

IMPORTANT NOTICE

The Board of Directors and directors of Dongfang Electrical Machinery Company Limited (the “Company”) have confirmed that this interim report contains no false representations, misleading statements or material omissions, and that they jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

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

The financial statements in this interim report have not been audited, but have been reviewed by the Audit Committee of the Company.

Contents

1.	Company Profile	2
2.	Changes in Share Capital and Particulars of Shareholders	5
3.	Particulars of Directors, Supervisors and Senior Management	8
4.	Management Discussion and Analysis	9
5.	Major Events	14
6.	Financial Report (Unaudited)	18
7.	Documents Available for Inspection	96

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 Stock 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 |
| | Website | : 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 to Board of Directors | : Mr. Gong Dan |
| | Representative of securities affairs | : Mr. Huang Yong |
| | Correspondence address | : 188 Huanghe West Road, Deyang, Sichuan Province, the PRC |
| | Telephone | : 86-838-2412114 (Main line)/ 2409358 |
| | Facsimile | : 86-838-2402125 |
| | E-mail address | : dsb@dfem.com.cn |
| (6) | Domestic newspapers for disclosure of the Company's information | : China Securities Daily, Shanghai Securities 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 Securities Regulatory Commission | : 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) Other related information
- Registration date : 28 December 1993
- Registered 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, the PRC
- (8) Summary of financial data and indicators

(1) Major accounting data and financial indicators (Prepared in accordance with PRC Accounting Standards)
Unit: RMB'000

	At the end of the reporting period	At the end of last year	Percentage change (%)
Current assets	4,079,332	3,097,512	31.70
Current liabilities	3,637,578	2,609,186	39.41
Total assets	4,724,481	3,714,721	27.18
Shareholders' equity (excluding minority interests)	986,131	949,137	3.90
Net assets per share (RMB)	2.19	2.11	3.79
Adjusted net assets per share (RMB)	2.08	1.74	19.54
	For the reporting period (Jan-Jun)	For the same period last year	Percentage change (%)
Net profit	36,880	18,968	94.43
Net profit except for non-recurring items	197,414	(2,418)	(8,264.35)
Earnings per share (RMB)	0.082	0.042	95.24
Return on net assets (%)	3.74	2.03	1.71
Net cash flow from operating activities	1,082,777	193,939	458.31



Note: Non-recurring items and respective amounts deducted:

Non-recurring items	Unit: RMB'000 Amount
Decrease in profit due to changes in accounting policy and accounting estimation	(167,883)
Non-operating income	5,701
Non-operating expenses	(3,781)
Reversal of estimated contract losses	1,986
Reversal of provision for impairment of assets in prior years	8,809
Impact of income tax	(5,296)
Minority interests	(70)
Total	<u>(160,534)</u>

(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 2004	Net profit for the period from 1 January to 30 June 2004
Net assets/net profit as reported in accordance with accounting principles generally accepted in Hong Kong	1,001,499	36,327
Adjustments		
- Fixed assets	(18,697)	—
- Investment income	2,976	312
- Capital reserve	—	(114)
- Others	353	355
Net amount of increase/(decrease)	<u>(15,368)</u>	<u>553</u>
Net assets/net profit as reported in accordance with PRC Accounting Standards	<u>986,131</u>	<u>36,880</u>