



INTERIM  
REPORT 2012

**DEC** 东方电气  
DONGFANG ELECTRIC

Dongfang Electric Corporation Limited

( H Share Stock Code: 1072 )

( A Share Stock Code : 600875 )

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## RESULTS HIGHLIGHTS

- Total revenue from operations in the first half of 2012 amounted to RMB20,011 million, representing an increase of 1.28% compared with the same period last year;
- Net profit attributable to shareholders of the Company in the first half of 2012 amounted to RMB1,244 million, representing a decrease of 19.11% compared with the same period last year;
- Earnings per share in the first half of 2012 amounted to RMB0.62, as compared with RMB0.77 for the same period last year; and
- New orders in the first half of 2012 amounted to RMB22 billion.

## I. IMPORTANT NOTICE

- (I) The board of directors (the “Board”), the supervisory committee and the directors, supervisors and senior management of the Company warrant that the information in this report contains no false representation, misleading statements or material omission, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the contents of this report.
- (II) Apart from Li Yanmeng, Zhao Chunjun and Peng Shaobing (directors of the Company) who could not attend the Board Meeting due to business reasons, all other directors of the Company attended the Board meeting.
- (III) The Company’s interim financial report is unaudited.
- (IV) The controlling shareholder of the Company or its connected persons did not misappropriate the Company’s funds.
- (V) The Company did not provide external guarantees in violation of any specified decision-making procedures.
- (VI) Si Zefu, Chairman of the Company, Gong Dan, Chief Accountant and Zeng Yi, Head of Finance Department have declared that they warrant the truthfulness and completeness of the financial statements in this interim report.
- (VII) The financial statements of this interim report were prepared in accordance with China Accounting Standards for Business Enterprises and relevant regulations.

## II. COMPANY PROFILE

### (I) Company Information

Legal Chinese name of the Company:	東方電氣股份有限公司
Abbreviation of the legal Chinese name of the Company:	東方電氣
Legal English name of the Company:	Dongfang Electric Corporation Limited
Abbreviation of the legal English name of the Company:	DEC
English name of the Company:	DEC
Legal representative of the Company:	Si Zefu

### (II) Contact Person and Information

	Secretary to the Board	Representative of securities affairs
Name	Gong Dan	Huang Yong
Contact address	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Telephone	86-28-87583666	86-28-87583666
Fax	86-28-87583551	86-28-87583551
E-mail	dsb@dongfang.com	dsb@dongfang.com

### (III) Basic Information

Registered address	18 Xixin Road, High-Tech District (Western District), Chengdu
Post code for the registered address	611731
Company business address	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Post code for the business address	610036
Website of the Company	<a href="http://www.dec-ltd.cn/">http://www.dec-ltd.cn/</a>
E-mail	dsb@dongfang.com

## II. COMPANY PROFILE (CONTINUED)

### (IV) Places for Information Disclosure and Inspection

Newspapers for disclosure of the Company's information	China Securities Journal, Shanghai Securities News
Website designated by CSRC for publication of the Company's interim report	www.sse.com.cn
Place where the Company's interim report is available for inspection	Board Office of the Company

### (V) Share Information

#### Share information

Class of share	Listing place	Abbreviation of the stock	Stock code	Stock name before the change
A Shares	Shanghai Stock Exchange	東方電氣	600875	東方電機
H Shares	The Stock Exchange of Hong Kong Limited (the "Stock Exchange")	Dongfang Elec	1072	Dongfang Electrical

## II. COMPANY PROFILE (CONTINUED)

## (VI) Major Financial Data and Indicators

## 1. Major Accounting Data and Financial Indicators

Unit: RMB

	As at the end of the reporting period	As at the end of the previous year	Change at the end of the reporting period as compared with the end of the previous year (%)
Total assets	79,758,914,277.99	82,442,725,917.98	-3.26
Owner's equity			
(Shareholders' equity)	14,737,169,568.65	13,802,558,874.23	6.77
Net assets per share attributable to shareholders of the Company (RMB/share)	7.35	6.89	6.77

## II. COMPANY PROFILE (CONTINUED)

### (VI) Major Financial Data and Indicators (Continued)

#### 1. Major Accounting Data and Financial Indicators (Continued)

	Reporting period (Jan - Jun)	Corresponding period last year	Changes in the reporting period as compared with the corresponding period last year (%)
Total revenue			
from operations	20,011,488,282.92	19,759,214,532.88	1.28
Operating profit	1,428,078,596.18	1,722,532,439.38	-17.09
Total profit	1,475,190,602.68	1,774,637,544.28	-16.87
Net profit attributable to the shareholders of the Company	1,243,959,495.33	1,537,912,879.36	-19.11
Net profit after extraordinary profit and loss attributable to shareholders of the Company	1,191,072,067.08	1,483,927,975.42	-19.74
Basic earnings per share (RMB)	0.62	0.77	-19.11
Basic earnings per share after extraordinary profit and loss (RMB)	0.59	0.74	-19.74
Diluted earnings per share (RMB)	0.62	0.77	-19.11
Weighted average return on net assets (%)	8.62	11.77	Decreased by 3.15 percentage points
Net cash flow from operating activities	-2,256,809,459.49	-1,827,903,695.83	N/A
Net cash flow per share from operating activities (RMB)	-1.13	-0.91	N/A

Note: The "changes" will be "N/A" if it is a negative number for the same period last year.



## II. COMPANY PROFILE (CONTINUED)

## (VI) Major Financial Data and Indicators (Continued)

## 2. Extraordinary profit or loss items and amounts

Unit: RMB

Extraordinary profit and loss items	Amount
Profit and loss from disposal of non-current assets	252,027.57
Government subsidiaries accounted for as current profit and loss (excluding those closely related to the Company's business and enjoyed according to the State's standard quota or quantity)	57,520,759.36
Gain or loss from the changes in fair value of held-for-trading financial assets, held-for-trading financial liabilities and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those from effective hedging activities relating to the Company's ordinary course of business	3,422,359.48
Profit or loss from entrusted loans	
Other non-operating income/expenses other than the above items	607,809.58
Effect of income tax	-7,328,182.90
Effect of minority interests(after tax)	-1,587,344.84
Total	<u><u>52,887,428.25</u></u>

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

#### (I) Changes in Share Capital

##### 1. Changes in Share Capital (As at 30 June 2012)

Unit: Share

	Before the change		Issue of new shares	Increase/decrease (+, -)			Subtotal	After the change	
	Number	Percentage (%)		Bonus issue	Conversion of capital reserve into shares	Others		Number	Percentage (%)
I. Shares subject to trading moratorium	119,930,000	5.985					119,930,000	5.985	
1. State owned shares									
2. State owned legal person shares	119,930,000	5.985					119,930,000	5.985	
3. Other domestic shares									
Including: Domestic non-state owned legal person shares									
Domestic natural person shares									
4. Foreign shares									
Including: Overseas legal person shares									
Overseas natural person shares									
II. Shares not subject to trading moratorium	1,883,930,000	94.015					1,883,930,000	94.015	
1. Renminbi ordinary shares	1,543,930,000	77.048					1,543,930,000	77.048	
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	340,000,000	16.967					340,000,000	16.967	
4. Others									
III. Total shares	2,003,860,000	100					2,003,860,000	100	

##### 2. Structure of the Share Capital

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

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (II) Information of Shareholders

##### 1. Number of shareholders and shareholdings

Unit: Share

Total number of shareholders as at the end of the reporting period	149,092
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##### Shareholdings of the top ten shareholders

Name of shareholder	Capacity	Percentage (%)	Total number of shares held	Increase (decrease) in the reporting period	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	0	119,930,000	Nil
HKSCC Nominees Limited	Overseas legal person	16.88	338,188,097	2,200	0	Unknown
Minmetals Investment & Development Co.,Ltd.	State-owned legal person	0.80	16,000,000	0	0	Unknown
China Life Insurance Company Limited-Dividend - Individual Dividend-005L- FH002 Shanghai (中國人壽保險股份有限公司 一分紅一個人分紅 —005L-FH002 滬)	Others	0.70	13,964,172	7,934,012	0	Unknown
China Life Insurance Company Ltd.- 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	0.39	7,792,092	115,550	0	Unknown

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (II) Information of Shareholders (Continued)

##### 1. Number of shareholders and shareholdings (Continued)

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

Name of shareholder	Capacity	Percentage (%)	Total number of shares held	Increase (decrease) in the reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
China Huarong Asset Management Corporation	Others	0.38	7,546,864	0	0	Unknown
Yulong Securities Investment Fund (裕隆證券投資基金)	Others	0.37	7,392,500	-1,107,500	0	Unknown
Xinhua Life Insurance Company Limited - Dividend - Individual Dividend -018L-FH002 Shanghai (新華人壽保險股份有限公司一分紅一個人分紅—018L—FH002滬)	Others	0.33	6,600,586	3,590,586	0	Unknown
China Life Insurance Company Ltd.- traditional-ordinary insurance product-008C — CT001 Shanghai (中國人壽保險股份有限公司—傳統—普通保險產品—008C—CT001 滬)	Others	0.26	5,253,205	4,207,860	0	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	0.20	4,008,249	-4,991,475	0	Unknown

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (II) Information of Shareholders (Continued)

##### 1. Number of shareholders and shareholdings (Continued)

##### Shareholdings of the top ten holders of shares not subject to trading moratorium

Unit: Share

Name of shareholder	Number of shares held not subject to trading moratorium	Class of shares
Dongfang Electric Corporation	882,553,235	Renminbi denominated ordinary shares
HKSCC Nominees Limited	338,188,097	Overseas listed foreign shares
Minmetals Investment & Development Co.,Ltd.	16,000,000	Renminbi denominated ordinary shares
China Life Insurance Company Limited — Dividend — Individual Dividend — 005L — FH002 Shanghai (中國人壽保險股份有限公司 一分紅一個人分紅—005L—FH002滬)	13,964,172	Renminbi denominated ordinary shares
China Life Insurance Company Ltd.- 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)	7,792,092	Renminbi denominated ordinary shares
China Huarong Asset Management Corporation	7,546,864	Renminbi denominated ordinary shares

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (II) Information of Shareholders (Continued)

##### 1. Number of shareholders and shareholdings (Continued)

##### Shareholdings of the top ten holders of shares not subject to trading moratorium (Continued)

Unit: Share

Name of shareholder	Number of shares held not subject to trading moratorium	Class of shares
Yulong Securities Investment Fund (裕隆證券投資基金)	7,392,500	Renminbi denominated ordinary shares
Xinhua Life Insurance Company Limited - Dividend - Individual Dividend -018L-FH002 Shanghai (新華人壽保險股份有限公司—分紅—個人分紅—018L—FH002滬)	6,600,586	Renminbi denominated ordinary shares
China Life Insurance Company Ltd.— traditional-ordinary insurance product-008C—CT001 Shanghai (中國人壽保險股份有限公司—傳統—普通保險產品—008C—CT001滬)	5,253,205	Renminbi denominated ordinary shares
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)	4,008,249	Renminbi denominated ordinary shares
Statements on the connected relationship or concerted actions among the aforesaid shareholders	The Company is not aware of any connected relationship among the top ten shareholders and top ten shareholders of circulating shares or any party acting in concert.	

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (II) Information of Shareholders (Continued)

##### 1. Number of shareholders and shareholdings (Continued)

##### Shareholdings of the top ten holders of shares subject to trading moratorium and trading moratorium

Unit: Share

Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Listing of shares subject to trading moratorium		Trading moratorium
		Date on which such shares can be traded on the Shanghai Stock Exchange	Increase in number of shares available for trading on the Shanghai Stock Exchange	
Dongfang Electric Corporation	119,930,000	1 December 2012	119,930,000	The shares issued by the Company to Dongfang Electric Corporation this time shall not be transferred within 36 months from the completion of issue of such shares. The new shares are expected to be listed and traded on 1 December 2012, or the following working day if such date shall fall on a statutory holiday or non-working day.

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS *(CONTINUED)*

#### (II) Information of Shareholders *(Continued)*

##### 1. Number of shareholders and shareholdings *(Continued)*

- \*Notes: (1) Dongfang Electric Corporation is the authorized holder of 1,002,483,235 domestic legal person shares (State-owned legal person shares). None of the shares held by it was pledged, frozen or under custody during the reporting period.
- (2) Substantial shareholder's and other person's interests or short positions in the shares or underlying shares of the Company.

So far as known to the directors, supervisors and the chief executive of the Company, as at 30 June 2012, shareholders (shareholders who can exercise or control over 5% of the voting rights at any general meetings of the Company) or other persons (other than the directors, supervisors or chief executive of the Company) who holds interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company and the Stock Exchange 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 have been disclosed to the Company or the Stock Exchange, were as follows:



### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (II) Information of Shareholders (Continued)

##### 1. Number of shareholders and shareholdings (Continued)

Name	Class of share Capacity		Number of shares held (shares)	Percentage	Percentage
				of total share capital (%)	of the class of total issued shares (%)
BlackRock, Inc.	H share	Interests in controlled corporation	28,525,637(L)	1.42(L)	8.39(L)
			2,241,930(S)	0.11(S)	0.65(S)
FIL Limited	H share	Investment manager	20,242,675(L)	1.01(L)	5.95(L)
JPMorgan Chase & Co.	H share	Beneficial owner and custodian	25,877,014(L)	1.29(L)	7.61(L)
			3,037,153(S)	0.15(S)	0.89(S)
			22,102,661(P)	1.10(P)	6.50(P)
The Northern Trust Company(ALA)	H share	Approved lending agent	20,231,548(P)	1.01(P)	5.95(P)

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

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS *(CONTINUED)*

#### (II) Information of Shareholders *(Continued)*

##### 1. Number of shareholders and shareholdings *(Continued)*

- (a) As shown in the Disclosure of Interests filed by JPMorgan Chase & Co. on 20 February 2012 in relation to the Relevant Event dated 16 February 2012, these shares are held through certain subsidiaries of JPMorgan Chase & Co. Among the 25,877,014 H shares (L) held by it, 3,774,353 shares are held in the capacity of beneficial owner; and 22,102,661 shares (P) are held in the capacity of custodian.
- (b) The Company has not received any information as to any holders of H shares holding more than 10% of the total issued share capital of the Company.
- (c) There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association.
- (d) As at 30 June 2012, the Company or its subsidiaries had not issued any convertible securities, options, warrants or any other similar rights or redeemable securities.

Save as disclosed above, as of 30 June 2012 the Company is not aware of any person (not being a director, or a supervisor or chief executive of the Company) who holds interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept pursuant to Section 336 of the SFO, or have been disclosed to the Company or to the Stock Exchange.

### III. CHANGE IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS *(CONTINUED)*

#### (II) Information of Shareholders *(Continued)*

##### 2. Change in the controlling shareholder and de facto controller of the Company

During the reporting period, there was no change in the controlling shareholder and de facto controller of the Company.

### IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

As at 30 June 2012, the following directors, supervisors, or chief executives had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning under 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 which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”):

#### IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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

##### Shareholdings of Directors, Supervisors and Senior Management

Unit: Share

Name	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/decrease during the Period	Reason for the change
<b>Directors</b>				
Si Zefu	0	0	—	—
Zhang Xiaolun	0	0	—	—
Wen Shugang	0	0	—	—
Huang Wei	0	0	—	—
Zhu Yuanchao	0	0	—	—
Zhang Jilie	0	0	—	—
Li Yanmeng	0	0	—	—
Zhao Chunjun	0	0	—	—
Peng Shaobing	0	0	—	—
<b>Supervisors</b>				
Wen Bingyou	8,238	8,238	0	—
Wen Limin	0	0	—	—
Wang Congyuan	0	0	—	—
<b>Senior management</b>				
Zhang Zhiying	0	0	—	—
Han Zhiqiao	2,540	2,540	0	—
Gong Dan	2,540	2,540	0	—
Chen Huan	0	0	—	—
Gao Feng	0	0	—	—

#### IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (*CONTINUED*)

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

*\*Note:*

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

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

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 as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, none of the directors, supervisors or chief executives of the Company, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associate corporations (within the meaning under 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 which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

#### IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (*CONTINUED*)

##### (II) **New Appointment or Dismissal of Directors, Supervisors and Senior Management of the Company**

At the annual general meeting held on 17 May 2012, the Board and the supervisory committee of the Company held a general election for the seventh Board and the seventh supervisory committee, in which Mr. Si Zefu, Mr. Wen Shugang, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Zhu Yuanchao and Mr. Zhang Jilie were elected as Directors; Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing were elected as independent non-executive Directors; and Mr. Wen Bingyou and Mr. Wen Limin were elected as supervisors representing shareholders.

On the trade union congress held on 11 May 2012, Mr. Wang Congyuan was elected as the supervisor of the employees' representatives.

The above directors and supervisors were appointed for a term of 3 years starting from 28 June 2012.

On 28 June 2012, the Company held the first meeting of the seventh Board, at which Mr. Wen Shugang was retained as the President of the Company, Mr. Zhang Zhiying as the Executive Vice President, Mr. Han Zhiqiao, Mr. Chen Huan and Mr. Gao Feng as the Vice Presidents, Mr. Gong Dan as the Chief Accountant and Secretary to the Board.

The term of the above senior management of the Company is the same as that of the members of the seventh Board.

## V. REPORT OF THE BOARD

### (I) Discussion and Analysis on the Overall Operations during the Period

In the first half of 2012, the Company overcame the adverse impact from the sluggish world economy and shrinking demands in the domestic power generation equipment market, vigorously carried out various production, operation and management activities and achieved steady and sustained development by adhering to the priorities on “highlighting principal operations, optimizing allocation and refining management” and 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).

#### **Completion of Operation Indicators**

During the reporting period, in accordance with the PRC ASBE, the Company recorded a total operating revenue of RMB20,011 million, representing an increase of 1.28% over the same period last year; net profit attributable to shareholders of the Company of RMB1,240 million, representing a decrease of 19.11% from the same period last year; earnings per share of RMB0.62; and gross profit margin for principal operations of 19.35%, representing a decrease of 1.08 percentage points from the same period last year.

#### **Capacity of Power Generation Equipments**

During the reporting period, the Company produced power generation equipments with total capacity of 16,551MW, including 13 hydro-electric turbine generator sets (3,257MW), 24 steam turbine generators (13,170MW), and 82 wind turbine generator sets (124MW), as well as 34 power station boilers (11,480MW) and 41 power station steam turbines (10,053.5MW).

## V. REPORT OF THE BOARD (*CONTINUED*)

### (I) Discussion and Analysis on the Overall Operations during the Period (*Continued*)

#### **Market exploration through painstaking efforts**

In the first half of 2012, falling market demands led to fiercer competition. The Company struggled to carry out its market exploration. The Company's new orders for the Period amounted to approximately RMB22 billion, of which export orders declined notably to RMB2.24 billion as compared with the same period last year, accounting for 10% of all new orders. Nevertheless, the Company secured a substantial growth in orders for gas turbine products with contract value of RMB6.7 billion in the first half of the year, accounting for 30% of all new orders. Among such new orders, 59.4% was attributable to high-efficiency clean energy, 14.8% to new energy, 10.8% to water energy and environmental protection, and 15.0% to engineering and services.

As at 30 June 2012, the Company had orders in hand of more than RMB147 billion, among which high-efficiency clean energy accounted for 58.4%, new energy 15.8%, water energy and environmental protection 9.7%, engineering and services 16.1%. Export orders accounted for 18.4% of all of the Company's orders in hand.



V. REPORT OF THE BOARD (*CONTINUED*)(I) Discussion and Analysis on the Overall Operations during the Period (*Continued*)**Further enhanced management level**

In the first half of this year, the Company kicked off and fully implemented the management enhancement campaign, continuously strengthened fundamental corporate management, boosted quality management level, furthered technological innovation, and enhanced its core competitiveness.

**Continuously proceeded with cost reduction and efficiency increase**

In the first half of this year, the Company firmly carried out the “cost/expenditure reduction and efficiency/income increase” activity, practically reinforced cost control throughout all the production and operation process, and lowered cost expenditures through such measures as optimizing the design process, improving the production organization flow, centralized tender offer for bulk materials procurement, energy saving and consumption reduction, and control of quality loss, thus facilitating cost reduction and efficiency increase in a sustained manner.

## V. REPORT OF THE BOARD (CONTINUED)

### (II) Main Businesses and Their Operations

#### 1. Principal Operations by Industry and Product

Unit: RMB

Industry/Product	Operating Revenue	Operating Cost	Operating profit margin (%)	Year-on-year	Year-on-year	Year-on-year
				increase/decrease in revenue (%)	increase/decrease in cost (%)	increase/decrease in operating profit margin (%)

##### By Industry

Manufacture of power generation equipments	19,873,410,965.65	16,027,533,038.59	19.35	1.8	3.18	Decreased by 1.08 percentage points
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##### By Product

High efficiency and clean power generation equipments	11,420,900,841.60	9,079,275,934.74	20.5	-1.29	-2.23	Increased by 0.76 percentage points
New energy	4,112,010,888.06	3,361,865,401.27	18.24	-3.06	-1.67	Decreased by 1.16 percentage points
Water energy and environmental equipments	1,833,939,344.51	1,455,323,889.90	20.64	43.3	39.23	Increased by 2.32 percentage points
Engineering and services	2,506,559,891.48	2,131,067,812.68	14.98	3.12	19.48	Decreased by 11.64 percentage points

V. REPORT OF THE BOARD (*CONTINUED*)(II) Main Businesses and Their Operations (*Continued*)1. Principal Operations by Industry and Product (*Continued*)

Descriptions of Principal Operations by Industry and Product:

From perspective of comprehensive gross profit margin, the Company's comprehensive gross profit margin of principal operations for the Period was 19.35%, decreased by 1.08 percentage points as compared with 20.43% for the same period last year. From perspective of products, the gross profit margin of new energy for the Period was 18.24%, representing a decrease of 1.16 percentage points as compared with 19.40% for the same period last year, mainly attributable to the year-on-year decrease in the sales price of wind power products during the Period. The gross profit margin of water energy and environmental equipments for the Period was 20.64%, representing an increase of 2.32 percentage points as compared with 18.32% for the same period last year, mainly attributable to changes in the structure of hydropower equipment projects during the Period. The gross profit margin of engineering and services for the Period was 14.98%, representing a material year-on-year decrease of 11.64 percentage points, mainly due to changes in the structure of engineering projects during the Period.

## V. REPORT OF THE BOARD (CONTINUED)

### (II) Main Businesses and Their Operations (Continued)

#### 2. Principal Operations by Region

Unit: RMB

Region	Operating Revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	15,638,434,283.47	-11.59
Overseas	4,234,976,682.18	130.90

#### 3. Problems and Obstacles in Operation

In the first half of 2012, the Company was confronted with great difficulties and challenges in market exploration as a result of lingering sluggish market demands, shrinking demands for thermal power, actually stalled nuclear power market, increasing competition in the wind power market and sharp declines in the demands of international markets. On the other hand, affected by the state policies and insufficient capital financed by owners of power projects, the construction progress of certain power projects became uncertain, making it more difficult to recover loans and arrange production schedules.

V. REPORT OF THE BOARD (*CONTINUED*)(II) Main Businesses and Their Operations (*Continued*)**4. Material Events**

There has been no event since the end of the reporting period which materially affected the Company and its subsidiaries.

**5. Outlook for the Second Half of the Year**

In the second half of 2012, in face of grimmer domestic and overseas market conditions, the Company will closely keep track of new technologies and projects, and make unremitting efforts to explore both domestic and overseas markets by seizing the opportunities arising from the fast-growing gas turbine market and restart of nuclear power. Meanwhile, the Company will continue its management enhancement initiative in pursuit of constant progress in quality management and technology management, boost products quality and strictly control cost expenditures by means of cost reduction and efficiency increase. In addition, the Company will strengthen products research and development for breakthroughs in key products and core technologies with the emphasis on highlighting principal operations, optimize performance and continuously raise the competitiveness of its products so as to fulfill sustained and stable growth.

## V. REPORT OF THE BOARD (CONTINUED)

### (III) Financial Analysis

#### Analysis on Changes in Balance Sheet during the Reporting Period

##### Changes in composition of assets:

Unit: RMB

Item	Closing balance	Opening balance	Year-on-year increase/ decrease %
Monetary fund	8,122,669,252.07	10,345,027,829.13	-21.48
Available-for-sale financial assets	434,025,530.00	308,987,298.90	40.47
Short-term borrowings	2,955,768,751.18	2,272,298,661.98	30.08
Taxes payable	-567,582,847.26	448,458,426.69	-226.56
Dividends payable	322,626,323.98	1,560,249.58	20,577.87

##### Analysis on reasons for the changes:

- As at the end of the Period, monetary fund decreased by 21.48% as compared with the beginning of the Period, mainly attributable to a significant year-on-year decrease in payments for goods received by the Company during the Period.
- As at the end of the Period, available-for-sale financial assets increased by 40.47% as compared with the beginning of the Period, mainly attributable to further acquisition of shares of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd.(內蒙華電) by the Company during the Period.

V. REPORT OF THE BOARD (*CONTINUED*)

(III) Financial Analysis (*Continued*)

**Analysis on Changes in Balance Sheet during the Reporting Period  
(Continued)**

**Analysis on reasons for the changes: (Continued)**

3. As at the end of the Period, short-term borrowings increased by 30.08% as compared with the beginning of the Period, mainly attributable to a sharp decrease in payments for goods received and increase in borrowings of certain subsidiaries of the Company as working capital.
4. As at the end of the Period, taxes payable decreased by 226.56% as compared with the beginning of the Period, mainly attributable to the deductible value added tax since the input tax exceeded output tax in the Period.
5. As at the end of the Period, dividends payable saw a significant increase as compared with the same period last year, mainly attributable to the cash dividend for 2011 which has not yet been paid in the reporting period.

