



Dongfang Electric Corporation Limited

( H Share Stock Code : 1072 )

( A Share Stock Code : 600875 )

2013 Interim Report

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## I. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

### Definitions of Frequently Used Terms

Company or Dongfang Electric	means	Dongfang Electric Corporation Limited
Controlling Shareholder	means	Dongfang Electric Corporation
Reporting Period or Period	means	the period from 1 January 2013 to 30 June 2013
Articles of Association	means	the Articles of Association of Dongfang Electric Corporation Limited
SSE	means	the Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
RMB, RMB0,000, RMB in 100 million	means	Renminbi, Renminbi in 10 thousand, Renminbi in 100 million

## II. COMPANY PROFILE

### I. Company Information

Chinese name of the Company	東方電氣股份有限公司
Abbreviation of Chinese name	東方電氣
English name of the Company	Dongfang Electric Corporation Limited
Abbreviation of English name	DEC
Legal representative of the Company	Si zefu (斯澤夫)

### II. Contact Persons and Information

	Secretary to the Board	Representative of securities affairs
Name	Gong Dan	Huang Yong
Address	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Telephone	028-87583666	028-87583666
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E-mail	dsb@dongfang.com	dsb@dongfang.com

## II. COMPANY PROFILE (CONTINUED)

### III. Basic Information

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

### IV. Places for Information Disclosure and Inspection

Newspapers for disclosure of the Company's information	China Securities Journal, Shanghai Securities News
Website designated by the CSRC for publication of the Company's interim report	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Place where the Company's interim report is available for inspection	Office of the Board of the Company

### V. Information on Shares of the Company

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	Dongfang Elec	1072	Dongfang Electrical

### VI. Change in Registration Information of the Company in the Reporting period

There was no change in the registration information of the Company during the Reporting Period.

## III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

## I. Major Accounting Data and Financial Indicators

## (I) Major Accounting Data

*Unit: RMB*

Major accounting data	Reporting Period (Jan-Jun)	Corresponding period last year	Change in the reporting period as compared with the corresponding period last year (%)
Revenue from operations	20,467,106,740.89	20,011,488,282.92	2.28
Net profit attributable to shareholders of the Company	1,186,154,894.33	1,243,959,495.33	-4.65
Net profit attributable to shareholders of the Company after extraordinary profit and loss	1,149,715,238.55	1,191,072,067.08	-3.47
Net cash flow from operating activities	886,961,511.14	-2,256,809,459.49	

	At the end of the Reporting Period	At the end of the corresponding period last year	Change at the end of the reporting period as compared with the end of the previous year (%)
Net assets attributable to shareholders of the Company	16,562,242,204.53	15,678,105,417.62	5.64
Total assets	76,871,129,568.41	78,327,056,597.82	-1.86

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

### III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

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

##### (II) Major Financial Indicators

Major financial indicators	Reporting Period (Jan - Jun)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.59	0.62	-4.65
Diluted earnings per share (RMB/share)	0.59	0.62	-4.65
Basic earnings per share after extraordinary profit and loss (RMB/share)	0.57	0.59	-3.47
Weighted average return on net assets (%)	7.29	8.62	Decreased by 1.33 percentage points
Weighted average return on net assets after extraordinary profit and loss (%)	7.07	8.26	Decreased by 1.19 percentage points

### III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

#### II. Extraordinary profit or loss items and amounts

Unit: RMB

Major financial indicators	Reporting Period (Jan - Jun)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Gain/loss from disposal of non-current assets	4,259,744.52	252,027.57	1,590.19
Government subsidiaries accounted for as current profit or loss (excluding those closely related to the Company's business and enjoyed according to the State's standard quota or quantity)	61,410,326.98	57,520,759.36	6.76
Net profit or loss for the current period from the beginning of the period to consolidation date of subsidiaries acquired through business combinations under common control			
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	-2,840,616.12	3,422,359.48	-183.00
Reversal of impairment provision for receivables tested for impairment on individual basis			
Other non-operating income/expenses other than the above items	-17,307,948.94	607,809.58	-2,947.59
Effect of income tax	-8,137,154.79	-7,328,182.90	11.04
Effect of minority interests(after tax)	-944,695.87	-1,587,344.84	-40.49
Total	36,439,655.78	52,887,428.25	-31.10

## IV. REPORT OF THE BOARD

### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period

During the Period, confronted with tricky economic situation at home and abroad and increasingly stiff competition in the power generation equipment industry, the Group adhered to the guideline of “three shifts” (namely shifting from scale expansion to efficiency and profit growth, shifting from capacity expansion to technical upgrading, and shifting from manufacturing-based operations to manufacturing-and service-based operations). The Group upgraded managerial level, optimized resources allocation, derived growth momentum from innovation, improved the quality of development, maintained the stable growth trend and laid a solid foundation for fulfilling the business targets for the whole year.

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

During the Period, in accordance with the PRC Accounting Standards for Business Enterprises (“PRC ASBE”), the Group recorded a total operating revenue of RMB20,500 million, representing an increase of 2.28% over the same period last year; net profit attributable to shareholders of the Company of RMB1,190 million, representing a decrease of 4.65% from the same period last year; earnings per share of RMB0.59; and gross profit margin for principal operations of 18.05%, representing a decrease of 1.3% from the same period last year.

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

During the Period, the Group produced power generation equipments with total capacity of 17,705MW, up 7.0% year on year, fulfilling the semi-annual production goal. These equipment included 21 hydro-electric turbine generator sets (4,187MW), up 28.6% year on year; 30 steam turbine generators (13,445MW), up 2.1% year on year; and 45 wind turbine generator sets (73MW), down 41.1% year on year; 38 power station boilers (10,670MW), down 7.1% year on year; and 45 power station steam turbines (15,126MW), up 50.5% year on year.



IV. REPORT OF THE BOARD (*CONTINUED*)I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)**Market Orders**

In the first half of the year, industry demand for power generation equipment continued to be lukewarm as international and domestic economic growth slackened. In response to such grim circumstances, all employees of the Group worked hard and forged ahead with concerted efforts, achieving new progress in marketing activities. The Group's prominent performance in the nuclear power market won us a series of contracts for major nuclear power projects. Meanwhile, the Group remained an industry leader in terms of market share of gas turbines and high-efficiency boiler of 1,000MW.

The Group's new orders amounted to RMB20.2 billion, of which export orders amounted to an equivalent of RMB3,331 million, accounting for 16.5%, while 66.8% of the new orders was attributable to high-efficiency clean energy, 4.7% to new energy, 6.3% to water energy and environmental protection, and 22.2% to engineering and services during the Period.

As at 30 June 2013, the Group had orders in hand of more than RMB140 billion, among which high-efficiency clean energy accounted for 59.5%, new energy 14.0%, water energy and environmental protection 7.3%, and engineering and services 19.2%. Export orders accounted for 21.8% of all of the Group's orders in hand.

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

###### **Production and Project Construction**

In the first half of the year, the stator of No. 1 of the Taishan 1,750MW nuclear power generators with the world's largest unit capacity was produced and successfully delivered; the world's first 600MW supercritical circulating fluidized bed generating unit independently developed by the Company successfully came on stream in Baima of Sichuan province; No. 1 and No. 2 units of the independently developed Xianyou 300MW pumped-storage power units were successfully put into operation; No. 1 unit of phase 1 of Hongyanhe nuclear power plant in Liaoning was officially put into commercial operation.

The Group had 19 power plant projects under construction with a total capacity of 14,518MW including 4 EPC contracting projects. During the Period, all major projects made noticeable and substantial breakthrough, with four units of the No. 1 unit of Kalisindh (凱萊) in India connected to power grids. 2 units commenced of commercial operation for the Rabigh (拉比格) project in Saudi Arabia and the opening ceremony was held for the Stanari (斯坦納瑞) project in Bosnia-Herzegovina in May.

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

###### **Technological Innovation Further Promoted**

Dongfang Electric independently developed the world's first 600MW supercritical circulating fluidized bed boilers, which successfully came on stream in Baima Power Plant of Sichuan province, and the giant water-turbine generating set with a unit capacity of 770MW, which successfully commenced operation at the first try in Xiluodu Power Plant, the world's third largest hydropower station, and was officially put into commercial operation. The development of offshore wind turbines also achieved success. The research and development for large pumped-storage power units, Baihetan 1,000MW Francis turbine hydropower units, CAP1400 nuclear steam turbine generator set and 1,000MW-grad high-parameter ultra-supercritical units, which represent the advanced level in the world, proceeded in an orderly way.

In the first half of the year, the Group applied for a total of 54 patents including 26 patents for invention and received 47 patents including 15 patents for invention.

###### **Continuing management improvement activities**

In the first half of the year, the Group revolved around management improvement to take up the slack and consolidate management practices. To sharpen up core competitiveness, management improvement activities were carried out consistently to upgrade managerial level and to step up internal control and risk prevention.

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

###### **OUTLOOK FOR THE SECOND HALF OF THE YEAR**

In the second half of 2013, on one hand, the moderate recovery of global economy and the steady progress of domestic economy would bring about new opportunities for the power generation equipment industry, in particular the clean energy, environmental equipments and service for transformation of power stations sectors, and there is still considerable room for growth in certain countries and regions in the world. On the other hand, the conventional power demand in China would grow at a slow pace and the total demand for power equipment would slide further, while the demand in overseas electrical infrastructure market would be weak with capital shortage, which will pose higher risks in terms of project safety and business and technology.

Faced with persistently tough market conditions and existing developmental opportunities, the Group would face up to difficulties and tap into the domestic and overseas market with greater efforts. The Group would attempt at technical breakthroughs and faster progress on product R&D to keep enhancing the competitiveness of offerings. Quality management would be strengthened and carried out with rigor, with a view to a steady improvement in product quality. Cash management would be stepped up to increase revenue, reduce costs and boost profitability. The Group would improve risk prevention and execute projects more efficiently to ensure the fulfillment of the targets for the year and to achieve continuous healthy and balanced development of the Group.

## IV. REPORT OF THE BOARD (CONTINUED)

## I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

## (I) Analysis of Principal Operations

1. Analysis of changes in certain items in income statement and cash flow statement

Unit : RMB

Item	Amount for the Period	Amount for the same period last year	Change (%)
Operating revenue	20,467,106,740.89	20,011,488,282.92	2.28
Operating cost	16,713,119,226.23	16,095,892,049.32	3.83
Selling expenses	431,688,349.95	374,786,556.90	15.18
Administrative expenses	1,558,124,480.21	1,572,262,820.95	-0.90
Finance costs	-45,060,691.01	-11,274,152.26	299.68
Net cash flows from operating activities	886,961,511.14	-2,256,809,459.49	-139.30
Net cash flows from investing activities	-379,658,649.70	-758,201,630.29	-49.93
Net cash flows from financing activities	534,276,095.50	740,916,337.45	-27.89
Research and development expenses	370,730,462.00	410,023,297.91	-9.58

#### IV. REPORT OF THE BOARD (CONTINUED)

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

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

###### 2. Top five customers and suppliers

###### (1) Major customers

During the Period, the Group's revenue derived from its top five customers amounted to RMB4,481 million, accounting for 21.90% of the Group's total revenue.

###### (2) Major suppliers

During the Period, the Group's procurement from its top five suppliers amounted to RMB1,273 million, accounting for 12.29% of the Group's total procurement.

###### 3. Cash flows

Unit : RMB

Item	Amount for the Period	Amount for the same period last year	Change (%)
Net cash flows from operating activities	886,961,511.14	-2,256,809,459.49	-139.30
Cash received from disposal of investments		279,614,645.16	-100.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	358,866,905.54	647,516,090.53	-44.58
Cash paid for investment	28,000,000.00	394,000,000.00	-92.89
Other cash received from financing-related activities		85,940,000.00	-100.00

IV. REPORT OF THE BOARD (*CONTINUED*)I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)(I) Analysis of Principal Operations (*Continued*)3. Cash flows (*Continued*)

- (1) Net cash outflows from operating activities decreased by 139.30% year-on-year, mainly due to a year-on-year decline in cash payment for procurement as the Group further enhanced capital management in response to the increase in total cash received from sales of goods.
- (2) Cash received from disposal of investments decreased by RMB280 million year-on-year, mainly due to the disposal of the tradable shares of Huaneng Power held by the Group in the same period last year.
- (3) Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets decreased by 44.58% year-on-year, mainly due to a further decline in the number and scale of the Group's fixed-asset investment projects during the Period.
- (4) Cash paid for investment decreased by 92.89% year-on-year, mainly due to the fact the Group acquired the tradable shares issued under the non-public issue of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd. (內蒙華電) in the same period last year.
- (5) Other cash received from financing-related activities decreased by RMB86 million year-on-year, mainly due to the receipt of special funds for technological innovation projects by the Group in the same period last year.

#### IV. REPORT OF THE BOARD (CONTINUED)

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

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

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

Unit: RMB

Product	Operating revenue	Operating costs	Gross profit margin	Year-on-year	Year-on-year	Year-on-year
				increase/decrease	Year-on-year	increase/ decrease
				in operating	increase/decrease	in gross profit
				revenue	in operating costs	margin
			(%)	(%)	(%)	(%)
Clean high efficiency power generation equipments	10,754,580,223.18	8,806,871,264.85	18.11	-5.83	-3.00	-2.39
New energy	4,708,292,450.16	3,923,574,989.46	16.67	14.50	16.71	-1.57
Water energy and environmental equipments	2,102,242,667.93	1,682,658,907.92	19.96	14.63	15.62	-0.68
Engineering and services	2,765,512,174.26	2,247,124,628.97	18.74	10.33	5.45	3.76
Total	20,330,627,515.53	16,660,229,791.20	18.05	2.30	3.95	-1.30



IV. REPORT OF THE BOARD (*CONTINUED*)I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)(II) Analysis of Operations by Industry, Product or Region (*Continued*)1. Principal operations by industry and product (*Continued*)

- (1) The Group maintained the momentum of steady development in the Period, with sales revenue for the Period from principal operations increasing by 2.30% as compared with the same period last year.
- (2) During the Period, the operating revenue from clean high-efficiency power generation equipments decreased by 5.83% as compared with the same period last year, mainly due to a decrease of 2.68% in revenue from thermal power, a decrease of 23.13% in revenue from gas turbines and a decrease of 18.94% in revenue from conventional island of nuclear power. The gross profit margin of clean high-efficiency power generation equipments decreased by 2.39% as compared with the same period last year, mainly attributable to a general decline of varied degrees in the gross profit margin of thermal power, gas turbines and conventional island of nuclear power.
- (3) During the Period, the revenue from the new energy segment increased by 14.50% as compared with the same period last year, mainly due to the increase of 23.51% in revenue from the wind power business. Meanwhile, the gross profit margin of the new energy segment decreased by 1.57%, mainly due to the lower sales price of wind power in the Period.

#### IV. REPORT OF THE BOARD (CONTINUED)

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

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

1. Principal operations by industry and product (Continued)
  - (4) During the Period, the revenue from water energy and environmental equipments increased by 19.96% as compared with the same period last year, mainly due to the growth of 149.49% in sales revenue of environmental equipments. Meanwhile, the gross profit margin of water energy and environmental equipments declined by 0.68%, which mainly resulted from a decrease in the gross profit margin of hydropower in the Period.
  - (5) During the Period, the gross profit margin of engineering and services increased by 3.76% as compared with the same period last year, mainly due to the increases in gross profit margin of engineering and power station services in the Period.
2. Principal operations by region

Unit: RMB

Region	Operating revenue for the Peiod	Year-on-year increase/decrease in operating revenue (%)
PRC	16,154,291,846.41	3.30
Overseas	4,176,335,669.12	-1.38
Total	20,330,627,515.53	2.30

## IV. REPORT OF THE BOARD (CONTINUED)

## I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

## (III) Analysis of assets and liabilities

## 1. Analysis of assets and liabilities

Unit: RMB

Item	Closing balance	Closing	Opening balance	Opening	Change in the Period
		of total assets (%)		of total assets (%)	
Monetary fund	9,958,637,548.02	12.95	8,960,708,524.63	11.44	11.14
Bills receivable	2,607,164,297.49	3.39	2,568,756,924.94	3.28	1.50
Trade receivables	15,136,371,229.11	19.69	14,991,233,562.34	18.14	0.97
Inventories	29,826,862,557.09	38.80	31,901,091,912.16	40.73	-6.50
Available-for-sale financial assets	315,454,892.00	0.41	413,013,757.00	0.53	-23.62
Long-term equity investment	656,083,683.75	0.85	590,419,356.09	0.75	11.12
Fixed assets	9,552,098,456.56	12.43	9,873,036,157.62	12.60	-3.25
Construction in progress	760,079,358.18	0.99	723,924,491.91	0.92	4.99
Short-term borrowings	2,578,311,287.44	3.35	2,118,520,012.90	2.70	21.70
Long-term borrowings	75,627,585.21	0.10	125,827,585.21	0.16	-39.90
Taxes payable	-87,892,043.25	-0.11	251,202,094.65	0.32	-134.99

- (1) As at the end of the Period, available-for-sale financial assets decreased by 23.62% as compared with the beginning of the Period, mainly attributable to the decline in the price of shares of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd. in the Period.

#### IV. REPORT OF THE BOARD (CONTINUED)

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

##### (III) Analysis of assets and liabilities (Continued)

##### 1. Analysis of assets and liabilities (Continued)

- (2) As at the end of the Period, long-term borrowings decreased by 39.90% as compared with the beginning of the Period, mainly attributable to a portion of long-term borrowings falling due with one year.
- (3) As at the end of the Period, taxes payable decreased by 134.99% as compared with the beginning of the Period, mainly attributable to the excess of input tax over output tax for the Period.

##### (IV) Analysis of investment

##### 1. Overall analysis of equity investment

No.	Investor	Type of investment	Name of investee	Principal business of the investee	Investment amount in 2013 (RMB'000)	Equity interest in the investee upon completion of the investment (%)
1	Dongfang Electric Corporation Limited	Equity investment	Sichuan Energy Industry Investment Wind Power Development Co., Ltd. (四川省能投風電開發有限公司)	Investment in and construction and operation of wind power farms	2,800	20

## IV. REPORT OF THE BOARD (CONTINUED)

## I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

## (IV) Analysis of investment (Continued)

## 1. Overall analysis of equity investment (Continued)

## (1) Securities investment

Unit: RMB

Type of No. securities	Code of securities	Abbreviation of securities	Initial investment cost (RMB)	Number of securities held (shares)	Book value at the end of the Period (RMB)	As a percentage of total investment in securities at the end of the Period	Gain/loss for the Reporting Period (RMB)	
						(%)		
1	Stock	601179	China XD Electric	48,120,052.71	7,272,665.00	22,254,354.90	97.68	-3,054,519.30
2	Stock	000584	UHL	44,263.24	46,602.00	528,932.70	2.32	213,903.18
Other securities investment at the end of the Period					—			
Gains from disposal of securities investment in the Reporting Period				—	—	—	—	—
Total				48,164,315.95	—	22,783,287.60	100.00	-2,840,616.12

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

###### (IV) Analysis of investment (*Continued*)

###### 1. Overall analysis of equity investment (*Continued*)

###### (1) Securities investment (*Continued*)

- Notes:*
1. The sequence of this table is based on the percentage of the book value as at the end of the Reporting Period attributed to the Company's total investment in securities as at the end of the Reporting Period, and this table only shows the top ten securities held by the Company as at the end of the Reporting Period;
  2. For the purpose of this table, securities investment refers to investment in stocks, warrants, convertible bonds, etc., and investment in stocks only represents the portion accounted for as held-for-trading financial assets of the Company;
  3. Other securities investment refers to investment in other securities, other than the top ten securities;
  4. Gain/loss for the Reporting Period includes the Company's investment income from holding such securities and gain or loss from change in fair value.

## IV. REPORT OF THE BOARD (CONTINUED)

## I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

## (IV) Analysis of investment (Continued)

## 1. Overall analysis of equity investment (Continued)

## (2) Equity interests held by the Company in other listed companies

Unit: RMB

Code of securities	Abbreviation of securities	Initial investment cost	Percentage of equity interest		Book value at the end of the Period	Gain/loss for the Reporting Period	Change to owner's equity during the reporting period	Accounting Item	Source of shares
			held at the beginning of the Period (%)	held at the end of the Period (%)					
600795	GD Power	46,107,941.00	0.09	0.09	32,954,892.00	-5,058,865.00	financial assets held for trading	Purchased	
600863	NMHD	388,000,000.00	1.94	1.94	282,500,000.00	-92,500,000.00	financial assets held for trading	Purchased	
Total		434,107,941.00			315,454,892.00	-97,558,865.00			

## Notes:

- This table shows the equity interests held by the Company in other listed companies, which are accounted for as long-term equity investment or available-for-sale financial assets;
- Gain/loss for the Reporting Period refers to the impact of relevant investment on the Company's consolidated profit for the Reporting Period.

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

###### (IV) Analysis of investment (*Continued*)

###### 2. Entrusted wealth management and derivatives investment with non-financial corporations

###### (1) Entrusted wealth management

During the Reporting Period, the Company did not have entrusted wealth management products.

###### (2) Entrusted loans

During the Reporting Period, the Company had no entrusted loans.

###### 3. Use of proceeds from fundraisings

All the proceeds-funded projects of previous periods have been fully completed.



