOR FINANCIAL DATA AND INDICATORS

1. Major Accounting Data and Financial Indicators (prepared under the PRC accounting standards)

Unit: RMB

	As at the end of the reporting period	As at the end of the previous year	Changes at the end of the reporting period compared with the end of the previous year (%)
Total assets	63,804,733,690.18	56,459,166,582.38	13.01
Owner's equity			
(Shareholders' equity)	2,914,969,332.22	2,244,663,933.52	29.86
Net assets per share (<i>RMB</i>)	3.30	2.54	29.92

	Reporting period (Jan - Jun)	Corresponding period last year	Changes in the reporting period as compared with the corresponding period last year (%)
Operating profit	853,581,673.87	824,508,452.69	3.53
Total profit	815,245,482.78	549,425,430.59	48.38
Net profit	687,003,230.53	442,955,345.32	55.10
Net profit after deducting extraordinary profit and loss	719,588,992.96	722,982,552.06	(0.47)
Basic earnings per share (RMB)	0.78	0.54	44.44
Basic earnings per share after deducting extraordinary profit and loss (RMB)	0.82	0.88	(6.82)
Diluted earnings per share (RMB)	0.78	0.54	44.44
Return on net assets (%)	23.57	36.81	Decreased by 13.24 percentage points
Net cash flow from operating activities	3,012,221,574.97	4,523,957,603.49	(33.42)
Net cash flow per share from operating activities (RMB)	3.42	5.54	(38.27)



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

Unit: RMB'000

	Net profit		Net assets	
	The period	The previous period	Opening balance	Closing balance
Under the PRC accounting standards	687,003	442,955	2,244,664	2,914,969
Items and total amount adjusted under HKFRS:				
Appreciation of the appraisal of Dongfang Turbine, coupled with the effect of government subsidies and deferred income tax	28,049	9,499	(165,039)	(136,989)
Under HKFRS	715,052	452,454	2,079,625	2,777,980

III. REPORT OF THE BOARD

(I) DISCUSSION AND ANALYSIS ON OVERALL OPERATIONS DURING THE REPORTING PERIOD

In the first half of 2009, despite onerous post-earthquake reconstruction tasks and harsh market conditions, the Company managed to overcome the fallout of the global financial crisis, endeavoured to achieve 2009 production goal, implemented the concept of scientific development and fostered the spirit of Dongfang Turbine, adhered to the market-centered approach, strived to improve product quality and enhanced internal management. The Company maintained development sustainability and laid a solid foundation for the accomplishment of the annual target.

Sales revenue and profit continued to grow

In accordance with the PRC accounting standards, turnover for the reporting period amounted to RMB15.174 billion, up 25.72% over the same period last year, with net profit of RMB687 million, up 55.10% over the same period last year; earnings per share increased by 44.44% over the same period last year to RMB0.78.

Production fulfilled ahead of schedule

During the reporting period, capacity of power generation equipment produced amounts to 13,979.5MW, including 14 hydro-electric turbine generator sets (2,320.5MW), 23 steam turbine generators (10,750MW), 606 wind power generation sets (909MW), 32 power station boilers (11,925MW) and 38 power station steam turbines (14,945MW). In all product lines the Company achieved over 50% of the annual plan. Output of power station steam turbine and wind power products have grown by over 130% over the same period last year.



Kept growth in the number of orders and increased proportion of new energy

In the first half of 2009, the Company's new orders kept admirable growth momentum. The Company's new orders amounted to RMB34 billion, 31% of which attributed to thermal power generation, 30% attributed to nuclear power, 31% attributed to wind power and 8% from hydro power. Among new orders, orders of nuclear power and wind power increased rapidly. As such, the number of orders of thermal power, nuclear power and wind power of the Company were virtually the same. As new energy represented a greater proportion, our order portfolio has been improved. By the end of the first half of 2009, the Company had orders in hand of more than RMB130 billion, including thermal power generation (51%), hydro power (10%), wind power (12%) and nuclear power (27%), and export accounted for 10% of all orders in hand.

In South America market, the Company won the contract for Brazil Jerry Hydro Power Station to supply 18 x 75MW Nagler-type hydro-electric turbine generator sets with a total contract value of US\$410 million, which is the largest project for exported complete hydro-power generation equipment in China so far. The Company owns the exclusive intellectual property rights for the Nagler-type hydro power generation units which have by far the largest single unit capacity in the world.

In Middle East market, the joint venture of the Company and Shandong No. 3 Electric and Construction Company entered into the EPC turnkey contract with the project company established by ACWA from Saudi Arabia and KEPCO from Korea for Rabigh 2 x 660MW power plant to provide three major units and some auxiliary units. The execution of the contract marks the entry of China's large-scale and complete power generation units into Saudi Arabia market. It removed barriers to entry into markets of the Middle East and various countries and regions and facilitated the entry of DEC and China's products into these regions and is a momentous transaction.

Remarkable technology progress

On hydro power, we carried out stator connect modification of VGS3# unit in the Three- Gorges left bank plant. The vibration and noise produced by operation have been significantly reduced. Customers were satisfied with the obvious improvement in 100Hz electromagnetic vibration. We conducted research on a number of critical technologies in tidal power generation units, including hydro turbine main axis sealing, metal surface anti-corrosion and marine organism proof and unit stability research.

On thermal power, we commenced the development of 60Hz series steam turbine units, finished the technological development of 1,000MW ultra-super-critical double-framed steam power generators and the general design and technology design of 600MW super-critical CFB boiler.

On nuclear power, we produced and delivered the first batch of 6 domestic 1,000MW nuclear island evaporators, produced the first 1,000MW reactor pressure vessel in the PRC, and 2 sets of moisture separator reheaters (MSR) in the conventional island equipment of 1,000MW nuclear power plant have been produced and delivered to construction site of property owners. On conventional island, we commenced the preliminary work to develop the third generation nuclear steam turbine generator, and started key technology research on intelligent robot for large-scale power generation equipment production and maintenance.

On wind power, we are developing 1MW wind turbine independently and 2.5MW units through cooperation. We developed our own 2.5MW and 1.5MW doubly-fed wind generator. The 2.5MW generator has finished prototype examination, and the 1.5MW one will finish the examination soon.

On gas turbine, the rotor localization was successful. The first rotor made in China has been delivered. As such, gas turbine localization rate has reached 90%.

On environment protection and energy saving, we completed the overall denitration solution for power plant boiler and independently developed the sea water gas desulphurization solution for 600MW boiler.

Rapid progress in post-earthquake reconstruction

With the concerted efforts of our staff and constructors since Dongfang Turbine started its new base construction on 1 August last year, the first plant in the new base was completed in February this year and the first equipment started operation on 12 May. Presently, about half of equipment in board plants has been installed and put into operation, while plants for assembly, major component processing, small component processing, and facilities such as production service building and test centre have been completed, and equipment has been installed and debugged. Construction of Dongqi Avenue and sub-roads in the factory site were basically completed and opened to traffic. Main works of the office complex and the casting plant were progressing smoothly. Equipment and supplies relocation of all production units have been initiated. The construction of the new base of Dongfang Turbine is a post-earthquake reconstruction miracle.

Key construction projects are progressing smoothly

The nuclear welding rotor and assembly plant of Dongfang Turbine has been completed and started operation, where equipment installation and trial run are progressing as planned. Dongfang Heavy Machinery's nuclear upgrade project has been completed and delivered. The MW nuclear port project phase III is progressing smoothly. DEC Tianjin wind power assembly project, Hangzhou direct-drive wind-power and tidal power equipment production base and wind power generator capacity expansion project are progressing successfully and are expected to start production in the year. DEC (Wuhan) Nuclear Equipment Company Limited has officially started construction of its expansion project. Preliminary tasks such as planning design and submission for approval of our office base in Calcutta, India have been completed.