## V. REPORT OF THE BOARD (CONTINUED)

## (III) Financial Analysis (Continued)

**Analysis on Changes in Items in Income Statement during the Reporting Period****Changes in composition of expenses***Unit: RMB*

Item	For the Period	For the same period last year	Year-on-year increase/decrease %
Business tax and surcharges	159,266,534.17	94,778,159.41	68.04
Finance costs	-11,274,152.26	-27,551,873.67	-59.08
Impairments loss of assets	412,005,053.17	559,455,142.32	-26.36
Investment income	76,183,748.44	55,360,755.74	37.61

**Analysis on reasons for the changes:**

1. Business tax and surcharges for the Period increased by 68.04% as compared with the same period last year, mainly attributable to a substantial year-on-year increase in the value added tax paid in the Period based on which the business tax and surcharges also increased.



V. REPORT OF THE BOARD (*CONTINUED*)

(III) Financial Analysis (*Continued*)

**Analysis on Changes in Items in Income Statement during the Reporting Period (*Continued*)**

**Changes in composition of expenses (*Continued*)**

2. Finance costs for the Period increased by 59.08% as compared with the same period last year, mainly attributable to a significant decrease in monetary fund and a decrease in interest income from deposits.
3. Impairment loss of assets for the Period decreased by 26.36% as compared with the same period last year, mainly attributable to a substantial year-on-year decrease in provision for impairment of inventories.
4. Investment income for the Period increased by 37.61% as compared with the same period last year, mainly attributable to a substantial increase in profits of joint ventures for the Period, which resulted in a corresponding increase in the Company's investment income accounted for by equity method.

## V. REPORT OF THE BOARD (CONTINUED)

## (III) Financial Analysis (Continued)

**Analysis on Changes in Items in Cash Flow Statement for the Reporting Period****Changes in items in cash flow statement***Unit: RMB*

Item	Amount for the Period	Amount for the same period last year	Year-on-year increase/decrease %
Net cash flow from operating activities	-2,256,809,459.49	-1,827,903,695.83	23.46
Net cash flow from investing activities	-758,201,630.29	-862,640,175.12	-12.11
Net cash flow from financing activities	740,916,337.45	-274,842,357.06	-369.58

**Analysis on reasons for the changes:**

1. Net cash outflow from operating activities increased by 23.46% as compared with the same period last year, mainly due to a significant decrease in payments for goods received by the Company during the Period.
2. Net cash outflow from investing activities decreased by 12.11% as compared with the same period last year, mainly due to a significant year-on-year decrease in cash expenditures for fixed assets investment in the Period.
3. Net cash inflow from financing activities increased by 369.58% as compared with the same period last year, mainly due to a significant increase in borrowings as working capital in the Period.

## V. REPORT OF THE BOARD (CONTINUED)

## (III) Financial Analysis (Continued)

**Statements on other matters during the Reporting Period****1. Borrowings**

As at the end of the Period, the Company had bank borrowings of RMB3,082,088,800 due within one year and RMB135,808,400 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.

**2. Gearing Ratio**

As at the end of the Period, the gearing ratio of the Company was 80.51%, representing a decrease of 1.77 percentage points from 82.28% as at the end of 2011.

**3. The Company did not pledge any of its assets in the Period.****4. Exchange Rate Fluctuation Risk and any Related Hedging**

With the increasing scale of the international operations of the Company, Renminbi exchange rate is becoming an increasingly important element affecting the Company. Given the complicated and volatile international financial situations and the Company's actual operation, the Company carried out a careful study on currency risk relating to its international construction projects and adopted financial leverage instruments including forward exchange settlement as and when necessary during the Period, so as to evade and control the risks arising from exchange rate fluctuations.

## V. REPORT OF THE BOARD (CONTINUED)

### (III) Financial Analysis (Continued)

#### Statements on other matters during the Reporting Period (Continued)

##### 5. Contingencies

- (1) 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, Sweden against DEC, Dongfang Boiler Factory and Dongfang Boiler as respondents. Foster Wheeler alleged that DEC, Dongfang Boiler Factory and Dongfang Boiler have used its technology on 135MW and 300MW boilers in violation of the 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 Foster Wheeler has to return the technology licensing fees of USD1,117,000 to Dongfang Boiler. Further, DEC shall bear joint and several liabilities 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 interim results announcement, the Svea Court of Appeal, Sweden has not yet rendered a verdict.

V. REPORT OF THE BOARD (*CONTINUED*)(III) Financial Analysis (*Continued*)**Statements on other matters during the Reporting Period (*Continued*)****5. Contingencies (*Continued*)**

- (2) Possible commercial risks in relation to the Saudi Rabigh project

In July 2009, the consortium including the Company entered into a general contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Company undertook the supply of major equipment and provision of relevant technical services. Due to problems of certain equipments, the generating units were not put into commercial operation as scheduled, which may expose the Company to commercial risk. Currently, the Company is in the process of negotiation with the project owners from Saudi Arabia on the correction and improvement work to be carried out after the end of this summer-peak season for power generation.

- (3) Save for the above contingent matters, the Group had no other material contingent matters as at 30 June 2012.

## V. REPORT OF THE BOARD (CONTINUED)

### (IV) Investment of the Company

1. **All the preliminary proceeds-funded projects have been fully completed.**
2. **Projects unrelated to raised proceeds**

*Unit: RMB'0,000*

No.	Name of project	Major content of the project	Total		Image progress
			investment	Unit in charge	
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 <sup>2</sup> . 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 project has been completed and put in operation.

### (V) Formulation and Implementation of Cash Dividends Policy During the Reporting Period

The Company has formulated the Measures for the Management of Cash Dividends and will implement the same accordingly.

## VI. SIGNIFICANT EVENTS

### (I) Corporate Governance

The Company highlights the continuous improvement and enhancement of its corporate governance level to ensure compliant operation and sustained and healthy development. During the reporting period, the Company has complied with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, and the regulatory documents of the China Securities Regulatory Commission (“CSRC”).

In accordance with the new requirements of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the CSRC, the Company formulated the Procedures for Shareholders to Propose A Person For Election as A Director of the Company, Shareholder Communication Policies (《股東通訊政策》), and the Measures for the Management of Cash Dividends, and revised the Systems for Registration of Insiders and Management for External Users, the Regulations for the Work of the Audit and Review Committee, the Regulations for the Work of Remuneration and Assessment Committee, and the Regulations for the Work of the Nomination Committee.

### (II) The Implementation of the Profit Distribution Plan During the Reporting Period

During the reporting period, profit distribution for 2011 had been completed.

## VI. SIGNIFICANT EVENTS *(CONTINUED)*

### (III) Proposed Interim Profit Distribution Plan and Transfer of Capital Reserve to Share Capital

No profit will be distributed or transferred.

### (IV) Implementation of Cash Dividends Policy During the Reporting Period

On 17 May 2012, the distribution plan for profit after taxation in 2011 was approved at the 2011 annual general meeting of the Company, pursuant to which the Company would distribute to all the shareholders of the Company a cash dividend of RMB0.16 (tax inclusive) per share, totaling RMB320,617,600 (tax inclusive) for the year ended 31 December 2011. The remaining retained profit was carried forward to 2012. As at the end of the reporting period, the distribution of the above cash dividends had been completed.

### (V) Material Litigation and Arbitration

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

### (VI) Insolvency or Restructuring Related Matters

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



## VI. SIGNIFICANT EVENTS (CONTINUED)

## (VII) Equity Held by the Company in Other Listed Companies and Equity Investment in Financial Institutions

## 1. Securities investment

Type of No. securities	Code of securities	Abbreviation of securities	Initial investment	Number of securities held	Book value at the end of the period	Percentage in securities investment at the end of the period	Gain/loss in the reporting period	
			cost (RMB)	(shares)	(RMB)	(%)	(RMB)	
1	Stock	601179	China XD Electric	48,120,052.71	7,272,665.00	28,945,206.70	98.94	2,036,346.20
2	Stock	000584	UHL	44,263.24	46,602.00	310,369.32	1.06	69,436.98
Other securities investment held at the end of the period								
Gain on disposal of securities investment during the reporting period								
			—	—	—	—	—	
Total			48,164,315.95	—	29,255,576.02	100	2,105,783.18	

## VI. SIGNIFICANT EVENTS (CONTINUED)

### (VII) Equity Held by the Company in Other Listed Companies and Equity Investment in Financial Institutions (Continued)

#### 2. Equity Held in Other Listed Companies

Code of securities	Abbreviation of securities	Initial investment cost	Percentage of equity held in the company (%)	Book value at the end of the period	Gain/loss in the reporting period	Change to owner's equity during the reporting period	Accounting item	Share origin
600795	GD Power	46,107,941.00	0.09	39,025,530.00	1,445,390.00	-1,300,851.00	Financial assets held for trading	Purchased
600863	NMHD	388,000,000.00	1.94	395,000,000.00	0.00	7,000,000.00	Financial assets held for trading	Purchased
Total		434,107,941.00	—	434,025,530.00	1,445,390.00	5,699,149.00	—	—

### (VIII) Assets Transactions

The Company was not involved in any assets acquisition, disposal, or merger & acquisition during the reporting period.

VI. SIGNIFICANT EVENTS (*CONTINUED*)(IX) **Material Connected Transactions During the Reporting Period**

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 and circulars on continuing connected transactions published by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 October 2011 and 4 November 2011 respectively for details of the agreements. These continuing connected transactions have come into force with the approval by the independent directors of the Board and independent shareholders at the general meetings of the Company, and the period of validity is from 1 January 2012 to 31 December 2014. As at 30 June 2012, the specific amount of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

## VI. SIGNIFICANT EVENTS (CONTINUED)

(IX) Material Connected Transactions During the Reporting Period  
(Continued)

The actual amounts of these connected transactions as at 30 June 2012 and the annual caps for 2012

Unit: RMB'000

Name of agreement	Total actual amount from Jan to Jun 2012	Proposed annual caps for 2012
Purchase and Production Services Framework Agreement	470,794	3,000,000
Sales and Production Services Framework Agreement	713,565	1,780,000
Combined Ancillary Services Framework Agreement (receipt of services)	41,628	150,000
Combined Ancillary Services Framework Agreement (provision of services)	502	2,000
Properties and Equipment Lease Framework Agreement (lease-out)	0	3,000
Financial Services Framework Agreement	7,358,113	12,400,000 (deposit plus interest income)
	2,789,538	12,800,000 (loans plus interest expense)
Properties and Equipment Lease Framework Agreement (lease-in)	12,275	80,000

## VI. SIGNIFICANT EVENTS *(CONTINUED)*

### **(X) Material Contracts and Performance Thereof**

#### **1. Custodies, contracting and leases which contribute more than 10% (inclusive) to the total profit of the Company for the period**

##### **(1) Custodies**

The Company was not involved in any custody during the reporting period.

##### **(2) Contracting**

The Company did not engage in any contracting business during the reporting period.

##### **(3) Leases**

The Company was not involved in any lease affairs during the reporting period.

#### **2. Guarantees**

The Company was not involved in any guarantee during the reporting period.

## VI. SIGNIFICANT EVENTS (CONTINUED)

### (X) Material Contracts and Performance Thereof (Continued)

#### 3. Entrusted investment and entrusted loans

##### (1) Entrusted investment

The Company had no entrusted investment during the reporting period.

##### (2) Entrusted loans

The Company had no entrusted loans during the reporting period.

#### 4. Other material contracts

The Company did not enter into any material contracts during the reporting period.

### (XI) Performance of Undertakings

#### 1. Undertakings of the Company or shareholders with 5% or more shareholdings in the Company occurring in or persisting to the reporting period

(1) As at the disclosure date of the interim report, there was no outstanding result undertaking not performed completely.

(2) As at the disclosure date of the interim report, there were no outstanding undertakings in respect of assets injection or consolidation not performed completely.

VI. SIGNIFICANT EVENTS (*CONTINUED*)**(XII) Appointment or Dismissal Of Auditors**

Auditors reappointed or not:	No
	Currently appointed
Name of domestic auditor	ShineWing Certified Public Accountants

**(XIII) Punishment of and Correction by the Company or its Directors, Supervisors, Senior Management, Shareholders or De Facto Controller**

During the reporting period, none of the Company, its directors, supervisors, senior management, shareholders and de facto controller received any investigation, administrative punishment, or criticism circular from the CSRC or any public denouncement by stock exchanges.

**(XIV) Employees**

As at 30 June 2012, the Company had 20,827 employees. The Company adopted a remuneration system linked with performance and paid the employees in accordance with their individual performance.

**(XV) Purchase, Sales or Redemption of Listed Securities of the Company**

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

**(XVI) Code on Corporate Governance Practices**

The Company was in full compliance with the requirements of all code provisions of the "Code on Corporate Governance Practices" under Appendix 14 to the Listing Rules of the Stock Exchange at all times during the reporting period.

## VI. SIGNIFICANT EVENTS (CONTINUED)

### (XVII) Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) under Appendix 10 to the Listing Rules. Having made specific enquiries to all directors and supervisors of the Company, the Company confirms that all directors and supervisors of the Company had complied with the requirements under the Model Code in respect of the securities transactions by directors and supervisors.

### (XVIII) Audit Committee

The Board of the Company had set up an audit and review committee comprising three independent non-executive directors, namely, Mr. Zhao Chunjun, Mr. Li Yanmeng and Mr. Peng Shaobing. The audit and review committee has reviewed the interim report of the Company for the reporting period, and agreed to the accounting treatments adopted by the Company.

### (XIX) Descriptions of Other Significant Events

N/A

### (XX) Information Disclosure

The interim report for the six months ended 30 June 2012 will be sent by the Company to its shareholders and will also be published in due course on the websites of the Stock Exchange and the Company (<http://dfem.wsfh.hk>), containing all the information as recommended in “Disclosure of Financial Information” under Appendix 16 to the Listing Rules.

## VII. FINANCIAL STATEMENTS



**VII. Financial Report (unaudited)**

Dongfang Electric Corporation Limited

Unaudited Interim Financial Report  
30 June 2012

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## Consolidated Balance Sheet

Prepared by: Dongfang Electric Corporation Limited

30 June 2012

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary fund	V.1	8,122,669,252.07	10,345,027,829.13
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets	V.2	36,191,232.10	64,969,532.34
Bills receivable	V.3	2,544,753,785.24	2,240,345,399.29
Trade receivables	V.4	15,042,306,050.10	14,240,086,148.67
Prepayments	V.5	5,941,631,286.90	5,728,312,159.37
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable	V.6	26,275,314.97	76,378,518.13
Dividends receivable	V.7	6,466,740.03	
Other receivables	V.8	306,755,840.77	309,264,085.87
Purchases of resold financial assets			
Inventories	V.9	33,866,326,404.66	35,859,918,720.62
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>65,893,375,906.84</b>	<b>68,864,302,393.42</b>
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	V.10	434,025,530.00	308,987,298.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V.11	528,999,554.73	456,044,512.62
Investment properties	V.12	28,299,967.46	29,120,431.80
Fixed assets	V.13	9,789,165,200.12	10,004,175,568.58
Construction in progress	V.14	1,060,260,132.34	836,061,475.90
Construction materials	V.15	113,464.96	169,875.22
Disposal of fixed assets	V.16	5,394,207.63	
Productive biological assets			
Oil and gas assets			
Intangible Assets	V.17	996,583,782.05	991,153,405.69
Development expenses			
Goodwill			
Long-term deferred expenditures	V.18	668,000.08	769,883.26
Deferred income tax assets	V.19	1,022,028,531.78	951,941,072.59
Other non-current assets			
<b>Total non-current assets</b>		<b>13,865,538,371.15</b>	<b>13,578,423,524.56</b>
<b>Total assets</b>		<b>79,758,914,277.99</b>	<b>82,442,725,917.98</b>

Legal representative: Si Zefu	Chief Accountant: Gong Dan	Head of Finance Department: Zeng Yi
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## Consolidated Balance Sheet (Continued)

Prepared by: Dongfang Electric Corporation Limited

30 June 2012

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings	V.21	2,955,768,751.18	2,272,298,661.98
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities	V.22	58,519,413.33	30,643,140.64
Bills payable	V.23	3,807,531,070.58	3,847,524,566.75
Trade payables	V.24	14,439,869,224.93	14,460,216,174.87
Receipts in advance	V.25	38,656,005,386.74	42,510,698,850.55
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable	V.26	412,065,965.59	407,917,862.46
Taxes payable	V.27	-567,582,847.26	448,458,426.69
Interests payable			
Dividends payable	V.28	322,626,323.98	1,560,249.58
Other payables	V.29	2,067,895,735.63	1,871,026,035.12
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year	V.30	126,320,000.00	116,320,000.00
Other current liabilities	V.31	63,495,979.00	85,945,216.36
<b>Total current liabilities</b>		<b>62,342,515,003.70</b>	<b>66,052,609,185.00</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V.32	135,808,428.01	165,808,428.01
Debentures payable			
Long-term payables	V.33	685,252.84	685,252.84
Special payables	V.35	29,194,416.01	22,744,416.01
Estimated liabilities	V.34	1,072,481,877.32	937,485,337.58
Deferred income tax liabilities	V.19	5,877,864.34	11,640,378.99
Other non-current liabilities	V.36	630,237,270.01	644,999,141.25
<b>Total non-current liabilities</b>		<b>1,874,285,108.53</b>	<b>1,783,362,954.68</b>
<b>Total liabilities</b>		<b>64,216,800,112.23</b>	<b>67,835,972,139.68</b>
<b>Shareholders' equity</b>			
Share capital	V.37	2,003,860,000.00	2,003,860,000.00
Capital reserve	V.38	5,089,415,547.86	5,075,180,693.34
Less: Treasury shares			
Special reserve			
Surplus reserve	V.39	319,634,515.30	319,634,515.30
General risk provision			
Undistributed profit	V.40	7,344,971,551.62	6,421,629,656.29
Difference arising from translation of foreign currency financial statements		-20,712,046.13	-17,745,990.70
<b>Total equity attributable to shareholders of the Company</b>		<b>14,737,169,568.65</b>	<b>13,802,558,874.23</b>
Minority interests	V.41	804,944,597.11	804,194,904.07
<b>Total shareholders' equity</b>		<b>15,542,114,165.76</b>	<b>14,606,753,778.30</b>
<b>Total liabilities and shareholders' equity</b>		<b>79,758,914,277.99</b>	<b>82,442,725,917.98</b>

<b>Legal representative:</b> Si Zefu	<b>Chief Accountant:</b> Gong Dan	<b>Head of Finance Department:</b> Zeng Yi
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## Consolidated Income Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2012

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
<b>I. Total revenue from operations</b>		20,011,488,282.92	19,759,214,532.88
Including: Revenue from operations	V.42	20,011,488,282.92	19,759,214,532.88
Interest income			
Insurance premiums earned			
Income from fees and commissions			
<b>II. Total cost of operations</b>		18,602,938,862.25	18,124,177,954.14
Including: Cost of operations	V.42	16,095,892,049.32	15,632,770,296.23
Interest expenses			
Fee and commission expenses			
Surrender payment			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business tax and surcharges	V.43	159,266,534.17	94,778,159.41
Selling expenses	V.44	374,786,556.90	353,004,746.29
Administrative expenses	V.45	1,572,262,820.95	1,511,721,483.56
Finance costs	V.46	-11,274,152.26	-27,551,873.67
Impairments loss of assets	V.47	412,005,053.17	559,455,142.32
Add: Gains from change in fair value (loss is represented by "-")	V.48	-56,654,572.93	32,135,104.90
Gain from investment (loss is represented by "-")	V.49	76,183,748.44	55,360,755.74
Including: Gains from investment in associates and joint ventures		73,421,782.14	37,096,231.98
Exchange gain (loss is represented by "-")			
<b>III. Operating profit (loss is represented by "-")</b>		1,428,078,596.18	1,722,532,439.38
Add: Non-operating income	V.50	60,362,166.98	55,667,398.77
Less: Non-operating expense	V.51	13,250,160.48	3,562,293.87
Including: Loss from disposal of non-current assets		580,334.84	1,949,466.71
<b>IV. Total profit (total loss is represented by "-")</b>		1,475,190,602.68	1,774,637,544.28
Less: Income tax expense	V.52	212,340,334.56	206,336,717.61
<b>V. Net profit (net loss is represented by "-")</b>		1,262,850,268.12	1,568,300,826.67
Net profit attributable to the shareholders of the Company		1,243,959,495.33	1,537,912,879.36
Minority interests		18,890,772.79	30,387,947.31
<b>VI. Earnings per share:</b>			
(I) Basic earnings per share	V.53	0.62	0.77
(II) Diluted earnings per share	V.53	0.62	0.77
<b>VII. Other comprehensive income</b>	V.54	11,268,799.09	-21,194,240.48
<b>VIII. Total comprehensive income</b>		1,274,119,067.21	1,547,106,586.19
Total comprehensive income attributable to the shareholders of the Company		1,255,228,294.42	1,516,718,638.88
Total comprehensive income attributable to minority interests		18,890,772.79	30,387,947.31

For the business combination under common control during the period, the net profit achieved by the acquiree before business combination was RMB[●].

Legal representative: Si Zefu	Chief Accountant: Gong Dan	Head of Finance Department: Zeng Yi
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## Consolidated Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2012

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
<b>I. Cash flow generated from operating activities:</b>			
Cash received from sale of goods and of rendering services		13,511,081,350.98	16,219,017,626.38
△Net increase in customer and interbank deposits			
△Net increase in borrowings from central bank			
△Net increase in placements from banks and other financial institutions			
△Cash received from premiums under original insurance contract			
△Net cash received from reinsurance business			
△Net increase in deposits of policy holders and investment			
Net increase in disposal of held-for-trading financial assets			
△Cash received from interest, fees and commissions			
△Net increase in borrowings			
△Net increase in repurchase business capital			
Tax rebates		185,587,040.99	181,942,800.53
Other cash received from operating activities	V.55	431,179,177.60	621,415,124.55
<b>Sub-total of cash inflows from operating activities</b>		<b>14,127,847,569.57</b>	<b>17,022,375,551.46</b>
Cash paid for goods and services		12,279,054,754.69	15,306,043,878.93
△Net increase in customer loans and advances			
△Net increase in deposits with PBOC and interbank deposits			
△Cash paid for compensation payments under original insurance contract			
△Cash paid for interest, fees and commissions			
△Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		1,526,983,783.70	1,280,072,508.49
Taxes paid		1,915,788,650.77	1,403,101,755.31
Other cash payments relating to operating activities	V.55	662,829,839.90	861,061,104.56
<b>Sub-total of cash outflows from operating activities</b>		<b>16,384,657,029.06</b>	<b>18,850,279,247.29</b>
<b>Net cash flow from operating activities</b>		<b>-2,256,809,459.49</b>	<b>-1,827,903,695.83</b>
<b>II. Cash flow generated from investing activities:</b>			
Cash received from disposal of investments		279,614,645.16	85,339,793.41
Cash received from gains in investment		2,855,977.72	19,095,569.28
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		841,143.40	4,353,355.50
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		2,693.96	14,353.60
<b>Sub-total of cash inflows from investing activities</b>		<b>283,314,460.24</b>	<b>108,803,071.79</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		647,516,090.53	903,460,840.94
Cash paid for investment		394,000,000.00	67,952,605.97
△Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities			29,800.00
<b>Sub-total of cash outflows from investing activities</b>		<b>1,041,516,090.53</b>	<b>971,443,246.91</b>
<b>Net cash flow generated from investing activities</b>		<b>-758,201,630.29</b>	<b>-862,640,175.12</b>
<b>III. Net cash flow generated from financing activities:</b>			
Proceeds received from financing activities			
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		1,275,000,000.00	860,000,000.00
△Cash received from issuing bonds			
Other cash received from financing-related activities		85,940,000.00	5,250,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>1,360,940,000.00</b>	<b>865,250,000.00</b>
Cash repayments of borrowings		530,000,000.00	815,000,000.00
Dividends paid, profit distributed or interest paid		90,023,662.55	322,273,137.00
Including: Dividend and profit paid by subsidiaries to minority shareholders		1,450,000.00	3,845,664.22
Other cash paid for financing-related activities			2,819,220.06
<b>Sub-total of cash outflows from financing activities</b>		<b>620,023,662.55</b>	<b>1,140,092,357.06</b>
<b>Net cash flows from financing activities</b>		<b>740,916,337.45</b>	<b>-274,842,357.06</b>
<b>IV. Effects of exchange rate fluctuations on cash and cash equivalents</b>		<b>44,003,933.44</b>	<b>10,780,102.40</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-2,230,090,818.89</b>	<b>-2,954,606,125.61</b>
Add: Cash and cash equivalents at the beginning of the period		10,285,000,143.30	13,670,551,363.06
<b>VI. Cash and cash equivalents at the end of the period</b>	V.55	<b>8,054,909,324.41</b>	<b>10,715,945,237.45</b>

