



Annual Report 2011

二零一一年年度報告



东方电气
DONGFANG ELECTRIC

DONGFANG ELECTRIC CORPORATION LIMITED

(H Share Stock Code : 1072)

(A Share Stock Code : 600875)



CONTENTS

I.	Chairman's Statement	2
II.	Company Profile	4
III.	Major Accounting Data and Business Data	6
IV.	Changes in Share Capital and Particulars of Shareholders	9
V.	Directors, Supervisors and Senior Management	14
VI.	Corporate Governance Report	28
VII.	Brief Introduction of the Annual General Meeting	40
VIII.	Report of the Board	41
IX.	Report of the Supervisory Committee	60
X.	Significant Events	63
XI.	Financial Report	70
XII.	Documents Available for Inspection	72

CHAIRMAN'S STATEMENT



To shareholders:

The year 2011 is the first year for the implementation of the “12th Five-Year Plan”. Thoroughly following the guidelines of “adjusting structure, driving innovation, strengthening management, and enhancing quality”, Dongfang Electric Corporation Limited (“the Company”) took active measures to minimize the adverse effects of the global financial crisis and the Fukushima nuclear disaster in Japan on the production and operation of the Company and forged ahead with concerted efforts, thus sustaining a steady growth in revenue, output and profit and rewarding investors with outstanding operation results.

In 2011, the onerous production tasks and the large number of new and major products posed great pressure and challenge to the Company in terms of raw material preparation, technological strengths and supply chain management. By strengthening control over critical equipment and key links and making full use of internal and external resources, the Company ensured punctual delivery, over-fulfilled the production plan for the year and achieved a new record high of 39,680MW in output of power generation equipment.

During the reporting period, the Company secured RMB48 billion worth of contract orders as a result of its market expansion efforts, thus meeting the goal of maintaining continued and steady growth in new orders during the year although almost no new orders for nuclear power products were landed and orders for wind power products declined. The Company entered into a number of important contracts with strategic significance in respect of domestic projects including the ultra-supercritical thermal power project and the large-capacity gas turbine project as well as overseas projects including the thermal power project with Abhijeet Group from India, the thermal power project with the Venezuelan central power plant and the low pressure heater supply for nuclear power plants with the Electricite De France, which will promote the sustained development of the Company.

Chairman's Statement (Continued)



Indian Dugarpus Power Plant Project



600MW Supercritical Boiler in Qinbei Power Plant, the first of its kind in the PRC



Arac Power Plant (4 x 325MW) in Iran

During the reporting period, the Company attached great importance to the management of investor relations and had open and honest communication with investors. Our ever-growing performance and standardized and efficient operation won the Board the “Award for Board for Directors of Listed Companies” presented by the Shanghai Stock Exchange.

Looking into the future, both opportunities and challenges exist in the power generation market. The Company shall place priorities on “highlighting principal operations, optimizing allocation and refining management”, speed up its transformation and upgrading and promote steady development by implementing “three shifts”, namely shifting from scale expansion to efficiency and profit growth, shifting from business expansion to strength enhancement, and shifting from manufacturing-based operations to manufacturing and service-based operations.

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

29 March 2012

COMPANY PROFILE

Legal representative/Chairman

Mr. Si Zefu

Executive Director

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

Non-Executive Director

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

Independent Non-Executive Director

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

Supervisor

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

Secretary to the Board of Directors

Mr. Gong Dan

Representative of securities affairs

Mr. Huang Yong

Audit and Review Committee

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

Strategic Development Committee

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

Remuneration and Nomination Committee

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

Risk Management Committee

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

Authorized Representative

Mr. Si Zefu
Mr. Gong Dan

Deputy Authorized Representative

Mr. Huang Yong

Auditor

ShineWing Certified Public Accountants

Domestic and International

Financial Public Relations Company

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

Share Registrars

A shares: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
H shares: Computershare Hong Kong Investor Services Limited

Company Profile (Continued)

Listing place of the Company

A shares: Shanghai Stock Exchange
Stock name: Dongfang Electric Corporation Limited
Stock code: 600875

H shares: The Stock Exchange of Hong Kong Limited (the "Stock Exchange")
Stock name: DEC
Stock code: 1072

Registered address

18 Xixin Road, High-Tech District (Western District), Chengdu
Taxation registration number
51098205115485

Company business address

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

Company Website

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

Website for disclosure of the Company's H share information

<http://dfem.wsfg.hk>

Address for inspection of the Annual Report

Office of the Board of the Company

Newspapers for disclosure of the Company's information

China Securities Journal
Shanghai Securities News

E-mail

dsb@dongfang.com

Telephone

+86 028 87583666

Fax

+86 028 87583551



▲ E-model heavy-duty gas turbine rotor



▲ Generator shaft for the Gerry Project in Brazil



▲ Commencement of mass production in Dongfang Electric Renewable Energy Equipment (Hangzhou) Co., Ltd.



▲ A hydroturbine headcover is being processed on a vertical lathe in Jinping Power Station

MAJOR ACCOUNTING DATA AND BUSINESS DATA

(1) MAJOR ACCOUNTING DATA

Unit: RMB0'000

Item	Amount
Operating profit	335,633.53
Total profit	354,405.68
Net profit attributable to the shareholders of the Company	305,622.77
Net profit after non-recurring profit and loss attributable to shareholders of the Company	288,986.01
Net cash flow from operating activities	-113,851.33



Executive Director and President, Mr Wen Shugang

(2) MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AT THE END OF REPORTING PERIOD

Unit: RMB0'000

Major accounting data	2011	2010	Year-on-year increase/decrease (%)	2009
Operating income	4,291,661.83	3,808,011.22	12.70	3,322,461.35
Operating profit	335,633.53	275,589.59	21.79	162,188.90
Total profit	354,405.68	284,517.87	24.56	154,721.90
Net profit attributable to shareholders of the Company	305,622.77	257,697.48	18.60	153,866.82
Net profit after non-recurring profit and loss attributable to shareholders of the Company	288,986.01	244,963.58	17.97	161,751.84
Net cash flow from operating activities	-113,851.33	195,218.47	-158.32	652,782.10

Major Accounting Data And Business Data (Continued)



Two 600MW gas turbine generator stators are laminating



Ready for shipping of 1# generating unit pressurizer at Ningde



Hoisting of gas turbine rotor

(2) MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AT THE END OF REPORTING PERIOD (CONTINUED)

	At the end of 2011	At the end of 2010	Year-on-year increase/decrease (%)	At the end of 2009
Total assets	8,244,272.59	8,225,288.85	0.23	7,336,104.58
Total liabilities	6,783,597.21	7,046,850.60	-3.74	6,430,949.63
Total owner's equity attributable to shareholders of the Company	1,380,255.89	1,103,875.43	25.04	867,376.96
Total issued share capital	200,386.00	200,386.00	0.00	100,193.00

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

1. ISSUE OF SECURITIES DURING THE LAST THREE YEARS

Unit: Share Currency: RMB

Types of shares and derivative securities	Date of issue	Issue price (RMB)	Issue number	Date of listing	Number of shares as approved for listing
A share	18 November 2009	42.07	119,930,000	1 December 2009	119,930,000

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

2. CHANGES IN THE TOTAL NUMBER OF SHARES AND SHAREHOLDING STRUCTURE OF THE COMPANY

During the reporting period, the shareholding percentage of Dongfang Electric Corporation increased from 49.77% to 50.03% due to the share exchange with shareholders of the remaining shares of Dongfang Boiler and share purchases in the secondary market of A Shares. The Company's structure of the share capital is as follows:

Share Class	Number (shares)	Percentage
1. A share		
1. Dongfang Electric Corporation	1,002,483,235	50.03%
2. Others	661,376,765	33.00%
2. H share	340,000,000	16.97%
Total	2,003,860,000	100%

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (Continued)

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

1. The numbers of shareholders and shareholdings

Unit: share

Total number of shareholders as at 31 December 2011	137,975	Total number of shareholders at the end of the month before publication of the annual report	138,984
---	---------	--	---------

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	1,002,483,235	5,181,277	119,930,000	Nil
HKSCC Nominees Limited	Overseas legal person	16.88	338,185,897	-130,000		Unknown
Minmetals Investment Development Ltd.	State-owned legal person	0.80	16,000,000	0		Unknown
National Social Security Fund 102	Others	0.55	10,959,496	3,959,529		Unknown
China Construction Bank—China Advantage Growth Stock Fund (中國建設銀行—華夏優勢增長股票型證券投資基金)	Others	0.45	8,999,724	-13,572,828		Unknown
Bank of China –Franklin Guohai Potential Combination Equity-type Securities Investment Fund (中國銀行—富蘭克林國海潛力組合股票型證券投資基金)	Others	0.45	8,939,810	--		Unknown
Yulong Securities Investment Fund (裕隆證券投資基金)	Others	0.42	8,500,000	1,270,516		Unknown
Bank of Communications –Huan Innovation Securities Investment Fund (交通銀行—華安創新證券投資基金)	Others	0.39	7,750,697	6,170,272		Unknown
China Life Insurance Company Limited – Traditional – Ordinary Insurance Product - 005L – 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	0.38	7,676,542	6,076,542		Unknown
China Huarong Asset Management Corporation	Others	0.38	7,546,864	0		Unknown

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (Continued)

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

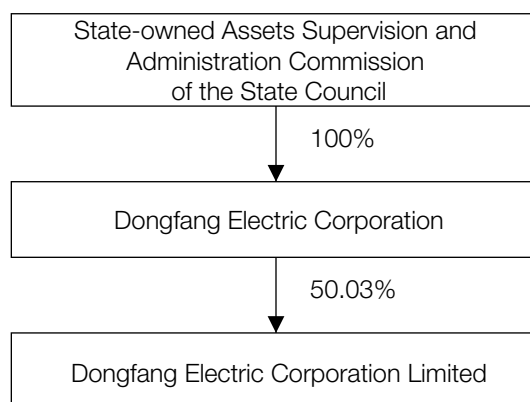
2. INFORMATION OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

(1) Information of the legal person controlling shareholder

Unit: RMB

Name	Legal representative	Registered capital	Date of incorporation	Principal operations
Dongfang Electric Corporation	Si Zefu	3,478,695,000	6 November 1984	Import and export business; chief contracting and sub-contracting for projects of hydro, thermal and nuclear power stations, technological development and technological consulting enquiry service package for power station equipments, manufacturing of complete equipments and sales of equipments.

(2) Framework of the property right and controlling relationship between the Company and the controlling shareholder



3. Other legal person shareholders holding 10% or more shares

There was no other legal person shareholder holding 10% or more shares at the end of the reporting period.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (Continued)

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

4. 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 2011, 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 (%)
BlackRock, Inc.	H Shares	Interest in controlled corporation	28,498,924(L)	1.42(L)	8.38(L)
			2,404,836(S)	0.12(S)	0.71(S)
FIL Limited	H Shares	Investment manager	23,834,301(L)	1.19(L)	7.01(L)
JPMorgan Chase & Co.	H Shares	Beneficial owner, Investment manager/ Custodian	29,171,192(L)	1.46(L)	8.58(L)
			2,660,723(S)	0.13(S)	0.78(S)
			25,278,869(P)	1.26(P)	7.43(P)
Templeton Asset Management Limited	H Shares	Investment manager	17,084,192	0.85(L)	5.02(L)
The Northern Trust Company (ALA)	H Shares	Approved lending agent	20,231,548(P)	1.01(P)	5.95(P)

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

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

4. 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 7 December 2011) on 9 December 2011, these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 29,171,192 H Shares (long position) were held as to 3,292,323 H shares in the capacity of beneficial owner; 600,000 shares in the capacity of investment manager; and 25,278,869 shares (securities in lending pool) in the capacity of custodian.
- (b) The Company is not aware of any H shareholders holding more than 10% of the total issued share capital of the Company.
- (c) There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association.
- (d) As at 31 December 2011, 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 2011, 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 and Senior Management

(1) PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Particulars of directors, supervisors and senior management as at the end of 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	Reasons for changes	Total emolument received from the Company in reporting period (RMB0'000) (before tax)	Whether receiving remuneration and allowance from shareholders or other associates
Si Zefu	Chairman	Male	53	28 June 2009	27 June 2012	0	0		65.27	No
Zhang Xiaolun	Director	Male	47	28 June 2009	27 June 2012	0	0		59.06	No
Wen Shugang	Director, President	Male	49	28 June 2009	27 June 2012	0	0		59.06	No
Huang Wei	Director	Male	46	28 June 2009	27 June 2012	0	0		57.81	No
Zhu Yuanchao	Director	Male	55	28 June 2009	27 June 2012	0	0		58.02	No
Zhang Jilie	Director	Male	48	28 June 2009	27 June 2012	0	0		55.96	No
Li Yanmeng	Independent Non-executive Director	Male	67	28 June 2009	27 June 2012	0	0		6.32	No
Zhao Chunjun	Independent Non-executive Director	Male	70	28 June 2009	27 June 2012	0	0		6.32	No
Peng Shaobing	Independent Non-executive Director	Male	47	18 June 2010	27 June 2012	0	0		6.32	No
Wen Bingyou	Chairman of Supervisory Committee	Male	57	28 June 2009	27 June 2012	8,238	8,238		0.00	Yes
Wen Limin	Supervisor	Male	46	28 June 2009	27 June 2012	0	0		0.00	Yes
Wang Congyuan	Supervisor	Male	47	28 June 2009	27 June 2012	0	0		46.73	No
Zhang Zhiying	Executive Vice President	Male	51	28 June 2009	27 June 2012	0	0		58.43	No
Han Zhiqiao	Vice President	Male	53	28 June 2009	27 June 2012	2,540	2,540		58.39	No
Gong Dan	Chief Accountant and Secretary to the Board	Male	49	28 June 2009	27 June 2012	2,540	2,540		55.84	No
Chen Huan	Vice President	Male	50	28 June 2009	27 June 2012	0	0		49.88	No
Gao Feng	Vice President	Male	48	18 June 2010	27 June 2012	0	0		37.84	No

Note: During the reporting period, the total number of directors, supervisors and senior management of the Company was 17 and the aggregate remuneration in 2011 was RMB6,812,500.

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

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

As at 31 December 2011, 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 2011.

Save as disclosed above, as at 31 December 2011, 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.

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

2. Biographies of Directors, Supervisors and Senior Management:

Directors

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

Mr. Zhang Xiaolun, born in August 1964, is currently a non-executive director of the Company, deputy secretary of the Party Committee, executive deputy general manager and president of the Party School of DEC. He graduated from Huazhong Engineering College with a bachelor degree of engineering, majoring in electrical engineering. Mr. Zhang completed his post-graduate study in South Western University of Finance and Economics with 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 General Manager of DEC since April 2008. He holds the title of senior engineer.

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

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

Directors (CONTINUED)

Mr. Wen Shugang, born in February 1963, is currently an executive director and President of the Company, a member of Party Committee of DEC, and concurrently Chairman of DEC Dongfang Steam Turbine Co. Ltd., DEC Dongfang Electric Machinery Company Limited, Dongfang Boiler Group Co. Ltd., Dongfang Electric (Guangzhou) Heavy Machinery Co. Ltd. and Dongfang Electric (India) Private Limited. Mr. Wen graduated from Xi'an Jiaotong University majoring in turbo machinery with a bachelor degree of engineering and a master's degree of engineering, graduated from 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 August 1996 to January 2005 he also served as Chief Engineer of DEC. From July 2000 to March 2008, he had been Deputy General Manager of DEC. From January 2002 to March 2003, he also served as general manager of Engineering Branch of DEC. He has been a member of the Party Committee of DEC since September 2007. He holds the title of senior engineer of a professor level of qualification.

Mr. Huang Wei, born in July 1965, is currently a non-executive director of the Company, a member of the Party Committee and vice general manager of DEC. He also holds concurrent posts as Chairman of DEC International Cooperation Limited. Mr. Huang graduated from Shanghai Jiao Tong University with a bachelor's degree of ship power machinery, University of Chongqing with a master's degree of thermal engineering, and Southwestern University of Finance and Economics with a doctor's degree of economics. He joined DEC in January 1989 and had been a key technician of the Complete Plant Section of DEC, and manager assistant, deputy manager, manager, deputy general manager, and general manager of the thermal power department of Sichuan Dongfang Power Equipment Union Company Limited of DEC. He served as deputy general manager of DEC from July 2000 to February 2007, a member of the Party Committee 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.

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

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

Directors (CONTINUED)

Mr. Zhu Yuanchao, born in November 1956, is currently an executive director of the Company, a member of the Party Committee and the deputy general manager of DEC. He graduated from the Faculty of Electrical Engineering of Hefei Industrial University and specialized in electrical engineering with a bachelor's degree in engineering, and obtained a master's degree for economics (economic management) of Central Party School. He joined DFEW in 1982 and has been engaged in hydro-electric turbine generator design. Mr. Zhu served as Deputy Section Head of Electrical Equipment Department, Deputy Officer of the Chief Engineer Office and Deputy Chief Engineer in Dongfang Electric Machinery Company Limited from April 1995 to December 1999. He also acted as Executive Director, Deputy General Manager, Chief Engineer, Vice Chairman, General Manager and Chairman of the Dongfang Electrical Machinery Company Limited, as well as Deputy Secretary 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 non-executive 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 March 1984 to November 2000, he had been Secretary to Factory Office, Deputy Section Head of Planning Department, Section Head of Planning Department, Deputy Officer of administrative office, Officer and Secretary to Party Branch Committee of DFEW, Assistant to the General Manager, Officer of General Manager Office and Secretary to Party Branch Committee, Manufacturing Head of Dongfang Electric Machinery Company Limited. From November 2000 to January 2007, he had been executive Deputy Factory Manager of DFEW, Assistant to General Manager and Section Head of Corporate Management Department of DEC. He concurrently acted as a director, General Manager, Secretary to Party Committee of DEC Investment Management Company Limited. From February 2004 to January 2006, he received on-the-job training in Honghe Prefecture of Yunnan Province, serving as a member of the standing committee and deputy head of the Prefecture. From January 2007 to July 2008, he had been Chief Law Consultant and the head of Legal Affairs Department of DEC, and General Manager of DEC Investment Management Company Limited. He has been Chief Law Consultant, the head of the Planning and Development Department and the head of Legal Affairs Department of DEC from August 2008 to December 2010. He has been the Chief Law Consultant and the Head of legal affairs department of DEC since December 2010. Mr. Zhang holds the title of senior economist and the practicing qualification of corporate law consultant.

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

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

Directors (CONTINUED)

Mr. Li Yanmeng, born in January 1945, is currently an independent non-executive director of the Company, vice director-general of China Electricity Council, vice-chairman of China Energy Research Society and also an independent non-executive director of China Coal Energy Company Limited. He graduated from the Department of Electric Power of Wuhan University of Hydraulic and Electrical Engineering majoring in thermal power stations and power engineering. He has been working in Shangdong electric department for a long time. In 1994, he took the position as deputy director of Infrastructure Coordination Department of the Ministry of Power Industry. In 1997, he was transferred to other posts as deputy director-general and director general in State Departments of the Bureau of Key Construction, Investment and Basic Industry, in charge of programming and verifying 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, is currently an independent non-executive director of the Company. 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 automatisations of Electrical Engineering Department. From 1986 to 2005, he has served as an assistant for the President of College of Economy and Management of Tsinghua University as well as First Vice-President and President. He acts as Professor, Vice Associate Supervisor of the University Academic Council of Tsinghua University since 2005. He has acted as Vice Associate Supervisor of China National MBA Education Supervisory Committee, convenor of the Managing Department of Scientific Committee of Education Ministry, senior Vice Chairman of China Federation of Industrial Economics, Honorary Professor of the Business Administration Department of the Chinese University of Hong Kong, and the Master of China Institute of Industrial Economics and Management Training since 1994.

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

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

Directors (CONTINUED)

Mr. Peng Shaobing, born in June 1964, is currently an independent non-executive director of the Company. 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 Education and Training Committee of the Chinese Institute of Certified Public Accountants (CICPA) and a member of the Steering Committee of MPAcc. Currently, Mr. Peng serves as an independent non-executive director of China Railway No.2 Engineering Group, Wuliangye, Sichuan Chengfa Aero Science & Technology Co., Ltd. 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 in the School of Accounting majoring in 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 from the School of Accounting and graduated with a PhD degree in economics. Since his doctorate graduation in June 1987, Mr. Peng has stayed in the Southwestern University of Finance and Economics in a continuing pursuit of his teaching career until now.

Supervisors

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.

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

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

Supervisors (CONTINUED)

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

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

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

Senior Management

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 machinery. From August 1982 to December 1999, he had been Assistant Engineer, Engineer and Team Leader of the main unit team of Design Department, Deputy Head of Service Division, Deputy Officer and Senior Engineer of Steam Turbine Office of Design Department, Deputy Head and Deputy Chief Economist of Operation Department of Dongfang Turbine Works; he had been the Chief Economist of Dongfang Turbine Works from December 1999 to December 2006, a director and General Manager of DEC Dongfang Steam Turbine Co. Ltd. from December 2006 to October 2007, the vice president of 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 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.

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

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

Senior Management (CONTINUED)

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 modern economic management. He joined DFEW in 1983 and mainly involved in production technology, corporate management, management of young workers and the running of the organisation department. He had been Deputy Secretary and Secretary to the Youth League Committee, Officer of the Young Workers' Office, Head of Organization Department. From December 1999 to October 2007, he also worked as Director, Deputy General Manager and Secretary to the Board of Directors of Dongfang Electric Machinery Company Limited. He has been chief accountant and secretary to the Board of Directors of 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.

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 10 March 2011. He has been the vice president of Dongfang Electric Corporation Limited since June 2009.

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

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

Senior Management (CONTINUED)

Mr. Gao Feng, 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 and Senior Management (Continued)

(2) PARTICULARS OF TENURE OF OFFICE IN SHAREHOLDERS ENTITIES

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

Particulars of tenure of office in other bodies

As at the end of the reporting period, save as disclosed above, none of the directors, supervisors and senior management held any position in other bodies.

(3) REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. 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.

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

During the reporting period, there was no change in the directors, supervisors and senior management members of the Company.

Directors, Supervisors and Senior Management (Continued)

(5) 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.

(6) DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT MEMBERS' RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

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

(7) 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).

(8) EMPLOYEES OF THE COMPANY

The number of employees on register	20,784	The number of retired employees whose expenses shall be assumed by the Company	12,591
-------------------------------------	--------	--	--------

Structure of employees is as follows:

1. Professional Composition

Category of professional structure	Headcount
Production employees	11,443
Engineering technicians	4,559
Management personnel	3,880
Financial and audit personnel	451

2. Education Background of Employees

Category of education background	Headcount
Master degree and above	987
Bachelor degree	5,450
Tertiary degree	4,960
Technical middle school and below	9,387

(8) EMPLOYEES OF THE COMPANY (CONTINUED)

3. Remuneration and Training of Employees

- (1) Overall remuneration management. The Company further strengthened overall remuneration management and carried out production and operation under the overall remuneration budget. During the reporting period, the Company amended and improved the existing Overall Salary Budget Management Approach, and standardized and strengthened the control over overall remuneration.
- (2) Performance management for all staff. 1) The Company has improved the assessment system for operating performance of enterprises and formulated the Interim Management Measures for Operating Performance Assessment of Legal Representative of Manufacturing Enterprises and Interim Management Measures for Operating Performance Assessment of Legal Representative of Non-manufacturing Enterprises based on the needs of internal control management standards, and explicitly stipulated centralized management responsibilities, assessment indexes and procedures as well as assessment results confirmation. Accordingly, the Company has preliminarily improved the performance management and assessment system for the legal representative of its investees. 2) The Company has improved the performance assessment system for various kinds of personnel and formed the system of hierarchy performance assessment management. The assessment results are related to annual salaries, rewards, promotion, punishment and demotion. For senior management of the Company, the assessment measures and remuneration determination system under the management of remuneration committee and the Board of the Company have been established. 3) The Company has established and improved the assessment management measures for special businesses. In order to increase special assessment efforts for market expansion and project management and effectively mobilize the initiative of relevant personnel, the Company has established and improved the management measures for performance assessment for market expansion, services of power station and promotion of major projects, so as to ensure timely stimulation and promote the smooth progress of special work.
- (3) Staff training management. The Company and its subsidiaries have always highly valued the training of staff and established a staff training management system covering all staff. In 2011, training mainly focused on new staff, technical operation personnel and management personnel and a total of 139,074 employees were trained throughout the year, including 323 persons for academic education training, 4,704 persons for qualification certificate trainings, 57,513 persons for special work trainings, 48,279 persons for professional knowledge trainings, 7,536 persons for adaptability trainings and 1,460 persons for promotion trainings. Through classified trainings, the professional level and comprehensive quality of staff were enhanced, thus providing guarantee for the sustainable development of the Company.

4. Remuneration of Directors

As for the standards relating to the remuneration paid by the Company to its directors, please refer to Note VI (II)12 to the financial statements.

CORPORATE GOVERNANCE REPORT

(1) CORPORATE GOVERNANCE

The Company is a company listed on the Shanghai Stock Exchange and the Stock Exchange in strict compliance with Company Law, Securities Law, the Corporate Governance of Standards for Listed Companies and other relevant laws and regulations and CSRC regulatory documents. The Company actively improves its corporate governance structure, establishes a modern corporate system and standardizes corporate operations. An effective 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.

To improve the corporate governance structure, the Company established four special committees: the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Nomination Committee and the Risk Management Committee. The Company formulated and implemented a series of corporate governance systems and corporate governance documents, including “Articles of Association”, “Rules of Procedure in Shareholder’s General Meeting”, “Rules of Procedure In Board Meeting”, “Rules of Procedure in Supervisory Meeting”, “Work Rules for the President”, “Work Rules for the Risk Management Committee”, “Work Rules for the Audit and Review Committee”, “Work Rules for the Remuneration and Nomination Committee”, “Work Rules for Independent Directors”, “Regulations on Information Disclosure Management”, “Regulations on Investor Relations Management”, “Regulations on Connected Transactions”, “Management Method for Trading of Shares of Directors, Supervisors and Senior Management”, “Management Method for Raised Proceeds” and “Management Measures of Internal Report for Material Matters”.

In order to adapt to the new organization structure after listing, the Company issued the Work System on the Annual Report of Independent Directors, Schedule of the Audit and Review Committee in Annual Report and the Information Disclosure System for Major Discrepancies of Annual Report. In order to regulate insider information management and strengthen confidentiality of insider information, the Company issued Systems for Registration of Insiders and Management for External User to further maintain openness, fairness and justice of information disclosure of the Company. The Company further established and improved its decision-making and supervisory mechanism whilst making timely, accurate and complete disclosure of material information, thereby safeguarding rights to information of its minority shareholders.

As of 31 December 2011, the Company has complied with principles as set out in the Code of Corporate Governance Practices under Appendix 14 of the Listing Rules. The Company has fully complied with all code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

(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 division about the assignment of responsibility. The Chairman of the Board presides over the meeting of the Board, and has an inspection on the implementation of the decisions, which are made by the Board. The major responsibility of 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.

2. Composition

The Board is composed of 9 directors, including 3 independent non-executive directors. The executive directors of the Company are Mr. Si Zefu, Mr. Wen Shugang and Mr. Zhu Yuanchao; the non-executive directors of the Company are Mr. Zhang Xiaolun, Mr. Huang Wei and Mr. Zhang Jilie; the independent non-executive directors of the Company are Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing; 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 sixth Board since the foundation of the Company, the term of which is expected to end on 27 June 2012.

Members of the Board have different industry background. They all have professional knowledge in different areas, such as enterprise management, technical development, financial accounting, investment strategy, human resources etc. Their personal profiles are set out in the section headed Directors, Supervisors and Senior Management in this annual report.

The sixth Board of the Company has a total of 3 executive directors, accounting for one third of the total number of directors.

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

(2) BOARD OF DIRECTORS (CONTINUED)

3. Director

The directors are elected or replaced at general meetings. Director elections adopt the cumulative voting system. Director candidates shall be nominated by the Board or the Supervisory Committee, or the shareholders with at least 1% alone or combined issued shares. The term of executive directors and non-executive directors is expected to last for 3 years, eligible for re-election upon expiry of terms. The independent non-executive directors shall be persons with no connected relationship with the management staff in the Company and major shareholders. Their rotation could not exceed 2 sessions

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

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

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 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 2011, 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.

(2) BOARD OF DIRECTORS (CONTINUED)

4. Meeting of the Board of Directors

In 2011, 6 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 the Board meetings and meetings of each special committee (attendance in person/ numbers of meetings) of the sixth Board during the reporting period are as follows:

Name	The sixth Board	Strategic Development Committee	Risk Management Committee	Audit and Review Committee	Remuneration and Nomination Committee
Directors					
Si Zefu	6/6	1/1	1/1		1/1
Zhang Xiaolun	5/6			2/3	1/1
Wen Shugang	6/6	1/1	1/1		1/1
Huang Wei	4/6		1/1		
Zhu Yuanchao	5/6	1/1			
Zhang Jilie	5/6		1/1	3/3	
Independent Non-executive Directors					
Li Yanmeng	5/6	1/1		3/3	1/1
Zhao Chunjun	3/6		1/1	2/3	1/1
Peng Shaobing	6/6			3/3	

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

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

(3) SPECIAL COMMITTEES UNDER THE BOARD

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

1. Audit and Review Committee

The main duties of the Audit and Review Committee are:

- (1) to propose the appointment or change of external auditors;
- (2) to supervise the Company's internal audit system and its implementation;
- (3) to take charge of the communication between the internal auditors and external auditors;
- (4) to audit the Company's financial information and its disclosure; and
- (5) to examine the Company's internal control system.

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

During 2011, the Audit and Review Committee convened 3 meetings. As for detailed attendances, please refer to the table set out in part VI of this annual report. All the matters passed at the meetings are well documented and maintained in accordance with the relevant rules. All the significant matters discussed by the Audit and Review Committee are also reported to the Board.

The main work of the Audit and Review Committee for this year includes: reviewing the Company's audited financial statements for 2010, nominating ShineWing Certified Public Accountants as the auditor of the Company for 2011, reviewing interim unaudited financial report for 2011, 2011 third quarterly report and resolution concerning continuing connected transactions of the Company from 2012 to 2014.

2. Strategic Development Committee

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

The Strategic Development Committee under the sixth Board comprises executive directors Mr. Si Zefu (Chairman), Mr. Wen Shugang, Mr. Zhu Yuanchao and independent non-executive director Mr. Li Yanmeng.

The Strategic Development Committee held 1 meeting in 2011. For details of the attendance, please refer to the table set out in part VI of this annual report. Main work includes: reviewing the Twelfth Five-Year development plan of the Company and etc.

(3) SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

3. Remuneration and Nomination Committee

The main duties of the Remuneration and Nomination Committee are:

- (1) to study selection criteria and procedure of directors and managers and make recommendations;
- (2) to search for qualified candidates for directors and managers extensively;
- (3) to review the candidates for directors and managers and make recommendations;
- (4) to study the assessment criteria for directors and managers, carry out assessment and make recommendations; and
- (5) to study and review the policy and proposal for the remuneration of directors and senior management.

The Remuneration and Nomination Committee of the sixth Board comprises independent non-executive directors Mr. Li Yanmeng (Chairman), Mr. Zhao Chunjun and executive directors Mr. Si Zefu, and Mr. Wen Shugang and non-executive director Mr. Zhang Xiaolun.

During 2011, the Remuneration and Nomination Committee convened 1 meeting. For details of the attendance, please refer to the table set out in part VI of this annual report. The committee mainly reviewed the remuneration affairs of the Company's directors, supervisors and senior management disclosed in the Company's annual report for 2011.

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

(3) SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

4. Risk Management Committee

The main duties of the Risk Management Committee are:

- (1) to provide risk defense guidance for operation management; review and determine the system and process of risk management control; organise risk monitoring in the operation management process; provide solution for existing risks;
- (2) to review risk control of the Company on a regular basis, the management shall report to the Committee on risk control;
- (3) to assess the risks and management status as well as risk management competency and level of the Company, and provide suggestions to improve risk management and internal control of the Company.

The Risk Management Committee of the Sixth Board comprised executive directors Mr. Si Zefu (Chairman) and Mr. Wen Shugang, non-executive directors Mr. Huang Wei and Mr. Zhang Jilie and independent non-executive director Mr. Zhao Chunjun.