(II) PRINCIPAL OPERATIONS OF THE COMPANY AND OPERATING STATUS

1. Principal operations by business and product

Unit: RMB0'000

By business or product	Operating Revenue	Operating Cost	Operating profit margin (%)	Increase/ (decrease) of operating revenue as compared with the corresponding period last year (%)	Increase/ (decrease) of operating cost as compared with the corresponding period last year (%)	Increase/ (decrease) of operating profit margin as compared with the corresponding period last year (%)
By business						
Machinery manufacturing	1,496,605.44	1,269,812.56	15.15	26.99	27.52	Decreased by 0.36 percentage points
By product						
Hydro power	128,056.96	113,984.17	10.99	13.49	13.76	Decreased by 0.21 percentage points
Thermal power	962,110.30	783,851.45	17.49	8.60	7.61	Increased by 0.76 percentage points
Wind power	325,965.16	279,839.30	14.15	133.32	134.80	Decreased by 0.54 percentage points
Environmental protection	13,826.00	9,266.42	32.98	223.80	82.48	Increased by 51.90 percentage points
Others	66,647.02	72,871.22	(9.34)	86.05	116.69	Decreased by 15.46 percentage points

Including: the connected transactions for sale of products and provision of services by the Company to its controlling shareholder and its subsidiaries amounting to RMB1,183,992,300 during the reporting period.

The consolidated gross profit margin for principal operations was 15.15% for the period, down 0.36 percentage points from 15.51% of the same period last year. By products, thermal power posted a gross profit margin of 17.49% for the period, up slightly by 0.76 percentage points from 16.73% of the same period last year; wind power gross profit margin was 14.15% for the period, down 0.54 percentage points from 14.69% of the same period last year; hydro-power gross profit margin was 10.99% for the period, down 0.21 percentage points from 11.20% of the same period last year, basically at par.

2. Problems and difficulties in operation of the Company

Since the financial turmoil last year, the overall demand for power generation equipment in China has fallen off and market competition has become more intense, all bringing adversity and challenge to our market exploration, capacity configuration and raw materials arrangements. We expect the fallout of the global financial crisis will continue. However, as power generation equipment market is developing toward environmental protection, high efficiency and renewable energy, new energy like nuclear power and wind power have strong demand, especially in the global market. Such opportunity is precious to our sustainable development.

3. Outlook for the second half of the year

(1) Actively expand market

In domestic market, we will take initiative to ensure growth in thermal power market and seek more breakthroughs in nuclear market. We strive to take greater market share of wind power, hydro power and environment protection products. In overseas market, we will consolidate traditional market, while actively explore new market to minimize risks of investment in a single market and enhance international presence and competitiveness of the Group. To respond to the government's call of energy saving and emission reduction, we expect to expand business in energy saving and emission reduction and service market, especially old unit renovation market, and make them new growth points of the Company.

(2) Accelerate reconstruction of Dongfang Turbine

We will continue to proceed with the reconstruction design for the relocation, and carefully conduct the construction, relocation and production at the same time, so as to ensure safety relocation and prioritize the achievement of production target to meet customer delivery requirements.

(3) Schedule the production in a rational manner

We will enhance risk awareness and customer on-site investigation. We will in accordance with project approval progress, capital status and field work progress, actively communicate with our customers, endeavour to align emission and production and adjust arrangement of production in a timely manner with reference to market conditions to ensure punctual delivery.

(III) FINANCIAL ANALYSIS

1. Prepared under PRC Accounting Standards:

Items in income statement

Unit: RMB0'000

Item	Current year	Previous year	Increase/ decrease (%)
Sales expenses	34,842.94	20,005.17	74.17
Administrative expenses	80,224.17	61,562.30	30.31
Financial costs	8,421.58	9,506.63	(11.41)
Loss of assets impairment	23,436.15	11,797.04	98.66
Non-operating income	2,697.31	4,512.85	(40.23)
Non-operating expenses	6,530.93	32,021.15	(79.60)
Total profit	81,524.55	54,942.54	48.38
Income tax	12,260.60	10,162.65	20.64
Net profit	69,263.95	44,779.89	54.68

- (1) Sales expenses for the period increased by 74.17% over the same period last year, mainly due to higher warranty loss on increased wind power sales, as well as higher commission expenses incurred for increased output of wind power and nuclear power units.
- (2) Administrative expenses for the period increased by 30.31% over the same period last year, mainly due to higher expenses from business expansion, increased administration manpower and production recovery after the earthquake.
- (3) Loss of assets impairment for the period increased by 98.66% over the same period last year, mainly attributable to a year-on-year increase of over RMB50 million in accrued contract loss and new provision for bad debt receivables for the period.
- (4) Non-operating income decreased by 40.23% year-on-year, mainly due to the post-earthquake donations to the Company from the society in the same period last year.
- (5) Non-operating expenses decreased by 79.60% year-on-year, mainly due to the written-off of asset loss from earthquake at RMB308 million by Dongfang Turbine for the same period last year.
- (6) Total profit increased by 48.38% over the same period last year, mainly due to increased sales revenue and sharp drop in non-operating expenses in the period, which led to a higher growth of profit than that of sales revenue.

2. Prepared under HKFRS

(1) Financial Status

As at 30 June 2009, the current assets of the Company amounted to RMB58,277,930,000 (31 December 2008: RMB51,593,138,000), increasing by 12.96%; and the non-current assets amounted to RMB6,304,592,000 (31 December 2008: RMB5,170,170,000), increasing by 21.94%. Items with noticeable changes comparing with the beginning of the year are as follows: 1. Inventories amounted to RMB22,073,270,000 (31 December 2008: RMB19,870,692,000), up 11.08% from the beginning of the year, which is mainly due to increased inventories of raw materials and semi-finished products, to cater for the Company's expanding capacity and the longer production cycle of nuclear power and 100MW thermal power products; 2. Construction in progress amounted to RMB2,412,218,000 (31 December 2008: RMB1,216,698,000), increasing by 98.26% over the beginning of the year, mainly due to large-scale investment for construction in progress (new investment for the period: RMB1,115,220,000), as comes the critical period for the Company's post-earthquake reconstruction;

As at 30 June 2009, the Company had total liabilities of RMB61,591,122,000 (2008: RMB54,494,755,000), increasing by 13.02%. While the Company's increasing procurement of production resources resulted in more accounts payable to suppliers, the orders that piled up led to increasing prepayment received from customers;

During the reporting period, profit attributable to shareholders of the Company increased by 58.04% over the same period last year, mainly due to: 1) the Company's operating revenue of this period increased by 26.99% over the same period last year, of which operating revenue from wind power products increased by 133.32% over the same period last year; and 2) the "5.12 Earthquake" caused loss of RMB308,044,000 for the same period last year.

As for consolidated gross profit margin, the 15.32% gross profit margin of principal business for this period held the line with the same period last year. By products, thermal power posted a gross profit margin of 17.49% for the period, slightly up 0.96 percentage points from the same period last year; gross profit margin for wind power for the period was 14.15%, slightly lower than the same period last year, yet with a significant growth in revenue; gross profit margin for hydro power was 10.99%, basically on a par with the same period last year.

(2) Cash Flows

As at 30 June 2009, the cash and cash equivalents of the Company was RMB12,441,049,000, a net increase by RMB1,129,151,000 from the beginning of the year, which was primarily attributable to the Company's active and effective policy of collection of payment for goods and government support for post-earthquake reconstruction and technology innovation. The Company's net cash inflow from operating activities for the reporting period was RMB3,012,222,000.

(3) Capital Source and Borrowings

The Company's business operation and development are financed mainly by capital contribution of shareholders, loans and bank borrowings. As at 30 June 2009, the Company held bank loan of RMB125,703,000 due within one year, and RMB232,320,000 due after one year. During the reporting period, the Company received loan of RMB200 million from China Development Bank for post-disaster reconstruction. The Company maintains sound financing capacity with healthy credit status and future sustainable profitability.

