東方電氣股份有限公司
Dongfang Electric Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1072)

ANNOUNCEMENT OF 2009 INTERIM RESULTS (PRELIMINARY)

SUMMARY OF RESULTS

- Turnover in the first half of 2009 amounted to RMB14,966 million, representing an increase of 26.99% compared with the same period last year

- Profit attributable to shareholders in the first half of 2009 amounted to RMB715 million, representing an increase of 58.19% compared with the same period last year

- Basic earnings per share amounted to RMB0.81, representing an increase of 47.27% compared with the same period last year

- New orders in the first half of 2009 amounted to RMB34 billion; orders in hand exceeded RMB130 billion.

The Board of Directors of the Company is pleased to announce the Group's unaudited interim results for the six months ended 30 June 2009 prepared under the accounting standards generally accepted in Hong Kong together with 2008 comparative figures. The results have been reviewed by the Audit Committee of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2009

	Note	**January to June 2009 *RMB'000* (unaudited)**	January to June 2008 *RMB'000* (unaudited)
Turnover	2	**14,966,054**	11,785,470
Cost of sales		**(12,672,953)**	(9,965,670)
Gross profit		**2,293,101**	1,819,800
Other income		**181,164**	153,326
Distribution expenses		**(348,456)**	(200,052)
Administrative expenses		**(1,129,661)**	(758,160)
Other expenses	3	**—**	(308,044)
Share profit of associates		**4,621**	(13,182)
Share profit of jointly controlled entities		**4,308**	5,448
Financial expenses		**(149,391)**	(123,164)
Profit before taxation		**855,686**	575,972
Income tax expenses	4	**(134,998)**	(118,674)
Profit for the period	5	**720,688**	457,298
Attributable to:			
the shareholders of the Company		**715,052**	452,454
Non-controlling interests		**5,636**	4,844
		720,688	457,298
Dividend	6	**—**	—
Earnings per share			
Basic	7	**RMB0.81**	RMB0.55

CONDENSED CONSOLIDATED FINANCIAL POSITION STATEMENT

As at 30 June 2009

	Notes	**30 June 2009** *RMB'000*	31 December 2008 *RMB'000*
Non-current assets			
Property, plant and equipment	8	**2,343,469**	2,366,052
Construction in progress		**2,412,218**	1,216,698
Prepaid lease payments for land use rights		**625,468**	640,986
Investment properties		**33,233**	34,056
Intangible assets		**105,981**	111,661
Interests in associates		**163,489**	158,868
Interests in jointly controlled entities		**125,189**	120,881
Available-for-sale investments		**39,600**	39,600
Deferred tax assets		**455,945**	481,368
		6,304,592	5,170,170
Current assets			
Inventories		**22,073,270**	19,870,692
Amounts due from related parties		**4,356,003**	3,520,034
Trade and other receivables	9	**16,391,144**	14,666,634
Prepaid lease payments for land use rights		**12,612**	5,624
Other tax asset		**890,306**	453,109
Amounts due from customers for contract works		**2,015,335**	1,627,629
Pledged bank deposits		**98,211**	137,518
Cash and cash equivalents		**12,441,049**	11,311,898
		58,277,930	51,593,138

Current liabilities			
Amounts due to customers for contract works		**8,035,923**	10,425,315
Amounts due to related parties		**7,312,664**	7,255,085
Trade and other payables	10	**40,994,435**	31,229,893
Income tax liabilities		**186,804**	159,049
Other tax liabilities		**134,716**	213,831
Bank loans due within one year		**125,703**	218,215
Estimated liabilities		**455,863**	332,966
Deferred income		**83,213**	149,446
Termination benefit		**10,895**	12,150
Dividend payable		**17,640**	—
		57,357,856	49,995,950
Net current assets		**920,074**	1,597,188
Total assets less current liabilities		**7,224,666**	6,767,358
Non-current liabilities			
Deferred income		**872,595**	800,809
Bank loans due after one year		**232,320**	2,320
Long term liabilities		**685**	685
Termination benefit		**61,735**	69,083
Amounts due to the parent		**3,065,931**	3,625,908
		4,233,266	4,498,805
Net assets		**2,991,400**	2,268,553
Capital and reserves			
Share capital		**882,000**	882,000
Reserves		**1,895,980**	1,197,625
Equity attributable to equity holders of the Company		**2,777,980**	2,079,625
Non-controlling interests		**213,420**	188,928
		2,991,400	2,268,553

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the interim period, the Group has applied the following new standards, amendments and interpretations issued by HKICPA which have become effective.

HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 10	Post Balance Sheet Date Events
HKAS 18	Revenue
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 & HKAS 39	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

The Company has early applied HKAS 27 (Revised) and HKFRS 3 (Revised) which become effective for the annual periods beginning on or after 1 July 2009 on the accounting treatment of 31.61% Acquisition in 2008.

Save as mentioned above, the Group has not applied the following new and revised standards or interpretations that became effective on 1 July 2009. The directors of the Group anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKFRS 5 (Amendment)	Non-current assets held for sale and Discontinued Operations -classification of Non-current assets held for sale (or sale portfolios)
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKAS 39 (Revised)	Eligible Hedged Items

2. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal report about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segment and to assess its performance. In contrast, its past standards (HKAS 14, Segment reporting) requires two sets of segments (business and geographical) to be identified, using a risks and rewards approach, with the entity's system of "Internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 has resulted in no change to the evaluation basis for profit or loss of segments.

The Group is principally engaged in the production and sale of power generation equipments and other services. The Group's turnover during the period is analyzed as follows:

	January to June 2009 *RMB'000*	January to June 2008 *RMB'000*
Revenue from sales of goods	**7,174,040**	5,027,948
Revenue from construction contracts	**7,756,841**	6,728,183
Revenue from other services	**35,173**	29,339
	14,966,054	11,785,470

Business segments

The Group operates in three major segments as follows:-

main thermal power equipment, main hydro power equipment, wind power generation sets and environmental protection products, nuclear power equipment, AC/DC motors, oil-fired power plants, production of pressure vessels for non-power generation industrial use and construction and maintenance services for power stations:

Principal activities are manufacture, construction and sale of the following products:

Main thermal power equipment	manufacture and sale of main thermal power equipment (including turbines and boilers)
Main hydro power equipment	manufacture and sale of main hydro power equipment
Wind power generation sets	manufacture and sale of wind power generation sets
Environmental protection products	manufacture and sale of environmental protection products
Others	manufacture and sale of nuclear power plants, AC/DC motors, production of nuclear plant facilities, conventional power facilities, large-scale coal-fired and gas-fired generation facilities and nuclear power plants and provision of other services

Following the Group's reorganisation, the business of the Group grows and the various segments integrated with each other. Sales orders from customers now cover various segments of the Group and the Group places bulk purchase orders of raw materials which will subsequently be assigned in accordance with the sales orders. Accordingly, significant part of the corresponding assets and liabilities previously allocated to individual segment are now commonly used among segments. In the opinion of directors, to give detailed segment analysis of the assets and liabilities is impracticable.

Segment information about these businesses is presented below:

For the period ended 30 June 2009

	Main thermal power equipment	Main hydro power equipment	Environmental protection Products	Wind power generation sets	Others	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from principal operations							
External sales	9,621,103	1,280,570	138,260	3,259,651	666,470	—	14,966,054
Inter-segment sales	487	—	—	—	—	(487)	—
Total revenue	9,621,590	1,280,570	138,260	3,259,651	666,470	(487)	14,966,054
Segment results	1,682,589	140,728	45,596	461,258	(37,070)	—	2,293,101
Other income							181,164
Distribution expenses							(348,456)
Administrative expenses							(1,129,661)
Other expenses							—
Equity in associates							4,621
Equity in jointly controlled entities							4,308
Finance costs							(149,391)
Profit before taxation							855,686
Income tax expense							(134,998)
Profit for the year							720,688

For the six months ended 30 June 2008

	Main thermal power equipment	Main hydro power equipment	Environmental protection products	Wind power generation sets	Others	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from principal operations							
External sales	9,042,462	1,128,311	42,700	1,397,071	174,926	—	11,785,470
Inter-segment sales	64,037	—	6,439	—	147,238	(217,714)	—
Total revenue	9,106,499	1,128,311	49,139	1,397,071	322,164	(217,714)	11,785,470
Segment results	1,494,624	124,125	(8,162)	202,527	6,686	—	1,819,800
Other income							153,326
Distribution expenses							(200,052)
Administrative Expenses							(758,160)
Other expenses							(308,044)
Equity in associates							(13,182)
Equity in jointly controlled entities							5,448
Finance costs							(123,164)
Profit before taxation							575,972
Income tax expense							(118,674)
Profit for the year							457,298