During 2011, the Risk Management Committee convened 1 meeting. For details of the attendance, please refer to the table set out in part VI of this annual report. The main work of committee includes debriefing the report of legal affairs department on comprehensive risk management and internal control.

(IV) SUPERVISORY SYSTEM

1. Supervisory Committee

The Supervisory Committee is the Company's standing supervisory institution. The Supervisory Committee is responsible for supervising the Board and its members and senior management members, so as to prevent them from abusing their authorities and violating the lawful interests of shareholders, the Company and its staff. Number of supervisors and the composition of the Supervisory Committee are in compliance with the relevant laws and regulations. In 2011, the Supervisory Committee held 4 meetings altogether, each of which was attended by all supervisors (in person or their proxies). The supervisors, on behalf of shareholders monitored the Company's finance and ensured the directors and senior management have complied with relevant regulations. The members of the Supervisory Committee attended all Board meetings and fulfilled their duties in an earnest manner.

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

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

(IV) SUPERVISORY SYSTEM (CONTINUED)

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

(1) Establishment of internal control system of the Company

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

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

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

(IV) SUPERVISORY SYSTEM (CONTINUED)

2. Supervision and inspection of internal control system of the Company (CONTINUED)

(2) Supervision and inspection of internal control system of the Company

In 2011, the Company established a “leading group for implementation of internal control standards” (“internal control leading group”) with the President as group leader, which governed a “working team for implementation of internal control standards” (“internal control working team”), with the Chief Accountant as the team leader, heads of the Legal Affairs Department, Financial Department and Auditing Department as assistant team leaders, and jointly participated by the heads of functional departments of the Company. The Company’s subsidiaries and branches have established an implementation team respectively led by their respective heads and participated by all departments, which improved the work’s organization system and guaranteed the smooth progress of internal control.

Internal supervision is divided into routine supervision and special supervision. Routine supervision refers to the routine and continuous supervision and inspection conducted by the Auditing Department on the establishment and implementation of internal control; special supervision refers to the special supervision and inspection on a specific aspect of internal control led by the Auditing Department in case of material adjustments or changes in corporate development strategy, organization structure, operating activities and business process.

Based on the routine and special supervisions, no material defects were found in the Company for the year of 2011.

3. Focus of internal control of the Company in 2012

Internal control shall fit with the scale of operation, scope of business, competition state and risk level of the Company and be promptly adjusted based on the changes in circumstances. Therefore, the following aspects will be mainly strengthened in 2012:

- (1) to enhance legal review of articles on intellectual property, conclude and sort out proprietary technologies and business secrets, well conduct early warning of tort and further strengthen intellectual property protection;
- (2) to speed up the construction of information systems including ERP and steadily promote the work level of informationized management;
- (3) to continue to improve the internal control system, intensify the executive force of corporate rules and regulations, strengthen supervision and inspection and promote the sound and sustainable development of the Company.

(IV) SUPERVISORY SYSTEM (CONTINUED)

4. The Company disclosed the Board's self-assessment report and the auditor's verification opinion on the internal control system of the Company

In 2011, the Board conducted self-assessment for the Company's internal control and prepared the Self-Assessment Report of Internal Control for 2011. The Board considers that from 1 January of this year to the end of this reporting period, the Company's existing internal control system was basically sound and had covered various levels and links of the operation of the Company and formed a relatively standard management system; its execution was effective, which could prevent and timely find, rectify substantial errors and frauds which may occur in the operation of the Company, protect security and completeness of corporate assets, and ensure the authenticity, accuracy and timeliness of accounting records and accounting information; there did not exist material defects in completeness, reasonability and effectiveness. With the development of the Company, the adjustment in relevant business functions, the changes in external environment and the enhancement of management requirements, internal control still needs constant modification and improvement. The Company has not engaged any professional organizations to evaluate the implementation of internal control.

5. Auditor

During the reporting period, the Company 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 in Significant Event (8). As at the end of the reporting period, ShineWing Certified Public Accountants has provided auditing services for the Company for 3 years

6. Acknowledgement of the directors and auditor

All directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2011.

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 Financial Standards of the PRC for the year ended 31 December 2011.

(V) SHAREHOLDERS AND OTHER INTERESTED PARTIES

1. Shareholders' General Meeting

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

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

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

3. Information disclosure and investor relation management

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

As for information disclosure, in order to enable the investors to understand the Company's operation conditions, the Company made meticulous organization and careful arrangement to strengthen coordination of information disclosure work, analyze and identify keys and difficulties, timely appoint responsible units to resolve such issues and make effective communication with regulatory department. Accordingly, the Company satisfactorily finished the disclosure work as required. In 2011, the Company has made information disclosure for 76 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. In the past year, the Company received 70 batches of investors on site and organized and convened telephone conferences for over 30 times.

(V) SHAREHOLDERS AND OTHER INTERESTED PARTIES (CONTINUED)

4. Other interested parties

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

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

BRIEF INTRODUCTION OF SHAREHOLDERS' GENERAL MEETING

(1) ANNUAL GENERAL MEETING OF SHAREHOLDERS

Session of Meeting	Date	Newspapers for Publication of Resolutions	Publication Date of Resolutions
First meeting	17 May 2011	China Security Journal, Shanghai Securities News, Securities Daily	18 May 2011

(2) EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Session of Meeting	Date	Newspapers for Publication of Resolutions	Publication Date of Resolutions
First meeting	22 December 2011	China Security Journal, Shanghai Securities News, Securities Daily	23 December 2011

REPORT OF THE BOARD

(1) MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview of Overall Operations during the Reporting Period

The year 2011 is the first year for the implementation of the “12th Five-Year Plan”. Thoroughly following the guidelines of “adjusting structure, driving innovation, strengthening management, and enhancing quality”, the Company managed to eliminate the adverse effects of the global financial crisis and the earthquake and Fukushima nuclear disaster in Japan and forged ahead with concerted efforts, thus sustaining a steady growth with revenue, output and profit hitting record high.

(1) Operations during the Reporting Period

— Continued growth in operating results

During the reporting period, under the PRC ASBE, the Company recorded a total operating revenue of RMB42,917 million, representing a year-on-year increase of 12.70%; net profit attributable to shareholders of the Company of RMB3,056 million, representing a year-on-year increase of 18.60%; earnings per share of RMB1.53; and gross profit margin for principal operations of 20.74%, representing a year-on-year increase of 0.81 percentage point.

In 2011, the Company produced power generation equipments with total capacity of 39,681.5MW, including 23 hydro-electric turbine generator sets (5,464.5MW), 58 steam turbine generators (32,763MW), and 949 wind turbine generator sets (1,454MW), as well as 51 power station boilers (21,902MW) and 101 power station steam turbines (39,167MW).

— Remarkable progress in market development

The Company’s new orders for the year 2011 amounted to approximately RMB48 billion, of which exports accounted for 28.3% or US\$2.1 billion. Among the new orders, 60% was attributable to high-efficiency clean energy, 11% to new energy, 4% to water energy and environmental protection, and 25% to engineering and services. As at 31 December 2011, the Company had orders in hand of more than RMB150 billion, among which high-efficiency clean energy accounted for 55%, new energy 15%, water energy and environmental protection 10%, engineering and services 20%. Exports accounted for 22.8% of all of the Company’s orders in hand.

Steady progress was achieved in international market expansion. The assets, personnel and businesses of the Company’s Engineering Branch and Import & Export Branch were consolidated to form the “Dongfang Electric Corporation Limited International Engineering Branch”, which helped further enhance the Company’s strength in international market expansion and execution capability. The Company entered into a number of significant projects, including the 660MW project contract with Abhijeet Group from India, the Venezuelan central power plant project (which introduced the Company’s 600MW power generator into South America Market) and the low pressure heater supply contract for nuclear power plants with the Electricite De France (EDF) (which was the first export contract of nuclear power products for the Company). In addition, the Company also entered into a supply contract for Ninh Thuan 2MW wind power project in Vietnam through a memorandum of cooperation, which helped the Company make further inroads into overseas wind power market.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(1) Operations during the Reporting Period (CONTINUED)

— Remarkable progress in market development (CONTINUED)

Domestic market share was secured with increase. The Company firmly grasped the opportunities brought about by the construction of the national key projects and increased its efforts in expanding key power marketplaces such as Xinjiang, Tianjin and Zhejiang. As to coal-fired power market, the Company secured 1,100MW project with the 6th Agricultural Construction Division of Xinjiang Production and Construction Corps (新疆農六師), which was a contract of ultra-supercritical unit with largest capacity individually for the Company. As to hydro power market, the Company entered into a number of significant contracts, including Tongzilin 150MW project, Mamaya 180MW project and Shaping II 58MW project. As to gas turbine market, the Company secured the gas turbine project of Tianjin Chentangzhuang Thermal Power Plant, which was the contract with largest-capacity gas turbine unit that the Company ever entered into. As to wind power market, batch orders for its 2MW doubly-fed wind power generating units were placed with the Company in succession. The number of new orders for power station services hit new record.

— Further enhancement in technical innovation capability

The Company's independently developed hydropower projects such as the world's largest 75MW bulb turbine units in Gerry, Brazil, 770MW super-large fully-air-cooled hydro generator sets in Xiluodu and 300MW pumped-storage power units in Xianyou were accomplished. The pilot production of 600MW supercritical circulating fluidized bed boilers was completed. The nuclear power welding rotor independently developed by the Company, which was the first of its kind at home, was accredited by the State and significant progress was achieved in the R & D of CAP1400 nuclear power generating units. The 1.5MW direct-drive permanent-magnet wind turbine generating unit independently developed by the Company was certified by Germanischer Lloyd (GL), making the Company become the first wind turbine manufacturer that received GL Certification in China. The first 3MW doubly-fed wind turbine generating unit and 2.5MW direct drive wind turbine generating unit rolled off production lines, providing strong brace for further expansion into wind power market.

The Company's 17 technological achievements, including the development of the 1,150MW half-speed steam turbine generator for CPR1000 and the flue gas denitrator for 1,000MW coal-fired generating unit, were awarded prizes by provincial authorities or above. The project "development and commercialization of 1,000MW ultra-supercritical thermal power generating equipment" was awarded the second-class National Science and Technology Progress Award.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(1) Operations during the Reporting Period (CONTINUED)

— **Proactive response to the impact of the Fukushima nuclear crisis**

After the outbreak of the Fukushima nuclear leakage in Japan, the Company immediately organized relevant personnel to analyze the possible influence of the Japanese earthquake and nuclear crisis on the production and operation of the Company, carefully analyzed the risks in relation to procurement of raw materials and payment as a result of suspension of approval of nuclear power projects by the State and actively communicated with project owners, suppliers and subcontractors. Further, the Company established a task force to conduct specific inspections on nuclear safety quality of nuclear power equipment, raising the nuclear safety awareness of all the staff. Through these measures, the Company managed to minimize the adverse effects and further cemented its foundation for nuclear power equipment manufacturing and management.

— **Enhanced reputation in capital market**

The Company made active efforts in information disclosure in capital market and investor relations management, with a view to maintaining a good image in the capital market. The Company held its first non-deal roadshow in the United States for further exchange and communication with investors from Europe and the United States, which further increased its weight in international capital market. By virtue of the Company's increasingly growing results and standardized and highly-efficient operation, the Board was awarded the 2011 Award for Board of Directors of Listed Companies by the Shanghai Stock Exchange.

(2) Main Businesses and Their Operations

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

Unit: RMB0'000

Operation Indicator	Reporting Period	Same Period of Last Year	Rate of Increase
Prepared under the PRC ASBE			
Operating revenue	4,291,661.83	3,808,011.22	12.70
Net profit attributable to shareholders of the Company	305,622.77	257,697.48	18.60
Earnings per share (RMB)	1.53	1.29	18.60
Net profit after deducting extraordinary items (RMB)	1.44	1.22	17.97

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(2) Main Businesses and Their Operations (CONTINUED)

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

In 2011, the Company followed the guidelines of “adjusting structure, driving innovation, strengthening management, and enhancing quality”, managed to mitigate the adverse effects of the global financial crisis and the earthquake and Fukushima nuclear disaster in Japan and endeavoured to expand domestic and international markets. As a result, it successfully accomplished all its production and operation targets. Sales revenue for 2011 amounted to RMB42,917 million with net profit attributable to shareholders of the Company of RMB3,056 million and earnings per share of RMB1.53.

In 2011, the Company achieved a operating revenue of RMB42,917 million with a year-on-year increase of 12.70%, mainly due to continuous increase in sales revenue from clean high-efficiency power generating equipment and engineering and services. Thanks to the adjustment of the Company’s product mix and actual effect in cost reduction and efficiency increase, the gross profit margin for the Company’s principal operations increased from 19.93% to 20.74%, up 0.81 percentage point.

— **Principal Operations by Industry and Product**

Unit: RMB ‘00 million

Industry/ Product	Operating Revenue	Operating Cost	Operating Profit Margin (%)	Year-on-year Increase/ Decrease in Operating Revenue (%)	Year-on-year Increase/ Decrease in Operating Cost (%)	Year-on-year Increase/ Decrease in Operating Profit Margin (percentage point)
By Industry						
Machinery Fabrication	424.43	336.38	20.74	12.87	11.72	0.81
By Product						
Clean High-efficiency Power Generating Equipments	244.83	197.09	19.50	20.05	19.04	0.68
New Energy	88.84	70.02	21.18	-6.67	-5.89	-0.65
Water Energy and Environmental Equipments	32.42	26.69	17.67	9.60	9.33	0.20
Engineering and Service	58.34	42.58	27.02	23.25	15.97	4.58

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(2) Main Businesses and Their Operations (CONTINUED)

— Principal Operations by Industry and Product (CONTINUED)

Unit: RMB '00 million

Item	Operating Revenue	Year-on-year Increase/Decrease in Operating Revenue (%)
Domestic	364.29	9.58
Overseas	60.14	37.90

— Major Customers and Suppliers

Unit: RMB '00 million

Item	Total amount for Top 5	Percentage in total amount for the year (%)
Customers (sales)	75.51	17.58
Suppliers (purchase)	20.87	6.98

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

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period

— Analysis on Change in Balance Sheet during the Reporting Period

Changes in composition of assets:

Unit: RMB '00 million

Item	Closing balance	Opening balance	Year-on-year increase/decrease (%)	Percentage of balance sheet items in total assets (%)
Cash and cash equivalents	103.45	137.54	-24.79	12.55
Bills receivable	22.40	13.82	62.12	2.72
Trade receivables	142.40	117.09	21.62	17.27
Trade payables	144.60	111.08	30.18	17.54
Tax payables	4.48	13.50	-66.79	0.54
Long-term borrowings	1.66	2.76	-39.88	0.20
Surplus reserve	3.20	1.52	110.37	0.39
Retained profit	64.22	37.94	69.28	7.79

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period (CONTINUED)

— Analysis on Change in Balance Sheet during the Reporting Period (CONTINUED)

Analysis on reasons for the changes:

- (1) As at the end of 2011, cash and cash equivalents decreased by 24.79% to RMB10,345 million as compared with the beginning of the year, mainly attributable to the decrease in total payments for goods collected by the Company as a result of a tight monetary policy adopted by the State which increased difficulties in funds collection.
- (2) As at the end of 2011, the balance of bills receivables increased by 62.12% to RMB2,240 million as compared with the beginning of the year, mainly attributable to the increase in customer payments under sales contracts settled by bank acceptances.
- (3) As at the end of 2011, the balance of trade receivables increased by 21.62% to RMB14,240 million as compared with the beginning of the year, mainly due to the increase in amounts due from customers for settlement of contracts and retention for construction contracts as a result of the growth in sales revenue.
- (4) As at the end of 2011, trade payables increased by 30.18% to RMB14,460 million as compared with the beginning of the year, mainly due to the increase in procurement volume and construction payables. Besides, the Company further enhanced its capital management and increased its leverage ratio.
- (5) As at the end of 2011, the balance of tax payables decreased by 66.79% to RMB448 million as compared with the beginning of the year, mainly attributable to the significant increase in taxes paid by the Company during the year.
- (6) As at the end of 2011, the balance of long-term borrowings decreased by 39.88% to RMB166 million as compared with the beginning of the year, mainly due to the partial repayment of long-term borrowings by the Company.
- (7) As at the end of 2011, surplus reserve increased by 110.37% to RMB320 million as compared with the beginning of the year, mainly due to the transfers to statutory surplus reserve from profit achieved by the Company in the period made according to the Articles of Association.
- (8) As at the end of 2011, retained profit increased by 69.28% to RMB6,422 million as compared with the beginning of the year, mainly due to the increase in profit of the Company.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period (CONTINUED)

— Analysis on Changes in Items in Income Statement during the Reporting Period

Changes in composition of expenses:

Unit: RMB '00 million

Item	2011	2010	Year-on-year increase/ decrease (%)
Operating revenue	429.17	380.80	12.70
Administrative expenses	33.98	30.82	10.25
Finance costs	-0.88	-0.40	120.00
Impairment loss of assets	12.70	9.87	28.67
Total profit	35.44	28.45	24.57
Income tax	4.26	1.69	152.07
Net profit	31.18	26.76	16.52
Net profit attributable to shareholders of the Company	30.56	25.77	18.59

Analysis on reasons for the changes:

- (1) The Company's administrative expenses in 2011 was RMB3,398 million, representing a year-on-year increase of 10.25%. This was mainly due to the substantial increase in expenditures for R&D as a result of enhancement in R&D of new products and new technologies and processes and the increase in depreciation and repair charges as a result of additions to fix assets.
- (2) The Company's impairment loss of assets in 2011 increased by 28.67% to RMB1,270 million as compared with last year, mainly attributable to the increase in provision for bad debts under relevant accounting policies as a result of trade receivables increasing along with the growth in sales revenue.
- (3) The Company's income tax in 2011 amounted to RMB426 million, representing a year-on-year increase of 152.07%. This was mainly because the Company's subsidiaries Dongfang Electric Machinery Co., Ltd (東電有限公司) and Dongfang Turbine Co., Ltd. (東汽有限公司) were no longer entitled to tax exemption.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period (CONTINUED)

— Analysis on Changes in Items in Cash Flow Statement during the Reporting Period

Changes in items in cash flow statement

Unit: RMB '00 million

Item	2011	2010	Year-on-year increase/ decrease (%)
Net cash flow from operating activities	-11.39	19.52	-158.32
Net cash flow from investing activities	-18.02	-30.17	-40.27
Net cash flow from financing activities	-4.44	-1.28	247.38

Analysis on reasons for the changes:

- (1) Net cash flow from operating activities decreased by 158.32% year on year, mainly attributable to a significant decrease in cash receipt for goods sold by the Company as a result of increasing difficulties in collection of receivables and a considerable increase of RMB1,100 million in taxes (including VAT) paid by the Company as compared with last year.
- (2) Net cash outflow from investing activities decreased by 40.27% year-on-year, mainly attributable to the significant decrease in investment in fixed assets along with the completion and commissioning of the projects financed by proceeds from fundraising.
- (3) Net cash outflow from financing activities increased by 247.38% year on year, mainly attributable to a year-on-year decrease of RMB234 million in cash received from other financing activities and a year-on-year increase of RMB107 million in dividends distributed to shareholders of the Company in the year.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period (CONTINUED)

— Analysis on Borrowings in the Reporting Period

As at 31 December 2011, the Company had bank borrowings of RMB2,388 million due within one year and RMB166 million due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. The Company has maintained a sound financing capacity due to its healthy credit status and future sustainable profitability.

— Analysis on Gearing Ratio in the Reporting Period

As at 31 December 2011, the gearing ratio (calculated as total liabilities divided by total assets) of the Company was 82.28%, representing a decrease of 3.39 percentage points from 85.67% as at the end of 2010. The decrease was mainly attributable to the continuous accumulation of owners' interests thanks to the good sustainable profit level maintained in 2011 by the Company.

— Pledge of Assets during the Reporting Period

As at the end of the Reporting Period, the Company had pledged borrowings of RMB452 million, which were related to the undue discounted commercial acceptance bills issued among entities within the scope of consolidation.

— Exchange Rate Fluctuation Risk and Any Related Hedging

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. Given the complicated and volatile international situations and the Company's actual operation, the Company continued to proactively adopt financial leverage instruments including forward exchange settlement for the estimated receivables of its international construction projects to limit the risks arising from exchange rate fluctuations.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period (CONTINUED)

— Contingent Liabilities during the Reporting Period

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

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

In August 2010, Dongfang Boiler received an indictment issued by Intermediate People's Court of Zigong City in relation to the contract dispute case of Zigong Yancheng Construction Engineering Co., Ltd. versus Deyang Runxin Color Steel Co., Ltd. Zigong Yancheng Construction Engineering Co., Ltd. claimed RMB2,588,200 for contract loss from Deyang Runxin Color Steel Co., Ltd. In this case, Dongfang Boiler was regarded as the third person. Currently, no hearing has been held for this case.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(3) Financial Position during the Reporting Period (CONTINUED)

– Contingent Liabilities during the Reporting Period (CONTINUED)

2. Arbitration over technology 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.

In January 2009, Foster Wheeler filed an arbitration claim with the Chamber of Commerce of Stockholm, 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.

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 USD4,815,000 and unpaid royalties of USD1,520,000 and the interest accrued thereon, and the Foster Wheeler has to return the technology licensing fees of USD1,117,000 to Dongfang Boiler. Further, DEC shall bear joint and several liability for the above debts. Dongfang Boiler and DEC disagree 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. As at the date of this financial report, the Svea Court of Appeal, Sweden has not yet rendered a verdict.

3. Save for the above contingent liabilities, the Group had no other material contingent liabilities as at 31 December 2011.

REPORT OF THE BOARD (Continued)

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Overview of Overall Operations during the Reporting Period (CONTINUED)

(4) The operating conditions of major subsidiaries and investees

Unit: RMB '00 million

Name of Company	Equity Interest	Main Products or Services	Registered Capital	Total Assets	Net Assets	Operating Revenue	Operating Profit	Net Profit
DEC Dongfang Turbine Co., Ltd.	100%	The production, processing and marketing of steam turbines, turbine, gas turbines, compressors, fans, pumps and auxiliary equipments, wind generating sets, solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the corresponding equipments; mechanical equipment and accessories as well as the related import and export business.	18.46	445.47	36.43	190.00	9.22	8.55
DEC Dongfang Electric Machinery Co., Ltd.	100%	The design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors ;the design manufacturing and sales of control equipments; the transformation of power stations, the installation of power station equipments.	20.00	140.36	36.92	67.16	5.42	5.33
Dongfang Boiler Group Co., Ltd.	99.67%	The design, manufacturing, and sales of power station boilers, power station equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	189.98	41.16	116.50	8.29	7.67
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.18%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; Projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	41.50	13.26	16.25	1.48	1.47

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year

(I) Industry growth trends and market outlook

In 2012, the world economic situation remains severe and complicated and China's macroeconomic development is subject to various uncertainties. As to demand on domestic power generator market, demand from coal-fired power sector is expected to see a decline due to the overall loss of the sector and rigorous environmental requirements; the approval of hydropower projects will be less time-consuming, and bulb turbine units and pumped-storage power units market will experience a good development potential. Upon the launch of the State's nuclear safety plan, approval of nuclear power projects is likely to resume and nuclear power will develop in a safe and high-efficiency way. Despite increasingly fierce competition in wind power market, demand for wind power will keep growth amid adjustments. With increase in the number of gas sources under construction, demand from gas turbine market will keep rising. And development opportunities will arise for the renovation of power stations and environmental equipment. In overseas power generating equipment market, demand from renewable energy such as hydro power and wind power will see rapid growth and demand from coal-fired power will still have considerable growth.

(2) Major risk factors faced by the Company

Change in demand from domestic power market. In 2012, the State will vigorously promote energy conservation and emission reduction and continue to adjust the industrial structure. Therefore, demand from thermal power market is expected to decline; nuclear power market is still awaiting the State's policy to resume the approval of new nuclear power plants; and wind power market will grow amid adjustments. These will bring difficulties and risks to the market expansion of the Company.

More capital pressure. In 2012, given a complex domestic economic and financial environment and a tightening monetary policy, coupled with the overall loss of thermal power sector, the Company will face more difficulties in collection of receivables. Though the Company has realized batch production and sale of wind power equipment, but such equipment has a longer warranty period and more working capital thus will be occupied. In addition, the suspension or deferral of nuclear power projects will cause a significant decrease in the collection of receivables related to nuclear power equipment sold.

Overseas market expansion and exchange rate fluctuation. On overseas market front, demand for conventional hydro and thermal power equipment will slow down and there will be more and more entry restrictions. Given the volatile international political landscape in new markets, there will be more uncertainties and further risks ahead. Furthermore, the Company's overseas projects would be further exposed to execution risk due to the fluctuations in RMB exchange rate and the political, security and policy uncertainties in the countries where relevant projects are located.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year (CONTINUED)

(3) Business plan for 2012

In 2012, the Company shall place priorities on “highlighting principal operations, optimizing allocation and refining management” in line with the development targets under the 12th Five-Year Plan, speed up its transformation and upgrading and promote sustainable development by implementing “three shifts”, namely shifting from scale expansion to efficiency and profit growth, shifting from business expansion to strength enhancement, and shifting from manufacturing-based operations to manufacturing- and service-based operations. The Company is expected to produce power generation equipment with total capacity of 35,500MW in 2012, still maintaining a high output level. To this end, the Company intends to adopt the following strategies:

— **To keep track of users’ needs and enhance market expansion**

Consolidating domestic market share: Carry out market survey and project study in an efficient way, keep track of project owner’s movement and make every effort to promote the marketing of new products and technologies such as ultra-supercritical thermal power units, offshore wind power units and double reheat technology; Stepping up efforts to explore international markets: Implement refined management and enhance the pertinence of market expansion and strictly control risks. Strengthen strategic coordination and cooperation with relevant domestic and foreign enterprises and all-round cooperation with financial institutions to jointly explore the international markets in multiple ways and improve the comprehensive project development capability.

— **To beef up efforts in R & D of principal businesses and enhance the capability of independent innovation**

Aiming at highlighting principal businesses, the Company will reinforce R & D efforts of 1000MW high-head and large-capacity Francis turbine units, 400MW large pumped-storage power units, 660MW steam turbines and 1000MW -1200MW single and double reheat ultra-supercritical units, CAP1400 G3 conventional island turbines and generators and MSR, 5MW and 6MW offshore wind power units. In addition, it will continue to increase efforts in R & D of national key technology projects such as 700℃ ultra-supercritical units, 50MW heavy-duty gas turbines and oxy-fuel combustion carbon capture technology, so as to achieve breakthrough in core technologies of key products, optimize performance and improve product competitiveness.

(1) MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Future Outlook of the New Year (CONTINUED)

(3) Business plan for 2012 (CONTINUED)

— **To strengthen quality efforts to improve product quality**

Size up the situation and keep improving the quality of various items to raise product quality. Continue to promote the construction of a lasting operational mechanism for quality and integrity systems so as to raise staff's quality awareness. Continue to promote the application of nuclear power quality management concepts, draw on the management experience of nuclear power suppliers to mitigate procurement quality risk from the start. Strengthen the quality control over the entire process of projects including overseas construction projects to ensure the quality stability of construction projects.

— **To build contract awareness and accomplish annual production tasks**

In 2012, as its production tasks remain at high levels, the Company will actively communicate with users and arrange production schedules in a scientific way; plan and control key resources in such a way to ensure the timely delivery of products; implement project budget management and all-round risk management; enhance process control over the projects according to the construction progress schedule and strive to ensure every project proceed and be completed as scheduled.

— **To actively seek new economic growth drivers and promote sustainable healthy development**

According to the industrial planning and direction based on the development strategy and outline plan under the Company's "12th Five Year Plan", the Company will actively explore new economic growth areas, expand power station services and scale up the revenue from services as a percentage in total operating revenue. Taking the opportunity of the establishment of a new mechanism by the International Engineering Branch, the Company will raise the efficiency and effectiveness of the general contracts for power stations. The Company will actively explore power station investment opportunities overseas and expand its market share overseas. In addition, it will make full use of acquired wind farm resources to speed up construction to put into operation as soon as practicable, while further expanding markets to promote the development of renewable energy industry.

(4) Capital sources and its use plan

In 2012, the Company will, based on its business development plan and strategic layout, utilize multiple channels to raise funds such as internal resources and bank borrowings, follow its scientific and prudent investment concepts and rigorously control investment size, so as to concentrate its capital in such fixed assets investment projects and equity investment projects that could enhance experimental and R & D capabilities and process standard and strengthen core competitiveness of the Company, thus further raising its technologies and capabilities in new industries development.

(II) INVESTMENT DURING THE REPORTING PERIOD

1. Use of Proceeds

The projects funded by the proceeds from public issue of additional A Shares in 2008 and non-public issue of A Shares in 2009 have completed. In accordance with the Special Audit Report on the Use of Proceeds from the Previous Issuance (No. XYZH/2011CDA3021) provided by ShineWing Certified Public Accountants Chengdu Branch, as of 30 September 2011, the total balance of proceeds from the previous two issuances was RMB349,520,459.48 (including interest income and commission charge). In order to improve the use efficiency of fund, the Board agreed to use all the aforesaid balance of proceeds to permanently supplement working capital of the Company.

2. Projects unrelated to Raised Proceeds

(1) Fixed assets investment

Unit: (RMB)'0,000

No.	Name of project	Major content of the project	Total investment	Unit in charge	Image progress
1	DEC (Wuhan) Nuclear Equipment Company Limited Expansion Project	Acquisition of approximately 74 mu of land and construction of new plants, office buildings, canteens and dorms covering approximately 21,010m ² . Addition of certain key equipment to increase the annual production capacity to 4 sets of reactor internal components.	44,165	DEC (Wuhan) Nuclear Equipment Company Limited	The construction of the project has been fundamentally completed and put into trial operation.
2	DEC Gulf Outlet Base Phase III Project (東方電氣出海口基地三期工程建設項目)	Introduction of key equipment such as large plate bending rolls and narrow gap automatic welding machines, addition of major equipment such as submerged arc automatic welding machines and automatic grinding machines. Construction of the new two combinations and five crossovers of plants (聯二廠房五跨). Addition of new gross floor area of 56,640m ² . Expansion of canteens by approximately 1,793m ² . Roads in plants area, greenery and regional pipelines etc.	90,201	Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	The project has been completed and put in operation.

(II) INVESTMENT DURING THE REPORTING PERIOD (CONTINUED)

2. Projects unrelated to Raised Proceeds (CONTINUED)

(2) Equity investment

No.	Investment entity	Category of Investment	Project Name	Total Project Investment (RMB '0,000)	Investment in 2011 (RMB '0,000)	Percentage of the Investment in Total Investment (%)
1	Dongfang Turbine Co., Ltd. (東汽有限公司)	Newly established company	Hulun Buir Subsidiary	3,000	3,000	100
2	Dongfang Electric Corporation Limited	Capital Increase	Areva-Dongfang Reactor Coolant Pumps Company Limited	3,000	1,500	50
3	Dongfang Electric Corporation Limited	Acquisition of Equity	Sichuan Energy Industry Investment Wind Power Development Co., Ltd. (四川省能投風電開發有限公司)	10,000	400	20

(III) CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE OR CORRECTION OF PREVIOUS ACCOUNTING ERRORS

During the year, there was no change in accounting policies and accounting estimate or correction of previous accounting errors of the Company.

(IV) STATEMENT OF THE BOARD ON THE RESPONSIBILITY OF INTERNAL CONTROL

The Board of the Company is responsible for the establishment and maintenance of adequate internal control system related to financial reporting. The objective of internal control system related to financial reporting is to ensure the truthfulness, accuracy and completeness of the information contained in the financial statements. The Board of the Company has presented the Self-Assessment Report of Internal Control.