(4) Gearing Ratio

As at 30 June 2009, gearing ratio of the Company was 95.37%, basically unchanged from 96.00% as at the beginning of the year. As at 30 June 2009, capital leverage (non-current liabilities to shareholders' equity) of the Company was 1.52:1.

(5) Pledge of Assets

As at 30 June 2009, the Company had RMB15,000,000 of bank loan due within one year as secured borrowings, which was mainly derived from the loan granted by Bank of China Limited, Chengdu West Development Zone Branch to the Company's subsidiary Chengdu KWH in November 2008, which was secured by certain buildings and land use rights, remained outstanding.

(6) Risk in Exchange Rate Fluctuation and any related Hedging

Given the complicated and volatile international financial situation and the actual operation of its own, according to exchange rate fluctuations, the Company is proactively studying how to use financial derivatives to hedge the risks in exchange rate and interest rate, so as to avoid further loss and increase income of the Company.

(7) During the reporting period, the Company had no contingent liabilities.

(IV) INVESTMENT OF THE COMPANY

1. Use of Proceeds

Unit: RMB0'000

Year of proceeds	Method	Total amount	Total amount used in the reporting period	Total amount used accum- ulatively	Total amount remaining of proceeds	Use and purpose for remaining proceeds
2008	Issue of new shares	129,734.60	35,978.97	35,978.97	93,755.63	The remaining proceeds are deposited in special account for the projects funded by proceeds.

2. Projects under Capital Commitment

Unit: RMB0'000

Projects under capital commitment	Changed or not	Proposed amount of investment	Actual amount of investment	Progress planned as or not	Progress
East China (New Energy)					
Manufacture Base Construction Project of Dongfang Electric	No	40,936.30	30,000	Yes	37.83%
North China Manufacture Base Construction Project of Dongfang Electric					
	No	18,623.70	4,888.52	Yes	32.94%
Technical Renovation Project of 1,000MW Conventional Island for Nuclear Power Station of Dongfang Electric					
	No	38,643.90	370.91	Yes	32.63%
Production Base Construction Project for Core Components of Large-scale Clean High-efficiency Power Generating Equipment of Dongfang Electric					
	No	31,530.70	719.54	Yes	8.83%

3. Projects unrelated to Raised Proceeds

Unit: RMB0'000

Name of project	Project investment	Progress
Medium Power Equipment Project	48,180	An aggregated amount of RMB151,300,000 had been invested by June.
Post-disaster relocation and reconstruction project of Dongfang Turbine	509,720	An aggregated amount of RMB1,554,690,000 had been invested by June.
DEC (Wuhan) Nuclear Equipment Company Limited expansion project	44,165	An aggregated amount of RMB6,870,000 had been invested by June.
Total	602,065	/

IV. SHARE CAPITAL STRUCTURE AND PARTICULARS OF SHAREHOLDERS

(I) Shareholding structure statement

Unit: Share

Shareholding structure	Number of shares (shares)	Percentage
1. China Dongfang Electric Corporation Ltd.	442,019,793	50.12%
including: circulating shares subject to trading moratorium	236,778,246	26.85%
circulating shares not subject to trading moratorium	205,241,547	23.27%
2. Other Renminbi ordinary shares (A shares)	269,980,207	30.61%
3. Overseas listed foreign shares (H shares)	170,000,000	19.27%
4. Total shares	882,000,000	100.00%



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

1. Number of shareholders and shareholding

Total number of shareholders as at 30 June 2009 50,488

Unit: Share

Shareholdings of the top ten shareholders

Name of shareholder	Capacity	Percentage of shareholding (%)	Total number of shares held	Increase/ (decrease) during the reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
China Dongfang Electric Corporation Ltd.	State-owned legal person	50.12	442,019,793	(23,093)	236,778,246	Nil
HKSCC Nominees Limited	Overseas legal person	19.17	169,115,999	40,000		Unknown
Industrial and Commercial Bank - Nanfang Blue Chip Growth Share-type Securities Investment Fund (中國工商銀行－南方績優成長股票型證券投資基金)	Others	1.35	11,944,409	(15,663,699)		Unknown
Tongde Securities Investment Fund (同德證券投資基金)	Others	1.22	10,721,209	1,694,034		Unknown

Name of shareholder	Capacity	Percentage of shareholding (%)	Total number of shares held	Increase/ (decrease) during the reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
China Life Insurance Company Limited - Participating - Individual Participating - 005L - FH002SH (中國人壽保險股份有限公司 - 分紅 - 個人分紅 - 005L - FH002篇)	Others	0.90	7,901,315			Unknown
Bank of Communications - Zhonghai Excellent Growth Securities Investment Fund (交通銀行 - 中海優質成長證券投資基金)	Others	0.74	6,515,747			Unknown
Industrial and Commercial Bank of China - China Sea Energy Strategy Prime Mixed Securities Investment Fund (中國工商銀行 - 中海能源策略混合型證券投資基金)	Others	0.71	6,273,323	30,131		Unknown

Name of shareholder	Capacity	Percentage of shareholding (%)	Total number of shares held	Increase/ (decrease) during the reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Agricultural Bank of China-Invesco Great Wall Resources Monopolies Equity Securities Investment Fund (中國農業銀行—景順長城資源壟斷股票型證券投資基金)	Others	0.49	4,361,157			Unknown
China Construction Bank Co., Ltd. - Changsheng Tongqing Separately-traded Equity Securities Investment Fund (中國建設銀行股份有限公司—長盛同慶可分離交易股票型證券投資基金)	Others	0.49	4,299,766			Unknown
Industrial and Commercial Bank of China - China Universal Balance Growth Equity Securities Investment Fund (中國工商銀行—匯添富均衡增長股票型證券投資基金)	Others	0.47	4,170,571	8,540,828		Unknown

- (1) China Dongfang Electric Corporation Ltd. is the authorized holder of 442,019,793 domestic legal person shares (State-owned legal person shares). None of the shares held by it was pledged, frozen or under custody during the reporting period.
- (2) Shares held by HKSCC Nominees Limited are shares held on behalf of its customers. The Company has not received any information as to any holders of H Shares of the Company holding more than 10% of the total issued share capital of the Company. Particulars of shareholders holding over 5% of the total issued H share capital of the Company were as follows:

Name	Share class	Number of shares held (share)	Percentage	Percentage in
			in total issued shares (%)	issued H shares (%)
JPMorgan Chase & Co.	H Shares	21,944,600(L)	2.49	12.91(L)
		21,703,000(P)	2.46	12.77(P)
Baring Asset Management Limited	H Shares	13,644,400(L)	1.55	8.02(L)
Northern Trust Fiduciary Services (Ireland) Limited	H Shares	12,304,800(L)	1.40	7.23(L)
Barclays Global Investors UK Holdings Limited	H Shares	10,203,200(L)	1.16	6.00(L)
		1,258,000(S)	0.14	0.74(S)
Barclays PLC	H Shares	10,203,200(L)	1.16	6.00(L)
		1,258,000(S)	0.14	0.74(S)

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

- (3) Save as disclosed above, the directors have not been informed of any person (not being a director or chief executive of the Company) who holds interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”), or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.
- (4) Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the reporting period.
- (5) There is no provision for pre-emptive rights under the relevant PRC laws and the Company’s Articles of Association.
- (6) As at 30 June 2009, the Company had not issued any convertible securities, options, warrants or any other similar rights.

V. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Shareholdings of Directors, Supervisors and Senior Management

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

Shareholdings of Directors, Supervisors and Senior Management

Name	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/decrease during the period	Reason for the change
Si Zefu	0	0	—	—
Zhang Xiaolun	0	0	—	—
Wen Shugang	0	0	—	—
Huang Wei	0	0	—	—
Zhu Yuanchao	0	0	—	—
Zhang Jilie	0	0	—	—
Chen Xiaoyue	0	0	—	—
Li Yanmeng	0	0	—	—
Zhao Chunjun	0	0	—	—
Wen Bingyou	4,119	4,119	0	—
Wen Limin	0	0	—	—
Wang Congyuan	0	0	—	—
Han Zhiqiao	1,270	1,270	0	—
Wu Huanqi	0	0	—	—
Zhang Zhiying	0	0	—	—
Gong Dan	1,270	1,270	0	—
Chen Huan	0	0	—	—

- (1) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 30 June 2009, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associate corporations (within the meaning of the SFO), which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”).
- (2) None of the directors, supervisors and senior management or their respective associates 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 as at 30 June 2009.
- (3) Save for those set out in the register required to be maintained by directors and supervisors under Section 352 of the SFO, during the period, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other associate corporations to acquire any interest in any shares or debentures of the Company, nor did the directors or supervisors had any interest which was required to be recorded in the register under Section 352 of the SFO.

(II) NEW APPOINTMENT OR DISMISSAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The Board and the Supervisory Committee of the Company were re-elected at the AGM held on 25 June 2009. In particular, Mr. Si Zefu, Mr. Wen Shugang, Mr. Zhu Yuanchao, Mr. Zhang Xiaolun and Mr. Zhang Jilie were re-elected as directors; Mr. Huang Wei was newly appointed as director; and Mr. Chen Xiaoyue, Mr. Li Yanmeng and Mr. Zhao Chunjun were newly appointed as independent non-executive directors; Mr. Wen Bingyou and Mr. Wen Limin were re-elected as supervisors representing shareholders.

Mr. Wang Congyuan was elected as supervisor representing staff at the staff representative conference held on 24 June 2009.

The term of office of the above directors and supervisors is three years, starting from 28 June 2009.

As from 28 June 2009, Mr. Li Hongdong ceased to be non-executive director of the Company; Mr. Zheng Peimin, Mr. Chen Zhangwu and Mr. Xie Songlin ceased to be independent non-executive directors of the Company; Ms. Ma Zongqiong ceased to be supervisor representing the staff of the Company.

The first meeting of the sixth session Board of the Company was held on 29 June 2009. At the meeting, Mr. Wen Shugang was appointed as President; Mr. Zhu Yuanchao was appointed as senior Vice President; Mr. Han Zhiqiao, Mr. Wu Huanqi, Mr. Zhang Zhiying and Mr. Chen Huan were appointed as Vice President; Mr. Gong Dan was appointed as Chief Accountant and Secretary to the Board.

VI. SIGNIFICANT EVENTS

(I) PROFIT DISTRIBUTION PLAN IMPLEMENTED DURING THE REPORTING PERIOD

The profit distribution plan of the Company for 2008 was to appropriate cash bonus of RMB0.02 per share to all its shareholders. The profit distribution plan was considered and passed in the Company's 2008 Annual General Meeting held on 25 June 2009. The Company has appropriated cash bonus to shareholders whose names were registered in the A Shares registrar of the Company on 19 August 2009 and shareholders whose names were registered in the H Shares registrar of the Company on 25 May 2009.

(II) MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

APPROVAL OF CONTINUING CONNECTED TRANSACTIONS

On 5 May 2009, the Company entered into framework agreements on continuing connected transactions with China Dongfang Electric Corporation Ltd. and its associates for a term of three years (2009-2011), including the Purchase and Production Services Framework Agreement, the Sales and Production Services Framework Agreement, the Combined Ancillary Services Framework Agreement, the Financial Services Framework Agreement and the Properties and Equipment Framework Lease Agreement, Huaxi Purchase and Production Service Framework Agreement. The aforesaid agreements became effective after being considered and approved at the general meeting.

(III) ANALYSIS OF OTHER SIGNIFICANT EVENTS AND ITS IMPACT AND RESOLUTIONS

The 34th meeting of the fifth Board of the Company was held on 24 April 2009, at which the non-public issue of A shares of the Company was considered and approved. The number of A shares to be issued in this non-public issue shall be no more than 145 million shares. The net proceeds will not exceed RMB5 billion and are planned to be utilized in post-disaster relocation of Hanwang production base of Dongfang Turbine Co., Ltd. (including the research and development of Grade F 50MW (IGCC) turbine), experiment centre project in respect of clean and high-efficiency boiler combustion technology, technology improvement project of million kilowatt nuclear power conventional island and replenishing working capital of DEC. The project was considered and approved at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares, and has been approved by State-owned Assets Supervision and Administration Commission. It is currently undergoing other relevant approval procedures.

(IV) EMPLOYEES

As at 30 June 2009, the Company employed 18,650 staff members. The Company adopted a remuneration system linked with performance and paid the employees in accordance with their individual performance.

(V) PURCHASE, SALES OR REDEMPTION OF SHARES

As at the end of the reporting period, none of the Company, its subsidiaries and jointly controlled entity purchased or sold any of the Company's shares.

(VI) COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the reporting period, the directors were not aware of any information which can reasonably indicate that the Company was not in compliance with the requirements of the Code on Corporate Governance Practices under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) at all times during the reporting period.

(VII) COMPLIANCE WITH THE MODEL CODE

During the reporting period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exact than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors of the Company, all directors confirmed they had complied with the requirements under the Model Code.

(VIII) AUDIT COMMITTEE

The Board of the Company had set up an Audit Committee in accordance with the requirements of Rule 3.21 of the Listing Rules. The Audit Committee has reviewed the financial report and the interim results report of the Company for the six months ended 30 June 2009.

VII. FINANCIAL STATEMENT (UNAUDITED)

1. THE UNAUDITED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS

CONSOLIDATED BALANCE SHEET

At 30 June 2009

Unit: RMB

Items	30 June 2009	31 December 2008
Current assets:		
Bank balance and cash	12,539,259,901.63	11,449,415,976.02
Clearing provision		
Interbank lending		
Tradable financial assets	322,485.84	173,825.46
Notes receivable	500,840,683.06	143,350,254.46
Accounts receivable	9,722,255,932.83	9,297,264,763.68
Prepayments	10,110,293,978.10	8,615,693,756.66
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contracts provision receivable		
Interest receivable		13,681,500.00
Dividend receivable		
Other receivables	364,141,885.29	146,838,499.53
Purchases of resold financial assets		
Inventory	24,172,369,171.62	21,498,320,276.15
Non-current assets due within one year		
Other current assets		
Total current assets	57,409,484,038.37	51,164,738,851.96



CONSOLIDATED BALANCE SHEET (Continued)

Items	30 June 2009	31 December 2008
Non-current assets:		
Loans and advances		
Financial assets available for sale		
Held-to-maturity investment		
Long-term receivables		
Long-term investment in equity	377,569,540.02	319,911,540.12
Investment properties	33,233,465.29	34,041,886.46
Fixed assets	2,368,432,394.86	2,484,116,394.19
Construction in progress	2,411,832,569.30	1,216,576,529.56
Construction materials	385,241.08	121,664.96
Disposals of fixed assets	337,728.98	0.00
Biological assets for production		
Fuel assets		
Intangible assets	729,083,465.36	518,842,608.11
Development expenditure		
Goodwill		
Long-term deferred expenses	312,243.60	352,971.00
Deferred income tax assets	455,986,818.36	481,387,950.22
Other non-current assets	18,076,184.96	239,076,185.80
Total non-current assets	6,395,249,651.81	5,294,427,730.42
Total assets	63,804,733,690.18	56,459,166,582.38

CONSOLIDATED BALANCE SHEET (Continued)