3. OTHER EXPENSES

	January to June 2009 *RMB'000*	January to June 2008 *RMB'000*
Write down of properties and plants and loss of equipment due to earthquake	**—**	308,044

4. INCOME TAX EXPENSE

	January to June 2009 *RMB'000*	January to June 2008 *RMB'000*
PRC enterprise income tax		
— Provision for the current period	**109,575**	88,948
— Current period deferred tax	**25,423**	29,726
	134,998	118,674

(a) In accordance with the Notice of Announcing the Fourth List of High-tech Enterprises to be Accredited in Sichuan for 2008 (Chuan Gao Qi Ye Ren [2008] No. 4) issued by the High-tech Enterprise Accreditation Management Team of Sichuan, the Company is accredited as high-tech enterprise and obtained the Certificate of High-tech Enterprise (Certificate No.: GR200851000482). The Company is entitled to a preferential tax rate of 15% since 2008. Pursuant to the provisions from the State Council in relation to the Development of the Western Region, the enterprise income tax rate of Dongfang Machinery, Dongfang Boiler and Dongfang Turbine is 15% until 2010.

(b) Shenzhen Controlling Company (深圳控制公司) is an enterprise situated in Shenzhen Special Economic Zone. According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guo Fa [2007] No. 39), the enterprise income tax rate of Shenzhen Controlling Company shall gradually reach 25% within five years from 1 January 2008, with enterprise income tax rates of 18%, 20%, 22%, 24% and 25% from 2008 to 2012. The enterprise income tax rate of Shenzhen Controlling Company is 20% in 2009.

(c) According to the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, the taxation preference policy on income tax rate applies to Chengdu KWH Company (a foreign-funded enterprise) was two-year tax exemption and three-year 50% reduction tax treatments, However, for those not being entitled to preferential tax treatment due to the fact that the enterprises have not made any profits, the preferential period shall commence as from 2008 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guo Fa [2007] No. 39). 2009 is the second year Chengdu KWH Company entitled to the two-year tax exemption treatment policy.

(d) The enterprise income tax rate of Dongfang Electric (India) Private Limited is 30%.

(e) The enterprise income tax rate of other subsidiaries of the Company is 25%.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	January to June 2009 *RMB'000*	January to June 2008 *RMB'000*
Amortisation of intangible assets included in administrative expenses	**5,680**	13,689
Write-off and allowance for bad and doubtful debts	**152,160**	75,627
Cost of inventories recognised as an expense	**12,672,953**	9,965,670
Amortisation of prepaid lease payments for land use rights	**8,530**	2,811
Depreciation on property, plant and equipment	**221,050**	180,584
Depreciation on investment properties	**823**	818
Loss on disposal of property, plant and equipment and construction in progress	**724**	306,548
Increase of written-off of inventories	**82,202**	40,249
Rental expenses	**3,814**	1,948
Foreign exchange losses	**15,693**	24,274
Foreign exchange gains	**(22,164)**	(20,060)
Rental income from investment properties	**657**	—
Less: direct operating expenses from investment properties that generated rental income	**(823)**	(818)
	(166)	(818)

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend. No interim dividend was declared for the same period last year.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	January to June 2009	January to June 2008
	RMB'000	*RMB'000*
Earnings		
Earnings (profit attributable to shareholders of the Company)	**715,052**	452,454
Number of shares		
Average number of shares	**882,000**	817,000

No diluted earnings per share are calculated as there is no potentially dilutive share in the relevant periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group allocated approximately RMB106,765,000 (For the six months ended 30 June 2008: RMB80,075,000) to acquire properties, plants and equipments.

9. TRADE AND OTHER RECEIVABLES

Part 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. Long standing customers or those with good repayment history are entitled to a longer credit period, say two to three years.

Regarding sales of products, one-year credit period will normally be granted to large or long-established customers with good repayment history. Revenue generated from small, new or short-term customers is normally expected to be settled 180 days after provision of services or delivery of goods.