REPORT OF THE BOARD (Continued)

(V) PROFIT DISTRIBUTION PLAN FOR THE YEAR

As audited by ShineWing Certified Public Accountants in accordance with PRC Accounting Standards, the Company achieved a consolidated net profit of RMB3,118,217,731.99 (including RMB3,056,227,705.50 of net profit attributable to shareholders of the Company) in 2011 and the Company achieved a net profit of RMB1,676,918,007.83. According to the Articles of Association of the Company, the after-tax profit distribution plan for 2011 is presented as follows: to allocate 10% of the profit after taxation of the Company amounting to RMB167,691,800.78 to the statutory surplus reserve; to distribute a cash dividend of RMB1.6 (tax inclusive) per 10 shares, totaling RMB320,617,600.00. The remaining retained earnings are carried forward to the next year.

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

Unit: RMB

The year of cash dividends	The amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statements of the years of cash dividends	The percentage in net profit attributable to shareholders of the Company in the consolidated statements (%)
2010	260,501,800.00	2,576,974,795.23	10.11
2009	160,308,800.00	1,571,663,366.16	10.20
2008	17,640,000.00	176,000,000	10.02

REPORT OF SUPERVISORY COMMITTEE

(I) WORK OF THE SUPERVISORY COMMITTEE

Number of Meetings Held	Four
Particulars of the Meetings of the Supervisory Committee	Meeting Agenda
The eighth meeting of the sixth Supervisory Committee was convened on 29 March 2011	The following resolutions were considered and approved at the meeting: the resolutions in relation to the full text and summary of the 2010 Annual Report of the Company, the Company's self- assessment report on internal control for the year 2010 and social responsibility report for the year 2010, the proposal regarding the writeoff of property loss of the Company for the year 2010, the 2010 audited financial report, the proposal regarding the after-tax profit distribution plan for the year 2010, the proposal regarding the deposit and use of the raised proceeds in 2010 and the work report of the Supervisory Committee for the year 2010.
The ninth meeting of the sixth Supervisory Committee was convened on 28 April 2011	The resolution in relation to the 2011 first quarterly report of the Company was considered and approved.
The tenth meeting of the sixth Supervisory Committee was convened on 22 August 2011	The resolutions in relation to 2011 Interim Report of the Company, 2011 unaudited interim financial report of the Company and the special report on the deposit and actual use of the raised proceeds of Dongfang Electric Corporation Limited as at 30 June 2011 were considered and approved.
The eleventh meeting of the sixth Supervisory Committee was convened on 20 October 2011	The resolutions in relation to the 2011 third quarterly report of the Company, continuing connected transactions of the Company and use of balance of proceeds of Dongfang Electric Corporation Limited were considered and approved.

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

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

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

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

During the reporting period, the Supervisory Committee has carefully monitored, examined and reviewed the financial position and financial management of the Company in 2011 by way of hearing the special reports made by the financial controller of the Company, carefully considering the financial report of the Company and keeping close eyes on and investigating major events. ShineWing Certified Public Accountants has audited the 2011 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 the financial accounting and various financial management systems have been effectively executed. The preparation and review procedures of the Company's 2011 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.

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

On 18 November 2009, the Company issued 119,930,000 additional A shares to specific investors following compliance procedures, and raised net proceeds of RMB4,999,870,000 which was deposited under the Third Party Custody Agreement on Special Account for Proceeds entered into as required by CSRC and the Shanghai Stock Exchange. The Company did not change the intended use of proceeds for the Hanwang Remote Base Reconstruction Projects of Dongfang Turbine Co., Ltd. (including grade F 50 MW (IGCC)), Combustion Technology Experiment Center Project of Clean High-efficiency Boilers, Technical Renovation Project of MW Nuclear Power Conventional Island of Dongfang Electric and replenishing liquidity as stated in its undertakings and the resolutions passed at the general meeting. As at the end of the reporting period, the project invested with the proceeds has completed and been put in normal operation. The remaining fund has been approved to be used for supplementing working capital of the Company in accordance with relevant procedures.

REPORT OF SUPERVISORY COMMITTEE (Continued)

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

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

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

During the reporting period, the centralized management department of connected transactions of the Company enhanced management over supervision, coordination, analysis and report of connected transactions and regularly reported the connected transactions to the directors, supervisors and senior management of the Company. The amounts of connected transactions were strictly controlled within the framework approved by general meetings. 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 in the principle of openness, fairness, justice and voluntariness and in compliance with relevant national laws, regulations, and the Articles of Association and relevant regulations of the Company; the connected transactions were fair and reasonable, and disclosed information completely, without prejudice to the interests of the Company and other shareholders, especially minority shareholders and non-connected shareholders.

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

During the reporting period, the Company has established a leading group and working team in charge of internal control construction and self-assessment, and achieved preliminary results in internal control construction and formed regular working systems through internal control investigation and survey, risk check and elimination, streamlining internal control process and conducting re-examination and tests for subordinate enterprises.

The Supervisory Committee carefully debriefed and reviewed the 2011 internal control self-assessment report of the Board and the auditor's 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 preventing risks. No material weakness was found in internal control system of the Company during the reporting period. The Company's internal control self-assessment report gives a true and objective view of the construction and operation of the Company's internal control system.

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

In 2011, the Company further deepened the adjustment of industrial structure, developed green power, continuously improved product quality and constantly pursued excellence. Meanwhile, the Company performed its social responsibilities and was actively committed to social charity on the basis of honesty and trustworthiness and lawful operations, trying to achieving harmony and unity among the society, enterprises and staff.

The Supervisory Committee is of the opinion that the Social Responsibility Report of the Company for 2011 gives an objective and true view of the performance of social responsibilities by the Company.

SIGNIFICANT EVENTS

(I) MATERIAL LITIGATION AND ARBITRATION

During the reporting period, the Company was not involved in any material litigation or arbitration.

(II) INSOLVENCY OR RESTRUCTURING RELATED MATTERS

During the reporting period, the Company did not have any insolvency or restructuring related matters.

(III) EQUITY HELD BY THE COMPANY IN OTHER LISTED COMPANIES AND EQUITY INVESTMENT IN FINANCIAL INSTITUTIONS

Unit: RMB

No.	Stock code	Abbreviation	Number of shares held at the end of the reporting period (shares)	Initial investment amount	Book value at the end of the period	Profit/loss during the reporting period	Accounting item
1	000584	UHL	46,602	44,263.24	240,932.34	-167,301.18	Financial assets held for trading
2	601179	China XD Electric	7,272,665	48,120,052.71	26,908,860.50	-15,564,099.48	Financial assets held for trading
3	600795	GD Power	14,453,900	46,107,941.00	40,326,381.00	2,519,568.70	Financial assets held for sale
4	600011	Huaneng Power	50,216,994	279,708,656.58	268,660,917.90	10,043,398.80	Financial assets held for sale

(IV) ASSETS TRANSACTION

During the year, the Company did not have material asset acquisition and disposal, assets swap and merger.

SIGNIFICANT EVENTS (Continued)

(V) MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

– Routine continuing connected transactions

On 5 May 2009, the Company entered into the following agreements with DEC (the controlling shareholder) and other related legal entities: 2009-2011 Financial Services Framework Agreement, 2009-2011 Properties and Equipment Lease Framework Agreement (lease-in), 2009-2011 Huaxi Purchase and Production Service Framework Agreement, 2010-2011 Purchase and Production Services Framework Agreement, 2010-2011 Sales and Production Services Framework Agreement, 2010-2011 Combined Ancillary Services Framework Agreement, 2010-2011 Properties and Equipment Lease Framework Agreement (lease-out). Please refer to the announcements on connected transactions published by the Company on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 5 May 2009 for details of the agreements. The amounts of annual caps of these connected transactions were approved by the directors of the Company and shareholders, both being non-related parties, on the general meetings of the Company. As at 31 December 2011, the specific amount of those material connected transactions did not exceed caps approved by shareholders at the annual general meeting.

Actual amounts of the connected transactions as of 31 December 2011 and annual caps for 2011

Unit: RMB '000

Name of agreement	Total actual amount from January to December 2011	Proposed annual caps for 2011
Purchase and Production Services Framework Agreement	2,134,268	5,300,000
Sales and Production Services Framework Agreement	1,125,358	2,500,000
Combined Ancillary Services Framework Agreement (receipt of services)	76,946	100,000
Combined Ancillary Services Framework Agreement (provision of services)	999	8,000
Properties and Equipment Lease Framework Agreement (lease-out)	1,230	2,000
Financial Services Framework Agreement	10,135,724	10,400,000 (deposit plus interest income)
	2,358,997	10,480,000 (loans plus interest expense)
Properties and Equipment Lease Framework Agreement (lease-in)	53,157	80,000
Huaxi Purchase and Production Service Framework Agreement	9,479	89,750

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

SIGNIFICANT EVENTS (Continued)

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

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

1. in the ordinary business of the Company;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with the Rule 14A.38 of the Listing Rules, the auditor engaged by the Company confirmed that, in 2011, 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.

Since the aforesaid continuing connected transaction framework agreements has expired on 31 December 2011 and these continuing connected transactions will continue in the next few years, the Company has entered into the Purchase and Production Services Framework Agreement, Sales and Production Services Framework Agreement, Combined Ancillary Services Framework Agreement, Properties and Equipment Lease Framework Agreement (lease-in), Properties and Equipment Lease Framework Agreement (lease-out) and Financial Services Framework Agreement with DEC and other related legal entities on 21 October 2011. Please refer to the announcements on continuing connected transactions published by the Company on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 4 November 2011 for details of the agreements. These continuing connected transactions have come into force with the approval by the directors of the Company and shareholders, both being non-related parties, on the general meetings of the Company, and the period of validity is from 1 January 2012 to 31 December 2014.

(VI) MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

1. **The custody, contracting and leasing matters which brought about by 10% or more of the Company's total profit during the period.**

(1) **Custody**

The Company had no custody matter during the year.

(2) **Contracting**

The Company involved in no contracting activities during the year.

(3) **Leasing**

The Company involved in no leasing activities during the year.

2. **Guaranty**

The Company involved in no guarantee during the year.

3. **Asset management on trust**

The Company involved in no asset management on trust during the year.

(VI) MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

4. Other material contract

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

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

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

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

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

(VII) CHARITY DONATION

The Company has donated a total of RMB1.3 million to Huaneng Fund and the earthquake stricken area in Japan.

(VIII) FULFILMENT OF UNDERTAKINGS

No undertaking of the Company or shareholders with 5% or more interest in the Company occurred in or subsisted to the reporting period.

SIGNIFICANT EVENTS (Continued)

(IX) APPOINTMENT OR TERMINATION OF APPOINTMENT OF THE AUDITORS

Firm appointed

Name of accounting firm	ShineWing Certified Public Accountants
Remuneration of accounting firm	RMB 2.5 million
Term of audit of accounting firm	3 years

(X) PUNISHMENT AND RECTIFICATION ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND THE DE FACTO CONTROLLER

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

(XI) PUBLIC FLOAT

To the knowledge of the directors, based on the public information available, the number of shares held by the public is enough and in compliance with the Listing Rules.

(XII) 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.

(XIII) CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in full compliance with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

(XIV) MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors and supervisors of the Company on terms not less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained In Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirms that 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.

SIGNIFICANT EVENTS (Continued)

(XV) AUDIT COMMITTEE

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

(XVI) FIVE YEAR'S FINANCIAL SUMMARY

Prepared by: Dongfang Electric Corporation Limited

Item	2011 (31 December 2011)	2010 (31 December 2010)	2009 (31 December 2009) Restated	2008 (31 December 2008) Restated	2007 (31 December 2007) Restated
Total assets	82,442,725,917.98	82,252,888,512.58	73,361,045,756.48	58,317,511,626.80	36,378,397,130.70
Total liabilities	67,835,972,139.68	70,468,505,994.63	64,309,496,315.79	55,692,293,879.56	32,510,289,465.69
Total shareholders' equity	14,606,753,778.30	11,784,382,517.95	9,051,549,440.69	2,625,217,747.24	3,868,107,665.01
Including: Equity attributable to shareholders of the Company	13,802,558,874.23	11,038,754,290.22	8,673,769,591.72	2,308,372,745.33	3,007,506,977.87
Minority interests	804,194,904.07	745,628,227.73	377,779,848.97	316,845,001.91	860,600,687.14
Revenue from operations	42,916,618,329.18	38,080,112,185.86	33,224,613,487.11	28,497,242,809.72	24,886,776,619.93
Total profit	3,544,056,803.56	2,845,178,701.11	1,547,219,037.92	10,963,825.54	2,489,913,672.33
Income tax expenses	425,839,071.57	169,164,306.04	-20,104,997.23	-140,191,357.92	313,540,619.29
Net profit	3,118,217,731.99	2,676,014,395.07	1,567,324,035.15	151,155,183.46	2,176,373,053.04
Including: Net profit attributable to the Company	3,056,227,705.50	2,576,974,795.23	1,538,668,156.97	152,535,624.25	1,989,855,973.51
Minority interests	61,990,026.49	99,039,599.84	28,655,878.18	-1,380,440.79	186,517,079.53

Note: Prepared in accordance with the PRC Accounting Standards

FINANCIAL REPORT

(I) REPORT OF THE AUDITORS

信永中和
ShineWing

信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街8号
富华大厦A座9层

9th Floor, Block A, Fu Hua Mansion
No.8, Chao Yang Men Bei Da Jie,
Dong Cheng District,
Beijing, 100027, P.R.China

联系电话: +86(010)65542288
telephone: +86(010)65542288

传真: +86(010)6554 7190
facsimile: +86(010)6554 7190

XYZH/2011CDA3034-01

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 2011, the consolidated and parent's income statement, consolidated and parent's cash flow statement of and consolidated and parent's statement of the changes in equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements.

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.

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.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dongfang Electric Corporation Limited as of 31 December 2011 and of its financial performance and its 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 Co., Ltd.
Registered in Beijing, People's Republic of China
Chinese Certified Public Accountant
Chinese Certified Public Accountant

29 March, 2012

(II) FINANCIAL REPORT (SEE APPENDIX)

DOCUMENTS AVAILABLE FOR INSPECTION

1. 2011 Annual Report signed by the Chairman of the Company.
2. Original financial statements of the Company stamped and signed by the Legal Representative, General Accountant and Finance Manager.
3. Articles of Association of the Company.
4. This report has been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

Chairman: Si Zefu
Dongfang Electric Corporation Limited

29 March 2012

Dongfang Electric Corporation Limited
FINANCIAL STATEMENTS
AND THE AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

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

Index

Pages

• **Auditors' Report**

• **Financial Statements**

Consolidated Balance Sheet	1-2
Balance Sheet of Parent Company	3-4
Consolidated Income Statement	5
Income Statement of Parent Company	6
Consolidated Cash Flow Statement	7
Cash Flow Statement of Parent Company	8
Consolidated Statement of Changes in Equity	9-10
Statement of Changes in Equity of Parent Company	11-12
Notes to the Financial Statements	13-128



信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街
8号富华大厦A座9层

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

联系电话: +86(010)6554 2288
telephone: +86(010)6554 2288

传真: +86(010)6554 7190
facsimile: +86(010)6554 7190

Report of the Auditors

XYZH/2011CDA3034-01

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 2011, the consolidated and parent's income statement, consolidated and parent's cash flow statement of and consolidated and parent's statement of the changes in equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements.

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.

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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dongfang Electric Corporation Limited as of 31 December 2011 and of its financial performance and its 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 Co., Ltd.

Registered in Beijing, People's Republic of China

Chinese Certified Public Accountant

郭东超

Chinese Certified Public Accountant

廖继平

29 March, 2012

Consolidated Balance Sheet

December 31, 2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Assets	Notes	The Ending Balance	The Beginning Balance
Current Assets:			
Cash	V. 1	10,345,027,829.13	13,754,295,282.20
Clearing Provision			
Funds for Lending			
Trading Financial Assets	V. 2	64,969,532.34	56,590,975.14
Notes Receivable	V. 3	2,240,345,399.29	1,381,939,792.38
Accounts Receivable	V. 4	14,240,086,148.67	11,708,888,636.30
Prepayments	V. 5	5,728,312,159.37	7,515,877,756.27
Premium Receivable			
Cession Accounts Receivable			
Provision for Cession Contract Receivable			
Interests Receivable	V. 6	76,378,518.13	41,329,431.88
Dividends Receivable			
Other Receivables	V. 7	309,264,085.87	419,729,277.00
Purchase Redeemable Financial Assets			
Inventory	V. 8	35,859,918,720.62	34,580,411,051.57
Non-current Assets Maturing Within One Year			
Other Current Assets			
Total Current Assets		68,864,302,393.42	69,459,062,202.74
Non-current Assets:			
Issued loans and Advances			
Available-for-sale Financial Assets	V. 9	308,987,298.90	381,049,885.44
Investments to be held until maturity			
Long-term Accounts Receivable			
Long-term Equity Investment	V. 10	456,044,512.62	325,461,609.16
Investment Property	V. 11	29,120,431.80	30,761,360.47
Fixed Assets	V. 12	10,004,175,568.58	8,877,686,305.79
Construction in Progress	V. 13	836,061,475.90	1,492,714,510.97
Project Materials	V. 14	169,875.22	113,464.96
Liquidation of Fixed Assets	V. 15		1,090,452.80
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	V. 16	991,153,405.69	975,603,071.61
Research and Development Expenditure			
Goodwill			
Long-term Deferred Expenses	V. 17	769,883.26	1,686,621.68
Deferred Income Tax Assets	V. 18	951,941,072.59	707,659,026.96
Other Non-current Assets			
Total Non-current Assets		13,578,423,524.56	12,793,826,309.84
Total Assets		82,442,725,917.98	82,252,888,512.58

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Balance Sheet (Continued)

December 31, 2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Liabilities and Shareholder's Equity	Notes	The Ending Balance	The Beginning Balance
Current Liabilities :			
Short-term Loans	V. 20	2, 272, 298, 661. 98	2, 335, 000, 000. 00
Borrowings from Central Bank			
Absorbed Deposits and Interbank Deposits			
Borrowing funds			
Tradable Financial Liabilities	V. 21	30, 643, 140. 64	5, 305, 823. 49
Notes Payable	V. 22	3, 847, 524, 566. 75	3, 570, 917, 414. 24
Accounts Payable	V. 23	14, 460, 216, 174. 87	11, 108, 250, 924. 51
Advances From Customers	V. 24	42, 510, 698, 850. 55	47, 689, 085, 886. 68
Funds arising from selling Repo Financial Assets			
Commission Payable			
Accrued Payroll	V. 25	407, 917, 862. 46	467, 583, 217. 28
Taxes & Fees Payable	V. 26	448, 458, 426. 69	1, 350, 337, 731. 84
Interests Payable	V. 27		800, 710. 61
Dividends Payable	V. 28	1, 560, 249. 58	2, 538, 041. 97
Other Payables	V. 29	1, 871, 026, 035. 12	1, 936, 292, 789. 40
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	V. 30	116, 320, 000. 00	31, 320, 000. 00
Other Current Liabilities	V. 31	85, 945, 216. 36	121, 973, 441. 06
Total Current Liabilities		66, 052, 609, 185. 00	68, 619, 405, 981. 08
Non-Current Liabilities:			
Long-term Loans	V. 32	165, 808, 428. 01	275, 808, 428. 01
Bonds Payable			
Long-term Accounts Payable	V. 33	685, 252. 84	685, 252. 84
Specified Accounts Payable	V. 34	22, 744, 416. 01	
Estimated Liabilities	V. 35	937, 485, 337. 58	833, 643, 848. 31
Deferred Income Tax Liabilities	V. 18	11, 640, 378. 99	15, 648, 298. 79
Other Non-current Liabilities	V. 36	644, 999, 141. 25	723, 314, 185. 60
Total Non-current Liabilities		1, 783, 362, 954. 68	1, 849, 100, 013. 55
Total Liabilities		67, 835, 972, 139. 68	70, 468, 505, 994. 63
Shareholder's Equity:			
Capital Stock	V. 37	2, 003, 860, 000. 00	2, 003, 860, 000. 00
Capital Reserves	V. 38	5, 075, 180, 693. 34	5, 094, 255, 444. 33
Less: Treasury Stock			
Special Reserves			
Surplus Reserves	V. 39	319, 634, 515. 30	151, 942, 714. 52
Provision for General Risk			
Undistributed Profit	V. 40	6, 421, 629, 656. 29	3, 793, 595, 551. 57
Difference from Translated Statements in Foreign Currency		-17, 745, 990. 70	-4, 899, 420. 20
Total Shareholder's Equity Attributed to Parent Company		13, 802, 558, 874. 23	11, 038, 754, 290. 22
Minority Shareholder's Equity	V. 41	804, 194, 904. 07	745, 628, 227. 73
Total Shareholder's Equity		14, 606, 753, 778. 30	11, 784, 382, 517. 95
Total Liabilities and Shareholder's Equity		82, 442, 725, 917. 98	82, 252, 888, 512. 58

Legal Representative :

Accounting Director :

Accounting Manager :

Balance Sheet of Parent Company

December 31, 2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Assets	Notes	The Ending Balance	The Beginning Balance
Current Assets:			
Cash		957,119,761.29	3,599,890,429.25
Tradable Financial Assets		56,730,129.44	47,865,847.09
Notes Receivable			34,698,174.23
Accounts Receivable	XIII. 1	1,064,893,369.14	529,432,853.08
Prepayments		10,451,389,189.40	10,906,530,954.79
Interests Receivable		131,436,444.73	131,436,444.73
Dividends Receivable			
Other Receivables	XIII. 2	4,713,787,123.40	4,512,202,997.51
Inventory		1,320,520,044.30	330,328,404.78
Non-current Assets Maturing Within One Year			
Other Current Assets			
Total Current Assets		18,695,876,061.70	20,092,386,105.46
Non-current Assets:			
Tradable Financial Assets			
Available-for-sale Financial Assets		308,987,298.90	381,049,885.44
Long-term Accounts Receivable			
Long-term Equity Investment	XIII. 3	9,849,213,121.07	9,774,685,748.37
Investment Property		18,607,769.97	19,636,771.07
Fixed Assets		16,936,514.49	12,545,854.96
Construction in Progress		6,157,545.00	
Project Materials			
Liquidation of Fixed Assets			
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		54,464.20	78,371.89
Research and Development Expenditure			
Goodwill			
Long-term Deferred Expenses			
Deferred Income Tax Assets		28,907,753.67	7,076,218.17
Other Non-current Assets			
Total Non-current Assets		10,228,864,467.30	10,195,072,849.90
Total Assets		28,924,740,529.00	30,287,458,955.36

Legal Representative :

Accounting Director :

Accounting Manager :

Balance Sheet of Parent Company (Continued)

December 31, 2011

Preparating Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Liabilities and Shareholder's Equity	Notes	The Ending Balance	The Beginning Balance
Current Liabilities :			
Short-term Loans		700,000,000.00	3,900,000,000.00
Tradable Financial Liabilities		30,643,140.64	5,081,525.31
Notes Payable			
Accounts Payable		1,444,860,565.38	739,844,045.67
Advances From Customers		14,149,324,543.24	14,079,351,049.77
Accrued payroll		20,542,443.76	21,993,601.69
Taxes & Fees Payable		-109,472,667.43	-75,214,007.24
Interests Payable			
Dividends Payable			
Other Payables		1,458,747,586.34	1,784,694,733.51
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities			
Total Current Liabilities		17,694,645,611.93	20,455,750,948.71
Non-Current Liabilities:			
Long-term Loans			
Bonds Payable			
Long-term Accounts Payable			
Specified Accounts Payable			
Estimated Liabilities			
Deferred Income Tax Liabilities		4,473,190.34	4,427,314.37
Other Non-current Liabilities		1,000,000.00	
Total Non-current Liabilities		5,473,190.34	4,427,314.37
Total Liabilities		17,700,118,802.27	20,460,178,263.08
Shareholder's Equity:			
Capital Stock		2,003,860,000.00	2,003,860,000.00
Capital Reserves		5,141,577,000.43	5,160,652,173.81
Less: Treasury Stock			
Special Reserves			
Surplus Reserves		607,997,631.73	440,305,830.95
Provision for General Risk			
Undistributed Profit		3,471,187,094.57	2,222,462,687.52
Total Shareholder's Equity Attributed to Parent Company		11,224,621,726.73	9,827,280,692.28
Total Shareholder's Equity		11,224,621,726.73	9,827,280,692.28
Total Liabilities and Shareholder's Equity		28,924,740,529.00	30,287,458,955.36

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Income Statement

Jan.-Dec.,2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec.,2011	Jan.-Dec.,2010
1-Total Operating Income		42,916,618,329.18	38,080,112,185.86
Therein: Operating Income	V. 42	42,916,618,329.18	38,080,112,185.86
Interest Income			
Premium Earned			
Commission Income			
2-Total Operating cost		39,660,796,872.70	35,442,500,547.07
Therein: Operating Cost	V. 42	33,954,397,638.01	30,379,877,894.54
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	V. 43	237,830,858.72	227,478,364.68
Sales expenses	V. 44	888,697,144.47	806,972,779.58
General and administrative expense	V. 45	3,397,724,995.81	3,081,524,109.96
Financial expenses	V. 46	-87,907,615.55	-40,198,130.67
Losses on Impairment of Assets	V. 47	1,270,053,851.24	986,845,528.98
Add: Net income from fair value changes	V. 48	-41,087,165.89	26,662,888.86
Investment Income	V. 49	141,600,995.37	91,621,356.39
Therein: Income from investment to subsidiaries and joint ventures		122,079,261.11	91,617,082.59
Foreign Exchange Gain			
3-Operating Profit		3,356,335,285.96	2,755,895,884.04
Add: Non-operating Income	V. 50	255,411,857.33	204,004,997.89
Less: Non-operating Expense	V. 51	67,690,339.73	114,722,180.82
Therein: Net losses on disposal of non-current assets		13,596,302.65	7,722,812.27
4-Total Profit		3,544,056,803.56	2,845,178,701.11
Less: Income Tax Expense	V. 52	425,839,071.57	169,164,306.04
5-Net Profit		3,118,217,731.99	2,676,014,395.07
Net Profit Attributed to Shareholders of parent Company		3,056,227,705.50	2,576,974,795.23
Gains/Losses on Minority Shareholder's Equity		61,990,026.49	99,039,599.84
6-Earnings Per Share :			
(1) Primary earning per share	V. 53	1.53	1.29
(2) Dilutive earning per share	V. 53	1.53	1.29
7-Other Comprehensive Income	V. 54	-31,921,743.88	5,218,347.75
8-Total Comprehensive Income		3,086,295,988.11	2,681,232,742.82
Total Comprehensive Income Attributed to Shareholders of parent Company		3,024,305,961.62	2,582,193,142.98
Total Comprehensive Income Attributed to Minority Shareholders		61,990,026.49	99,039,599.84

Legal Representative :

Accounting Director :

Accounting Manager :

Income Statement of Parent Company

Jan.-Dec.,2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec., 2011	Jan.-Dec., 2010
1-Total Operating Income		13,676,689,310.64	9,875,623,907.80
Therein: Operating Income	XIII. 4	13,676,689,310.64	9,875,623,907.80
Interest Income			
Premium Earned			
Commission Income			
2-Total Operating cost		12,856,159,774.42	9,621,670,815.12
Therein: Operating Cost	XIII. 4	12,594,601,404.12	9,318,799,598.05
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		3,416,582.80	6,350,717.87
Sales expenses		35,936,442.41	29,336,241.75
General and administrative expense		188,438,017.57	157,036,055.23
Financial expenses		-37,297,612.77	82,286,264.30
Losses on Impairment of Assets		71,064,940.29	27,861,937.92
Add: Net income from fair value changes		-40,825,738.92	20,386,123.34
Investment Income	XIII. 5	983,788,451.62	862,510,902.31
Therein: Income from investment to subsidiaries and joint ventures		60,322,039.08	32,617,561.22
Foreign Exchange Gain			
3-Operating Profit		1,763,492,248.92	1,136,850,118.33
Add: Non-operating Income		4,233,031.59	3,554,518.50
Less: Non-operating Expense		1,025,038.68	2,827,208.50
Therein: Net losses on disposal of non-current assets		2,325.00	32,857.00
4-Total Profit		1,766,700,241.83	1,137,577,428.33
Less: Income Tax Expense		89,782,234.00	-1,287,116.19
5-Net Profit		1,676,918,007.83	1,138,864,544.52
Net Profit Attributed to Shareholders of parent Company		1,676,918,007.83	1,138,864,544.52
Gains/Losses on Minority Shareholder's Equity			
6-Earnings Per Share :			
(1) Primary earning per share			
(2) Dilutive earning per share			
7-Other Comprehensive Income		-19,075,173.38	4,838,932.75
8-Total Comprehensive Income		1,657,842,834.45	1,143,703,477.27
Total Comprehensive Income Attributed to Shareholders of parent Company		1,657,842,834.45	1,143,703,477.27
Total Comprehensive Income Attributed to Minority Shareholders			

Legal Representative :

Accounting Director :

Accounting Manager

Consolidated Cash Flow Statement

Jan.-Dec.,2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec.,2011	Jan.-Dec.,2010
1-CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash received from sales of goods or rendering of services		35,236,182,935.71	44,975,321,763.90
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		445,772,036.70	294,911,520.10
Cash received from other operating related activities	V. 55	552,449,268.36	616,218,720.18
SUB-TOTAL OF CASH INFLOWS		36,234,404,240.77	45,886,452,004.18
Cash paid for goods and services		29,893,242,286.89	37,772,858,955.45
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		3,047,781,506.15	2,745,463,815.08
Tax payments		3,180,018,463.16	2,052,776,707.30
Cash paid for other operating related activities	V. 55	1,251,875,247.40	1,363,167,840.11
SUB-TOTAL OF CASH OUTFLOWS		37,372,917,503.60	43,934,267,317.94
NET CASH FLOWS FROM OPERATING ACTIVITIES		-1,138,513,262.83	1,952,184,686.24
2-CASH FLOWS FROM INVESTING ACATIVITIES :			
Cash received from disposal of investments		99,855,722.18	
Cash received from returns on investments		30,042,866.93	8,232,155.02
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		23,635,339.96	5,541,304.70
Net cash received from disposal of subsidiaries or other operating units			
Cash received from other investing related activities			5,524,600.00
SUB-TOTAL OF CASH INFLOWS		153,533,929.07	19,298,059.72
Cash paid to acquire fixed assets,intangible assets and other long-term assets		1,861,909,811.75	2,584,358,514.04
Cash paid to acquire investments		93,397,122.48	452,400,303.35
Net increase of pledge loan			
Net Cash paid for acquiring subsidiaries or other operating units			
Cash paid for other investing related activities			
SUB-TOTAL OF CASH OUTFLOWS		1,955,306,934.23	3,036,758,817.39
NET CASH FLOWS FROM INVESTING ACTIVITIES		-1,801,773,005.16	-3,017,460,757.67
3-CASH FLOWS FROM FINANCING ACTIVITIES :			
Cash received from absorbing investment			216,701,000.00
Therein: The Investment absorbed by Subsidiaries from Minority Shareholders			2,714,000.00
Cash received from borrowings		2,692,298,661.98	4,285,808,428.01
Cash received from issuing bonds			
Cash received from other financing related activities	V. 55	47,100,000.00	280,670,000.00
SUB-TOTAL OF CASH INFLOWS		2,739,398,661.98	4,783,179,428.01
Repayments of borrowings		2,780,000,000.00	4,515,140,075.20
Cash payments for distribution of dividends, profits or interest expenses		403,452,056.74	290,869,383.62
Therein: Devidents paid to Minority Shareholders by Subsidiaries		2,417,874.40	2,320,000.00
Cash payments for other financing related activities			105,000,000.00
SUB-TOTAL OF CASH OUTFLOWS		3,183,452,056.74	4,911,009,458.82
NET CASH FLOWS FROM FINANCING ACTIVITIES		-444,053,394.76	-127,830,030.81
4-EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		-1,987,061.47	4,959,825.04
5-NET INCREASE IN CASH AND CASH EQUIVALENTS		-3,386,326,724.22	-1,188,146,277.20
Add: Cash and cash equivalents balance at the beginning of the period		13,670,551,363.06	14,858,697,640.26
6-CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		10,284,224,638.84	13,670,551,363.06

Legal Representative :

Accounting Director :

Accounting Manager :