Legal representative:  
Si Zefu

Chief Accountant:  
Gong Dan

Head of Finance Department:  
Zeng Yi

Item	Consolidated Statement of Changes in Shareholders' Equity									Unit: RMB
	Amount for the period									
	Equity attributable to shareholders of the Company									
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provi sion	Undistributed profit	Others	Minority interest	Total owners' equity
<b>I. Balance at the end of last year</b>	2,003,860,000.00	5,075,180,693.34			319,634,515.30		6,421,629,656.29	-17,745,990.70	804,194,904.07	14,606,753,778.30
Add: Effects of changes in accounting policies										
Effects of correction of prior errors										
Others										
<b>II. Balance at the beginning of the year</b>	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
<b>III. Increase/decrease in the period (decrease is represented by "-")</b>		14,234,854.52					923,341,895.33	-2,966,055.43	749,693.04	935,360,387.46
(I) Net profit							1,243,959,495.33		18,890,772.79	1,262,850,268.12
(II) Other comprehensive income		14,234,854.52						-2,966,055.43		11,268,799.09
Sub-total of above (I) and (II)		14,234,854.52					1,243,959,495.33	-2,966,055.43	18,890,772.79	1,274,119,067.21
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution							-320,617,600.00		-18,141,079.75	-338,758,679.75
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders							-320,617,600.00		-18,141,079.75	-338,758,679.75
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Making good of loss with surplus reserve										
4. Others										
(VI) Special reserve										
1. Amount withdrawn in the period										
2. Amount utilized in the period										
(VII) Others										
<b>IV. Balance at the end of the period</b>	2,003,860,000.00	5,089,415,547.86			319,634,515.30		7,344,971,551.62	-20,712,046.13	804,944,597.11	15,542,114,165.76

Legal representative: Si Zefu	Chief Accountant: Gong Dan	Head of Finance Department: Zeng Yi
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Consolidated Statement of Changes in Shareholders' Equity (Continued)  
Jan-June 2012

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Amount for the same period last year									
	Equity attributable to shareholders of the Company								Minority interest	Total owners' equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provi sion	Undistributed profit	Others		
<b>I. Balance at the end of last year</b>	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: Effects of changes in accounting policies										
Effects of correction of prior errors										
Others										
<b>II. Balance at the beginning of the year</b>	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
<b>III. Increase/decrease in the period (decrease is represented by "-")</b>		-19,999,271.00					1,277,411,079.36	-1,194,969.48	27,937,947.31	1,284,154,786.19
(I) Net profit							1,537,912,879.36		30,387,947.31	1,568,300,826.67
(II) Other comprehensive income		-19,999,271.00						-1,194,969.48		-21,194,240.48
Sub-total of above (I) and (II)		-19,999,271.00					1,537,912,879.36	-1,194,969.48	30,387,947.31	1,547,106,586.19
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution							-260,501,800.00		-2,450,000.00	-262,951,800.00
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders							-260,501,800.00		-2,450,000.00	-262,951,800.00
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Making good of loss with surplus reserve										
4. Others										
(VI) Special reserve										
1. Amount withdrawn in the period										
2. Amount utilized in the period										
(VII) Others										
<b>IV. Balance at the end of the period</b>	2,003,860,000.00	5,074,256,173.33			151,942,714.52		5,071,006,630.93	-6,094,389.68	773,566,175.04	13,068,537,304.14

Legal representative:  
Si ZefuChief Accountant:  
Gong DanHead of Finance Department:  
Zeng Yi

## Balance Sheet

Prepared by: Dongfang Electric Corporation Limited

30 June 2012

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary fund		1,562,794,342.50	957,119,761.29
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		35,116,614.81	56,730,129.44
Bills receivable		228,641,000.00	
Trade receivables	XII.1	1,427,364,010.97	1,064,893,369.14
Prepayments		9,970,502,888.43	10,451,389,189.40
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable			
Dividends receivable		131,436,444.73	131,436,444.73
Other receivables	XII.2	4,839,448,154.49	4,713,787,123.40
Purchases of resold financial assets			
Inventories		784,135,780.57	1,320,520,044.30
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>18,979,439,236.50</b>	<b>18,695,876,061.70</b>
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets		434,025,530.00	308,987,298.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XII.3	9,902,190,638.79	9,849,213,121.07
Investment properties		18,093,269.42	18,607,769.97
Fixed assets		16,697,295.51	16,936,514.49
Construction in progress		7,397,135.01	6,157,545.00
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible Assets		42,510.35	54,464.20
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		35,990,310.43	28,907,753.67
Other non-current assets			
<b>Total non-current assets</b>		<b>10,414,436,689.51</b>	<b>10,228,864,467.30</b>
<b>Total assets</b>		<b>29,393,875,926.01</b>	<b>28,924,740,529.00</b>

Legal representative:  
Si Zefu

Chief Accountant:  
Gong Dan

Head of Finance Department:  
Zeng Yi



## Balance Sheet (Continued)

Prepared by: Dongfang Electric Corporation Limited	30 June 2012	Unit: RMB	
Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings		450,000,000.00	700,000,000.00
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities		54,759,586.42	30,643,140.64
Bills payable			
Trade payables		1,595,341,676.91	1,444,860,565.38
Receipts in advance		13,425,440,828.22	14,149,324,543.24
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		8,811,231.23	20,542,443.76
Taxes payable		-152,943,368.06	-109,472,667.43
Interests payable			
Dividends payable		320,617,600.00	
Other payables		1,633,215,398.94	1,458,747,586.34
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>17,335,242,953.66</b>	<b>17,694,645,611.93</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Debentures payable			
Long-term payables			
Special payables			
Estimated liabilities			
Deferred income tax liabilities		925,711.22	4,473,190.34
Other non-current liabilities		1,000,000.00	1,000,000.00
<b>Total non-current liabilities</b>		<b>1,925,711.22</b>	<b>5,473,190.34</b>
<b>Total liabilities</b>		<b>17,337,168,664.88</b>	<b>17,700,118,802.27</b>
<b>Shareholders' equity:</b>			
Share capital		2,003,860,000.00	2,003,860,000.00
Capital reserve		5,155,811,854.95	5,141,577,000.43
Less: Treasury shares			
Special reserve			
Surplus reserve		607,997,631.73	607,997,631.73
General risk provision			
Undistributed profit		4,289,037,774.45	3,471,187,094.57
Difference arising from translation of foreign currency financial statements			
<b>Total equity attributable to shareholders of the Company</b>		<b>12,056,707,261.13</b>	<b>11,224,621,726.73</b>
Minority interests			
<b>Total shareholders' equity</b>		<b>12,056,707,261.13</b>	<b>11,224,621,726.73</b>
<b>Total liabilities and shareholders' equity</b>		<b>29,393,875,926.01</b>	<b>28,924,740,529.00</b>

Legal representative:  
Si Zefu

Chief Accountant:  
Gong Dan

Head of Finance Department:  
Zeng Yi

## Income Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2012

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
<b>I. Total revenue from operations</b>		5,914,279,500.97	5,094,190,272.08
Including: Revenue from operations	XII.4	5,914,279,500.97	5,094,190,272.08
Interest income			
Insurance premiums earned			
Income from fees and commissions			
<b>II. Total cost of operations</b>		5,736,479,564.29	4,753,452,826.61
Including: Cost of operations	XII.4	5,611,851,716.68	4,614,633,050.20
Interest expenses			
Fee and commission expenses			
Surrender payment			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business tax and surcharges		7,233,500.92	1,144,404.36
Selling expenses		15,764,377.21	14,989,591.60
Administrative expenses		64,372,118.99	61,075,448.14
Finance costs		-4,625,982.74	-4,570,446.47
Impairments loss of assets		41,883,833.23	66,180,778.78
Add: Gains from change in fair value (loss is represented by "-")		-45,729,960.41	24,812,376.19
Gain from investment (loss is represented by "-")	XII.5	1,013,676,360.10	943,171,842.82
Including: Gains from investment in associates and joint ventures		46,977,517.72	20,962,640.78
Exchange gain (loss is represented by "-")			
<b>III. Operating profit (loss is represented by "-")</b>		1,145,746,336.37	1,308,721,664.48
Add: Non-operating income		10,669,420.00	1,731,452.63
Less: Non-operating expense		6,507.15	1,002,325.00
Including: Loss from disposal of non-current assets		3,506.75	2,325.00
<b>IV. Total profit (total loss is represented by "-")</b>		1,156,409,249.22	1,309,450,792.11
Less: Income tax expense		17,940,969.34	38,895,749.29
<b>V. Net profit (net loss is represented by "-")</b>		1,138,468,279.88	1,270,555,042.82
Net profit attributable to the shareholders of the Company			
Minority interests			
<b>VI. Earnings per share:</b>			
(I) Basic earnings per share			
(II) Diluted earnings per share			
<b>VII. Other comprehensive income</b>		14,234,854.52	-19,999,271.00
<b>VIII. Total comprehensive income</b>		1,152,703,134.40	1,250,555,771.82
Total comprehensive income attributable to the shareholders of the Company			
Total comprehensive income attributable to minority interests			

For the business combination under common control during the period, the net profit achieved by the acquiree before business combination was RMB[●].

Legal representative: Si Zefu	Chief Accountant: Gong Dan	Head of Finance Department: Zeng Yi
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## Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2012

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
<b>I. Cash flow generated from operating activities:</b>			
Cash received from sale of goods and of rendering services		4,630,324,926.67	6,970,758,751.12
△Net increase in customer and interbank deposits			
△Net increase in borrowings from central bank			
△Net increase in placements from banks and other financial institutions			
△Cash received from premiums under original insurance contract			
△Net cash received from reinsurance business			
△ Net increase in deposits of policy holders and investment			
Net increase in disposal of held-for-trading financial assets			
△Cash received from interest, fees and commissions			
△Net increase in borrowings			
△Net increase in repurchase business capital			
Tax rebates		182,480,876.52	164,804,830.32
Other cash received from operating activities		86,640,071.84	139,041,860.77
<b>Sub-total of cash inflows from operating activities</b>		<b>4,899,445,875.03</b>	<b>7,274,605,442.21</b>
Cash paid for goods and services		4,602,766,767.11	6,923,571,238.22
△Net increase in customer loans and advances			
△Net increase in deposits with PBOC and interbank deposits			
△Cash paid for compensation payments under original insurance contract			
△Cash paid for interest, fees and commissions			
△Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		74,755,366.00	60,250,427.71
Taxes paid		101,808,159.43	8,232,176.81
Other cash payments relating to operating activities		82,906,338.83	177,521,077.60
<b>Sub-total of cash outflows from operating activities</b>		<b>4,862,236,631.37</b>	<b>7,169,574,920.34</b>
<b>Net cash flow from operating activities</b>		<b>37,209,243.66</b>	<b>105,030,521.87</b>
<b>II. Cash flow generated from investing activities:</b>			
Cash received from disposal of investments		279,614,645.16	85,339,793.41
Cash received from gains in investment		966,792,853.80	923,040,247.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		500.00	
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>1,246,407,998.96</b>	<b>1,008,380,040.97</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		2,564,999.46	15,741,785.80
Cash paid for investment		521,940,000.00	226,222,605.97
△Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>524,504,999.46</b>	<b>241,964,391.77</b>
<b>Net cash flow generated from investing activities</b>		<b>721,902,999.50</b>	<b>766,415,649.20</b>
<b>III. Net cash flow generated from financing activities:</b>			
Proceeds received from financing activities			
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		1,000,000,000.00	1,100,000,000.00
△Cash received from issuing bonds			
Other cash received from financing-related activities		85,940,000.00	5,100,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>1,085,940,000.00</b>	<b>1,105,100,000.00</b>
Cash repayments of borrowings		1,250,000,000.00	4,000,000,000.00
Dividends paid, profit distributed or interest paid		16,309,027.78	274,304,176.63
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>1,266,309,027.78</b>	<b>4,274,304,176.63</b>
<b>Net cash flows from financing activities</b>		<b>-180,369,027.78</b>	<b>-3,169,204,176.63</b>
<b>IV. Effects of exchange rate fluctuations on cash and cash equivalents</b>		<b>26,931,365.83</b>	<b>-687,071.64</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>605,674,581.21</b>	<b>-2,298,445,077.20</b>
Add: Cash and cash equivalents at the beginning of the period		957,119,761.29	3,599,890,429.25
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>1,562,794,342.50</b>	<b>1,301,445,352.05</b>

Legal representative:  
Si Zefu

Chief Accountant:  
Gong Dan

Head of Finance Department:  
Zeng Yi

Statement of Changes in Shareholders' Equity

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2012

Unit: RMB

Item	Amount for the period									
	Equity attributable to shareholders of the Company								Minority interest	Total owners' equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provision	Undistributed profit	Others		
<b>I. Balance at the end of last year</b>	2,003,860.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57			11,224,621,726.73
Add: Effects of changes in accounting policies										
Effects of correction of prior errors										
Others										
<b>II. Balance at the beginning of the year</b>	2,003,860.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57			11,224,621,726.73
<b>III. Increase/decrease in the period (decrease is represented by "-")</b>		14,234,854.52					817,850,679.88			832,085,534.40
(I) Net profit							1,138,468,279.88			1,138,468,279.88
(II) Other comprehensive income		14,234,854.52								14,234,854.52
Sub-total of above (I) and (II)		14,234,854.52					1,138,468,279.88			1,152,703,134.40
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution							-320,617,600.00			-320,617,600.00
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders							-320,617,600.00			-320,617,600.00
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Making good of loss with surplus reserve										
4. Others										
(VI) Special reserve										

1. Amount withdrawn in the period										
2. Amount utilized in the period										
(VII) Others										
<b>IV. Balance at the end of the period</b>	2,003,860.00	5,155,811,854.95			607,997,631.73		4,289,037,774.45			12,056,707,261.13

Legal representative: Si Zefu	C h i e f  A c c o u n t a n t :  G o n g  D a n	Head of Finance Department: Zeng Yi
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Statement of Changes in Shareholders' Equity (Continued)

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2012

Unit: RMB

Item	Amount for the same period last year									
	Equity attributable to shareholders of the Company								Minority interest	Total owners' equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provision	Undistributed profit	Others		
<b>I. Balance at the end of last year</b>	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: Effects of changes in accounting policies										
Effects of correction of prior errors										
Others										
<b>II. Balance at the beginning of the year</b>	2,003,860,000.00	5,160,652,173.81			440,305,830.95		2,222,462,687.52			9,827,280,692.28
<b>III. Increase/decrease in the period (decrease is represented by "-")</b>		-19,999,271.00					1,010,053,242.82			990,053,971.82
(I) Net profit							1,270,555,042.82			1,270,555,042.82
(II) Other comprehensive income		-19,999,271.00								-19,999,271.00
Sub-total of above (I) and (II)		-19,999,271.00					1,270,555,042.82			1,250,555,771.82
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution							-260,501,800.00			-260,501,800.00
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders							-260,501,800.00			-260,501,800.00
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Making good of loss with surplus reserve										
4. Others										
(VI) Special reserve										
1. Amount withdrawn in the period										
2. Amount utilized in the period										
(VII) Others										
<b>IV. Balance at the end of the period</b>	2,003,860,000.00	5,140,652,902.81			440,305,830.95		3,232,515,930.34			10,817,334,664.10

Legal representative: Si Zefu	Chief Accountant: Gong Dan	Head of Finance Department: Zeng Yi
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## I. Background

Dongfang Electric Corporation Limited (the “Company” or “Group” when including subsidiaries), formerly known as Dongfang Electric Machinery Co., Ltd, was founded on 28 December 1993. Approved by the documents of Ti Gai Sheng (1992) No.67, Ti Gai Sheng (1993) No. 214 issued by National Economic System Reform Commission and the Guo Zi Qi Han Fa (1993) No.100 issued by the former State-owned assets Management Bureau, Dongfang Electric Machinery Co., Ltd acted as the exclusive initiator and established the corporation through converting the principal operational assets (and relevant liabilities) authorized by the state into shares of the Company.

On 31 May 1994, the Company placed and issued 170,000,000 overseas listed foreign investment shares (the “H Shares”) to the public in Hong Kong and the H Shares have been listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) since 6 June 1994, then on 4 July 1995, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (the “A Shares”) in the PRC and have been listed on the Shanghai Stock Exchange since 10 October 1995 approved by the document (1994) No.42 from the State Commission for Restructuring the Economic Systems. After that, the share capital of the Company had increased 450,000,000 shares.

On 30 December 2005, the State-owned Assets Supervision and Administration Commission (“SASAC”) promulgated “Approval of certain issues in the transfer of state-owned shares of Dongfang Electrical Machinery Company Limited” (National asset rights [2005] No. 1604) (《关于东方电机股份有限公司国有股划转有关问题的批复》(国资产权[2005]1604号) to approve the transfer of 220,000,000 non- circulating State-owned domestic shares, representing DFEW’s then 48.89% of the share capital of the Company, from DFEW to China Dongfang Electric Corporation (“DEC”), a stated-owned enterprise established in the PRC which is directly supervised by SASAC. DEC is also the parent of DFEW.

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

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

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

According to the resolutions of annual general meeting of the shareholders on 18 June 2010, the 1st domestic shareholders class meeting in 2010 and foreign shareholders class meeting, the Company decided to increase 10 shares per 10 shares to all shareholders based on the share capital of 1,001,930 shares on 31 December 2009.

As at 30 June 2012, 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**

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 (amended in 2010).

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 on Compliance of 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, financial performance and cash flows of the Company and the Group.



### 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 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' 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 accounting policies and periods.

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: 1) 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. 2) 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.

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:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- 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

- 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.

-Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases;

- The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

- Hybrid instruments, financial assets or financial liabilities, designated as fair value through profit or loss. However, the following exceptions:

1) Embedded derivatives did not materially change in the cash flow of the hybrid instrument;

2) Similar hybrid instruments embedding derivatives, obviously should not be split from the relevant hybrid instruments.

The Group determines the classification of financial assets and financial liabilities at initial recognition.

Financial assets at fair value through profit or loss, including financial assets held for trading and those designed as at fair value through profit or loss, are recognised initially at fair value with relevant transaction fees charged to current profit or loss. Considerations that include declared dividends or matured interests are recognised as receivables respectively. Dividends and interest received during the holding period are recognised as investment income. At the balance sheet date, change of fair value of the financial assets should be charged to current profit or loss. When derecognizing, difference between the fair value and the initial measurement of the financial asset is recognised as investment income, concurrently adjustment made for gain or loss arising from change in fair value.

### (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:

- 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;

-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:

-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;

- 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.

(5) 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 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.

#### (6) Derecognition of Financial Instruments

Financial assets (including individual or a group of similar financial assets) satisfy any of the following requirements, the recognition of it shall be terminated:

- The contractual rights for collecting the cash flow of the said financial asset are terminated;
- The most sufficient risk and reward of the financial instrument is transferred, neither no transfer nor retention ownership of the risk and reward of the financial instrument, but the control of the financial instrument has been abandoned.

Current obligations of the financial liabilities have been discharged in whole or in part.

#### (7) 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

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.

#### (8) 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.

#### (9) 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.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

#### (10) Accounting treatment method for financial asset transfer and non-financial asset securitization business

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to SPEs which issue securities to investors.

#### 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:

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 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.

For those which do not satisfy the condition of recognition, consideration so received shall be recognized as financial liabilities.

#### 11. Accounts receivable and provisions for bad debts

The criteria for recognition of loss from bad debts: the removal, liquidation, insolvency and serious lack of cash flow, suspension of production due to severe natural disasters and the incapability of repayment of debts in foreseeable period of time, while there are sound evidence that the possibility of recovery is minimal.

#### 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:

<b>Aging</b>	<b>Provision for bad debts as a percentage of receivables (%)</b>
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

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

"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.

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.

"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 more but less 50% of the voting shares directly owned by the Group or owned through subsidiaries.

(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.

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

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.

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

Fixed assets are tangible assets with all of the following characteristics: that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, which have useful lives more than one year and single value over RMB 3,000.

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

The cost of an item of fixed assets shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets of the Company are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, value-added tax, import custom duties and other related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use. The cost of a fixed asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair. A fixed asset that is obtained under a finance lease is measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent expenditure incurred on a fixed asset, such as repairs and maintenance cost, dismantlement, removal and restoration costs, is included in the cost of the fixed asset, only if it meets the recognition criteria of a fixed asset. The carrying amount of the replaced part is derecognised. Other subsequent expenditure that fails to meet the recognition criteria of a fixed asset shall be recognised in profit or loss in the period in which they are incurred.

The Company provides depreciation for all its fixed assets other than fully depreciated fixed assets that are still in use and is calculated based upon straight-line method. The Company reasonably determines the useful life and estimates net residual value of a fixed asset according to the nature and use pattern of the fixed asset. The estimated useful life and annual rates of depreciation for various categories of fixed assets are listed below:

Items	Estimated useful lives (Year)	Annual depreciation
<b>Building</b>		
Including: productive building	20	4.75% or double decline balance method
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

At each financial year-end, the Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied. If it differs from its previous estimate, and then makes adjustment accordingly.

The depreciation policy for assets held under finance bases is consistent with that for owned assets. If there is no reasonable certainty that the lease will obtain ownership at the end of lease, the asset should be depreciated over the shorter of the lease term and the life of the asset.

Fixed assets will be derecognised on disposal or when the fixed assets are permanently withdrawn from use and no future economic benefits are expected from its disposal. When fixed assets is sold, transferred, retired or damaged, the Company will recognise the amount of any proceeds on disposal deduct the carrying amount and related taxes in profit or loss for the current period.

At the balance date, if the recoverable amount of fixed assets are less than the original carrying amount, then reduces fixed assets to its recoverable amount, the difference is charged to profit or loss for the current period, at the same time corresponding provisions for asset impairment must be made. Once impairment of fixed assets is recognised, it cannot be reversed in later accounting period.

#### 16. Construction in progress

Construction-in-progress is stated at cost. The relevant interests are included as project cost before the property reaches its conditions for its intended use. Self-construction projects, direct materials, direct labor, direct construction fees measurement; measurement of the package building works shall pay the contract price; equipment installation works by the value of the installed equipment, installation costs, project commissioning, the occurrence expenditures to determine the cost of the project. The cost of Construction-in-progress also included the capitalisation of borrowing costs incurred before the intended use, exchange gains and losses and other related expenses.

For the project has reached its intended use but not yet settle the final account for completed project, the asset is recorded in accordance with an estimated value to determine their costs and depreciation. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on previous estimated value of the project, but need not adjust depreciation retrospectively.

At the balance sheet date, the value of construction-in-progress is calculated in accordance with the lower of carrying amount and recoverable value. When the recoverable value is lower than carrying amount, the difference will be determined as provision for impairment of construction-in-progress on single asset basis. The provision could not be reversed after recognition.

#### 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

Intangible assets include land use right and know-how without patent.

Intangible assets are initially measured at actual cost upon acquisition, which is equivalent to considerations actually paid and other related charges. The actual cost of intangible assets contributed by an investor shall be determined by the value agreed under the investment contract or agreement. Where such agreed value is not fair, the actual cost should be determined by fair value.

For intangible assets with definite useful lives, the costs are amortised on a straight-line basis over their estimated useful lives or validity period with the amortization recognised in the profit or loss for the current period from the date the asset is available for use. Intangible assets are presented net at acquisition cost less accumulated amortization and impairment. The cost of land use right is amortised evenly over the whole period of the right. The cost of patented technology, non-patented technology and other intangible assets of the Group is amortised evenly over the amortisation period not longer than the shortest of the expected useful life, the beneficial period as specified in the contract or the useful life specified in the law. The amortisation charge shall be recognised as the cost of an intangible asset or profit or loss for the current period by the object of benefit derived from the assets

For an intangible asset with a finite useful life, the Group shall review the useful life and amortisation method at least at each financial year-end. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method shall be changed accordingly.

For an intangible asset with an indefinite useful life, the Group shall reassess the useful life of the asset in each accounting period, irrespective of whether there is any indication that it may be impaired. If there is evidence indicating that the useful life of that intangible asset is finite, the Group shall estimate the useful life of that asset and amortised accordingly.

The Group recognises an impairment loss on intangible assets when evidence indicates that realisable value falls lower than book value. For an intangible asset with an indefinite useful life, the Company shall reassess the useful life of the asset in each accounting period.

If the recoverable amount of an asset is less than its carrying amount, the Group reduces the carrying amount to its recoverable amount (See Note II. 20 to the financial statements). The difference is recognised as an impairment loss and charged to profit or loss for the current period and should not be reversed subsequently after it is recognised.

#### 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;
- 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.

Once an impairment loss on the above mentioned assets is recognised, it shall not be reversed in a subsequent period.

## 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.

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 compensation includes wages, bonuses, allowances and subsidies, employee benefits, social insurance and housing funds, union funds and workers education funding and other expenditures related to the services rendered by employees.

In the accounting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability, and recognises relevant asset or expense for the current period.

When the Group had formally proposed the plan of termination of labour, either termination of labour before the date stated on the employment contract or compensation proposal of voluntary acceptance of termination, and that the plan will be implemented, the Group could not unilaterally cancel the plan of termination of labour and account the resulted compensation into the profit or loss.

## 24. Provision

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

Provision is measured at the best estimate of the consideration required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation and the time value of money. Where the effect of time value of money is material, the best estimate is determined using the discounted future cash outflows. The increase in the discounted amount of the provision arising from the passing of time will be recognized as interest expense.

Provisions are reviewed at each balance sheet date. If there are any changes, the carrying amount of provisions will be adjusted to reflect the current best estimate.

