

IMPORTANT NOTICE:

The Board of Directors and Directors of Dongfang Electrical Machinery Company Limited (the "Company") confirmed that this interim report contains no false information, misleading statements or material omission and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.

Mr. Zhu Yuanchao, Chairman, Mr. Gong Dan, the Deputy General Manager (Finance), and Mr. Feng Yong, Head of Finance Department, have declared that they guarantee for the truthfulness and completeness of the financial statements in the interim report 2003.

The financial statements in this interim report have not been audited. The financial statements have been reviewed by the audit committee of the Company.

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1. Company Profile

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| (1) | Company Name (in Chinese) | : | 東方電機股份有限公司 |
| | Chinese abbreviation | : | 東方電機 |
| | Company Name | : | Dongfang Electrical Machinery Company Limited |
| | English abbreviation | : | DFEM |
| (2) | Place of Shares Listing | : | Shanghai Securities Exchange;
The Stock Exchange of Hong Kong Limited |
| | Stock Name | : | Dongfang Electrical |
| | Stock Code | : | 600875 (A Shares); 1072 (H Shares) |
| (3) | Company Registered Address | : | 188 Huanghe West Road, Deyang,
Sichuan Province, the PRC |
| | Homepage | : | http://www.dfem.com.cn |
| | E-mail address | : | dsb@dfem.com.cn |
| | Postal Code | : | 618000 |
| (4) | Legal Representative of the Company | : | Mr. Zhu Yuanchao |
| (5) | Secretary of Board of Directors | : | Mr. Gong Dan |
| | Representative of Securities affairs | : | Mr. Huang Yong |
| | Contact Address | : | 188 Huanghe West Road, Deyang,
Sichuan Province, the PRC |
| | Telephone | : | 86-838-2409358 |
| | Facsimile | : | 86-838-2402125 |
| | E-mail Address | : | dsb@dfem.com.cn |
| (6) | Domestic newspapers for disclosure of the Company's information | : | China Security Daily,
Shanghai Security Daily |
| | Overseas newspapers for disclosure of the Company's information | : | Wen Wei Po, The Standard (in English) |
| | Website publishing the Interim Report designated by China Security Supervisory Committee | : | http://www.sse.com.cn |
| | Address for inspection of the Interim Report | : | Office of the Board of Directors of the Company,
188 Huanghe West Road,
Deyang, Sichuan Province,
the PRC |

- (7) Registration date : 28 December 1993
 Registration address: Deyang, Sichuan Province, the PRC
 Legal person business licence registration number : 5106001800189
 Auditors : International Auditors
 Ho and Ho & Company
 Certified Public Accountants
 Room 304, 3rd Floor,
 Arion Commercial Centre
 2-12 Queen's Road West
 Hong Kong
 Domestic Auditors
 Shenzhen Pan-China Schinda
 Certified Public Accountants
 15/F-16/F, Securities Building,
 5020 Binhe Road, Shenzhen, PRC
- (8) Summary of Financial Data and Indicators

(1) Major accounting data and financial indicators (Prepared in accordance with the PRC Accounting Standards)

Unit: RMB'000

	As at 30 June 2003	As at 31 December 2002	Percentage (%) Increase (+) Decrease (-)
Current assets	2,343,194	2,236,175	4.79
Current liabilities	1,789,227	1,448,322	23.54
Total assets	2,929,399	2,764,956	5.95
Shareholders' equity	915,288	907,161	0.90
Net assets per share (RMB)	2.03	2.02	0.50
Adjusted net assets per share (RMB)	1.62	1.50	8.00

	For the Six months ended 30 June 2003	2002	Percentage (%) Increase (+) Decrease (-)
Net profit/(loss)	8,128	(29,732)	—
Net profit/(loss) after the deduction of non-recurring items	7,810	(29,211)	—
Earnings/(loss) per share (RMB)	0.018	(0.066)	—
Return/(loss) on net assets (%)	0.89	(3.47)	—
Net cash flow from operating activities	193,939	(70,373)	—

Note: After the deduction of non-recurring items: Net non-operating income of RMB597,000; net non-operating expenses of RMB2,783,000; subsidy income of RMB2,504,000.



(2) Differences Between Accounts Prepared Under Accounting Principles Generally Accepted in Hong Kong and PRC Accounting Standards (Unit: RMB'000)

		Net assets As at 30 June 2003	Net profit For the six months ended 30 June 2003
	Notes		
Net assets/Net profit as reported in accordance with accounting principles generally accepted in Hong Kong		924,461	5,747
Adjustments made to conform with PRC Accounting Standards			
- Timing differences on recognition of subsidy income	1	(11,525)	2,070
- Investment income	2	2,352	311
Net amount of (decrease)/increase		<u>(9,173)</u>	<u>2,381</u>
Net assets/Net profit as reported in accordance with PRC Accounting Standards		<u>915,288</u>	<u>8,128</u>

Note 1: Timing differences on recognition of subsidy income

In 2002, the overseas certified public accountants adopted accrual basis and recognised the subsidy income not yet received amounting to RMB 13,595,000 in the income statement for the year 2002. However, the domestic certified public accountants adopted cash basis in recognising the subsidy income. During the reporting period, the Company actually received subsidy income amounting to RMB 2,070,000 (subsidy income not yet received amounting to RMB 11,525,000). Accordingly, there were timing differences of RMB 2,070,000 in net profit and RMB 11,525,000 in net assets.

Note 2: Investment income

In respect of the equity investment difference for subsidiaries, the overseas certified public accountants recognised the amount in the income statement as incurred. However, the domestic certified public accountants have capitalised the equity investment difference and amortised on a straight-line basis over 10 years. As a result, the Company's net profit for the period was increased by RMB 311,000.