Cash Flow Statement of Parent Company

Jan.-Dec., 2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec., 2011	Jan.-Dec., 2010
1-CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash received from sales of goods or rendering of services		11,970,179,062.44	14,856,262,738.27
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		408,795,217.89	247,159,331.83
Cash received from other operating related activities		148,642,997.19	206,854,077.42
SUB-TOTAL OF CASH INFLOWS		12,527,617,277.52	15,310,276,147.52
Cash paid for goods and services		11,748,725,650.39	13,409,140,454.01
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		151,294,923.76	124,143,763.08
Tax payments		80,761,389.09	79,190,948.48
Cash paid for other operating related activities		145,430,474.02	145,953,534.01
SUB-TOTAL OF CASH OUTFLOWS		12,126,212,437.26	13,758,428,699.58
NET CASH FLOWS FROM OPERATING ACTIVITIES		401,404,840.26	1,551,847,447.94
2-CASH FLOWS FROM INVESTING ACATIVITIES :			
Cash received from disposal of investments		99,855,722.18	60,000,000.00
Cash received from returns on investments		928,290,907.30	829,893,341.09
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			6,452.00
Net cash received from disposal of subsidiaries or other operating units			
Cash received from other investing related activities			
SUB-TOTAL OF CASH INFLOWS		1,028,146,629.48	889,899,793.09
Cash paid to acquire fixed assets,intangible assets and other long-term assets		13,770,369.91	7,001,141.41
Cash paid to acquire investments		274,167,122.48	1,738,825,103.35
Net increase of pledge loan			
Net Cash paid for acquiring subsidiaries or other operating units			
Cash paid for other investing related activities			
SUB-TOTAL OF CASH OUTFLOWS		287,937,492.39	1,745,826,244.76
NET CASH FLOWS FROM INVESTING ACTIVITIES		740,209,137.09	-855,926,451.67
3-CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from absorbing investment			
Therein: The Investment absorbed by Subsidiaries from Minority Shareholders			
Cash received from borrowings		2,050,000,000.00	7,600,000,000.00
Cash received from issuing bonds			
Cash received from other financing related activities		47,100,000.00	280,670,000.00
SUB-TOTAL OF CASH INFLOWS		2,097,100,000.00	7,880,670,000.00
Repayments of borrowings		5,600,000,000.00	10,737,907,355.20
Cash payments for distribution of dividends, profits or interest expenses		297,765,759.77	279,717,811.20
Therein: Dividends paid to Minority Shareholders by Subsidiaries			
Cash payments for other financing related activities			
SUB-TOTAL OF CASH OUTFLOWS		5,897,765,759.77	11,017,625,166.40
NET CASH FLOWS FROM FINANCING ACTIVITIES		-3,800,665,759.77	-3,136,955,166.40
4-EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		16,281,114.46	-33,559,494.63
5-NET INCREASE IN CASH AND CASH EQUIVALENTS		-2,642,770,667.96	-2,474,593,664.76
Add: Cash and cash equivalents balance at the beginning of the period		3,599,890,429.25	6,074,484,094.01
6- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		957,119,761.29	3,599,890,429.25

Legal Representative:

Accounting Director:

Accounting Manager:

Consolidated Statement of Movement on Shareholder's Equity

Jan.-Dec., 2011

Unit: RMB Yuan

Items	The amount of this period									
	Shareholder's Equity Attributed to the Parent Company									
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Others	Minority Shareholder's Equity	Total Shareholder's Equity
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							-428,193,600.78		-3,417,874.40	-263,919,674.40
I.Provision for Surplus Reserves										
II.Provision for General Risk										
III.Distribution to Shareholders							-167,691,800.78			
IV.Others							-260,501,800.00		-3,417,874.40	-263,919,674.40
(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 :

Consolidated Statement of Movement on Shareholder's Equity
Jan.-Dec., 2011

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of last period										Total Shareholder's Equity	
	Shareholder's Equity Attributed to the Parent Company											Minority 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	1,001,930,000.00	6,104,620,981.69			38,056,260.07		1,569,418,629.72	-5,278,835.20	360,597,740.99		9,069,344,777.27	
Add: Amounts from Accounting Policy Changes												
Corrections on last period's accounting errors												
Others		27,815,000.00					-62,792,444.56		17,182,107.98		-17,795,336.58	
2-The beginning balance of this year	1,001,930,000.00	6,132,435,981.69			38,056,260.07		1,506,626,185.16	-5,278,835.20	377,779,848.97		9,051,549,440.69	
3-Increase and decrease for this period (decrease represents as '-')	1,001,930,000.00	-1,038,180,537.36			113,886,454.45		2,286,969,366.41	379,415.00	367,848,378.76		2,732,833,077.26	
(1) Net profit							2,576,974,795.23		99,039,599.84		2,676,014,395.07	
(2) Other Comprehensive Income		4,838,932.75						379,415.00			5,218,347.75	
Subtotal of (1) and (2)		4,838,932.75					2,576,974,795.23	379,415.00	99,039,599.84		2,681,232,742.82	
(3) Shareholders' Investment and Capital Reduction		-41,089,470.11					-15,810,174.37		273,521,898.22		216,622,253.74	
I.Capital investment									265,856,700.00		265,856,700.00	
II.Share-based Payment recorded in shareholder's equity												
III.Others		-41,089,470.11					-15,810,174.37		7,665,198.22		-49,234,446.26	
(4) Profit Distribution							-274,195,254.45		-4,713,119.30		-165,021,919.30	
I.Provision for Surplus Reserves												
II.Provision for General Risk												
III.Distribution to Shareholders												
IV.Others							-160,308,800.00		-4,713,119.30		-165,021,919.30	
(5) Internal transfer of Shareholders' Equity	1,001,930,000.00	-1,001,930,000.00										
I.Capital Reserves transfer to Capital (or Share Capital)	1,001,930,000.00	-1,001,930,000.00										
II.Surplus Reserve transfer to Capital (or Share Capital)												
III.Surplus Reserve offset losses												
IV.Others												
(6) Special Reserves												
I.Acrued in this period												
II.Used in this period												
(7) Others												
4-The ending balance for this period	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	

Accounting Director :

Accounting Manager :

Statement of Movements on Equity for Parent Company

Jan.-Dec., 2011

Items	The amount of this period							Total Shareholder's Equity
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	
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								
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 :

Unit: RMB Yuan

Statement of Movements on Equity for Parent Company

Jan.-Dec., 2011

Unit: RMB Yuan

Items	The amount of last period							Total Shareholder's Equity
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	
1-The ending balance for last year	1,001,930,000.00	6,157,743,241.06			326,419,376.50		1,357,793,397.45	8,843,886,015.01
Add: Amounts from Accounting Policy Changes								
Corrections on last period's accounting errors								
Others								
2-The beginning balance of this year	1,001,930,000.00	6,157,743,241.06			326,419,376.50		1,357,793,397.45	8,843,886,015.01
3-Increase and decrease for this period (decrease represents as "-")								
(1) Net profit		-997,091,067.25			113,886,454.45		864,669,290.07	983,394,677.27
(2) Other Comprehensive Income		4,838,932.75					1,138,864,544.52	1,138,864,544.52
Subtotal of (1) and (2)		4,838,932.75					1,138,864,544.52	4,838,932.75
(3) Shareholders' Investment and Capital Reduction								
I.Capital investment								
II.Share-based Payment recorded in shareholder's equity								
III.Others								
(4) Profit Distribution					113,886,454.45		-274,195,254.45	-160,308,800.00
I.Provision for Surplus Reserves					113,886,454.45		-113,886,454.45	
II.Provision for General Risk								
III.Distribution to Shareholders							-160,308,800.00	-160,308,800.00
IV.Others								
(5) Internal transfer of Shareholders' Equity	1,001,930,000.00	-1,001,930,000.00						
I.Capital Reserves transfer to Capital (or Share Capital)	1,001,930,000.00	-1,001,930,000.00						
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	5,160,652,173.81			440,305,830.95		2,222,462,687.52	9,827,280,692.28

Legal Representative :

Accounting Director :

Accounting Manager :

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

I. Background

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 state-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.

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.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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 2011, the capital shares of the corporation is 2,003,860,000: shares with selling restrictions are 119,930,000, accounted for 5.98% of the total share capital; domestic shares without selling restrictions domestically-listed are 1,543,930,000, representing 77.05% 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 (hereinafter to as the DEC). 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 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. Accounting Policies and Accounting Estimates

1. Basis of Financial Statements

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

The financial statements have been prepared based on the assumption of going concerns, in line with actual transactions and events.

The Company implements the new accounting standards and system in accordance with “Accounting Standards for Business Enterprises” issued on February 15, 2006, “Accounting Standards for Business Enterprises No.38-the first the implementation of Accounting Standards for Business Enterprises”, as well as Public offering of securities disclosure of the general provisions of the Rules for the Compilation No. 15 - Financial Reporting

Moreover, the financial statements corresponds to disclosure requirements of “Companies Ordinance (HongKong)” and “Exchange Listing Rules (Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited)

2. Declaration of Apply the Accounting Standards

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and related complement regulations, which present fairly the financial position of the Company and the Group on December 31, 2011, and of its financial performance and its cash flows for the year then ended .

3. Accounting Period

The Company’s accounting year starts on 1 January and ends on 31 December.

4. Currency

The Company and domestic subsidiaries adopts RMB as the function currency, while the overseas businesses adopts the local currency at its currency.

The Group adopts RMB in the preparation of the financial statements.

5. Basis of Accounting and Measurement Bases

The Group follows the accrual basis of accounting. Except for financial assets held for trading and financial assets available for sale, assets are initially recorded at actual costs and subsequently adjusted for impairment, if any.

6. Business combination

Business combination refers to a transaction or event brings together two or more separate enterprises into one reporting entity. It is classified into consolidation of enterprises under the same control and business combinations not under common control.

The assets and liabilities that the Group obtains from the business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. The combining date refers to the date on which the combining party actually obtains control on the combined party.

(1) Consolidation of enterprises under the same control

Accounting for consolidation of enterprises under the same control takes right combining method. The combining party gets the assets and liabilities measured pursuant to their book value. As for the balance between the books value of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

(2) Consolidation of enterprises not under the same control

Accounting for consolidation of enterprises not under the same control takes purchasing method

For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the combined party. For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs.

The acquirer shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values

The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the combined party as business reputation. Moreover, the acquirer should, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the combined party: first, it shall check the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the combined party as well as the combination costs, second, if, after the check, the combination costs are still less than the fair value of the identifiable net assets it obtains from the combined party, it shall record the balance into the profits and losses of the current period

7. Preparation methods for corporate consolidated statements

(1) Principle of Determining Consolidation Scope

The consolidation scope of financial statement is defined by the control. Control refers to the power the Group can decide financial and business policy of other corporations and obtain the profit.

(2) Preparation Method of Consolidated Financial Statements

The combined financial statements include the Company and its subsidiaries. The Company starts to consolidate subsidiaries from the day of obtaining the actual control over them; and the Company ceases consolidation from the day of loss of the control. Balance and profit of all substantive intra-group dealings and transactions are set off in preparation of consolidated financial statements. Shareholders'

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

equity in subsidiaries not attributable to the Company is listed specifically in minority shareholders' equity in the consolidated financial statement.

As for inconsistency in accounting policies and periods between the Company and subsidiaries, the subsidiaries' financial statements are adjusted and consolidated according to the Company's.

As for subsidiaries obtained by consolidation of enterprises not under the same control, individual statements are adjusted on the basis of fair value of the recognized net assets on that purchasing day. As for subsidiaries obtained by consolidation of enterprises under the same control, the participants in consolidation are taken existent in the present state, namely time of the actual control

8. Cash and cash equivalents

For the purposes of the cash flow statement, cash refers to all cash in hand and call deposits. Cash equivalents refer to short-term and highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign currency transactions and foreign currency statement

(1) Foreign currency transactions

The occurred foreign currency transactions should be converted into Renminbi at spot exchange rate at the transaction date as the exchange rate.

On the balance sheet date, the Company shall treat the foreign currency monetary items and foreign currency non-monetary items in accordance with the following provisions:

A. The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arises from the differences between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses for the current period.

B. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the day for the confirmation of the fair value, the balance between the Renminbi and the original standards currency shall be recorded into the profits and losses at the current period. At the same time, the foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date and not change the amount of functional currency

(2) Translation of Foreign Currency Financial Statements

The asset and liability items in the balance sheets shall be translated at the spot exchange rate on the balance sheet date; The owner's equity items, except undistributed profits, shall be translated at the spot exchange rate at the time when they occurred; The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid items shall be presented separately under the owner's equity of the balance sheets. The foreign currency cash flow shall be translated at the spot exchange rate on the cash flow occurrence date. The Influence of the exchange rate fluctuation on cash and cash equivalents shall be disclosed under the cash flow statement.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

The differences from clearing business overseas shall be recorded into the profits and losses.

10. Financial instruments

(1) Classification of financial assets and liabilities

Financial assets are categorized into four parts by the Group based on investment objectives includes 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'loans and receivables' and 'available-for-sale' (AFS) financial assets.

1) Financial assets at FVTPL include financial assets held for trading and those designated as FVTPL at inception.

Financial assets held for trading are mainly for selling or repurchase of them in the near future, unless they are recorded into the designated derivative instruments which are effective hedging instruments.

2) Held-to-maturity investment refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity. The following non-derivative financial assets shall not be classified as investments held till maturity.

3) Loans and the account receivables refer to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable.

4) AFS financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables, and held-to-maturity investments.

Financial liabilities shall be classified into the following two categories when they are initially recognized: financial liabilities at 'fair value through profit or loss' (FVTPL) or other financial liabilities.

(2) Financial assets and liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or originally designated as at FVTPL.

A financial asset/liability is classified as held for trading if:

- 1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- 2) if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making; or
- 3) derivatives, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.

The financial assets or liabilities meet any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses.

The Group shall classify financial assets and liabilities.

The financial liabilities at FVTPL includes transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

profits and losses. The profits and losses, arise from the change in the fair value of financial liability measured at its fair value and of which the variation is recorded into the profits and losses of the current period.

(3) Recognition and measurement of Financial assets and liabilities

When the enterprise becomes a party to a financial instrument contract, it shall recognize a financial asset or financial liability.

For the financial assets and liabilities at FVTPL the transaction expenses shall be directly recorded into expenses; for other categories of financial assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

(4) Subsequent measurement of Financial Instruments

The Group shall make subsequent measurement on its financial assets according to their fair values, and may not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances shall be excluded:

- 1) The investments held until their maturity, loans and accounts receivable shall be measured on the basis of the post-amortization costs by adopting the actual interest rate method;
- 2) The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

The profits and losses arising from the change in the fair value of a financial asset or financial liability shall be dealt with according to the following provisions, unless it is related to hedging:

- 1) The profits and losses, arising from the change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period, shall be recorded into the profits and losses of the current period;
- 2) The profits and losses arising from the change in the fair value of a sellable financial asset shall be included directly in the owner's equity with the exception of impairment losses and the gap arising from foreign exchange conversion of cash financial assets in any foreign currency, and when the said financial asset is stopped from recognition and is transferred out, it shall be recorded into the profits and losses of the current period.

(4) Determination of the Fair Value of Financial Instruments

Fair value refers to the amount, at which both parties to a transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions.

For the financial assets or financial liabilities for which there is an active market, the Group shall take the quoted prices in the active market to determine the fair values thereof. In the active market, the quoted prices of the Group for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer, while the quoted prices of the Group for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge. Where there is no available offer or charge for a financial asset or financial liability, but there is no any significant change

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

to the economic environment after the latest transaction day, the enterprise shall adopt the market quoted price of the latest transaction to determine the fair value of the said financial asset or financial liability.

There is no active market for a financial instrument; the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

The Group shall regularly use the open transaction prices of the financial instruments that have never been revised or reorganized to rectify the value appraisal techniques it employs, and test the effectiveness of the said value appraisal techniques.

(5) Recognition of Financial Instruments

A financial asset satisfies any of the following requirements, the recognition of it shall be terminated:

- 1) The contractual rights for collecting the cash flow of the said financial asset are terminated;
- 2) Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

(6) Impairment of Financial Assets

Except for the financial assets measured by fair value and the changes included in the current loss and gain, on the financial sheet date, the Group will check the book value of other financial assets on the balance sheet date, if there is objective evidence showing that impairment has happened on a financial asset, provision for the impairment shall be drawn. If dramatic or non-temporary decline has happened on the financial assets for sale, the accumulative loss originally included in shareholders equity shall be included in the impairment loss. The equity tool investments which the impairment loss has been confirmed and are related to the events of conformation of impairment loss shall be included in the equity of shareholders. The impairment loss of equity tool investments which have no quotation in the active market and the fair value cannot be reliably measured, will not be transferred back.

Financial asset measured on the basis of post-amortization costs is impaired, the carrying amount of the said financial asset shall be written down to the current value of the predicted future cash flow (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be recorded into the profits and losses of the current period. If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized (e.g., the credit rating of the debtor has been elevated, etc.), the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period.

The impairment-related losses incurred to a sellable equity instrument investment shall not be reversed through profits and losses.

Derivative Instruments

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Derivative instruments are measured at fair value. Except the hedging instrument designed and high effectiveness, the gain or loss from the changes in the fair value of the hedging instrument shall be recorded in the profits and losses of the current period.

(7) Offset between financial assets and liabilities

Financial assets and liabilities shall be listed in the balance sheets, when both sides of trade who has right to offset between financial assets and liabilities confirming to settle by the net amount or balance the assets and liabilities at the same time.

(8) The equity instrument investments

The equity instruments refer to the contracts which can prove that a certain enterprise holds the surplus equities of the assets after the deduction of all the debts. The handling fees, commissions and other expenses for the issuance of equity instruments for the business combination shall be credited against the surplus of equity instruments; if the surplus is not sufficient, the retained earnings shall be offset. Others shall increase shareholders' equity deducting.

(9) Transfer of Financial Assets

Recognition of Transfer of Financial Assets

When an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

When an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset (that is to say, it is not under a circumstance as mentioned in Article 7 of these Standards), it shall deal with it according to the circumstances as follows, respectively: first, If it gives up its control over the financial asset, it shall stop recognizing the financial asset; second, If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

Measurement of Transfer of Financial Assets

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following two items shall be recorded in the profits and losses of the current period:

- A. The book value of the transferred financial asset
- B. The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period.

11. Accounts receivable and provisions for bad debts

Following receivables are recognized as bad debts:

- 1) Receivables that are still irrecoverable, when after discharged by bankrupt property or heritage, in circumstances of debtor declared of bankruptcy or withdraw in law, in circumstances that debtor is dead or declared disappearance or death in law.
- 2) Receivables involving litigation that was determinate (judged) to lose by effective judgement of people's court, or was judged to terminate implement and hopelessly resumed to implement although recovered.
- 3) Receivables that would not been irrecoverable in three years, in circumstances that the debtors undergo significant natural disaster or stop production in accident, and have big loss.
- 4) Receivables overdue and indicated by obvious evidence irrecoverable.

Receivables indicated by assured evidence irrecoverable that are approved in directorate or by govern organization are recognized as bad debts, and the balance are written off against the provision for bad debts.

Provision for bad debts

The individual amount of receivable over 30 million yuan or the individual amount of other account receivable over 10 million yuan will be recognized as major receivable. When there is evidence showing that the Group will not be able to recover all the money in accordance with the original item of receivable, provision for bad debt shall be drawn according to the differences of future cash flow lower than the book value after impairment test.

The non-significant single receivables and the receivables without impairment will be divided into a number of combinations in accordance with credit risk characteristics. The provision for bad debts to be drawn in this year will be accounted to the actual loss rate with the similar credit risk characteristics in the previous year and combining the present situations to determine the ratio of provision for impairment of this year.

The aging of accounts receivables and corresponding percentages defined in terms of previous experience are as follows:

Aging	Provision for bad debts as apercentage of receivables (%)
Within 1 year	5
Between 1 and 2 years	10
Between 2 and 3 years	20
Between 3 and 4 years	40
Between 4 and 5 years	50
Over 5 years	100

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

The Group adopts the allowance method for the possible bad debt losses. Account receivable, proved and confirmed to be definitely uncollectible shall be recognized as bad debts and written off against provision for bad debts by the Group approved.

12. Inventory

Inventories include raw materials, work in progress, finished goods and packaging materials.

The Company adopts the historical cost for obtaining or the planned cost to value the inventory according to its actual situation, and weighted average method for the issued inventory.

Inventories are presented at the lower of cost and net realizable value at the year end, and accrue provision of inventories impairment based on difference of cost less net realizable value for individual item. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to conclude the sale.

Inventories are presented at the lower of cost and net realizable value at the year end, and accrue provision of inventories impairment based on difference of cost less net realizable value for individual item.

Inventories stock system is perpetual inventory system.

13. Long-term equity investments

Long-term equity investment classified as investment for subsidiary company、investment for associated company、investment with no control, joint control ,and significant influence.

(1) The basis for recognising joint control or significant influence over the invested entity

1) A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).

2) An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

3) "Control" refers to the power to determine the financial and operating policies of an enterprise and obtains benefits from its operating activities of the enterprise. When ascertaining whether or not it is able to control or have significant influences on an invested entity, an enterprise shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights.

4) The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. Where an investing enterprise and other parties do joint control over an invested entity, the invested entity shall be their joint enterprise.

5) "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies. The determining basis of significant impact is to own 20% (inclusive) or

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

more but less 50% of the voting shares directly owned by the Group or owned through subsidiaries. Unless there is clear evidence that the production operating decision can not be participated, no major influence will formed.

If an investor holds, directly or indirectly (eg through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (eg through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

(2) Initial Measurement

For the merger of enterprises under the same control, it shall on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

For the merger of enterprises under different control, it shall regard the fair value of assets, liabilities or the equity securities as the initial cost of the long-term equity investment on the date of merger. The initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets as goodwill. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be ascertained in accordance with Accounting Standards for Enterprises.

(3) Subsequent Measurement

For a long term equity investment on the subsidiary company of an investing enterprise, the investing enterprise shall accounted by employing the cost method as prescribed, and shall make an adjustment by employing the equity method when it works out consolidated financial statements. The long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be measured as financial assets available for sale by the cost method.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

The price of a long-term equity investment measured by employing the cost method shall be included at its initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income.

When the Group adopt the equity method, it shall in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. Besides, any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. The investing enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. The investing enterprise shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the investing enterprise has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the investing enterprise shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For a long-term equity investment for which there is no offer in the active market and of which the fair value cannot be reliably measured, if the investing enterprise has not joint control or significant influence over the invested entity any more as a result of the decrease of investment or other reasons, the cost method shall be employed in the measurement, and the book value of the long-term equity investment employing the equity method shall be regarded as the initial investment cost to be measured by employing the cost method. If an enterprise is able to do significant influence, the cost method shall be employed in the measurement. If an enterprise is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional or disposing investment, the equity method shall be employed in the measurement, and the book value of the long-term equity investment measured by employing the cost method or the book value of investment ascertained shall be regarded as initial investment cost measured by employing the cost method.

(4) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. If any change other than the net profits and losses of the invested entity occurs and is included in the owner's equity, the portion previously included in the owner's equity shall, when disposing of a long-term equity investment measured by employing the equity method, be transferred to the current profits and losses according to a certain proportion.

(5) Test for impairment of long-term equity investment

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

When any evidence shows that there is possible assets impairment in the investment of subsidiary, associated company, joint ventures, the recoverable amount of the assets shall be estimated. If the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, a provision for the asset impairment shall be made accordingly. If assets impairment of other long-term equity investment occurred, the gap between the carrying amount and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period. Once any loss of impairment of long-term equity investment is recognized, it shall not be reversed in the future accounting periods.

14. Investment property

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes; or
- b) sale in the ordinary course of business.

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

The Group adopts the cost model as its accounting policy, and apply the cost model for all the investment properties, and adopts the straight line method to draw depreciation or amortization on the basis of net salvage value and estimated useful life. The net salvage value and estimated useful life of investment real estate 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

The group shall, at least at the end of each year, have a check on the useful life, expected net salvage value and the depreciation method .

An investment property shall be derecognized (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the retirement or disposal.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained. When an enterprise sells transfers or discards any investment real estate, or when any investment real estate of an enterprise is damaged or destroyed, the enterprise shall deduct the book value of the investment real estate as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

15. Fixed assets and depreciation

Fixed assets include buildings, special equipments, vehicles, and other equipment, apparatus and tools concerning operation, which have useful lives more than one year, also include others than main operating equipments, but single value over Rmb 3,000.

Fixed assets are separated into building, machine equipment, vehicles, electronic equipment, office equipment and others.

Fixed assets are measured based on actual cost at acquisition.

Fixed assets are depreciated using the straight-line method or double decline balance method to write off the cost of the assets to their estimated residual values over their estimated useful lives. The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates 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

When book value of building including land use right value, in circumstance of estimated useful lives of land use right higher than that of building, the estimated residual value would include over useful lives value of land use right, while depreciation rate would be correspondingly adjusted.

At the year end, on circumstances of net realizable value lower than book value caused by continuously decreasing of market price, technology obsolescing, impairment, unused for a long time, and etc., the impairment provision of fixed assets is accrued based on the difference between net realizable value and book value.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

16. Construction in progress

Construction in progress is recorded based on actual costs. Cost comprises the original cost of machinery and equipment, installation costs, construction costs and other direct costs. Borrowing costs on specific borrowings for financing the construction or acquisition of fixed assets are capitalized as part of the cost of the fixed assets until the assets are ready for their intended use. Construction in progress is transferred to fixed assets and depreciation commences when the assets are ready for their intended use.

At the year end, the Company has a review to construction in progress one by one. In circumstances of impairment with evidence, the impairment provision of construction in progress is accrued based on the difference between estimated net realizable value and book value.

17. Borrowing costs

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. When the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. When a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization.

"Assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

When the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

18. Intangible Assets

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

(1) Intangible assets shall be measured initially at its cost.

(2) Amortization

Intangible assets are amortized on the straight-line basis over the lower years of useful lives as stated in the contract and effective period as stipulated by law or regulations, if there are no law or regulations stipulating useful lives, intangible assets are amortized on the straight-line basis over not more than 10 years. Land use right measured as intangible assets is amortized on the straight-line basis over estimated useful lives. Intangible assets which would not bring any economic benefit in future are totally expensed into administrative expenses current period.

(3) Impairment provision

At the year end, the Company has a review to intangible assets one by one. In circumstances of impairment with evidence, the impairment provision of intangible assets is accrued based on the difference between estimated net realizable value and book value.

19. Research and development

Expenditure on an internal research and development project shall be classified into expenditure on the research phase and expenditure on the development phase according to its nature and whether there's significant uncertainty that intangible assets will come into being.

Expenditure on the research phase shall be recognized in profit or loss for the period in which it is incurred. Expenditure on the development phase shall be recognized as an intangible asset only when the Group can demonstrate all of the following:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) the intention to complete the intangible asset and use or sell it;
- (3) the existence of a market for the output of the intangible asset or the intangible asset itself;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditure failed to meet the criteria mentioned above shall be recognized in profit or loss for the period in which it is incurred. Expenditure that was previously recognized as an expense shall not be recognized as an asset at a later date. Expenditure on the development phase that was capitalized is presented as development expenditure in the balance sheet, and transferred to intangible assets when such projects are ready for their intended use.

20. Impairment in non-financial assets

The Group has a check on long-term equity investments, tangible assets, construction in progress, intangible assets with limited service life on every balance sheet date. When there is any evidence showing assets impairment, the Group shall make an impairment test on the relevant assets.

- 1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

2)The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;

3)The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;

4)Any evidence shows that the assets have become obsolete or have been damaged substantially;

5)The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;

6)Any evidence in the internal report of the enterprise shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.

7)Other evidence indicates that the impairment of assets has probably occurred

If the recoverable amount of assets is lower than its carrying value, it shall be recognized as the corresponding impairment loss. The recoverable amount of assets shall be determined on the basis of the higher one of the net amount of the fair value of the asset minus the disposal expenses and the current value of the expected future cash flow of the asset. The impairment of assets should be drawn based on single asset. However, if it is difficult to do so, it shall determine the recoverable amount of the Group assets on the basis of the asset group to which the asset belongs. Asset group is the minimum combination of assets whether can generate the main cash inflow.

Goodwill is listed in financial statement single. Whether there is any evidence indicating a possible impairment, the enterprises shall be subject to an impairment test at least at the end of each year. When the enterprise makes an impairment test of assets, it shall apportion book value of the business reputation formed by merger of enterprises to the relevant asset groups by a reasonable method. If any evidence from test shows that the impairment of asset groups containing goodwill is possible, the enterprise shall first make provision for impairment. The impairment loss should offset goodwill apportioned to the relevant asset groups first, and the rest deduct other assets on the basis of the proportion.

21. Goodwill

Goodwill refers to the difference between the cost of the equity investment or merged cost not under the same and the fair value of the invested entity's identifiable net assets on the purchasing date.

The goodwill related subsidiaries is listed in financial statement singly, while the goodwill is contained book value of the long-term equity investment related associated enterprises as well as joint ventures.

22. Long-term prepaid expenses

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.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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.

23. Employee benefits

Employee benefit include those provided: all kinds of payments and other relevant expenditures given by enterprises in exchange of the services offered by the employees. The employee compensation shall include: wages, bonuses, allowances, subsidies, and welfare expenses for the employees, Medical insurance, endowment insurance, unemployment insurance, work injury insurance, and maternity insurance and other social insurances, housing accumulation fund, labor union expenditure and employee education expenses and so on.

During the accounting period of an employee' providing services to an enterprise, the enterprise shall recognize the compensation payable as liabilities. Except for the compensations for the cancellation of the labor relationship with the employee, the enterprise shall, in accordance with beneficiaries of the services offered by the employee, treat the following circumstances respectively:

- a. The compensation for the employee for producing products or providing services shall be recorded as the product costs and service costs;
- b. The compensation for the employee for any on-going construction project or for any intangible asset shall be recorded as the costs of fixed asset or intangible assets;
- c. The compensation for the cancellation of the labor relationship with the employee shall simultaneously record them into the profit or loss for the current period.

In addition, if an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and the following conditions are met concurrently, the enterprise shall recognize the expected liabilities incurred due to the compensation for the cancellation of the labor relationship with the employee, and shall simultaneously record them into the profit or loss for the current period.

- a. When the enterprise has formulated a formal plan on the cancellation of labor relationship or has brought forward a proposal on voluntary layoff and will execute it soon.
- b. The enterprise is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal.

24. Provision

A provision should be recognised when, and only when :

- a) an entity has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable (ie more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Provisions should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision should be reversed.

25. Revenue

(1) Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Company does not have supervision and actual control right for the goods any more, the Company have received or acquired related receivables documents, and cost relating to the sale could be measured reliably.

(2) Revenue from service is recognized when service of work or technology consulting has been provided, cost relating to the service could be measured reliably, revenue are received or related economic benefit could flows to the Company.

(3) Revenue from transferring assets use right is recognized in accordance with time and method regulated in the contract when cost relating to the service can be measured reliably, related economic benefit could flows to the Company.

26. 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 can not 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.

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

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	Percentage of completion	Notes
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.

27. Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the Group.

Grants related to assets are government grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

Grants related to income are government grants other than those related to assets.

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

28. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities shall be confirmed according to the difference between the tax base of assets and liabilities and their book value (temporary differences). The loss and tax which can be offset in the future years shall be recognized as temporary differences to determine the corresponding deferred income tax assets. On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured by the predicted application rate.

The Group shall determine the deferred income tax assets produced by the deductible temporary differences within the amount limit of payable taxes which are likely used to deduct the temporary differences. The book value of the recognized deferred income tax assets shall be deducted when the deferred income tax assets produced by the deductible temporary differences within the amount limit of payable taxes which are likely used to deduct the temporary differences. When enough payable tax can be obtained, the deducted amount shall be transferred back.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

The deferred income tax liabilities arising from the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises shall be recognized, except the investing enterprise can control the time of the reverse of temporary differences or the temporary differences are unlikely to be reversed in the expected future. If the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises are likely to be reversed in the expected future and acquire any amount of taxable income tax that may be used for making up the deductible temporary differences, It shall be recognized the corresponding deferred income tax assets.

29. Leases

(1) Leases are separated into operating leases and finance leases.

(2) Leases of fixed assets where all the risks and rewards incident to ownership of the assets are in substance transferred to the lessees are classified as finance leases.