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Trade receivables	**9,734,960**	8,891,794
Less: allowance for bad debts	**(1,152,870)**	(906,908)
	8,582,090	7,984,886
Prepayment for raw materials	**7,445,376**	6,560,402
Deposits and other receivables	**363,678**	121,346
	16,391,144	14,666,634

The above trade receivables include bills receivables aged within one year in the sum of RMB500,840,000 (December 2008: RMB143,350,000).

The following is an aged analysis of net trade receivables based on invoice date net of allowance for bad debts:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Within 1 year	**4,797,241**	4,697,262
1-2 years	**2,022,581**	2,040,215
2-3 years	**1,195,606**	853,186
More than 3 years	**566,662**	394,223
	8,582,090	7,984,886

10. TRADE PAYABLES AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Within 1 year	**10,602,234**	8,497,572
1 - 2 years	**452,888**	140,056
More than 2 years	**193,518**	83,409
	11,248,640	8,721,037
Receipt in advance	**28,522,474**	21,383,489
Accrual for 12 May Earthquake rehabilitation and resettlement cost *(Note i)*	**187,698**	280,890
Other payables and accruals	**1,035,623**	844,477
	40,994,435	31,229,893

The above trade payables include bills payables aged within one year in the sum of RMB2,469,093,000 (December 2008: RMB2,227,238,000).

Note i:

During 2008, the Group received donations amounting to RMB402,405,000 from the general public and the government for the 12 May Earthquake. The Group has formed an ad hoc committee to manage the donations. The committee decided that the donations should only be used for resumption of production and resettlement of the affected employees of the Group. A balance of approximately RMB187,698,000 remains on the bank accounts of the Group designated for donations at the end of the period.

Differences in requirements as applicable to the Group between HKFRSs and the PRC Accounting Standards

Unit: RMB'000

	Net profit		**Net assets**	
	For the period	**For the previous period**	**Opening balance**	**Closing balance**
Under the PRC accounting standards	687,003	442,955	2,244,664	2,914,969
Items and total amount adjusted under HKFRS:				
Appreciation of the appraisal of Dongfang Turbine, coupled with the effect of government subsidies and deferred income tax	28,049	9,499	-165,039	-136,989
Under HKFRS	715,052	452,454	2,079,625	2,777,980

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2009, despite onerous post-earthquake reconstruction tasks and harsh market conditions, the Company managed to overcome the fallout of the global financial crisis, endeavoured to achieve 2009 production goal, implemented the concept of scientific development and fostered the spirit of Dongfang Turbine, adhered to the market-centered approach, we strived to improve product quality and enhanced internal management. The Company maintained development sustainability, laid a solid foundation for the accomplishment of the annual target.

Sales revenue and profit continued to grow

During the first half of 2009, the Company recorded a turnover of RMB14.966 billion (2008H1: RMB11.785 billion), increasing by 26.99% over the same period last year. During the first half of 2009, profit attributable to shareholders of the Company was RMB715 million (2008H1: RMB452 million), increasing by 58.19% over the same period last year. Basic earnings per share was RMB0.81 (2008H1: RMB0.55), up 47.27% over the same period last year.

Production fulfilled ahead of schedule

During the reporting period, capacity of power generation equipment produced amounts to 13,979.5MW, including 14 hydro-electric turbine generator sets (2,320.5MW), 23 steam turbine generators (10,750MW), 606 wind power generation sets (909MW), 32 power station boilers (11,925MW) and 38 power station steam turbines (14,945MW). In all product lines the Company achieved over 50% of the annual plan. Output of power station steam turbine and wind power products have grown by over 130% over the same period last year.

Kept growth in the number of orders and increased proportion of new energy

In the first half of 2009, the Company's new orders kept admirable growth momentum. The Company's new orders amounted to RMB34 billion, 31% of which attributed to thermal power generation, 30% attributed to nuclear power, 31% attributed to wind power and 8% from hydro power. Among new orders, orders of nuclear power and wind power increased rapidly. As such, the number of orders of thermal power, nuclear power and wind power of the Company were virtually the same. As new energy represented a greater proportion, our order portfolio has been improved. By the end of the first half of 2009, the Company had orders in hand of more than RMB130 billion, including thermal power generation (51%), hydro power (10%), wind power (12%) and nuclear power (27%), and export accounted for 10% of all orders in hand.