## IV. REPORT OF THE BOARD (CONTINUED)

## I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

## (IV) Analysis of investment (Continued)

## 4. Analysis of Major Subsidiaries and Investees

Unit: One hundred million RMB

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and marketing of steam turbines, turbine, gas turbines, compressors, fans, pumps and auxiliary equipments, wind generating sets, solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the corresponding equipments; mechanical equipment and accessories as well as the related import and export business	18.46	367.34	37.82	88.01	3.26	2.69
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors; the design manufacturing and sales of control equipments; the transformation of power stations, the installation of power station equipments	20.00	132.92	39.02	32.20	2.31	1.99
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental protection equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	199.64	46.73	60.84	4.51	4.21
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.1813%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	38.33	14.62	5.46	0.45	0.38

#### IV. REPORT OF THE BOARD (CONTINUED)

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

##### (V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period

###### 1. Analysis of operating results

Unit: RMB

Item	Amount for the Peiod	Amount for the same period of last year	Year-on-year increase/ decrease (%)
Operating revenue	20,467,106,740.89	20,011,488,282.92	2.28
Selling expenses	431,688,349.95	374,786,556.90	15.18
Administrative expenses	1,558,124,480.21	1,572,262,820.95	-0.90
Finance costs	-45,060,691.01	-11,274,152.26	299.68
Impairment loss of assets	356,335,343.11	412,005,053.17	-13.51
Total profit	1,435,779,683.73	1,475,190,602.68	-2.67
Income tax	223,705,752.38	212,340,334.56	5.35
Net profit	1,212,073,931.35	1,262,850,268.12	-4.02
Net profit attributable to shareholders of the Company	1,186,154,894.33	1,243,959,495.33	-4.65

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period *(Continued)*

##### **(V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period *(Continued)***

###### 1. Analysis of operating results *(Continued)*

- (1) The Group maintained the momentum of steady development in the Period, with sales revenue for the Period increased by 2.28% as compared with the same period last year.
- (2) Selling expenses for the Period increased by 15.18% as compared with the same period last year, mainly due to a year-on-year increase of 18.65% in service fees and provisions made for product quality warranty in 2013 according to relevant accounting policies.
- (3) Administrative expenses for the Period decreased by 0.90% as compared with the same period last year, mainly due to a year-on-year decrease of 9.58% in R&D expenditures for the Period.
- (4) Finance costs for the Period decreased by 299.68% as compared with the same period last year, mainly due to the decreased interest expenses on borrowings and increased interest income as the Group continually stepped up fund management efforts.
- (5) Total profit and net profit attributable to shareholders of the Group for the Period decreased by 2.67% and 4.65% as compared with the same period last year, respectively, mainly due to a year-on-year decrease of 1.30% in the sales gross profit margin of principal operations for the Period.

#### IV. REPORT OF THE BOARD (CONTINUED)

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

##### (V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (Continued)

##### 2. Financial Position and analysis of assets, liabilities and shareholders' equity

As at 30 June 2013, the Group's total assets amounted to RMB76,871 million, down by 1.86% as compared with the beginning of the year, mainly attributable to a 6.50% decrease in inventories; total liabilities amounted to RMB59,432 million, down by 3.80% as compared with the beginning of the year, mainly attributable to 8.50% and 134.99% decreases in receipts in advance and taxes payable, respectively; and shareholders' equity amounted to RMB17,439 million, up by 5.39% as compared with the beginning of the year, mainly attributable to a 11.84% increase in undistributed profit.

##### 3. Gearing ratio

Gearing ratio = total liabilities/total assets × 100%

Item	As at the end of June 2013	As at the end of 2012	Year-on-year increase/decrease (percentage point)
Gearing ratio (%)	77.31	78.87	-1.56

The Group's gearing ratio as at 30 June 2013 was 77.31%, representing a decrease of 1.56% as compared with the beginning of the year. The financial position of the Group was further optimized and improved.

IV. REPORT OF THE BOARD (*CONTINUED*)I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)(V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (*Continued*)

## 4. Bank borrowings

As at 30 June 2013, the Group had bank borrowings of RMB2,652 million due within one year and RMB76 million due beyond one year. The Group's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB2,652 million were fixed-rate borrowings. The Group has maintained favorable credit rating with banks and sound financing capacity.

## 5. Exchange risk management

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

## 6. Pledge of assets

As at the end of the Period, the Group had pledged borrowings of RMB13 million, which were related to the commercial acceptance bills that the Group applied to financial institutions for discounting. As at the end of the Period, such commercial acceptance bills were not yet due.

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

##### (V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (*Continued*)

###### 7. Contingent events

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

In July 2009, the consortium including the Group entered into an EPC contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Group undertook the supply of two major equipments and provision of relevant technical services. Due to problems of certain equipments and so on, the generating units were not put into commercial operation as scheduled.

After negotiations with the project owners from Saudi Arabia, the Group carried out rectification and improvement work after the end of the 2012 summer-peak season for power generation. On 14 June 2013, both of No. 1 and No 2 generating units had obtained the preliminary reception certificates. The project owners confirmed that No. 1 and No 2 generating units were put into commercial operation on 14 December 2012 and 28 January 2013, respectively, and accordingly entered into quality guarantee periods.

Currently, the Group is in the process of negotiation with related parties in respect of the compensation for prolongation and settlement of the project.

IV. REPORT OF THE BOARD (*CONTINUED*)I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)(V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (*Continued*)7. Contingent events (*Continued*)

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

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

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

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

##### I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period *(Continued)*

##### (V) Analysis of Financial Position and Operating Results of the Company during the Reporting Period *(Continued)*

##### 7. Contingent events *(Continued)*

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

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler to pay to Foster Wheeler nominal royalties of US\$4,815,000 and unpaid royalties of US\$1,520,000 and the interest accrued thereon, and the Foster Wheeler has to return the technology licensing fees of US\$1,117,000 to Dongfang Boiler. Dongfang Boiler and DEC disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. The Svea Court of Appeal, Sweden made the verdict to affirm the ruling on 20 June 2013, pursuant to which Dongfang Boiler recognized a liabilities of RMB53,197,144.96.

On 18 February 2013, Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. Hearings were held from 4 March to 15 March 2013. On 12 July 2013, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler and DEC to pay to Foster Wheeler nominal royalties of RMB16,500,000 and the interest accrued thereon for 12 projects. Dongfang Boiler and DEC disagreed with the ruling and will appeal to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling.



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

##### II. Plan for Profit Distribution or Capitalization of Capital Reserve

###### (I) **Implementation of profit distribution plan or adjustment thereto during the Reporting Period**

The Company's profit distribution plan for 2012, which was considered and approved at the 2012 annual general meeting of the Company and in compliance with the Articles of Association and relevant rules of procedures, was fully implemented.

###### (II) **Plans for profit distribution and capitalization of capital reserve for the first half year**

Nil.

#### V. SIGNIFICANT EVENTS

##### I. **Material Litigation, Arbitration and Matters Commonly Questioned by the Media**

The Company was not involved in any material litigation, arbitration or matters commonly questioned by the media during the Reporting Period.

##### II. **Insolvency or Restructuring Related Matters**

During the Reporting Period, the Company did not have any insolvency or restructuring related matters.

## V. SIGNIFICANT EVENTS (CONTINUED)

### III. Share Option Incentives Adopted by the Company and the Effects Thereof

✓ N/A

The first grant of H-share appreciation rights under the Company's initial H-share appreciation rights scheme was just completed and such share appreciation rights are still within the lock-up period and thus not yet exercisable. None of the granted share appreciation rights was invalidated due to the nullification of effective indicators as a result of failing to accomplish the Company's annual assessment indicators, or unsatisfactory performance appraisal results or resignation of incentive target individuals.

### IV. Material Connected Transactions

#### (I) Connected transactions relating to day-to-day operation

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation

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

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

## V. SIGNIFICANT EVENTS (CONTINUED)

## IV. Material Connected Transactions (Continued)

## (I) Connected transactions relating to day-to-day operation (Continued)

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation (Continued)

The basic contents of such agreements are as follows:

1. 2012–2014 Purchase and Production Services Framework Agreement

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

2. 2012–2014 Sales and Production Services Framework Agreement

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

## V. SIGNIFICANT EVENTS *(CONTINUED)*

### IV. Material Connected Transactions *(Continued)*

#### (I) Connected transactions relating to day-to-day operation *(Continued)*

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation *(Continued)*

3. 2012–2014 Combined Ancillary Services Framework Agreement

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

4. 2012–2014 Properties and Equipment Framework Lessee Agreement

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

V. SIGNIFICANT EVENTS *(CONTINUED)*IV. Material Connected Transactions *(Continued)*(I) **Connected transactions relating to day-to-day operation**  
***(Continued)***

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation  
*(Continued)*

5. 2012–2014 Properties and Equipment Framework Lessor Agreement

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

6. 2012–2014 Financial Services Framework Agreement

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

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

## V. SIGNIFICANT EVENTS *(CONTINUED)*

### IV. Material Connected Transactions *(Continued)*

#### (I) Connected transactions relating to day-to-day operation *(Continued)*

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation *(Continued)*

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

These continuing connected transactions have come into force with the approval by the independent directors of the Board and/or independent shareholders at the general meetings of the Company. As at 30 June 2013, the specific amounts of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

## V. SIGNIFICANT EVENTS (CONTINUED)

## IV. Material Connected Transactions (Continued)

## (I) Connected transactions relating to day-to-day operation (Continued)

- Matters disclosed in provisional announcements with progress or change in the follow-up implementation (Continued)

The actual amounts of these connected transactions as at 30 June 2013 and the annual caps for 2013

Unit: RMB'000

Name of agreement	Total actual amount as at 30 June 2013	Proposed annual caps for 2013
Purchase and Production Services Framework Agreement	392,790	3,500,000
Sales and Production Services Framework Agreement	375,601	1,780,000
Combined Ancillary Services Framework Agreement (receipt of services)	9,442	180,000
Combined Ancillary Services Framework Agreement (provision of services)	492	2,000
Properties and Equipment Framework Lessee Agreement	23,237	90,000
Properties and Equipment Framework Lessor Agreement	0	3,000
Financial Services Framework Agreement	8,410,847	13,500,000 (deposit plus interest income)
		13,900,000 (loans plus interest expense)
	2,063,866	

## V. SIGNIFICANT EVENTS (CONTINUED)

### V. Material Contracts and Performance Thereof

#### (I) Trusteeship, contracting and leasing

✓ N/A

#### (II) Gurantees

✓ N/A

#### (III) Other material contracts or transactions

The Company did not enter into any other material contracts or transactions in the Reporting Period.

### VI. Performance of Undertakings

✓N/A

### VII. Appointment or Dismissal of Auditors

Whether changed the auditor or not:	No
Domestic auditor	Current auditor ShineWing Certified Public Accountants (special general partnership)

### VIII. Punishment of and Correction by the Company or its Directors, Supervisors, Senior Management, Shareholders with more than 5% Shareholding, De Facto Controller or acquirer

During the Reporting Period, none of the Company, its directors, supervisors, senior management, shareholders and de facto controller was subject to any investigation, administrative punishment, or public reprimand from the CSRC or any public censure by SSE.



**V. SIGNIFICANT EVENTS (CONTINUED)****IX. 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 CSRC.

**X. Employees**

As at 30 June 2013, the Company had 20,902 employees, who were remunerated based on their individual performance. Remuneration packages are structured with reference to their positions and the Company's results.

**XI. 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.

**XII. Corporate Governance Code**

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

## V. SIGNIFICANT EVENTS (*CONTINUED*)

### XIII. Model Code for Securities Transactions

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

### XIV. Audit and Review Committee

The Board has set up an audit and review committee comprising three independent non-executive Directors, namely, Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing. The audit and review committee has reviewed the 2013 interim report of the Company for the Reporting Period, and agreed to the accounting treatments adopted by the Company.

### XV. Information Disclosure

The interim report of the Company for the six months ended 30 June 2013, which contains all information as proposed in the Disclosure of Financial Information set out in the Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company (<http://dfem.wsfg.hk>) in due course.

## VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

### I. Changes in Share Capital

#### (I) Changes in Share Capital (As at 30 June 2013)

##### 1. Statement of changes in share capital

Unit: Share

	Before the change		Issue of new shares	Increase/decrease (+, -) Conversion of capital			Subtotal	After the change	
	Number	Percentage (%)		Bonus issue	reserve into shares	Others		Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	0	0	0	0	0	0	0	0	0
1. State owned shares	0	0	0	0	0	0	0	0	0
2. State owned legal person shares	0	0	0	0	0	0	0	0	0
3. Other domestic shares	0	0	0	0	0	0	0	0	0
Including: Domestic non-state owned									
legal person shares	0	0	0	0	0	0	0	0	0
Domestic natural person shares	0	0	0	0	0	0	0	0	0
4. Foreign shares	0	0	0	0	0	0	0	0	0
Including: Overseas legal person shares	0	0	0	0	0	0	0	0	0
Overseas natural person shares	0	0	0	0	0	0	0	0	0
<b>II. Shares not subject to trading moratorium</b>	2,003,860,000	100	0	0	0	0	0	2,003,860,000	100
1. RMB-denominated ordinary shares	1,663,860,000	83.03	0	0	0	0	0	1,663,860,000	83.03
2. Foreign shares listed domestically	0	0	0	0	0	0	0	0	0
3. Foreign shares listed overseas	340,000,000	16.97	0	0	0	0	0	340,000,000	16.97
4. Others	0	0	0	0	0	0	0	0	0
<b>III. Total shares</b>	<b>2,003,860,000</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,003,860,000</b>	<b>100</b>

##### 2. Total number of shares and structure of share capital

Class of share	Numbers (shares)	Percentage
<b>I. A shares</b>		
1. Dongfang Electric Corporation	1,002,474,592	50.03%
2. Others	661,385,408	33.00%
<b>II. H shares</b>	340,000,000	16.97%
<b>Total</b>	<b>2,003,860,000</b>	<b>100%</b>

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

### II. Particulars of Shareholders (As at 30 June 2013)

#### (I) Number of shareholders and shareholdings

Unit: Share

Total number of shareholders at the end of the Reporting Period	137,556
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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	1,002,474,592	0	0	Nil
HKSCC Nominees Limited	Overseas legal person	16.87	338,070,897	-74,800	0	Unknown
Minmetals Capital Holdings Limited	State-owned legal person	0.80	16,007,700	-15,800	0	Unknown
PICC Property and Casualty Company Limited – traditional - ordinary insurance product - 008C – CT001 Shanghai (中國人民財產保險股份有限公司—傳統—普通保險產品—008C—CT001滬)	Others	0.41	8,153,121	3,699,916	0	Unknown
China Huarong Asset Management Co., Ltd.	Others	0.38	7,546,864	0	0	Unknown
Yulong Securities Investment Fund (裕隆證券投資基金)	Others	0.33	6,693,906	-355,000	0	Unknown

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

### II. Particulars of Shareholders (As at 30 June 2013) (Continued)

#### (I) 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 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	0.33	6,525,896	-5,333,247	0	Unknown
China Merchants Securities Co.,Ltd. - Client Credit Trading Guarantee Securities Account (招商證券股份有限公司客戶信用交易擔保證券賬戶)	Others	0.31	6,125,422	3,341,122	0	Unknown
PICC Life Insurance Company Limited -Dividend - Individual Dividend (中國人民人壽保險股份有限公司一分紅一個險分紅)	Others	0.30	5,963,062	2,669,943	0	Unknown
Guotai Junan Securities Co., Ltd - Client Credit Trading Guarantee Securities Account (國泰君安證券股份有限公司客戶信用交易擔保證券賬戶)	Others	0.27	5,497,153	696,646	0	Unknown

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

### II. Particulars of Shareholders (As at 30 June 2013) (Continued)

#### (I) Number of shareholders and shareholdings (Continued)

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

Name of shareholder	Number of shares held not subject to trading moratorium	Class and number of shares
Dongfang Electric Corporation	1,002,474,592	RMB-denominated ordinary shares
HKSCC Nominees Limited	338,070,897	Overseas listed foreign shares
Minmetals Capital Holdings Limited	16,007,700	RMB-denominated ordinary shares
PICC Property and Casualty Company Limited – traditional - ordinary insurance product - 008C - CT001 Shanghai (中國人民財產保險股份有限公司—傳統—普通保險產品—008C—CT001滬)	8,153,121	RMB-denominated ordinary shares
China Huarong Asset Management Co., Ltd.	7,546,864	RMB-denominated ordinary shares
Yulong Securities Investment Fund (裕隆證券投資基金)	6,693,906	RMB-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—分紅—個人分紅—005L—FH002滬)	6,525,896	RMB-denominated ordinary shares

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

### II. Particulars of Shareholders (As at 30 June 2013) (Continued)

#### (I) Number of shareholders and shareholdings (Continued)

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

Name of shareholder	Number of shares held not subject to trading moratorium	Class and number of shares
China Merchants Securities Co., Ltd. - Client Credit Trading Guarantee Securities Account (招商證券股份有限公司客戶信用交易擔保證券賬戶)	6,125,422	RMB-denominated ordinary shares
PICC Life Insurance Company Limited - Dividend - Individual Dividend (中國人民人壽保險股份有限公司—分紅—個險分紅)	5,963,062	RMB-denominated ordinary shares
Guotai Junan Securities Co., Ltd. - Client Credit Trading Guarantee Securities Account (國泰君安證券股份有限公司客戶信用交易擔保證券賬戶)	5,497,153	RMB-denominated ordinary shares
Statements on the connected relationship or concerted actions among the aforesaid shareholders	The Company is not aware of any connected relationship or concerted actions among the top ten shareholders and top ten holders of shares not subject to trading moratorium.	

#### (II) Change in Controlling Shareholder or De facto Controller

During the Reporting Period, there was no change in the Controlling Shareholder or de facto controller of the Company.

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

### III. Shares Held by HKSCC Nominees Limited are Shares Held on Behalf of Its Customers

So far as known to the directors, supervisors and the chief executive of the Company, as at 30 June 2013, shareholders (shareholders entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting) or other persons (other than the directors, supervisors or chief executive of the Company) who hold interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong), or to be recorded in the register required to be kept pursuant to Section 336 of the SFO, or have been notified to the Company and the Stock Exchange, were as follows:

Name	Class of shares	Capacity	Number of shares held	Percentage	Percentage
				of total share capital (%)	in the respective class of share capital (%)
JPMorgan Chase & Co.	H shares	Beneficial owner and custodian	56,449,003(L)	2.82(L)	16.60(L)
			0(S)	0(S)	0(S)
			56,350,313(P)	2.81(P)	16.57(P)
Templeton Global Advisors Limited	H shares	Investment manager	48,349,403(L)	2.41(L)	14.22(L)
Franklin Templeton Investment Management Limited	H shares	Investment manager	17,262,242(L)	0.86(L)	5.08(L)
The Northern Trust Company	H shares	Approved lending agent	20,231,548(P)	1.01(P)	5.95(P)



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

### III. Shares Held By Hkscc Nominees Limited are Shares Held on Behalf of Its Customers

- (a) According to the disclosure of interests form submitted by JPMorgan Chase & Co. (the date of relevant event set out in the form was 4 June 2013) on 7 June 2013, these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 56,449,003 H shares (long position) were held as to 98,690 H shares in the capacity of beneficial owner; and 56,350,313 shares (long position) in the capacity of custodian.
- (b) The Company is not aware of any H shareholders holding more than 10% of the total issued share capital of the Company.
- (c) There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association.
- (d) As at 30 June 2013, 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 2013 the Company is not aware of any other 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 and 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 notified to the Company and the Stock Exchange.

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

### I. Changes in Shareholdings

#### (I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period

As at 30 June 2013, the interests and short positions of the directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be 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 Companies (“Model Code”) adopted by the Company, were as follows:

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

### I. Changes in Shareholdings (Continued)

#### (I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period (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 increase/decrease
<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	—	—

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

### I. Changes in Shareholdings *(Continued)*

#### (I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period *(Continued)*

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 of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, none of the directors, supervisors or chief executive 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.

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

II. **Changes in Directors, Supervisors and Senior Management of the Company**

During the Reporting Period, there was no change in the directors, supervisors and senior management of the Company.