## 25. Recognition of revenue

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

### (1) Revenue from sales of goods

Sales of goods are recognized when the major risks and rewards relating to the ownership of commodities are transferred to the customer; when the Group no longer exercises continuing management generally related to the ownership and no longer has actual control over the commodities sold; when the amount of revenue can be reliably measured; when it is very likely that the economic benefits will be flowed to the Group; and when the related costs has incurred or will be incurred can be reliably measured.

### (2) Revenue from rendering of services

Revenue from rendering of services is recognized when total revenue and total costs of the services can be measured reliably, the associated economic benefits are probably flow to the Group and the completion progress of the services can be measured reliably.,



When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue is recognized using the percentage of completion method as determined by the proportion of the costs incurred to date over the estimated total costs. Where the results of the service rendering transaction cannot be reliably estimated and the costs incurred are expected to be recoverable, revenue will be recognized to the extent of the costs incurred and recoverable and the costs incurred will be carried forward. Where the results of the service rendering transaction cannot be reliably estimated and the costs incurred are not expected to be recoverable, the costs incurred will be included in current profit or loss and no revenue will be recognized.

### (3) Revenue from transferring assets use rights

Royalty revenue from transferring asset use rights is determined according to the payment dates and calculations of the charges as prescribed in relevant contract or agreement, and is recognized when the economic benefits in connection with the transaction are probably flow to the Group and the amount of revenue can be reliably estimated.

## 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: Where the outcome of a construction contract cannot be reliably estimated and the contract costs incurred are expected to be recoverable, revenue from the construction contract is recognized to the extent of the actual contract costs incurred and such costs are recognized and expensed in the period as incurred. Where the contract costs are not expected to be recoverable, such costs will be expensed in the period as incurred and no revenue will be recognized.

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
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

A government grant is recognised when the Group complies with the conditions attaching to the grant and when the Group is able to receive the grant.

Where a government grant is in the form of a monetary asset, it is measured at the amount received. Where a government grant is in a form of fixed amount, it is measured at the amount receivable.

Where a government grant is in the form of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

Assets-related government grants are recognised as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

For income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income and carried in profit or loss over the periods in which the related costs are recognized. For income related government grants that is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

For repayment of a government grant already recognized, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

#### 28. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are recognised based on the differences between tax bases of assets and liabilities and respective book value (temporary differences). For deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years, it is deemed as temporary differences and the related deferred income tax assets are recognised. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

The Group shall recognize the deferred income tax asset arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. For the recognized deferred income tax asset, if it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the carrying amount of the deferred income tax assets shall be written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

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

be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are presented in net amount after offsetting when all the following conditions are satisfied:

- the deferred tax assets and liabilities are related to the income taxes levied by the same taxation authority on either the same taxable entity within the Group; and
- that the taxation authority within the Group has a legal right to settle current tax assets and liabilities on a net basis.

## 29 . Leases

The Group classifies the leases into finance lease and operating lease on the lease beginning date.

Finance lease is a lease that substantially transfers all the risks and rewards incident to ownership of an assets. On the lease beginning date, as the leaseholder, the Group recognizes the lower of fair value of lease assets and the present value of minimum lease payment as financial leased fixed assets; recognizes the minimum lease payment as long-term payable, and recognizes the difference between the above two as unverified financing costs.

Operating lease is the other lease except finance lease.

As the leaseholder, the Group records lease payments into the related assets cost or the profit or loss for the period on a straight-line basis over the lease term. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

With the Group as the lessor, rents are recognised as income on a straight-line basis over the term of the relevant lease. Initial direct costs in a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Contingent rents are credited in profit or loss in the period in which they actually arise.

## 30. Accounting calculation of the income tax

The accounting calculation of the income tax adopts the balance sheet liabilities approach. The income taxes include the current and deferred income tax. The current income tax and deferred income tax expenses and earnings are recorded into the current profit and loss, except those related to the transactions and events are recorded directly into the shareholder's equity and the deferred income tax is adjusted into the carrying amount of goodwill arising from the business combination.

The current income tax is the income tax payable, that is, the amount of the current transactions and events calculated according to the taxation regulations paid to the taxation authorities by the enterprises. The deferred income tax is the difference between the due amounts of the deferred income tax assets and liabilities to be recognized according to the balance sheet liabilities approach in the period end and the amount recognized originally.

## 31. Segment reporting

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and determines reportable segments on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: the component is able to earn revenues and incur expenses from its ordinary activities; whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating

segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

The price of intra-segment transactions is determined by the parties to the transaction through negotiation with reference to market rates. Expenses incurred from intra-segment transactions, other than those which are unable to be allocated reasonably, are allocated between different segments on the basis of revenue.

### 32. Held-for-sale assets and discontinued operations

A component is classified as held-for-sale when all the following conditions are satisfied: the Group has made resolutions for the disposal of the component; the Group has entered into an irrevocable transfer agreement with the transferee and the transfer will be completed within a year.

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

Discontinued operations refer to the components of the Group which have been disposed or classified as held-for-sale, and distinguished separately during the operation or preparation of the financial statements. Such component will be disposed in whole or in part according to the plan of the Group.

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

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

### 34. Significant accounting estimation and judgment

The Group's management is responsible for making the estimation for the future uncertainty over the effects on financial statements at the balance sheet date. The actual results in future may be different from their estimation. The Group's management continuously to assess their judgment on critical assumptions and uncertainties related to their estimation. If the accounting estimation changes affect the current period, the affected amounts would be recognized in the period when they appear, and if the changes affect both the current and future periods, the affected amounts would be recognized in both the period when they appear and future periods.

## 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	RMB 3-12/m <sup>2</sup>
Enterprise income tax		
Including: the Company, Dongfang Steam Turbine Co., Ltd, Dongfang boiler group Co.,Ltd, Dongfang Electric Machinery 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 consolidated into the Group	Taxable income	25%

## 2. Tax preference and approval

(1) Dongfang Steam Turbine Co., Ltd., Dongfang boiler group Co., Ltd., Dongfang Electric Machinery Co., Ltd and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd, have obtained the high and new technology enterprises certificates separately on December 28, 2009, October 12, 2011, and December 28, 2009. The certificates are jointly issued by Science&Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, SAT with No. 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 15% in the first half of 2012.

(2) From 2011, the Company began to pay its enterprise income tax at the rate of 15% according to the tax preferential policy for the western development program under the approval from the State Taxation Bureau of Hi-tech Industrial Zone, Chengdu.

## IV. Business Combination and Consolidated Financial Statements

## 1. Subsidiaries

(1) Subsidiaries acquired through establishment, investment or other ways

Unit: RMB0' 000

Name of subsidiary	Type	Place of registration	Nature of Business	Registered capital	Business scope	Actual investment amount at end of period	Others	Percentage of shareholding(%)	Percentage of voting rights(%)	Included in consolidated financial statements (Y/N)	Minority interests
DEC Dongfang Electric Machinery Co., Ltd.	Wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	200,000.00	Design, manufacture and sale of complete sets of power generation equipment, steam turbine generators, and AC and DC motors	200,000.00	91,750.00	100	100	Y	
Dongfang Electric (India) Private Limited	Controlled subsidiary	Kolkata, India	Services	INR32,000	Overhauling of generating units, operation and maintenance of power plants, sale of spare parts and training services for operational staff of power plants	5480.04		100	100	Y	
Chengdu Dongfang KWH Catalysts Co., Ltd.	Controlled subsidiary of a controlled subsidiary	Chengdu, Sichuan	Manufacturing	EUR2,386.09	Design, production, manufacture and sale of selective catalytic reduction denitration catalysts	14,323.23		61.42	61.42	Y	9,326.03
Shenzhen Dongfang Boiler Control Co., Ltd.	Controlled subsidiary of a controlled subsidiary	Shenzhen, Guangdong	Manufacturing	1,000.00	Research, development and manufacture of power station boiler equipment and control systems	510		51	51	Y	7,327.70
DFEM Control Equipment Co., Ltd.	Controlled subsidiary of a wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	10,050.00	Design, manufacture and sale of control equipment in relation to generators and AC and DC motors	10,940.28		99.5	99.5	Y	67.33
DFEM Power System Co., Ltd.	Controlled subsidiary of a wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	4,275.43	Design, manufacture and sale of large and medium AC and DC motors and special motors	4,321.91		98.83	98.83	Y	53.13
DFEM Tooling and Moulding Co., Ltd.	Controlled subsidiary of a wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	1,460.00	Design, manufacture and sale of industrial molds and knife tools, as well as processing and sale of ordinary machinery and machinery accessories	1,782.23		99.315	99.315	Y	14.77
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Huangzhou, Zhejiang	Manufacturing	30,000.00	Direct-drive permanent magnet wind power generating units and tidal generating units, as well as redevelopment and installation of power stations	30,000.00		100	100	Y	
Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Tianjin	Manufacturing	20,000.00	Design, manufacture installation and sale of wind power generation equipment	20,000.00		100	100	Y	

Dongfang Electric (Tongliao) Wind Power Engineering Co., Ltd. (東方電氣(通遼)風電工程技術有限公司)	Wholly-owned subsidiary of a wholly-owned subsidiary	Tongliao, Inner Mongolia	Services	3,000.00	Installation, testing, maintenance and after-sale services of wind power generation equipment	3,000.00		100	100	Y	
Dongfang Electric (Jiuquan) New Energy Co., Ltd. (東方電氣(酒泉)新能源有限公司)	Wholly-owned subsidiary of a wholly-owned subsidiary	Jiuquan, Gansu	Manufacturing	3,000.00	Development of new energy technologies, and installation, testing, maintenance and after-sale services of equipment	3,000.00		100	100	Y	
Dongfang Electric (Hulun Buir) New Energy Co., Ltd. (東方電氣(呼倫貝爾)新能源有限公司)	Wholly-owned subsidiary of a wholly-owned subsidiary	Hulun Buir, Inner Mongolia	Services	3,000.00	Development and introduction of wind power technologies; design, construction, installation, testing, maintenance and after-sale services of wind power equipment; purchase, processing and sale of spare parts and materials; as well as technical upgrade, consulting and services	3,000.00		100	100	Y	

## (2) Subsidiaries acquired through business combinations under common control

Unit: RMB0'000

Name of subsidiary	Type	Place of registration	Nature of Business	Registered capital	Business scope	Actual investment amount at end of period	Others	Percentage of shareholding (%)	Percentage of voting rights (%)	Included in consolidated financial statements (Y/N)	Minority interests
DEC Dongfang Turbine Co., Ltd.	Wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	184,600.00	Manufacture, processing and sale of steam turbines, hydroturbines, gas turbines and wind generating units.	254,200.40	290,015.00	100	100	Y	
DEC Dongfang Boiler Group Co., Ltd.	Controlled subsidiary	Zigong, Sichuan	Manufacturing	160,566.10	Development, design, manufacture and sale of power station boilers, auxiliary devices and industrial boilers	439,139.54	62,100.00	99.67	99.67	Y	1,328.25
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	Controlled subsidiary	Guangzhou, Guangdong	Manufacturing	115,109.57	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.	69,946.66		65.1813	65.1813	Y	47,608.29

Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Controlled subsidiary of a wholly-owned subsidiary	Tianjin	Manufacturing	14,472.58	Manufacture and sale of MW wind turbine blades and turbine enclosures and provision of related services	9,418.98		55.63	55.63	Y	8,268.09
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## (3) Subsidiaries acquired through business combinations not under common control

Unit: RMB0' 000

Name of subsidiary	Type	Place of registration	Nature of Business	Registered capital	Business scope	Actual investment amount at end of period	Others	Percentage of shareholding(%)	Percentage of voting rights(%)	Included in consolidated financial statements (Y/N)	Minority interests
DEC (Wuhan) Nuclear Equipment Company Limited	Controlled subsidiary	Wuhan, Hubei	Manufacturing	19,636.00	Design and manufacture of inner reactor pressure equipment for civil nuclear facilities, and design and manufacture of special products	13,156.00		67	67	Y	6,500.86



2. There were no entities newly included in and eliminated from the scope of consolidation for the period.

## V. Notes to the Consolidated Financial Statements

For the purposes of the financial statement data as disclosed below, unless specified otherwise, “opening” means 1 January 2012, “closing” means 30 June 2012, the “year” / “period” means the period from 1 January to 30 June 2012, and the previous “year” / “period” means the period from 1 January to 30 June 2011.

### 1. Cash funds

Item	Closing balance			Opening balance		
	Local Currency	Exchange	Amount (RMB)	Local Currency	Exchange	Amount (RMB)
<b>Cash:</b>			1,754,819.32			1,926,567.17
RMB	494,180.94	1.0000	494,180.94	558,265.01	1.00	558,265.01
USD	62,483.40	6.3249	395,201.06	77,987.48	6.3009	491,391.29
HKD	22,482.12	0.8152	18,327.87	22,482.12	0.8107	18,226.25
INR	4,853,804.00	0.1123	562,042.22	4,766,891.00	0.1189	565,154.72
PKR	1,844,002.49	0.0703	129,596.49	2,275,885.49	0.07001	159,334.74
VND	516,188,261.00	0.0003	155,470.74	447,257,565.66	0.00030	134,195.16
<b>Bank deposits:</b>			8,024,167,487.18			10,258,162,294.58
RMB	7,345,600,418.08	1.0000	7,345,600,418.08	9,430,845,668.13	1.0000	9,430,845,668.13
USD	80,951,580.91	6.3249	512,010,654.32	106,698,248.85	6.3009	672,294,996.22
HKD	177,672.61	0.8152	144,841.87	177,654.55	0.8107	144,024.54
JPY	1,386,848.00	0.0796	110,459.67	1,574,927.00	0.08110	127,731.29
EUR	4,324,493.54	7.8710	34,038,088.63	3,670,906.92	8.1625	29,963,777.75
INR	312,495,495.02	0.1123	35,093,244.09	328,826,169.25	0.1189	38,900,135.82
PKR	1,352,798,560.60	0.0703	95,074,682.84	1,223,939,106.66	0.07001	85,687,976.86
VND	1,233,614,919.00	0.0003	2,095,097.68	659,858,618.00	0.00030	197,983.97
<b>Other monetary</b>			96,746,945.57			84,938,967.38
RMB	96,746,945.57	1.0000	96,746,945.57	84,938,967.38	1.00	84,938,967.38
<b>Total</b>			8,122,669,252.07			10,345,027,829.13

### 2. Held-for-trading financial assets

Item	Fair value at the end of the period	Fair value at the beginning of the period
Tradable equity instrument investment	29,255,576.02	27,149,792.84
Derivative financial assets	6,935,656.08	37,819,739.50
<b>Total</b>	36,191,232.10	64,969,532.34

### 3. Bills receivable

#### (1) Classification of bills receivable

Category	Closing balance	Opening balance
Bank acceptance bills	2,529,404,465.24	2,237,045,399.29
Commercial acceptance bills	15,349,320.00	3,300,000.00
<b>Total</b>	2,544,753,785.24	2,240,345,399.29

(2) The total of bills receivables which has been endorsed but not yet due at the end of the period is RMB 477,794,760.00, and the top 5 of bills receivables are as follows:

Type of bills	Issuer	Issue date	Due date	Amount	Note
Bank acceptance	Datang Huayin Electric Power Co., Ltd	2012.02.16	2012.08.16	10,000,000.00	
Bank acceptance	Jiangsu Sheyang Harbor Power Generation Co., Ltd.	2012.02.20	2012.08.14	8,000,000.00	
Bank acceptance	Jiangsu Sheyang Harbor Power Generation Co., Ltd.	2012.02.20	2012.08.14	8,000,000.00	
Bank acceptance	Jiangsu Sheyang Harbor Power Generation Co., Ltd.	2012.02.20	2012.08.14	7,000,000.00	
Bank acceptance	Jiangsu Sheyang Harbor Power Generation Co., Ltd.	2012.02.20	2012.08.14	7,000,000.00	
<b>Total</b>				40,000,000.00	

(3) The total of bills receivables which has been discounted but not yet due at the end of the period is RMB 8,000,000.00, the breakdown of which is as follows:

Type of bills	Issuer	Issue date	Due date	Amount	Note
Bank acceptance	Harbin Boiler Company Limited	2012.5.11	2012.10.26	1,000,000.00	
Bank acceptance	Shaanxi Xinxingjiyuan Auto Sales Co., Ltd. (陝西新興紀元汽車銷售有限公司)	2012.3.20	2012.9.20	5,000,000.00	
Bank acceptance	Qingdao Decheng Resources Co., Ltd.	2012.5.10	2012.11.10	2,000,000.00	
<b>Total</b>				8,000,000.00	

#### 4. Trade receivables

(1) Ageing analysis of trade receivables:

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	8,106,704,930.88	4327	392,723,428.89	8,372,447,907.26	4789	446,297,009.98
1-2 years	4,510,810,578.36	2408	500,877,445.61	3,662,107,189.39	2095	371,045,961.52
2-3 years	2,574,958,516.87	1375	516,555,337.98	2,386,179,236.18	1365	496,001,822.24
3-4 years	1,378,142,340.81	736	556,979,086.32	1,442,673,665.40	825	648,617,416.16
4-5 years	986,669,963.94	527	547,844,981.96	677,280,720.70	387	338,640,360.36
Over 5 years	1,176,048,250.04	627	1,176,048,250.04	942,598,387.08	539	942,598,387.08
<b>Total</b>	<b>18,733,334,580.90</b>	<b>100</b>	<b>3,691,028,530.80</b>	<b>17,483,287,106.01</b>	<b>100.00</b>	<b>3,243,200,957.34</b>

## (2) Trade receivables by category:

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Percentage(%)	Amount	percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)
Trade receivables which are individually significant and for which individual bad debt provisions are made	300,614,000.00	1.60	204,824,375.00	68.14	306,446,250.00	1.75	207,740,500.00	67.79
Trade receivables for which impairment provisions are collectively made based on similar aging condition	18,432,720,580.90	98.40	3,486,204,155.80	18.91	17,176,840,856.01	98.25	3,035,460,457.34	17.67
Trade receivables which are individually insignificant but for which individual bad debt provisions are made								
<b>Total</b>	<b>18,733,334,580.90</b>	<b>100</b>	<b>3,691,028,530.80</b>	<b>19.70</b>	<b>17,483,287,106.01</b>	<b>100</b>	<b>3,243,200,957.34</b>	<b>18.55</b>

1) Trade receivables for which impairment provisions are collectively made based on similar aging condition

Item	Closing balance			Opening balance		
	Amount	Percentage	Provision for bad debts	Amount	Percentage	Provision for bad debts
Within 1 year	8,106,704,930.88	43.27	392,723,428.89	8,310,948,763.67	47.54	415,547,438.19
1-2 years	4,442,847,443.75	23.72	466,895,878.31	3,650,019,082.97	20.88	365,001,908.31
2-3 years	2,569,746,401.48	13.72	513,949,280.28	2,323,625,986.19	13.29	464,725,197.24
3-4 years	1,320,994,590.81	7.05	528,397,836.32	1,272,367,915.40	7.28	508,947,166.16
4-5 years	816,378,963.94	4.36	408,189,481.96	677,280,720.70	3.87	338,640,360.36
Over 5 years	1,176,048,250.04	6.28	1,176,048,250.04	942,598,387.08	5.39	942,598,387.08
<b>Total</b>	<b>18,432,720,580.90</b>	<b>98.40</b>	<b>3,486,204,155.80</b>	<b>17,176,840,856.01</b>	<b>98.25</b>	<b>3,035,460,457.34</b>

2) Trade receivables which are individually significant and tested for impairment at the end of the period

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	High risk for illegal project
Huaneng Power International INC	191,579,250.00	95,789,625.00	50	High risk for suspended projects
<b>Total</b>	<b>300,614,000.00</b>	<b>204,824,375.00</b>	—	—

(3) Trade receivables due from shareholders holding 5% or more of the voting rights of the Company

Name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	128,621,029.00	30,548,248.38	144,891,884.17	28,371,408.91
<b>Total</b>	<b>128,621,029.00</b>	<b>30,548,248.38</b>	<b>144,891,884.17</b>	<b>28,371,408.91</b>

## (4) Trade receivables due from the top five debtors at the end of the period

Item	Relationship with the Company	Amount	Age	Percentage of total trade receivables(%)
DEC International Cooperation Limited	Fellow subsidiary	901,921,380.47	Within 5 years	4.81
BGR ENERGY SYSTEMS LIMITED	Client	795,954,348.56	1-2 years	4.25
Guangdong Yuedian Jinghai Power Generation Co., Ltd.	Client	381,311,000.00	2-3 years	2.04
Ertan Hydropower Development Co., Ltd.	Client	313,793,628.00	Within 1 year	1.68
Xiangshui Changjiang Wind Power Generation Co., Ltd.	Client	313,461,083.70	1-2 years	1.67
Total		2,706,441,440.7		14.45

(5) Portion of the Group's revenue is generated through construction projects. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions, and the Group offers credit terms of two to three years to large or long-established customers with good repayment history.

For sales of products, settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. 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. Prepayments

## (1) Prepayments by ageing

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,271,282,661.33	55.06	3,264,700,838.62	56.99
1-2 years	1,311,862,471.26	22.08	1,234,518,302.73	21.55
2-3 years	623,902,271.53	10.50	671,725,728.64	11.73
Over 3 years	734,583,882.78	12.36	557,367,289.38	9.73
<b>Total</b>	<b>5,941,631,286.90</b>	<b>100</b>	<b>5,728,312,159.37</b>	<b>100</b>

## (2) Prepayments to the top five vendors at the end of the period

Name	Relationship with the Company	Amount	Age	Reasons for non-settlement
ALSTOM POWER TURBOMACHINES	Supplier	1,020,044,901.89	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
MITSUBISHI HEAVY INDUSTRIES. LTD	Supplier	765,774,487.75	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
FOMAS S. P. A	Supplier	317,595,555.72	Over 1 year	It takes time for processing of components, and delivery is yet to be made.
Guangdong Electric Power Design Institute	Designer	242,633,461.23	Over 1 year	Design is yet to be completed.
THE JAPAN STEEL WORKS, LTD	Supplier	201,589,251.94	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
Total		2,547,637,658.53		

## (3) Prepayments to shareholders holding 5% or more of the voting rights of the Company

Name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC			60,000.00	
Total			60,000.00	

## 6. Interests receivable

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Interests on time deposits	76,378,518.13	10,844,282.99	60,947,486.15	26,275,314.97
Total	76,378,518.13	10,844,282.99	60,947,486.15	26,275,314.97

## 7. Dividends receivable

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Dividends receivable aged within 1 year		6,466,740.03		6,466,740.03
Including: Babcock-Hitachi Dongfang Boiler Co.,Ltd		2,847,552.03		2,847,552.03
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.		3,619,188.00		3,619,188.00
Total		6,466,740.03		6,466,740.03

## 8. Other receivables

## (1) Other receivables by category

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)
Other receivables which are individually significant and for which individual bad debt provisions are made	199,517,734.30	33.77	186,464,106.30	93.46	200,502,428.30	33.71	186,464,106.30	93.00
Other receivables for which impairment provisions are collectively made based on similar ageing condition	388,469,783.80	65.76	94,767,571.03	24.40	391,483,923.47	65.82	96,258,159.60	24.59
Other receivables which are individually insignificant but for which individual bad debt provisions are made	2,750,000.00	0.47	2,750,000.00	100	2,750,000.00	0.47	2,750,000.00	100
Total	590,737,518.10	100	283,981,677.33	48.07	594,736,351.77	100	285,472,265.90	48.00

## 1) Other receivables which are individually significant and tested for impairment at the end of the period

Name	Book balance	Provision for bad debts	Rate(%)	Reason
China Science and Technology Securities Limited Company	186,464,106.30	186,464,106.30	100	Note 1
Loans to staff for home purchases	13,053,628.00			Note 2
Total	199,517,734.30	186,464,106.30		

Note 1: In 2004, the Chongqing operation department of China Science and Technology Securities Limited Company (中國科技證券有限責任公司) (“China Sci-Tech”) unlawfully pledged the treasury bonds with a nominal value of RMM201,404,000.00( an investment costs of RMB197,173,563.16) without notifying Dongfang Boiler. Dongfang Boiler reported to the judicial department, which froze the bank deposits of China Sci-Tech of RMB71 million, and relevant person’s involved capital of 8.3 million was confiscated.

In 2006, China Sci-Tech was put under the trusteeship of China Securities Investor Protection Fund Co., Ltd (中國證券投資者保護基金有限公司), Beijing Second Intermediate People's Court accepted the bankruptcy case of China Sci-Tech in September, 2007. Dongfang Boiler received the first treasury distribution payment of RMB10,709,456.86 on 4 August 2008 by the bankruptcy clearing committee of China Sci-Tech.

On 2 June, 2010, the 4th creditor meeting of China Sci-Tech considered and approved the second bankruptcy property distribution plan, in which, the creditor's right amount attributed to Dongfang Boiler was RMB10,795,855.96. At the same time, according to the resolution of the fourth creditor meeting, before Zigong Municipal Public Security Bureau made any official decisions of the freezing fund of China Sci-Tech, during this creditor's rights distribution and subsequent distribution, the confirmed capital that should be distributed would be retained without distribution temporarily. As for the capital already distributed, safeguard measures should be taken.

On 16 July, 2011, the 5th creditor's meeting of China Sci-Tech, considered and approved the third bankruptcy property distribution plan in which the creditor's right amount attributed to Dongfang Boiler was RMB10,986,829.34. Since the Zigong Municipal Public Security Bureau had not made official decision for the frozen capital of Zigong Municipal Public Security Bureau. The distributed amount for Dongfang Boiler was still retained and not distributed temporarily.