In South America market, the Company won the contract for Brazil Jerry Hydro Power Station to supply 18 x 75MW Nagler-type hydro-electric turbine generator sets with a total contract value of US$410 million, which is the largest project for exported complete hydro-power generation equipment in China so far. The Company owns the exclusive intellectual property rights for the Nagler-type hydro power generation units which have by far the largest single unit capacity in the world.

In Middle East market, the joint venture of the Company and Shandong No. 3 Electric and Construction Company entered into the EPC turnkey contract with the project company established by ACWA from Saudi Arabia and KEPCO from Korea for Rabigh 2 x 660MW power plant to provide three major units and some auxiliary units. The execution of the contract marks the entry of China's large-scale and complete power generation units into Saudi Arabia market. It removed barriers to entry into markets of the Middle East and various countries and regions and created conditions for DEC and China's products to enter these regions and is a momentous transaction.

Remarkable technology progress

On hydro power, we carried out stator connect modification of VGS3# unit in the Three-Gorges left bank plant. The vibration and noise produced by operation have been significantly reduced. Customers were satisfied with the obvious improvement in 100Hz electromagnetic vibration. We conducted research on a number of critical technologies in tidal power generation units, including hydro turbine main axis sealing, metal surface anti-corrosion and marine organism proof and unit stability research.

On thermal power, we commenced the development of 60Hz series steam turbine units, finished the technological development of 1,000MW ultra-super-critical double-framed steam power generators and the general design and technology design of 600MW super-critical CFB boiler.

On nuclear power, we produced and delivered the first batch of 6 domestic 1,000MW nuclear island evaporators, produced the first 1,000MW reactor pressure vessel in the PRC, and 2 sets of moisture separator reheaters (MSR) in the conventional island equipment of 1,000MW nuclear power plant have been produced and delivered to construction site of property owners. On conventional island, we commenced the preliminary work to develop the third generation nuclear steam turbine generator, and started the critical technology research on intelligent robot for large-scale power generation equipment production and maintenance.

On wind power, we are developing 1MW wind turbine independently and 2.5MW units through cooperation. We developed our own 2.5MW and 1.5MW doubly-fed wind generator. The 2.5MW generator has finished prototype examination, and the 1.5MW one will finish the examination soon.

On gas turbine, the rotor localization was successful. The first rotor made in China has been delivered. As such, gas turbine localization rate has reached 90%.

On environment protection and energy saving, we completed the overall denitration solution for power plant boiler and independently developed the sea water gas desulphurization solution for 600MW boiler.

Rapid progress in post-earthquake reconstruction

With the concerted efforts of our staff and constructors since Dongfang Turbine started its new base construction on 1 August last year, the first plant in the new base was completed in February this year and the first equipment started operation on 12 May. Presently, about half of equipment in board plants has been installed and put into operation, while plants for assembly, major component processing, small component processing, and facilities such as production service building and test centre have been completed, and equipment has been installed and debugged. Construction of Dongqi Avenue and sub-roads in the factory site were basically completed and opened to traffic. Main works of the office complex and the casting plant were progressing smoothly. Equipment and supplies relocation of all production units have been initiated. The construction of the new base of Dongfang Turbine is a post-earthquake reconstruction miracle.

Key construction projects are progressing smoothly

The nuclear welding rotor and assembly plant of Dongfang Turbine has been completed and started operation, where equipment installation and trial run are progressing as planned. Dongfang Heavy Machinery's nuclear upgrade project has been completed and delivered. The MW nuclear port project phase III is progressing smoothly. DEC Tianjin wind power assembly project, Hangzhou direct-drive wind-power and tidal power equipment production base and wind power generator capacity expansion project are progressing successfully and are expected to start production in the year. DEC (Wuhan) Nuclear Equipment Company Limited has officially started construction of its expansion project. Preliminary tasks such as planning design and submission for approval of our office base in Calcutta, India have been completed.

II. Problems and Obstacles in Operation

Since the financial turmoil last year, the overall demand for power generation equipment in China has fallen off and market competition has become more intense, all bringing adversity and challenge to our market exploration, capacity configuration and raw materials arrangements. We expect the fallout of the global financial crisis will continue. However, as power generation equipment market is developing toward environmental protection, high efficiency and renewable energy, new energy like nuclear power and wind power have strong demand, especially in the global market. Such opportunity is precious to our sustainable development.