VIII. FINANCIAL REPORT (SEE APPENDIX)

IX. DOCUMENTS AVAILABLE FOR INSPECTION

- I. Copy of the 2012 Interim Report signed by the Chairman of the Company
- II. Original financial statements of the Company stamped and signed by the Legal Representative, General Accountant and Finance Manager
- III. Articles of Association of the Company
- IV. 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*

28 August 2013

**Financial Report (unaudited)**

Dongfang Electric Corporation Limited

Interim Financial Report (Unaudited)

30 June 2013

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## Consolidated Balance Sheet

Prepared by: Dongfang Electric Corporation Limited

30 June 2013

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary fund	V.1	9,958,637,548.02	8,960,708,524.63
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets	V.2	26,891,159.35	30,311,323.96
Bills receivable	V.3	2,607,164,297.49	2,568,756,924.94
Trade receivables	V.4	15,136,371,229.11	14,991,233,562.34
Prepayments	V.5	5,372,617,550.95	5,784,631,010.52
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable	V.6	71,863,982.72	61,740,939.07
Dividends receivable	V.7	136,612.20	136,612.20
Other receivables	V.8	443,540,904.68	325,693,411.09
Purchases of resold financial assets			
Inventories	V.9	29,826,862,557.09	31,901,091,912.16
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		63,444,085,841.61	64,624,304,220.91
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	V.10	315,454,892.00	413,013,757.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V.11	656,083,683.75	590,419,356.09
Investment properties	V.12	26,659,038.79	27,479,503.13
Fixed assets	V.13	9,552,098,456.56	9,873,036,157.62
Construction in progress	V.14	760,079,358.18	723,924,491.91
Construction materials	V.15	113,464.96	113,464.96
Disposal of fixed assets	V.16	172,251.82	
Productive biological assets			
Oil and gas assets			
Intangible Assets	V.17	1,019,892,759.26	997,185,846.76
Development expenses			
Goodwill			
Long-term deferred expenditures	V.18	562,000.12	615,000.10
Deferred income tax assets	V.19	1,095,927,821.36	1,076,964,799.34
Other non-current assets			
<b>Total non-current assets</b>		13,427,043,726.80	13,702,752,376.91
<b>Total assets</b>		76,871,129,568.41	78,327,056,597.82

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi



## Consolidated Balance Sheet (Continued)

Prepared by: Dongfang Electric Corporation Limited

30 June 2013

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings	V.21	2,578,311,287.44	2,118,520,012.90
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	626,413.92	25,830,967.05
Bills payable	V.23	3,975,779,044.55	4,107,094,766.78
Trade payables	V.24	13,916,314,319.74	13,385,150,089.62
Receipts in advance	V.25	34,398,575,450.54	37,594,148,516.54
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable	V.26	418,541,826.18	398,694,229.45
Taxes payable	V.27	-87,892,043.25	251,202,094.65
Interests payable			
Dividends payable	V.28	225,743,332.02	2,008,723.98
Other payables	V.29	2,220,074,147.29	2,027,341,175.03
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	74,320,000.00	54,320,000.00
Other current liabilities	V.31	54,511,257.40	80,844,288.14
<b>Total current liabilities:</b>		<b>57,774,905,035.83</b>	<b>60,045,154,864.14</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V.32	75,627,585.21	125,827,585.21
Debentures payable			
Long-term payables	V.33	685,252.84	685,252.84
Special payables			
Estimated liabilities	V.34	1,037,540,669.62	1,064,299,498.92
Deferred income tax liabilities	V.19	3,354,450.17	3,932,355.83
Other non-current liabilities	V.35	540,045,077.43	539,641,886.45
<b>Total non-current liabilities</b>		<b>1,657,253,035.27</b>	<b>1,734,386,579.25</b>
<b>Total liabilities</b>		<b>59,432,158,071.10</b>	<b>61,779,541,443.39</b>
<b>Shareholders' equity:</b>			
Share capital	V.36	2,003,860,000.00	2,003,860,000.00
Capital reserve	V.37	4,991,171,541.00	5,074,096,576.25
Less: Treasury shares			
Special reserve	V.38	20,570,308.99	8,196,251.24
Surplus reserve	V.39	453,492,120.76	453,492,120.76
General risk provision			
Undistributed profit	V.40	9,124,014,090.59	8,158,283,796.26
Difference arising from translation of foreign currency financial statements		-30,865,856.81	-19,823,326.89
<b>Total equity attributable to shareholders of the Company</b>		<b>16,562,242,204.53</b>	<b>15,678,105,417.62</b>
Minority interests	V.41	876,729,292.78	869,409,736.81
<b>Total shareholders' equity</b>		<b>17,438,971,497.31</b>	<b>16,547,515,154.43</b>
<b>Total liabilities and shareholders' equity</b>		<b>76,871,129,568.41</b>	<b>78,327,056,597.82</b>

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

## Consolidated Income Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
<b>I. Total revenue from operations</b>		20,467,106,740.89	20,011,488,282.92
Including: Revenue from operations	V.42	20,467,106,740.89	20,011,488,282.92
Interest income			
Insurance premiums earned			
Income from fees and commissions			
<b>II. Total cost of operations</b>		19,168,798,771.16	18,602,938,862.25
Including: Cost of operations	V.42	16,713,119,226.23	16,095,892,049.32
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	154,592,062.67	159,266,534.17
Selling expenses	V.44	431,688,349.95	374,786,556.90
Administrative expenses	V.45	1,558,124,480.21	1,572,262,820.95
Finance costs	V.46	-45,060,691.01	-11,274,152.26
Impairments loss of assets	V.47	356,335,343.11	412,005,053.17
Add: Gains from change in fair value (loss is represented by "-")	V.48	21,784,388.52	-56,654,572.93
Gain from investment (loss is represented by "-")	V.49	67,325,202.92	76,183,748.44
Including: Gains from investment in associates and joint ventures		65,446,195.92	73,421,782.14
Exchange gain (loss is represented by "-")			
<b>III. Operating profit (loss is represented by "-")</b>		1,387,417,561.17	1,428,078,596.18
Add: Non-operating income	V.50	72,347,038.76	60,362,166.98
Less: Non-operating expense	V.51	23,984,916.20	13,250,160.48
Including: Loss from disposal of non-current assets		1,326,673.02	580,334.84
<b>IV. Total profit (total loss is represented by "-")</b>		1,435,779,683.73	1,475,190,602.68
Less: Income tax expense	V.52	223,705,752.38	212,340,334.56
<b>V. Net profit (net loss is represented by "-")</b>		1,212,073,931.35	1,262,850,268.12
Net profit attributable to the shareholders of the Company		1,186,154,894.33	1,243,959,495.33
Minority interests		25,919,037.02	18,890,772.79
<b>VI. Earnings per share:</b>			
(I) Basic earnings per share	V.53	0.59	0.62
(II) Diluted earnings per share	V.53	0.59	0.62
<b>VII. Other comprehensive income</b>	V.54	-93,967,565.17	11,268,799.09
<b>VIII. Total comprehensive income</b>		1,118,106,366.18	1,274,119,067.21
Total comprehensive income attributable to the shareholders of the Company		1,092,187,329.16	1,255,228,294.42
Total comprehensive income attributable to minority interests		25,919,037.02	18,890,772.79

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

## Consolidated Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

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		16,273,295,781.01	13,511,081,350.98
△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		165,326,083.74	185,587,040.99
Other cash received from operating activities	V.55	344,071,552.08	431,179,177.60
<b>Sub-total of cash inflows from operating activities</b>		<b>16,782,693,416.83</b>	<b>14,127,847,569.57</b>
Cash paid for goods and services		11,994,844,708.58	12,279,054,754.69
△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		1,547,058,062.69	1,526,983,783.70
Taxes paid		1,621,857,193.18	1,915,788,650.77
Other cash payments relating to operating activities	V.55	731,971,941.24	662,829,839.90
<b>Sub-total of cash outflows from operating activities</b>		<b>15,895,731,905.69</b>	<b>16,384,657,029.06</b>
<b>Net cash flow from operating activities</b>		<b>886,961,511.14</b>	<b>-2,256,809,459.49</b>
<b>II. Cash flow generated from investing activities:</b>			
Cash received from disposal of investments			279,614,645.16
Cash received from gains in investment		1,879,007.00	2,855,977.72
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,329,248.84	841,143.40
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities			2,693.96
<b>Sub-total of cash inflows from investing activities</b>		<b>7,208,255.84</b>	<b>283,314,460.24</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		358,866,905.54	647,516,090.53
Cash paid for investment		28,000,000.00	394,000,000.00
△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>386,866,905.54</b>	<b>1,041,516,090.53</b>
<b>Net cash flow generated from investing activities</b>		<b>-379,658,649.70</b>	<b>-758,201,630.29</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		1,335,746,899.98	1,275,000,000.00
△Cash received from issuing bonds			
Other cash received from financing-related activities			85,940,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>1,335,746,899.98</b>	<b>1,360,940,000.00</b>
Cash repayments of borrowings		725,200,000.00	530,000,000.00
Dividends paid, profit distributed or interest paid		76,270,804.48	90,023,662.55
Including: Dividend and profit paid by subsidiaries to minority shareholders		16,185,002.97	1,450,000.00
Other cash paid for financing-related activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>801,470,804.48</b>	<b>620,023,662.55</b>
<b>Net cash flows from financing activities</b>		<b>534,276,095.50</b>	<b>740,916,337.45</b>
<b>IV. Effects of exchange rate fluctuation on cash and cash equivalents</b>		<b>-44,743,565.80</b>	<b>44,003,933.44</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>996,835,391.14</b>	<b>-2,230,090,818.89</b>
Add: Cash and cash equivalents at the beginning of the period		8,929,997,459.40	10,285,000,143.30
<b>VI. Cash and cash equivalents at the end of the period</b>	V.55	<b>9,926,832,850.54</b>	<b>8,054,909,324.41</b>

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

## Consolidated Statement of Changes in Shareholders' Equity

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

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>	2,003,860,000.00	5,074,096,576.25		8,196,251.24	453,492,120.76		8,158,283,796.26	-19,823,326.89	869,409,736.81	16,547,515,154.43	
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	5,074,096,576.25		8,196,251.24	453,492,120.76		8,158,283,796.26	-19,823,326.89	869,409,736.81	16,547,515,154.43	
<b>III. Increase/decrease in the period (decrease is represented by "-")</b>		-82,925,035.25		12,374,057.75			965,730,294.33	-11,042,529.92	7,319,555.97	891,456,342.88	
(I) Net profit							1,186,154,894.33		25,919,037.02	1,212,073,931.35	
(II) Other comprehensive income		-82,925,035.25						-11,042,529.92		-93,967,565.17	
Sub-total of above (I) and (II)		-82,925,035.25					1,186,154,894.33	-11,042,529.92	25,919,037.02	1,118,106,366.18	
(III) Shareholders' contribution and decrease in capital											
1. Shareholders' capital contribution											
2. Share-based payments credited to shareholders' equity											
3. Others											
(IV) Profit distribution							-220,424,600.00		-19,495,011.01	-239,919,611.01	
1. Appropriation to surplus reserve											
2. Appropriation to general risk provision											
3. Distribution to shareholders							-220,424,600.00		-19,495,011.01	-239,919,611.01	
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											

2013 Half Year Report of Dongfang Electric Corporation Limited

(VI) Special reserve				12,374,057.75					895,529.96	13,269,587.71
1. Amount withdrawn in the period				29,563,718.70					2,232,703.05	31,796,421.75
2. Amount utilized in the period				-17,189,660.95					-1,337,173.09	-18,526,834.04
(VII) Others										
<b>IV. Balance at the end of the period</b>	2,003,860,000.00	4,991,171,541.00		20,570,308.99	453,492,120.76		9,124,014,090.59	-30,865,856.81	876,729,292.78	17,438,971,497.31

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Consolidated Statement of Changes in Shareholders' Equity (Continued)

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

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	5,075,180,693.34			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										

2013 Half Year Report of Dongfang Electric Corporation Limited

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

## Balance Sheet

Prepared by: Dongfang Electric Corporation Limited

30 June 2013

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary fund		2,578,789,897.27	2,203,547,671.62
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		24,369,193.40	27,485,157.46
Bills receivable		82,730,000.00	266,372,194.03
Trade receivables	XIV.1	1,521,377,377.63	1,377,064,861.07
Prepayments		11,690,191,287.15	10,100,985,516.35
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable			
Dividends receivable		131,436,444.73	131,436,444.73
Other receivables	XIV.2	4,918,333,408.57	4,847,306,312.72
Purchases of resold financial assets			
Inventories		1,944,854,639.95	1,752,735,050.46
Non-current assets due within one year			
Other current assets		500,000,000.00	500,000,000.00
<b>Total current assets</b>		<b>23,392,082,248.70</b>	<b>21,206,933,208.44</b>
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets		315,454,892.00	413,013,757.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XIV.3	10,001,969,709.22	9,912,836,546.65
Investment properties		17,064,268.32	17,578,768.87
Fixed assets		15,379,608.69	16,218,046.15
Construction in progress		10,959,108.08	8,268,357.69
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible Assets		21,302.66	31,456.51
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		55,603,228.28	38,324,514.58
Other non-current assets			
<b>Total non-current assets</b>		<b>10,416,452,117.25</b>	<b>10,406,271,447.45</b>
<b>Total assets</b>		<b>33,808,534,365.95</b>	<b>31,613,204,655.89</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 2013

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings		350,000,000.00	789,404,374.03
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities		597,042.29	24,806,984.26
Bills payable			
Trade payables		2,662,183,693.86	2,202,784,201.56
Receipts in advance		16,196,192,412.57	14,825,352,928.26
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		20,997,467.47	17,428,338.16
Taxes payable		-314,831,500.94	-92,051,672.41
Interests payable			
Dividends payable		220,424,600.00	
Other payables		1,738,733,530.97	1,605,846,103.06
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>		20,874,297,246.22	19,373,571,256.92
<b>Non-current liabilities:</b>			
Long-term borrowings			
Debentures payable			
Long-term payables			
Special payables			
Estimated liabilities			
Deferred income tax liabilities		317,225.78	326,442.49
Other non-current liabilities		351,927.71	351,927.71
<b>Total non-current liabilities</b>		669,153.49	678,370.20
<b>Total liabilities</b>		20,874,966,399.71	19,374,249,627.12
<b>Shareholders' equity:</b>			
Share capital		2,003,860,000.00	2,003,860,000.00
Capital reserve		5,055,026,812.65	5,137,951,847.90
Less: Treasury shares			
Special reserve			
Surplus reserve		741,855,237.19	741,855,237.19
General risk provision			
Undistributed profit		5,132,825,916.40	4,355,287,943.68
Difference arising from translation of foreign currency financial statements			
<b>Total equity attributable to shareholders of the Company</b>		12,933,567,966.24	12,238,955,028.77
Minority interests			
<b>Total shareholders' equity</b>		12,933,567,966.24	12,238,955,028.77
<b>Total liabilities and shareholders' equity</b>		33,808,534,365.95	31,613,204,655.89

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

## Income Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
<b>I. Total revenue from operations</b>		5,656,367,623.32	5,914,279,500.97
Including: Revenue from operations	XIV.4	5,656,367,623.32	5,914,279,500.97
Interest income			
Insurance premiums earned			
Income from fees and commissions			
<b>II. Total cost of operations</b>		5,460,495,778.34	5,736,479,564.29
Including: Cost of operations	XIV.4	5,303,711,911.68	5,611,851,716.68
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		3,261,337.41	7,233,500.92
Selling expenses		23,129,112.78	15,764,377.21
Administrative expenses		82,648,579.48	64,372,118.99
Finance costs		12,911,459.15	-4,625,982.74
Impairments loss of assets		34,833,377.84	41,883,833.23
Add: Gains from change in fair value (loss is represented by “-”)		21,093,977.91	-45,729,960.41
Gain from investment (loss is represented by “-”)	XIV.5	794,676,037.03	1,013,676,360.10
Including: Gains from investment in associates and joint ventures		28,852,362.57	46,977,517.72
Exchange gain (loss is represented by “-”)			
<b>III. Operating profit (loss is represented by “-”)</b>		1,011,641,859.92	1,145,746,336.37
Add: Non-operating income		1,610,029.06	10,669,420.00
Less: Non-operating expense		186,991.36	6,507.15
Including: Loss from disposal of non-current assets		23,171.38	3,506.75
<b>IV. Total profit (total loss is represented by “-”)</b>		1,013,064,897.62	1,156,409,249.22
Less: Income tax expense		15,102,324.90	17,940,969.34
<b>V. Net profit (net loss is represented by “-”)</b>		997,962,572.72	1,138,468,279.88
Net profit attributable to the shareholders of the Company		997,962,572.72	1,138,468,279.88
Minority interests			
<b>VI. Earnings per share:</b>			
(I) Basic earnings per share			
(II) Diluted earnings per share			
<b>VII. Other comprehensive income</b>		-82,925,035.25	14,234,854.52
<b>VIII. Total comprehensive income</b>		915,037,537.47	1,152,703,134.40
Total comprehensive income attributable to the shareholders of the Company		915,037,537.47	1,152,703,134.40
Total comprehensive income attributable to minority interests			

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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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

## Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

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		6,264,686,445.29	4,630,324,926.67
△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		160,515,883.10	182,480,876.52
Other cash received from operating activities		48,798,652.96	86,640,071.84
<b>Sub-total of cash inflows from operating activities</b>		6,474,000,981.35	4,899,445,875.03
Cash paid for goods and services		6,161,199,974.74	4,602,766,767.11
△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		65,466,273.90	74,755,366.00
Taxes paid		82,553,902.08	101,808,159.43
Other cash payments relating to operating activities		126,236,524.00	82,906,338.83
<b>Sub-total of cash outflows from operating activities</b>		6,435,456,674.72	4,862,236,631.37
<b>Net cash flow from operating activities</b>		38,544,306.63	37,209,243.66
<b>II. Cash flow generated from investing activities:</b>			
Cash received from disposal of investments		500,000,000.00	279,614,645.16
Cash received from gains in investment		765,823,674.46	966,792,853.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		654.00	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>		1,265,824,328.46	1,246,407,998.96
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		4,293,494.44	2,564,999.46
Cash paid for investment		578,284,000.00	521,940,000.00
△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>		582,577,494.44	524,504,999.46
<b>Net cash flow generated from investing activities</b>		683,246,834.02	721,902,999.50
<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
△Cash received from issuing bonds			
Other cash received from financing-related activities			85,940,000.00
<b>Sub-total of cash inflows from financing activities</b>			1,085,940,000.00
Cash repayments of borrowings		300,000,000.00	1,250,000,000.00
Dividends paid, profit distributed or interest paid		9,051,388.90	16,309,027.78
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>		309,051,388.90	1,266,309,027.78
<b>Net cash flows from financing activities</b>		-309,051,388.90	-180,369,027.78
<b>IV. Effects of exchange rate fluctuation on cash and cash equivalents</b>		-37,497,526.10	26,931,365.83
<b>V. Net increase in cash and cash equivalents</b>		375,242,225.65	605,674,581.21

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Add: Cash and cash equivalents at the beginning of the period		2,203,547,671.62	957,119,761.29
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>2,578,789,897.27</b>	<b>1,562,794,342.50</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 2013

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>	2,003,860,000.00	5,137,951,847.90			741,855,237.19		4,355,287,943.68		12,238,955,028.77	
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	5,137,951,847.90			741,855,237.19		4,355,287,943.68		12,238,955,028.77	
<b>III. Increase/decrease in the period (decrease is represented by "-")</b>		-82,925,035.25					777,537,972.72		694,612,937.47	
(I) Net profit							997,962,572.72		997,962,572.72	
(II) Other comprehensive income		-82,925,035.25							-82,925,035.25	
Sub-total of above (I) and (II)		-82,925,035.25					997,962,572.72		915,037,537.47	
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution							-220,424,600.00		-220,424,600.00	
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders							-220,424,600.00		-220,424,600.00	
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										

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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<b>IV. Balance at the end of the period</b>	2,003,860,000.00	5,055,026,812.65		741,855,237.19		5,132,825,916.40		12,933,567,966.24
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Legal representative: Si Zefu  
Department: Zeng Yi

Chief Accountant: Gong Dan

Head of Finance

Statement of Changes in Shareholders' Equity (Continued)

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2013

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		
<b>I. Balance at the end of last year</b>	2,003,860,000.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57		11,224,621,726.73
Add: 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	5,141,577,000.43			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									



**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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<b>IV. Balance at the end of the period</b>	2,003,860,000.00	5,155,811,854.95		607,997,631.73	4,289,037,774.45		12,056,707,261.13
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Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

## **Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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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 State-owned legal person shares, representing DFEW’s then 48.89% of the share capital of the Company, from DFEW to China Dongfang Electric Corporation (currently known as China Dongfang Electric Corporation Ltd, hereinafter referred to as “DEC”).

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) issued by China Securities Regulatory Commission. 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.

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

According to the resolutions of 2009 annual general meeting of the shareholders on 18 June 2010, the 1st domestic shareholders class meeting in 2010 and 1st foreign shareholders class meeting in 2010, the Company decided to increase 10 shares per 10 shares to all shareholders based on the share capital of 1,001,930,000 shares on 31 December 2009.

As at 30 June 2013, the capital shares of the corporation is 2,003,860,000: domestic shares without selling restrictions domestically-listed are 1,663,860,000, representing 83.03% of the share capital; shares without selling restrictions held by foreign investors listed overseas is 340,000,000, 16.97% of the share capital. The Company's serial number of business license of legal entity is 510109000059366, which is approved and issued by . 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.

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**II. Principle 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 - basic standards” issued on 15 February 2006, Accounting Standards for Business Enterprises No.38, guidance, interpretations and other relevant requirements (hereinafter referred as to 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 (Hong Kong)” and “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, which present fairly the financial position, financial performance and cash flows of the Company and the Group.

**3. Accounting Period**

The Group’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.

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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 goodwill. 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

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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 consolidated financial statements

##### (1) Principle of Determining Consolidation Scope

The consolidation scope of consolidated 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 and net profit or loss for the period in subsidiaries not attributable to the Company are listed as minority shareholders' equity specifically in shareholders' equity and net profit 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, their assets, liabilities operating results and cash flows would be consolidated in the consolidated financial statements as per original book value from the beginning.

#### 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 (generally not exceed three months) 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.

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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 separately 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 and beneficial nature, including '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.

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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;



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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 liabilities at fair value through profit or loss, including financial liabilities held for trading and those designed as at fair value through profit or loss, are recognised initially at fair value with relevant changes charged to current profit or loss. According to the subsequent measurement at fair value, gain or loss arising from changes in fair value, as well as dividends and interest expenses relating to financial liabilities should be charged to current profit or loss.

(3) Recognition and measurement of financial assets and liabilities

When the enterprise becomes a party to a financial instrument contract, it shall initially recognize financial assets and financial liabilities at fair value.

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 assets and liabilities

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

- The investments held until their maturity, loans and accounts receivable and other financial liabilities 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 capital reserve with the exception of impairment losses and the gap arising from

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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 investment income in the income statement.

**(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, and including transaction expenses may occur when dispose the said financial asset or liability. 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 appraise 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

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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. Details of the impairment test of account receivables please refer to note II.11 set out in Notes to the Financial Statements.