Items	30 June 2009	31 December 2008
Current liabilities:		
Short-term borrowings	111,703,436.75	204,214,900.00
Borrowing from PBOC		
Customer and interbank deposits		
Interbank borrowing		
Financial liabilities held for trading	0.00	0.00
Notes payable	2,469,093,762.52	2,227,237,061.99
Account payables	9,466,262,059.89	7,481,161,656.77
Payments received in advance	39,557,627,664.37	34,828,559,536.11
Sales of repurchased financial assets		
Fees and commissions payable		
Staff remuneration payables	362,073,510.51	357,199,979.79
Taxes payable	(568,785,986.26)	(80,229,275.49)
Interest payable	217,831,931.40	158,792,490.11
Dividend payable	20,718,629.67	406,494.67
Other payables	3,320,761,456.41	2,915,453,510.97
Reinsurance accounts payable		
Insurance contract reserve		
Payment for agent of trading securities		
Payment for agent of underwriting securities		
Non-current liabilities due within one year	1,035,976,838.80	1,035,976,838.80
Other current liabilities	24,022.26	741,164.58
Total current liabilities	55,993,287,326.32	49,129,514,358.30



CONSOLIDATED BALANCE SHEET (Continued)

Items	30 June 2009	31 December 2008
Non-current liabilities:		
Long-term borrowing	232,320,000.00	2,320,000.00
Bonds payable	0.00	0.00
Long-term payables	3,066,615,769.24	3,626,592,608.04
Special payables		
Accrued Liabilities	455,863,698.07	332,966,104.96
Deferred income tax liabilities	18,032,983.22	30,402,751.06
Other non-current liabilities	910,224,299.34	903,778,644.46
Total non-current liabilities	4,683,056,749.87	4,896,060,108.52
Total liabilities	60,676,344,076.19	54,025,574,466.82
Shareholders' equity:		
share capital	882,000,000.00	882,000,000.00
Capital reserve	1,232,393,146.10	1,232,393,146.10
Less: Treasury stock		
Surplus reserve		
Preparations for general risks		
Undistributed profit	807,185,948.74	137,822,718.21
Difference from translation of foreign currency statement	(6,609,762.62)	(7,551,930.79)
Total equity attributable to the equity holders of the Company	2,914,969,332.22	2,244,663,933.52
Minority interests	213,420,281.77	188,928,182.04
Total owner's equity	3,128,389,613.99	2,433,592,115.56
Total liabilities and owner's equity	63,804,733,690.18	56,459,166,582.38

CONSOLIDATED INCOME STATEMENT

From January to June 2009

Unit: RMB

Items	1 January to 30 June 2009	1 January to 30 June 2008
I. Total revenue from operations	15,174,206,749.26	12,069,762,820.31
Including: revenue from operations	15,174,206,749.26	12,069,762,820.31
Interest income		
Premiums earned		
Income from fee and commission		
II. Total cost of operations	14,329,140,048.59	11,236,951,280.85
Including: cost of operations	12,845,066,720.34	10,185,360,302.86
Interest payments		
Fee and commission expenses		
Surrender value		
Net expenditure for compensation payments		
Net drawing on provision for insurance contracts		
Expenditures for insurance policy dividend		
Reinsurance costs		
Business tax and surcharge	14,824,788.45	22,879,561.70
Selling expenses	348,429,448.20	200,051,693.03
Administrative expenses	802,241,716.87	615,622,988.86
Finance costs	84,215,829.77	95,066,318.14
Impairment loss of assets	234,361,544.96	117,970,416.26
Add: Gain from change in fair value		
(loss is represented by “()”)	148,660.38	(569,010.42)
Gain from investment (loss is represented by “()”)	8,366,312.82	(7,734,076.35)
Including: Gains from investment in		
associates and joint venture	8,366,312.82	(7,734,076.35)
Gains from foreign currencies exchange		
(loss is represented by “()”)		



CONSOLIDATED INCOME STATEMENT (Continued)

Items	1 January to 30 June 2009	1 January to 30 June 2008
III. Operating profit (loss is represented by “()”)	853,581,673.87	824,508,452.69
Add: Non-operating income	26,973,106.28	45,128,481.85
Less: Non-operating expenses	65,309,297.37	320,211,503.95
Including: Net loss from disposal of non-current assets	724,196.72	309,651,550.03
IV. Total profit (loss is represented by “()”)	815,245,482.78	549,425,430.59
Less: Income tax expenses	122,606,017.52	101,626,521.46
V. Net profit (loss is represented by “()”)	692,639,465.26	447,798,909.13
Net profit attributable to the Company	687,003,230.53	442,955,345.32
Minority interests	5,636,234.73	4,843,563.81
VI. Earnings per share:		
(i) Basic earnings per share	0.78	0.54
(ii) Diluted earnings per share	0.78	0.54

CONSOLIDATED CASH FLOW STATEMENT

From January to June 2009

Unit: RMB

Items	1 January to 30 June 2009	1 January to 30 June 2008
I. Cash flow from operating activities:		
Cash received from sale of goods and provision of services	19,747,226,747.64	19,708,983,189.21
Net increase in customer and interbank deposits		
Net increase in borrowings from PBOC		
Net increase in borrowings from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of trading financial assets		
Cash received from interest, fees and commissions		
Net increase in borrowings		
Net increase in income from repurchase business		
Tax rebates	32,194,880.91	38,083,842.08
Other cash received from activities related to operation	357,237,760.66	914,187,722.90



CONSOLIDATED CASH FLOW STATEMENT (Continued)

Items	1 January to 30 June 2009	1 January to 30 June 2008
Sub-total of cash inflow from operating activities	20,136,659,389.21	20,661,254,754.19
Cash paid for goods purchased and service rendered	15,328,660,012.26	14,255,771,478.49
Net increase in customer loans and advances		
Net increase in deposit in PBOC and interbank deposits		
Cash paid for compensation payments under original insurance contract		
Cash paid for interest, fee and commission		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employee	865,299,487.70	691,174,672.49
Taxes payments	398,341,559.29	503,625,390.26
Other cash paid for activities related to operation	532,136,754.99	686,725,609.46
Sub-total of cash outflow from operating activities	17,124,437,814.24	16,137,297,150.70
Net cash flow from operating activities	3,012,221,574.97	4,523,957,603.49

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Items	1 January to 30 June 2009	1 January to 30 June 2008
II. Cash flow from investment activities:		
Cash received from investment		796,263.23
Cash received from gains in investment		28,000.00
Net cash received from disposal of fixed assets, intangible assets and other long term assets	479,950.00	3,238,342.60
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment		260,000.00
Sub-total of cash inflow from investment activities	479,950.00	4,322,605.83
Cash paid for purchase of fixed assets, intangible assets and other long term assets	1,867,105,883.33	396,889,241.88
Cash paid for investment		
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other operating entities		
Other cash paid for activities related to investment	41,812,804.39	
Sub-total of cash outflow from investment activities	1,908,918,687.72	396,889,241.88
Net cash flow from investment activities	(1,908,438,737.72)	(392,566,636.05)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Items	1 January to 30 June 2009	1 January to 30 June 2008
III. Cash flow from financing activities:		
Proceeds received from investments	938,458,000.00	189,014.50
Including: Proceeds received by		
subsidiaries from minority shareholders' investment		
Cash received from borrowings	417,877,921.34	378,030,000.00
Cash received from issuing bonds		
Other cash received from financing-related activities	247,162.06	
Sub-total of cash inflow from financing activities	1,356,583,083.40	378,219,014.50
Cash paid for repayment	1,245,151,323.39	130,970,000.00
Cash paid for dividend and profit distribution or interest repayment	5,630,680.38	4,902,035.96
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid for financing-related activities	81,406,999.70	90.00
Sub-total of cash outflow from financing activities	1,332,189,003.47	135,872,125.96
Net cash flow from financing activities	24,394,079.93	242,346,888.54
IV. Impact of fluctuations in exchange rates on cash and cash equivalents	(1,417,831.39)	(3,061,257.78)
V. Net increase in cash and cash equivalents	1,126,759,085.79	4,370,676,598.20
Add: Balance of cash and cash equivalents at the beginning of the period	11,314,289,620.58	4,827,380,712.67
VI. Balance of cash and cash equivalents at the end of the period	12,441,048,706.37	9,198,057,310.87