(3) All other leases are operating leases. Rents made under operating leases are expensed on a straight-line basis over the period of the lease.

30. Income taxes

The accounting of income tax of the Group shall use the method of debt of balance sheet. The income tax expenses include current income tax and deferred income tax. Except the income taxes of the current period and deferred income tax related to the transactions or events directly recorded in the owner's rights and deferred income tax produced by business combinations adjust book value of goodwill, the rest is recorded into the current profits and losses.

The current income tax liabilities (or assets) incurred in the current period or prior periods shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law. Deferred income tax refers to difference between deferred income tax liabilities (or assets) in balance sheet and the law shall be recognized deferred income tax assets and deferred income tax liabilities in the amount originally confirmed.

31. Segment reporting

The departmental operation is confirmed in light of internal organizational structure, the requirement for administration and internal reporting system, and reportable segment is established in basis of departmental operation.

Departmental operation refers to the component which can meet the following requirements simultaneously: the component has income flow and cost occurred; management layer of the Group can evaluate operating performance and decide the allocation of resources; the Group can get financial status, operating performances and cash flows of the component. If there is two or more than two component with similar economic characteristics, both should be merged and become a component

The price transferred among the components based on the market, is decided by both sides consultation. The cost is distributed to difference components in light of income rate.

32. Assets held for sale and termination of business operation

Assets held for sale should meet the following requirts simultaneity:

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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.

Unless non-current assets are classifid 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.

III. 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	Taxble land	3-12yuan/m ²
Enterprise income tax		
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	33.2175%
Other subordinate companies	Taxable income	25%

2. Tax preference and approval

(1)The Company, Dongfang Steam Turbine Co., Ltd., East pot AG, Tokyo Electric Power Co., Ltd. and Chengdu Kai Terui company on October 12, 2011, December 28, 2009 ,October 12, 2011, and

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

December 28, 2009 have obtained the high and new technology enterprises certificates separately. 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.GF201151000057 、 GR200951000307 、 GF201151000188 、 GR20095100306 and GR200951000220. 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. 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 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 25%.

(2)The change of Tax Preferential Policy or tax rate exemption of enterprises income tax

Dongfang Angturbine Co., Ltd and Dongfang Electric Machinery Co., Ltd located in the "5.12" Wenchuan earthquake, shall enjoy preferential policy of exemption of enterprises income tax in 2011 on basis of relative documents by Ministry of Finance People's Republic of China, General Administration of Customs of the People's Republic of China and State Administration of Taxation approved (the documents including "Approval of certain issues in taxation policy to support the reconstruction in Wenchuan ([2008 No.104])", "Approval of certain issues in extending preferential policy of tax"). Therefore, two enterprises above shall continue to pay the taxation for 15% preferential rate confirmed by Deyang Municipal office, SAT of high-tech District and of economic and technical development zone (the documents including "the notice on taxation ([2010] No.38) and "the notice on tax reductions and exemptions (No.1)").

The income tax rate of Dong Fang Electric (India) Private Limited was 33.99% last year. In 2011, the Company paid the income tax for 33.2175% in accordance with tax policy adjusted by Indian Government.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

IV. Corporation Consolidation and Consolidation Financial statement

1. Subsidiaries

Name	Type	Registered Address	Business Character	Registered Capital (Rmb 10,000.00)	Principal activities	Investment amount by the end of 2011 (Rmb 10,000.00)	Others (Rmb 10,000.00)
Subsidiaries acquired under the same control							
Secondary subsidiaries							
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	
Third subsidiaries							

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Type	Registered Address	Business Character	Registered Capital (Rmb 10,000.00)	Principal activities	Investment amount by the end of 2011 (Rmb 10,000.00)	Others (Rmb 10,000.00)
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	Limited Company	Tianjin	manufacture	14,472.58	The production, sales and service of MW level wind turbines	9,418.98	
Subsidiaries acquired not under the same control							
Secondary subsidiaries							
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Limited Company	Wuhan	manufacture	19,636.00	The design and production of Nuclear Power Equipment equipment of reactor internals	13,156.00	
Subsidiaries acquired by investment							
Secondary subsidiaries							
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	

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Type	Registered Address	Business Character	Registered Capital (Rmb 10,000.00)	Principal activities	Investment amount by the end of 2011 (Rmb 10,000.00)	Others (Rmb 10,000.00)
Third subsidiaries							
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	
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 Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Type	Registered Address	Business Character	Registered Capital (Rmb 10,000.00)	Principal activities	Investment amount by the end of 2011 (Rmb 10,000.00)	Others (Rmb 10,000.00)
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 (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)

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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
Subsidiaries acquired under the same control					
Secondary subsidiaries					
Dongfang Turbine Co.,Ltd	100	100	Yes	—	—
Dongfang Boiler Group., Ltd	99.67	99.67	Yes	13,024,799.93	—
Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd	65.1813	65.1813	Yes	461,850,215.80	—
Third subsidiaries					
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	55.63	55.63	Yes	91,160,421.88	
Subsidiaries acquired not under the same control					
Secondary subsidiaries					
Dongfang Electric (Wuhan) Nuclear Equipment Co.,Ltd	67	67	Yes	67,679,289.96	—
Subsidiaries acquired by investment					
Secondary subsidiaries					
Dongfang Electric Machinery Co., Ltd	100	100	Yes	—	—

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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
Dong Fang Electric (India) Private Limited*	100	100	Yes	—	—
Third subsidiaries					
Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd	61.42	61.42	Yes	92,781,034.97	—
Shenzhen Dongfang Boiler Control Co., Ltd	51	51	Yes	76,339,491.99	—
DFEM Control Equipment Co.,Ltd	99.50	99.50	Yes	694,393.87	—
Dongfang Electric Power Equipment Co., Ltd	98.83	98.83	Yes	525,360.34	—
DFEM Tooling and Moulding Co., Ltd	99.315	99.315	Yes	139,895.33	—
Dongfang (Hangzhou) Energy Equipment	100	100	Yes	—	—
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 August, 2011, two formal shareholders, Yu Yingbing and Liang Jian of Dong Fang Electric (India) Private Limited signed the agreement that Yu yingbing transferred 0.005% shares to Liang jian. In October, 2011, DEC signed the transferred contact with the formal shareholders; Chen Weiming that DEC shall acquire 0.005% shares for USD 400. At the same time, Chen Weiming and Liang Jian hold 0.005% shares of Dong Fang Electric (India) Private Limited consigned by DEC to meet the Indian law for the majority of shareholders and composition.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

2. The interpretation on the scope of consolidation changed

There is one subsidiary included in scope of consolidation.

Name	The reason for the consolidation	Shares holding(%)	Net assets at y/e	Net profit of 2011
Dongfang Electric (Hulunbeir) New Energy Co., Ltd.	New corporation	100.00	26,181,003.64	-3,818,996.36

V. Notes to the Consolidated Financial Statements

1. Cash funds

Item	Dec-31-2011			Dec-31-2010		
	Local currency	Exchange rate	Amount (RMB)	Local currency	Exchange rate	Amount (RMB)
Cash in hand			1,926,567.17			1,336,795.12
RMB	558,265.01	1.00	558,265.01	544,780.87	1.00	544,780.87
USD	77,987.48	6.3009	491,391.29	32,310.18	6.6227	213,983.71
HongKong Dollar	22,482.12	0.8107	18,226.25	22,482.12	0.8509	19,121.04
Indian Rupee	4,766,891.00	0.1189	565,154.72	2,612,684.00	0.1478	386,154.70
Pakistan Rupee	2,275,885.49	0.07001	159,334.74	2,243,277.58	0.0770	172,754.80
Vietnamese Dong	447,257,565.66	0.00030	134,195.16			
Cash in Bank			10,258,162,294.58			13,635,802,839.78
RMB	9,430,845,668.13	1.0000	9,430,845,668.13	12,953,589,333.06	1.00	12,953,589,333.06
USD	106,698,248.85	6.3009	672,294,996.22	77,730,331.77	6.6227	514,784,668.21
Hong Kong dollar	177,654.55	0.8107	144,024.54	177,616.08	0.8509	151,070.23
Japanese Yen	1,574,927.00	0.08110	127,731.29	176,787,527.95	0.08126	14,365,754.54
EURO	3,670,906.92	8.1625	29,963,777.75	4,455,558.55	8.8065	39,237,855.13
Indian Rupee	328,826,169.25	0.1189	38,900,135.82	249,746,993.50	0.1478	36,912,605.64
Pakistan Rupee	1,223,939,106.66	0.07001	85,687,976.86	985,877,877.30	0.0770	75,922,644.14
Vietnamese Dong	659,858,618.00	0.00030	197,983.97	2,470,066,920.00	0.00034	838,908.83

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	Dec-31-2011			Dec-31-2010		
	Local currency	Exchange rate	Amount (RMB)	Local currency	Exchange rate	Amount (RMB)
Other monetary assets			84,938,967.38			117,155,647.30
RMB	84,938,967.38	1.00	84,938,967.38	115,061,778.30	1.00	115,061,778.30
Indian Rupee				14,166,908.00	0.1478	2,093,869.00
Total			10,345,027,829.13			13,754,295,282.20

1.1 The balance of cash and cash equivalents decreased RMB 3,409,267,453.07, declining 24.79% from 2010 to 2011. The reason is mainly monetary policy tightening, which leads to the difficulty in financing and sales return.

1.2 By the end of 2011, the total of the cash and cash equivalents the DEC deposited in Dongfang Electric Finance Co.,LTD are RMB 6,705,879,326.27, including: currency deposit 1,849,506,453.75, fixed deposit 4,450,000,000.00,call-deposit 270,000,000.0, 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). At the beginning of 2011, the total translated into RMB are 7,562,481,494.83, including: currency deposit 1,735,874,033.29, fixed deposit 5,250,000,000.00, call-deposit 200,000,000.00, Dollar currency deposit 53,347,761.54 (equivalent to RMB 353,306,220.34), Euro currency deposit 2,645,913.95 (equivalent to RMB 23,301,241.20).

1.3 The other monetary assets involve the deposit for banker' acceptance draft, letter of credit, bidding as well as the performance guarantee.

1.4 On 31 Dec 2011, there are RMB 60,803,190.29 restricted due to the performance guarantee and letter of credit.

2. Transactional financial assets

Item	Dec-31-2011	Dec-31-2010
Transactional equity investment instruments	27,149,792.84	25,711,554.32
Including: listed in PRC	27,149,792.84	25,711,554.32
Derivative financial assets	37,819,739.50	30,879,420.82
Total	64,969,532.34	56,590,975.14

1.1 The equity investment instruments involve 46,602Renminbi 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.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

1.2 The Derivative financial asset is the contract of 277.64 million US Dollar forward foreign exchange settlement and sales between the Group and bank signed. The fair value should be decided by banks offer.

1.3 There are not transactional financial assets restricted by the end of 2011.

3. Notes receivable

3.1 Classification of notes receivable

Item	Dec-31-2011	Dec-31-2010
Bank acceptance notes	2,237,045,399.29	1,377,595,041.08
Trade acceptance notes	3,300,000.00	4,344,751.30
Total	2,240,345,399.29	1,381,939,792.38

The balance of notes receivable increased RMB 858,405,606.91, growing 62.12%, from the end of 2010 to the end of 2011. This is mainly because of sales increased and monetary policy tightening.

3.2 There are not notes receivables as the pledge.

3.3 No notes receivables are changed into accounts receivable because the drawers can not performance.

3.4 The total of notes receivables which has endorsed is RMB 1,392,886,790.70, 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	Energy saving in wind power generation Co.,Ltd	18-Jul-2011	17-Jan-2012	10,000,000.00	
Bank acceptance	Tuyun Electric Power Generation Co.,Ltd	28-Jul-2011	27-Jan-2012	10,000,000.00	
Bank acceptance	Wuhu power generation Co.,Ltd	2-Aug-2011	2-Feb-2012	10,000,000.00	
Bank acceptance	Zhengzhou Yu energy Co.,Ltd	15-Nov-2011	15-May-2012	10,000,000.00	
Bank acceptance	Sichuan Datang Group Ganzi Hydropower Development Co.,Ltd	11-Oct-2011	10-Apr-2012	10,000,000.00	
Total	--	--	--	50,000,000.00	

3.5 There are no undue or unearned discount notes receivables.

4. Account receivables

4.1 The aging of accounts receivable is analysed below:

Aging	Dec-31-2011			Dec-31-2010		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	8,372,447,907.26	47.89	446,297,009.98	6,793,984,715.50	48.85	339,699,235.79

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Aging	Dec-31-2011			Dec-31-2010		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
1-2 years	3,662,107,189.39	20.95	371,045,961.52	3,109,693,242.62	22.36	310,969,324.26
2-3 years	2,386,179,236.18	13.65	496,001,822.24	1,912,959,847.67	13.76	382,591,969.54
3-4 years	1,442,673,665.40	8.25	648,617,416.16	1,012,803,441.29	7.28	405,121,376.50
4-5 years	677,280,720.70	3.87	338,640,360.36	649,906,590.62	4.67	332,077,295.31
Over 5 years	942,598,387.08	5.39	942,598,387.08	428,761,220.58	3.08	428,761,220.58
Total	17,483,287,106.01	100.00	3,243,200,957.34	13,908,109,058.28	100.00	2,199,220,421.98

4.2 Classification of account receivable

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				
Total	17,483,287,106.01	100.00	3,243,200,957.34	18.55

(Continued)

Item	Dec-31-2010			
	Book Balance		Provision for Bad Debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts				
Account receivable withdrawal bad debt provision by age combination	13,893,861,058.28	99.90	2,184,972,421.98	15.73
Single insignificant and provision for bad debts	14,248,000.00	0.10	14,248,000.00	100.00
Total	13,908,109,058.28	100.00	2,199,220,421.98	15.81

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

4.2.1 Compare with 2010, the balance of accounts receivable increased RMB 3,575,178,047.73, growing 25.71%, from the end of 2010 to the end of 2011 the reason is mainly monetary policy tightening, which lead to the difficulty in financing and sales return.

4.2.2 Single significant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate(%)	Reason
Inner Mongolia Yili Industrial Group Co.,LTD	109,034,750.00	109,034,750.00	100.00	High risk for illegal project
Huaneng Power International INC	197,411,500.00	98,705,750.00	50.00	High risk for suspended projects
Total	306,446,250.00	207,740,500.00	—	—

4.2.3 Accounts receivable withdrawal bad debt provision by age combination

Aging	Dec-31-2011			Dec-31-2010		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	8,310,948,763.67	47.54	415,547,438.19	6,793,984,715.50	48.85	339,699,235.79
1-2 years	3,650,019,082.97	20.88	365,001,908.31	3,109,693,242.62	22.36	310,969,324.26
2-3 years	2,323,625,986.19	13.29	464,725,197.24	1,912,959,847.67	13.75	382,591,969.54
3-4 years	1,272,367,915.40	7.28	508,947,166.16	1,012,803,441.29	7.28	405,121,376.50
4-5 years	677,280,720.70	3.87	338,640,360.36	635,658,590.62	4.57	317,829,295.31
Over 5 years	942,598,387.08	5.39	942,598,387.08	428,761,220.58	3.08	428,761,220.58
Total	17,176,840,856.01	98.25	3,035,460,457.34	13,893,861,058.28	99.90	2,184,972,421.98

4.3 Reversal of bad debt provision

Name	Amount of accounts receivable	Provision for bad debts before reversal	Reversal of bad debt provision	The evidence for drawing bad debt	Reason for reversal
Inner Mongolia Xinfeng thermal power generation Co.,Ltd	14,248,000.00	14,248,000.00	14,248,000.00	The project did not comply with government policy. Accounts receivable has little chance to collect.	Supplementary agreement is signed and account receivable has been collected.

4.4 Writing off accounts receivable in the current period

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Properties	Amount	Reason	Whether the affect of related transaction
Jilin Huadian Co.,Ltd	Quality Assurance Deposit	2,948,036.14	The debtor for bankruptcy	No
Foshan City people and the cattle industry Co.,Ltd	Quality Assurance Deposit	57,150.00	Unable to repay debt	No
Dongguan Bo Heng electrical equipment Co.,Ltd	Loan	11,900.00	The company canceled	No
County Power Company	Loan	7,400.00	Repayment refusals by debtor	No
Others	Loan	19,150.00	The deduction for quality problem	No
Total		3,043,636.14		

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

Name	Dec-31-2011		Dec-31-2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	144,891,884.17	28,371,408.91	178,680,610.05	25,823,845.29

4.6 The top 5 of accounts receivable are as follows:

Items	Relationship	Amount	Age	Rate (%)
BGR ENERGY SYSTEMS LIMITED	Customer	840,988,018.29	1-2 years	4.81
International Shandong Material Co.,Ltd	Customer	763,532,893.38	1-5 years	4.37
Dongfang Electric Group International Cooperation Co.,Ltd	Related party under the same control	681,065,084.53	0-2 years	3.90
HuaNeng Power International INC	Customer	405,791,948.47	0-4 years	2.32
Guangdong Jinghai Power Co.,Ltd	Customer	397,311,000.00	1-2 years	2.27
Total		3,088,688,944.67		17.67

4.7 The total of the debtors who are related parties is RMB 1,043,643,540.76, accounting for 5.97% of accounts receivable. Referencing to note to the financial statements 3. VI.

4.8 The foreign currency of accounts receivable

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	Dec-31-2011			Dec-31-2010		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	155,225,677.19	6.3009	978,061,469.41	70,506,497.69	6.6227	466,943,382.26
EURO	5,013,711.94	8.1625	40,924,423.71	2,072,807.29	8.8065	18,254,177.40
Indian Rupee	86,689,277.91	0.1183	10,255,341.58	32,593,442.00	0.1478	4,817,310.73
Total			1,029,241,234.70			490,014,870.39

4.9 For revenue from construction contract, a credit period normally at two or three years may be granted to large or long-established customers with good repayment history.

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

5. Advances to suppliers

5.1 Aging of Advances to Suppliers

Aging	Dec-31-2011		Dec-31-2010	
	Amount	Rate(%)	Amount	Rate(%)
Within 1 year	3,264,700,838.62	56.99	5,290,535,482.52	70.39
1—2 years	1,234,518,302.73	21.55	1,440,324,540.87	19.16
2—3 years	671,725,728.64	11.73	495,778,707.23	6.60
Over 3 years	557,367,289.38	9.73	289,239,025.65	3.85
Total	5,728,312,159.37	100	7,515,877,756.27	100

The balances of advances to suppliers which ages are over 1 year have reached 2,463,611,320.75 yuan. This is because the amount paid for material, consigned processing with a long cycle in advance, the Group has not received goods.

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

Items	Relationship	Amount	Age	Reason
Alstom Power Turbo Machines	Supplier	884,862,646.55	0-3 years	The shipments have not been received
FOMASS.P.A	Supplier	443,042,866.58	0-3 years	The shipments have not been received
MITSUBISHI HEAY INDUSTRIES,LTD	Supplier	146,425,637.16	Within 1 year	The shipments have not been received
THE JAPAN STEEL WORKS,LTD	Supplier	176,413,340.22	0-3 years	The shipments have not been received

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	Relationship	Amount	Age	Reason
Guangdong Provincial Electric Power Design Institute	Supplier	324,929,705.42	1-2 years	The shipments have not been received
Total		1,975,674,195.93		

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

Name	Dec-31-2011		Dec-31-2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	60,000.00		657,495.33	

5.4 The foreign currency of advances to suppliers

Item	Dec-31-2011			Dec-31-2010		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	413,025,516.90	6.3009	2,602,432,479.44	469,684,838.44	6.6227	3,110,581,779.51
Japanese yen	5,700,560,798.16	0.0811	462,315,480.73	4,788,286,984.00	0.0813	389,096,200.32
EURO	179,458,556.51	8.1625	1,464,830,467.51	153,611,115.06	8.8065	1,352,776,284.79
Pound	547,428.00	9.7116	5,316,401.76	1,022,382.00	10.2182	10,446,903.75
Swiss franc	4,450,117.63	6.7287	29,943,506.50	3,461,005.62	7.0191	24,293,144.55
Pakistan Rupee	224,027.00	0.1183	26,502.39	1,121,696.50	0.1478	165,786.74
Total			4,564,864,838.33			4,887,360,099.66

6. Interests receivable

Item	Dec-31-2010	Increase	Decrease	Dec-3-2011
Interest of fixed deposit	41,329,431.88	60,328,566.31	25,279,480.06	76,378,518.13

6.1 Interests receivable increased RMB 35,049,086.25, growing 84.80% from the end of 2010 to the end of 2011. This is mainly because of interest of fixed deposit increased.

6.2 There are not overdue interests in the current period.

7. Other receivables

7.1 Classification of other receivable

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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
Total	594,736,351.77	100	285,472,265.90	48.00

(Continued)

Item	Dec-31-2010			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	201,888,818.30	28.22	186,464,106.30	92.36
Account receivable withdrawal bad debt provision by age combination	510,833,056.23	71.40	106,528,491.23	20.85
Single insignificant and provision for bad debts	2,750,000.00	0.38	2,750,000.00	100
Total	715,471,874.53	100	295,742,597.53	41.34

7.1.1 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	Note1
The loan for staff	14,038,322.00			Note2
Total	200,502,428.30	186,464,106.30		

Note1: the interpretation refers to note to financial statements XI;

Note2: 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.

7.1.2 Other receivable withdrawal bad debt provision by age combination

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Aging	Dec-31-2011			Dec-31-2010		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	196,657,052.81	33.07	9,832,852.73	164,796,300.00	23.03	8,239,815.01
1-2 years	40,230,306.80	6.76	4,023,030.67	205,083,863.55	28.66	20,508,986.35
2-3 years	79,667,695.16	13.40	15,933,539.03	77,132,273.50	10.78	15,426,453.13
3-4 years	13,183,948.09	2.22	5,273,579.22	1,287,089.33	0.18	514,835.73
4-5 years	1,099,525.33	0.18	549,762.67	1,390,257.68	0.19	695,128.84
Over 5 years	60,645,395.28	10.20	60,645,395.28	61,143,272.17	8.55	61,143,272.17
Total	391,483,923.47	65.83	96,258,159.60	510,833,056.23	71.40	106,528,491.23

7.1.3 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.

7.2 There are no other receivables collected in 2011, which is drawn full bad debt provision or high rate in the previous year.

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

Name	Dec-31-2011		Dec-31-2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	19,768,918.22	4,488,445.91	22,767,676.70	2,681,394.90

7.4 The top 5 of other receivable are as follows:

Items	Relationship	Amount	Age	Rate (%)
China Technology Securities Co.,Ltd	The third party	186,464,106.30	Over 5 years	31.35
China Nuclear Power Engineering Co., Ltd	Customer	73,102,915.93	2-3 years	12.29
Sichuan Oriental Logistics Co.,Ltd	The third party	25,696,748.09	Within 1 year	4.32
DEC	Parent	19,768,918.22	1-4 years	3.32
Chongqing hillo Tatsu Real Estate Development Co.,Ltd	The third party	19,500,000.00	Over 5 years	3.28
Total	—	324,532,688.54		54.57

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

7.5 The total of the debtors who are related parties is RMB 38,908,987.34, accounting for 6.54% of accounts receivable. Referencing to note of financial statement 3. VI.

7.6 The foreign currency of other receivable

Items	Dec-31-2011			Dec-31-2010		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	52,892.00	6.3009	333,267.20	19,760.00	6.6227	130,864.55
India Rupee	10,565,841.60	0.1183	1,249,939.06	4,009,951.00	0.1478	592,670.76
Pakistan Rupee	289,791,340.94	0.07001	20,288,291.78	280,924,214.28	0.0770	21,633,973.74
Vietnamese Dong	701,554,522.00	0.0003	210,466.36	355,562,617.64	0.00034	120,891.29
Total			22,081,964.40			22,478,400.34

8. Inventory

8.1 Classification of inventory

Items	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
Total	36,687,752,487.32	827,833,766.70	35,859,918,720.62

(Continued)

Item	Dec-31-2010		
	Book Balance	Provision for obsolete stock	Book value
Raw material	7,555,813,967.93	132,417,885.77	7,423,396,082.16
Semi-finished cost	23,089,646,492.47	19,724,750.36	23,069,921,742.11
Finished goods	806,439,040.75	18,628,818.91	787,810,221.84

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	Dec-31-2010		
	Book Balance	Provision for obsolete stock	Book value
Low cost consumables	48,976,030.34	56,674.59	48,919,355.75
Assets formed by construction contracts	2,669,011,924.80	420,922,133.15	2,248,089,791.65
Others	1,002,273,858.06		1,002,273,858.06
Total	35,172,161,314.35	591,750,262.78	34,580,411,051.57

8.2 Provision for obsolete stock

Item	Dec-31-2010	Current year additions	Current year reductions		Dec-31-2011
			Reversal	Others	
Raw material	132,417,885.77	18,845,040.00	60,543,081.18	6,522,935.19	84,196,909.40
Semi-finished cost	19,724,750.36	37,196,914.12	3,767,244.26	2,530,000.00	50,624,420.22
Finished goods	18,628,818.91	118,113,954.70		5,274,580.43	131,468,193.18
Low cost consumables	56,674.59	69,921.00	41,894.80	-186,422.31	271,123.10
Assets formed by construction contract	420,922,133.15	385,220,667.29		244,869,679.64	561,273,120.80
Total	591,750,262.78	559,446,497.11	64,352,220.24	259,010,772.95	827,833,766.70

8.2.1 The reasons about the provision for obsolete stock of finished goods increased include two parts: first, sale price of the productions has been down; second, Hangzhou new energy Co., Ltd has not gone into production yet.

8.2.2 The projects implementing construction contracts including Xinjiang aluminum Greek, Xinjiang Jiarun, Datong Coal Mine and Gansu Jiayuguan are expected the balance between total cost and total income. Therefore, the Group draws the provision for assets formed by construction contract.

8.2.3 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.

8.3 Provision for obsolete stock drawn

Items	Principle	Reasons for reversal	Rate
Semi-finished cost	Net value is lower than book value	Net value is increased	0.69%
Finished goods	Net value is lower than book value	Market price is climbed back	0.02%
Low cost consumables	Net value is lower than book value		

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	Principle	Reasons for reversal	Rate
Assets formed by construction contract	Net value is lower than book value	The products were used	
Semi-finished cost	Net value is lower than book value		

8.4 There are no inventories mortgaged or frozen.

9. Available-for-sale financial assets

Item	Dec-31-2011	Dec-31-2010
Sellable equity instrument investments	308,987,298.90	381,049,885.44
Including: listed in PRC	308,987,298.90	381,049,885.44

The equity investment instruments involve RMB 14,453,900 ordinary shares of Power Development Co., Ltd held by the Groups as well as RMB 50,216,994 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.

10. Long-term equity investment

10.1 Classification of Long-term equity investment

Item	Dec-31-2011	Dec-31-2010
The cost method	56,976,314.66	56,976,314.66
The equity method	423,944,512.62	293,361,609.16
Total	480,920,827.28	350,337,923.82
Less: Impairment of long-term equity investment	24,876,314.66	24,876,314.66
Book value of long-term equity investment	456,044,512.62	325,461,609.16

10.2 Long-term equity investment measured by the cost method and the equity method

Name	Share holding %	Voting rights %	Amount	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011	Dividends
The cost method								
Sichuan Huadian Yibin power generation Co.,Ltd	10.00	10.00	23,800,000.00	23,800,000.00			23,800,000.00	

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

Name	Share holding %	Voting rights %	Amount	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011	Dividends
Guangdong oil shale power generation Co.,Ltd	10.00	10.00	23,500,000.00	23,500,000.00			23,500,000.00	
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 Co.,Ltd	11.11	11.11	1,100,000.00	1,100,000.00			1,100,000.00	
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	

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

Name	Share holding %	Voting rights %	Amount	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011	Dividends
Southwest of machinery industry (Group) Corporation joint venture	2.37	2.37	210,000.00	210,000.00			210,000.00	
Wuxi Hostel			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	
Southwest of the means of production center			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	
Sichuan electrical import and Export Co.,Ltd	5.00	5.00	50,000.00	50,000.00			50,000.00	
Subtotal			56,976,314.66	56,976,314.66			56,976,314.66	
The equity method								

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Share holding %	Voting rights %	Amount	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011	Dividends
Dongfang Hitachi Boiler Co.,Ltd	50	50	34,137,830.00	115,517,078.77	16,096,205.24	5,696,637.91	125,916,646.10	5,696,637.91
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co.,Ltd	49	49	99,306,720.24	101,503,882.20	40,949,348.76		142,453,230.96	
Dongfang AREVA	50	50	60,000,000.00	65,471,618.54	75,597,149.44	4,824,494.76	136,244,273.22	4,824,494.76
Leshan East Lok bulky Co.,Ltd	49	49	490,000.00	10,869,029.65	4,711,668.03		15,580,697.68	
Sichuan Wind Power Industry Investment Co.,Ltd	20	20	4,000,000.00		4,000,000.00	250,335.34	3,749,664.66	
Subtotal			197,934,550.24	293,361,609.16	141,354,371.47	10,771,468.01	423,944,512.62	10,521,132.67
Total			254,910,864.90	350,337,923.82	141,354,371.47	10,771,468.01	480,920,827.28	10,521,132.67

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 20 million of paid-up capital by the end of 2011), including RMB 20 million of subscribed capital contribution invested by the Company, accounting for 20% of registered capital. The main business of the Company is to develop and establish windmill-powered plants.

10.3 Investment in joint ventures and associated enterprises (Unit: RMB 10,000.00)

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Share holding (%)	Voting right (%)	Total assets by the end of 2011	Total liabilities by the end of 2011	Total net assets by the end of 2011	Total operating revenue	Net profit
Joint ventures							
Dongfang Hitachi Boiler Co.,Ltd	50	50	42,633.90	17,450.57	25,183.33	51,249.85	3,388.67
Dongfang AREVA	50	50	141,576.58	122,272.84	19,303.74	68,350.78	11,770.54
Associated enterprises							
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co.,Ltd	49	49	53,853.86	24,729.08	29,124.78	40,114.30	8,357.00
Leshan East Lok bulky Co.,Ltd	49	49	4,315.91	736.80	3,579.11	2,509.69	961.56
Sichuan Wind Power Industry Investment Co.,Ltd	20	20	1,875.07	0.23	1,874.84		-125.17
Total			244,255.32	165,189.52	79,065.80	162,224.62	24,352.60

10.4 Impairment of long-term equity investment

Name	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011	Reason
Sichuan Huadian Yibin power generation Co.,Ltd	23,800,000.00			23,800,000.00	Deficit
Chengdu Electric Co.,Ltd	455,373.41			455,373.41	Insolvent
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

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011	Reason
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
Total	24,876,314.66			24,876,314.66	

10.4.1 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.

10.4.2 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. Investment real estate

11.1 Investment real estate measured under cost pattern

Items	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011
Original book value	41,751,558.04			41,751,558.04
Buildings	34,894,338.04			34,894,338.04
Land use rights	6,857,220.00			6,857,220.00
Depreciation and amortization	10,990,197.57	1,640,928.67		12,631,126.24
Buildings	10,030,186.77	1,503,784.27		11,533,971.04
Land use rights	960,010.80	137,144.40		1,097,155.20
Net book value	30,761,360.47	—	—	29,120,431.80
Buildings	24,864,151.27	—	—	23,360,367.00
Land use rights	5,897,209.20	—	—	5,760,064.80
Provision for the impairment				
Book value	30,761,360.47	—	—	29,120,431.80
Buildings	24,864,151.27	—	—	23,360,367.00
Land use rights	5,897,209.20	—	—	5,760,064.80

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

11.2 The lease term of the land use right is between 10 years and 50 years.

11.3 In 2011, depreciation and amortization amount is RMB 1,640,928.67, an increase of RMB 102.41 over the pervious year.