III. Outlook for the second half of the year

(1) Actively expand market

In domestic market, we will take initiative to ensure growth in thermal power market and seek more breakthroughs in nuclear market. We strive to take greater market share of wind power, hydro power and environment protection products. In overseas market, we will consolidate traditional market, while actively explore new market to minimize risks of investment in a single market and enhance international presence and competitiveness of the Group. To respond to the government's call of energy saving and emission reduction, we expect to expand business in energy saving and emission reduction and service market, especially old unit renovation market, and make them new growth points of the Company.

(2) Accelerate reconstruction of Dongfang Turbine

We will continue to proceed with the reconstruction design for the relocation, and carefully conduct the construction, relocation and production at the same time, so as to ensure safety relocation and prioritize the achievement of production target to meet customer delivery requirements.

(3) Schedule the production in a rational manner

We will enhance risk awareness and customer on-site investigation. We will in accordance with project approval progress, capital status and field work progress, actively communicate with our customers, endeavour to align emission and production and adjust arrangement of production in a timely manner with reference to market conditions to ensure punctual delivery.

FINANCIAL ANALYSIS

I. Financial status

As at 30 June 2009, the current assets of the Company amounted to RMB58,277,930,000 (31 December 2008: RMB51,593,138,000), increasing by 12.96%; and the non-current assets amounted to RMB6,304,592,000 (31 December 2008: RMB5,170,170,000), increasing by 21.94%. Items with noticeable changes comparing with the beginning of the year are as follows: 1. Inventories amounted to RMB22,073,270,000 (31 December 2008: RMB19,870,692,000), up 11.08% from the beginning of the year, which is mainly due to increased inventories of raw materials and semi-finished products, to cater for the Company's expanding capacity and the longer production cycle of nuclear power and 100MW thermal power products; 2. Construction in progress amounted to RMB2,412,218,000 (31 December 2008: RMB1,216,698,000), increasing by 98.26% over the beginning of the year, mainly due to large-scale investment for construction in progress (new investment for the period: RMB1,115,220,000), as comes the critical period for the Company's post-earthquake reconstruction;

As at 30 June 2009, the Company had total liabilities of RMB61,591,122,000 (2008: RMB54,494,755,000), increasing by 13.02%. While the Company's increasing procurement of production resources resulted in more accounts payable to suppliers, the orders that piled up led to increasing prepayment received from customers;

During the reporting period, profit attributable to shareholders of the Company increased by 58.04% over the same period last year, mainly due to: 1) the Company's operating revenue of this period increased by 26.99% over the same period last year, of which operating revenue from wind power products increased by 133.32% over the same period last year; and 2) the "5.12 Earthquake" caused loss of RMB308,044,000 for the same period last year.

As for comprehensive gross profit margin, the 15.32% gross profit margin of principal business for this period held the line with the same period last year. By products, thermal power posted a gross profit margin of 17.49% for the period, slightly up 0.96 percentage points from the same period last year; gross profit margin for wind power for the period was 14.15%, slightly lower than the same period last year, yet with a significant growth in revenue; gross profit margin for hydro power was 10.99%, basically on a par with the same period last year.

II. Cash Flows

As at 30 June 2009, the cash and cash equivalents of the Company was RMB12,441,049,000, a net increase by RMB1,129,151,000 from the beginning of the year, which was primarily attributable to the Company's active and effective policy of collection of payment for goods and government support for post-earthquake reconstruction and technology innovation. The Company's net cash inflow from operating activities for the reporting period was RMB3,012,222,000.

III. Capital source and borrowings

The Company's business operation and development are financed mainly by capital contribution of shareholders, sales revenue and bank borrowings. As at 30 June 2009, the Company held bank loan of RMB125,703,000 due within one year, and RMB232,320,000 due more than one year. During the reporting period, the Company received loan of RMB200 million from China Development Bank for post-disaster reconstruction. The Company maintains sound financing capacity with healthy credit status and future sustainable profitability.

IV. Gearing Ratio

As at 30 June 2009, gearing ratio of the Company was 95.37%, basically unchanged from 96.00% as at the beginning of the year. As at 30 June 2009, capital leverage (non-current liabilities to shareholders' equity) of the Company was 1.52:1.