In active market, when the value of equity instrument recovered in following period, the impairment-related losses incurred to a sellable equity instrument investment with no quote price and cannot be measured reliably 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. Consideration and transaction expenses for repurchasing the equity instrument shall decrease shareholders' equity. Profit or loss will not be recognised when issue, repurchase, sale or cancel equity instrument.

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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 secured 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 does not transfer and retain nearly all of the risks and rewards related to the ownership of the financial asset, it shall consider whether it controls over the financial asset. When an enterprise gives up its control over the financial asset, it shall stop recognizing the financial asset; 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.

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**11. Accounts receivable**

Accounts receivable include trade receivables and other receivables. The trade receivables from goods sold by the Group and rendering of services are taken as the initial recognition amount for the fair value of contract or agreement price due from buyers or service receivers.

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

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

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

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

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

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

Basis for determination of portfolio	
Aged group	The group of credit risk characteristics is determined
Method of provision of bad debts on portfolio basis	
Aged group	Aging analysis

Proportion of provision for bad debts for receivables by aging analysis

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Aged	Proportion (%)
Within one year (inclusive, same below)	5
1-2 years	10
2-3 years	20
3-4years	40
3-4years	50
3-4years	100

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

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

## 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.

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### (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

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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



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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:

<b>Item</b>	<b>Depreciable life (Year)</b>	<b>Rate of net salvage value</b>	<b>Annual depreciation rate(%)</b>
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

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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:

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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

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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

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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;

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- (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.

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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. Share-based payments

Share-based payment refers to a transaction in which the Group grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.

(1) Equity-settled share-based payment:

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The equity-settled share-based payment made in return for the rendering of employee services shall be measured at the fair value of the equity instruments granted to the employees. For equity instruments that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses with the increase in the capital reserve accordingly. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the capital reserves at the fair value of such instruments on the date of the grant.

For the shares granted to the employees, its fair value is measured at the market price of the share of the company and adjusted according to the terms and conditions of the shares (excluding the vesting conditions other than market conditions).

For the share options granted to the employees, if there are no trading options with similar terms and conditions, the fair value of the option granted shall be estimated using the option pricing model.

(2) Cash-settled share-based payment:

The cash-settled share-based payment shall be measured at the fair value of liability incurred, which is calculated and determined based on the shares or other equity instruments. For the cash-settled share-based payment that may be exercised immediately after the grant, the fair value of the liability incurred by the Group shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Group.

(3) Basis for determining the best estimates of exercisable equity instruments:

On each balance sheet date within the vesting period, the Company shall determine the best estimates based on the latest number of employees able to exercise their options and revise the estimated number of exercisable equity instruments to make the best estimates of the exercisable equity instruments.

(4) Accounting treatment for revision and termination of share-based payment plans:

If the revision results in an increase in the fair value of the equity instruments granted, the Company shall recognize the increase in the services rendered accordingly at the increased fair value of the equity instruments. If the revision results in an increase in the number of equity instruments granted,



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the Company will recognize the increase in the services rendered accordingly at the fair value of the increased number of equity instruments. If the Company revises the vesting conditions on terms favorable to the employees, the Company will take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the revision results in a decrease in the fair value of the equity instruments granted, the Company shall continue recognize the amount of services rendered accordingly at the fair value of the equity instruments on the date of grant without considering the decrease in the fair value of the equity instruments. If the revision results in a decrease in the number of equity instruments granted, the Company will account for such decrease by reducing part of the cancellation of equity instruments granted. If the Company revises the vesting conditions on terms not favorable to the employees, the Company will not take into consideration of the revised vesting conditions when dealing with the vesting conditions.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, equity-settled share-based payments are deemed cancelled. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they were a modification of the original award.

### 25. 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.

### 26. 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

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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.

**27. Construction contracts**

If the total contract revenue can be measured in a reliable way, the economic benefits pertinent to the contract flowing into the enterpriseand, 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 are 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.

<b>Items</b>	<b>Percentage of completion</b>	<b>Notes</b>
1000MW power station boiler, Environment protection production	≥10%	
600MW power station boiler, Environment protection production	≥20%	

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300MW-600MW power station boiler, Environment protection production	$\geq 30\%$	Excluding 600MW
200MW-300MW power station boiler, Environment protection production	$\geq 40\%$	Excluding 300MW
100MW-200MW power station boiler, Environment protection production		Excluding 200MW
Including: CFB power station boiler	$\geq 40\%$	
Others	$\geq 50\%$	

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.

**28. 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.

**29. 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.

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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.

### 30. 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.

### 31. 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

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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.

### **32. 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.

### **33. 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.

### **34. Handling method of hedging**

Hedging of the Group comprises of fair value hedging, cash flow hedging and net overseas investment hedging. When hedging meets the following conditions, the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item will be recognised in the same accounting period.

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(1) At the inception of a hedge relationship, the Company formally designates the hedge relationship (ie the relationship between the hedging instrument and the hedged item) and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The document shall at least include the hedging instrument, the hedged item, the nature of the risk being hedged and the effective method for assessing the effectiveness of hedging. Hedging must be related to the identifiable and designated risks and ultimately affect the gain or loss of enterprise;

(2) Such hedges are expected to be highly effective and comply with the risk management strategy set by the Company for the hedge relationship at the inception;

(3) For cash flow hedges for expected transactions, such expected transactions will probably take place and must expose the Company to risks of movement in cash flows that will eventually affect the profit or loss;

(4) The hedge effectiveness can be reliably measured;

(5) The hedge effectiveness is evaluated on an ongoing basis, ensuring the hedge is highly effective in the period in which the hedge relationship is designated.

The hedged item of the Gorup is the part of foreign exchange to be collected from the export items to be executed in the future and the corresponding hedging instrument is forward exchange settlement contract.

The Group uses the comparative method of the principle terms of the contract (agreement) to do the expected evaluation on the effectiveness of hedging, and uses ratio analysis method (regression analysis method) to do the retrospective evaluation on the effectiveness of hedging at the end of the reporting period.

### **35. Accounting Policies, Changes in Accounting Estimates and Errors**

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

### **36. 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:

## Electric Corporation Limited

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

### 1. Categories of Taxes and Tax Rate

Type of tax	Tax basis	Tax rate
VAT	The sales of goods and provision of taxable services	17%
Business tax	Provision of taxable services, transfer of intangible assets or the sale of immovable properties	3%,5%
Urban maintenance and construction tax	Turnover taxes	5%,7%
Additional education fees	Turnover taxes	3%
Urban real estate tax	The rental income of 70%of building	1.2%/12%
Land use tax	Taxable land	RMB 3-12/m <sup>2</sup>
Enterprise income tax		
Including: the Company, Dongfang Steam Turbine Co., Ltd, Dongfang boiler group Co.,Ltd, DFEM Control Equipment Company Limited, 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	32.445%
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, 2012, October 12, 2011, and December 28, 2012. 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. GF201251000089, GF201151000188, GF201251000140 and GF201251000183. 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. GF201244200361 on September 12, 2012 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 2013.

(2) The enterprise income tax at the rate of 15% still applies to DFEM Control Equipment Company Limited and the Company in 2013 according to the tax preferential policy for the western development program under the approval from the competent taxation authorities.

## Electric Corporation Limited

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

### IV. Business Combination and Consolidated Financial Statements

#### 1. Subsidiaries

##### 1. Subsidiaries acquired through establishment, investment or other ways

Unit: RMB'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	Wholly-owned subsidiary	Kolkata, India	Services	INR75,040	Overhauling of generating units, operation and maintenance of power plants, sale of spare parts and training services for operational staff of power plants	10,508.12		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	10,722.32
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	7,416.51
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	73.54
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	54.40
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	15.15
Dongfang New Electric Energy	Wholly-owned subsidiary of a	Huangzhou, Zhejiang	Manufacturing	40,936.30	Direct-drive permanent magnet wind power generating units and tidal generating units, as	40,936.30		100	100	Y	



**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

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Equipment (Hangzhou) Co., Ltd.	wholly-owned subsidiary					well as redevelopment and installation of power stations						
Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Tianjin	Manufacturin g	20,000.00		Design, manufacture installation and sale of wind power generation equipment	20,000.00		100	100	Y	

## Electric Corporation Limited

### Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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	a	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	a	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	a	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: RMB'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	290,150.00	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	1,501.86
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	50,914.26

**Electric Corporation Limited**

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For the first half of year of 2013

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Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Controlled subsidiary of a wholly-owned subsidiary	Tianjin	Manufacturing	15,986.96	Manufacture and sale of MW wind turbine blades and turbine enclosures and provision of related services	9,418.98		50.36	50.36	Y	9,536.85
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(3) Subsidiaries acquired through business combinations not under common control

Unit: RMB'000

Name of subsidiary	Type	Place of registration	Nature of Businesses	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	6,777.75

## Electric Corporation Limited

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- There were no entities newly included in and eliminated from the scope of consolidation for the period.
- Exchange rates for translation of major financial statement items of overseas operating entities

The measurement currency for the Company's Indian subsidiary is INR. The main exchange rates adopted in translation into RMB of the financial statements during the reporting period include: INR1=RMB0.1035 for the income statement and cash flow statement; INR1=RMB0.1035 for the balance sheets.

### 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 2013, "closing" means 30 June 2013, the "year"/"period" means the period from 1 January to 30 June 2013, and the previous "year"/"period" means the period from 1 January to 30 June 2012.

#### 1. Cash funds

Item	Closing balance			Opening balance		
	Local Currency	Exchange	Amount (RMB)	Local Currency	Exchange	Amount (RMB)
<b>Cash:</b>			3,525,219.00			2,612,684.28
RMB	563,228.41	1.00	563,228.41	412,707.46	1.00	412,707.46
USD	111,406.38	6.1787	688,346.58	61,598.13	6.2855	387,175.04
HKD	22,482.12	0.7966	17,864.29	22,482.12	0.8109	18,229.63
INR	14,256,177.78	0.1035	1,544,520.69	12,119,552.38	0.1143	1,385,022.43
PKR	2,950,857.49	0.0618	182,333.48	3,710,823.49	0.06286	233,262.36
VND	1,074,666,240.00	0.0003	316,188.30	588,979,185.46	0.00029	176,287.36
BAM	50,957.47	4.1748	212,737.25			
<b>Bank deposits:</b>			9,893,350,179.78			8,898,755,678.57
RMB	8,624,125,320.15	1.00	8,624,125,320.14	7,257,829,682.32	1.00	7,257,829,682.32
USD	161,891,020.09	6.1787	1,000,276,049.11	232,351,536.24	6.2855	1,460,445,581.09
HKD	177,693.95	0.7966	141,234.40	177,684.95	0.8109	144,074.87
JPY	1,378,085.00	0.0626	86,277.77	1,379,010.00	0.07304	100,667.73
EUR	3,473,810.68	8.0536	27,976,681.69	5,362,748.01	8.3176	44,605,192.85
INR	650,079,590.44	0.1035	67,283,237.60	225,892,623.38	0.1143	25,815,009.00
PKR	1,340,711,769.09	0.0618	82,842,580.62	1,293,428,438.33	0.06286	81,304,911.63
VND	27,935,255,454.00	0.0003	8,437,788.07	22,660,441,262.00	0.00029	6,782,496.68
BAM	19,685,017.53	4.1748	82,181,010.38	5,116,144.82	4.2470	21,728,062.40
<b>Other monetary</b>			61,762,149.24			59,340,161.78
RMB	61,012,629.25	1.00	61,012,629.25	58,546,685.51	1.00	58,546,685.51
INR	7,241,739.00	0.1035	749,519.99	6,943,264.53	0.1143	793,476.27
Total			9,958,637,548.02			8,960,708,524.63

#### 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	22,783,287.60	25,623,903.72
Derivative financial assets	4,107,871.75	4,687,420.24
Total	26,891,159.35	30,311,323.96

#### 3. Bills receivable

##### (1) Classification of bills receivable

Category	Closing balance	Opening balance
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**Electric Corporation Limited**

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For the first half of year of 2013

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Category	Closing balance	Opening balance
Bank acceptance bills	2,577,684,297.49	2,457,222,173.63
Commercial acceptance bills	29,480,000.00	111,534,751.31
Total	2,607,164,297.49	2,568,756,924.94

## Electric Corporation Limited

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(2) The total of bills receivables which has been endorsed but not yet due at the end of the period is RMB 1,319,123,160.38, and the top 5 of bills receivables are as follows:

Type of bills	Issuer	Issue date	Due date	Amount	Note
Bank acceptance	Guodian Duyun Power Generation Co., Ltd.	2013.03.07	2014.03.06	50,000,000.00	
Bank acceptance	Guizhou Huadian Tongzi Electric Power Co., Ltd.	2013.04.26	2013.10.26	48,000,000.00	
Bank acceptance	Shenhua Ningxia Coal Industry Group Co., Ltd.	2013.01.22	2013.07.22	20,000,000.00	
Bank acceptance	Shaanxi Non-ferrous Yulin New Materials Co., Ltd. (陝西)	2013.03.05	2013.09.05	19,132,200.00	
Bank acceptance	Shaanxi Non-ferrous Yulin New Materials Co., Ltd.	2013.03.05	2013.09.05	15,305,760.00	
<b>Total</b>				152,437,960.00	

(3) The total of bills receivables which has been discounted but not yet due at the end of the period is RMB460,068,000.00, the breakdown of which is as follows:

Type of bills receivables	Issuer	Issue date	Due date	Amount	Note
Commercial acceptance	Huarun Electric Power (Wenzhou) Co., Ltd. (華潤電力(溫州)有限公司)	2012.08.06	2013.08.06	278,880,000.00	
Commercial acceptance	Huarun Electric Power (Wenzhou) Co., Ltd.	2012.08.23	2013.08.23	128,440,000.00	
Commercial	Huarun Electric Power (Wenzhou) Co., Ltd.	2012.08.23	2013.08.23	50,748,000.00	
Bank acceptance	Babcock-Hitachi Dongfang Boiler Co., Ltd.	2013.05.31	2013.10.27	2,000,000.00	
<b>Total</b>				460,068,000.00	

#### 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	7,604,422,860.24	39.07	386,396,244.43	7,618,045,381.07	40.04	381,288,841.79
1-2 years	4,281,047,877.01	21.99	455,430,532.69	4,505,152,097.68	23.68	477,839,209.79
2-3 years	3,152,883,297.92	16.20	650,223,099.98	2,919,602,050.73	15.35	685,484,398.76
3-4 years	1,878,546,930.53	9.65	782,276,383.78	1,695,732,055.22	8.91	705,101,284.21
4-5 years	1,058,025,798.47	5.44	564,229,274.18	1,165,236,874.41	6.12	662,821,162.22
Over 5 years	1,489,470,794.64	7.65	1,489,470,794.64	1,122,063,449.27	5.90	1,122,063,449.27
<b>Total</b>	<b>19,464,397,558.81</b>	<b>100</b>	<b>4,328,026,329.70</b>	<b>19,025,831,908.38</b>	<b>100</b>	<b>4,034,598,346.04</b>

# Electric Corporation Limited

## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

### (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	754,144,890.00	3.87	501,135,140.00	66.45	778,434,595.00	4.09	484,713,492.50	62.27
Trade receivables for which impairment provisions are collectively made based on similar aging condition	18,682,282,668.81	95.98	3,798,921,189.70	20.33	18,219,027,313.38	95.76	3,521,514,853.54	19.33
Trade receivables which are individually insignificant but for which individual bad debt provisions are	27,970,000.00	0.15	27,970,000.00	100	28,370,000.00	0.15	28,370,000.00	100.00
Total	19,464,397,558.81	100	4,328,026,329.70	22.24	19,025,831,908.38	100	4,034,598,346.04	21.21

#### 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	7,597,910,610.24	39.03	383,140,119.43	7,617,188,486.07	40.03	380,859,424.32
1-2 years	4,212,735,937.01	21.64	421,273,592.69	4,436,842,097.68	23.32	443,684,209.78
2-3 years	3,087,395,163.31	15.86	617,479,032.68	2,581,055,422.09	13.57	516,211,084.42
3-4 years	1,569,970,815.13	8.07	627,988,326.07	1,596,497,433.86	8.39	638,598,973.53
4-5 years	930,460,048.48	4.78	465,230,024.28	890,565,424.41	4.68	445,282,712.22
Over 5 years	1,283,810,094.64	6.60	1,283,810,094.55	1,096,878,449.27	5.77	1,096,878,449.27
Total	18,682,282,668.81	95.98	3,798,921,189.70	18,219,027,313.38	95.76	3,521,514,853.54

#### 2) Trade receivables which are individually insignificant but provided for bad debts at the end of the period

Name	Book balance	Provision for bad	Rate(%)	Reason
Shanxi Linfen Thermal Power Co., Ltd.	27,970,000.00	27,970,000.00	100	Failure in collection as scheduled because the enterprise was financially stressed and its project was not approved
Total	27,970,000.00	27,970,000.00	—	—

#### 3) 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
Guangdong Yudean Jinghai Power Generation Co., Ltd.	303,616,000.00	151,808,000.00	50.00	Failure in collection as scheduled because the enterprise was financially
Huaneng Power International Inc. - Guangdong Branch	259,536,500.00	158,334,750.00	61.01	Failure in collection as scheduled because the enterprise was financially
Inner Mongolia Hohhot Jinshan Power Plant (内蒙呼和浩特金山发电有限公司)	109,034,750.00	109,034,750.00	100.00	High risk in collection of such receivables
Datang Hancheng No.2 Power Plant Co., Ltd.	48,825,700.00	48,825,700.00	100.00	High risk in collection of such receivables due to quality-related disputes
Datang Weihe Power Plant	33,131,940.00	33,131,940.00	100.00	High risk in collection of such receivables due to quality-related disputes

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Name	Book balance	Provision for bad debts	Rate(%)	Reason
Total	754,144,890.00	501,135,140.00	—	—

(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
DEC	38,340,774.00	21,464,766.55	56,752,334.00	21,741,472.55
Total	38,340,774.00	21,464,766.55	56,752,334.00	21,741,472.55



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(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

### (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	874,917,556.27	Within 5 years	4.49
BGR ENERGY SYSTEMS LIMITED	Client	565,776,978.07	1-4 years	2.91
China Three Gorges Corporation	Client	438,340,963.59	1-2 years	2.25
Huadian Power International Materials Co., Ltd. (華電國際物資有限)	Client	324,232,163.45	1-3 years	1.67
Guangdong Yudean Jinghai Power Generation Co., Ltd.	Client	303,616,000.00	1-4 years	1.56
Total		2,506,883,661.30		12.88

(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	2,811,788,439.45	52.34	3,755,378,345.93	64.92
1-2 years	1,767,936,561.81	32.91	1,284,742,117.29	22.21
2-3 years	545,236,990.78	10.15	535,242,318.54	9.25
Over 3 years	247,655,558.91	4.60	209,268,228.76	3.62
<b>Total</b>	<b>5,372,617,550.95</b>	<b>100.00</b>	<b>5,784,631,010.52</b>	<b>100.00</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
mitsubishi HEAVY INDUSTRIES.LTD	Supplier	1,017,937,482.00	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
ALSTOM POWER TURBOMACHINES	Supplier	737,921,893.04	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
FOMAS S.P.A	Supplier	269,685,828.28	Over 1 year	It takes time for processing of components, and delivery is yet to be made.
Guangdong Electric Power Design Institute of China Energy Engineering Group	Subcontractor	211,769,688.44	Over 1 year	Design is yet to be completed.
Saarschmiede GmbH Freiformschmiede	Supplier	88,208,963.63	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
Total		2,325,523,855.39		

#### (3) Prepayments to 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	657,495.33		729,495.33	

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Name	Closing balance		Opening balance	
	Amount	Provision for bad	Amount	Provision for bad
Total	657,495.33		729,495.33	

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

## 6. Interests receivable

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Interests on time deposits	61,740,939.07	55,968,384.65	45,845,341.00	71,863,982.72
Total	61,740,939.07	55,968,384.65	45,845,341.00	71,863,982.72

## 7. Dividends receivable

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Dividends receivable aged within 1 year	136,612.20			136,612.20
Including: Babcock-Hitachi Dongfang Boiler Co.,Ltd	136,612.20			136,612.20
Total	136,612.20			136,612.20

## 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	197,356,356.30	26.01	186,464,106.30	94.48	198,472,170.30	31.33	186,464,106.30	93.95
Other receivables for which impairment provisions are collectively made based on similar ageing condition	556,054,039.99	73.27	126,129,981.20	22.68	422,337,370.81	66.66	118,652,023.72	28.09
Other receivables which are individually insignificant but for which individual bad debt provisions are made	5,474,595.89	0.72	2,750,000.00	50.23	12,750,000.00	2.01	2,750,000.00	21.57
Total	758,884,992.18	100.00	315,344,087.50	41.55	633,559,541.11	100	307,866,130.02	48.59

## 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	10,892,250.00			Note 2
Total	197,356,356.30	186,464,106.30		

Note 1: Please refer to Note 13.1 to the financial statements for details.