**2. UNAUDITED FINANCIAL STATEMENT PREPARED UNDER HKFRS
CONDENSED CONSOLIDATED INCOME STATEMENT**

For the period ended 30 June 2009

	Note	January to June 2009 RMB'000 (unaudited)	January to June 2008 RMB'000 (unaudited)
Turnover	3	14,966,054	11,785,470
Cost of sales		(12,672,953)	(9,965,670)
Gross profit		2,293,101	1,819,800
Other income		181,164	153,326
Distribution expenses		(348,456)	(200,052)
Administrative expenses		(1,129,661)	(758,160)
Other expenses	4	—	(308,044)
Share of profit of associates		4,621	(13,182)
Share of profit of jointly controlled entities		4,308	5,448
Financial expenses		(149,391)	(123,164)
Profit before taxation		855,686	575,972
Income tax expenses	5	(134,998)	(118,674)
Profit and total comprehensive income for the period	6	720,688	457,298
Attributable to:			
Equity holders of the Company		715,052	452,454
Non-controlling interests		5,636	4,844
		720,688	457,298
Dividend	7	—	—
Earnings per share			
Basic	8	RMB0.81	RMB0.55

CONDENSED CONSOLIDATED FINANCIAL POSITION STATEMENT

As at 30 June 2009

		30 June 2009	31 December 2008
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	9	2,343,469	2,366,052
Construction in progress		2,412,218	1,216,698
Prepaid lease payments for and use rights		625,468	640,986
Investment properties		33,233	34,056
Intangible assets		105,981	111,661
Interests in associates		163,489	158,868
Interests in jointly controlled entities		125,189	120,881
Available-for-sale investments		39,600	39,600
Deferred tax assets		455,945	481,368
		6,304,592	5,170,170
Current assets			
Inventories		22,073,270	19,870,692
Amounts due from related parties		4,356,003	3,520,034
Trade and other receivables	10	16,391,144	14,666,634
Prepaid lease payments for land use rights		12,612	5,624
Other tax asset		890,306	453,109
Amounts due from customers for contract works		2,015,335	1,627,629
Pledged bank deposits		98,211	137,518
Cash and cash equivalents		12,441,049	11,311,898
		58,277,930	51,593,138

CONDENSED CONSOLIDATED FINANCIAL POSITION STATEMENT (Continued)

		30 June	31 December
		2009	2008
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Advances from customers			
for contract works		8,035,923	10,425,315
Amounts due to related parties		7,312,664	7,255,085
Trade and other payables	11	40,994,435	31,229,893
Income tax liabilities		186,804	159,049
Other tax liabilities		134,716	213,831
Bank loans due within one year		125,703	218,215
Estimated liabilities		455,863	332,966
Deferred income		83,213	149,446
Termination benefit		10,895	12,150
Dividend payable		17,640	—
		57,357,856	49,995,950
Net current assets		920,074	1,597,188
Total assets less current liabilities		7,224,666	6,767,358

CONDENSED CONSOLIDATED FINANCIAL POSITION STATEMENT
(Continued)

		30 June 2009 <i>RMB'000</i>	31 December 2008 <i>RMB'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred income		872,595	800,809
Bank loans due after one year		232,320	2,320
Long term liabilities		685	685
Termination benefit		61,735	69,083
Amounts due to the parent		<u>3,065,931</u>	<u>3,625,908</u>
		<u>4,233,266</u>	<u>4,498,805</u>
Net assets		<u>2,991,400</u>	<u>2,268,553</u>
Capital and reserves			
Share capital	12	882,000	882,000
Reserves		<u>1,895,980</u>	<u>1,197,625</u>
Equity attributable to equity holders of the Company			
		2,777,980	2,079,625
Non-controlling interests		<u>213,420</u>	<u>188,928</u>
		<u><u>2,991,400</u></u>	<u><u>2,268,553</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2009

	Equity attributable to equity holders of the Company								
	Share Capital	Merger reserve	Capital surplus	Statutory surplus reserve	Translation reserve	Total retained earnings	Non- controlling Total interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			(Note a)	(Note b)					
At 1 January 2008	817,000	(2,500,173)	126,310	711,263	—	3,384,163	2,538,563	860,601	3,399,164
Profit for the period	—	—	—	—	—	452,454	452,454	4,844	457,298
Acquisition of non-controlling equity interests	—	—	—	—	—	(2,051,092)	(2,051,092)	(756,105)	(2,807,197)
Proposed dividend	—	—	—	—	—	(196,080)	(196,080)	—	(196,080)
At 30 June 2008	817,000	(2,500,173)	126,310	711,263	—	1,589,445	743,845	109,340	853,185
At 1 January 2009	882,000	(2,500,173)	1,362,998	955,953	(7,552)	1,366,399	2,079,625	188,928	2,268,553
Profit for the period	—	—	—	—	—	715,052	715,052	5,636	720,688
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	24,428	24,428
Exchange differences arising on translation	—	—	—	—	943	—	943	—	943
Proposed dividend	—	—	—	—	—	(17,640)	(17,640)	—	(17,640)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(5,572)	(5,572)
At 30 June 2009	882,000	(2,500,173)	1,362,998	955,953	(6,609)	2,083,811	2,777,980	213,420	2,991,400

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Notes:

- (a) *Capital surplus includes share premium and contribution from DEC. Capital surplus may be used to adjust against the difference between the consideration and the acquired net assets arising from business combination under common control. Included in the balance is part of the share premium amounted to RMB1,245,835,000 as at 30 June 2009 which is not distributable.*
- (b) *In accordance with the PRC Company Law and the relevant Articles of Association, the Company and its subsidiaries are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the statutory surplus reserve.*

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

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	January to June 2009 <i>RMB'000</i>	January to June 2008 <i>RMB'000</i>
Net cash flow from operating activities	3,012,222	4,523,958
Net cash flow used in investing activities	(1,906,048)	(1,482,126)
Net cash flow from financing activities	24,394	242,347
Net increase in cash and cash equivalents	1,130,568	3,284,179
Effects of exchange rate changes on cash and cash equivalents	(1,417)	(3,061)
Cash and cash equivalents at the beginning of the period	11,311,898	3,913,939
Cash and cash equivalents at the end of the period	<u>12,441,049</u>	<u>7,195,057</u>
Analysis on the balance of cash and cash equivalents, Cash and bank balances	11,120,753	6,618,462
Deposits with non-bank financial institutions	1,320,296	576,595
	<u>12,441,049</u>	<u>7,195,057</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2009

1. GENERAL

The Company was established on 28 December 1993 in Deyang, Sichuan, the PRC as a joint stock limited company. The Company assumed the manufacture and operation business together with the relevant assets and liabilities from Dongfang Electrical Machinery Works (“DFEW”). On 31 May 1994, the Company placed and issued 170,000,000 overseas listed foreign investment shares (the “H Shares”) to the public in Hong Kong and the H Shares have been listed on The Stock Exchange of Hong Kong Limited since 6 June 1994. On 4 July 1995, with the approval of the relevant authorities including the Securities Regulatory Commission of the PRC, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (the “A Shares”) in the PRC. The A Shares have been listed on the Shanghai Stock Exchange since 10 October 1995. On 30 December 2005, the State-owned Assets Supervision and Administration Commission (“SASAC”) promulgated “Approval of certain issues in the transfer of state-owned shares of Dongfang Electrical Machinery Company Limited” (Guo Zi Chan Quan [2005] No. 1604) (《關於東方電機股份有限公司國有股劃轉有關問題的批覆》(國資產權[2005]1604號)) approving the transfer of 220,000,000 State-owned domestic shares, representing DFEW’s 48.89% equity interest in the Company, from DFEW to Dongfang Electric Corporation (“DEC”), which is a state-owned enterprise established in the PRC and is directly supervised by SASAC. Since then, DEC becomes the first major shareholder of the Company.