On 8 July, 2011, the Zigong Municipal Public Security Bureau lawfully unfroze the trading capital account (not belongs to the bankruptcy property of China Sci-Tech), but two accounts of "China Sci-Tech administrative clearing team" and "China Sci-Tech", with an aggregated capital of RMB40 million, were still frozen by Zigong Municipal Public Security Bureau. By the date of this financial report, the management person of China Sci-Tech bankruptcy still adopted retention and not distributed temporarily measures for this distribution amount.

Due to the uncertainty of getting the remained amount and the aging of receivables has exceeded 5 years, by the end of the period, Dongfang Boiler has made a full amount bad debt provision of RMB186,464,106.30 for the outstanding treasury bond capital.

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

2) Other receivables for which impairment provisions are collectively made based on similar aging condition

Item	Closing balance			Opening balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	204,991,960.73	34.70	10,025,554.43	196,657,052.81	33.07	9,832,852.73
1-2 years	18,491,702.01	3.13	1,898,163.03	40,230,306.80	6.76	4,023,030.67
2-3 years	87,835,720.29	14.87	15,367,144.07	79,667,695.16	13.40	15,933,539.03
3-4 years	14,111,172.40	2.39	5,643,260.57	13,183,948.09	2.22	5,273,579.22
4-5 years	2,411,558.88	0.41	1,205,779.44	1,099,525.33	0.18	549,762.67
Over 5 years	60,627,669.49	10.26	60,627,669.49	60,645,395.28	10.20	60,645,395.28
Total	388,469,783.80	65.76	94,767,571.03	391,483,923.47	65.83	96,258,159.60

3) Other receivables which are individually insignificant but tested for impairment at the end of the period

Name	Book balance	Provision for bad debts	Rate (%)	Reason
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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 in 2008, hence it is unlikely to collect.
Total	2,750,000.00	2,750,000.00	100	

## (2) Other receivables due from shareholders holding 5% or more of the voting rights of the Company

Name	Closing balance		Opening balance	
	Amount	Provision for bad	Amount	Provision for bad
DEC	11,673,859.04	4,083,692.95	19,768,918.22	4,488,445.91
Total	11,673,859.04	4,083,692.95	19,768,918.22	4,488,445.91

## (3) Other receivables due from the top five debtors at the end of the period

Item	Relationship with the Company	Amount	Age	Percentage of total other receivables (%)
China Science and Technology Securities Limited Liability Company	Third party	186,464,106.30	Over 5 years	31.56
China Nuclear Power Engineering Co., Ltd	Client	73,102,915.93	2-3 years	12.37
Chongqing hillo Tatsu Real Estate Development Co.,Ltd	Third party	19,500,000.00	Within 5 years	3.30
Pakistan Electric Power Company	Client	19,342,698.09	Within 1 year	3.27
Sichuan International Trust & Investment Company	Third party	18,100,000.00	Over 5 years	3.06
Total		316,509,720.32		53.56

## 9. Inventories

## (1) Inventories by category

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Raw materials (including procurement of materials)	7,240,098,491.46	84,188,477.59	7,155,910,013.87	8,743,649,430.59	84,196,909.40	8,659,452,521.19
Self-produced semi-finished products and work in process	21,419,146,645.68	35,477,829.30	21,383,668,816.38	22,102,876,349.65	50,624,420.22	22,052,251,929.43
Stock goods (finished goods)	1,623,007,336.30	147,129,528.16	1,475,877,808.14	1,074,403,775.22	131,468,193.18	942,935,582.04
Reusable materials (packaging materials, low-value consumables, etc.)	70,357,020.09	270,561.10	70,086,458.99	64,100,897.79	271,123.10	63,829,774.69
Assets formed by construction contracts	3,983,190,470.67	483,532,209.06	3,499,658,261.61	3,973,835,301.47	561,273,120.80	3,412,562,180.67
Others	281,125,045.67		281,125,045.67	728,886,732.60		728,886,732.60
Total	34,616,925,009.87	750,598,605.21	33,866,326,404.66	36,687,752,487.32	827,833,766.70	35,859,918,720.62



## (2) Provision for impairment of inventories

Item	Opening balance	Increase in the year	Decrease in the year		Closing balance
			Reversal	Other outgoing transfer	
Raw materials	84,196,909.40			8,431.81	84,188,477.59
Self-produced semi-finished products and work in process	50,624,420.22	5,426,331.30		20,572,922.22	35,477,829.30
Stock goods (finished goods)	131,468,193.18	15,820,625.10		159,290.12	147,129,528.16
Reusable materials	271,123.10			562.00	270,561.10
Assets formed by construction contracts	561,273,120.80	82,013,580.57		159,754,492.31	483,532,209.06
Total	827,833,766.70	103,260,536.97		180,495,698.46	750,598,605.21

## 10. Available-for-sale financial assets

Item	Fair value as at the end of the period	Fair value as at the beginning of the year
Sellable equity instrument investments	434,025,530.00	308,987,298.90
Total	434,025,530.00	308,987,298.90

Sellable equity instruments as at the end of the period include 50 million shares of NMHD and 14,453,900 shares of GD Power held by the Group. The fair value of these circulating shares as at the end of the reporting period is determined on basis of the closing price of the securities market.

## 11. Long-term equity invest

## (1) Classification of long-term equity investment

Item	Amount at the end of the period	Amount at the beginning of the year
The cost method	56,976,314.66	56,976,314.66
The equity method	496,899,554.73	423,944,512.62
Total	553,875,869.39	480,920,827.28
Less: impairment of long-term equity investment	24,876,314.66	24,876,314.66
Value of long-term equity investment	528,999,554.73	456,044,512.62

## (2) Long-term equity investment measured by the cost method and the equity method

Name of investees	Shareholding (%)	Voting rights (%)	Investment costs	Amount at the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period	Cash dividends for the year
<b>The cost method</b>								
1. Sichuan Huadian Yibin power generation Co.,Ltd	10.00	10.00	23,800,000.00	23,800,000.00			23,800,000.00	
2. Guangdong oil shale Power generation Co.,Ltd	10.00	10.00	23,500,000.00	23,500,000.00			23,500,000.00	
3 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	
4. Sichuan East Electricity Real Estate Development Co.,Ltd	12.50	12.50	1,000,000.00	1,000,000.00			1,000,000.00	
5. Guangdong Co.,Ltd	11.11	11.11	1,100,000.00	1,100,000.00			1,100,000.00	
6. Sichuan Nangao Highway Development Co.,Ltd	0.05	0.05	1,000,000.00	1,000,000.00			1,000,000.00	
7.Cheng Du San Dian Stock Co., Ltd.			455,373.41	455,373.41			455,373.41	
8. Southwest of machinery Industry (Group) Corporation joint venture	2.37	2.37	210,000.00	210,000.00			210,000.00	
9. Wuxi Hostel			150,000.00	150,000.00			150,000.00	
10. Deyang City Mechanical And electrical equipment import and Export Co.,Ltd			100,941.25	100,941.25			100,941.25	
11.Southwest production information centre			60,000.00	60,000.00			60,000.00	
12 Chengdu Southwest Tank engineering Co.,Ltd	16.13	16.13	50,000.00	50,000.00			50,000.00	
13. 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	
<b>The equity method</b>								
1. Dongfang Hitachi Boiler Co.,Ltd	50	50	34,137,830.00	125,916,646.10	7,151,420.60	2,847,552.03	130,220,514.67	2,847,552.03
2. Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou) Co.,Ltd	49	49	99,306,720.24	142,453,230.96	17,673,533.15	3,619,188.00	156,507,576.11	3,619,188.00
3. Dongfang AREVA (Note 2)	50	50	60,000,000.00	136,244,273.22	47,361,418.86		183,605,692.08	
4. Leshan East Lok Bulky Co.,Ltd (Note 2)	49	49	490,000.00	15,580,697.68	1,619,310.67		17,200,008.35	
Power Industry Investment Co.,Ltd	20	20	4,000,000.00	3,749,664.66	6,000,000.00	383,901.14	9,365,763.52	
Subtotal			197,934,550.24	423,944,512.62	79,805,683.28	6,850,641.17	496,899,554.73	6,466,740.03
<b>Total</b>			254,910,864.90	480,920,827.28	79,805,683.28	6,850,641.17	553,875,869.39	6,466,740.03

Note 1: hereafter as Mitsubishi Heavy Industries Dongfang Gas Turbine; Note 2: hereafter as East Lok Bulky.

## (3) Investment in joint ventures and associated enterprises (Unit: RMB0'000)

Name of investees	Shareholding (%)	Voting right (%)	Total assets by the end of the period	Total liabilities by the end of the period	Total net assets by the end of the period	Total operating revenue for the year	Net profit for the year
Joint ventures							
1 Dongfang Hitachi Boiler Co.,Ltd	50	50	58,508.13	32,464.03	26,044.10	27,013.02	1,430.28
2. Dongfang AREVA	50	50	155,486.23	118,765.09	36,721.14	36,039.79	8,088.62
Associated enterprises							
1. Mitsubishi Heavy Industries Dongfang Gas Turbine	49	49	59,394.20	26,634.92	32,759.28	16,945.70	3,784.75
2. East Lok Bulky	49	49	4,540.53	442.22	4,098.31	1,117.01	519.20
3. Sichuan Wind Power Industry Investment Co.,Ltd	20	20	4,384.45	1.56	4,382.88		-191.95
<b>Total</b>			282,313.54	178,307.82	104,005.71	81,115.52	13,630.90

## (4) Provisions for impairment of long-term equity investment

Name of investees	Amount for the beginning of the period	Current year additions	Current year reductions	Amount for the end of the period	Reason
Sichuan Huadian Yibin power generation Co.,Ltd	23,800,000.00			23,800,000.00	Deficit
Cheng Du San Dian Stock 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
.Southwest production information centre	60,000.00			60,000.00	The Company can't contact the debtor
Chengdu Southwest tank engineering Co.,Ltd	50,000.00			50,000.00	The company is closed
Sichuan electrical import and Export Co.,Ltd	50,000.00			50,000.00	Deficit
<b>Total</b>	24,876,314.66			24,876,314.66	

## 12. Investment real estate

## (1) Investment real estate measured under cost pattern

Items	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
Original 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	12,631,126.24	820,464.34		13,451,590.58
Buildings	11,533,971.04	751,892.14		12,285,863.18
Land use rights	1,097,155.20	68,572.20		1,165,727.40
Net book value	29,120,431.80	—	—	28,299,967.46
Buildings	23,360,367.00	—	—	22,608,474.86
Land use rights	5,760,064.80	—	—	5,691,492.60
Provisions for impairment				
Carrying Value	29,120,431.80	—	—	28,299,967.46
Buildings	23,360,367.00	—	—	22,608,474.86
Land use rights	5,760,064.80	—	—	5,691,492.60

The amount of depreciation and amortization for the period amounted to RMB 820,464.34.

## 13. Fixed Assets

## (1) Breakdown of fixed assets

Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
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Item	Amount at the beginning of the year	Current year additions		Current year reductions	Amount for the end of the period of the year
<b>Original value</b>	14,232,959,286.56	403,360,588.56		90,714,869.52	14,545,605,005.60
Among which: land assets	27,022,453.08			1,370,538.61	25,651,914.47
Buildings	6,074,676,080.58	48,675,839.87		6,065.41	6,123,345,855.04
Machines and equipments	7,218,884,120.77	301,194,085.30		80,644,716.57	7,439,433,489.50
Motors and vehicles means	327,943,577.05	13,548,379.59		3,197,772.42	338,294,184.22
Instruments, electronic equipment and others	584,433,055.08	39,942,283.80		5,495,776.51	618,879,562.37
<b>Total depreciation</b>	4,228,507,513.80	Current year	Provisions made for the	83,768,996.49	4,756,221,751.51
		6,065.41	611,477,168.79		
Among which: land assets					
Buildings	943,994,243.12		145,199,116.98	6,065.41	1,089,187,294.69
Machines and equipments	2,829,419,495.36	6,065.41	396,028,678.93	75,478,133.00	3,149,976,106.70
Motors and vehicles	167,678,463.06		21,296,419.92	2,836,199.57	186,138,683.41
Instruments, electronic equipment and others	287,415,312.26		48,952,952.96	5,448,598.51	330,919,666.71
<b>Carrying value</b>	10,004,451,772.76	—		—	9,789,383,254.09
Among which: land assets	27,022,453.08	—		—	25,651,914.47
Buildings	5,130,681,837.46	—		—	5,034,158,560.35
Machines and equipments	4,389,464,625.41	—		—	4,289,457,382.80

Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
Motors and vehicles	160,265,113.99	—	—	152,155,500.81
Instruments, electronic equipment and others	297,017,742.82	—	—	287,959,895.66
<b>Provisions for impairment</b>	276,204.18		58,150.21	218,053.97
Among which: machines and	102,542.52	3,150.00		105,692.52
Motors and vehicles	147,534.60		56,152.29	91,382.31
Instruments, electronic equipment and others	26,127.06	-3,150.00	1,997.92	20,979.14
<b>Carrying value</b>	10,004,175,568.58	—	—	9,789,165,200.12
Among which: land assets	27,022,453.08	—	—	25,651,914.47
Buildings	5,130,681,837.46	—	—	5,034,158,560.35
Machines and equipments	4,389,358,932.89	—	—	4,289,351,690.28
Motors and vehicles	160,117,579.39	—	—	152,064,118.50
Instruments, electronic equipment and others	296,994,765.76	—	—	287,938,916.52

The amount of depreciation for the period: RMB 611,477,168.79.

The original cost of transferring construction under progress to fixed assets for the period: RMB386,343,171.75.

(2) Fixed Assets for operating lease

Item	Book value
Land assets	6,857,220.00
Buildings	5,942,780.00

<b>Item</b>	<b>Book value</b>
Machines and equipments	8,823,250.75
<b>Total</b>	<b>21,623,250.75</b>

## (3) Fixed assets for which property rights certificates had not been obtained for the period

Item	Reasons for which property rights certificates are not yet obtained	Estimated time for completion of procedures for property rights certificates
76 properties such as new base plants and buildings of Dong Fang Turbine co., Ltd. (東汽有限公司) (including its subsidiaries)	Financial settlement of construction not yet handled	2012
9 properties such as the second ultra-speed laboratory of Danfang Electric Co., Ltd. (東電有限公司)	Property rights being processed	2012
Plants of Dongfang Electric Control Company (東電控制公司)	Construction settlement not yet processed	2013
3 properties such as Hangzhou's new energy consolidated office	Construction settlement not yet completed	2012
6 properties such as Lian San Plant of Dongfang Boiler Group Co., Ltd.	Property rights being processed	2012
4 properties such as the office of DFHM	Property rights being processed	2012
6 properties such as the plant of Wuhan Nuclear Equipment Company	Financial settlement of construction not yet handled	2012

## (14). Construction in progress

## (1) Breakdown of construction in progress

Item	Amount for the end of the period			Amount for the beginning of the period		
	Balance of carrying value	Provisions for impairment	Carrying value	Balance of carrying value	Provisions for impairment	Carrying value
Construction in progress	1,060,581,124.22	320,991.88	1,060,260,132.34	837,795,751.18	1,734,275.28	836,061,475.90

## (2) Changes in major construction in progress

Name of construction	Amount for the beginning of the year	Current year additions	Decrease for the year		Amount for the end of the period
			Transfer to fixed assets	Other reductions	
R&D, sales and marketing service base construction project (成都研發營銷服務基地建設項目)		248,619,900.00		22,650,900.00	225,969,000.00
The Deyang cadres AC room, apartment of college students and supporting structures of the project (德陽幹部交流房、大學生單身公寓及配套構築物項目)	72,479,758.60	20,000,000.00			92,479,758.60
Technological 2009-871 construction of the experiment platform of compressor (壓氣機實驗台建)	48,512,019.79	27,959,766.83			76,471,786.62
Project of establishment of core component production base of large-scale clean energy and high-efficiency power generation equipment	59,482,996.94	59,383,524.41	15,275,382.69	53,654,627.87	49,936,510.79
Technological 2010-126 Heavy II CNC sleeper (重二數控臥車)	13,326,215.70	28,894,964.39			42,221,180.09
1 714_08_D32 Chong Jin Gong Branch Plant (重金工分廠): Purchase of 18M Vertical Lathes	30,358,622.22	3,630,539.02			33,989,161.24
Technological 2011-043 Dongfang Turbine 350T High-speed	5,010,508.00	26,283,994.09			31,294,502.09
Reconstruction of 2008-026 office complex		25,683,773.13			25,683,773.13
Equipment and infrastructure and installation, support (new energy company) (新能源公司)	1,096,396.30	22,815,619.00			23,912,015.30
Introduction of 50MW coal fire design software (09	17,983,623.13	3,986,329.28			21,969,952.41



Name of construction	Amount for the beginning of the year	Current year additions	Decrease for the year		Amount for the end of the period
			Transfer to fixed assets	Other reductions	
Total	248,250,140.68	467,258,410.15	15,275,382.69	76,305,527.87	623,927,640.27

(continued)

Name of construction	Budget	Construction investment in proportion to budget (%)	Construction progress(%)	Total amount of interest capitalization	Among which: interest capitalization for the year	Rate of interest capitalization for the year (%)	Source of funding
R&D, sales and marketing service base construction project (成都研發營銷服務基地建設項目)	350,000,000.00	64.56	50.00				Self-raised funding
The Deyang cadres AC room, apartment of college students and supporting structures of the project (德陽幹部交流房、大學生單身公寓及配套構築物項目)	74,810,000.00	123.62	85.00				Self-raised funding
Technological 2009-871 construction of the experiment platform of compressor (壓氣機實驗台建)	150,000,000.00	51.00	51.00				Self-raised funding
Project of establishment of core component production base of large-scale clean energy and high-efficiency power generation equipment	962,800,000.00	51.89	95.00				Fund raising and self-raised funding
Technological 2010-126 Heavy II CNC sleeper (重二數控臥車)	62,000,000.00	68.00	68.00				Self-raised funding
1714_08_D32 Chong Jin Gong Branch Plant (重金工分廠): Purchase of 18M Vertical Lathes	35,000,000.00	97.11	97.11				Self-raised funding
Technological 2011-043 Dongfang Turbine 350T High-speed	185,000,000.00	17.00	17.00				Self-raised funding
Reconstruction of 2008-026 office complex	350,000,000.00	99.21	99.21				Self-raised funding
Equipment and infrastructure and installation, support (new energy company) (新能源公司)							
Introduction of 50MW coal fire design software (09)	130,000,000.00	40.00	40.00				Self-raised funding
<b>Total</b>	<b>2,299,610,000.00</b>						

## (3)Provision for impairment of construction in progress

Item	Amount for the beginning of the year	Current year additions	Current year reduction	Amount for the end of the period	Reasons for provision
Dual power engineering	125,100.00			125,100.00	The amount of recoverable amount is less than the carrying value, in liquidation
Miscellaneous installation engineering	1,493,625.28		1,297,733.40	195,891.88	Long-term accounts, in liquidation
Other equipment	115,550.00		115,550.00		
<b>Total</b>	<b>1,734,275.28</b>		<b>1,413,283.40</b>	<b>320,991.88</b>	

## 15.Construction materials

Project	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period

Project	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period
Special equipment	169,875.22	42,869,916.04	42,926,326.30	113,464.96
Total	169,875.22	42,869,916.04	42,926,326.30	113,464.96

## 16.Liquidation of fixed assets

Item	Amount for the beginning of the year	Amount for the end of the period	Reasons of being transferred to liquidation
Motors and vehicles		18,786.22	Asset retirement
Instrument and meters		5,157.32	Asset retirement
Electronic equipment		1,695.73	Asset retirement
Other assets		2,300.45	Asset retirement
Machines and equipment		5,366,267.91	Asset retirement
Total		5,394,207.63	

## 17.Intangible assets

Item	Amount for the	Current year	Current year	Amount for the
Original value	1,422,144,173.00	30,859,147.54	244,260.54	1,452,759,060.00
Software	48,491,520.08	20,679,425.20	160,740.00	69,010,205.28
land use rights	1,031,997,047.55	10,179,722.34	83,520.54	1,042,093,249.35
Patent	10,019,319.79			10,019,319.79
Non-patented technology	331,636,285.58			331,636,285.58
Accumulated amortization	340,562,257.81	25,184,510.64		365,746,768.45
Software	15,296,538.59	4,642,922.27		19,939,460.86
Land use right	96,891,578.51	8,972,062.30		105,863,640.81
Patent	2,396,992.05	25,976.54		2,422,968.59
Non-patented technology	225,977,148.66	11,543,549.53		237,520,698.19
Net Book Value	1,081,581,915.19	—	—	1,087,012,291.55
Software	33,194,981.49	—	—	49,070,744.42
Land use right	935,105,469.04	—	—	936,229,608.54
Patent	7,622,327.74	—	—	7,596,351.20
Non-patented technology	105,659,136.92	—	—	94,115,587.39
Provision for impairment	90,428,509.50			90,428,509.50
Land use right	90,428,509.50			90,428,509.50
Book Value	991,153,405.69	—	—	996,583,782.05
Software	33,194,981.49	—	—	49,070,744.42
Land use right	844,676,959.54	—	—	845,801,099.04
Patent	7,622,327.74	—	—	7,596,351.20
Non-patented technology	105,659,136.92	—	—	94,115,587.39

The amount of amortization for the period: RMB25,184,510.64.

## 18.Long-term fees to be amortized

Item	Amount for the beginning of the year	Current year additions	Amortization for the year	Other current year reductions	Amount for the end of the period	Other reasons for reduction
Cost for power cable	126,000.00		18,000.00		108,000.00	
Maintenance cost for power distribution	595,000.06		34,999.98		560,000.08	
Renovation cost for rental housing	48,883.20		48,883.20			
Total	769,883.26		101,883.18		668,000.08	

## 19. Deferred income tax asset and deferred income tax liabilities

## (1) Deferred tax asset and deferred tax liabilities recognized

Item	Amount for the end of the period	Amount for the beginning of the year
Deferred tax asset		
Provision for impairment of assets	731,231,129.53	651,452,886.35
Accrued liabilities	181,930,232.11	140,573,909.87
Unrealized profit for internal transaction	35,721,724.36	88,669,145.16
Accrued payroll	40,202,356.58	39,826,245.45
Fixed assets depreciation	3,947,165.42	3,947,165.42
Deductible loss carried forward to the next year	2,780,243.44	3,136,910.74
Government Subsidies	9,931,467.25	10,163,675.60
Fair value changes of transactional financial liabilities	8,663,274.80	4,596,471.10
Accounts Payable	4,548,272.92	3,684,512.44
Amortization for intangible assets	184,076.82	184,076.82
Fair value changes of sellable financial assets	12,361.65	2,524,394.81
Fair value changes of transactional financial assets	2,876,226.90	3,181,678.83
Total	1,022,028,531.78	951,941,072.59
Deferred tax liabilities		
Value added after evaluation	4,869,640.46	5,893,045.09
Fair value changes in transactional financial assets	965,627.14	5,702,461.29
Depreciation of fixed assets	42,596.74	44,872.61
Total	5,877,864.34	11,640,378.99

## (2) Details of deductible temporary differences of unrecognized deferred income tax assets

Item	Amount for the end of the period	Amount for the beginning of the year
Deductible loss carried forward to the next year	124,468,206.14	124,519,978.89
Provision for inventory loss	158,189,433.67	140,185,045.48

Item	Amount for the end of the period	Amount for the beginning of the year
Provision for bad debts	9,532,442.94	11,833,780.12
Provision for debts	844,117.08	1,579,448.11
Unrealized profits between segments	13,269,272.63	13,269,272.63
Total	306,303,472.46	291,387,525.23

## (3) Due date of deductible loss of unrecognized deferred income tax assets

Item	Amount for the end of the period	Amount for the beginning of the year	Notes
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	18,281,451.50	18,333,224.25	
Total	124,468,206.14	124,519,978.89	

## (4) Breakdown of taxable differences and deductible differences by items

Item	Amount for the end of the	Amount for the beginning of
Deductible differences		
Provision for impairment of assets	4,877,280,723.09	4,473,822,293.56
Estimated debts	1,063,718,904.18	937,485,337.58
Unrealized profit for internal transaction	240,224,791.93	408,839,885.76
Accrued payroll	267,901,314.52	264,972,873.04
Fixed assets depreciation	26,314,436.18	26,314,436.18
Deductible loss carried forward to the next year	143,003,162.42	145,190,298.77
Government grants	62,550,008.53	64,246,647.11
Fair value changes in transactional financial liabilities	57,755,165.34	30,643,140.64
Accounts Payable	30,321,819.49	24,563,416.40
Amortization for intangible assets	1,227,178.81	1,227,178.81
Fair value changes of sellable financial assets	82,411.00	16,829,298.68
Fair value changes of transactional financial assets	19,174,846.00	21,211,192.21
Subtotal	6,789,554,761.49	6,415,345,998.74
Taxable differences		
Value added after evaluation	32,464,269.66	39,286,967.25
Fair value changes in transactional financial assets	6,437,514.21	38,016,408.60
Depreciation of fixed assets		135,087.26
Fair value changes in available-for-sale financial assets		
Subtotal	38,901,783.87	77,438,463.11

## 20. Details of provision for impairment of assets

Item	Amount for the beginning of the year	Current year additions		Current year reductions		Amount for the end of the period
		Provisions	Other reasons	Reversal	Other reversal	
Provision for bad debts	3,528,673,223.24	446,368,538.73			31,553.84	3,975,010,208.13
Provision for obsolete stock	827,833,766.70	103,260,536.97			180,495,698.46	750,598,605.21
Impairment of long-term equity investment	24,876,314.66					24,876,314.66
Provision for impairment of fixed assets	276,204.18				58,150.21	218,053.97
Provision for impairment of construction in progress	1,734,275.28				1,413,283.40	320,991.88
Provision for impairment of intangible assets	90,428,509.50					90,428,509.50
Total	4,473,822,293.56	549,629,075.70			181,998,685.91	4,841,452,683.35

## 21. Short term borrowings

Type of borrowings	Amount for the end of the period	Amount for the beginning of the year
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Pledged borrowings	370,768,751.18	452,298,661.98
Credit loans	2,585,000,000.00	1,820,000,000.00
Total	2,955,768,751.18	2,272,298,661.98

The pledged borrowings of the Group for the end of the year were discounted commercial paper issued among subsidiaries within the scope of consolidation of the Group but not yet fall due.