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 ageing condition

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Item	Closing balance			Opening balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within year	336,340,473.19	44.32	17,231,488.83	198,508,203.67	31.33	9,925,410.19
1-2 years	45,416,605.95	5.98	4,541,660.62	40,869,727.68	6.45	4,086,972.75
2-3 years	11,867,779.12	1.56	2,373,555.82	31,025,432.46	4.90	6,205,086.49
3-4 years	89,666,663.72	11.82	35,866,665.50	78,244,250.14	12.35	31,297,700.06
4-5 years	13,291,814.98	1.75	6,645,907.49	13,105,805.27	2.07	6,552,902.64
Over 5 years	59,470,703.03	7.84	59,470,702.94	60,583,951.59	9.56	60,583,951.59
Total	556,054,039.99	73.27	126,129,981.20	422,337,370.81	66.66	118,652,023.72

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
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.
Advance payment	2,724,595.89			
Total	5,474,595.89	2,750,000.00		

## Electric Corporation Limited

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

### (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	10,750,641.01	5,037,532.05	20,219,602.29	5,511,142.24
Total	10,750,641.01	5,037,532.05	20,219,602.29	5,511,142.24

### (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	24.58
VIETNAM ELECTRICITY	Client	127,663,785.27	Within 1 year	16.83
China Nuclear Power Engineering Co., Ltd	Client	73,102,915.93	3-4 years	9.64
Chengdu Tongxin Property Development Co., Ltd. (成都同新房地產開發有限公司)	Third party	42,000,000.00	Within 1 year	5.54
Chongqing hillo Tatsu Real Estate Development Co.,Ltd	Third party	19,500,000.00	Over 5 years	2.56
Total		448,730,807.50		59.15

## 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)	6,316,669,763.56	75,120,695.09	6,241,549,068.47	6,789,389,731.70	76,240,999.78	6,713,148,731.92
Self-produced semi-finished products and work in process	17,878,112,127.94	204,203,110.15	17,673,909,017.79	19,697,548,759.42	223,563,346.37	19,473,985,413.05
Stock goods (finished goods)	996,898,405.24	124,450,751.51	872,447,653.73	1,207,972,236.45	130,231,200.63	1,077,741,035.82
Reusable materials (packaging materials, low-value consumables, etc.)	61,008,823.44	294,793.71	60,714,029.73	57,955,428.06	295,584.25	57,659,843.81
Assets formed by construction contracts	5,199,614,532.89	484,322,400.39	4,715,292,132.50	4,842,204,295.85	534,346,657.00	4,307,857,638.85
Others	262,950,654.87		262,950,654.87	270,699,248.71		270,699,248.71
Total	30,715,254,307.94	888,391,750.85	29,826,862,557.09	32,865,769,700.19	964,677,788.03	31,901,091,912.16

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**(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 (including procurement materials)	76,240,999.78		952,225.56	168,079.13	75,120,695.09
Self-produced semi-finished products and work in process	223,563,346.37	19,525,533.70		38,885,769.92	204,203,110.15
Stock goods (finished goods)	130,231,200.63	34,448,591.09		40,229,040.21	124,450,751.51
Reusable materials	295,584.25		790.54		294,793.71
Assets formed by construction contracts	534,346,657.00	101,174,280.50		151,198,537.11	484,322,400.39
<b>Total</b>	<b>964,677,788.03</b>	<b>155,148,405.29</b>	<b>953,016.10</b>	<b>230,481,426.37</b>	<b>888,391,750.85</b>

**(3) Provision made for impairment of inventories**

Item	Basis for provision	Reason for reversal in the	Percentage of reversed amount in the closing
Raw materials (including procurement of materials)	The net realizable value is expected to be lower than the book value	Increase in the net realizable value	0.003%
Self-produced semi-finished	The net realizable value is expected to be		
Stock goods (finished goods)	The net realizable value is expected to be		
Reusable materials	The net realizable value is expected to be	Increase in the net	
Assets formed by construction	The total cost is expected to be higher than		

**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	315,454,892.00	413,013,757.00
<b>Total</b>	<b>315,454,892.00</b>	<b>413,013,757.00</b>

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
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**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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	638,983,683.75	573,319,356.09
Total	695,959,998.41	630,295,670.75
Less: impairment of long-term equity investment	39,876,314.66	39,876,314.66
Value of long-term equity investment	656,083,683.75	590,419,356.09

## Electric Corporation Limited

### Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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

Name of investees	Shareholding (%)	Voting rights (%)	Initial 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	136,537,423.87	4,487,010.10		141,024,433.97	34,137,830.00
2. Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou) Co.,Ltd	49	49	99,306,720.24	214,325,400.63	21,109,251.84		235,434,652.47	99,306,720.24
3. Dongfang AREVA (Note 2)	50	50	75,000,000.00	195,409,680.18	29,410,350.88		224,820,031.06	75,000,000.00
4. Leshan East Lok Bulky Co.,Ltd (Note 2)	49	49	490,000.00	18,839,168.13	1,215,703.15		20,054,871.28	490,000.00
Power Industry Investment Co.,Ltd	20	20	4,000,000.00	8,207,683.28	10,000,000.00	557,988.31	17,649,694.97	4,000,000.00
Subtotal			212,934,550.24	573,319,356.09	66,222,315.97	557,988.31	638,983,683.75	212,934,550.24
<b>Total</b>			269,910,864.90	630,295,670.75	66,222,315.97	557,988.31	695,959,998.41	269,910,864.90

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



## Electric Corporation Limited

### Notes to the financial statement

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(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

#### (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	76,403.48	48,198.60	28,204.89	22,534.62	897.40
2. Dongfang AREVA	50	50	166,160.28	121,196.27	44,964.01	27,222.73	5,560.04
Associated enterprises							
1. Mitsubishi Heavy Industries Dongfang Gas Turbine	49	49	77,000.96	29,268.87	47,732.10	15,600.80	3,680.67
2. East Lok Bulky	49	49	5,481.08	1,032.98	4,448.10	682.90	251.38
3. Sichuan Wind Power Industry Investment Co.,Ltd	20	20	20,661.31	5,246.49	15,414.83	0.30	-34.52
<b>Total</b>			345,707.11	204,943.21	140,763.93	66,041.35	10,354.97

#### (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
Guangdong Yudean Oil Shale Power Generation Co., Ltd. (廣東粵電油葉岩發電有限責任公司)	15,000,000.00			15,000,000.00	The project is terminated and ready for liquidation
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>	39,876,314.66			39,876,314.66	

## 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	14,272,054.91	820,464.34		15,092,519.25
Buildings	13,037,755.31	751,892.14		13,789,647.45
Land use rights	1,234,299.60	68,572.20		1,302,871.80

## Electric Corporation Limited

### Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Items	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
Net book value	27,479,503.13	—	—	26,659,038.79
Buildings	21,856,582.73	—	—	21,104,690.59
Land use rights	5,622,920.40	—	—	5,554,348.20
Provisions for impairment				
Carrying Value	27,479,503.13	—	—	26,659,038.79
Buildings	21,856,582.73	—	—	21,104,690.59
Land use rights	5,622,920.40	—	—	5,554,348.20

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
<b>Original value</b>	15,252,588,754.53	321,574,530.84	59,486,400.68	15,514,676,884.69
Among which: land assets	26,104,192.21	0.00	2,462,401.04	23,641,791.17
Buildings	6,558,602,714.74	91,902,158.46	24,240,455.69	6,626,264,417.51
Machines and equipments	7,626,995,066.50	176,105,904.67	15,153,588.32	7,787,947,382.85
Motors and vehicles means	347,402,156.62	3,713,416.18	5,738,274.17	345,377,298.63
Instruments, electronic equipment and others	693,484,624.46	49,853,051.53	11,891,681.46	731,445,994.53
<b>Total depreciation</b>	5,362,385,527.29	Current year 18,688,837.30	5,945,412,654.28	4,756,221,751.51
		601,715,964.29		
Among which: land assets				
Buildings	1,242,354,960.36	762,325.20	1,408,273,202.80	1,089,187,294.69
Machines and equipments	3,493,604,810.50	5,529,742.91	3,835,475,112.77	3,149,976,106.70
Motors and vehicles	205,304,740.44	5,059,029.52	217,444,167.24	186,138,683.41
Instruments, electronic equipment and others	421,121,015.99	7,337,739.67	484,220,171.47	330,919,666.71
<b>Carrying value</b>	9,890,203,227.24	—	—	9,569,264,230.41
Among which: land assets	26,104,192.21	—	—	23,641,791.17
Buildings	5,316,247,754.38	—	—	5,217,991,214.71

**Electric Corporation Limited**

## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
Machines and equipments	4,133,390,256.00	—	—	3,952,472,270.08
Motors and vehicles	142,097,416.18	—	—	127,933,131.39
Instruments, electronic equipment and others	272,363,608.47	—	—	247,225,823.06
<b>Provisions for impairment</b>	17,167,069.62		1,295.77	17,165,773.85
Among which: machines and	16,958,572.74			16,958,572.74
Motors and vehicles	181,382.31			181,382.31
Instruments, electronic equipment and others	27,114.57		1,295.77	25,818.80
<b>Carrying value</b>	9,873,036,157.62	—	—	9,552,098,456.56
Among which: land assets	26,104,192.21	—	—	23,641,791.17
Buildings	5,316,247,754.38	—	—	5,217,991,214.71
Machines and equipments	4,116,431,683.26	—	—	3,935,513,697.34
Motors and vehicles	141,916,033.87	—	—	127,751,749.08
Instruments, electronic equipment and others	272,336,493.90	—	—	247,200,004.26

The amount of depreciation for the period: RMB601,715,964.29.

The original cost of transferring construction under progress to fixed assets for the period: RMB301,378,154.79.

The amount of depreciation for the period: RMB601,715,964.29.

The original cost of transferring construction under progress to fixed assets for the period: RMB301,378,154.79.

## (2) Fixed Assets for operating lease

Item	Book value
Machines and equipments	7,129,366.18
Transport vehicles	10,000.00
Instrument and meters, electronic equipment and others	1,539.88
<b>Total</b>	7,140,906.06

## (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
13 fixed assets including staff gymnasium, staff dining centre, multiple-use building for staff activities, dining hall, experimental station and factories of Dongfang Boiler	Relevant procedure being gone through	2013

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Item	Reasons for which property rights certificates are not yet obtained	Estimated time for completion of procedures
6 properties including the plant of Wuhan Nuclear Equipment Company	Relevant procedure being gone through	2013
4 properties including energy and fire control buildings of Dong Fang Turbine co., Ltd. (東汽有限公司)	Relevant procedure being gone through	2013
5 properties including office building, staff canteen, shift dormitories No.1 and 2 of Dongfang Electric heavy-duty machine Co., Ltd	Relevant procedure being gone through	2013
10 properties of the DEC including complex factories, office building, dining hall, entertainment and sports center, and laboratory	Relevant procedure being gone through	2013-2014
Factory of DFEM Control Equipment Co., Ltd	Relevant procedure being gone through	2013

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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 progress	761,510,055.38	1,430,697.20	760,079,358.18	724,162,181.91	237,690.00	723,924,491.91

(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	
The Deyang cadres rooms, apartments of college students and supporting structures project	72,479,758.60	659,000.00			73,138,758.60
Technological 2009-871 construction of the experiment platform of compressor (壓氣機實驗台建設)	81,606,317.06	13,037,267.51	28,062,564.10		66,581,020.47
Technological 2011-043 Dongfang Turbine 350T High-speed dynamic balance construction project	44,977,172.91	8,930,411.53			53,907,584.44
Technological (transfer) 2011-002 civil work in the Tianyuan Production Base of Power Station Company	403,054.00	41,396,945.00			41,799,999.00
Introduction of software for 50MW gas turbine design (09-003)	30,763,374.36	6,130,179.98			36,893,554.34
Technological 2010-946 fan test bed	23,959,791.03	5,808,338.80	244,444.44		29,523,685.39
712_11_01 staff training center (college students apartment)	17,926,537.15	10,773,419.27			28,699,956.42
Construction project of Chengdu research and development and marketing services base	9,813,342.64	14,733,954.91	41,025.64		24,506,271.91
Construction of basic building	10,529,002.79	8,654,138.06			19,183,140.85

**Electric Corporation Limited**

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For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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	
Technological 2007-122 construction of Deyang blade base		18,362,086.65			18,362,086.65
Total	292,458,350.54	128,485,741.71	28,348,034.18		392,596,058.07

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

(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
The Deyang cadres rooms, apartments of college students and supporting structures project	74,810,000.00	97.77	95.00				Self-raised funding
Technological 2009-871 construction of the experiment platform of compressor (壓氣機實驗台建設)	130,000,000.00	62.77	Note 1				Self-raised funding
Technological 2011-043 Dongfang Turbine 350T High-speed dynamic balance construction project	185,000,000.00	24.31	Note 1				Self-raised funding
Technological (transfer) 2011-002 civil work in the Tianyuan Production Base of Power Station Company	50,000,000.00	83.60	Note 1				Self-raised funding
Introduction of software for 50MW gas turbine design (09-003)	130,000,000.00	23.66	Note 2				Self-raised funding
Technological 2010-946 fan test bed	80,000,000.00	29.95	Note 3				Self-raised funding
712_11_01 staff training center (college students apartment)	86,250,000.00	33.28	33.28				Self-raised funding
Construction project of Chengdu research and development and marketing services base	350,000,000.00	73.06	50.00				Self-raised funding
Construction of basic building	158,394,600.00	12.11	Note 4				Self-raised funding
Technological 2007-122 construction of Deyang blade base	20,000,000.00	91.81	Note 1				Self-raised funding
<b>Total</b>	<b>1,264,454,600.00</b>						

Note 1: stage of plant main structure construction; Note 2: in the process of implementation; Note 3: stage of laboratory construction; Note 4: stage of main structure construction

(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	237,690.00			237,690.00	The amount of recoverable amount is less than the carrying value in liquidation

**Electric Corporation Limited**

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For the first half of year of 2013

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Item	Amount for the beginning of the year	Current year additions	Current year reduction	Amount for the end of the period	Reasons for provision
Ventilating slot painting system upgrading			-1,193,007.20	1,193,007.20	Reversal of written-off amount
Total	237,690.00		-1,193,007.20	1,430,697.20	

## 15. Construction materials

Project	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period
Special equipment	113,464.96	22,547,441.40	22,547,441.40	113,464.96
Total	113,464.96	22,547,441.40	22,547,441.40	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
Machines and equipment		158,233.24	Asset retirement
Instrument and meters		3,409.76	Asset retirement
Electronic equipment		1,197.89	Asset retirement
Other assets		9,410.93	Asset retirement
Total		172,251.82	



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## 17. Intangible assets

Item	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period
Original value	1,479,720,168.22	50,050,468.25		1,529,770,636.47
Software	83,565,030.48	9,526,995.88		93,092,026.36
land use rights	1,047,782,892.37	16,990,861.94		1,064,773,754.31
Patent	10,019,319.79			10,019,319.79
Non-patented technology	338,352,925.58	23,532,610.43		361,885,536.01
Accumulated amortization	392,105,811.96	27,343,555.75		419,449,367.71
Software	26,454,496.95	7,215,318.03		33,669,814.99
Land use right	115,973,173.25	9,386,577.74		125,359,750.99
Patent	2,448,945.13	25,976.54		2,474,921.67
Non-patented technology	247,229,196.63	10,715,683.44		257,944,880.06
Net Book Value	1,087,614,356.26	—	—	1,110,321,268.76
Software	57,375,772.46	—	—	59,422,211.37
Land use right	931,809,719.12	—	—	939,414,003.32
Patent	7,570,374.66	—	—	7,544,398.12
Non-patented technology	90,858,490.02	—	—	103,940,655.95
Provision for impairment	90,428,509.50			90,428,509.50
Land use right	90,428,509.50			90,428,509.50
Book Value	997,185,846.76	—	—	1,019,892,759.26
Software	57,110,533.53	—	—	59,422,211.37
Land use right	841,381,209.62	—	—	848,985,493.82
Patent	7,570,374.66	—	—	7,544,398.12

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Item	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period
Non-patented technology	91,123,728.95	—	—	103,940,655.95

The amount of amortization for the period: RMB27,343,555.75.

## 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
Maintenance cost for power distribution equipment	525,000.10		34,999.98		490,000.12	
Cost for power cable management	90,000.00		18,000.00		72,000.00	
Total	615,000.10		52,999.98		562,000.12	

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## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

## 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	823,799,489.08	789,611,745.50
Accrued liabilities	146,542,058.97	158,606,140.26
Unrealized profit for internal transaction	37,700,474.73	60,281,360.32
Accrued payroll	43,518,782.18	37,558,493.82
Fixed assets depreciation	3,354,331.41	3,339,822.59
Government Subsidies	9,830,501.87	9,478,812.31
Fair value changes of held-for-trading financial liabilities	89,556.34	3,721,047.64
Accounts Payable	9,414,814.75	7,781,572.52
Amortization for intangible assets		
Fair value changes of available-for-sale financial assets	17,797,957.35	3,164,127.60
Fair value changes of held-for-trading financial assets	3,879,854.68	3,421,676.78
Total	1,095,927,821.36	1,076,964,799.34
Deferred tax liabilities		
Value added after evaluation	2,631,400.18	3,299,633.00
Fair value changes in held-for-trading financial assets	684,475.44	590,130.56
Depreciation of fixed assets	38,574.55	42,592.27
Total	3,354,450.17	3,932,355.83

## (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	149,971,584.84	144,958,012.61
Provision for inventory loss	173,941,516.82	164,379,445.12
Provision for bad debts	35,996,317.07	38,640,643.86
Estimated debts	16,438,218.35	12,594,492.56
Government grants	9,995,801.33	9,995,801.33
Total	386,343,438.41	370,568,395.48

## (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
2014	14,583,181.81	14,583,181.81	
2015	86,375,628.77	81,362,056.54	
2016	16,120,623.83	16,120,623.83	

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2017	47,475,332.24	47,475,332.24	
Total	149,971,584.84	144,958,012.61	

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## Electric Corporation Limited

### Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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

Item	Amount for the end of the period	Amount for the beginning of the year
Deductible differences		
Provision for impairment of assets	5,726,125,089.48	5,445,949,559.30
Estimated debts	991,211,695.68	1,064,299,498.92
Unrealized profit for internal transaction	196,107,021.86	363,732,206.33
Accrued payroll	289,441,721.07	249,348,447.48
Fixed assets depreciation	33,505,840.39	22,265,483.93
Deductible loss carried forward to the next year	149,971,584.84	144,958,012.61
Government grants	75,532,480.48	73,187,883.43
Fair value changes in held-for-trading financial liabilities	597,042.27	24,806,984.27
Accounts Payable	62,090,244.10	51,877,150.20
Amortization for intangible assets		
Fair value changes of available-for-sale financial assets	118,653,049.00	21,094,184.00
Fair value changes of held-for-trading financial assets	25,865,697.87	22,811,178.53
Subtotal	7,669,101,467.04	7,484,330,589.00
Taxable differences		
Value added after evaluation	17,542,667.87	21,997,553.34
Fair value changes in held-for-trading financial assets	4,563,169.61	3,934,203.74
Depreciation of fixed assets	118,892.13	131,275.30
Subtotal	22,224,729.61	26,063,032.38

#### 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	4,342,464,476.06	300,996,918.39			90,977.25	4,643,370,417.20
Provision for obsolete stock	964,677,788.03	155,148,405.29		953,016.10	230,481,426.37	888,391,750.85
Impairment of long-term equity investment	39,876,314.66					39,876,314.66
Provision for impairment of fixed assets	17,167,069.62				1,295.77	17,165,773.85
Provision for impairment of construction in progress	237,690.00				-1,193,007.20	1,430,697.20

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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 impairment of intangible assets	90,428,509.50					90,428,509.50
Total	5,454,851,847.87	456,145,323.68		953,016.10	229,380,692.19	5,680,663,463.26

## 21. Short term borrowings

Type of borrowings	Amount for the end of the period	Amount for the beginning of the year
Pledged borrowings	13,000,000.00	193,955,625.44
Credit loans	2,565,311,287.44	1,924,564,387.46
Total	2,578,311,287.44	2,118,520,012.90

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. Held-for-trading financial liabilities

Item	Fair value for the end of the period	Fair value for the beginning of the year
Derivative financial liabilities	626,413.92	25,830,967.05
Total	626,413.92	25,830,967.05

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## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

## 23. Notes Payable

Type of notes	Amount for the end of the period	Amount for the beginning of the year
Bank acceptance	410,124,047.15	688,492,348.55
Trade acceptance	3,565,654,997.40	3,418,602,418.23
Total	3,975,779,044.55	4,107,094,766.78

The amount that will expire in the next accounting period (the second half of the year) amounted to RMB 3,975,779,044.55.

## 24. Accounts payables

## (1)Accounts payables

Aging	Amount for the end of the period	Amount for the beginning of the year
Within one year	10,469,246,548.61	9,578,267,258.07
1-2 years	1,313,802,696.52	1,876,094,829.84
2-3 years	976,601,246.70	1,044,970,982.43
Over 3 years	1,156,663,827.91	885,817,019.28
Total	13,916,314,319.74	13,385,150,089.62

## (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	14,754,600.00	711,600.00
Total	14,754,600.00	711,600.00

(3) Large accounts payable of the Group ageing over 1 year as at the end of the year mainly represents retention money which have not been returned because the warranty period for materials such as large forgings purchased has not expired.

(4)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. Advances from customers

## (1)Advances from customers

Item	Amount for the end of the period	Amount for the beginning of the year
Total	34,398,575,450.54	37,594,148,516.54
Among which: more than 1 year	10,828,355,021.13	12,042,434,521.50

## (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	65,628,061.76	59,790,104.50
Total	65,628,061.76	59,790,104.50

Advances from customers of the Group ageing over 1 year were not carried forward as at the end of the year mainly because the manufacturing cycle of power generation equipment provided by the Group was long and

**Electric Corporation Limited**

Notes to the financial statement

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settlement was not yet made.