1. GENERAL (Continued)

The Company is principally engaged in the business of manufacture and sale of thermal power equipment, hydro power equipment and AC/DC motors, large-scale coal-fired and gas-fired steam turbine, boiler and nuclear reactor equipment, wind power generation sets, as well as provision of related researching, designing, installing and testing, engineering and repairing services. The Company also has the capacity to manufacture nuclear island equipment (mainly reactor pressure vessels and steam generator) and conventional island equipment (mainly moisture separator re-heaters).

The Company and DEC entered into an Acquisition Agreement and the related supplementary agreement, pursuant to which the Company intended to acquire 100% equity interest in Dongfang Steam Turbine Co., Ltd. (hereinafter referred as “Dongfang Turbine”) and 68.05% interest in Dongfang Boiler (Group) Co., Ltd. (hereinafter referred as “Dongfang Boiler”) which were then held by DEC. The Agreement has been approved by CSRC on 18 October 2007. Dongfang Turbine is principally engaged in the business of design, manufacture and sale of turbines, the related large-scale coal-fired, gas-fired, nuclear and wind power generation equipments. Dongfang Boiler is principally engaged in the business of design, manufacture and sale of boilers for large scale coal-fired and oil-fired power generation plants, pressure vessels for non-electrical generation industrial use as well as auxiliary equipment and environmental protection products for electrical power industry, which is the manufacturer of nuclear island equipment (mainly the reaction pressure vessels and steam generators) and conventional island equipment (mainly the moisture separator re-heaters) of DEC. As confirmed by the China Securities Depository and Clearing Compurgation Limited Shanghai Branch in March 2008, DEC exchanged 31.61% unrestricted A shares of Dongfang Boiler which the Company then acquired from DEC (“31.61% Acquisition”). The listing status of Dongfang Boiler was terminated by the Shanghai Stock Exchange since then. Upon the completion of 31.61% Acquisition, the Company holds 99.66% equity interest in Dongfang Boiler.

1. GENERAL (*Continued*)

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements have been prepared under the historical cost convention.

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

HKAS 1 (revised 2007) "Presentation of Financial Statements" *(effective for annual periods beginning on or after 1 January 2009)*

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (*Continued*)

Except for early adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), the Group has not early applied other new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal report about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segment and to assess its performance. In contrast, its past standards (HKAS 14, Segment reporting) requires two sets of segments (business and geographical) to be identified, using a risks and rewards approach, with the entity’s system of “Internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 has resulted in no change to the evaluation basis for profit or loss of segments.



3. TURNOVER AND SEGMENT INFORMATION (Continued)

The Group is principally engaged in the production and sale of power generation equipments and other services. The Group's turnover during the period is analyzed as follows:

	January to June 2009	January to June 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from sales of goods	7,174,040	5,027,948
Revenue from construction contracts	7,756,841	6,728,183
Revenue from other services	35,173	29,339
	<u>14,966,054</u>	<u>11,785,470</u>

3. TURNOVER AND SEGMENT INFORMATION (*Continued*)

Business segments

The Group operates in three major segments as follows:

main thermal power equipment, main hydro power equipment, wind power generation sets and environmental protection products, nuclear power equipment, AC/DC motors, oil-fired power plants, production of pressure vessels for non-power generation industrial use and construction and maintenance services for power stations:

Principal activities are manufacture, construction and sale of the following products:

Main thermal power equipment	manufacture and sale of main thermal power equipment (including turbines and boilers)
Main hydro power equipment	manufacture and sale of main hydro power equipment
Wind power generation sets	manufacture and sale of wind power generation sets
Environmental protection products	manufacture and sale of environmental protection products
Others	manufacture and sale of nuclear power equipment, AC/DC motors, production of nuclear island facilities and conventional island facilities, related large-scale coal-fired and gas-fired generation facilities, nuclear reactor facilities and provision of other services

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

For the period ended 30 June 2009

	Main thermal power equipment RMB'000	Main hydro power equipment RMB'000	Environ		Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
			— mental protection Products RMB'000	Wind power generation sets RMB'000			
Revenue from principal operations							
External sales	9,621,103	1,280,570	138,260	3,259,651	666,470	—	14,966,054
Inter-segment sales	487	—	—	—	—	(487)	—
Total revenue	<u>9,621,590</u>	<u>1,280,570</u>	<u>138,260</u>	<u>3,259,651</u>	<u>666,470</u>	<u>(487)</u>	<u>14,966,054</u>
Segment results	<u>1,682,589</u>	<u>140,728</u>	<u>45,596</u>	<u>461,258</u>	<u>(37,070)</u>	<u>—</u>	<u>2,293,101</u>

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:
(Continued)

	Main thermal power equipment	Main hydro power equipment	Environ		Others	Eliminations	Consolidated
			— mental protection Products	Wind power generation sets			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other income							181,164
Distribution expenses							(348,456)
Administrative expenses							(1,129,661)
Share of profit of associates							4,621
Share of profit of jointly controlled entities							— 4,308
Finance expenses							(149,391)
Profit before taxation							855,686
Income tax expense							(134,998)
Profit for the year							720,688



3. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:
(Continued)

For the period ended 30 June 2008

	Main thermal power equipment RMB'000	Main hydro power equipment RMB'000	Environ- mental		Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
			— mental Products RMB'000	Wind power generation sets RMB'000			
Revenue from principal operations							
External sales	9,042,462	1,128,311	42,700	1,397,071	174,926	—	11,785,470
Inter-segment sales	64,037	—	6,439	—	147,238	(217,714)	—
Total revenue	9,106,499	1,128,311	49,139	1,397,071	322,164	(217,714)	11,785,470
Segment results	1,494,624	124,125	(8,162)	202,527	6,686	—	1,819,800

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:
(Continued)

	Environ				Others	Eliminations	Consolidated
	Main thermal power equipment	Main hydro power equipment	— mental protection Products	Wind power generation sets			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other income							153,326
Distribution expenses							(200,052)
Administrative expenses							(758,160)
Other expenses							(308,044)
Share of profit of associates							(13,182)
Share of profit of jointly controlled entities							5,448
Finance expenses							(123,164)
Profit before taxation							575,972
Income tax expense							(118,674)
Profit for the year							457,298

4. OTHER EXPENSES

	January to June 2009 RMB'000	January to June 2008 RMB'000
Loss from 12 May Earthquake	—	308,044

5. INCOME TAX EXPENSE

	January to June 2009 RMB'000	January to June 2008 RMB'000
PRC enterprise income tax		
— Provision for the current period	109,575	88,948
— Current period deferred tax	25,423	29,726
	134,998	118,674

- (a) In accordance with the Notice of Announcing the Fourth List of High-tech Enterprises to be Accredited in Sichuan for 2008 (Chuan Gao Qi Ye Ren [2008] No. 4) issued by the High-tech Enterprise Accreditation Management Team of Sichuan, the Company is accredited as high-tech enterprise and obtained the Certificate of High-tech Enterprise (Certificate No.: GR200851000482). The Company is entitled to a preferential tax rate of 15% since 2008. Pursuant to the provisions from the State Council in relation to the Development of the Western Region, the enterprise income tax rate of Dongfang Machinery, Dongfang Boiler and Dongfang Turbine is 15% until 2010.