## 22. Transactional financial liabilities

Item	Fair value for the end of the period	Fair value for the beginning of the
Derivative financial liabilities	58,519,413.33	30,643,140.64
Total	58,519,413.33	30,643,140.64

## 23. Notes Payable

Type of notes	Amount for the end of the period	Amount for the beginning of the year
Bank acceptance	740,825,053.66	773,618,229.69
Trade acceptance	3,066,706,016.92	3,073,906,337.06
Total	3,807,531,070.58	3,847,524,566.75

The amount that will expire in the next accounting period (the second half of the year) amounted to RMB 3,807,531,070.58.

## 24. Accounts payables

## (1) Accounts payables

Aging	Amount for the end of the period	Amount for the beginning of the year
Within one year	11,154,180,521.53	11,184,128,254.18
1-2 years	1,859,085,588.19	2,262,461,944.04
2-3 years	757,294,327.12	600,913,896.71
Over 3 years	669,308,788.09	412,712,079.94
Total	14,439,869,224.93	14,460,216,174.87

(2) The amount payable to shareholders holding 5% (inclusive of 5%) of shares with voting rights of the Company

Name of the entity	Amount for the end of the period	Amount for the beginning of the year
DEC	13,066,000.00	603,000.00
Total	13,066,000.00	603,000.00

(3) The average credit period for purchase of commodity is 180 days. The Group has financial risk management policies to ensure that all payables are settled within the credit period.

## 25. Accounts receivables

## (1) Advances from customers

Item	Amount for the end of the period	Amount for the beginning of the year
Total	38,656,005,386.74	42,510,698,850.55

Item	Amount for the end of the period	Amount for the beginning of the year
Among which: more than 1 year	13,461,490,160.12	11,305,949,207.20

(2)Advances from shareholders holding 5% (inclusive of 5%) of shares with voting rights of the Company

Name	Amount for the end of the period	Amount for the beginning of the year
DEC	288,802,783.56	289,129,694.92
Total	288,802,783.56	289,129,694.92

## 26. Employee's payment

Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount at the end of the period
Salaries, bonus, allowance and subsidiaries	189,435,919.00	836,801,503.83	807,557,089.53	218,680,333.30
Employee welfare		105,124,811.17	108,043,444.39	-2918,633.22
Social insurance	120,079,514.70	311,025,816.72	346,212,592.29	84,892,739.13
Including: Fundamental medical insurance	6,303,941.34	83,360,362.14	88,028,129.05	1,636,174.43
Supplementary medical insurance	4,622,000.00	12,077,044.73	16,699,044.73	
Fundamental pension	17,892,719.41	145,324,137.85	155,232,705.46	7,984,151.80
Annuity	86,668,247.40	40,187,601.32	52,906,500.04	73,949,348.68
Unemployment insurance	2,224,780.30	16,903,750.49	18,938,016.07	190,514.72
Injury insurance	1,769,982.33	9,387,019.95	10,368,870.46	788,131.82
Maternity insurance	597,843.92	3,785,900.24	4,039,326.48	344,417.68
Housing fund	6,051,606.30	104,792,809.75	104,201,974.34	6,642,441.71
Employee committee fees and employee education fees	24,931,018.98	37,452,504.11	24,745,749.19	37,637,773.90
Non-monetary benefits		1,917,749.99	1,917,749.99	
Termination benefits	67,419,803.48	24,059,688.26	24,348,180.97	67,131,310.77
Including: Compensation for employment relation termination	18,946.09	110,980.25	128,818.42	1,107.92
Estimated expense for the retired	67,400,857.39	23,948,708.01	24,219,362.55	67,130,202.85
Others		1,889.65	1,889.65	
<b>Total</b>	<b>407,917,862.46</b>	<b>1,421,176,773.48</b>	<b>1,417,028,670.35</b>	<b>412,065,965.59</b>

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

## 27. Taxes payable

Item	Amount at the end the period	Amount at the beginning of the year
Value-added tax	-754,000,297.34	36,105,482.90
Enterprises income tax	152,317,559.69	343,690,833.35
City maintenance and construction tax	9,677,534.82	8,989,139.90
Education tax	1,391,833.11	4,818,186.64
Individual income tax	4,787,763.68	25,342,907.45
Local education tax	7,928,993.91	8,885,952.85
Stamp duty	5,158,671.59	7,842,431.18
Business tax	1,293,978.76	2,621,723.11
Land use tax	2,311,783.94	5,207,315.62
House property tax	1,298,133.21	4,471,804.07

Item	Amount at the end the period	Amount at the beginning of the year
Embankment protection charges	48,436.60	162,363.43
Fund of non-staple food	109,550.74	137,020.16
Security fund for disabilities		
Water conservancy and construction special funds	71,414.36	167,873.86
Others	21,795.67	15,392.17
Total	-567,582,847.26	448,458,426.69

## 28.Dividends payable

Name of institutions	Amount at the end of the period	Amount at the beginning of the year	Reason for unpaid dividends over 1 year
China Western Power Industrial Co., Ltd	365,662.57	283,442.57	
Other outside shareholders	1,643,061.41	1,276,807.01	Note
DEC 2011 dividends	160,397,317.60		
A Shares (except DEC) 2011 dividends	105,820,282.40		
H Shares 2011 dividends	54,400,000.00		
Total	322,626,323.98	1,560,249.58	

Note: dividends payable aged over one year was due to the not yet completed procedures of dividend receiving by the remaining shareholders. After the delisting on 6 August 2008, Dongfang Boiler has signed with the SD&C Shanghai Branch the agreement of “Dongfang Boiler shares registered data transfer memo” on 3 September 2008, the remaining shares, including the unconfirmed shares in Dongfang Boiler’s initial shares, which had not accepted the acquisition invitation of DEC were managed by Dongfang Boiler itself, and the shareholders of the remaining shares can receive the cash dividends only after certain procures at the Dongfang Boilers.

## 29.Other payables

## (4) Other payables

Item	Amount at the end of the period	Amount at the beginning of the year
Total	2,067,895,735.63	1,871,026,035.12
Including: over 1 year	1,667,950,688.30	1,567,590,320.09

Other payables aged over 1 year at the end of this period was mainly due to the fact that, according to the acquisition agreement when the Company directly issued new A Shares to Dongfang Steam Turbine and Dongfang Boiler for share acquisition in 2007, these payables should be attributed to the net profit of DEC between the period of evaluation benchmark day and the day when the acquisition was completed.

## (5) The balance of creditor who is a shareholder of the Company with 5% or more voting rights

Name of the institutions	Amount at the end of the period	Amount at the beginning of the year
DEC	1,366,349,072.92	1,307,710,535.78

Name of the institutions	Amount at the end of the period	Amount at the beginning of the year
total	1,366,349,072.92	1,307,710,535.78

## 30. Non-current liabilities maturing within one year

## (1) Non-current liabilities maturing within one year

Items	Amount as at the end of the period	Amount as at the beginning of the year
Long-term borrowings maturing within one year	126,320,000.00	116,320,000.00
Total	126,320,000.00	116,320,000.00

## (2) Long-term borrowings maturing within one year

Items	Amount as at the end of the period	Amount as at the beginning of the year
Credit loans	76,320,000.00	66,320,000.00
Guarantee loans	50,000,000.00	50,000,000.00
Total	126,320,000.00	116,320,000.00

## (3) Details of long-term borrowings maturing within one year

Name of creditors	Start date	End date	Interest rate (%)	Amount as at the end of the period	Amount as at the beginning of the year
Deyang City Finance Bureau	2001-11	2010-11	2.55	16,320,000.00	16,320,000.00
ICBC	2007-10-31	2012-10-30	7.65	10,000,000.00	10,000,000.00
ICBC	2007-10-31	2012-10-30	7.65	40,000,000.00	40,000,000.00
Dongfang Electric Finance Co., Ltd	2009-11-09	2012-11-08	4.86	30,000,000.00	30,000,000.00
Dongfang Electric Finance Co., Ltd	2010-02-21	2013-02-20	4.86	30,000,000.00	
Dongfang Electric Finance Co., Ltd	2010-02-21	2012-02-20	4.86		20,000,000.00
Total				126,320,000.00	116,320,000.00

## (4) Details of overdue borrowings

Name of creditor	Amount	Over period	Interest rate (%)	Use of loans	Reason for overdue	Tentative repayment period
Deyang City Finance Bureau	16,320,000.00	19-67 months	2.55	combined gas and steam recycling technology innovation project	not been collected	—
Total	16,320,000.00					

The Group's long-term borrowings expired at the end of the period was the treasury bond capital of RMB16.32 million which were transferred into debts and borrowed from Deyang City Finance Bureau by Dongfang Steam Turbine Co., Ltd. in instalments since 2001, based on the "Agreement of Loaning Treasury Bond Capital", in order to carry out the combined gas and steam recycling technology innovation project. The borrowings expired during the period from November 2006-November 2010, and were not repaid since the creditor had not required repayment. As at the end of this financial report, the Group did not repay these expired borrowings.



## 31.Other current liabilities

Items	Amount as at the end of the reporting period	Amount as at the beginning of the year
Deferred income	63,495,979.00	85,945,216.36
Total	63,495,979.00	85,945,216.36

## 32.Long-term borrowings

## (1)Classification of long-term borrowings

Classification	Amount as at the end of the period	Amount as at the beginning of the year
Credit loans	135,808,428.01	165,808,428.01
Guarantee loans		
total	135,808,428.01	165,808,428.01

## (2) Top 5 of long-term borrowings as at the end of the borrowings

	Start date	End date	Currency	Rates%	Amount as at the end of the period	Amount as at the beginning of the period
Dongfang Electric Finance Co., Ltd	2011.06.28	2014.06.28	RMB	5.760	50,000,000.00	50,000,000.00
CCB	2010.04.30	2016.04.29	RMB	5.346	40,000,000.00	40,000,000.00
Dongfang Electric Finance Co., Ltd	2011.07.06	2014.07.06	RMB	5.760	20,000,000.00	20,000,000.00
BOC	2010.04.23	2015.04.23	RMB	5.184	17,808,428.01	17,808,428.01
Sichuan Development Holding Co., Ltd	2010.08.24	2013.08.23	RMB		4,000,000.00	4,000,000.00
Total					131,808,428.01	131,808,428.01

## 33. Long-term accounts payables

Name of creditors	Period	Amount as at the beginning of the year	Rate (%)	Rate	Amounts as at the end of the period	Borrow requirements
Total	—	685,252.84	—		685,252.84	—
Including: National special reserve fund		685,252.84			685,252.84	

## 34. Estimated liabilities

Items	Amounts as at the beginning of the period	Increase in the year	carry forward this year	Amount as at the end of the period
Product quality assurance	889,173,760.13	249,901,439.52	126,904,899.78	1,012,170,299.87
Loss of contracts to be executed	41,527,435.90	12,000,000.00		53,527,435.90
Others	6,784,141.55			6,784,141.55
Total	937,485,337.58	261,901,439.52	126,904,899.78	1,072,481,877.32

(1) As required in the products sales contracts signed by the Group and customers, within the quality guarantee period as set in the contract, the Group is responsible for the products' quality and relevant fix, change and compensation fee will be the shouldered by the Group. Based on the historical data and operating characteristics, the Group charged warranty fee in proportion to the products' revenue.

(2) The provision of loss contracts to be executed of RMB12,000,000.00 was made by the Group based on its strategy and provision for the loss of projects to be unexecuted, which equals to the estimated contracts costs less estimated contracts revenue.

(3) Other estimated liabilities at the end of the year was the estimated payment for the upstream suppliers' claim on the contract termination by the Group, which was due to the end of project implementation for the property owners' reason.

35.Specified accounts payables

Item	Amounts as at the end of the period	Amounts as at the beginning of the year
Specified accounts payables	29,194,416.01	22,744,416.01
Total	29,194,416.01	22,744,416.01

## 36. Other non-current liabilities

Items	Amounts as at the end of the period	Amounts as at the beginning of the year
Deferred income	630,237,270.01	644,999,141.25
Including: The third front enterprise with specialized government grants	488,151,042.62	508,370,442.68
Other research and financial differences	142,086,227.39	136,628,698.57
Total	630,237,270.01	644,999,141.25

## 37. Share capital

Types of share capital	Amount as at the beginning of the year	Changes (+, -)					Amount as at the end of the period
	Amount	New share issue	Bonus share issue	Reserves conversion	Others	Sub-total	Amount
Total share capital	2,003,860,000						2,003,860,000

## 38. Capital reserve

Item	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
Share premium	5,083,399,637.75			5,083,399,637.75
Including: amount from investors	5,091,111,837.75			5,091,111,837.75
Differences formed by business combination	-7,712,200.00			-7,712,200.00
Others	-8,218,944.41			6,015,910.11
Including: other changes in equity of investees	6,085,959.46			6,085,959.46
Fair value changes in available-for-sale investments	-14,304,903.87	33,757,731.20		-70,049.35
Total	5,075,180,693.34	33,757,731.20		5,089,415,547.86

## 39. Surplus reserve

Item	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
Statutory surplus reserve	319,634,515.30			319,634,515.30
Total	319,634,515.30			319,634,515.30

## 40. Undistributed profits

Item	Amount as at the end of the period	Amount as at the beginning of the period
Amount as at 31 December 2011	6,421,629,656.29	3,793,595,551.57
Add: adjustment to undistributed profit at 1 January 2012		
Including: change in scope of consolidation under common control		
Amount as at 1 January 2012	6,421,629,656.29	3,793,595,551.57
Add: net profit attributable to shareholders of the Company for the year	1,243,959,495.33	3,056,227,705.50
Less: Transfers to statutory surplus reserves		167,691,800.78
Dividends payable on ordinary shares	320,617,600.00	260,501,800.00
Others		
Amount as at 30 June 2012	7,344,971,551.62	6,421,629,656.29

The distribution of dividends on ordinary share to shareholders of the Company was made according to the plan for distribution of profits after tax for 2011 approved at the 2011 annual general meeting held on 17 May 2012, namely, a cash dividend of RMB1.6 (tax inclusive) for every ten shares to each shareholder, totalling RMB320,617,600, as calculated based on the Company's total issued share capital of 2,003,860,000 shares as at 31 December 2011.

## 41. Minority shareholders' equity

Name of subsidiaries	Percentage of minority equity (%)	Amount as at the end of the period	Amount as at the beginning of the year
Dongfang Electric Heavy Machinery Co., Ltd.	34.8187	476,082,944.70	461,850,215.80
Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd	38.58	93,260,314.21	92,781,034.97
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	44.37	82,680,940.82	91,160,421.88
Shenzhen Dongfang Boiler Control Co., Ltd.	49	73,276,969.76	76,339,491.99
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33	65,008,638.49	67,679,289.96
Dongfang Boiler Group Co., Ltd.	0.33	13,282,521.71	13,024,799.93
DFEM Control Equipment Co., Ltd.	0.50	673,261.88	694,393.87
Dongfang Eclectic Power Equipment Co., Ltd.	1.17	531,339.21	525,360.34
DFEM Tooling and Moulding Co., Ltd.	0.685	147,666.33	139,895.33
Total		804,944,597.11	804,194,904.07

## 42. Revenue and cost of sales

Item	Amount for the year	Amount for last year
Main operation income	19,873,410,965.65	19,521,996,033.45
Income from other operations	138,077,317.27	237,218,499.43
Cost of sales	16,095,892,049.32	15,632,770,296.23

## (1) Revenue classification by industry

Item	Amount for the year		Amount for last year	
	Revenue	Operating cost	Revenue	Operating cost
Manufacture of generator	19,873,410,965.65	16,027,533,038.59	19,521,996,033.45	15,534,157,287.04
Total	19,873,410,965.65	16,027,533,038.59	19,521,996,033.45	15,534,157,287.04

## (2) Principal businesses by products

## (3) Principal businesses by regions

Item	Amount for the year		Amount for last year	
	Revenue	Operating cost	Revenue	Operating cost
Clean and efficient power generation	11,420,900,841.60	9,079,275,934.74	11,569,712,135.12	9,286,294,070.00
New energy	4,112,010,888.06	3,361,865,401.27	4,241,930,280.42	3,419,030,788.25
Hydro power and environmental	1,833,939,344.51	1,455,323,889.90	1,279,749,408.86	1,045,284,950.20
Engineering and Services	2,506,559,891.48	2,131,067,812.68	2,430,604,209.05	1,783,547,478.59
Total	19,873,410,965.65	16,027,533,038.59	19,521,996,033.45	15,534,157,287.04

  

Name of region	Amount for the year		Amount for last year	
	Revenue	Operating cost	Revenue	Operating cost
PRC	15,638,434,283.47	12,714,318,222.86	17,687,884,368.64	14,114,212,320.06
Overseas	4,234,976,682.18	3,313,214,815.73	1,834,111,664.81	1,419,944,966.98
Total	19,873,410,965.65	16,027,533,038.59	19,521,996,033.45	15,534,157,287.04

## (4) Revenue of top five customers

Name of customer	Revenue	Percentage to total revenue (%)
1	886,943,312.82	4.43
2	802,455,076.90	4.01
3	638,519,315.95	3.19
4	498,654,705.97	2.49
5	468,826,764.96	2.34
Total	3,295,399,176.60	16.46

## 43. Operating taxes and surcharges

Item	Amount for the year	Amount for last year	Calculation standard
Business tax	8,932,275.18	3,642,687.62	3%, 5%
City maintenance and construction tax	97,433,116.33	54,505,365.78	5%, 7%
Education surcharge (including local education surcharge)	51,800,153.67	35,659,566.70	3%, 1%, 1.5%
Others	1,100,988.99	970,539.31	
Total	159,266,534.17	94,778,159.41	

## 44. Cost of sales

Item	Amount for the year	Amount for last year
Quality deposit and customer service charges	237,522,655.22	232,405,489.66
Salaries and wages	70,080,481.88	40,222,011.83
Business trip expenses	22,934,173.71	24,663,798.41
Others	44,249,246.09	55,713,446.39
Total	374,786,556.90	353,004,746.29

## 45. Administrative expenses

Item	Amount for the year	Amount for last year
Salaries and wages	494,809,019.52	436,101,754.02
Research and development expenses	410,023,297.91	431,612,967.26
Repair expenses	145,179,732.27	154,876,921.96
Depreciation expenses	85,073,988.34	73,473,635.73



Item	Amount for the year	Amount for last year
Others	437,176,782.91	415,656,204.59
Total	1,572,262,820.95	1,511,721,483.56

46. Finance costs

Item	Amount for the year	Amount for last year
Interest expense	77,945,157.29	65,569,331.91
Interest income	-60,120,284.13	-91,702,182.48
Exchange loss or gain	-27,690,931.02	-31,801,250.46
Other expenses	-1,408,094.40	30,382,227.36
Total	-11,274,152.26	-27,551,873.67

## 47.Assets impairment losses

Item	Amount for the year	Amount for last year
Bad debt losses	446,368,538.73	480,379,198.72
Impairment loss on inventories	-34,363,485.56	79,075,943.60
Total	412,005,053.17	559,455,142.32

## 48.Income from fair value changes

Item	Amount for the year	Amount for last year
Tradable financial assets	-32,538,127.15	27,053,579.59
Including: fair value changes in derivative financial instruments	-34,643,910.33	7,336,709.31
Tradable financial liabilities	-24,116,445.78	5,081,525.31
total	-56,654,572.93	32,135,104.90

## 49.Investment income

## (1) Sources of investment income

Item	Amount for the year	Amount for last year
Disposal of long-term equity investment income based under the equity method	73,421,782.14	37,096,231.98
Investment income during holding tradable financial assets		301,359.90
Investment income during holding available-for-sale assets	1,445,390.00	11,488,788.80
Investment income from disposal of tradable financial assets		5,345,732.83
Investment income from disposal of tradable financial assets	1,316,576.30	1,074,178.70
Others		54,463.53
Total	76,183,748.44	55,360,755.74

## (2) Long-term equity investments under the equity method

Item	Amount for the year	Amount for last year	Reason for changes
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou)	17,673,533.15	20,962,640.78	Decrease in operating profit
Dongfang Areva Nuclear Pump Co., Ltd.	47,361,418.86	9,631,770.82	Increase in operating profit

Item	Amount for the year	Amount for last year	Reason for changes
Babcock-Hitachi Dongfang Boiler Co., Ltd.	7,151,420.60	2,331,814.38	Increase in operating profit
Leshan City Dongle Large Lifting Co., Ltd	1,619,310.67	4,170,006.00	Decrease in operating profit
Sichuan Energy Industry Wind Power Development Co., Ltd	-383,901.14		
Total	73,421,782.14	37,096,231.98	

## 50.Non-operating income

## (1) A breakdown of non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring loss or profit for the year
Total profits from disposal of non-current assets	793,731.21	4,637,701.07	793,731.21
Including: profits from disposal of fixed assets	793,731.21	4,637,701.07	793,731.21
Receipt of donations	187,799.43	323,432.98	187,799.43
Government subsidies	57,520,759.36	47,964,582.68	57,520,759.36
Compensation for breaching of contracts	663,152.81	1,468,824.44	663,152.81
Others	1,196,724.17	1,272,857.60	1,196,724.17
Total	60,362,166.98	55,667,398.77	60,362,166.98

## (2) A breakdown of government subsidies

Item	Amount for the year	Amount for last year	Explanation
VAT tax refund for the third-tier enterprises	32,987,849.31	37,041,833.37	
Scientific research appropriation	6,013,813.63	2,458,465.70	
Other appropriation	17,090,421.42	4,750,808.61	
Financial interest subsidy	1,428,675.00	3,713,475.00	
Total	57,520,759.36	47,964,582.68	

## 51.Non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring loss or profit for the year
Total losses from disposal of non-current assets	580,334.84	1,949,466.71	580,334.84
Including: loss from disposal of fixed assets	580,334.84	1,949,466.71	580,334.84
External donations		1,250,000.00	
Compensation payments, penalty and fine payment	27,605.35	158,983.84	27,605.35
Others	12,642,220.29	203,843.32	12,642,220.29
Total	13,250,160.48	3,562,293.87	13,250,160.48

## 52.Income tax expenses

## (1) Income tax expenses

Item	Amount for the year	Amount for the year
Income tax for this year	290,706,405.47	243,288,471.85
Deferred income tax	-78,366,070.91	-36,951,754.24
Total	212,340,334.56	206,336,717.61

## 53.The calculation of earnings per share and diluted earnings per share

Item	Amount for the year	Amount for the year
Net profit attributable to shareholder of the Company	1,243,959,495.33	1,537,912,879.36
Weighted average ordinary shares in issue of the Company	2,003,860,000.00	2,003,860,000.00
Basic earnings per share	0.62	0.77

Diluted earnings per share: Diluted earnings per share was the same as basic earnings per share for the Period as there were no diluting events (For the six months ended 30 June 2011: nil) during the Period.