11.4 All of investment real estate has the ownership certificate handled in the Group in the current period.

11.5 There is no investment real estate mortgaged or guaranteed.

12. Fixed assets

12.1 Fixed Assets Details

Item	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
Original book value	12,015,666,065.66	2,323,117,846.95	105,824,626.05	14,232,959,286.56
Land	33,760,934.62		6,738,481.54	27,022,453.08
Building	5,455,256,977.32	623,683,405.07	4,264,301.81	6,074,676,080.58
Machines and equipments	5,873,813,466.91	1,421,628,234.11	76,557,580.25	7,218,884,120.77
Motors and vehicles	257,718,284.42	73,692,392.84	3,467,100.21	327,943,577.05
Instruments, electronic equipment and others	395,116,402.39	204,113,814.93	14,797,162.24	584,433,055.08
Depreciation	3,135,939,293.80	1,176,158,666.52	83,590,446.52	4,228,507,513.80
Land				
Building	653,165,783.38	291,656,648.84	828,189.10	943,994,243.12
Machines and equipments	2,148,946,764.09	747,922,347.82	67,449,616.55	2,829,419,495.36
Motors and vehicles	127,234,707.30	43,074,376.91	2,630,621.15	167,678,463.06
Instruments, electronic equipment and others	206,592,039.03	93,505,292.95	12,682,019.72	287,415,312.26
Net book value	8,879,726,771.86	—	—	10,004,451,772.76
Land	33,760,934.62	—	—	27,022,453.08
Building	4,802,091,193.94	—	—	5,130,681,837.46
Machines and equipments	3,724,866,702.82	—	—	4,389,464,625.41
Motors and vehicles	130,483,577.12	—	—	160,265,113.99
Instruments, electronic equipment and others	188,524,363.36	—	—	297,017,742.82
Provision for impairment	2,040,466.07		1,764,261.89	276,204.18
Machines and equipments	854,361.35		751,818.83	102,542.52
Motors and vehicles	147,534.60			147,534.60

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
Instruments, electronic equipment and others	1,038,570.12		1,012,443.06	26,127.06
Book value	8,877,686,305.79	—	—	10,004,175,568.58
Land	33,760,934.62	—	—	27,022,453.08
Building	4,802,091,193.94	—	—	5,130,681,837.46
Machines and equipments	3,724,012,341.47	—	—	4,389,358,932.89
Motors and vehicles	130,336,042.52	—	—	160,117,579.39
Instruments, electronic equipment and others	187,485,793.24	—	—	296,994,765.76

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

12.1.2 All of buildings are located in China, and the lease term of the land use right is situated between 10 years and 50 years.

12.1.3 In 2011, there are 2,052,259,074.26 yuan constructions in progress transferred into the fixed assets.

12.1.4 Until 31 Dec 2011, accumulated depreciation drawn is RMB 1,176,158,666.52, while is RMB 862,870,199.03 the pervious year.

12.1.5 There are no fixed assets mortgaged or guaranteed.

12.1.6 There are no fixed assets laid aside.

12.2 Fixed Assets for operating lease

Item	Book value
Machines and equipments	7,965,313.19
Vehicles	31,798.35
Electronic equipment	2,735.44
Total	7,999,846.98

13. Construction in progress

13.1 Impairment of construction in progress

Items	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011
Dual power works	125,100.00			125,100.00
Installation works	1,493,625.28			1,493,625.28
Others	115,550.00			115,550.00
Total	1,734,275.28			1,734,275.28

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

14. Projects materials

Items	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011
Special equipments	113,464.96	134,133,838.66	134,077,428.40	169,875.22
Materials equipment		16,746,265.88	16,746,265.88	
Total	113,464.96	150,880,104.54	150,823,694.28	169,875.22

There are no projects materials mortgaged or guaranteed.

15. Liquidation of fixed assets

Item	Dec-31-2011	Dec-31-2011	Reason for liquidation
Structures and equipment		1,090,452.80	Second-stage Project of Dongfang electric (Wuhan) Nuclear Equipment Co.,Ltd extended, the Company has cleared structures and equipment

16. Intangible assets

Item	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011
Original book value	1,355,768,005.89	66,986,361.11	610,194.00	1,422,144,173.00
Software	21,597,601.98	26,893,918.10		48,491,520.08
Land use right	1,013,724,688.10	18,272,359.45		1,031,997,047.55
Patent	3,100,585.47	6,918,734.32		10,019,319.79
Non-patented technology	317,345,130.34	14,901,349.24	610,194.00	331,636,285.58
Amortization	289,736,424.78	50,825,833.03		340,562,257.81
Software	10,558,738.03	4,737,800.56		15,296,538.59
Land use right	78,486,925.79	18,404,652.72		96,891,578.51
Patent	1,406,417.69	990,574.36		2,396,992.05
Non-patented technology	199,284,343.27	26,692,805.39		225,977,148.66
Net Book Value	1,066,031,581.11	—	—	1,081,581,915.19
Software	11,038,863.95	—	—	33,194,981.49
Land use right	935,237,762.31	—	—	935,105,469.04
Patent	1,694,167.78	—	—	7,622,327.74

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	Dec-31-2010	Current year additions	Current year reductions	Dec-31-2011
Non-patented technology	118,060,787.07	—	—	105,659,136.92
Provision for impairment	90,428,509.50			90,428,509.50
Land use right	90,428,509.50			90,428,509.50
Book Value	975,603,071.61	—	—	991,153,405.69
Software	11,038,863.95	—	—	33,194,981.49
Land use right	844,809,252.81	—	—	844,676,959.54
Patent	1,694,167.78	—	—	7,622,327.74
Non-patented technology	118,060,787.07	—	—	105,659,136.92

16.1 Land use rights are located in China and the lease term of the land use rights is situated between 10 years and 50 years;

16.2 In 2011, the amount of accumulated amortization drawn is RMB 50,825,833.03;

16.3 Net book value of land use right which have not had the ownership certificate is RMB75,022,247.88. The Group is applying for the certificate. In terms of the assets purchased based on legal agreement, directors of the Company believe there are not any law barriers and additional cost;

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;

15.5 There are no intangible assets mortgaged or guaranteed.

17. Long-term prepaid expenses

Item	31-Dec-2010	Current year additions	Amortization	Current year reductions	31-Dec-2011	Reason for decreasing
Cost for power cable	162,000.00		36,000.00		126,000.00	
Maintenance cost for power distribution equipment	665,000.02		69,999.96		595,000.06	
Renovation cost for rental housing	859,621.66		810,738.46		48,883.20	
Total	1,686,621.68		916,738.42		769,883.26	

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

18. Deferred tax asset and deferred tax liabilities

18.1 Deferred tax asset

Item	31-Dec-2011	31-Dec-2010
Deferred tax asset		
Provision for impairment of Assets	651,452,886.35	476,332,363.61
Accrued liabilities	140,573,909.87	124,866,175.88
Unrealized profit for internal transaction	88,669,145.16	42,996,564.69
Accrued payroll	39,826,245.45	48,947,009.07
Fixed assets depreciation	3,947,165.42	5,036,158.09
Deductible loss carried forward to the next year	3,136,910.74	3,826,059.14
Government Subsidies	10,163,675.60	3,306,942.33
Organization expenses		842,087.02
Fair value changes of transactional financial liabilities	4,596,471.10	762,228.79
Accounts Payable	3,684,512.44	375,284.70
Amorization for intangible assets	184,076.82	368,153.64
Fair value changes of sellable financial assets	2,524,394.81	
Fair value changes of transactional financial assets	3,181,678.83	
Total	951,941,072.59	707,659,026.96
Deferred tax liabilities		
Value added after evaluation	5,893,045.09	9,888,939.98
Fair value changes in transactional financial assets	5,702,461.29	4,883,259.76
Depreciation	44,872.61	29,914.72
Fair value Changes in available-for-sale financial assets		846,184.33
Total	11,640,378.99	15,648,298.79

18.2 Details of unrecognized deferred tax asset

Item	31-Dec-2011	31-Dec-2010
Deductible loss carried forward to the next year	124,519,978.89	106,186,754.64

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	31-Dec-2011	31-Dec-2010
Provision for obsolete stock	140,185,045.48	33,107,927.07
Provision for bad debts	11,833,780.12	3,383,840.48
Provision	1,579,448.11	1,790,805.85
Profits between segments	13,269,272.63	
Total	291,387,525.23	144,469,328.04

The Group can not 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. 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

Item	31-Dec-2011	31-Dec-2010	Note
2013	4,243,615.79	4,243,615.79	
2014	14,583,181.81	14,583,181.81	
2015	87,359,957.04	87,359,957.04	
2016	18,333,224.25		
Total	124,519,978.89	106,186,754.64	

18.4 Temporary differences

Item	31-Dec-2011	31-Dec-2010
Deductible temporary differences		
Provision for impairment of assets	4,473,822,293.56	3,168,258,846.46
Estimated debts	937,485,337.58	831,853,042.46
Unrealized profit for internal transaction	408,839,885.76	286,643,764.62
Accrued payroll	264,972,873.04	326,313,393.80
Fixed assets depreciation	26,314,436.18	27,733,661.38
Deductible loss carried forward to the next year	145,190,298.77	25,507,060.92
Government grants	64,246,647.11	18,387,769.33
Organization expenses		5,613,913.45
Fair value changes in transactional financial liabilities	30,643,140.64	5,081,525.31
Accounts Payable	24,563,416.40	2,501,898.05

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	31-Dec-2011	31-Dec-2010
Amorization for intangible assets	1,227,178.81	2,454,357.61
Fair value changes of sellable financial assets	16,829,298.68	
Fair value changes of transactional financial assets	21,211,192.21	
Subtotal	6,415,345,998.74	4,700,349,233.39
Taxable temporary differences		
Value added after evaluation	39,286,967.25	65,926,266.49
Fair value changes in transactional financial assets	38,016,408.60	32,555,065.12
Depreciation	135,087.26	88,010.36
Fair value Changes in available-for-sale financial assets		5,641,,288.86
Subtotal	77,438,463.11	104,210,570.83

19. Details of provision for impairment of assets

19.1 Impairment of assets in 2011

Item	Dec-31-2010	Current year additons	Current year reductions		Dec-3-2011
			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
Total	3,205,792,847.80	1,596,351,770.45	64,352,220.24	263,970,104.45	4,473,822,293.56

19.2 Impairment of assets in 2010

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	Dec-31-2010	Increase	Decrease		Dec-31--2011
			Reversal	Others	
Provision for bad debts	1,829,334,800.95	665,692,599.86		64,381.30	2,494,963,019.51
Provision for obsolete stock	397,956,989.34	348,062,324.71	32,312,975.11	121,956,076.16	591,750,262.78
Impairment of long-term equity investment	21,076,314.66	3,800,000.00			24,876,314.66
Provision for impairment of assets	2,124,961.77			84,495.70	2,040,466.07
Provision for impairment of construction in progress	115,550.00	1,618,725.28			1,734,275.28
Provision for impairment of intangible assets	90,428,509.50				90,428,509.50
Total	2,341,037,126.22	1,019,173,649.85	32,312,975.11	122,104,953.16	3,205,792,847.80

20. Short term borrowings

Type	31-Dec-2011	31-Dec-2010
Credit loans	1,820,000,000.00	2,335,000,000.00
Guarantee loans	452,298,661.98	
Total	2,272,298,661.98	2,335,000,000.00

20.1 The balance amount of guarantee loans at Dec 31 2011 was discounted commercial paper.

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

20.3 As at the date of this financial report, the Group paid RMB 263,119,198.13.

21. Transactional Financial Liabilities

Item	31-Dec-2011	31-Dec-2010
Derivative Financial Instruments	30,643,140.64	5,305,823.49

21.1 The balanced amount of Dec 31 2011 increased by 477.54% compared with the balance at Dec 31 2010, which is mainly caused by increasing forward currency contracts signed in the third quarter 2011 and arising exchange rate of Renminbi.

21.2 Derivative Financial Instruments was the foreign currency forward contracts of selling USD 353,000,000.00, and the fair value was determined based on bank quote.

22. Notes Payable

Item	31-Dec-2011	31-Dec-2010
Bank notes	773,618,229.69	1,662,465,470.74

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	31-Dec-2011	31-Dec-2010
Commercial draft	3,073,906,337.06	1,908,451,943.50
Total	3,847,524,566.75	3,570,917,414.24

22.1 Included in the balance amount is notes payable amounting to approximately RMB 3,847,524,566.75 aged within one year.

23. Accounts payables

Aging	31-Dec-2011	31-Dec-2010
Within one year	11,184,128,254.18	9,440,369,314.67
1-2 years	2,262,461,944.04	1,171,601,272.40
2-3 years	600,913,896.71	426,695,971.93
Over 3 years	412,712,079.94	69,584,365.51
Total	14,460,216,174.87	11,108,250,924.51

23.1 The balanced amount of Dec 31 2011 increased by 30.18% compared with the balance at Dec 31 2010, which is mainly caused by the increasing procurement of raw material and project settlement.

23.2 The balance at year ended of over one year amount is mainly warranty provision.

23.3 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-2011	31-Dec-2010
DEC	603,000.00	1,141,290.58

23.4 The balance at year ended of foregin currency were as follows:

Forgein currency	31-Dec-2011			31-Dec-2010		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	5,493,963.72	6.3009	34,616,916.00	6,681,595.56	6.6227	44,250,202.94
Japanese Yen	557,030,406.00	0.0811	45,175,165.93	489,301,383.39	0.08126	39,760,630.41
Euro	7,463,635.61	8.1625	60,921,925.67	2,735,215.19	8.8065	24,087,672.57
Canadian Dollar	914,006.00	6.1777	5,646,454.87	914,006.00	6.6043	6,036,369.83
Indian Rupee	65,722,272.00	0.1183	7,774,944.78	28,519,937.48	0.1478	4,215,246.76
Total			154,135,407.25			118,350,122.51

24. Advances from customers

Aging	31 December 2011	31 December 2010
Within 1 year	31,204,749,643.35	33,376,458,041.81
Over 1 year	11,305,949,207.20	14,312,627,844.87
Total	42,510,698,850.55	47,689,085,886.68

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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

24.2 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-2011	31-Dec-2010
China Dongfang Electric Corporation	289,129,694.92	614,838,872.51

24.3 The balance at year ended of foreign currency were as follows:

Foreign currency	31-Dec-2011			31-Dec-2010		
	Local Currency	Exchange Rate	Renminbi	Local Currency	Exchange Rate	Renminbi
US Dollar	386,634,002.31	6.3009	2,436,142,185.15	366,032,054.46	6.6227	2,424,120,487.07
Euro	10,710,142.96	8.1625	87,421,541.91	10,662,269.16	8.8065	93,897,273.36
Indian Rupee	84,293,716.00	0.1183	9,971,946.61	142,240,841.00	0.1478	21,023,196.30
Pakistani Rupee	406,223,625.30	0.07001	28,439,716.00	435,436,231.30	0.0770	33,532,944.17
Total			2,561,975,389.67			2,572,573,900.90

25. Employee benefits payable

Items	31-Dec-2001	Current year additions	Current year reductions	31-Dec-2011
Salaries and wages	321,553,469.81	1,934,201,225.56	2,066,318,776.37	189,435,919.00
Employee welfare		271,102,855.14	271,102,855.14	
Social insurance	21,290,357.29	587,553,511.33	488,764,353.92	120,079,514.70
Including:				
Fundamental medical insurance	74,845.09	99,898,606.35	93,669,510.10	6,303,941.34
Supplementary medical insurance	3,626,800.00	69,530,008.96	68,534,808.96	4,622,000.00
Fundamental pension	89,621.70	278,145,638.06	260,342,540.35	17,892,719.41
Annuity	16,857,501.68	79,317,980.00	9,507,234.28	86,668,247.40
Unemployment insurance	615,044.95	34,142,497.98	32,532,762.63	2,224,780.30
Injury insurance	22,830.63	19,484,354.57	17,737,202.87	1,769,982.33
Maternity insurance	3,713.24	7,034,425.41	6,440,294.73	597,843.92
Housing fund	6,754,349.30	211,701,063.93	212,403,806.93	6,051,606.30
Employee committee fees and employee education fees	30,680,446.48	81,900,394.24	87,649,821.74	24,931,018.98
Non-monetary benefits		3,827,145.54	3,827,145.54	
Termination benefits	86,871,274.92	27,786,732.97	47,238,204.41	67,419,803.48

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	31-Dec-2001	Current year additions	Current year reductions	31-Dec-2011
Others	433,319.48	69,112.30	502,431.78	
Total	467,583,217.28	3,118,142,041.01	3,177,807,395.83	407,917,862.46

25.1 The balance at year ended of salaries and wages was bonus to be paid in 2012.

25.2 Included in termination benefits for compensation of cancellation of labor relations is RMB 306,027.40.

25.3 Social insurance is use for retirement welfare in accordance with the government policy, and the Group retains housing fund for all staff.

26. Taxes payable

Item	31-Dec-2011	31-Dec-2010
Value-added tax	36,105,482.90	1,153,096,193.06
Enterprise income tax	343,690,833.35	99,032,222.21
City maintenance and construction tax	8,989,139.90	45,566,752.89
Education tax	4,818,186.64	16,535,778.47
Individual income tax	25,342,907.45	11,671,728.39
Local education tax)	8,885,952.85	6,455,503.87
Stamp duty	7,842,431.18	7,522,732.23
Business tax	2,621,723.11	3,576,993.17
Land use tax	5,207,315.62	3,417,680.69
House property tax	4,471,804.07	3,271,349.36
Embankment protection charges	162,363.43	113,822.73
Fund of deputy food	137,020.16	68,675.55
Security fund for persons with disabilities		10,065.00
Water conservancy and construction special funds	167,873.86	
Others	15,392.17	-1,765.78
Total	448,458,426.69	1,350,337,731.84

27. Interests payable

Item	31-Dec-2011	31-Dec-2010
Interests of short-term borrowings		800,710.61

28. Dividends payable

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of shareholders	31-Dec-2011	31-Dec-2010	Reason for unpaid dividends
China Western Power Industrial Co., Ltd.	283,442.57	1,600,000.00	
Other outside shareholders	1,276,807.01	938,041.97	28.1
Total	1,560,249.58	2,538,041.97	

28.1 Included in dividends payable aged over one year is dividends to be drawn by non-controlling shareholders.

29. Other payables

Aging	31-Dec-2011	31-Dec-2010
Within one year	303,435,715.03	657,215,539.83
1-2 years	392,960,280.87	262,532,114.86
2-3 years	181,074,506.77	42,460,105.90
Over 3 years	993,555,532.45	974,085,028.81
Total	1,871,026,035.12	1,936,292,789.40

29.1 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-2011	31-Dec-2010
DEC	1,307,710,535.78	1,239,523,173.14

29.2 Significant other payables

Name of creditors	Amount	Aging	Properties
DEC	1,307,710,535.78	1-5 years	Net profit and government Differences formed by business combination
Ling Dong Nuclear Power Co., Ltd.	117,999,668.28	2-3 years	Progress billings
Alstom Power Turbo Machines	52,149,207.89	Within 1 year	Site service fees and progress billings
Dongfang boiler works	38,520,335.47	1-4 years	Rental expenses and management fees
Disaster relief donations	32,571,113.64	1-2 years	Donations
Total	1,548,950,861.06		

29.3 The balance at year ended of foreign currency were as follows:

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Forgein currency	31-Dec-2011			31-Dec-2010		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	662,798.53	6.3009	4,176,227.26			
Japanese Yen	18,000.00	0.08110	1,459.85			
Euro	484,097.14	8.1625	3,951,442.91	907,188.44	8.8065	7,989,155.00
Indian Rupee	12,185,306.00	0.1189	1,448,832.88	18,136,090.39	0.1478	2,680,514.16
Pakistani Rupee	505,219.60	0.0700	35,365.37	322,100.50	0.0770	24,804.96
Total			9,613,328.27			10,694,474.12

30. Non-current Liabilities maturing within one year

Item	31-Dec-2011	31-Dec-2010
Long-term borrowings maturing within one year	116,320,000.00	31,320,000.00

30.1 Long-term borrowings maturing within one year

Items	31-Dec-2011	31-Dec-2010
Guarantee loans	50,000,000.00	
Credit loans	66,320,000.00	31,320,000.00
Total	116,320,000.00	31,320,000.00

Guarantee loans as at 31 December 2011 was borrowed from ICBC (China) Tianjin Hangu branch, guaranteed by DEC Dongqi Investment and Development Co.,Ltd and the borrowing period is from 31 October 2007 to 30 October 2012.

30.2 Detials 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
Deyang City Finance Bureau	2001-11	2010-11	Renminbi	2.55	16,320,000.00	16,320,000.00
ICBC(China) Tianjin hangu branch	2007-10-31	2012-10-30	Renminbi	7.65	50,000,000.00	
Dongfang Electic Finance Co.,Ltd	2009-11-09	2012-11-09	Renminbi	4.86	30,000,000.00	
Dongfang Electic Finance Co.,Ltd	2010-02-21	2012-02-21	Renminbi	4.86	20,000,000.00	
Dongfang Electic Finance Co.,Ltd	2009-11-09	2011-11-09	Renminbi	4.86		15,000,000.00
Total	--	--		--	116,320,000.00	31,320,000.00

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

30.3 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	13-61months	2.55	Not been collected	—

30.4 As at the date of this financial report, RMB 20,000,000.00 of long-term borrowings was repaid after 31 December 2011.

31. Other current liabilities

Items	31-Dec-2011	31-Dec-2010
Deferred income	85,945,216.36	121,973,441.06

31.1 Included in deferred income is government Differences formed by business combination which is planned to be reclassified to non-recurring income in 2012.

32. Long-term borrowings

Item	31-Dec-2011	31-Dec-2010
Guarantee loans	50,000,000.00	80,000,000.00
Credit loans	232,128,428.01	227,128,428.01
Less: long-term borrowings maturing within one year	116,320,000.00	31,320,000.00
Total	165,808,428.01	275,808,428.01

32.1 Due date analysis of long-term borrowings

Due date	31-Dec-2011	31-Dec-2010
Within 1-2 years	38,000,000.00	130,000,000.00
Within 2-5 years	127,808,428.01	105,808,428.01
Over 5 years		40,000,000.00
Total	165,808,428.01	275,808,428.01

32.2 Top 5 of long-term borrowings

Name of creditors	Start date	End date	Currency	Rates (%)	31-Dec-2011	31-Dec-2010
					Amount	Amount
CCB(China) Gangzhou Hongxia Branch	2010-04-30	2016-04-29	Renminbi	5.346	40,000,000.00	40,000,000.00
BOC(China)Hongshan Branch	2010-04-23	2015-04-23	Renminbi	5.184	17,808,428.01	17,808,428.01

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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	Renminbi	5.760	50,000,000.00	
Dongfang Electric Finance Co.,Ltd	2010-2-21	2013-02-21	Renminbi	4.86	30,000,000.00	30,000,000.00
Dongfang Electric Finance Co.,Ltd	2011-07-06	2014-07-06	Renminbi	5.760	20,000,000.00	
Total					157,808,428.01	87,808,428.01

32.3 No extended borrowings is included in the long-term borrowings.

33. Long-term accounts payables

Name of creditors	31-Dec-2010	Interest rate(%)	Interest	31-Dec-2011
Total	685,252.84	—		685,252.84
Including: National special reserve fund	685,252.84			685,252.84

34. Specified accounts payables

Items	31-Dec-2011	31-Dec-2010
Tariffs on imported equipment and VAT refunds	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, a total of RMB 22,744,416.01 was received by the Company and the amount of money shall be used to add on register capital only. As at the date of this financial report, Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd has not complete the specialized capital investment.

35. Estimated liabilities

Items	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
Product quality assurance	794,632,591.05	482,717,264.51	388,176,095.43	889,173,760.13
Loss of contracts to be executed	39,011,257.26	15,753,846.16	13,237,667.52	41,527,435.90
Others		6,784,141.55		6,784,141.55
Total	833,643,848.31	505,255,252.22	401,413,762.95	937,485,337.58

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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 contracts to be executed was recognized based on amounts of total contract costs exceed total contract revenue.

35.3 The balance at the year ended of others was estimated compensation to suppliers.

36. Other non-current liabilities

Items	31-Dec-2011	31-Dec-2010
Deferred income	644,999,141.25	723,314,185.60
Including: The third front enterprise specialized government grant	508,370,442.68	577,545,051.02
Other research and financial Differences	136,628,698.57	145,769,134.58
Total	644,999,141.25	723,314,185.60

36.1 Pursuant to the Notice 133 [2001] "Tax policy of the third front enterprise during "the tenth five"period" issued by Ministry of Finance, VAT drawback was received by Dongfang Steam Turbine Co., Ltd, Dongfang Boiler Group., Ltd 和 Dongfang Electric Machinery Co., Ltd from 1 January 2006 till 31 December 2008.

37. Share capital

37.1 Share capital for 2011

Types of share capital	31-Dec-2010		Changes in 2010		31-Dec-2011	
	Amount	Proportion (%)	Reserves conversion	Others	Amount	Proportion (%)
Restricted circulating shares	119,930,000	5.98			119,930,000	5.98
Including:						
State-owned domestic shares	119,930,000	5.98			119,930,000	5.98
Other domestic shares						
Unrestricted circulating shares	1,883,930,000	94.02			1,883,930,000	94.02
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
Total	2,003,860,000	100			2,003,860,000	100

37.2 Share capital for 2010

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Types of share capital	31-Dec-2009		Changes in 2010		31-Dec-2010	
	Amount	Proportion (%)	Reserves conversion	Others	Amount	Proportion (%)
Restricted circulating shares	356,708,246	35.60	356,708,246	-593,486,492	119,930,000	5.98
State-owned domestic shares	304,743,246	30.42	304,743,246	-489,556,492	119,930,000	5.98
Other domestic shares	51,965,000	5.19	51,965,000	-103,930,000		
Including:						
shares owned by cooperation	43,965,000	4.39	43,965,000	-87,930,000		
shares owned by natural person	8,000,000	0.80	8,000,000	-16,000,000		
Unrestricted circulating shares	645,221,754	64.40	645,221,754	593,486,492	1,883,930,000	94.02
Including: A shares	475,221,754	47.43	475,221,754	593,486,492	1,543,930,000	77.05
H shares	170,000,000	16.97	170,000,000		340,000,000	16.97
Total	1,001,930,000	100	1,001,930,000		2,003,860,000	100

38. Capital reserve

38.1 Capital reserve for 2011

Items	31-Dec-2010	Current year additions	Current year reductions	31-Dec-2011
Share premium	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
Others	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
Total	5,094,255,444.33	79,894,680.88	98,969,431.87	5,075,180,693.34

38.2 Capital reserve for 2010

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	31-Dec-2010	Increased	Decreased	31-Dec-2011
Share premium	6,104,620,981.69		1,021,221,766.33	5,083,399,215.36
Including: Invested by shareholders	6,112,333,181.69		1,021,221,766.33	5,091,111,415.36
Differences formed by business combination	-7,712,200.00			-7,712,200.00
Others	27,815,000.00	15,602,413.30	32,561,184.33	10,856,228.97
Including: Others	27,815,000.00	6,061,184.44	27,815,000.00	6,061,184.44
Fair changes in Available-for-sale financial assets		9,541,228.86	4,746,184.33	4,795,044.53
Total	6,132,435,981.69	15,602,413.30	1,053,782,950.66	5,094,255,444.33

39. Surplus reserve

39.1 Surplus reserve for 2011

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

In accordance with the articles of association, statutory surplus reserve is reserved as 10% of net profit.

39.2 Surplus reserve for 2010

Items	31-Dec-2009	Current year additions	Current year reductions	31-Dec-2010
Statutory surplus reserve	38,056,260.07	113,886,454.45		151,942,714.52

40. Undistributed profits(retained profit)

40.1 Undistributed profits for 2011

Item	Amount
Undistributed profits at beginning of year	3,793,595,551.57
Change in accounting standards	
Significant adjustment of former errors	
Undistributed profits at beginning of year	3,793,595,551.57
Add: net profit for the year	3,056,227,705.50
Less: Appropriation to reserve fund	167,691,800.78
Dividend	260,501,800.00
Development fund	

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	Amount
Others	
Undistributed profits at end of year	6,421,629,656.29

The final dividend of RMB 0.13 per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting, totalling of RMB 260,501,800.00

40.2 Undistributed profits for 2010

Item	Amount
Undistributed profits at beginning of year	1,569,418,629.72
Change in accounting standards	
Significant adjustment of former errors	-62,792,444.56
Undistributed profits at beginning of year	1,506,626,185.16
Add: net profit for the year	2,576,974,795.23
Less: Appropriation to reserve fund	113,886,454.45
Dividend	160,308,800.00
Others	15,810,174.37
Undistributed profits at end of year	3,793,595,551.57

41. Minority shareholders equity

Name of subsidiaries	Share(%)	31 Dec 2011	31 Dec 2010
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	34.8187	461,850,215.80	410,631,427.60
Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd	38.58	92,781,034.97	99,935,539.72
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	44.37	91,160,421.88	86,299,110.63
Shenzhen Dongfang Boiler Control Co., Ltd	49	76,339,491.99	69,317,622.31
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	33	67,679,289.96	66,767,167.76
Dongfang Boiler Group Co., Ltd	0.33	13,024,799.93	11,453,758.09
DFEM Control Equipment Co.,Ltd	0.50	694,393.87	568,077.75
Dongfang Electric Power Equipment Co., Ltd	1.17	525,360.34	517,936.23
DFEM Tooling and Moulding Co., Ltd	0.685	139,895.33	132,111.89
Dong Fang Electric (India) Private Limited	—		5,475.75
Total		804,194,904.07	745,628,227.73

42. Revenue and cost of sales

42.1 Revenue and cost of sales

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Item	2011	2010
Main operation	42,442,890,520.58	37,603,832,280.16
Other sales	473,727,808.60	476,279,905.70
Total	42,916,618,329.18	38,080,112,185.86
Cost of main operation	33,638,268,991.00	30,109,436,403.07
Cost of sales-others	316,128,647.01	270,441,491.47
Total	33,954,397,638.01	30,379,877,894.54

42.2 Revenue classification by industry

Items	2011		2010	
	Revenue	Cost of sales	Revenue	Cost of sales
Manufacture of generator	42,442,890,520.58	33,638,268,991.00	37,603,832,280.16	30,109,436,403.07

42.3 Revenue and cost of sales from major product and services

Items	2011		2010	
	Revenue	Cost of sales	Revenue	Cost of sales
Clean and efficient power generation equipment	24,483,368,327.91	19,709,385,353.12	20,394,229,313.35	16,556,582,706.22
Including:				
Thermal power equipment	20,013,929,164.78	15,506,013,449.81	16,779,120,093.12	13,126,211,947.88
Power transmission and distribution equipment	1,123,314,870.92	1,083,286,726.11	934,528,131.66	886,244,013.21
Nuclear island equipment	3,346,124,292.21	3,120,085,177.20	2,680,581,088.57	2,544,126,745.13
New energy	8,883,542,910.72	7,002,005,201.19	9,518,148,353.41	7,440,169,379.95
Including:				
Wind power equipment	7,236,038,917.46	5,931,842,235.19	7,637,551,870.95	6,127,118,446.30
Nuclear power equipment	1,647,503,993.26	1,070,162,966.00	1,880,596,482.46	1,313,050,933.65
Hydro power and environmental protection equipment	3,241,668,377.03	2,668,808,403.52	2,957,644,776.80	2,440,976,732.84
Including:				
Hydro power	2,784,291,976.14	2,282,993,535.17	2,611,221,746.19	2,207,516,676.56
Environmental protection equipment	457,376,400.89	385,814,868.35	346,423,030.61	233,460,056.28

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	2011		2010	
	Revenue	Cost of sales	Revenue	Cost of sales
Construction services for power stations.	5,834,310,904.92	4,258,070,033.17	4,733,809,836.60	3,671,707,584.06
Including:				
Construction services	4,878,776,406.75	3,627,295,024.20	3,611,691,020.98	3,017,627,774.14
Repairing services	722,625,720.36	406,107,575.42	874,739,067.71	427,714,012.95
Others	232,908,777.81	224,667,433.55	247,379,747.91	226,365,796.97
Total	42,442,890,520.58	33,638,268,991.00	37,603,832,280.16	30,109,436,403.07

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

Items	2011		2010	
	Revenue	Cost of sales	Revenue	Cost of sales
PRC	36,428,841,119.02	29,335,312,095.61	33,243,241,543.03	26,542,287,605.44
Overseas	6,014,049,401.56	4,302,956,895.39	4,360,590,737.13	3,567,148,797.63
Total	42,442,890,520.58	33,638,268,991.00	37,603,832,280.16	30,109,436,403.07