5. INCOME TAX EXPENSE (Continued)

- (b) Shenzhen Controlling Company (深圳控制公司) is an enterprise situated in Shenzhen Special Economic Zone. According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guo Fa [2007] No. 39), the enterprise income tax rate of Shenzhen Controlling Company shall gradually reach 25% within five years from 1 January 2008, with enterprise income tax rates of 18%, 20%, 22%, 24% and 25% from 2008 to 2012. The enterprise income tax rate of Shenzhen Controlling Company is 20% in 2009.
- (c) According to the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, the taxation preference policy on income tax rate applies to Chengdu KWH Company (a foreign-funded enterprise) was two-year tax exemption and three-year 50% reduction tax treatments, However, for those not being entitled to preferential tax treatment due to the fact that the enterprises have not made any profits, the preferential period shall commence as from 2008 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guo Fa [2007] No. 39). 2009 is the second year Chengdu KWH Company entitled to the two-year tax exemption treatment policy.
- (d) The enterprise income tax rate of Dongfang Electric (India) Private Limited is 30%.
- (e) The enterprise income tax rate of other subsidiaries of the Company is 25%.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	January to June 2009 RMB'000	January to June 2008 RMB'000
Amortisation of intangible assets included in administrative expenses	5,680	13,689
Write-off and allowance for bad and doubtful debts	152,160	75,627
Cost of inventories recognised as an expense	12,672,953	9,965,670
Amortisation of prepaid lease payments for land use rights	8,530	2,811
Depreciation on property, plant and equipment	221,050	180,584
Depreciation on investment properties	823	818
Loss on disposal of property, plant and equipment and construction in progress	724	306,548
Increase of written-off of inventories	82,202	40,249
Rental expenses	3,814	1,948
Foreign exchange losses	15,693	24,274
Foreign exchange gains	(22,164)	(20,060)
Rental income from investment properties	657	—
Less: direct operating expenses from investment properties that generated rental income	(823)	(818)
	(166)	(818)

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend. No interim dividend was declared for the same period last year.

8. EARNINGS PER SHARE

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

	January to June 2009 RMB'000	January to June 2008 RMB'000
Earnings		
Earnings (profit attributable to shareholders of the Company)	<u><u>715,052</u></u>	<u><u>452,454</u></u>
Number of shares		
Average number of shares	<u><u>882,000</u></u>	<u><u>817,000</u></u>

No diluted earnings per share are calculated as there is no potentially dilutive share in the relevant periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group allocated approximately RMB106,765,000 (For the six months ended 30 June 2008: RMB80,075,000) to acquire properties, plants and equipments.

10. TRADE AND OTHER RECEIVABLES

Part of the Group's revenue is generated through construction projects. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. Long standing customers or those with good repayment history are entitled to a longer credit period, say two to three years.

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

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade receivables	9,734,960	8,891,794
Less: allowance for bad debts	(1,152,870)	(906,908)
	8,582,090	7,984,886
Prepayment for raw materials	7,445,376	6,560,402
Deposits and other receivables	363,678	121,346
	16,391,144	14,666,634

The above trade receivables include bills receivables aged within one year in the sum of RMB500,840,000 (December 2008: RMB143,350,000).

10. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of net trade receivables based on invoice date net of allowance for bad debts:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Within 1 year	4,797,241	4,697,262
1-2 years	2,022,581	2,040,215
2-3 years	1,195,606	853,186
More than 3 years	566,662	394,223
	8,582,090	7,984,886



11. TRADE PAYABLES AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Within 1 year	10,602,234	8,497,572
1-2 years	452,888	140,056
More than 2 years	193,518	83,409
	11,248,640	8,721,037
Receipt in advance	28,522,474	21,383,489
Accrual for 12 May Earthquake rehabilitation and resettlement cost (<i>Note i</i>)	187,698	280,890
Other payables and accruals	1,035,623	844,477
	40,994,435	31,229,893

The above trade payables include bills payables aged within one year in the sum of RMB2,469,093,000 (December 2008: RMB2,227,238,000).

11. TRADE PAYABLES AND OTHER PAYABLES (Continued)

Note i:

During 2008, the Group received donations amounting to RMB402,405,000 from the general public and the government for the 12 May Earthquake. The Group has formed an ad hoc committee to manage the donations. The committee decided that the donations should only be used for resumption of production and resettlement of the affected employees of the Group and the use of the donations should be closely monitored. A balance of approximately RMB187,698,000 (December 2008: RMB280,890,000) remains on the bank accounts of the Group designated for donations at the end of the period.

12. SHARE CAPITAL OF THE COMPANY

From 1 January 2009 to 30 June 2009, the change in the Company's share capital structure is as follow:

	Opening balance '000	Number of shares increase/ decrease during the period '000	Closing balance '000
Authorised, issued and fully paid:			
Shares subject to trading moratorium			
Domestic legal person Shares	395,578	(158,800)	236,778
A Shares	316,422	158,800	475,222
H Shares	170,000	—	170,000
	<u>882,000</u>	<u>—</u>	<u>882,000</u>

12. SHARE CAPITAL OF THE COMPANY (Continued)

From 1 January 2008 to 30 June 2008, the change in the Company's share capital structure is as follow:

	Opening balance '000	Number of shares increase/ decrease during the period '000	Closing balance '000
Authorised, issued and fully paid:			
Shares subject to trading moratorium			
Domestic legal person Shares	548,300	(152,637)	395,663
A Shares	98,700	152,637	251,337
H Shares	170,000	—	170,000
	<u>817,000</u>	<u>—</u>	<u>817,000</u>

13. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Capital expenditure of construction in progress — contracted for but not provided	<u>2,597,776</u>	<u>2,915,020</u>

14. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties as disclosed in above notes, the Group entered into the following major transactions with related parties in normal course of business:

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

	January to June 2009 RMB'000	January to June 2008 RMB'000
Expenditure		
— Purchase of raw materials	1,107,895	828,731
— Freight and maintenance	94,234	136,352
— Sub-contracting services	68,798	71,168
— Rental expenses	9,611	1,948
— Others	3,449	2,325
	<u>1,283,987</u>	<u>1,040,524</u>
Revenue		
— Sale of finished goods	<u>1,249,686</u>	<u>1,316,255</u>
Other income		
— Interest income	6,393	3,774
— Provision of power supply and others	<u>2,739</u>	<u>185</u>

14. RELATED PARTY TRANSACTIONS (Continued)

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

Name of related company	Related balances	30 June 2009 RMB'000	31 December 2008 RMB'000
DEC and its subsidiaries	Trade receivables	<u>1,691,085</u>	<u>1,642,328</u>
	Receipts in advance	<u>2,999,231</u>	<u>3,091,357</u>
	Prepayments	<u>2,664,918</u>	<u>2,059,591</u>
	Accounts payable	<u>1,832,626</u>	<u>1,993,048</u>
	Other payables	<u>2,386,953</u>	<u>1,965,601</u>
	Bills payables	<u>93,854</u>	<u>205,079</u>
	Other receivables	<u>50,079</u>	<u>52,938</u>
	Long-term payables	<u>3,065,931</u>	<u>3,625,908</u>
DEC Finance Company (subsidiary of DEC)	Deposits	<u>1,320,296</u>	<u>1,104,626</u>

14. RELATED PARTY TRANSACTIONS (Continued)

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

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

	January to June 2009 RMB’000	January to June 2008 RMB’000
Sales	12,603,603	10,047,261
Purchases	5,315,423	1,374,818
Amounts due from other state-controlled entities	10,677,703	11,070,743
Amounts due to other state-controlled entities	42,102,878	28,535,498

Save for the above disclosure, the Board of Directors is of the view that transactions with other state-controlled entities are insignificant to the operation of the Group.

14. RELATED PARTY TRANSACTIONS (*Continued*)

(d) Compensation of key management personnel

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

	January to June 2009 RMB'000	January to June 2008 RMB'000
Remuneration of key management personnel	<u>1,577</u>	<u>506</u>

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

The remuneration of some directors and key management personnel was paid by DEC in the same period last year.

Dongfang Electric Corporation Limited

Si Zefu

Chairman

27 August 2009