## 54. Other comprehensive income

Item	Amount for the year	Amount for last year
1. Profit (loss) from available-for-sale financial assets	14,234,854.52	-23,528,554.12
Less: income tax effect from available-for-sale financial assets		-3,529,283.12
Transfer from other comprehensive income recorded in prior period to the income statements in the prior period, net Sub-total	14,234,854.52	-19,999,271.00
2. Other comprehensive income from subsidiaries under equity method		
Less: Income tax effect of Other comprehensive income from subsidiaries under equity method		
Transfer from other comprehensive income recorded to the income statements in the prior period, net		
Sub-total		
3. Amount of hedging instruments of cash flow hedge profit (or loss)		
Less: Income tax effect from cash flow hedging instruments		
Transfer to profit or loss of other comprehensive income recognized previously in the current period, net		
Adjustment on initial recognition of items transferred to hedged items		
Sub-total		
4. Foreign currency financial statement translation differences	-2,966,055.43	-1,194,969.48
Less: Transfer to profit or loss on disposal of foreign operations in the period, net		
Sub-total	-2,966,055.43	-1,194,969.48
5. Others		
Less: Income tax effect from others recognized in other comprehensive income		
Transfer to profit or loss of others recognized in other comprehensive income previously in the current period, net		
Sub-total		
Total	11,268,799.09	-21,194,240.48

## 55. Cash Flow Statement

## (1) Other cash received/paid related to operating/investing/financing activities

1)

## Other cash received related to operating activities

Item	Amount for the year
Interest income	105,055,387.83
Government subsidies	36,343,273.08

Item	Amount for the year
Deposit	33,792,464.71
Current accounts	130,798,289.27
Others	125,189,762.71
Total	431,179,177.60

2) Other cash paid related to operating activities

Item	Amount for the year
Business trip expenses	87,573,030.15
Sales service expenses	91,095,904.02
Labor protection expenses	31,532,043.67
Repair expenses	63,961,810.55
Entertainment expenses	39,830,190.64
Deposit	16,568,862.75
Transportation expenses	20,169,794.23
Leasing expenses	5,925,588.76
Handling fees	13,729,551.29
Current accounts	41,595,098.17
Others	250,847,965.67
合計	662,829,839.90

## (2) Supplementary information of consolidated cash flow statement

Item	Amount for the year	Amount for last year
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	1,262,850,268.12	1,568,300,826.67
Add: Provision for asset impairment	412,005,053.17	559,455,142.32
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	612,229,060.93	544,080,530.04
Amortization of intangible assets	25,253,082.84	24,857,377.15
Long-term prepaid expenses	101,883.18	158,003.37
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	-213,396.37	-2,699,094.59
Loss on retired fixed assets ("-" denotes gain)		10,860.23
Loss on change in fair value ("-" denotes gain)	56,654,572.93	-32,135,104.90
Finance expenses ("-" denotes gain)	-11,274,152.26	-26,132,850.57
Investment loss ("-" denotes gain)	-76,183,748.44	-55,360,755.74
Decrease in deferred income tax assets("-" denotes increase)	-70,087,459.19	-87,870,719.20
Increase in deferred income tax liabilities ("-" denotes decrease)	5,762,514.65	-454,063.60
Decrease in inventories ("-" denotes increase)	1,993,592,315.96	-3,863,259,185.42
Decrease in operating receivables("-" denotes increase)	-1,317,439,169.81	-3,393,756,475.32
Increase in operating payables("-" denotes decrease)	-5,150,060,285.20	2,936,901,813.73
Others		
Net cash flows from operating activities	-2,256,809,459.49	-1,827,903,695.83
<b>2 · Major investing and financing activities not involving cash settlements:</b>		
Capital converted from debts		
Convertible bonds of the Company due within 1 year		
Finance leases of fixed assets		
<b>3. Net change in cash and cash equivalents:</b>		
Cash balance at the end of the period	8,054,909,324.41	10,715,945,237.45
Less: cash balance at the beginning of the period	10,285,000,143.30	13,670,551,363.06
Add: balance of cash equivalents at the end of the period		
Less: balance of cash equivalents at the beginning of the period		



Item	Amount for the year	Amount for last year
Net increase in cash and cash equivalents	-2,230,090,818.89	-2,954,606,125.61

## (3).Cash and cash equivalents

Item	Amount for the year	Amount for last year
Cash	8,054,909,324.41	10,715,945,237.45
Including: Treasury cash	9,102,426.73	988,337.89
Bank deposit that can be used for payment at any time	8,016,819,879.77	10,670,539,522.12
Other monetary funds that can be used for payment at any time	28,987,017.91	44,417,377.44
Balance of cash and cash equivalents as at the end of the period	8,054,909,324.41	10,715,945,237.45

## 56.Net current assets

Item	Amount as at the end of the period	Amount as at the beginning of the year
Current assets	65,893,375,906.84	68,864,302,393.42
Less: current liabilities	62,342,515,003.70	66,052,609,185.00
Total assets	79,758,914,277.99	82,442,725,917.98
Net current assets	3,550,860,903.14	2,811,693,208.42
Less: current liabilities	62,342,515,003.70	66,052,609,185.00
Total assets less current liabilities	17,416,399,274.29	16,390,116,732.98

## 57.Total assets less current liabilities

## VI. Related Parties and Related Party Transactions

## (I) Related Parties

## 1. Parent company and the ultimate controller

## (1) Parent company and the ultimate controller

Name of the parent company and the ultimate controller	Type of enterprise	Registered address	Nature of business	Legal representative	Organization code
China Dongfang Electric Corporation	Sole state-owned company	No. 333, Shuhan Road, Jinniu District, Chengdu	Hydro power, nuclear power project, sale and manufacture of equipments	Si Zefu	62160427-X

## (2) Changes in registered capital of parent company (Unit: RMB0'000)

Parent company	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
China Dongfang Electric Corporation	335,619.49			335,619.49

## (3) Changes is shares or equity held by parent company

Parent company	Amount	Shareholding (%)

	As at the end of the year	As at the beginning of the year	Percentage as at the end of the period	Percentage as at the beginning of the year
China Dongfang Electric Corporation	1,002,483,235	1,002,483,235	50.03	50.03

## 2. Subsidiaries

For details of the relevant information of subsidiaries, please refer to note 4 to the financial statements

### 3. Joint ventures and associated companies

For details of the basic and relevant information of joint ventures and associated companies, please refer to note 5 and 11 to the financial statements

### 4. Other related parties

Type of a related parties	Name of other related parties	Relationship between other related parties and the Company	Organization code
	Dongfang Electric Machinery Works	Wholly-owned subsidiary of the parent company	25010228-9
	Dongfang Boiler Works	Wholly-owned subsidiary of the Company	62071142-8
	Dongfang Electric Finance Co., Ltd.	Wholly-owned subsidiary of the Company	20180342-4
	DEC Dongfeng Electric Machinery Co., Ltd.	Wholly-owned subsidiary of the Company	20695104-7
	Guangdong Dongfang Power Station Equipment Co., Ltd.	Controlled subsidiary of the parent company	190323512
	DEC International Corporation Co., Ltd.	Wholly-owned subsidiary of the parent company	20183938-X
	DEC Project Cargo Logistics Co., Ltd.	Wholly-owned subsidiary of the parent company	660499803
	Deyang Dongfang Aberle System Corporation Limited	Others	7523158943
	Dongqi Investment and Development Co., Ltd.	Wholly-owned subsidiary of the parent company	79396893-4
	Dongfang Electric Corporation Materials Co., Ltd.	Wholly-owned subsidiary of the parent company	20182555-1
	DEC Henan Station Auxiliary Equipment Co., Ltd.	Wholly-owned subsidiary of the parent company	17492080-0
	DEC Emei Semiconductor Materials Co., Ltd.	Wholly-owned subsidiary of the parent company	20745435-X
	DEM Real Estate Development Co., Ltd.	Others	73834699-9
	DEM Auxiliary Co., Ltd.	Others	75233053-9
	DEM Metal Component Co., Ltd.	Others	21425869-9
	DEM Insulating Material Co., Ltd.	Others	70917252-0
	DEM General Machinery Co., Ltd.	Others	75230264-2
	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	Controlled subsidiary of the parent company	735885911
	Dongqi Hospital	Others	74003577-8
	DEC(Sichuan) Property Management Co., Ltd.	Wholly-owned subsidiary of parent company	711888800
	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	Controlled subsidiary of the parent company	72031207-X
	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	Wholly-owned subsidiary of the parent company	68613241-0
	Leshan Dongfeng Casting and Forging Co., Ltd.	Wholly-owned subsidiary of the parent company	72089811-1
	Leshan Dongfeng Shipping Co., Ltd.	Wholly-owned subsidiary of the parent company	720898103

Type of a related parties	Name of other related parties	Relationship between other related parties and the Company	Organization code
	China Western Power Industrial Co., Ltd.	Others	76230685-8
	Envirotherm GmbH Essen, Germany	Others	
	Alstom Power Turbo Machines	Others	17771651-4
	Managing director and other senior management members of the Company	Others	

**(II) Related Party Transaction**

## 1. Pricing Strategies and Approval Process of Transactions

Pricing policy of related party transaction of the Group is the adoption of market price , if market price is not available, cost-plus margin would be adopted; if neither the market price nor the cost-plus margin is suitable, pricing should be according to the agreement.

Transactions between related persons 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 persons higher than RMB 300,000.00, or transactions between related party higher than RMB 3,000,000.00 or between 0.5% and 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. Purchase of goods/receipt of services

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2012		2011	
			Amount	Proportion (%)	Amount	Proportion (%)
Deyang Dongfang Aberle System Corporation Limited	Purchase of goods	Market price	36,878,620.00	0.27	32,504,376.16	0.24
Dongfang Electric Corporation Materials Co.,Ltd	Purchase of goods	Market price	209,495,472.73	1.55	137,340,878.70	1.00
DEC Henan Station Auxiliary Equipment Co.,Ltd	Purchase of goods	Market price			95,726.50	0.00
Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	Purchase of goods	Market price	73,652,318.25	0.55	407,334,625.56	2.96
DEC Dongfeng Electric Machinery Co.,Ltd	Purchase of goods	Market price	8,342,500.00	0.06	29,300,170.95	0.21
Babcock-Hitachi Dongfang Boiler Co.,Ltd	Purchase of goods	Market price	230,995,777.79	1.71	46,858,974.32	0.34
China Western Power Industrial Co.,Ltd	Purchase of goods	Market price	27,806,851.30	0.21	34,188.03	0.00
Babcock-Hitachi Dongfang Boiler Co.,Ltd	Purchase of goods	Market price	232,876.86			

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2012		2011	
			Amount	Proportion (%)	Amount	Proportion (%)
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	Purchase of goods	Market price	22,974.36			
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd	Purchase of goods	Market price	10,761,000.00	0.08		
Dongfang Electric Machinery Works	Receipt of services and energy	Market price			700,000.00	0.05
DEC Project Cargo Logistics Co.,Ltd	Receipt of services and energy	Market price	19,068,654.68	0.14	18,585,573.06	1.20
Leshan East Lok bulky Co.,Ltd	Receipt of services and energy	Market price	2,933,280.00	0.02		
Guangdong Dongfang Power Station Equipment Co.,Ltd	Receipt of services and energy	Market price			400,000.00	0.03
DEC Henan Station Auxiliary Equipment Co.,Ltd	Receipt of services and energy	Market price	28,215,564.92	0.21	8,483,361.54	0.55
Dongfang Electric Corporation Materials Co.,Ltd	Receipt of services and energy	Market price			947,681.64	0.06
DEC International Corporation Co., Ltd	Receipt of services and energy	Market price	209,140.95		7,528,095.76	0.49
Babcock-Hitachi Dongfang Boiler Co.,Ltd	Receipt of services and energy	Market price			100,522,715.71	6.50
Dongfang Electric Corporation	Receipt of services and energy	Market price	280,000.00			

## 3. Sales of goods/provision of services

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2012		2011	
			Amount	Proportion (%)	Amount	Proportion (%)
Deyang Dongfang Aberle System Corporation Limited	Sales of products	Market price			233,392.24	
DEC Emei Semiconductor Materials Co., Ltd	Sales of products	Market price			14,258.00	
Dongfang Electric Corporation	Sales of products	Market price	5,627,083.77	0.05	215,580,170.94	1.09
DEC International Corporation Co., Ltd	Sales of products	Market price	641,889,893.92	5.23	87,713,511.59	0.44
DEC Dongfeng Electric Machinery Co.,Ltd	Sales of products	Market price	4,067,524.24	0.03	347,515.55	
Dongfang Areva Nuclear Pump Co.,Ltd	Sales of products	Market price	7,289,515.35	0.06	4,514,471.28	0.02
Leshan East Lok bulky Co.,Ltd	Sales of products	Market price				
Dongfang Electric Corporation Materials Co.,Ltd	Sales of products	Market price	7,379,376.43	0.06	5,641,692.30	0.03
Guangdong Dongfang Power Station Equipment Co.,Ltd	Sales of products	Market price	2,173,659.67	0.02	119,658.12	
DEC Project Cargo Logistics Co.,Ltd	Sales of products	Market price			28,205.13	
Envirotherm GmbH Essen, Germany	Sales of products	Market price	2,809,210.39	0.02	1,594,125.53	0.01
Alstom Power Turbo Machines	Sales of products	Market price			11,062,642.03	0.06
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	Sales of products	Market price	85,470.09			
DEM Metal Component Co.,Ltd	Sales of products	Market price	15,503,386.92	0.13		
DEM Real Estate Development Co.,Ltd	Provision of services and energy	Market price			25,201.88	
DEC Dongfeng Electric Machinery Co.,Ltd	Provision of services and energy	Market price	21,956.36		15,820.00	
Dongfang Areva Nuclear Pump Co.,Ltd	Provision of services and energy	Market price	59,879.76		54,159.51	
DEC Project Cargo Logistics Co.,Ltd	Provision of services and energy	Market price	300.00		3,000.00	
DEC Henan Station Auxiliary Equipment Co.,Ltd	Provision of services and energy	Market price	1,200.00			



## 4. As lessor

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Lease income recognized in 2012
Dongfang Steam Turbine Co., Ltd	Deyang Dongfang Aberle System Corporation Limited	Buildings and equipments	2010.03.25	2012.12.31	Price agreement	
Dongfang (Jiuquan) New Energy	Dongfang Electric (Jiuquan) Solar Engineering Technology Co.,Ltd	Factory building	2010.11.01	2013.11.01	Price agreement	261,221.37
Dongfang Boiler Group Co., Ltd	Babcock-Hitachi Dongfang Boiler Co.,Ltd	Land use right, buildings and equipments	2009.01.01	2013.12.31	Price agreement	1,594,222.52
Dongfang Steam Turbine Co., Ltd	Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co.,Ltd	Buildings	2010.003.18	2013.03.17	Price agreement	
Dongfang Steam Turbine Co., Ltd	Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co.,Ltd	Buildings	2010.06.11	2013.06.10	Price agreement	
Dongfang Steam Turbine Co., Ltd	Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co.,Ltd	Buildings	2011.01.01	2013.12.31	Price agreement	
Dongfang Steam Turbine Co., Ltd	Dongqi Investment and Development Co.,Ltd	Buildings			Price agreement	
Total						1,855,443.89

Note: Determined in accordance with transaction price in contract(s) signed with mutual consultation.

## 5. As lessee

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Rentals recognized in 2012 in 2012
Dongfang Electric Corporation	The Company	Buildings			Price agreement	12,275,000.00
Dongfang Electric Machinery Works	Dongfang Electric Machinery Co., Ltd	Office buildings, production plants, land, equipment, etc.	2009-07-11	2014-6-30	Negotiation agreement	9,523,061.68
Total						21,798,061.68

## 6. Details of guarantee between related parties

Name of guarantor	Name of guaranteed party	Amount (RMB 10k)	Start date	End date	Whether complete the gurantee
Dongqi Investment and Development Co.,Ltd	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	5,000.00	2012.10.31	2014.10.30	No

## 7. Borrowings from related parties

Name of related parties	Amount	Start date	End date	Notes
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.04.12	2012.10.12	
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.06.18	2013.06.18	
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2011.12.31	2012.12.31	
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2011.10.26	2012.10.26	
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2011.02.16	2012.02.16	Repaid
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2011.10.26	2012.10.26	
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2012.02.24	2013.02.24	
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2011.05.12	2012.05.11	Repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2010.02.21	2013.02.20	
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2009.11.09	2012.11.08	
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2010.02.21	2012.02.20	Repaid
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2012.05.18	2013.05.17	
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2012.06.04	2012.06.15	Repaid
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2011.06.28	2014.06.28	
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2011.07.06	2014.07.06	
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2012.01.17	2013.01.17	
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.04.19	2013.04.19	
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2011.01.13	2012.01.13	Repaid
Dongfang Electric Finance Co.,Ltd	500,000,000.00	2011.12.21	2012.12.21	
Dongfang Electric Finance Co.,Ltd	200,000,000.00	2011.07.05	2012.07.05	
Dongfang Electric Finance Co.,Ltd	500,000,000.00	2011.09.23	2012.09.23	
Dongfang Electric Finance Co.,Ltd	300,000,000.00	2011.06.08	2012.06.08	Repaid
Dongfang Electric Finance Co.,Ltd	500,000,000.00	2012.03.31	2013.03.31	
Dongfang Electric Finance Co.,Ltd	200,000,000.00	2012.06.12	2013.06.12	
Dongfang Electric Finance Co.,Ltd	200,000,000.00	2012.06.18	2013.06.18	
Dongfang Electric Finance Co.,Ltd	200,000,000.00	2012.06.26	2013.06.26	
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011.10.09	2012.10.09	
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011.06.14	2012.06.14	Repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011.04.29	2012.04.29	Repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2011.03.04	2012.03.04	Repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2012.06.12	2013.06.12	
Total	3,170,000,000.00			

## (III). Amounts due from/to related parties

## 1. Amounts due from related parties

Item	Name of related parties	Amount as at the end of the period		Amount as at the beginning of the year	
		Amount	Provisions for bad debts	Amount	Provisions for bad debts
Accounts receivable	Dongfang Electric Corporation	128,621,029.00	30,548,248.38	144,891,884.17	28,371,408.91
Accounts receivable	Dongfang Hitachi Boiler Co.,Ltd	4,130,000.00	206,500.00	4,130,000.00	206,500.00
Accounts receivable	DEC International Corporation Co., Ltd	901,921,380.47	233,589,761.15	763,532,893.38	182,228,594.65
Accounts receivable	Guangdong Dongfang Power Station	16,711,369.32	10,600,872.51	18,232,001.12	11,269,747.25
Accounts receivable	DEC Emei Semiconductor Materials Co., Ltd	1,134,137.77	99,816.89	17,784,137.77	1,764,816.89
Accounts receivable	Dongfang Electric Corporation Materials Co.,Ltd	2,187,329.99	301,216.50	8,092,688.89	632,475.88
Accounts receivable	Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	19,602,799.06	980,139.95	18,773,884.67	938,694.23
Accounts receivable	DEC Dongfeng Electric Machinery Co.,Ltd	464,533.32	45,776.67	630,562.12	34,778.11
Accounts receivable	Dongfang Electric Machinery Works	1,407,349.46	462,950.70	1,407,349.46	462,066.15
Accounts receivable	DEC Project Cargo Logistics Co.,Ltd	7,129.50	356.48	264,625.50	13,231.28
Accounts receivable	Deyang Dongfang Aberle System Corporation Limited			2,700.00	135
Accounts receivable	DEM Metal Component Co.,Ltd			34,472,605.26	1,723,630.26
Accounts receivable	China Western Power Industrial Co.,Ltd	0.03		917,780.03	72,310.00
Accounts receivable	Alstom Power Turbo Machines	28,528,600.00	2,665,777.42	28,528,600.00	2,555,929.86
Accounts receivable	Envirotherm GmbH Essen, Germany	3,199,175.35	159,958.77	1,981,828.39	99,091.42
Accounts receivable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	50,000.00	2,500.00		
Accounts receivable	Dongqi Leshan Silicon Material Branch (東汽樂山硅材料分公司)	16,650,000.00	3,330,000.00		
Accounts receivable	Dongqi Investment and Development Co.,Ltd	17,083.58	854.18		
Accounts receivable	DEM Metal Component Co.,Ltd	68,683,334.99	3,434,166.75		
Accounts receivable	Zhonghe Seawater Desalination Engineering Co.,Ltd	22,284,100.00	6,433,640.00		
Other receivables	Dongfang Electric Corporation	11,673,859.04	4,083,692.95	19,768,918.22	4,488,445.91
Other receivables	Dongfang Hitachi Boiler Co.,Ltd	2,041,695.42	147,331.34	734,160.32	36,708.02
Other receivables	Dongfang Areva Nuclear Pump Co.,Ltd			1,538,503.58	497,264.28
Other receivables	DEM Real Estate Development Co.,Ltd	563,722.46	56,124.97	558,777.00	55,877.70
Other receivables	Dongqi Investment and Development Co.,Ltd	453,000.00	45,300.00	453,000.00	45,300.00
Other receivables	DEC Dongfeng Electric Machinery Co.,Ltd	82,115.20	8,211.52	82,115.20	8,211.52
Other receivables	DEC International Corporation Co., Ltd			13,798,052.41	689,902.62
Other receivables	Dongfang Electric (Jiuquan) Solar Engineering Technology Co.,Ltd			733,283.41	36,664.17
Other receivables	Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	1,254,697.64	62,734.88	1,025.00	51.25
Other receivables	Dongfang Electric Machinery Works	1,241,152.20	62,057.61	1,241,152.20	62,057.61
Other receivables	DEC(Sichuan) Property Management Co.,Ltd	1,410.00	70.50		
Prepayments	Dongfang Electric Corporation			60,000.00	
Prepayments	Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd			7,345,099.00	
Prepayments	DEC International Corporation Co., Ltd	25,602,035.03		32,773,639.00	
Prepayments	Dongfang Electric Corporation Materials Co.,Ltd	50,691,749.04		19,774,538.90	
Prepayments	DEC Dongfeng Electric Machinery Co.,Ltd	51,276,282.47		44,334,323.50	
Prepayments	Deyang Dongfang Aberle System Corporation Limited	217,760.00		2,520,314.53	
Prepayments	Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	7,947,909.40		2,438,000.00	
Prepayments	DEC Project Cargo Logistics Co.,Ltd	5,096,750.00		3,659,390.00	
Prepayments	DEC Henan Station Auxiliary Equipment Co.,Ltd	7,468,138.50		11,421,614.45	
Prepayments	Maiji Solar Energy Technology Co., Ltd. (迈吉太阳能公司)	1,018,657.60			
Dividends receivable	Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd	3,619,188.00			
Dividends receivable	Dongfang Hitachi Boiler Co.,Ltd	2,847,552.03			

## 2. Amounts due to related parties

Item	Name of related parties	Amount as at the end of the period	Amount as at the beginning of the year
Accounts payable	Dongfang Electric Corporation	13,066,000.00	603,000.00
Accounts payable	Dongfang Hitachi Boiler Co.,Ltd	161,129,550.72	74,395,159.23
Accounts payable	Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co.,Ltd		1,472,240.00
Accounts payable	Dongfang Areva Nuclear Pump Co.,Ltd	15,630.50	
Accounts payable	Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	379,090,158.34	380,428,072.65
Accounts payable	Dongqi Investment and Development Co.,Ltd	220,828,332.29	204,400,230.39
Accounts payable	Dongfang Electric Corporation Materials Co.,Ltd	144,218,813.69	181,567,105.03
Accounts payable	DEC International Corporation Co., Ltd	-6,965.57	24,029,450.30
Accounts payable	DEC Henan Station Auxiliary Equipment Co.,Ltd	5,900,364.35	9,959,864.35
Accounts payable	DEC Dongfeng Electric Machinery Co.,Ltd	3,315,072.62	4,257,706.65
Accounts payable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	70,493,682.95	65,796,222.95
Accounts payable	DEC Project Cargo Logistics Co.,Ltd	10,191,693.77	7,990,619.37
Accounts payable	Dongqi Hospital		6,614,157.97
Accounts payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd		3,140,000.01
Accounts payable	Dongfang Electric Machinery Works	15,171,403.00	34,454.57
Accounts payable	DEM General Machinery Co.,Ltd	881,306.89	
Accounts payable	Leshan Dongfeng Casting and Forging Co.,Ltd		9,152.69
Accounts payable	Deyang Dongfang Aberle System Corporation Limited	9,106,108.62	928,767.00
Accounts payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd	5,132,745.01	2,012,503.00
Accounts payable	China Western Power Industrial Co.,Ltd	32,757,337.08	70,651,804.28
Accounts payable	Leshan East Lok bulky Co.,Ltd	2,033,280.00	
Other payables	Dongfang Electric Corporation	1,366,349,072.92	1,307,710,535.78
Other payables	Dongfang Hitachi Boiler Co.,Ltd	200,000.00	200,000.00
Other payables	Dongfang Boiler Works	28,999,765.47	38,520,335.47
Other payables	DEC Project Cargo Logistics Co.,Ltd	1,100,000.00	750,000.00
Other payables	Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	1,423,931.61	2,847,863.22
Other payables	Guangdong Dongfang Power Station	200,000.00	200,000.00
Other payables	Dongfang Electric Corporation Materials Co.,Ltd	200,000.00	200,000.00
Other payables	DEC Henan Station Auxiliary Equipment Co.,Ltd	200,000.00	200,000.00
Other payables	Dongqi Investment and Development Co.,Ltd		37,100.00
Other payables	Envirotherm GmbH Essen, Germany	3,775,225.50	3,951,442.91
Other payables	China Western Power Industrial Co.,Ltd	500,000.00	700,000.00
Other payables	Alstom Power Turbo Machines	7,784,344.65	4,863,349.11
Other payables	Deyang 6th People's Hospital (德阳市第六人民医院)	4,383,540.00	
Other payables	DEC Emei Semiconductor Materials Co., Ltd	28,317.75	
Advances from customers	Dongfang Electric Corporation	288,802,783.56	289,129,694.92
Advances from customers	Dongfang Areva Nuclear Pump Co.,Ltd	114,797,098.60	
Advances from customers	DEC International Corporation Co., Ltd	656,714,127.56	993,994,872.04
Advances from customers	Dongfang Electric Corporation Materials Co.,Ltd	56,520.00	79,510.00
Advances from customers	Guangdong Dongfang Power Station	451,187.00	633,825.20
Advances from customers	DEM Metal Component Co.,Ltd	290,598.29	290,598.29
Advances from customers	DEC Dongfeng Electric Machinery Co.,Ltd	402,000.00	319,000.00
Advances from customers	DEC Emei Semiconductor Materials Co., Ltd	299,400.00	375,900.00
Advances from customers	Deyang Dongfang Aberle System Corporation Limited	313,346.00	313,346.00
Advances from customers	DEM Real Estate Development Co.,Ltd	12,136.80	1,468.80
Advances from customers	Dongfang Electric Machinery Works	518.40	518.4
Bills payable	Deyang Dongfang Aberle System Corporation Limited	341,685.00	
Bills payable	Dongfang Hitachi Boiler Co.,Ltd	81,000,000.00	36,000,000.00
Bills payable	Dongfang Electric Corporation Materials Co.,Ltd	116,020,462.28	44,250,000.00
Bills payable	Dongfang Electric Finance Co.,Ltd	370,768,751.18	432,298,661.98
Bills payable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	17,619,118.80	
Bills payable	DEC Henan Station Auxiliary Equipment Co.,Ltd	9,642,000.00	10,000,000.00
Bills payable	Sichuan Dongfang Electric Autocontrol Engineering Co.,Ltd	115,885,160.00	
Bills payable	DEC Project Cargo Logistics Co.,Ltd	20,225,968.10	8,081,133.00
Bills payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,Ltd		1,500,000.00
Bills payable	China Western Power Industrial Co.,Ltd	1,500,000.00	
Dividends payable	China Western Power Industrial Co.,Ltd	365,662.57	283,442.57
Dividends payable	Dongfang Electric Corporation	160,397,317.60	

## VII. Contingencies

### 1. Arbitration over technology disputes with US-based Foster Wheeler

In March 1994, Dongfang Electric Corporation (“DEC”), Dongfang Boiler Factory (东方锅炉厂) 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 liabilities 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.