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## Notes to the financial statement

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## 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	177,724,414.18	866,461,403.56	818,895,383.61	225,290,434.13
Employee welfare		105,831,962.43	104,187,452.41	1,644,510.02
Social insurance	119,689,766.45	331,863,649.01	388,827,058.95	62,726,356.51
Including: Fundamental medical insurance	150,542.01	58,056,290.77	58,249,307.25	-42,474.47
Supplementary medical insurance		42,555,948.83	42,555,948.83	
Fundamental pension	180,702.15	159,868,756.69	160,205,075.65	-155,616.81
Annuity	119,293,280.26	40,309,722.34	97,996,541.64	61,606,460.96
Unemployment insurance	30,117.02	19,032,560.86	18,291,614.67	771,063.21
Injury insurance	20,066.49	7,722,380.61	7,152,631.98	589,815.12
Maternity insurance	15,058.52	4,317,988.91	4,375,938.93	-42,891.50
Housing fund	6,617,723.30	109,304,686.62	108,903,450.87	7,018,959.05
Employee committee fees and employee education fees	32,534,223.63	35,701,844.25	25,341,595.90	42,894,471.98
Non-monetary benefits		1,384,016.55	1,384,016.55	
Termination benefits	60,779,126.42	31,833,538.91	23,758,265.55	68,854,399.78
Including: Compensation for employment relation termination	1,107.92	81,113.71	81,113.71	1,107.92
Estimated expense for the retired	60,778,018.50	31,752,425.20	23,677,151.84	68,853,291.86
Others	1,348,975.47	34,138,769.23	25,375,049.99	10,112,694.71
<b>Total</b>	<b>398,694,229.45</b>	<b>1,516,519,870.56</b>	<b>1,496,672,273.83</b>	<b>418,541,826.18</b>

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Social insurance is use 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	-211,270,729.83	14,853,151.24
Enterprises income tax	89,654,996.13	166,323,198.89
City maintenance and construction tax	14,428,283.71	19,854,107.27
Education surtax	6,249,002.38	9,051,637.35
Individual income tax	2,331,501.24	21,926,041.25
Local education tax	5,379,619.06	6,318,221.47
Stamp duty	2,736,057.86	5,334,125.29
Business tax	314,024.19	1,693,242.78
Land use tax	-232,473.01	3,017,229.23
House property tax	-1,014,506.08	2,577,471.31
Embankment protection charges	32,773.94	190,622.25
Regulation fund of non-staple food	3,332,143.74	143,871.86
Security fund for disabilities		
Water conservancy and construction special funds	165,718.81	98,052.41
Others	1,544.61	-178,877.95
Total	-87,892,043.25	251,202,094.65

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## 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	1,365,662.57	365,662.57	
Other outside shareholders	2,024,069.45	1,643,061.41	Note
German Environmental & Thermal Power Co., Ltd. (德國環保熱力有限公司)	785,000.00		
Chengdu Huilian Housing Operation and Management Co., Ltd. (成都匯聯住房經營管理有限公司)	1,144,000.00		
DEC 2012 dividends	110,272,205.12		
A Shares (except DEC) 2012 dividends	72,752,394.88		
H Shares 2012 dividends	37,400,000.00		
Total	225,743,332.02	2,008,723.98	

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

## (1) Other payables

Item	Amount at the end of the period	Amount at the beginning of the year
Total	2,220,074,147.29	2,027,341,175.03
Including: over 1 year	1,826,520,121.47	1,901,162,875.85

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.

## (2) 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	1,377,779,457.11	1,391,974,400.76
total	1,377,779,457.11	1,391,974,400.76

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## 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	74,320,000.00	54,320,000.00
Total	74,320,000.00	54,320,000.00

## (2) Breakdown of 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	74,320,000.00	54,320,000.00
Guarantee loans		
Total	74,320,000.00	54,320,000.00

## (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 period	Amount as at the beginning of the year
Dongfang Electric Finance Co., Ltd	2011.06.28	2014.06.28	5.76	50,000,000.00	
Dongfang Electric Finance Co., Ltd	2010.02.21	2013.02.21	4.86		30,000,000.00
Deyang City Finance Bureau	2001.11	2010.11	2.55	16,320,000.00	16,320,000.00
Sichuan Development Holding Co., Ltd	2010.08.04	2013.08.02		4,000,000.00	4,000,000.00
Sichuan Development Holding Co., Ltd	2010.08.24	2013.08.23		4,000,000.00	4,000,000.00
Total				74,320,000.00	54,320,000.00

## (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	31-79 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	54,511,257.40	80,844,288.14
Total	54,511,257.40	80,844,288.14

## 32. Long-term borrowings

## (1) Classification of long-term borrowings

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Classification	Amount as at the end of the period	Amount as at the beginning of the year
Credit loans	75,627,585.21	125,827,585.21
Guarantee loans		
total	75,627,585.21	125,827,585.21

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

	Start date	End date	Currency	Rates%	Amount as at the end of the period	Amount as at the beginning of the period
CCB	2010.08.22	2016.08.22	RMB	5.346	20,000,000.00	20,000,000.00
Dongfang Electric Finance Co., Ltd	2011.07.06	2014.07.05	RMB	5.76	20,000,000.00	20,000,000.00
CCB	2010.04.30	2016.04.29	RMB	5.346	19,600,000.00	19,800,000.00
BOC	2010.04.23	2015.04.23	RMB	5.184	8,754,727.05	8,754,727.05
BOC	2010.05.27	2015.05.27	RMB	5.184	7,272,858.16	7,272,858.16
Total					75,627,585.21	75,827,585.21

## 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	968,039,579.93	252,798,957.95	282,751,046.41	938,087,491.47
Action pending	53,197,144.96			53,197,144.96
Loss of contracts to be executed	36,278,632.48	6,143,589.74		42,422,222.22
Others	6,784,141.55		2,950,330.58	3,833,810.97
Total	1,064,299,498.92	258,942,547.69	285,701,376.99	1,037,540,669.62

(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 RMB6,143,589.74 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.

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

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## 35. Other non-current liabilities

Items	Amounts as at the end of the period	Amounts as at the beginning of the year
Deferred income	540,045,077.43	539,641,886.45
Including : The third tier enterprise with specialized government grants	431,080,548.36	444,260,011.34
Other research and financial differences	108,964,529.07	95,381,875.11
Total	540,045,077.43	539,641,886.45

## 36. 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

## 37. 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	-9,303,061.50	-82,925,035.25		-92,228,096.75
Including: other changes in equity of investees	8,626,994.90			8,626,994.90
Fair value changes in available-for-sale investments	-17,930,056.40	-82,925,035.25		-100,855,091.65
Total	5,074,096,576.25	-82,925,035.25		4,991,171,541.00

## 38. Special 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
Special reserve for safety production	8,196,251.24	29,563,718.70	17,189,660.95	20,570,308.99

**Electric Corporation Limited**

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Item	Amount as at the beginning of the	Increase during the year	Decrease during the year	Amount as at the end of the period
Total	8,196,251.24	29,563,718.70	17,189,660.95	20,570,308.99

## 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	453,492,120.76			453,492,120.76
Total	453,492,120.76			453,492,120.76

## 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 2012	8,158,283,796.26	6,421,629,656.29
Add: adjustment to undistributed profit at 1 January 2013		
Including: change in scope of consolidation under common control		
Amount as at 1 January 2013	8,158,283,796.26	6,421,629,656.29
Add: net profit attributable to shareholders of the Company for the year	1,186,154,894.33	2,191,129,345.43
Less: Transfers to statutory surplus reserves		133,857,605.46
Dividends payable on ordinary shares	220,424,600.00	320,617,600.00
Others		8,158,283,796.26
Amount as at 30 June 2013	9,124,014,090.59	8,158,283,796.26

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 2012 approved at the 2012 annual general meeting held on 24 May 2013, namely, a cash dividend of RMB0.11 (tax inclusive) for every shares to each shareholder, totalling RMB220,424,600, as calculated based on the Company's total issued share capital of 2,003,860,000 shares as at 31 December 2012.



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Notes to the financial statement

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## 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	509,142,550.72	509,351,184.36
Chengdu Dongfang KWH Environmental Protection Catalysts Co.,Ltd	38.58	115,675,562.84	102,786,574.30
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	49.64	95,368,453.80	95,245,531.95
Shenzhen Dongfang Boiler Control Co., Ltd.	49	72,315,667.11	77,157,900.24
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33	67,777,484.84	68,686,173.13
Dongfang Boiler Group Co., Ltd.	0.33	15,018,631.37	14,777,339.49
DFEM Control Equipment Co., Ltd.	0.50	735,432.53	718,064.74
Dongfang Eclectic Power Equipment Co., Ltd.	1.17	151,482.15	537,383.19
DFEM Tooling and Moulding Co., Ltd.	0.685	544,027.42	149,585.41
Total		876,729,292.78	869,409,736.81

## 42. Revenue and cost of sales

Item	Amount for the year	Amount for last year
Main operation income	20,330,627,515.53	19,873,410,965.65
Income from other operations	136,479,225.36	138,077,317.27
Cost of sales	16,713,119,226.23	16,095,892,049.32

## (1) Revenue classification by industry

Industry	Amount for the year		Amount for last year	
	Revenue	Operating cost	Revenue	Operating cost
Manufacture of generator	20,330,627,515.53	16,660,229,791.20	19,873,410,965.65	16,027,533,038.59
Total	20,330,627,515.53	16,660,229,791.20	19,873,410,965.65	16,027,533,038.59

## (2) Principal businesses by products

Product	Amounts in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Clean and efficient power generation	10,754,580,223.18	8,806,871,264.85	11,420,900,841.60	9,079,275,934.74
Including: thermal power	9,138,136,916.29	7,316,102,704.91	9,389,531,691.46	7,289,955,474.11

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Gas turbines	554,901,696.58	484,075,958.70	721,863,515.04	605,549,563.79
conventional island of nuclear power	1,061,541,610.31	1,006,692,601.24	1,309,505,635.10	1,183,770,896.84
New energy	4,708,292,450.16	3,923,574,989.46	4,112,010,888.06	3,361,865,401.27
Including: Wind power	4,175,969,157.96	3,547,155,570.28	3,381,023,361.91	2,842,407,405.09
Nuclear power island	532,323,292.20	376,419,419.18	730,987,526.15	519,457,996.18
Water energy and environmental equipments	2,102,242,667.93	1,682,658,907.92	1,833,939,344.51	1,455,323,889.90
Including: water energy	1,478,562,018.68	1,166,009,960.12	1,583,956,211.06	1,237,899,849.87
Environmental protection	623,680,649.25	516,648,947.80	249,983,133.45	217,424,040.03
Engineering and Services	2,765,512,174.26	2,247,124,628.97	2,506,559,891.48	2,131,067,812.68
Including: engineer	2,151,441,835.78	1,831,707,244.02	2,057,653,973.07	1,767,603,559.63
Power station service	477,776,060.85	286,850,670.90	375,678,297.72	302,379,015.80
Other	136,294,277.63	128,566,714.05	73,227,620.69	61,085,237.25
Total	20,330,627,515.53	16,660,229,791.20	19,873,410,965.65	16,027,533,038.59

## (3) Principal businesses by regions

Name of region	Amount for the year		Amount for last year	
	Revenue	Operating cost	Revenue	Operating cost
PRC	16,154,291,846.41	13,230,164,012.77	15,638,434,283.47	12,714,318,222.86
Overseas	4,176,335,669.12	3,430,065,778.43	4,234,976,682.18	3,313,214,815.73
Total	20,330,627,515.53	16,660,229,791.20	19,873,410,965.65	16,027,533,038.59

## (4) Revenue of top five customers

Name of customer	Revenue	Percentage to total revenue (%)
Huaneng Jiuquan Wind Power Co., Ltd. (华能酒泉风电有限责任公司)	1,070,649,999.94	5.23
Guohua Inner Mongolia Kailu Taipingzhao Power Generation Co., Ltd. (国华内蒙开鲁太平沼发电公司)	1,066,340,598.29	5.21

**Electric Corporation Limited**

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Name of customer	Revenue	Percentage to total revenue (%)
China Guangdong Nuclear Power Holding Co., Ltd	868,113,475.96	4.24
LANCO INTERNATIONAL PTE LTD	739,168,917.85	3.61
CNOOC New Energy Yumen Wind Power Co., Ltd. (中海油新能源玉门风电有限公司)	737,179,487.00	3.61
Total	4,481,452,479.04	21.90

## 43. Operating taxes and surcharges

Item	Amount for the year	Amount for last year	Calculation standard
Business tax	4,727,562.16	8,932,275.18	3%、5%
City maintenance and construction tax	83,238,972.31	97,433,116.33	5%、7%
Education surcharge (including local education surcharge)	58,957,075.88	51,800,153.67	3%、2%、1.5%
Others	7,668,452.32	1,100,988.99	
Total	154,592,062.67	159,266,534.17	

## 44. Cost of sales

Item	Amount for the year	Amount for last year
Quality deposit and customer service charges	281,831,082.22	237,522,655.22
Salaries and wages	87,005,150.48	70,080,481.88
Business trip expenses	23,136,762.32	22,934,173.71
Others	39,715,354.93	44,249,246.09
Total	431,688,349.95	374,786,556.90

## 45. Administrative expenses

Item	Amount for the year	Amount for last year
Salaries and wages	559,809,993.50	494,809,019.52
Research and development expenses	370,730,462.00	410,023,297.91
Repair expenses	124,569,880.17	145,179,732.27
Depreciation expenses	95,985,260.90	85,073,988.34
Others	407,028,883.64	437,176,782.91
Total	1,558,124,480.21	1,572,262,820.95

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## 46. Finance costs

Item	Amount for the year	Amount for last year
Interest expense	61,452,237.86	77,945,157.29
Interest income	-95,033,029.26	-60,120,284.13
Exchange loss or gain	3,292,359.02	-27,690,931.02
Other expenses	-14,772,258.63	-1,408,094.40
Total	-45,060,691.01	-11,274,152.26

## 47. Assets impairment losses

Item	Amount for the year	Amount for last year
Bad debt losses	300,996,918.39	446,368,538.73
Impairment loss on inventories	55,338,424.72	-34,363,485.56
Total	356,335,343.11	412,005,053.17

## 48. Income from fair value changes

Item	Amount for the year	Amount for last year
Tradable financial assets	-3,420,164.61	-32,538,127.15
Including: fair value changes in derivative financial instruments	-365,645.31	-34,643,910.33
Tradable financial liabilities	25,204,553.13	-24,116,445.78
total	21,784,388.52	-56,654,572.93

## 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	65,446,195.92	73,421,782.14
Investment income during holding tradable financial assets		
Investment income during holding available-for-sale financial assets	1,879,007.00	1,445,390.00
Investment income from disposal of tradable financial assets		
Investment income from disposal of available-for-sale financial assets		1,316,576.30
Others		
Total	67,325,202.92	76,183,748.44

## (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) Co.,Ltd	30,891,120.10	17,673,533.15	Increase in operating profit

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Item	Amount for the year	Amount for last year	Reason for changes
Dongfang Areva Nuclear Pump Co., Ltd.	29,410,350.88	47,361,418.86	Decrease in operating profit
Babcock-Hitachi Dongfang Boiler Co., Ltd.	4,487,010.10	7,151,420.60	Decrease in operating profit
Leshan City Dongle Large Lifting Co., Ltd	1,215,703.15	1,619,310.67	Decrease in operating profit
Sichuan Energy Industry Wind Power Development Co., Ltd	-557,988.31	-383,901.14	建設期尚未營利 No profit as in t
Total	65,446,195.92	73,421,782.14	

## 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	5,586,417.54	793,731.21	5,586,417.54
Including: profits from disposal of fixed assets	5,586,417.54	793,731.21	5,586,417.54
Receipt of donations	121,955.14	187,799.43	121,955.14
Government subsidies	61,410,326.98	57,520,759.36	61,410,326.98
Compensation for breaching of contracts	1,263,329.31	663,152.81	1,263,329.31
Others	3,965,009.79	1,196,724.17	3,965,009.79
Total	72,347,038.76	60,362,166.98	72,347,038.76

## (2) A breakdown of government subsidies

Item	Amount for the year	Amount for last year	Explanation
VAT tax refund for the third-tier enterprises	36,399,480.61	32,987,849.31	
Scientific research appropriation	9,378,556.87	6,013,813.63	
Other appropriation	15,414,283.50	17,090,421.42	
Financial interest subsidy	218,006.00	1,428,675.00	
Total	61,410,326.98	57,520,759.36	

## 51. Non-operating expenses

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	1,326,673.02	580,334.84	1,326,673.02
Including: loss from disposal of fixed assets	1,326,673.02	580,334.84	1,326,673.02
External donations	1,440,000.00		1,440,000.00

**Electric Corporation Limited**

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Item	Amount for the year	Amount for last year	Amount included in non-recurring loss or profit for the year
Compensation payments, penalty and fine payment	13,751,866.07	27,605.35	13,751,866.07
Others	7,466,377.11	12,642,220.29	7,466,377.11
Total	23,984,916.20	13,250,160.48	23,984,916.20

## 52. Income tax expenses

## (1) Income tax expenses

Item	Amount for the year	Amount for the year
Income tax for this year	228,638,363.54	290,706,405.47
Deferred income tax	-4,932,611.16	-78,366,070.91
Total	223,705,752.38	212,340,334.56

## 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	1,186,154,894.33	1,243,959,495.33
Weighted average ordinary shares in issue of the Company	2,003,860,000.00	2,003,860,000.00
Basic earnings per share	0.59	0.62

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	-97,558,865.00	14,234,854.52
Less: income tax effect from available-for-sale financial assets	-14,633,829.75	
Transfer from other comprehensive income recorded in prior period to the income statements in the prior period, net Sub-total		
Sub-total	-82,925,035.25	14,234,854.52
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)		

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Item	Amount for the year	Amount for last year
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	-11,042,529.92	-2,966,055.43
Less: Transfer to profit or loss on disposal of foreign operations in the period, net		
Sub-total	-11,042,529.92	-2,966,055.43
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	-93,967,565.17	11,268,799.09

**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
Current accounts	87,407,480.80
Interest income	80,426,600.37
Deposit	44,487,588.48
Government subsidies	25,100,799.16
Others	106,649,083.27
Total	344,071,552.08

2) Other cash paid related to operating activities

Item	Amount for the year
Sales service expenses	113,155,884.16
Business trip expenses	93,273,609.63
Repair expenses	77,542,339.40
Deposit	53,490,686.69
Current accounts	44,381,108.58
Labor protection expenses	28,866,214.23
Transportation expenses	21,633,581.15
Handling fees	20,523,940.20

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Item	Amount for the year
Leasing expenses	8,612,860.41
Others	270,491,716.79
Total	731,971,941.24

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

Item	Amount for the year	Amount for last year
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	1,212,073,931.35	1,262,850,268.12
Add: Provision for asset impairment	356,335,343.11	412,005,053.17
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	602,536,428.63	612,229,060.93
Amortization of intangible assets	27,343,555.75	25,253,082.84
Amortization of long-term deferred expenditures	52,999.98	101,883.18
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-4,259,744.52	-213,396.37
Loss on retired fixed assets (“-” denotes gain)		
Loss on change in fair value (“-” denotes gain)	-21,784,388.52	56,654,572.93
Finance expenses (“-” denotes gain)	-45,060,691.01	-11,274,152.26
Investment loss (“-” denotes gain)	-67,325,202.92	-76,183,748.44
Decrease in deferred income tax assets (“-” denotes increase)	-18,963,022.02	-70,087,459.19
Increase in deferred income tax liabilities (“-” denotes decrease)	-577,905.66	5,762,514.65
Decrease in inventories (“-” denotes increase)	2,074,229,355.07	1,993,592,315.96
Decrease in operating receivables (“-” denotes increase)	-110,620,926.66	-1,317,439,169.81
Increase in operating payables (“-” denotes decrease)	-3,117,018,221.44	-5,150,060,285.20
Others		
Net cash flows from operating activities	886,961,511.14	-2,256,809,459.49
<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	9,926,832,850.54	8,054,909,324.41
Less: cash balance at the beginning of the period	8,929,997,459.40	10,285,000,143.30
Add: balance of cash equivalents at the end of the period		
Less: balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	996,835,391.14	-2,230,090,818.89

## (3) Cash and cash equivalents

Item	Amount for the year	Amount for last year
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Item	Amount for the year	Amount for last year
Cash	9,926,832,850.54	8,054,909,324.41
Including: Treasury cash	3,525,219.00	9,102,426.73
Bank deposit that can be used for payment at any time	9,893,350,179.78	8,016,819,879.77
Other monetary funds that can be used for payment at any time	29,957,451.76	28,987,017.91
Balance of cash and cash equivalents as at the end of the period	9,926,832,850.54	8,054,909,324.41

## 56. Net current assets

Item	Amount as at the end of the period	Amount as at the beginning of the year
Current assets	63,444,085,841.61	64,624,304,220.91
Less: current liabilities	57,774,905,035.83	60,045,154,864.14
Net current assets	5,669,180,805.78	4,579,149,356.77

## 57. Total assets less current liabilities

Item	Amount as at the end of the period	Amount as at the beginning of the year
Total assets	76,871,129,568.41	78,327,056,597.82
Less: current liabilities	57,774,905,035.83	60,045,154,864.14
Total assets less current liabilities	19,096,224,532.58	18,281,901,733.68

**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	479,167.50			479,167.50

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

Parent company	Amount	Shareholding (%)

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	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	1,002,474,592	1,002,474,592	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 works	Wholly-owned subsidiary of the parent company	25010228-9
	Dongfang Boiler Works	Wholly-owned subsidiary of the parent company	62071142-8
	Dongfang Electric Finance Co., Ltd	Wholly-owned subsidiary of the parent company	20180342-4
	DEC Dongfeng Electric Machinery Co., Ltd	Wholly-owned subsidiary of the parent company	20695104-7
	Guangdong Corporation	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

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<b>Type of a related parties</b>	<b>Name of other related parties</b>	<b>Relationship between other related parties and the Company</b>	<b>Organization code</b>
	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
	DEC (Yixing) Magi solar Co., Ltd	Wholly-owned subsidiary of the parent company	68050543-1
	DEM Metal Component Co., Ltd	Others	21425869-9
	Sichuan Dongfang Electric Auto control Engineering Co., Ltd	Wholly-owned subsidiary of the parent company	735885911
	Dongqi Hospital	Others	74003577-8
	DEC(Sichuan) Property Management Co., Ltd	Wholly-owned subsidiary of the parent company	711888800
	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	Wholly-owned 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
	China Western Power Industrial Co., Ltd	Others	76230685-8
	Envirotherm GmbH Essen, Germany	Others	
	Alstom Power Turbo Machines	Others	17771651-4
	Guangdong Yudean Group Co., Ltds	Others	73048602-2
	Managing director and other senior management members of	Others	

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

<b>Type of a related parties</b>	<b>Name of other related parties</b>	<b>Relationship between other related parties and the Company</b>	<b>Organization code</b>
	the Company		

**(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.

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

## 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	2013		2012	
			Amount	Proportion (%)	Amount	Proportion (%)
Deyang Dongfang Aberle System Corporation Limited	Purchase of goods	Market price	17,526,140.00	0.17	36,878,620.00	0.27
Dongfang Electric Corporation Materials Co., Ltd	Purchase of goods	Market price	210,131,614.92	2.03	209,495,472.73	1.55
DEC Henan Station Auxiliary Equipment Co., Ltd	Purchase of goods	Market price	38,725,477.83	0.37		
Sichuan Dongfang Electric Auto control Engineering Co., Ltd	Purchase of goods	Market price	154,996,912.30	1.5	73,652,318.25	0.55
DEC Dongfeng Electric Machinery Co., Ltd	Purchase of goods	Market price	9,364,904.68	0.09	8,342,500.00	0.06
Babcock-Hitachi Dongfang Boiler Co., Ltd	Purchase of goods	Market price	175,941,781.45	1.7	231,228,654.65	1.71
China Western Power Industrial Co., Ltd	Purchase of goods	Market price	23,555,555.57	0.23	27,806,851.30	0.21
Dongfang Hitachi (Chengdu) Electrical Control Equipment	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
Dongqi Hospital	Receipt of services and energy	Market price	8,741,480.00	0.08		
DEC Project Cargo Logistics Co., Ltd	Receipt of services and energy	Market price	22,372,902.84	0.22	19,068,654.68	0.14
Leshan East Lok bulky Co., Ltd	Receipt of services and energy	Market price	1,132,280.00	0.01	2,933,280.00	0.02
DEC Henan Station Auxiliary Equipment Co., Ltd	Receipt of services and energy	Market price			28,215,564.92	0.21

**Electric Corporation Limited**

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For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2013		2012	
			Amount	Proportion (%)	Amount	Proportion (%)
Dongfang Electric Corporation Materials Co., Ltd	Receipt of services and energy	Market price	307,954.13			
DEC International Corporation Co., Ltd	Receipt of services and energy	Market price	812,133.19	0.01	209,140.95	
Babcock-Hitachi Dongfang Boiler Co., Ltd	Receipt of services and energy	Market price	376,068.38			
China Dongfang Electric Corporation	Receipt of services and energy	Market price	2,458,085.47	0.02	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	2013		2012	
			Amount	Proportion (%)	Amount	Proportion (%)
China Dongfang Electric Corporation	Sales of products	Market price			5,627,083.77	0.05
DEC International Corporation Co., Ltd	Sales of products	Market price	364,976,501.56	1.78	641,889,893.92	5.23
DEC Dongfeng Electric Machinery Co., Ltd	Sales of products	Market price			4,067,524.24	0.03
Dongfang Areva Nuclear Pump Co., Ltd	Sales of products	Market price	40,448,351.26	0.20	7,289,515.35	0.06
Dongfang Electric Corporation Materials Co., Ltd	Sales of products	Market price	680,037.60		7,379,376.43	0.06
Guangdong Corporation	Sales of products	Market price	1,024,286.34	0.01	2,173,659.67	0.02
DEC Project Cargo Logistics Co., Ltd	Sales of products	Market price	221,367.52			
Envirotherm GmbH Essen, Germany	Sales of products	Market price			2,809,210.39	0.02

**Electric Corporation Limited**

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For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2013		2012	
			Amount	Proportion (%)	Amount	Proportion (%)
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
China Western Power Industrial Co., Ltd	Sales of products	Market price	136,752.14			
Babcock-Hitachi Dongfang Boiler Co., Ltd	Provision of services and energy	Market price	40,000.00			
China Western Power Industrial Co., Ltd	Provision of services and energy	Market price	1,102,917.39	0.01		
DEC Dongfeng Electric Machinery Co., Ltd	Provision of services and energy	Market price	2,400.00		21,956.36	
Dongfang Areva Nuclear Pump Co., Ltd	Provision of services and energy	Market price	44,958.99		59,879.76	
DEC Project Cargo Logistics Co., Ltd	Provision of services and energy	Market price	3,400.00		300.00	
DEC Henan Station Auxiliary Equipment Co., Ltd	Provision of services and energy	Market price	309,756.66		1,200.00	

**Electric Corporation Limited**

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For the first half of year of 2013

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## 4. As lessor

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Lease income recognized in 2013
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
Total						1,594,222.52

## 5. As lessee

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Rentals recognized in 2013
Dongfang Electric Corporation	The Company	Buildings	2013.01.01	2013.12.31	Price agreement	12,300,000.00
Dongfang Electric Machinery Works	Dongfang Electric Machinery Co., Ltd	Office buildings, production plants, land, equipment, etc.	2009.07.01	2014.06.30	Price agreement	9,451,126.48
Dongfang Electric Corporation	Dongfang Boiler Group Co., Ltd	Buildings	2013.01.01	2013.12.31	Price agreement	2,186,280.00
Total						23,937,406.48

## 6. Details of guarantee between related parties

Name of guarantor	Name of guaranteed party	Amount (RMB 10k)	Start date	End date	Whether complete the guarantee
Dongqi Investment and Development Co.,Ltd	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	5,000.00	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	50,000,000.00	2012.11.07	2013.11.07	
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2013.01.08	2014.01.08	
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.12.25	2013.03.21	Repaid
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.06.18	2013.06.18	Repaid
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2012.02.24	2013.02.24	Repaid
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2012.09.26	2013.09.26	



**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Name of related parties	Amount	Start date	End date	Notes
Dongfang Electric Finance Co.,Ltd	5,000,000.00	2012.10.25	2013.01.24	Repaid
Dongfang Electric Finance Co.,Ltd	5,000,000.00	2012.11.20	2013.02.28	Repaid
Dongfang Electric Finance Co.,Ltd	6,000,000.00	2012.12.21	2013.02.28	Repaid
Dongfang Electric Finance Co.,Ltd	6,000,000.00	2012.12.21	2013.02.28	Repaid
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2012.12.25	2013.04.25	Repaid
Dongfang Electric Finance Co.,Ltd	1,000,000.00	2012.12.26	2013.03.20	Repaid
Dongfang Electric Finance Co.,Ltd	1,000,000.00	2012.12.26	2013.03.26	Repaid
Dongfang Electric Finance Co.,Ltd	5,000,000.00	2013.01.24	2013.05.24	Repaid
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2013.02.26	2014.02.25	
Dongfang Electric Finance Co.,Ltd	4,000,000.00	2013.04.22	2013.09.22	Discounted
Dongfang Electric Finance Co.,Ltd	2,000,000.00	2013.04.27	2013.10.27	Discounted
Dongfang Electric Finance Co.,Ltd	2,000,000.00	2013.05.24	2013.10.24	Discounted
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2010.02.21	2013.02.20	Repaid
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2012.05.18	2013.05.17	Repaid
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.07.05	2013.07.04	
Dongfang Electric Finance Co.,Ltd	16,551,251.41	2012.10.25	2013.01.25	Repaid
Dongfang Electric Finance Co.,Ltd	5,000,000.00	2012.11.28	2013.02.28	Repaid
Dongfang Electric Finance Co.,Ltd	15,000,000.00	2012.11.05	2013.11.04	
Dongfang Electric Finance Co.,Ltd	4,000,000.00	2013.01.23	2013.02.25	Repaid
Dongfang Electric Finance Co.,Ltd	5,000,000.00	2013.01.23	2013.02.28	Repaid
Dongfang Electric Finance Co.,Ltd	9,700,000.00	2013.01.28	2013.03.28	Repaid
Dongfang Electric Finance Co.,Ltd	7,788,992.27	2013.01.28	2013.03.24	Repaid
Dongfang Electric Finance Co.,Ltd	14,211,007.63	2013.01.28	2013.04.24	Repaid
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2013.02.20	2013.04.24	Repaid
Dongfang Electric Finance Co.,Ltd	6,705,303.86	2013.02.20	2013.04.23	Repaid
Dongfang Electric Finance Co.,Ltd	7,441,376.66	2013.04.08	2013.05.23	Repaid
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2013.04.23	2013.10.22	
Dongfang Electric Finance Co.,Ltd	5,000,000.00	2013.06.21	2013.07.21	Discounted

**Electric Corporation Limited**

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For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Name of related parties	Amount	Start date	End date	Notes
Co.,Ltd				
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2013.01.14	2014.01.13	
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2013.01.21	2014.01.20	
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2013.03.29	2013.09.28	
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2013.05.28	2014.05.28	
Dongfang Electric Finance Co.,Ltd	114,509,007.31	2013.02.04	2014.02.04	
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2013.06.18	2014.06.18	
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2012.06.18	2013.06.18	Repaid
Dongfang Electric Finance Co.,Ltd	200,000,000.00	2012.06.26	2013.06.26	Repaid
Dongfang Electric Finance Co.,Ltd	30,000,000.00	2012.06.12	2013.06.12	Repaid
Dongfang Electric Finance Co.,Ltd	80,000,000.00	2012.07.19	2013.01.19	Repaid
Dongfang Electric Finance Co.,Ltd	50,000,000.00	2012.08.02	2013.02.02	Repaid
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2012.10.25	2013.10.25	Repaid
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2012.11.23	2013.11.23	50 million repaid
Dongfang Electric Finance Co.,Ltd	100,000,000.00	2013.01.25	2014.01.25	
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	Repaid
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2012.04.19	2013.04.19	Repaid
Dongfang Electric Finance Co.,Ltd	20,000,000.00	2013.01.15	2014.01.14	
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2013.02.05	2014.02.04	
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2013.03.28	2014.03.27	
Dongfang Electric Finance Co.,Ltd	10,000,000.00	2013.05.14	2014.05.13	
Dongfang Electric Corporation	8,690,000.00	2013.03.28	2014.03.28	Entrusted loans
Dongfang Electric Corporation	17,100,000.00	2013.02.07	2014.02.07	Entrusted loans
Total	1,803,696,939.14			

( **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
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**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

		Amount	Provisions for bad debts	Amount	Provisions for bad debts
Accounts receivable	China Dongfang Electric Corporation	38,340,774.00	21,464,766.55	56,752,334.00	21,741,472.55
Accounts receivable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	3,088,000.00	290,400.00	3,088,000.00	290,400.00
Accounts receivable	Dongfang Areva Nuclear Pump Co., Ltd.	11,608,249.95	760,490.41	7,461,246.15	373,062.31
Accounts receivable	DEC International Corporation Co., Ltd.	874,917,556.27	329,433,270.62	900,260,801.20	281,375,693.09
Accounts receivable	Zhonghe Seawater Desalination Engineering Co., Ltd.	22,284,100.00	9,902,050.00	22,284,100.00	9,902,050.00
Accounts receivable	Guangdong Corporation	17,034,191.12	12,537,523.67	18,669,764.12	12,450,308.17
Accounts receivable	DEC Emei Semiconductor Materials Co., Ltd	1,149,525.12	158,066.26	17,799,525.12	3,488,066.26
Accounts receivable	Dongfang Electric Corporation Materials Co., Ltd.	1,981,533.40	152,975.54	3,344,889.39	614,894.47
Accounts receivable	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	68,801,882.05	3,440,094.10	10,793,508.90	539,675.45
Accounts receivable	DEC Dongfeng Electric Machinery Co., Ltd.	4,684,468.76	288,873.44	4,193,948.76	221,247.44
Accounts receivable	Dongfang Electric works	1,334,975.46	840,178.27	1,334,975.46	835,828.12
Accounts receivable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.			108,613.90	5,430.70
Accounts receivable	Dongqi Hospital			5,970.00	298.50
Accounts receivable	Dongqi Investment and Development Co., Ltd.	1,717,445.66	85,872.29	1,301,839.54	65,091.98
Accounts receivable	DEC Project Cargo Logistics Co., Ltd.	443,000.00	22,150.00		
Accounts receivable	DEC (Yixing) Magi solar Co., Ltd.			59,500.00	2,975.00
Accounts receivable	Deyang Dongqi Science & Technology Industrial Company			2,480,400.00	1,240,200.00
Accounts receivable	China Western Power Industrial Co., Ltd.	181,000.03	9,050.00	70,000.03	3,500.00
Accounts receivable	Alstom Power Turbo Machines	22,710,051.55	2,806,579.97	28,528,600.00	5,111,859.72
Accounts receivable	Envirotherm GmbH Essen, Germany	3,296,118.38	328,475.47	3,404,166.36	173,026.57
Other receivables	China Dongfang Electric Corporation	10,750,641.01	5,037,532.05	20,219,602.29	5,511,142.24
Other receivables	Babcock-Hitachi Dongfang Boiler Co., Ltd.	1,307,535.10	65,376.76		
Other	DEM Real Estate	563,189.47	111,976.02	558,777.00	111,755.40

**Electric Corporation Limited**

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For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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
receivables	Development Co., Ltd.				
Other receivables	Dongqi Investment and Development Co., Ltd.	32,928,810.32	1,714,390.52	32,928,810.32	1,714,390.52
Other receivables	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	1,680,147.18	122,193.49	1,537,786.50	122,193.50
Other receivables	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	10,300.00	771.25	9,225.00	512.50
Other receivables	Dongfang Electric works	1,700,335.86	147,074.40	1,700,335.86	147,074.40
Other receivables	Dongfang Electric Corporation Materials Co., Ltd.	9,356.70	467.84		
Prepayments	China Dongfang Electric Corporation	657,495.33		729,495.33	
Prepayments	Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou) Co., Ltd.			23,361,416.59	
Prepayments	Babcock-Hitachi Dongfang Boiler Co., Ltd.	51,076,583.02		6,964,185.02	
Prepayments	DEC International Corporation Co., Ltd.	28,574,110.05		32,962,515.20	
Prepayments	Dongfang Electric Corporation Materials Co., Ltd.	18,144,715.50		60,335,271.50	
Prepayments	DEC Dongfeng Electric Machinery Co., Ltd.	61,749,442.00		62,713,442.00	
Prepayments	Deyang Dongfang Aberle System Corporation Limited	257,370.50		121,203.50	
Prepayments	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	8,489,621.00		5,413,709.40	
Prepayments	DEC Project Cargo Logistics Co., Ltd	8,105,750.00		8,936,750.00	
Prepayments	DEC Henan Station Auxiliary Equipment Co., Ltd.	1,831,598.97		1,012,000.00	
Prepayments	DEC (Yixing) Magi solar Co., Ltd.	8,236,577.40		12,300,000.00	
Prepayments	Dongqi Hospital	11,263.52			
Prepayments	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	27,306,720.00			
Prepayments	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co.,	1,416,000.00			

**Electric Corporation Limited**

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(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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
	Ltd.				
Dividends receivable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	136,612.20		136,612.20	
Interest receivable	Dongfang Electric Finance Co., Ltd.	71,863,982.72		61,740,939.07	
Bills receivable	DEC Dongfeng Electric Machinery Co., Ltd.			150,000.00	

## 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	China Dongfang Electric Corporation	14,754,600.00	711,600.00
Accounts payable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	49,691,049.80	48,708,922.59
Accounts payable	Dongfang Areva Nuclear Pump Co., Ltd.	15,630.50	
Accounts payable	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	165,193,785.21	245,864,048.71
Accounts payable	Dongqi Investment and Development Co., Ltd.	26,169,293.06	26,406,749.32
Accounts payable	Dongfang Electric Corporation Materials Co., Ltd.	149,478,762.02	105,889,931.08
Accounts payable	DEC International Corporation Co., Ltd.	10,789,741.20	10,790,822.20
Accounts payable	DEC Henan Station Auxiliary Equipment Co., Ltd.	13,586,237.23	8,116,145.42
Accounts payable	DEC Dongfeng Electric Machinery Co., Ltd.	6,390,053.35	8,250,762.70
Accounts payable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	49,405,017.75	65,613,167.75
Accounts payable	DEC Project Cargo Logistics Co., Ltd.	16,874,602.18	16,208,509.77
Accounts payable	Dongqi Hospital		10,267,115.48
Accounts payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	2,740,000.01	3,741,600.01
Accounts payable	Deyang Dongfang Aberle System Corporation Limited	7,803,369.72	9,966,964.68
Accounts payable	China Western Power Industrial Co., Ltd.	38,419,183.51	64,736,857.70
Accounts payable	Guangdong Yudean Group Co., Ltd.	846,040.00	1,462,853.22
Accounts payable	Leshan East Lok bulky Co., Ltd.	433,560.00	
Accounts payable	DEC (Yixing) Magi solar Co., Ltd.	14,431,532.24	
Other payables	China Dongfang Electric Corporation	1,377,779,457.11	1,391,974,400.76
Other payables	Babcock-Hitachi Dongfang Boiler Co., Ltd.	200,000.00	200,000.00

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Item	Name of related parties	Amount as at the end of the period	Amount as at the beginning of the year
Other payables	Dongfang Boiler Works	27,653,670.00	33,672,840.00
Other payables	DEC Project Cargo Logistics Co., Ltd.	1,900,000.00	1,900,000.00
Other payables	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	868,888.89	1,551,794.87
Other payables	Guangdong Corporation	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.	5,200,000.00	5,237,100.00
Other payables	Envirotherm GmbH Essen, Germany	2,944,991.64	3,041,529.56
Other payables	China Western Power Industrial Co., Ltd.	500,000.00	500,000.00
Other payables	Alstom Power Turbo Machines		5,609,193.57
Other payables	Dongqi Hospital	8,516.00	
Advances from customers	China Dongfang Electric Corporation	65,628,061.76	59,790,104.50
Advances from customers	Dongfang Areva Nuclear Pump Co., Ltd.	97,695,641.50	
Advances from customers	DEC International Corporation Co., Ltd.	477,290,781.49	667,073,561.79
Advances from customers	Guangdong Corporation	668,230.20	948,230.20
Advances from customers	DEC Dongfeng Electric Machinery Co., Ltd	868,700.00	302,400.00
Advances from customers	DEC Emei Semiconductor Materials Co., Ltd	375,900.00	375,900.00
Advances from customers	Deyang Dongfang Aberle System Corporation Limited	313,346.00	313,346.00
Advances from customers	Dongfang Electric works	518.40	518.40
Bills payable	Dongfang Electric works	170,259.91	15,341,662.91
Bills payable	Deyang Dongfang Aberle System Corporation Limited	1,242,266.30	2,973,524.00
Bills payable	DEC Dongfeng Electric Machinery Co., Ltd.	5,760,000.00	6,158,400.00
Bills payable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	52,000,000.00	77,000,000.00
Bills payable	Leshan East Lok bulky Co., Ltd.		2,500,000.00
Bills payable	Dongfang Electric Corporation Materials Co., Ltd.	40,558,186.04	57,287,279.27
Bills payable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	21,359,355.20	24,000,000.00
Bills payable	DEC Henan Station Auxiliary Equipment Co., Ltd.	14,964,000.00	20,142,000.00
Bills payable	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	93,139,414.00	126,345,028.48
Bills payable	DEC Project Cargo Logistics Co., Ltd.	15,620,261.42	31,596,048.51
Bills payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	1,000,000.00	400,000.00

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Item	Name of related parties	Amount as at the end of the period	Amount as at the beginning of the year
Bills payable	China Western Power Industrial Co., Ltd.	6,200,000.00	6,000,000.00
Bills payable	China Western Power Industrial Co., Ltd.	1,365,662.57	365,662.57
Bills payable	Chengdu Huilian Housing Operation and Management Co., Ltd (成都匯聯住房經營管理公司)	1,144,000.00	
Bills payable	Envirotherm GmbH Essen, Germany	785,000.00	
Bills payable	Dongfang Electric Corporation	110,272,205.12	

**VI. Plan of Dividend paid**

Accounting method on H share appreciation rights granted

Item	Condition
Fair value of liabilities confirmed by shares	BS-model
Accumulated liabilities produced by cash payment	10,112,694.71
Cost confirmed by cash payment	8,763,719.24

**VIII. Contingencies**

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

In July 2009, the consortium including the Company entered into an EPC contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Company undertook the supply of major equipment and provision of relevant technical services. Due to problems of certain equipments, the generating units were not put into commercial operation as scheduled.

After negotiations with the project owners from Saudi Arabia, the Company carried out rectification and improvement work after the end of the 2012 summer-peak season for power generation. No. 1 and No. 2 generating units were granted preliminary acceptance certificates on 14 June 2013. The project owner confirmed that No.1 generating unit was put into commercial operation on 14 December 2012, and No 2 generating unit was put into commercial operation on 28 January 2013 and enter into warranty period.

Currently, the Company is in the process of negotiation with the project owners from Saudi Arabia in respect of the compensation for prolongation and settlement for the project.

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

## **Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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In March 1994, Dongfang Electric Corporation (“DEC”), Dongfang Boiler Factory (東方鍋爐廠) and US-based Foster Wheeler entered into a licensing agreement, whereby DEC and Dongfang Boiler Factory imported from Foster Wheeler the technology for 50MW and 100MW non-reheat circulating fluidized-bed boilers. In January 1999, Dongfang Boiler Factory transferred its rights and obligations stipulated under the licensing agreement to Dongfang Boiler.

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

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler to pay to Foster Wheeler nominal royalties of US\$4,815,000 and unpaid royalties of US\$1,520,000 and the interest accrued thereon, and the Foster Wheeler has to return the technology licensing fees of US\$1,117,000 to Dongfang Boiler. Dongfang Boiler and DEC disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. On 20 June 2013, the Svea Court of Appeal, Sweden decided to uphold the verdict of the arbitration. Dongfang Boiler confirmed the liabilities for the year of RMB53,197,144.96 accordingly.

On 18 February 2013, Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. Hearings were held from 4 March to 15 March 2013. On 12 July 2013, the arbitration court delivered a verdict, requiring Dongfang Boiler Group Co. Ltd. and DEC to pay nominal royalties of US\$16.5 million to Foster Wheeler. Both Dongfang Boiler Group Co. Ltd. and DEC disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling.

3. Save for the above contingent matters, the Group had no other material contingent matters as at 30 June 2013.

### **IX. Commitments**

#### **1. Significant commitments**

As at 30 June 2013, the balance of irrevocable letter of credit was RMB3,431,907,761.39, including(based on the original currencies): the US Dollar letter of credit of 168,891,413.40, the EURO letter of credit of 215,512,157.95, the Japanese Yen letter of credit of 9,980,841,882.70, the Swiss Franc letter of credit balance of 1,060,059.13, the British Pound letter of credit of 194,000.00 and Hong Kong Dollar letter of credit of 36,850,965.00. The balance of letter of guarantee was RMB20,270,854,587.21, including(based on the original currencies) : the Renminbi letter of guarantee of 13,851,008,471.34, the US Dollar letter of guarantee of 1,006,840,835.63, the EURO letter of guarantee of 5,244,932.38 , the Indian Rupee letter of guarantee of 807,241,739.00 and Pakistan Rupee letter of guarantee of 1,037,021,172.80 and Malaysian Ringgit letter of guarantee of 1,000,000.00.



**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**2. Capital commitment**

The outstanding balance of contractual investments of the Group as at 30 June 2013 is as follows (unit: RMB'0,000):.

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	92,543.70	96,098.68

**3. Operating lease commitments**

As at 30 June 2013, 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	3,488.78	2,697.29
With two to five years	2,622.19	2,722.40

4. Save as disclosed above, the Company had no other significant commitment as at 30 June 2013.

**X. Events after balance sheet date****1. Profit distribution plan**

As considered and approved at the 2013 annual general meeting of the Company held on 24 May 2013, the profit distribution plan of the Company for 2012 was as follows: cash dividend of RMB 0.11 (including tax) per share, totalling RMB220,424,600.00. 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.

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**XI. Segment Information****1. Segment Information from January to June, 2013**

Items	Clean high-efficiency power generating equipmentsnt	new energy	Hydro power and environmental protection equipment	Construction services for power stations	Undistributed items	Elimination	Total
Operating income	14,008,357,063.36	5,318,930,907.91	2,117,370,766.27	2,783,627,964.85	136,479,225.36	3,897,659,186.86	20,467,106,740.89
Including: revenue derived from customers outside the enterprise	10,754,580,223.18	4,708,292,450.16	2,102,242,667.93	2,765,512,174.26	136,479,225.36		20,467,106,740.89
Revenue derived from other segments	3,253,776,840.18	610,638,457.75	15,128,098.34	18,115,790.59		3,897,659,186.86	
Operating expenses	12,028,778,625.95	4,533,611,847.15	1,695,452,726.89	2,295,155,715.88	1,746,937,726.24	3,220,247,462.39	19,079,689,179.72
Operating profit (loss)	1,979,578,437.41	785,319,060.76	421,918,039.38	488,472,248.97	-1,610,458,500.88	677,411,724.47	1,387,417,561.17
Total assets					108,239,586,991.53	31,368,457,423.12	76,871,129,568.41
Total liabilities					81,186,411,208.73	21,754,253,137.63	59,432,158,071.10
Others							
Depreciation and amortization					629,932,984.36		629,932,984.36
Capitalised expenses							
Non-cash expenses other than depreciation and amortization							

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**2. Segment Information from January to June,2012**

Items	Clean high-efficiency 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							

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**XII. Financial instruments and risk management**

The Group's major financial instruments include borrowings, accounts receivables, accounts payables, tradable financial assets and transactional financial liabilities, details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 1. Risk management objectives and policies

## (1) Market risk

## 1) Currency risk

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Remminbi, US Dollar, EURO, PKR and Indian Rupee in which the Group conducts business may affect its financial condition and results of operations. Certain bank balances, trade and other receivables, trade and other payables are denominated in currencies other than RMB. Foreign currencies are also used to settle expenses for overseas operations. Apart from foreign currency details as below, the assets and liabilities of the Group is denominated in RMB.

Items	At the end of period (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	1,000,964,395.60	83,024,914.10	69,577,278.28	27,976,681.69	91,393,100.46	1,272,936,370.22
Derivative financial assets	4,107,871.75					4,107,871.75
Accounts receivables	1,082,445,779.47		13,128,255.67	40,267,126.18		1,135,841,161.32
Other receivables	2,071,491.60	18,214,032.56	504,383.96	247,692.98	13,258,798.80	34,296,399.90
Total	2,089,589,538.51	101,238,946.66	83,209,917.91	68,491,500.85	104,651,899.26	2,447,181,803.19
Liabilities						

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Items	At the end of period (RMB)					
	USD	PKR	INR	EUR	Others	Total
Derivative financial liabilities	626,413.92					626,413.92
Accounts payables	42,976,495.24			4,543,060.00	63,538,500.22	111,058,055.46
Other payables	40,175.82	31,247.05	8,960,938.42	2,944,991.64	3,785,669.67	15,763,022.60
Total	43,643,084.98	31,247.05	8,960,938.42	7,488,051.64	67,324,169.89	127,447,491.98

(Continued)

Items	At the beginning of the year (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	1,460,832,756.13	81,538,173.99	27,993,507.70	44,605,192.85	28,949,818.67	1,643,919,449.34
Derivative financial assets	4,687,420.24					4,687,420.24
Accounts receivables	840,844,739.30		17,211,593.54	44,190,918.56		902,247,251.40
Other receivable	648,305.33	18,529,439.83	877,409.65	1,962.12	35,104.99	20,092,221.92
Total	2,307,013,221.00	100,067,613.82	46,082,510.89	88,798,073.53	28,984,923.66	2,570,946,342.90
Liabilities						
Derivative financial	25,830,967.05					25,830,967.05
Accounts payables	29,937,497.52			2,183,458.42	49,845,621.56	81,966,577.50
Other payables	4,661,263.38	53,273.69	2,774,486.92	3,041,529.56	9,246,462.26	19,777,015.81

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

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Total	60,429,727.95	53,273.69	2,774,486.92	5,224,987.98	59,092,083.87	127,574,560.36
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The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk including forward foreign exchange contracts to hedge the exchange rate risk arising in foreign currency sales.

## 2) Interest rate risk—cash flow interest risk

Interest rate risk is mainly related to variable rate borrowings with banks and a financial institution.

### (2) Credit risk

As at the end of reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter-parties provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to reduce the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables, amounts due from associates and amounts due from related parties at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

4.49% (at the beginning of the period: 4.73%) and 12.88% (at the beginning of the period: 12.94%) of the balance at end of the period of accounts receivable comes from the biggest customer and top 5 customers respectively, so no concentration of credit risk in the Group.

### (3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management closely supervises the utilization of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

**Electric Corporation Limited**

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At the end of period	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Cash	9,958,637,548.02				9,958,637,548.02
Transactional financial assets	26,891,159.35				26,891,159.35
Notes receivables	2,607,164,297.49				2,607,164,297.49
Accounts receivables	15,136,371,229.11				15,136,371,229.11
Interest receivable	71,863,982.72				71,863,982.72
Dividends receivable	136,612.20				136,612.20
Other receivable	443,540,904.68				443,540,904.68
Total of financial assets	28,244,605,733.57				28,244,605,733.57
Short-term borrowings	2,578,311,287.44				2,578,311,287.44
Transactional financial liabilities	597,042.29	29,371.63			626,413.92
Notes payable	3,975,779,044.55				3,975,779,044.55
Accounts payable	13,916,314,319.74				13,916,314,319.74
Other payables	2,220,074,147.29				2,220,074,147.29
Dividends payable	225,743,332.02				225,743,332.02
Accrued payroll	418,541,826.18				418,541,826.18
Non-current liabilities maturing within one year	74,320,000.00				74,320,000.00
Long-term borrowings		36,027,585.21	39,600,000.00		75,627,585.21
Total of financial liabilities	23,409,680,999.51	36,056,956.84	39,600,000.00	0.00	23,485,337,956.35

**2. Fair Value**

## **Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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The fair value of financial assets and financial liabilities are determined as follows:

—The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

—The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

—The fair value of derivative financial instrument is determined with reference to quoted market prices.

### **XIII. Other significant events**

#### **1. Details of national debt investments 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 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



**Electric Corporation Limited**

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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.

As at the date of this financial report, the remaining compensation was deposited by insolvency administrator of this case.

At the end of the year, 100% of RMB 186,464,106.30 of remaining compensation is totally recognized as provision of bad debts.

**XIV. 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	1,691,251,690.66	100	169,874,313.03	10.04	1,522,935,622.50	100	145,870,761.43	9.58
Other receivables with not significant single amount but provided for bad debts separately								
Total	1,691,251,690.66	100	169,874,313.03	10.04	1,522,935,622.50	100	145,870,761.43	9.58

## (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	
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## Electric Corporation Limited

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

	Amount	Ratio (%)		Amount	Ratio (%)	
Within year	760,742,616.19	44.98	38,037,130.82	748,054,678.66	49.12	37,402,733.93
1-2 years	543,240,006.02	32.12	54,324,000.60	465,081,612.63	30.54	46,508,161.26
2-3 years	386,972,228.86	22.88	77,394,445.77	309,799,331.21	20.34	61,959,866.24
3-4 years	296,839.59	0.02	118,735.84			
4-5 years						
5 years above						
Total	1,691,251,690.66	100	169,874,313.03	1,522,935,622.50	100	145,870,761.43

(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	587,617,777.52	1-4 years	34.74
THERMAL POWERTECH CORPORATION INDIA	Client	262,000,111.91	1-2 years	15.49
Huaneng Beijing thermo electricity Co., Ltd. (華能北京熱電有限責任公司)	Client	129,595,992.48	Within 1 year	7.66
Hongguang Power Limited Company of Shanxi International Energy Group (山西國際能源集團宏光發電有限公司)	Client	124,449,000.00	1-2 years	7.36
LANCO INTERNATIONAL PTE LTD	Client	108,977,130.18	1-3 years	6.44
Total		1,212,640,012.09		71.69

## 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	95.78			4,748,710,000.00	97.38		

**Electric Corporation Limited**

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Other receivables which provides for bad debts based on aging	209,235,660.06	4.22	39,612,251.49	20.60	117,378,737.97	2.41	28,782,425.25	24.52
Other receivables with not significant single amount but provided for bad debts separately					10,000,000.00	0.21		
Total	4,957,945,660.06	100	39,612,251.49	0.80	4,876,088,737.97	100	28,782,425.25	0.59

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 (%)		Amount	Ratio (%)	
Within 1 year	140,375,855.30	67.09	7,018,792.76	33,613,752.47	28.64	1,680,687.62
1-2 years	16,386,120.55	7.83	1,638,612.06	24,430,093.75	20.81	2,443,009.38
2-3 years	8,286,723.70	3.96	1,657,344.74	16,087,493.23	13.71	3,217,498.64
3-4 years	2,459,832.91	1.18	983,933.16	1,824,696.59	1.55	729,878.64
4-5 years	26,827,117.67	12.82	13,413,558.84	41,422,701.93	35.29	20,711,350.97
5 years above	14,900,009.93	7.12	14,900,009.93			
Total	209,235,660.06	100	39,612,251.49	117,378,737.97	100	28,782,425.25

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

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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
DEC	10,732,041.01	5,036,602.05	20,219,602.29	5,511,142.25
Total	10,732,041.01	5,036,602.05	20,219,602.29	5,511,142.25

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

Item	Relationship with the company	Amount	Aging	Proportion to total
Dongfang Electric Machinery Co., Ltd	Subsidiary	975,857,454.14	2-5 years	19.68
Dongfang Boiler Group Co., Ltd	Subsidiary	663,064,630.00	2-5 years	13.37
Dongfang Steam Turbine Co., Ltd.	Subsidiary	2,987,488,242.98	2-5 years	60.27
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,012,426.83	3-5 years	2.30
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	3 years	0.89
<b>Total</b>		<b>4,784,722,753.95</b>		<b>96.51</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	975,857,454.14	19.68
Dongfang Boiler Group Co., Ltd	Subsidiary	663,064,630.00	13.37
Dongfang Steam Turbine Co., Ltd.	Subsidiary	2,987,488,242.98	60.27
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,012,426.83	2.30
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	0.89
DEC	Parent	10,732,041.01	0.22
<b>Total</b>		<b>4,795,454,794.96</b>	<b>96.73</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	9,759,499,983.19	9,709,219,183.19
Long-term equity Investments under equity method	242,469,726.03	203,617,363.46
Total	10,001,969,709.22	9,912,836,546.65
Less: provisions for long-term equity investment impairment		
Long-term equity investment value	10,001,969,709.22	9,912,836,546.65

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

# Electric Corporation Limited

## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

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	336,059,618.16
2.Dongfang Steam Turbine Co., Ltd	100	100	2,542,003,999.71	2,542,003,999.71			2,542,003,999.71	197,491,064.75
3.Dongfang Electric Machinery Co. Ltd	100	100	2,000,000,000.00	2,000,000,000.00			2,000,000,000.00	202,218,390.00
4.Dongfang Electric (India) Private Limited	100	100	105,081,173.28	54,800,373.28	50,280,800.00		105,081,173.28	
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	20,495,038.99
Subtotal			9,759,499,983.19	9,709,219,183.19			9,759,499,983.19	756,264,111.90
Under equity method								
Dongfang Areva Nuclear Pump Co., Ltd	50.00	50.00	75,000,000.00	195,409,680.18	29,410,350.88		224,820,031.06	
Sichuan Energy Industry Wind Power Development Co., Ltd.	20	20	10,000,000.00	8,207,683.28	10,000,000.00	557,988.31	17,649,694.97	
Subtotal			85,000,000.00	203,617,363.46	39,410,350.88	557,988.31	242,469,726.03	
Total			9,844,499,983.19	9,912,836,546.65	89,691,150.88	557,988.31	10,001,969,709.22	756,264,111.90

### (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	166,160.28	121,196.27	44,964.01	27,222.73	5,560.04
Joint ventures							
Sichuan Energy Industry Wind Power Development Co., Ltd	20	20	20,661.31	5,246.49	15,414.82	0.30	-34.52
Total			186,821.59	126,442.76	60,378.83	27,223.03	5,525.52

### 4. Operating revenue and operating costs

Item	Amount for the year	Amount for last year
Revenue from principal operations	5,652,335,112.13	5,909,008,631.96
Other operating revenue	4,032,511.19	5,270,869.01
Total	5,656,367,623.32	5,914,279,500.97
Cost from principal operations	5,303,197,411.13	5,611,177,903.63
Other operating costs	514,500.55	673,813.05
Total	5,303,711,911.68	5,611,851,716.68

### (1) Principal business-by industry

**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Industry	Amount in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Power generation equipment manufacturing	5,652,335,112.13	5,303,197,411.13	5,909,008,631.96	5,611,177,903.63
Total	5,652,335,112.13	5,303,197,411.13	5,909,008,631.96	5,611,177,903.63

**(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	2,877,255,575.73	2,819,294,890.05	3,046,193,250.85	2,972,009,271.01
New energy	611,645,658.87	603,788,030.40	699,159,378.84	689,118,295.82
Engineering and services	2,163,433,877.53	1,880,114,490.68	2,163,656,002.27	1,950,050,336.80
Total	5,652,335,112.13	5,303,197,411.13	5,909,008,631.96	5,611,177,903.63

**(3) Principal business—by regions**

Region	Amounts in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Domestic	3,349,501,741.90	3,284,056,718.41	4,447,557,512.94	4,345,052,322.76
Overseas	2,302,833,370.23	2,019,140,692.72	1,461,451,119.02	1,266,125,580.87
Total	5,652,335,112.13	5,303,197,411.13	5,909,008,631.96	5,611,177,903.63

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

Clients' name	Operating revenue	Percentage in the total revenue
1 China Nuclear Power Engineering Co.,Ltd.(中廣核工程有限公司)	868,113,475.96	15.36
2LANCO INTERNATIONAL PTE LTD	739,168,917.85	13.08
3Sembcorp Gulf O&M Co.Ltd	696,764,699.59	12.33
4 Fujian Hongshan Thermal Power Company Limited(福建省鴻山熱電有限責任公司)	592,023,412.77	10.47
5EOLICA MONTE REDONDO S.A	540,332,885.36	9.56
合計	3,436,403,391.53	60.80

**5. Investment Income****(1) Sources of investment income**

**Electric Corporation Limited**

## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Item	Amount in the year	Amount in the last year
Long-term equity investments income under cost method	756,264,111.90	963,936,876.08
Long-term equity investments income under equity method	28,852,362.57	46,977,517.72
Investment income during holding trading financial assets		
Investment income during holding available-for-sale financial assets	1,879,007.00	1,445,390.00
Disposal of trading financial assets		
Disposal of available for-sale financial assets		1,316,576.30
Others	7,680,555.56	
Total	794,676,037.03	1,013,676,360.10

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	197,491,064.75	384,864,158.06	Received the cash profit annually implemented by the subsidiaries
Dongfang Electric Machinery Co., Ltd	202,218,390.00	237,565,975.00	Received the cash profit annually implemented by the subsidiaries
Dongfang Boiler Group Co., Ltd	336,059,618.16	320,056,779.20	Received the cash profit annually implemented by the subsidiaries
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	20,495,038.99	21,449,963.82	Received the cash profit annually implemented by the subsidiaries
Total	756,264,111.90	963,936,876.08	

**(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	29,410,350.88	47,361,418.86	A decline in operating profit
Sichuan Energy Industry Wind Power Development Co., Ltd	-557,988.31	-383,901.14	Not profit generated during the construction period

**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	997,962,572.72	1,138,468,279.88
Add: Provision for asset impairment	34,833,377.84	41,883,833.23
Depreciation of fixed assets	2,583,890.83	1,821,860.38
Amortization of intangible assets	10,153.85	11,953.85

**Electric Corporation Limited**

## Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Item	Amount in this year	Amount in the last year
Amortization of long-term differed expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain :-)	23,171.38	3,506.75
Losses (Gains) on change in fair value (gain :-)	21,093,977.91	45,729,960.41
Finance expenses (gain :-)	5,146,738.34	-19,481,802.21
Investment Losses (gain :-)	-794,676,037.03	-1,013,676,360.10
Decrease in deferred tax asset (gain :-)	-17,278,713.70	-7,082,556.76
Increase in deferred tax liability (loss: -)	-9,216.71	-3,547,479.12
Decrease in inventories (gain:-)	192,119,589.49	536,384,263.73
Decrease in operating receivables (gain:-)	-1,620,903,189.18	-816,825,320.43
Increase in operating payables (loss :-)	1,217,637,990.89	133,519,104.05
Others		
Net cash flows from operating activities	38,544,306.63	37,209,243.66
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	2,578,789,897.27	1,562,794,342.50
less: cash at the beginning of the period	2,203,547,671.62	957,119,761.29
Net increase in cash and cash equivalents	375,242,225.65	605,674,581.21

**XV. 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	4,259,744.52	252,027.57	
Government grants recognized in profits or loss in this period	61,410,326.98	57,520,759.36	
The net gain (loss) in the current period of the subsidiaries arising enterprises 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	-2,840,616.12	3,422,359.48	
Other non-operating income and expenses other than the aforementioned items	-17,307,948.94	607,809.58	
Impact on income tax	-8,137,154.79	-7,328,182.90	
Impact on minority interests (after tax)	-944,695.87	-1,587,344.84	
Total	36,439,655.78	52,887,428.25	



**Electric Corporation Limited**

Notes to the financial statement

For the first half of year of 2013

(The amount unit of the notes to the financial statement is RMB unless otherwise specified)

**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	7.29	0.59	0.59
Net profit after non-recurring gain or loss attributable to the shareholders of the Company	7.07	0.57	0.57

**XVI. Approval of the Financial Statements**

The financial statements were approved by the board of directors on 28 August 2013.

**Dongfang Electric Corporation Limited**

**Legal representative: Si Zefu**

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

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

**28 August 2013**