42.5 Top 5 clients for revenue

Items	Revenue	Proportion to total revenue (%)
China Guangdong Nuclear Power Holding Corporation	2,489,446,885.81	5.80
Abhijeet Projects Limited	1,315,155,523.14	3.06
China Nuclear Power Engineering Co.,Ltd	1,310,073,329.20	3.05
China Resources Power (Hezhou) Co.,Ltd	1,267,803,959.17	2.95
BGR Energy Systems Limited	1,168,263,605.91	2.72
Total	7,550,743,303.23	17.58

43. Operating taxes and surcharges

Item	Tax rate	2011	2010
Business tax	3%/5%	7,806,114.48	12,705,949.27
City maintenance and construction tax	5%/7%	132,827,260.48	135,761,813.35
Education tax	3%	54,562,058.24	58,435,452.46
Local education tax	1%、1.5%	40,274,383.69	16,758,719.08
Embankment protection charges	0.1%-1%	1,601,757.17	3,353,906.08

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Fund of deputy food	0.08%/0.1%	289,621.67	266,707.70
Other		469,662.99	195,816.74
Total		237,830,858.72	227,478,364.68

44. Sales expenses

Items	2011	2010
Quality deposit and customer service charges	614,699,708.88	606,348,365.16
Salaries and wages	158,572,324.87	107,141,034.79
Business trip	52,672,155.31	37,063,863.01
Others	62,752,955.41	56,419,516.62
Total	888,697,144.47	806,972,779.58

45. General and administrative expense

Items	2011	2010
Research and development	1,200,619,442.75	977,392,982.71
Salaries and Salaries and wages	867,170,691.58	850,931,186.31
Including:		
Salaries and wages	599,375,019.97	513,138,443.63
Stuff welfare	98,464,038.66	101,571,952.47
Repairing	288,338,752.17	258,810,646.81
Depreciation	117,573,989.62	84,067,035.96
Tax	105,556,372.69	88,313,834.65
Marketing	79,563,715.18	70,118,988.39
Business trip	72,260,862.36	71,730,740.53
Lease	57,899,771.45	66,422,923.80
Uniform charges	54,050,899.15	53,297,651.92
Amortization of intangible assets	42,671,050.44	61,868,278.13
Water and electrical charges	41,173,000.54	37,081,413.30
Green fee	37,927,283.43	29,824,230.55
Retirement benefit costs	30,817,996.05	35,860,244.39
Tele-communication charges	19,274,052.16	22,552,353.15
Others	382,827,116.24	373,251,599.36
Total	3,397,724,995.81	3,081,524,109.96

46. Financial expenses

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	2011	2010
Interest expense	134,126,585.80	63,573,627.34
Less: interest received	236,011,044.35	178,989,824.94
Add: Exchange losses	-33,513,458.33	37,544,229.57
Add: Other expenses	47,490,301.33	37,673,837.36
Total	-87,907,615.55	-40,198,130.67

46.1 Details of interest expense

Items	2011	2010
Loans, including:		
Maturity of loans within 5 years	134,126,585.80	63,573,627.34
Maturity of loans over 5 years		
Total	134,126,585.80	63,573,627.34

46.2 Capitalized interest expense

Items	2011	2010
Capitalized interest expense	6,786,593.15	13,827,987.69

47. Impairment losses

Item	2011	2010
Bad debts	1,036,905,273.34	665,677,454.10
Impairment loss on inventories	233,148,577.90	315,749,349.60
Impairment loss on long-term equity investment		3,800,000.00
Impairment loss on construction in progress		1,618,725.28
Total	1,270,053,851.24	986,845,528.98

48. Net income from fair value changes

Item	2011	2010
Transactional financial assets	-15,525,550.56	29,628,952.80
Including: fair value changes in derivative financial instrument	7,164,616.86	26,847,093.73
Transactional financial liabilities	-25,561,615.33	-2,966,063.94
Including: fair value changes in derivative financial instrument	-25,561,615.33	-2,966,063.94
Total	-41,087,165.89	26,662,888.86

49. Investment income

Items	2011	2010
Investment in associate under equity method	122,079,261.11	91,617,082.59

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	2011	2010
Disposal of long-term equity investment		4,273.80
Investment income during holding transactional financial assets	301,359.90	
Disposal of transactional financial assets	6,657,406.86	
Investment income during holding available-for-sale assets	11,488,788.80	
Disposal of available-for-sale financial assets	1,074,178.70	
Total	141,600,995.37	91,621,356.39

49.1 Long-term equity Investments under equity method

Items	2011	2010	Reason for changes
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou)	40,949,348.76	37,441,742.60	Increase in sales revenue
Dongfang Areva Nuclear Pump Co.,Ltd	60,572,374.42	32,617,561.22	Increase in sales revenue and net profit
Babcock-Hitachi Dongfang Boiler Co.,Ltd	16,096,205.24	18,039,353.37	Decrease in sales revenue and net profit
Leshan City Dongle Large Lifting Co.,Ltd	4,711,668.03	3,518,425.40	Increase in sales revenue and net profit
Sichuan Energy Industry Wind Power Development Co.,Ltd	-250,335.34		Expenses spent before establishment
Total	122,079,261.11	91,617,082.59	

50. Non-recurring income

50.1 Non-recurring Income

Items	2011	2010	Changes through non-recurring profit or loss
Net profit for fixed assets disposal	5,820,494.15	3,657,759.59	5,820,494.15
Include: Net profit for fixed assets disposal	5,820,494.15	3,657,759.59	5,820,494.15
Government Differences formed by business combination	185,706,829.34	185,437,552.38	185,706,829.34
Donations	599,985.86	5,008,274.95	599,985.86
Compensation for breaching of contracts	2,169,749.90	1,885,011.35	2,169,749.90

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	2011	2010	Changes through non-recurring profit or loss
Penalty income	1,533,259.22	15,501.00	1,533,259.22
Others	59,581,538.86	8,000,898.62	59,581,538.86
Total	255,411,857.33	204,004,997.89	255,411,857.33

51. Non-recurring expenses

Item	2011	2010	Changes through non-recurring profit or loss
Losses for non-current assets disposal	13,596,302.65	7,722,812.27	13,596,302.65
Include: Losses for fixed assets disposal	13,596,302.65	7,722,812.27	13,596,302.65
Donation	1,300,000.00	5,709,491.00	1,300,000.00
Inventory shortage	24,954.76	388,888.88	24,954.76
Fine	5,016,505.65	3,071,081.96	5,016,505.65
Estimated contract losses	46,433,333.33	25,773,589.74	46,433,333.33
Other losses	1,319,243.34	72,056,316.97	1,319,243.34
Total	67,690,339.73	114,722,180.82	67,690,339.73

Compared to the amount at the beginning of the period, the balance amount at Dec 31 2011 decreased by 41% which is mainly caused by rehabilitation of the disaster area and resettlement of the affected employees of the Group after 12 May earthquake.

52. Expense of income tax

Item	2011	2010
Tax expense	670,742,160.05	236,861,480.82
Including: tax expense in China	668,932,618.62	236,861,480.82
tax expense in India	1,809,541.43	638,257.30
Deferred tax	-244,903,088.48	-67,697,174.78
Total	425,839,071.57	169,164,306.04

53. Calculation for basic earnings per share and diluted earnings per share

Items	Numbering	2011	2010
Profit for the year attribute to owners of the Company	1	3,056,227,705.50	2,576,974,795.23
Non-operating profit(losses)attribute to owners of the Company	2	166,367,631.05	127,339,012.79

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	Numbering	2011	2010
Total comprehensive income attribute to owners of the Company	3=1-2	2,889,860,074.45	2,449,635,782.44
Shares at 1 January 2011	4	2,003,860,000.00	1,001,930,000.00
ordinary shares issued on the voluntary reinvestment of dividends (□)	5		1,001,930,000.00
Ordinary share issued as a result of the conversion of a debt instrument (□)	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	$12=4+5+6\times7\div11-8\times9\div11-10$	2,003,860,000.00	2,003,860,000.00
Basic earnings per share (□)	13=1÷12	1.53	1.29
Basic earnings per share (□)	14=3÷12	1.44	1.22
Potential ordinary share interest recognize as expenses	15		
Exchange expenses	16		
Tax rate	17		
Weighted average incremental share	18		
Diluted earnings per share (□)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	1.53	1.29
Diluted earnings per share (□)	$19=[3+(15-16)\times(1-17)]\div(12+18)$	1.44	1.22

54. Other comprehensive income

Items	2011	2010
1. Available-for-sale financial instrument gains and losses	-22,470,527.54	4,795,044.53
Less: Tax effect of available-for-sale financial instrumen	-3,370,579.14	
Subtotal	-19,099,948.40	4,795,044.53
2. Other comprehensive income from subsidiaries under equity menthod	24,775.02	43,888.22

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

Items	2011	2010
Less: Tax effect of Other comprehensive income from subsidiaries under equity method		
Subtotal	24,775.02	43,888.22
3. Foreign currency translation adjustments	-12,846,570.50	379,415.00
Subtotal	-12,846,570.50	379,415.00
Total	-31,921,743.88	5,218,347.75

55. Cash Flow Statement

55.1 Cash received related to others of operating activities

Items	2011
Interest	201,740,032.10
Deposit	103,937,074.75
Government grants	85,380,626.10
Reimbursement	70,420,130.12
Imprest	29,075,861.21
Compensation	21,428,144.99
Agency business	11,535,905.43
Others	28,931,493.66
Total	552,449,268.36

55.2 Cash paid related to others of operating activities

Items	2011
Business trip	196,371,717.18
Customer service	155,798,594.63
Repairing	138,664,306.90
Marketing	85,386,478.57
Deposit	69,999,913.47
Uniform fee	65,489,602.16
Research and development	60,259,228.53
Transportation	51,880,494.18
Agent fee	51,725,448.85
Green fee	33,867,880.03
Lease	33,501,799.17
Stationery	29,932,991.09

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	2011
Retirement benefit costs	29,470,910.89
Water and electric charges	24,405,411.88
Tele-communication fee	23,618,412.06
Imprest	17,094,747.28
Technical service charges	16,520,000.00
Conference	16,504,601.51
Insurance	14,369,517.30
Litigation costs	13,964,581.12
Property management fee	13,197,740.02
Others	109,850,870.58
Total	1,251,875,247.40

55.3 Cash received related to others of financing activities

Items	2011
Infrastructure fund to China Dongfang Electric Corporation	47,100,000.00

55.4 Supplementary of consolidated cash flow statement

Items	2011	2010
Reconciliation of net profit / (loss) to cash flows from operating activities		
Net profit / (loss)	3,118,217,731.99	2,676,014,395.07
Add: Provision for / (Reversal of) asset impairment	1,270,053,851.24	986,845,528.98
Depreciation of fixed assets	1,177,662,450.79	864,511,025.29
Amortization of intangible assets	50,962,977.43	69,938,007.04
Amortization of other assets	916,738.42	491,755.48
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	6,822,554.03	4,065,052.68
Losses (Gains) on scrapping of fixed assets	953,254.47	
Losses (Gains) on change in fair value	41,087,165.89	-26,662,888.86
Finance expenses (income)	102,600,188.94	130,979,794.86
Investment losses (income)	-141,600,995.37	-91,621,356.39
Decrease(Increase) in Deferred tax asset	-246,806,440.44	-61,009,699.76
Increase(decrease) in Deferred tax liability	-8,802,964.33	-5,841,463.92
Decrease (Increase) in inventories	-1,515,591,172.97	-6,174,080,685.92

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	2011	2010
Decrease (Increase) in operating receivables	-2,580,034,184.55	-1,875,321,338.90
Increase (Decrease) in operating payables	-2,414,954,418.37	5,453,876,560.59
Other		
Net cash flows from operating activities	-1,138,513,262.83	1,952,184,686.24
Investing and financing activities that do not involve cash receipts and payments		
Net increase in cash and cash equivalents		
Cash at end of year	10,284,224,638.84	13,670,551,363.06
Less: cash at beginning of year	13,670,551,363.06	14,858,697,640.26
Net increase in cash and cash equivalents	-3,386,326,724.22	-1,188,146,277.20

55.5 Cash and cash equivalents

Item	2011	2010
Cash	10,284,224,638.84	13,670,551,363.06
Include: cash in hand	1,926,567.17	1,336,795.12
Cash in bank can be payable immediately	10,257,386,790.12	13,635,802,839.78
Other monetary assets can be payable immediately	24,911,281.55	33,411,728.16
Cash equivalents		
Include: bond matured in three month		
Cash and cash equivalents at the year ended	10,284,224,638.84	13,670,551,363.06

56. Net current assets

Items	31 Dec 2011	31 Dec 2010
Current assets	68,864,302,393.42	69,459,062,202.74
Less: Current liabilities	66,052,609,185.00	68,619,405,981.08
Net current assets	2,811,693,208.42	839,656,221.66

57. Total assets less current liabilities

Items	31 Dec 2011	31 Dec 2010
Total assets	82,442,725,917.98	82,252,888,512.58
Less: Current liabilities	66,052,609,185.00	68,619,405,981.08
Total assets less current liabilities	16,390,116,732.98	13,633,482,531.50

VI. Related Parties and Related Party Transactions

1. Related Parties

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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

1.2 Changes in registered capital of parent company

All the amount shows below is presented as 10K as a unit.

Name	2010	Increased	Decrease	2011
DEC	335,619.50	12,250.00		347,869.50

1.3 Changes in shares held by parent company

Name	Amount		Proportion (%)	
	2011	2010	2011	2010
China Dongfang Electric Corporation	1,002,483,235	997,301,958	50.03	49.77

2. Subsidiaries

See notes IV.

3. Associates

See notes 10.V.

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 Dongfang 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

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Items	Name of related parties	Principal activities	Organization code
	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
	DEM Auxiliary Co.,Ltd	Manufacture and sales of products	75233053-9
	DEM Metal Component Co.,Ltd	Manufacture and sales of products	21425869-9
	DEM Insulating Material Co.,Ltd	Manufacture and sales of products	70917252-0
	DEM General Machinery Co.,Ltd	Manufacture and sales of products	75230264-2
	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
	Leshan Dongfeng Shipping Co.,Ltd	Logistics	720898103

(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

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,

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

cost-plus pricing would be adopted; neither the 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 30,000,000.00 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	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	1,800,000.00	0.01		
Including:				
China Dongfang Electric Corporation	1,800,000.00	0.01		
Associates:	475,875,461.86	2.69	298,660,726.36	1.76
Including:				
Babcock-Hitachi Dongfang Boiler Co.,Ltd	475,875,461.86	2.69	267,814,997.87	1.58
Dongfang Areva Nuclear Pump Co.,Ltd			16,481,389.20	0.1
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd			14,364,339.29	0.08
Other enterprises under the control of the same parent company and ultimate parent	1,669,043,408.88	9.42	1,608,811,014.25	9.48
Including:				
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	956,974,861.84	5.40	748,180,106.84	4.39
Dongfang Electric Corporation Materials Co.,Ltd	502,299,883.99	2.84	366,711,201.17	2.16
DEC Dongfeng Electric Machinery Co.,Ltd	28,943,385.19	0.16	229,509,090.53	1.35
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	59,997,264.96	0.34	146,175,761.31	0.86
DEC Henan Station Auxiliary Equipment Co.,Ltd	36,902,173.13	0.21	70,380,590.47	0.42

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Deyang Dongfang Aberle System Corporation Limited	69,364,758.18	0.39	25,803,351.24	0.15
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd			13,982,029.36	0.08
DEC Project Cargo Logistics Co.,Ltd	1,639,340.00	0.01	7,685,881.05	0.05
DEC International Corporation Co., Ltd	12,921,741.59	0.07	272,592.05	0.01
Leshan Dongfeng Casting and Forging Co.,Ltd			110,410.23	0.01
Investors with significant influence	9,478,632.47	0.05	30,945,000.74	0.18
Including: China Western Power Industrial Co.,Ltd	9,478,632.47	0.05	30,945,000.74	0.18
Total	2,156,197,503.21	--	1,938,416,741.35	--

2.3 Receiving of services

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	9,370,000.00	4.44	16,520,000.00	0.82
Including: China Dongfang Electric Corporation	9,370,000.00	4.44	16,520,000.00	0.82
Associates:	11,799,800.00	5.60	3,122,202.00	0.16
Including: Leshan East Lok bulky Co.,Ltd	4,754,800.00	2.26	3,122,202.00	0.16
Babcock-Hitachi Dongfang Boiler Co.,Ltd	7,045,000.00	3.34		
Other enterprises under the control of the same parent company and ultimate parent	156,877,860.97	41.52	137,040,725.07	6.84
Including: DEC Project Cargo Logistics Co.,Ltd	70,263,705.03	0.44	45,594,285.09	2.27
Dongqi Investment and Development Co.,Ltd	41,694,162.40	19.77	41,681,800.00	2.08
Dongqi Hospital	21,030,595.09	9.97	18,437,618.40	0.92

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
DEC International Corporation Co., Ltd	5,903,832.72	2.80	14,407,816.18	0.72
Dongfang Boiler Works	7,332,300.00	3.48	6,581,000.00	0.33
DEC(Sichuan) Property Management Co.,Ltd	4,701,072.12	2.23	4,306,600.00	0.21
Dongfang Electric Corporation Materials Co.,Ltd	1,830,756.51	0.87	2,796,667.95	0.14
Dongfang Electric Machinery Works	2,207,748.47	1.05	2,017,468.00	0.1
Leshan Dongfeng Shipping Co.,Ltd			661,509.00	0.03
DEC Dongfeng Electric Machinery Co.,Ltd			551,385.79	0.03
Dongfang Electric Finance Co.,Ltd			4,574.66	0.01
Guangdong Dongfang Power Station Equipment Co.,Ltd	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		
Investors with significant influence	1,788,197.20	0.85		
Including:				
Alstom Power Turbo Machines	1,788,197.20	0.85		
Total	179,835,858.17	--	156,682,927.07	--

2.4 Interest expenses

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent			21,421,843.98	17.39
Including:				
China Dongfang Electric Corporation			21,421,843.98	17.39
Other enterprises under the control of the same parent company and ultimate parent	115,265,699.83	85.94	79,060,889.93	63.43
Including:				
Dongfang Electric Finance Co.,Ltd	115,265,699.83	85.94	79,060,889.93	63.43
Total	115,265,699.83	--	100,482,733.91	--

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

2.5 Sales of goods

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	367,605,427.41	0.87	611,471,020.87	3.6
Including:				
China Dongfang Electric Corporation	367,605,427.41	0.87	611,471,020.87	3.6
Associates:	35,299,145.32	0.16	21,280,516.30	0.13
Including:				
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd			362,906.00	0.01
Babcock-Hitachi Dongfang Boiler Co.,Ltd	35,299,145.32	0.16	17,696,849.61	0.1
Dongfang Areva Nuclear Pump Co.,Ltd			3,220,760.69	0.02
Other enterprises under the control of the same parent company and ultimate parent	715,960,711.49	1.81	713,290,641.79	4.22
Including:				
DEC International Corporation Co., Ltd	677,453,501.91	1.60	669,746,597.97	3.95
Deyang Dongfang Aberle System Corporation Limited	25,753,066.79	0.12	13,071,000.00	0.08
Dongfang Electric Corporation Materials Co.,Ltd	3,384,598.46	0.02	8,687,528.81	0.05
DEC Dongfeng Electric Machinery Co.,Ltd	2,928,955.68	0.01	7,784,607.10	0.05
Guangdong Dongfang Power Station Equipment Co.,Ltd	357,743.60	0.01	7,688,134.20	0.05
DEM Auxiliary Co.,Ltd			3,738,059.83	0.02
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	5,252,383.65	0.02	2,420,867.73	0.01
DEC Project Cargo Logistics Co.,Ltd	292,830.63	0.01	153,846.15	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		
Investors with significant influence	9,059,387.58	0.04	12,975,785.90	0.08

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Including:				
Alstom Power Turbo Machines	5,380,847.42	0.02	966,426.30	0.01
Envirotherm GmbH Essen, Germany	3,345,753.83	0.01	7,017,133.50	0.04
China Western Power Industrial Co.,Ltd	332,786.33	0.01	4,992,226.10	0.03
Total	1,127,924,671.80	--	1,359,017,964.86	--

2.6 Rendering of services

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	21,367.52	0.01	14,300,000.00	33.7
Including:				
China Dongfang Electric Corporation	21,367.52	0.01	14,300,000.00	33.7
Associates	40,000.00	0.03	362,906.00	0.85
Including:				
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd			362,906.00	0.85
Babcock-Hitachi Dongfang Boiler Co.,Ltd	40,000.00	0.03		
Other enterprises under the control of the same parent company and ultimate parent	38,946,190.81	12.80	1,350,001.90	3.19
Including:				
Deyang Dongfang Aberle System Corporation Limited	999,489.85	0.69	835,246.92	1.97
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd			388,028.00	0.91
DEC Emei Semiconductor Materials Co., Ltd	14,258.00	0.01	98,025.00	0.23
DEM Real Estate Development Co.,Ltd			24,851.98	0.06
DEC Dongfeng Electric Machinery Co.,Ltd	26,900.00	0.02	3,850.00	0.02
Guangdong Dongfang Power Station Equipment Co.,Ltd	529,914.53	0.37		

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
DEC Henan Station Auxiliary Equipment Co.,Ltd	85,000.00	0.06		
DEC International Corporation Co., Ltd	2,143,547.01	1.48		
Dongfang Electric Corporation Materials Co.,Ltd	5,683,316.24	3.92		
DEM Metal Component Co.,Ltd	29,463,765.18	6.22		
Investors with significant influence	2,407,001.82	1.66		
China Western Power Industrial Co.,Ltd	2,407,001.82	1.66		
Total	41,414,560.15	-	15,650,001.90	-

2.7 Interesting income

Types and Names of Related parties	2011		2010	
	Amount	Proportion (%)	Amount	Proportion (%)
Other enterprises under the control of the same parent company and ultimate parent	188,850,716.46	79.97	123,009,068.48	99.85
Including:				
Dongfang Electric Finance Co.,Ltd	188,850,716.46	79.97	123,009,068.48	99.85

2.8 Lease

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Recognized lease income in 2011
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
Dongfang Steam Turbine Co., Ltd	Deyang Dongfang Aberle System Corporation Limited	Buildings and equipments	25-Mar-2010	31-Dec-2012	Price agreement	711,191.60
Dongfang (Jiuquan) New Energy	Dongfang Electric (Jiuquan) Solar Engineering Technology Co.,Ltd	Buildings	1-Nov-2010	1-Nov-2013	Price agreement	518,400.00
Total						2,823,814.12

2.9 Rental

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Recognized lease expenses in 2011
Dongfang Boiler Works	Dongfang Boiler Group Co., Ltd	Buildings and equipments	1-Jan-2011	31-Dec-2011	Price agreement	8,877,100.00
China Dongfang Electric Corporation	Dongfang Boiler Group Co., Ltd	Buildings	1-Jan-2011	31-Dec-2011	Price agreement	4,372,560.00
Dongfang Electric works	Dongfang Electric Machinery Co., Ltd	Plants, land and equipments	1-July-2009	30-June-2014	Price agreement	19,315,839.08
China Dongfang Electric Corporation	The Company	Buildings	1-Jan-2011	31-Dec-2011	Price agreement	20,592,000.00
Total						53,157,499.08

2.10 Details of guarantee between related parties

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

2.11 Borrowings between related parties

Name of related parties	Amount (RMB 10k)	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	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 Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

Name of related parties	Amount (RMB 10k)	Start Date	End Date	Borrowers
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2010-08-09	2011-02-09	Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2010-10-25	2011-10-25	Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd.,repaid
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	30,000,000.00	2010-03-04	2011-03-04	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2010-06-08	2011-06-08	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2010-10-09	2011-10-09	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011-03-04	2012-03-03	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011-04-29	2012-04-28	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011-06-14	2012-06-13	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011-10-09	2012-10-08	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd
Dongfang Electric Finance Co.,Ltd	900,000,000.00	2010-04-29	2011-12-31	Dongfang Steam Turbine Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2010-04-29	2011-03-31	Dongfang Steam Turbine Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	600,000,000.00	2010-07-09	2011-07-09	Dongfang Steam Turbine Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	500,000,000.00	2011-12-21	2012-12-21	Dongfang Steam Turbine Co., Ltd

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of related parties	Amount (RMB 10k)	Start Date	End Date	Borrowers
Dongfang Electric Finance Co.,Ltd	300,000,000.00	2011-06-28	2012-06-28	Dongfang Steam Turbine Co., Ltd
Dongfang Electric Finance Co.,Ltd	200,000,000.00	2011-07-05	2012-07-05	Dongfang Steam Turbine Co., Ltd
Dongfang Electric Finance Co.,Ltd	500,000,000.00	2011-09-23	2012-09-23	Dongfang Steam Turbine Co., Ltd
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2011-06-28	2014-06-28	Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2011-07-06	2014-07-06	Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2011-01-13	2012-01-13	Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2011-03-30	2011-09-30	Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2010-09-29	2011-03-29	Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	150,000,000.00	2010-05-07	2011-05-07	Dongfang Electric Machinery Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	150,000,000.00	2011-05-10	2011-05-26	Dongfang Electric Machinery Co., Ltd.,repaid
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2011-06-16	2012-06-16	DFEM Control Equipment Co.,Ltd
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2011-12-30	2012-12-30	DFEM Control Equipment Co.,Ltd
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2011-10-27	2012-10-27	Dongfang (Hangzhou) Energy Equipment*
Total	4,080,000,000.00			

2.12 Key management's emoluments

Items	2011	2010
Key management's emoluments	6,812,500.00	5,912,600.00

a. Directors' and supervisors' emoluments

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

The emoluments paid or payable to each of the 12 (2010: 13) directors and supervisors were as follows:

For the year ended 31 December 2011

Name	Director fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
Directors					
Si Zefu		284,996.00	318,000.00	49,704.63	652,700.63
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
Supervisors					
Wen Bingyou*					
Wen Limin*					
Wang Congyuan		303,930.75	142,388.00	21,031.73	467,350.48
Total	189,705.87	1,860,506.75	1,862,768.00	295,882.39	4,208,863.01

For the year ended 31 December 2010

Name	Director fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
Directors					
Si Zefu		240,000.00	287,580.00	17,136.00	544,716.00
Zhang xiaolun		216,000.00	258,822.00	17,136.00	491,958.00
Wen Shugang		216,000.00	258,822.00	17,136.00	491,958.00
Huang Wei		211,200.00	253,071.00	17,136.00	481,407.00
Zhu Yuanchao		211,200.00	253,071.00	17,136.00	481,407.00
Zhang jilie		204,000.00	244,443.00	17,136.00	465,579.00
Li Yanmeng	63,235.29				63,235.29
Zhao Chunjun	63,235.29				63,235.29

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name	Director fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
Peng Shaobing (appointed in June 2010)					
Chen Xiaoyue(passed away in March 2010)					
Supervisors					
Wen Bingyou*					
Wen Limin*					
Wang Congyuan		354,895.99		17,136.00	372,031.99
Total	126,470.58	1,653,295.99	1,555,809.00	119,952.00	3,455,527.57

* Emoluments paid by DEC.

b. Top 5 of key management's emoluments

Included in key management's emoluments 3 of top 5 directors (2010:3) is disclosed as above, the emoluments of remaining 2 directors (2010: 2) is as follows:

Items	2011	2010
Salaries, allowance and benefits	449,992.00	360,000.00
Performance salary	649,600.00	644,350.00
Social insurance	68,646.70	34,272.00
Total	1,168,238.70	1,038,622.00

No director waived and agreed to waive any emoluments paid by the Group during the years ended 31 December 2011 and 2010, and none of director's emolument exceeds HKD 1 million.

2.13 Cash between related parties

Name of related parties	Currency	31-Dec-2011 (RMB)	31-Dec-2010 (RMB)
Enterprises under the same immediate and ultimate parent company			
including: Dongfang Electric Finance Co.,Ltd	CNY	6,569,506,453.75	7,185,874,033.29
Dongfang Electric Finance Co.,Ltd	USD	109,618,533.21	353,306,220.34
Dongfang Electric Finance Co.,Ltd	EUR	26,754,339.31	23,301,241.20
Total		6,705,879,326.27	7,562,481,494.83

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

2.14 Accounts receivable between related parties

Name of related parties	2011		2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Immediate parent and ultimate parent	144,891,884.17	28,371,408.91	178,680,610.05	25,823,845.29
Including: China Dongfang Electric Corporation	144,891,884.17	28,371,408.91	178,680,610.05	25,823,845.29
Associates	4,130,000.00	206,500.00	23,961,085.95	1,201,170.14
Including: Babcock-Hitachi Dongfang Boiler Co.,Ltd	4,130,000.00	206,500.00	18,227,820.40	911,391.02
Dongfang Areva Nuclear Pump Co.,Ltd			5,733,265.55	289,779.12
Other enterprises under the control of the same parent company and ultimate parent	863,193,448.17	199,068,169.70	759,976,296.01	121,064,503.70
Including: DEC International Corporation Co., Ltd	763,532,893.38	182,228,594.65	701,152,091.17	107,043,433.90
Guangdong Dongfang Power Station Equipment Co.,Ltd	18,232,001.12	11,269,747.25	23,236,088.78	11,475,670.06
DEC Emei Semiconductor Materials Co., Ltd	17,784,137.77	1,764,816.89	16,949,496.55	861,844.83
Dongfang Electric Corporation Materials Co.,Ltd	8,092,688.89	632,475.88	9,022,046.69	596,597.74
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	18,773,884.67	938,694.23	5,024,290.40	251,214.52
DEC Dongfeng Electric Machinery Co.,Ltd	630,562.12	34,778.11	1,976,362.12	169,174.76
Dongfang Electric Machinery Works	1,407,349.46	462,066.15	1,407,349.46	317,971.14

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of related parties	2011		2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC Project Cargo Logistics Co.,Ltd	264,625.50	13,231.28	820,000.00	329,000.00
Deyang Dongfang Aberle System Corporation Limited	2,700.00	135.00	386,830.74	19,509.74
DEM Real Estate Development Co.,Ltd			1,740.10	87.01
DEM Metal Component Co.,Ltd	34,472,605.26	1,723,630.26		
Investors with significant influence	31,428,208.42	2,727,331.28	5,004,962.06	528,625.36
Including: China Western Power Industrial Co.,Ltd	917,780.03	72,310.00	3,684,083.14	462,581.41
Alstom Power Turbo Machines	28,528,600.00	2,555,929.86		
Envirotherm GmbH Essen, Germany	1,981,828.39	99,091.42	1,320,878.92	66,043.95
Total	1,043,643,540.76	230,373,409.89	967,622,954.07	148,618,144.49

2.15 Others receivable between related parties

Name of related parties	2011		2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Immediate parent and ultimate parent	19,768,918.22	4,488,445.91	22,767,676.70	2,681,394.90
Including: China Dongfang Electric Corporation	19,768,918.22	4,488,445.91	22,767,676.70	2,681,394.90
Associates	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		
Other enterprises under	16,867,405.22	898,064.87	1,095,431.26	54,771.56

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

Name of related parties	2011		2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
the control of the same parent company and ultimate parent				
Including: DEM Real Estate Development Co.,Ltd	558,777.00	55,877.70	560,316.06	28,015.80
Dongqi Investment and Development Co.,Ltd	453,000.00	45,300.00	453,000.00	22,650.00
DEC Dongfeng Electric Machinery Co.,Ltd	82,115.20	8,211.52	82,115.20	4,105.76
DEC International Corporation Co., Ltd	13,798,052.41	689,902.62		
Dongfang Electric (Jiuquan) Solar Engineering Technology Co.,Ltd	733,283.41	36,664.17		
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	1,025.00	51.25		
Dongfang Electric Machinery Works	1,241,152.20	62,057.61		
Total	38,908,987.34	5,920,483.08	23,863,107.96	2,736,166.46

2.16 Prepayments between related parties

Name of related parties	2011		2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Immediate parent and ultimate parent	60,000.00		657,495.33	
including: China Dongfang Electric Corporation	60,000.00		657,495.33	
Associates	7,345,099.00			

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Including: Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co.,Ltd	7,345,099.00		
Other enterprises under the control of the same parent company and ultimate parent	116,921,820.38		412,071,171.16
Including: DEC International Corporation Co., Ltd	32,773,639.00		168,768,628.99
Dongfang Electric Corporation Materials Co.,Ltd	19,774,538.90		168,388,102.96
DEC Dongfeng Electric Machinery Co.,Ltd	44,334,323.50		38,981,142.50
Dongfang Electric Machinery Works			14,500,000.00
Deyang Dongfang Aberle System Corporation Limited	2,520,314.53		12,409,296.71
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	2,438,000.00		5,309,000.00
DEC Project Cargo Logistics Co.,Ltd	3,659,390.00		2,610,000.00
DEC Henan Station Auxiliary Equipment Co.,Ltd	11,421,614.45		1,105,000.00
Total	124,326,919.38		412,728,666.49

2.17 Accounts payable between related parties

Name of related parties	2011	2010
Immediate parent and ultimate parent	603,000.00	1,141,290.58
including: China Dongfang Electric Corporation	603,000.00	1,141,290.58
Associates	75,867,399.23	34,464,029.48
Including: Babcock-Hitachi Dongfang Boiler Co.,Ltd	74,395,159.23	34,384,856.98
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd	1,472,240.00	
Dongfang Areva Nuclear Pump Co.,Ltd		79,172.50
Other enterprises under the control of the same	891,168,306.93	736,987,230.55

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of related parties	2011	2010
parent company and ultimate parent		
Including: Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	380,428,072.65	232,241,842.55
Dongqi Investment and Development Co.,Ltd	204,400,230.39	218,970,022.57
DEM Metal Component Co.,Ltd		96,097,840.82
Dongfang Electric Corporation Materials Co.,Ltd	181,567,105.03	57,515,855.52
DEC International Corporation Co., Ltd	24,029,450.30	38,908,474.37
DEM Auxiliary Co.,Ltd		23,616,729.60
DEC Henan Station Auxiliary Equipment Co.,Ltd	9,959,864.35	15,551,216.84
DEC Dongfeng Electric Machinery Co.,Ltd	4,257,706.65	14,890,502.95
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	65,796,222.95	13,110,000.00
DEM Insulating Material Co.,Ltd		8,894,798.40
DEC Project Cargo Logistics Co.,Ltd	7,990,619.37	6,298,296.45
Dongqi Hospital	6,614,157.97	5,624,979.75
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	3,140,000.01	3,140,000.01
Dongfang Electric Machinery Works	34,454.57	1,201,228.00
DEM General Machinery Co.,Ltd		881,306.89
Leshan Dongfeng Casting and Forging Co.,Ltd	9,152.69	27,148.83
Deyang Dongfang Aberle System Corporation Limited	928,767.00	16,987.00
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	2,012,503.00	
Investors with significant influence	70,651,804.28	49,029,470.90
Including: China Western Power Industrial Co.,Ltd	70,651,804.28	49,029,470.90
Total	1,038,290,510.44	821,622,021.51

2.18 Others payable between related parties

Name of related parties	2011	2010
Immediate parent and ultimate parent	1,307,710,535.78	1,239,523,173.14
Including: China Dongfang Electric Corporation	1,307,710,535.78	1,239,523,173.14
Associates	200,000.00	773,374.80

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of related parties	2011	2010
Including: Babcock-Hitachi Dongfang Boiler Co.,Ltd	200,000.00	773,374.80
Other enterprises under the control of the same parent company and ultimate parent	42,755,298.69	33,594,880.92
Including: Dongfang Boiler Works	38,520,335.47	31,216,004.09
DEC International Corporation Co., Ltd		884,876.83
DEC Project Cargo Logistics Co.,Ltd	750,000.00	600,000.00
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	2,847,863.22	294,000.00
Guangdong Dongfang Power Station Equipment Co.,Ltd	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
Dongqi Investment and Development Co.,Ltd	37,100.00	
Investors with significant influence	9,514,792.02	8,689,155.00
Including: Envirotherm GmbH Essen, Germany	3,951,442.91	7,989,155.00
China Western Power Industrial Co.,Ltd	700,000.00	700,000.00
Alstom Power Turbo Machines	4,863,349.11	
Total	1,360,180,626.49	1,282,580,583.86

2.19 Advance from customers between related parties

Name of related parties	2011	2010
Immediate parent and ultimate parent	289,129,694.92	614,838,872.51
Including: China Dongfang Electric Corporation	289,129,694.92	614,838,872.51
Associates		52,702,598.00
Including: Dongfang Areva Nuclear Pump Co.,Ltd		52,702,598.00
Other enterprises under the control of the same parent company and ultimate parent	996,009,038.73	1,446,717,726.46
Including: DEC International Corporation Co., Ltd	993,994,872.04	1,440,459,962.36
Dongfang Electric Corporation Materials Co.,Ltd	79,510.00	2,422,220.00
Guangdong Dongfang Power Station Equipment Co.,Ltd	633,825.20	2,228,950.00
DEM Metal Component Co.,Ltd	290,598.29	975,955.70
DEC Dongfeng Electric Machinery Co.,Ltd	319,000.00	553,620.00

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of related parties	2011	2010
DEC Emei Semiconductor Materials Co., Ltd	375,900.00	76,500.00
Deyang Dongfang Aberle System Corporation Limited	313,346.00	
DEM Real Estate Development Co.,Ltd	1,468.80	
Dongfang Electric Machinery Works	518.40	518.40
Total	1,285,138,733.65	2,114,259,196.97

2.20 Notes payable between related parties

Name of related parties	2011	2010
Associates	36,000,000.00	51,500,000.00
Including: Babcock-Hitachi Dongfang Boiler Co.,Ltd	36,000,000.00	51,500,000.00
Other enterprises under the control of the same parent company and ultimate parent	496,129,794.98	579,378,972.99
Including: Dongfang Electric Corporation Materials Co.,Ltd	44,250,000.00	82,916,066.04
Dongfang Electric Finance Co.,Ltd	432,298,661.98	412,874,589.91
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd		31,050,000.00
DEM Auxiliary Co.,Ltd		20,000,000.00
Dongfang Electric Machinery Works		8,586,317.04
DEC Henan Station Auxiliary Equipment Co.,Ltd	10,000,000.00	7,600,000.00
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd		7,600,000.00
DEC Project Cargo Logistics Co.,Ltd	8,081,133.00	7,060,000.00
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	1,500,000.00	
DEC Dongfeng Electric Machinery Co.,Ltd		1,692,000.00
Investors with significant influence		2,000,000.00
Including: China Western Power Industrial Co.,Ltd		2,000,000.00
Total	532,129,794.98	632,878,972.99

2.21 Interests payable between related parties

Name of related parties	2011	2010
Investors with significant influence	283,442.57	1,600,000.00

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

Name of related parties	2011	2010
Including: China Western Power Industrial Co.,Ltd	283,442.57	1,600,000.00
Total	283,442.57	1,600,000.00

VII. Contingencies liabilities

1. In May 2005, Dongfang Boiler sub-contracted part of its construction contracts to Zigong Dongfang Steel Co., Ltd ("ZDS"), in which ZDS has further sub-contracted to Deyang Runxin Color Co., Ltd. In August 2010, Dongfang Boiler, ZDS and Deyang Runxin Color Co., Ltd were sued for the construction quality and construction costs disputations by the customer. The customer claimed for a compensation of approximately RMB2,588,200 . As at the date of this financial report, the case is still pending for judgment.

2. 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 judgement 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 USD1,117,000.00 to Dongfang Boiler as technology licence fee, and DEC take joint liability. DEC, Dongfang Boiler and DBF sued at the Svea Court of Appeal for revocating the judgement mentioned above. As at the date of this financial report, the case is still pending for judgment.

3. Apart from mentioned above, there is no other significant contingency liabilities up till 31 December 2011.

VIII. Commitments

1. Significant commitments

1.1 Investment contracts and expenditures already signed that have not fully fulfilled

The balance of investment expenditures of contracts already signed that have not fully fulfilled at the year ended is 114,618.31, and the details is as below:

Items	Contract sum (RMB 10K)	Amount paid (RMB 10K)	Amount to be paid (RMB 10K)	Tentative investment period	Notes
Construction projects	292,181.62	202,249.44	89,932.18	2012-2013	
Equipments	92,063.01	68,609.78	23,453.23	2012-2013	
Techniques	2,555.93	1,323.03	1,232.90	2012-2013	
Total	386,800.56	272,182.25	114,618.31		

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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 (T) are as below:

Period	Operating lease	Finance lease
T+1 year	30,195,003.48	
T+2 year	20,162,591.88	
T+3 year	19,668,846.28	
Total	70,026,441.64	

2. Other significant financial commitments

The balance at the year ended of irrevocable letter of credit is RMB 3,774,648,493.72 including: the Renminbi letter of credit balance of 45,028,956.00, the US Dollar letter of credit balance of 106,950,064.94(Renminbi of 673,881,664.18), the EURO letter of credit balance of 139,012,797.91 (Renminbi of 1,134,691,965.30), the Japanese Yen letter of credit balance of 23,244,595,989.00 (Renminbi of 1,885,206,409.76), the Swiss Franc letter of credit balance of 4,633,998.00(Renminbi of 31,087,175.58) and the British Pound letter of credit balance of 489,345.00 (Renminbi of 4,752,322.90).

The balance at the year ended of letter of guarantee is RMB 21,877,098,053.06, including:the Renminbi letter of guarantee balance of 15,033,690,159.75, the US Dollar letter of guarantee balance of 1,039,548,175.98(Renminbi of 6,550,089,102.03), the EURO letter of guarantee balance of 21,224,932.38(Renminbi of 173,248,510.68) and the Indian Rupee letter of guarantee balance of 1,010,012,454.60 (Renminbi of 120,070,280.60).

2. Apart from mentioned above, there is no other significant events after balance sheet up till 31 December 2011.

IX. Events after balance sheet date

1. Profit distribution plan

By the 29 March 2012, the twenty-first meeting of the board of directors reviewed and agreed of the 2011 annual profitdistribution plan, cash dividends per share of RMB 0.16 (including tax), totaling RMB of 320,617,600.00. 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.

X. Information of segments

Dongfang Electric Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
 (All amounts in Rmb Yuan unless otherwise stated)
 (English Translation for Reference Only)

1. 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
Capitalised expenses							
Non-cash expenses other than depreciation and amortization							

2. Segments reporting in 2010

Dongfang Electric Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(All amounts in Rmb Yuan unless otherwise stated)
(English Translation for Reference Only)

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	25,677,844,823.11	11,369,277,018.23	2,957,644,776.80	4,486,304,650.52	482,753,499.25	6,893,712,582.05	38,080,112,185.86
Including:							
revenue derived from customers outside the enterprise	20,394,229,313.35	9,518,148,353.41	2,957,644,776.80	4,733,809,836.60	476,279,905.70		38,080,112,185.86
revenue derived from other segments	5,283,615,509.76	1,851,128,664.82		-247,505,186.08	6,473,593.55	6,893,712,582.05	
Operating cost	21,634,965,482.17	9,291,974,903.95	2,440,976,732.84	3,649,332,617.89	4,509,368,408.19	6,202,401,843.22	35,324,216,301.82
Operating profit (loss)	4,042,879,340.94	2,077,302,114.28	516,668,043.96	836,972,032.63	-4,026,614,908.94	691,310,738.83	2,755,895,884.04
Total assets					111,603,254,539.38	29,350,366,026.80	82,252,888,512.58
Total liabilities					90,130,307,670.20	19,661,801,675.57	70,468,505,994.63
Others							
Depreciation and amortization					932,671,061.67		932,671,061.67
Capitalised expenses							
Non-cash expenses other than depreciation and amortization							

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

XI. Other significant events

1. Details of national debt investments of Dongfang Boiler Group Co., Ltd

In 2004, Dongfang Boiler Group Co., Ltd's 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 was 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	2011	2010
Building	23,360,367.00	24,864,151.27
Land use right	5,760,064.80	5,897,209.20
Machines and equipments	7,965,313.19	12,963,029.70
Vehicles	31,798.35	57,685.85
Office equipment and others	2,735.44	
Total	37,120,278.78	43,782,076.02

2.2 Significant minimum operating lease payments

Remaining lease periods	Minimum operating lease payments
Within 1 year	30,195,003.48
1-2 years	20,162,591.88
2-3 years	19,668,846.28
Over 3 years	-
Total	70,026,441.64

3. Financial assets and financial liabilities are initially measured at fair value

Items	31-Dec-2010	Changes in fair value through profit or loss	Changes in fair value through equity	Impairment	31-Dec-2011
Financial assets					
Financial assets as fair value through profit or loss	25,711,554.32	-22,690,167.42			27,149,792.84
Derivative financial	30,879,420.82	7,164,616.86			37,819,739.50

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Items	31-Dec-2010	Changes in fair value through profit or loss	Changes in fair value through equity	Impairment	31-Dec-2011
Financial assets					
assets					
Available-for-sale financial assets	381,049,885.44		-16,829,298.68		308,987,298.90
Subtotal	437,640,860.58	-15,525,550.56	-16,829,298.68		373,956,831.24
Financial liabilities					
Derivative financial liabilities	5,305,823.49	-25,561,615.33			30,643,140.64
Subtotal	5,305,823.49	-25,785,913.51			30,643,140.64

4. Foreign currency financial assets and liabilities

Items	31-Dec-2010	Changes in fair value through profit or loss	Changes in fair value through equity	Impairment	31-Dec-2011
Financial assets					
Cash	685,099,389.97				828,684,928.55
Derivative financial assets	30,879,420.82	7,164,616.86			37,819,739.50
Accounts receivable	490,014,870.39				1,029,241,234.70
Other receivable	22,478,400.34				22,081,964.40
Subtotal	1,228,472,081.52	7,164,616.86			1,917,827,867.21
Financial liabilities					
Derivative financial liabilities	5,305,823.49	-25,561,615.33			30,643,140.64
Accounts payable	118,350,122.51				154,135,407.25
Other payable	10,694,474.12				9,613,089.62
Subtotal	134,350,420.12	-25,561,615.33			194,391,876.16

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.

XII. Financial instruments and risk management

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

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

a. Currency risk

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi, US Dollar, EURO, 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- 2011 (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
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
Total	1,689,000,863.62	106,135,603.38	50,970,571.18	70,888,201.46	832,627.57	1,917,827,867.21
Liabilities						
Derivative financial liabilities	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
Total	69,436,283.90	35,365.37	9,223,777.66	64,873,368.58	50,823,080.65	194,391,876.16

(continued)

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Items	31- Dec- 2010 (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	514,998,651.92	76,095,398.94	39,392,629.34	39,237,855.13	15,374,854.64	685,099,389.97
Derivative financial assets	30,879,420.82					30,879,420.82
Accounts receivables	466,943,382.26		4,817,310.73	18,254,177.40		490,014,870.39
Other receivables	130,864.55	21,633,973.74	592,670.76		120,891.29	22,478,400.34
Total	1,012,952,319.55	97,729,372.68	44,802,610.83	57,492,032.53	15,495,745.93	1,228,472,081.52
Liabilities						
Derivative financial liabilities	5,305,823.49					5,305,823.49
Accounts payables	44,250,202.94		4,215,246.76	24,087,672.57	45,797,000.24	118,350,122.51
Other payables		24,804.96	2,680,514.16	7,989,155.00		10,694,474.12
Total	49,556,026.43	24,804.96	6,895,760.92	32,076,827.57	45,797,000.24	134,350,420.12

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.

b. 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 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

4.81% and 17.67% 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 utilisation of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

31-Dec-2011	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Cash	10,345,027,829.13				10,345,027,829.13
Transactional Financial Assets	61,609,181.74	3,360,350.60			64,969,532.34
Notes Receivable	2,240,345,399.29				2,240,345,399.29
Accounts Receivable	14,240,086,148.67				14,240,086,148.67
Interests Receivable	76,378,518.13				76,378,518.13
Other Receivables	309,264,085.87				309,264,085.87
Total of financial assets	27,272,711,162.83	3,360,350.60			27,276,071,513.43
Short-term borrowings	2,272,298,661.98				2,272,298,661.98
Transactional Financial Liabilities	4,432,874.71	26,210,265.93			30,643,140.64
Notes Payable	3,847,524,566.75				3,847,524,566.75
Accounts Payable	14,460,216,174.87				14,460,216,174.87
Other Payables	1,871,026,035.12				1,871,026,035.12
Dividends Payable	1,560,249.58				1,560,249.58
Accrued Payroll	407,917,862.46				407,917,862.46
Non-current Liabilities Maturing Within One Year	116,320,000.00				116,320,000.00
Long-term borrowings		38,000,000.00	70,000,000.00	57,808,428.01	165,808,428.01
Total of financial liabilities	22,981,296,425.47	64,210,265.93	70,000,000.00	57,808,428.01	23,173,315,119.41

2. Fair Value

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

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

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

2.3 The fair value of derivative financial instrument is determined with reference to quoted market prices.

XIII. Notes to the paren's financial statements**1. Accounts receivables**

1.1 Accounts receivable classified by risk and related provision for bad debts is analysed below:

Item	31-Dec-2011				31-Dec-2010			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Provision for bad debts	Rate (%)
Single significant and provision for bad debts								
Provision for bad debts based on group								
Aging portfolio	1,156,600,186.56	100.00	91,706,817.42	7.93	560,771,726.31	100	31,338,873.23	5.59
Single insignificant and provision for bad debts								
Total	1,156,600,186.56	—	91,706,817.42		560,771,726.31		31,338,873.23	

1.2 The aging of accounts receivable and related provision for bad debts is analysed below:

Aging	31-Dec-2011			31-Dec-2010		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	608,087,640.24	52.58	30,404,382.01	525,370,522.96	93.69	26,268,526.15
Between 1-2 years	514,605,273.47	44.49	51,460,527.35	20,098,935.90	3.58	2,009,893.59
Between 2-3 years	18,605,005.40	1.61	3,721,001.08	15,302,267.45	2.73	3,060,453.49
Between 3-4 years	15,302,267.45	1.32	6,120,906.98			
Total	1,156,600,186.56	100.00	91,706,817.42	560,771,726.31	100.00	31,338,873.23

1.3 The balance at year ended increased by 106.25%, compared with 31 Dec 2020, which was mainly caused by difficulty in finance for the customers.

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

1.4 The balance at year ended has no debtor who is a shareholder of the Company with 5% or more voting rights.

1.5 The top 5 of account receivable

Items	Relationship	Amount	Aging	Proportion to book value of account receivable(%)
BGR Energy Systems Limited	Client	840,988,018.29	1-2 years	72.71
Northern Power Generation Company	Client	96,630,131.42	1-2 years	8.35
CNOOC Fujian Gas Power Co., Ltd	Client	82,643,050.28	1-4 years	7.15
LANCO International PTE Ltd	Client	58,832,133.39	Within 1 year	5.09
SIEG Hongguang Power Generation Co.,Ltd	Client	34,959,000.00	Within 1 year	3.02
Total		1,114,052,333.38		96.32

1.6 Related parties in accounts receivable

Items	Relationship	Amount	Proportion to book value of account receivable(%)
Dong Fang Electric (India) Private Limited	Subsidiary	4,640,253.70	0.40

1.7 Foreign currency in accounts receivable

Items	31-Dec-2011			31-Dec-2010		
	Local currency	Exchange rate	Renminbi	Local currency	Exchange rate	Renminbi
US Dollar	153,541,672.76	6.3009	967,450,725.89	68,822,513.26	6.6227	455,790,858.57
Euro	4,234,524.20	8.1625	34,564,303.78	1,597,666.20	8.8065	14,069,847.39
Total			1,002,015,029.67			469,860,705.96

2. Other receivables

2.1 Other receivable classified by risk and related provision for bad debts is analysed below:

Item	31-Dec-2011				31-Dec-2010			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Provision for bad debts	Rate (%)
Single significant and provision for bad debts	4,620,770,000.00	97.58			4,440,000,000.00	98.17		

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Item	31-Dec-2011				31-Dec-2010			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Provision for bad debts	Rate (%)
Provision for bad debts based on group	114,448,701.96	2.42	21,431,578.56	18.73	82,957,386.84	1.83	10,754,389.33	12.96
Aging portfolio					-	-	-	-
Single insignificant and provision for bad debts								
Total	4,735,218,701.96	—	21,431,578.56	—	4,522,957,386.84	—	10,754,389.33	—

2.2 Single significant and provision for bad debts

Name	Book balance	Provision for bad debts	Proportion (%)	Reason
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	2,924,000,000.00			A share
Dongfang Electric Machinery Co., Ltd	917,500,000.00			A share
Dongfang Boiler Group Co., Ltd	621,000,000.00			A share
Dongfang Steam Turbine Co., Ltd	113,970,000.00			A share
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	44,300,000.00			A share
Total	4,620,770,000.00	—	—	—

2.3 The aging of other receivable and related provision for bad debts are as follows:

Aging	31-Dec-2011			31-Dec-2010		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	52,728,834.14	46.07	2,636,441.76	33,745,158.91	40.68	1,687,257.95
1-2 years	18,406,570.51	16.08	1,840,657.05	7,753,126.44	9.35	775,312.64
2-3 years	1,854,195.82	1.62	370,839.16	41,459,101.49	49.98	8,291,818.74
3-4 years	41,459,101.49	36.23	16,583,640.59			
Total	114,448,701.96	—	21,431,578.56	82,957,386.84	—	10,754,389.33

2.4 The balance at year ended of debtor who is a shareholder of the Company with 5% or more voting rights

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Item	31-Dec-2011		31-Dec-2010	
	Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
DEC	19,768,918.22	4,488,445.91	22,728,927.70	2,679,457.45

2.5 The top 5 of other receivables

Items	Relationship	Amount	Aging	Proportion to book value of account receivable(%)
Dongfang Steam Turbine Co., Ltd	Subsidiary	2,925,416,372.89	1-3 years	61.78
Dongfang Electric Machinery Co., Ltd	Subsidiary	947,420,800.81	1-4 years	20.01
Dongfang Boiler Group., Ltd	Subsidiary	621,041,495.00	1-3 years	13.12
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	Subsidiary	114,005,165.21	1-3 years	2.41
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	Within 1 year	0.94
Total		4,652,183,833.91		98.26

2.6 Related parties in other receivable

Items	Relationship	Amount	Proportion to book value of account receivable(%)
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	Subsidiary	114,005,165.21	2.41
Dongfang Electric Machinery Co., Ltd	Subsidiary	947,420,800.81	20.01
Dongfang Boiler Group Co., Ltd	Subsidiary	621,041,495.00	13.12
Dongfang Steam Turbine Co., Ltd	Subsidiary	2,925,416,372.89	61.78
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	0.94
Shenzhen Dongfang Boiler Control Co., Ltd	Subsidiary	1,025.00	0.01
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	Subsidiary	1,025.00	0.01
China Dongfang Electric Corporation	Subsidiary	19,768,918.22	0.42
Total		4,671,954,802.13	98.70

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

2.7 Foreign currency in other receivable

Items	31-Dec-2011			31-Dec-2010		
	Local currency	Exchange rate	Renminbi	Local currency	Exchange rate	Renminbi
US Dollar	52,892.00	6.3009	333,267.20	19,760.00	6.6227	130,864.55
Pakistan Rupee	289,791,340.94	0.07001	20,288,291.78	280,924,214.28	0.07701	21,633,973.74
Vietnamese Dong	701,554,522.00	0.00030	210,494.42	3,559,500.00	0.0340	120,891.29
Total			20,832,053.40			21,885,729.58

3. Long-term Investments**3.1 Long-term equity investments**

Item	31-Dec-2011	31-Dec-2010
Long-term equity Investments under cost method	9,709,219,183.19	9,709,214,129.83
Long-term equity Investments under equity method	139,993,937.88	65,471,618.54
Total	9,849,213,121.07	9,774,685,748.37
Net book value	9,849,213,121.07	9,774,685,748.37

3.2 Long-term equity Investments under cost method and equity method

Name of Entity Invested	Shares Held (%)	Voting Right (%)	Cost	31-Dec-2010	Increased
Under Cost Method					
1.Dongfang Boiler Group Co., Ltd	99.67	99.67	4,391,395,417.83	4,391,395,417.83	
2.Dongfang Steam Turbine Co., Ltd	100	100	2,542,003,999.71	2,542,003,999.71	
3.Dongfang Electric Machinery Co., Ltd	100	100	2,000,000,000.00	2,000,000,000.00	
4.Dong Fang Electric (India) Private Limited	100	100	54,800,373.28	54,795,319.92	5,053.36
5.Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	67.00	67.00	131,560,000.00	131,560,000.00	
6.Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	51.0452	51.0452	589,459,392.37	589,459,392.37	
Subtotal			9,709,219,183.19	9,709,214,129.83	5,053.36
Under equity method					

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Name of Entity Invested	Shares Held (%)	Voting Right (%)	Cost	31-Dec-2010	Increased
Dongfang Areva Nuclear Pump Co.,Ltd	50.00	50.00	75,000,000.00	65,471,618.54	75,597,149.44
Sichuan Energy Industry Wind Power Development Co.,Ltd	20.00	20.00	4,000,000.00		4,000,000.00
Subtotal			79,000,000.00	65,471,618.54	79,597,149.44
Total			9,788,219,183.19	9,774,685,748.37	79,602,202.80

Long-term equity Investments under cost method and equity method (Continued)

Name of Entity Invested	Shares held (%)	Voting right (%)	Decreased	31-Dec-2011	Deividends
Under Cost Method					
1.Dongfang Boiler Group Co., Ltd	99.67	99.67		4,391,395,417.83	288,051,101.28
2.Dongfang Steam Turbine Co., Ltd	100	100		2,542,003,999.71	355,288,611.00
3.Dongfang Electric Machinery Co., Ltd	100	100		2,000,000,000.00	260,604,966.00
4.Dong Fang Electric (India) Private Limited	100	100		54,800,373.28	
5.Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	67.00	67.00		131,560,000.00	
6.Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	51.0452	51.0452		589,459,392.37	
Subtotal				9,709,219,183.19	903,944,678.28
Under equity method					
Dongfang Areva Nuclear Pump Co.,Ltd	50.00	50.00	4,824,494.76	136,244,273.22	4,824,494.76
Sichuan Energy Industry Wind Power Development Co.,Ltd	20.00	20.00	250,335.34	3,749,664.66	
Subtotal			5,074,830.10	139,993,937.88	4,824,494.76

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Total			5,074,830.10	9,849,213,121.07	908,769,173.04
--------------	--	--	---------------------	-------------------------	-----------------------

According to equity transfer agreement signed in October 2011 between Dong Fang Electric (India) Private Limited and Chen Weimin and Liang Jian, the Group bought 0.005% share of Dong Fang Electric (India) Private Limited from Chen Weimin and Liang Jian respectively, but to satisfy India laws, the group signed entrustment agreements with Chen Weimin and Liang Jian to entrust them to hold 0.005% share of Dong Fang Electric (India) Private Limited respectively.

3.3 Investment in associate- All the amount shows below is presented as 10K as a unit.

Name of associate	Share (%)	Total Assets at 31 Dec 2011	Total Liabilities at 31 Dec 2011	Net assets at 31 Dec 2011	Revenue for 2011	Net profits for 2011
Dongfang Areva Nuclear Pump Co.,Ltd	50	141,576.58	122,272.84	19,303.74	68,350.78	11,770.54
Sichuan Energy Industry Wind Power Development Co.,Ltd	20	1,875.07	0.23	1,874.83		-125.17
Total		143,451.64	122,273.07	21,178.57	86,350.78	11,645.37

3.4 The balance at year ended has no significant restricted long-term investments.

4. Revenue and cost of sales

4.1 Revenue and cost of sales

Item	2011	2010
Main operations	13,662,510,983.77	9,856,070,009.77
Other sales	14,178,326.87	19,553,898.03
Total	13,676,689,310.64	9,875,623,907.80
Cost of main operations	12,592,540,765.03	9,316,382,561.74
Cost of sales-others	2,060,639.09	2,417,036.31
Total	12,594,601,404.12	9,318,799,598.05

5. Investment income

Item	2011	2010
Long-term equity Investments under cost method	903,944,678.28	828,172,507.75
Long-term equity Investments under equity method	60,322,039.08	32,617,561.22
Investment income during holding transactional financial assets	301,359.90	
Investment income during holding available-for-sale financial assets	11,488,788.80	
Disposal of transactional financial assets	6,657,406.86	

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Item	2011	2010
Disposal of available-for-sale financial assets	1,074,178.70	
Loans		1,720,833.34
Total	983,788,451.62	862,510,902.31

5.1 The investment income under cost method

Name	2011	2010	Reason for changes
Dongfang Steam Turbine Co., Ltd	355,288,611.00	312,860,633.09	Increase in sales revenue and net profit
Dongfang Electric Machinery Co., Ltd	260,604,966.00	279,270,000.00	Decrease in net profit
Dongfang Boiler Group Co., Ltd	288,051,101.28	236,041,874.66	Increase in sales revenue
Total	903,944,678.28	828,172,507.75	

5.2 The investment income under equity method

Name	2011	2010	Reason for changes
Dongfang Areva Nuclear Pump Co.,Ltd	60,572,374.42	32,617,561.22	Increase in sales revenue and net profit
Sichuan Energy Industry Wind Power Development Co.,Ltd	-250,335.34		
Total	60,322,039.08	32,617,561.22	

6. Supplementary of Cash flow statement of parent company

Item	2011	2010
Reconciliation of net profit / (loss) to cash flows from operating activities		
Net profit / (loss)	1,676,918,007.83	1,138,864,544.52
Add: Provision for / (Reversal of) asset impairment	71,064,940.29	27,861,937.92
Depreciation of fixed assets	3,173,762.10	2,158,304.72
Amortization of intangible assets	23,907.69	22,574.36
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	2,325.00	29,703.00
Losses (Gains) on change in fair value	40,825,738.92	-20,386,123.34
Finance expenses (income)	-45,921,113.09	103,018,218.76
Investment losses (income)	-983,788,451.62	-862,510,902.31
Decrease(Increase) in Deferred tax asset	-21,831,535.50	-4,496,428.93
Increase(decrease) in Deferred tax liability	45,875.97	4,055,497.07
Decrease (Increase) in inventories	-990,191,639.52	279,845,852.67

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Item	2011	2010
Decrease (Increase) in operating receivables	-41,654,965.36	-3,497,378,899.40
Increase (Decrease) in operating payables	692,737,987.55	4,380,763,168.90
Net cash flows from operating activities	401,404,840.26	1,551,847,447.94
Investing and financing activities that do not involve cash receipts and payments		
Net increase in cash and cash equivalents		
Cash at end of year	957,119,761.29	3,599,890,429.25
Less: cash at beginning of year	3,599,890,429.25	6,074,484,094.01
Net increase in cash and cash equivalents	-2,642,770,667.96	-2,474,593,664.76

XIV. Supplementary information

1. Summary of non-recurring profit or loss in 2011

Items	2011	Notes
Net profit for non-current assets disposal	-7,775,808.50	
Government grants recognised in profits or losses	185,706,829.34	
Gains or losses from changes in fair value of financial assets and liabilities held for trading except for hedging contracts and disposal of financial assets and liabilities held for trading and available-for-sale financial assets	-3,168,433.16	
Reversal of provision for bad-debts of accounts receivable subject to separate provision	14,248,000.00	
Other non-operating income and expenses other than the aforementioned items	9,790,496.76	
Subtotal	198,801,084.44	
Impact on income tax	24,258,907.12	
Impact on minority interests (post tax)	8,174,546.27	
Total	166,367,631.05	

2. Weighted average return on net assets and earnings per share

Year ended 31 December 2011	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	24.65	1.53	1.53
Net profit after deducting non-recurring profit or loss attributable to ordinary	23.31	1.44	1.44

Dongfang Electric Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in Rmb Yuan unless otherwise stated)

(English Translation for Reference Only)

Year ended 31 December 2011	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
shareholders of the Company			

XV. Approval of the Financial Statements

The financial statements have been approved by the board of directors on 29 March 2012.

Dongfang Electric Corporation Limited

Si Zefu

Legal representative:

Person in charge of accounting function:

Gong Dan

Person in charge of accounting department:

Zeng Yi

29 March 2012