V. Pledge of Assets

As at 30 June 2009, the Company had RMB15,000,000 of bank mortgage loan due within one year as secured borrowings, which was mainly derived from the loan granted by Bank of China Limited, Chengdu West Development Zone Branch to the Company's subsidiary Chengdu KWH in November 2008, which was secured by certain buildings and land use rights, remained outstanding.

VI. Risk in Exchange Rate Fluctuation and any related Hedging

Given the complicated and volatile international financial situation and the actual operation of its own, according to exchange rate fluctuations, the Company is proactively studying how to use financial derivatives to hedge the risks in exchange rate and interest rate, so as to avoid further loss and increase income of the Company.

VII. During the reporting period, the Company had no contingent liabilities.

INVESTMENT OF THE COMPANY

1. Overall utilisation of raised proceeds

Unit: RMB0'000

Year of proceeds	Method	Total amount	Total amount used in the reporting period	Total amount used accumulatively	Total amount of remaining proceeds	Use and purpose for remaining proceeds
2008	Issue of new shares	129,734.60	35,978.97	35,978.97	93,755.63	The remaining proceeds are deposited in special account for the projects funded by proceeds.

2. *Projects under Capital Commitment*

Unit: RMB0'000

Projects under capital commitment	Changed or not	Proposed amount of investment	Actual amount of investment	Progress planned as or not	Progress
East China (New Energy) Manufacture Base Construction Project of Dongfang Electric	No	40,936.30	30,000	Yes	37.83%
North China Manufacture Base Construction Project of Dongfang Electric	No	18,623.70	4,888.52	Yes	32.94%
Technical Renovation Project of 1,000MW Conventional Island for Nuclear Power Station of Dongfang Electric	No	38,643.90	370.91	Yes	32.63%
Production Base Construction Project for Core Components of Large-scale Clean High-efficiency Power Generating Equipment of Dongfang Electric	No	31,530.70	719.54	Yes	8.83%

3. Projects unrelated to Raised Proceeds

Unit: RMB0'000

Name of project	**Project investment**	**Progress**
Medium Power Equipment Project	48,180	An aggregated amount of RMB151,300,000 had been invested by June.
Post-disaster relocation and reconstruction project of Dongfang Turbine	509,720	An aggregated amount of RMB1,554,690,000 had been invested by June.
DEC (Wuhan) Nuclear Equipment Company Limited expansion project	44,165	An aggregated amount of RMB6,870,000 had been invested by June.
Total	602,065	/

PURCHASE, SALES OR REDEMPTION OF SHARES

As at the end of the reporting period, none of the Company, its subsidiaries and jointly controlled entity purchased or sold any of the Company's shares.

EXTERNAL GUARANTEE AND PERFORMANCE

As at the end of the reporting period, the Company was not involved in any external guarantee and performance of any guarantee.

MATERIAL LITIGATION AND ARBITRATION

As at the end of the reporting period, the Company was not involved in any material litigation and arbitration.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the reporting period, the directors were not aware of any information which can reasonably indicate that the Company was not in compliance with the requirements of the Code on Corporate Governance Practices under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") at all times during the reporting period.

COMPLIANCE WITH THE MODEL CODE

During the reporting period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exact than the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors of the Company, all directors confirmed they had complied with the requirements under the Model Code.

AUDIT COMMITTEE

The Board of the Company had set up an Audit Committee in accordance with the requirements of Rule 3.21 of the Listing Rules. The Audit Committee has reviewed the financial report and the interim results report of the Company for the six months ended 30 June 2009.

By Order of the Board
Si Zefu
Chairman

Chengdu, Sichuan, the PRC, 27 August 2009

As at the date of this announcement, the Board of the Company is comprised of:

Executive Directors:	Si Zefu, Wen Shugang and Zhu Yuanchao
Non-executive Directors:	Zhang Xiaolun, Huang Wei and Zhang Jilie
Independent Non-executive Directors:	Chen Xiaoyue, Zhao Chunjun and Li Yanmeng

In obedience to requirements of Rule 37 to 44 under Appendix 16 to the Listing Rules, the 2009 Interim Report will be published in due course on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk).