

2. COMPANY PROFILE

(1) Company profile

1. Company name (Chinese) : 東方電機股份有限公司
 Company name (English) : DONGFANG ELECTRICAL MACHINERY COMPANY LIMITED
 English abbreviation : DFEM

2. Place of listing of A Shares : Shanghai Stock Exchange
 Abbreviation of A Shares of the Company : Dongfang Electrical
 Stock code of A Shares of the Company : 600875
 Place of listing of H Shares : The Stock Exchange of Hong Kong Limited
 Abbreviation of H Shares of the Company : Dongfang Electrical
 Stock code of H Shares of the Company : 1072

3. Registered company address: 188 Huanghe West Road, Deyang, Sichuan Province, the PRC
 Registered office address : 188 Huanghe West Road, Deyang, Sichuan Province, the PRC
 Postal code : 618000
 International website : <http://www.dfem.com.cn>
 Company email address : dsb@dfem.com.cn

4. Legal representative of the Company : Mr. Zhu Yuanchao

5. Secretary of the Board of Directors : Mr. Gong Dan
 - Telephone : 86-0838-2409358, 2412114 (General line)
 - Fax : 86-0838-2402125
 - E-mail : dsb@dfem.com.cn
 - Contact address : 188 Huanghe West Road, Deyang, Sichuan Province, the PRC

- Representative of securities affairs : Mr. Huang Yong
 - Telephone : 86-0838-2409358, 2412114 (General line)
 - Fax : 86-0838-2402125
 - E-mail : dsb@dfem.com.cn
 - Contact address : 188 Huanghe West Road, Deyang, Sichuan Province, the PRC

6. Newspapers for disclosure of the Company's information : China Securities Journal, Shanghai Securities News, Wen Wei Po, The Standard (English)

- Website publishing the Interim Report designated by China Securities Regulatory Commission ("CSRC") : <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

(2) MAJOR FINANCIAL DATA AND INDICATORS

- Financial data and indicators prepared in accordance with PRC accounting standards

Unit: RMB'000

Major accounting data	At the end of the reporting period	At the end of last period	Percentage change (%)
Current assets	6,616,465	5,702,456	16.03
Current liabilities	5,730,964	4,986,007	14.94
Total assets	7,328,275	6,374,067	14.97
Shareholders' equity (exclusive of minority interests)	1,496,397	1,269,939	17.83
Net asset per share (RMB)	3.33	2.82	18.09
Adjusted net asset per share (RMB)	3.28	2.76	18.84

	For the reporting period (Jan - Jun)	For the same period Last year	Percentage change (%)
Net profit	262,671	36,880	612.23
Net profit after deducting extraordinary profit and loss items	235,238	197,414	19.16
Earnings per share (RMB)	0.584	0.082	612.20
Return on net assets (%)	17.55	3.74	Increased by 13.81 percentage points
Net cash flow from operating activities	404,927	1,082,777	(62.60)

Note: Deducting non-recurring items and amount

Unit: RMB'000

Non-recurring items	Amount
Non-operating income	391
Non-operating expenses	(1,526)
Reverse of provision for impairment in previous years	27,480
Reverse of expected loss from contracts	3,777
Minority interests	272
Income tax	(2,961)
Total	27,433

Return on net asset and earnings per share calculated in accordance with the requirement of Information Disclosure for Companies Issuing Securities (No. 9) of CSRC.

Unit: RMB

Profit for the reporting period	Return on net asset (%)		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	26.55	28.35	0.883	0.883
Operating profit	20.39	21.78	0.678	0.678
Net profit	17.55	18.75	0.584	0.584
Net profit after deducting non-recurring profit and loss items	15.72	16.79	0.523	0.523

2. Major accounting data and financial indicators prepared in accordance with Accounting Principles Generally Accepted in Hong Kong (“HK GAAP”)

Unit: RMB'000

Major accounting data	At the end of the reporting period	At the end of last period
Total assets	7,316,448	6,348,184
Total liabilities	5,886,197	5,129,397
Minority interests	1,254	1,028
Shareholders' equity	1,428,997	1,217,759
Shareholders' equity per share (RMB)	3.18	2.71
	For the reporting period (Jan - Jun)	For the same period last year
Turnover	1,176,354	891,384
Profit before taxation	307,765	52,359
Profit attributable to the Company's shareholders	265,238	36,327
Basic earnings per share (RMB)	0.589	0.081

3. Reconciliation for financial statements prepared in accordance with HK GAAP and PRC accounting standards

Unit: RMB'000

Item	Net profit		Shareholders' equity	
	For the reporting period	For the previous reporting period	Opening balance	Closing balance
Prepared under HK GAAP	265,238	36,328	1,217,759	1,428,997
Adjustments:				
– Capital reserve	—	(114)	53,141	68,284
– Non-operating income	(2,774)	—	—	—
– Non-operating expenses	130	—	—	—
– Investment income	77	311	(959)	(882)
– Others	—	355	(2)	(2)
Prepared under PRC Accounting Standards	262,671	36,880	1,269,939	1,496,397

1. Capital reserve

In 2004, the Company utilised the specific fund granted to “Three-tier Enterprises” for removal and renovation and the specific fund for environmental protection to build up its fixed assets which amounted to RMB55,148,530.42 and RMB200,000.00 respectively and RMB55,348,530.42 in aggregate. During this accounting period the fixed asset formed from utilising the specific fund granted to “Three-tier Enterprises” for removal and renovation amounted to RMB17,917,807.45, among which RMB73,266,337.87 was transferred from Specific Payables to Capital Reserve account. The PRC auditors concurred with the above accounting treatment was in accordance with the Accounting Standards for Enterprises and Accounting Systems for Enterprises and the other supplementary rules of the PRC. However, in accordance with HK GAAP, the Hong Kong auditors have adjusted the specific fund granted to “Three-tier Enterprise” for removal and renovation and the specific fund for environmental protection to “Deferred income” account. The deferred income would be accounted for in the income statement over the expected useful life of the relevant assets, and the amounts accounted for during 2004 were RMB2,186,571.72 and RMB20,689.66 respectively and that for the reporting period was RMB2,774,808.61, totalling RMB4,982,069.99. The closing balance of capital reserve was decreased by RMB68,284,267.88 accordingly.

2. Non-operating expenses

During this accounting period, the Company paid RMB130,473.68 payables which have not been repaid in previous years, and the amount was transferred out of the Capital Reserve account. The PRC auditors concurred with the above accounting treatment in accordance with the Accounting Standards for Enterprises and Accounting Systems for Enterprises and their supplementary rules of the PRC. However, in accordance with HK GAAP, the Hong Kong auditors have recognised the said amount in the income statement.

3. Investment income

For difference of the Company's equity investment in its subsidiaries, the Hong Kong auditors recognised it in the income statement of the year when it incurred on a one-off basis. The PRC auditors recognised it as difference in equity investment and amortised it on a ten-year basis. Net assets of the Company for this accounting period was increased by RMB881,752.95 accordingly.

3. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(1) Changes of share capital

During the reporting period, there were no changes in the total number of shares and share capital structure of the Company.

(2) Shareholders

1. As at 30 June 2005, the Company had a total of 22,080 shareholders, of which 22,025 were holders of A Shares, and 55 were holders of H Shares.