### 2. Possible commercial risks in relation to the Saudi Rabigh project

In July 2009, the consortium including the Company entered into a general contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格电力公司). Pursuant to the contract, the Company undertook the supply of major equipment and provision of relevant technical services. Due to problems of certain equipments, the generating units were not put into commercial operation as scheduled, which may expose the Company to commercial risk. Currently, the Company is in the process of negotiation with the project owners from Saudi Arabia on the correction and improvement work to be carried out after the end of this summer-peak season for power generation.

3. Save for the above contingent matters, the Group had no other material contingent matters as at 30 June 2012.

## VIII. Commitments

### 1. Significant commitments

As at 30 June 2012, the balance of irrevocable letter of credit was RMB3,000,487,793.05, including (based on the original currencies): the Renminbi letter of credit of 42,374,772.00, the US Dollar letter of credit of 105,435,646.74, the EURO letter of credit of 123,261,367.61, the Japanese Yen letter of credit of 15,915,153,164.00, the Swiss Franc letter of credit balance of 1,540,115.00, the British Pound letter of credit of 425,249.00 and Hong Kong Dollar letter of credit of 41,935,912.00. The balance of letter of guarantee was RMB22,660,047,495.53, including (based on the

original currencies) : the Renminbi letter of guarantee of 15,451,242,757.15, the US Dollar letter of guarantee of 1,073,811,499.37 , the EURO letter of guarantee of 32,144,932.38 , the Indian Rupee letter of guarantee of 400,000,000.00 and the Columbia Peso letter of guarantee of 10,242,254,172.80.

## 2. Capital commitment

The outstanding balance of contractual investments of the Group as at 30 June 2012 is RMB499,091,900.

Item	Amount as at the end of the period	Amount as at the beginning of the year
Construction in progress		
Contractual but not indicated in the financial statements	49,908.19	114,618.31

## 3. Operating lease commitments

As at 30 June 2012, details of the irrevocable operating lease contracts of the Group are as follows (Unit: RMB'0,000):

Item	Amount as at the end of the period	Amount as at the beginning of the year
Within one year	1,009.22	3,019.50
With two to five years	3,949.26	3,983.14

4. Save as disclosed above, the Company had no other significant commitment as at 30 June 2012.

## IX. Events after balance sheet date

### 1. Profit distribution plan

As considered and approved at the 2011 annual general meeting of the Company held on 17 May 2012, the profit distribution plan of the Company for 2011 was as follows: cash dividend of RMB 0.16 (including tax) per share, totalling RMB320,617,600.00. As at the date of this report, the profit distribution plan had been implemented.

2. Save as disclosed above, there is no other significant post balance sheet events.

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2. Save as disclosed above, there is no other significant post balance sheet events.

## X. Segment Information

### 1. Segment Information from January to June, 2012

Items	Clean high-efficient power generating equipmentsnt	new energy	Hydro power and environmental protection equipment	Construction services for power stations	Undistributed items	Elimination	Total
Operating income	14,698,920,761.90	4,801,129,183.88	1,863,732,374.43	2,607,481,682.09	138,077,317.27	4,097,853,036.65	20,011,488,282.92
Including: revenue derived from customers outside the enterprise	11,420,900,841.60	4,112,010,888.06	1,833,939,344.51	2,506,559,891.48	138,077,317.27		20,011,488,282.92
Revenue derived from other segments	3,278,019,920.30	689,118,295.82	29,793,029.92	100,921,790.61		4,097,853,036.65	
Operating expenses	12,296,568,564.09	4,050,983,697.09	1,455,323,889.90	2,311,633,903.38	1,645,227,105.56	3,161,815,326.38	18,597,921,833.64
Operating profit (loss)	2,402,352,197.81	750,145,486.79	408,408,484.53	295,847,778.71	-1,507,149,788.29	936,037,710.27	1,413,566,449.28
Total assets					107,164,745,236.38	27,405,447,057.25	79,759,298,179.13
Total liabilities					82,012,307,719.63	17,795,507,607.40	64,216,800,112.23
Others							
Depreciation and amortization					636,582,526.82		636,582,526.82
Capitalised expenses							
Non-cash expenses other than depreciation and amortization							



## 2. Segment reports from January to June, 2011

Items	Clean high-efficient power generating equipment	New energy	Hydro power and environmental protection equipment	Construction services for power stations	Undistributed items	Elimination	Total
Operating income	14,349,766,675.62	4,983,116,978.44	1,279,749,408.86	2,430,937,217.59	237,218,499.43	3,521,574,247.06	19,759,214,532.88
Including: revenue derived from customers outside the enterprise	11,569,712,135.12	4,241,930,280.42	1,279,749,408.86	2,430,604,209.05	237,218,499.43		19,759,214,532.88
Revenue derived from other segments	2,780,054,540.50	741,186,698.02		333,008.54		3,521,574,247.06	-
Operating cost	12,038,738,415.88	4,160,217,486.27	1,045,284,950.20	1,790,332,426.87	1,653,496,161.99	2,651,387,347.71	18,036,682,093.50
Operating profit (loss)	2,311,028,259.74	822,899,492.17	234,464,458.66	640,604,790.72	-1,416,277,662.56	870,186,899.35	1,722,532,439.38
Total assets					112,950,605,886.46	26,642,285,596.98	86,308,320,289.48
Total liabilities					90,263,921,340.99	17,024,138,355.65	73,239,782,985.34
Others							
Depreciation and amortization					568,117,442.85		568,117,442.85
Capitalised expenses							
Non-cash expenses other than depreciation and amortization							

## XI. Other significant issues

### 1. The treasury bonds investment of Dongfang Boiler Group Co., Ltd

In 2004, the Chongqing operation department of China Science and Technology Securities Limited Company (中國科技證券有限責任公司) (“China Sci-Tech”) unlawfully pledged the treasury bonds with a nominal value of RMM201,404,000.00 (an investment costs of RMB197,173,563.16) without notifying Dongfang Boiler. Dongfang Boiler reported to the judicial department, which froze the bank deposits of China Sci-Tech of RMB71 million, and relevant person’s involved capital of 8.3 million was confiscated.

In 2006, China Sci-Tech was put under the trusteeship of China Securities Investor Protection Fund Co., Ltd (中國證券投資者保護基金有限公司), Beijing Second Intermediate People’s Court accepted the bankruptcy case of China Sci-Tech in September, 2007. Dongfang Boiler received the first treasury distribution payment of RMB10,709,456.86 on 4 August 2008 by the bankruptcy clearing committee of China Sci-Tech.

On 2 June, 2010, the 4<sup>th</sup> creditor meeting of China Sci-Tech considered and approved the second bankruptcy property distribution plan, in which, the creditor’s right amount attributed to Dongfang Boiler was RMB10,795,855.96. At the same time, according to the resolution of the fourth creditor meeting, before Zigong Municipal Public Security Bureau made any official decisions of the freezing fund of China Sci-Tech, during this creditor’s rights distribution and subsequent distribution, the confirmed capital that should be distributed would be retained without distribution temporarily. As for the capital already distributed, safeguard measures should be taken.

On 16 July, 2011, the 5<sup>th</sup> creditor’s meeting of China Sci-Tech, considered and approved the third bankruptcy property distribution plan in which the creditor’s right amount attributed to Dongfang Boiler was RMB10,986,829.34. Since the Zigong Municipal Public Security Bureau had not made official decision for the frozen capital of Zigong Municipal Public Security Bureau. The distributed amount for Dongfang Boiler was still retained and not distributed temporarily.

On 8 July, 2011, the Zigong Municipal Public Security Bureau lawfully unfroze the trading capital account (not belongs to the bankruptcy property of China Sci-Tech), but two accounts of “China Sci-Tech administrative clearing team” and “China Sci-Tech”, with an aggregated capital of RMB40 million, were still frozen by Zigong Municipal Public Security Bureau. By the date of this financial report, the management person of China Sci-Tech bankruptcy still adopted retention and not distributed temporarily measures for this distribution amount.

Due to the uncertainty of getting the remained amount and the aging of receivables has exceeded 5 years, by the end of the year, Dongfang Boiler has made a full amount bad debt provision of RMB186,464,106.30 for the outstanding treasury bond capital.

## XII. Notes to the major items of the Company's financial statements

### 1. Accounts receivables

#### (1) Classification of accounts receivable

Item	Amounts as at the end of period				Amounts as at the beginning of the year			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Other receivables with significant single amount and provided for bad debts separately								
Other receivables which provides for bad debts based on aging	1,558,848,290.70	100	131,484,279.73	8.43	1,156,600,186.56	100	91,706,817.42	7.93
Other receivables with not significant single amount but provided for bad debts separately								
<b>Total</b>	<b>1,558,848,290.70</b>	<b>100</b>	<b>131,484,279.73</b>	<b>8.43</b>	<b>1,156,600,186.56</b>	<b>100</b>	<b>91,706,817.42</b>	<b>7.93</b>

#### (2) The accounts receivable provided for bad debts based on aging

Item	Amounts as at the end of the period			Amounts as at the beginning of the year		
	Amount	Ratio (%)	Provision for bad debts	Amount	Ratio (%)	Provision for bad debts
Within 1 year	857,328,126.22	55.00	35,035,852.03	608,087,640.24	52.58	30,404,382.01
1-2 years	670,660,393.43	43.02	89,677,173.25	514,605,273.47	44.49	51,460,527.35
2-3 years	27,863,269.85	1.79	5,572,653.97	18,605,005.40	1.61	3,721,001.08
3-4 years	2,996,501.20	0.19	1,198,600.48	15,302,267.45	1.32	6,120,906.98
4-5 years						
5 years above						
<b>Total</b>	<b>1,558,848,290.70</b>	<b>100</b>	<b>131,484,279.73</b>	<b>1,156,600,186.56</b>	<b>100</b>	<b>91,706,817.42</b>

(3) The balance as at the end of the period did not include amounts due from debtor who is a shareholder of the Company with 5% or more voting rights

#### (4) The top 5 account receivables at the end of the period

Company	Relationship with the Company	Amount	Aging	Proportion to total account receivable (%)
BGR ENERGY SYSTEMS LIMITED	Client	795,954,348.56	1-2 years	51.06
SIEG Hongguang Power Generation Co., Ltd.	Client	124,449,000.00	Within 1 year	7.98
Jiangsu Huadian Qishuyan Power Generation Co., Ltd. (江蘇華電戚墅堰發電有限公司)	Client	114,765,550.00	Within 1 year	7.36
Huaneng Beijing thermo electricity Co., Ltd. (華能北京熱電有限責任公司)	Client	110,845,784.75	Within 1 year	7.11
Northern power generation company	Client	106,190,242.69	1-2 years	6.81
<b>Total</b>		<b>1,252,204,926.00</b>		<b>80.32</b>

## 2. Other receivables

## (1) Classification of other receivables

Class	Amounts as at the end of the period				Amounts as at the beginning of the year			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables with significant single amount and provided for bad debts separately	4,748,710,000.00	97.65			4,620,770,000.00	97.58		
Other receivables which provides for bad debts based on aging	114,276,103.97	2.35	23,537,949.48	20.60	114,448,701.96	2.42	21,431,578.56	18.73
Other receivables with not significant single amount but provided for bad debts separately								
<b>Total</b>	<b>4,862,986,103.97</b>	<b>100</b>	<b>23,537,949.48</b>	<b>0.48</b>	<b>4,735,218,701.96</b>	<b>100</b>	<b>21,431,578.56</b>	<b>0.45</b>

## 1) Other receivables with significant single amount and subject to separate impairment test

Name	Book balance	Bad debts	Proportion of provision (%)	Reason for provision
Dongfang Electric Machinery Co., Ltd	942,850,000.00			Proceeds raised through additional A shares issuance and construction allocation within central budget, no provision
Dongfang Boiler Group Co., Ltd	663,000,000.00			Proceeds raised through additional A shares issuance and construction allocation within central budget, no provision
Dongfang Steam Turbine Co., Ltd.	2,984,590,000.00			Proceeds raised through additional A shares issuance and construction allocation within central budget, no provision
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	113,970,000.00			self-manufactured nuclear power equipments and capital for energy innovation projects, no provision
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	44,300,000.00			Self-manufactured nuclear power equipments and capital for energy innovation projects, no provision
<b>Total</b>	<b>4,748,710,000.00</b>			—

## 2) The other receivables which is provided for bad debts based on aging:

Item	Amounts as at the end of the period			Amounts as at the beginning of the year		
	Amount	Ratio (%)	Provision for bad debts	Amount	Ratio (%)	Provision for bad debts
Within 1 year	62,277,098.16	54.50	3,994,602.32	52,728,834.14	46.07	2,636,441.76
1-2 years	7,697,202.08	6.74	818,713.02	18,406,570.51	16.08	1,840,657.05
2-3 years	2,479,132.13	2.17	495,826.42	1,854,195.82	1.62	370,839.16
3-4 years	26,813,196.82	23.46	10,724,070.33	41,459,101.49	36.23	16,583,640.59
4-5 years	15,009,474.78	13.13	7,504,737.39			
5 years above						
<b>Total</b>	<b>114,276,103.97</b>	<b>100.00</b>	<b>23,537,949.48</b>	<b>114,448,701.96</b>	<b>100.00</b>	<b>21,431,578.56</b>

## (2) The balance of debtor who is a shareholder of the Company with 5% or more voting rights

Name of entity	Amounts as at the end of the period		Amounts as at the beginning of the year	
	Balance due	Provision for bad debts	Balance due	Provision for bad debts
DEC	11,673,859.04	4,083,692.95	19,768,918.22	4,488,445.91
<b>Total</b>	<b>11,673,859.04</b>	<b>4,083,692.95</b>	<b>19,768,918.22</b>	<b>4,488,445.91</b>



## (3) The top 5 of other receivables at the end of the period

Item	Relationship with the Company	Amount	Aging	Proportion to total other receivables (%)
Dongfang Electric Machinery Co., Ltd	Subsidiary	974,870,608.66	1-4 years	20.05
Dongfang Boiler Group Co., Ltd	Subsidiary	663,000,000.00	1-4 years	13.63
Dongfang Steam Turbine Co., Ltd.	Subsidiary	2,986,374,780.02	1-4 years	61.41
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,005,165.21	1-4 years	2.34
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	1-2 years	0.91
<b>Total</b>		<b>4,782,550,553.89</b>		<b>98.34</b>

## (4) Amounts due from related parties at the end of the period

Company	Relationship with the Company	Amount	Proportion to total other receivables (%)
Dongfang Electric Machinery Co., Ltd	Subsidiary	974,870,608.66	20.05
Dongfang Boiler Group Co., Ltd	Subsidiary	663,000,000.00	13.63
Dongfang Steam Turbine Co., Ltd.	Subsidiary	2,986,374,780.02	61.41
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,005,165.21	2.34
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	0.91
DEC	Parent	11,673,859.04	0.24
		<b>4,794,224,412.93</b>	<b>98.58</b>

## 3. Long-term equity investment

## (1) Classification of Long-term equity investment

Item	Amounts as at the end of the period	Amounts as at the beginning of the year
Long-term equity Investments under cost method	9,709,219,183.19	9,709,219,183.19
Long-term equity Investments under equity method	192,971,455.60	139,993,937.88
Total	9,902,190,638.79	9,849,213,121.07
Less: provisions for long-term equity investment impairment		
Long-term equity investment value	9,902,190,638.79	9,849,213,121.07

## (2) Long-term equity investments under cost method and equity method

Name of Entity Invested	Shareholding percentage (%)	Voting rights proportion (%)	Investment cost	Amounts as at the begging of the year	Increase in this year	Decrease in this year	Amounts as at the end of the period	Cash dividends in this year
Under cost method								
1. Dongfang Boiler Group Co., Ltd	99.67	99.67	4,391,395,417.83	4,391,395,417.83			4,391,395,417.83	320,056,779.20
2. Dongfang Steam Turbine Co., Ltd	100	100	2,542,003,999.71	2,542,003,999.71			2,542,003,999.71	384,864,158.06
3. Dongfang Electric Machinery Co., Ltd	100	100	2,000,000,000.00	2,000,000,000.00			2,000,000,000.00	237,565,975.00
4. Dongfang Electric (India) Private Limited	100	100	54,795,319.92	54,800,373.28			54,800,373.28	
5. Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	67.00	67.00	131,560,000.00	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			589,459,392.37	21,449,963.82
Subtotal			9,709,214,129.83	9,709,219,183.19			9,709,219,183.19	963,936,876.08
Under equity method								
Dongfang Areva Nuclear Pump Co., Ltd	50.00	50.00	75,000,000.00	136,244,273.22	47,361,418.86		183,605,692.08	
Sichuan Energy Industry Wind Power Development Co., Ltd.	20	20	10,000,000.00	3,749,664.66	6,000,000.00	383,901.14	9,365,763.52	
Subtotal			85,000,000.00	139,993,937.88	53,361,418.86	383,901.14	192,971,455.60	
Total			9,794,214,129.83	9,849,213,121.07	53,361,418.86	383,901.14	9,902,190,638.79	963,936,876.08

## (3) Investment in joint ventures and associates (Unit: RMB 0'000)

Entity	Shareholding percentage (%)	Proportion of voting rights (%)	total assets at the end of the period	Total liabilities at the end of the period	Net assets at the end of the period	Total operating revenue for the year	Net profit for the year
Associated Enterprises							
Dongfang Areva Nuclear Pump Co., Ltd	50	50	155,486.23	118,765.09	36,721.14	36,039.79	8,088.62
Joint ventures							
Sichuan Energy Industry Wind Power Development Co., Ltd	20	20	4,384.44	1.56	4,382.88		-191.95
Total			159,870.67	118,766.65	41,104.02	36,039.79	7,896.67

## 4. Operating revenue and operating costs

Item	Amount for the year	Amount for last year
Revenue from principal operations	5,909,008,631.96	5,089,417,266.01
Other operating revenue	5,270,869.01	4,773,006.07
Total	5,914,279,500.97	5,094,190,272.08
Cost from principal operations	5,611,177,903.63	4,614,118,549.65
Other operating costs	673,813.05	514,500.55
Total	5,611,851,716.68	4,614,633,050.20

## (1) Principal business-by industry

Industry	Amount in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Power generation equipment manufacturing	5,909,008,631.96	5,611,177,903.63	5,089,417,266.01	4,614,118,549.65
Total	5,909,008,631.96	5,611,177,903.63	5,089,417,266.01	4,614,118,549.65

## (2) Principal business-by product

Product	Amounts in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Clean and high efficient power generation equipments	3,046,193,250.85	2,972,009,271.01	2,305,698,234.88	2,262,562,775.03
New energy	699,159,378.84	689,118,295.82	758,447,784.92	740,627,712.79
Engineering and services	2,163,656,002.27	1,950,050,336.80	2,025,271,246.21	1,610,928,061.83
Total	5,909,008,631.96	5,611,177,903.63	5,089,417,266.01	4,614,118,549.65

## (3) Principal business—by regions

Region	Amounts in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Domestic	4,447,557,512.94	4,563,162,764.28	3,255,305,601.20	3,194,173,582.67
Overseas	1,461,451,119.02	1,048,015,139.35	1,834,111,664.81	1,419,944,966.98
Total	5,909,008,631.96	5,611,177,903.63	5,089,417,266.01	4,614,118,549.65

## (4) Operating revenue from the top five clients

Clients' name	Operating revenue	Percentage in the total revenue
1	802,455,076.90	13.58
2	638,519,315.95	10.81
3	498,654,705.97	8.44
4	467,779,680.00	7.92
5	461,098,811.84	7.80
Total	2,868,507,590.66	48.55

## 5. Investment Income

## (1) Sources of investment income

Item	Amount in the year	Amount in the last year
Long-term equity investments income under cost method	963,936,876.08	903,944,678.28
Long-term equity investments income under equity method	46,977,517.72	20,962,640.78
Investment income during holding trading financial assets		301,359.90
Investment income during holding available-for-sale financial assets	1,445,390.00	11,488,788.80
Disposal of trading financial assets		5,345,732.83
Disposal of available for-sale financial assets	1,316,576.30	1,074,178.70
Others		54,463.53
Total	1,013,676,360.10	943,171,842.82

The Company does not have substantial restrictions on remittance of investment income.

## (2) Long-term equity investment income under cost method

Item	Amounts in this year	Amounts in the last year	Reasons for increase/decrease as compared with last year
Dongfang Steam Turbine Co., Ltd	384,864,158.06	355,288,611.00	Received the cash profit annually implemented by the subsidiaries
Dongfang Electric Machinery Co., Ltd	237,565,975.00	260,604,966.00	Received the cash profit annually implemented by the subsidiaries
Dongfang Boiler Group Co., Ltd	320,056,779.20	288,051,101.28	received the cash profit annually implemented by the subsidiaries
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	21,449,963.82		No cash profit was distributed in the last year
Total	963,936,876.08	903,944,678.28	



## (3) Long-term equity investment income under equity method

Item	Amounts in this year	Amounts in the last year	Reasons for the increase/decrease as compared with last year
Dongfang Areva Nuclear Pump Co., Ltd	47,361,418.86	20,962,640.78	A substantial increase in revenue and stronger profitability
Sichuan Energy Industry Wind Power Development Co., Ltd	-383,901.14		Newly established joint venture enterprises

## 6. Supplementary of cash flow statement of the Company

Item	Amount in this year	Amount in the last year
1.Reconciliation of net profit/(loss) to cash flows from operating activities		
Net profit	1,138,468,279.88	1,270,555,042.82
Add: Provision for asset impairment	41,883,833.23	66,180,778.78
Depreciation of fixed assets	1,821,860.38	1,325,812.03
Amortization of intangible assets	11,953.85	
Amortization of long-term differed expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain :-)	3,506.75	2,325.00
Losses (Gains) on change in fair value (gain :-)	45,729,960.41	-24,812,376.19
Finance expenses (gain :-)	-19,481,802.21	1,225,831.92
Investment Losses (gain :-)	-1,013,676,360.10	-943,171,842.82
Decrease in deferred tax asset (gain :-)	-7,082,556.76	
Increase in deferred tax liability (loss: -)	-3,547,479.12	
Decrease in inventories (gain:-)	536,384,263.73	-94,648,335.48
Decrease in operating receivables (gain:-)	-816,825,320.43	-2,181,209,661.66
Increase in operating payables (loss :-)	133,519,104.05	2,009,068,446.92
Others		514,500.55
Net cash flows from operating activities	37,209,243.66	105,030,521.87
2 Significant investing and financing activities not involving cash receipts and payments:		
3 Net changes in cash and cash equivalents:		
Cash at the end of the period	1,562,794,342.50	1,301,445,352.05
less: cash at the beginning of the period	957,119,761.29	3,599,890,429.25
Net increase in cash and cash equivalents	605,674,581.21	-2,298,445,077.20

**XIII. Supplementary information**

## 1. Summary of non-recurring profit or loss in this year

Items	Amounts for this year	Amount for corresponding period last year	Notes
Gain (loss) from disposal of non-current assets	252,027.57	2,688,749.36	
Government grants recognized in profits or loss in this period	57,520,759.36	47,964,582.68	
The net gain (loss) in the current period of the subsidiaries arising enterprise combination under the same control			
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	3,422,359.48	7,492,075.87	
Other non-operating income and expenses other than the aforementioned items	607,809.58	1,451,772.86	
Impact on income tax	-7,328,182.90	-4,507,885.27	
Impact on minority interests (after tax)	-1,587,344.84	-1,104,391.56	
Total	52,887,428.25	53,984,903.94	

## 2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	8.62	0.62	0.62
Net profit after non-recurring gain or loss attributable to the shareholders of the Company	8.26	0.59	0.59

**XIV. Approval of the Financial Statements**

The financial statements have been approved by the board of directors on 21 August 2012.

**Dongfang Electric Corporation Limited**

**Legal representative: Si Zefu**

**Person in charge of accounting function: Gong Dan**

**Person in charge of accounting department: Zeng Yi**

21 August 2012

## VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Copy of the 2012 Interim 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.

**Dongfang Electric Corporation Limited**

**Si Zefu**

*Chairman*

21 August 2012