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 2010 INTERIM RESULTS (PRELIMINARY)

SUMMARY OF RESULTS

- Turnover in the first half of 2010 amounted to RMB16,613 million, representing an increase of 8.47% compared with the same period last year;
- Profit attributable to shareholders in the first half of 2010 amounted to RMB1,024 million, representing an increase of 52.49% compared with the same period last year;
- Basic earnings per share in the first half of 2010 amounted to RMB0.51, representing an increase of 54.55% compared with the same period last year;
- New orders in the first half of 2010 amounted to RMB21,250 million.

The Board (the "Board") of Directors (the "Directors") of Dongfang Electric Corporation Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 (the "Period") prepared under the accounting standards generally accepted in Hong Kong. The following are the interim financial information reviewed by the Audit Committee of the Company together with 2009 comparative figures:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
			(restated)
		(unaudited)	(unaudited)
Turnover	5	**16,613,436**	15,315,259
Cost of sales		**(13,892,340)**	(13,029,795)
Gross profit		**2,721,096**	2,285,464
Other income		**268,160**	181,164
Distribution expenses		**(337,328)**	(349,518)
Administrative expenses		**(1,434,423)**	(1,181,045)
Share of profit of associates		**1,085**	18,907
Share of profit of jointly controlled entities		**10,684**	4,308
Finance costs		**(50,374)**	(173,016)
Profit before taxation		**1,178,900**	786,264
Income tax expenses	6	**(117,901)**	(134,998)
Profit for the Period	7	**1,060,999**	651,266
Exchange differences arising on translation of foreign operations and other comprehensive (expenses) income for the year		**(354)**	942
Total comprehensive income for the Period		**1,060,645**	652,208

	Notes		
Profit/(loss) for the Period attributable to:			
Owners of the Company		**1,024,355**	670,597
Non-controlling interests		**36,644**	(19,331)
		1,060,999	651,266
Total comprehensive income/(loss) for the Period attributable to:			
Owners of the Company		**1,024,001**	671,539
Non-controlling interests		**36,644**	(19,331)
		1,060,645	652,208
Dividend	8	**—**	—
Earnings per share — basic and diluted	9	**RMB0.51**	RMB0.33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	30 June 2010	31 December 2009
		RMB'000	*RMB'000*
			(restated)
		(unaudited)	(unaudited)
Non-current assets			
Property, plant and equipment		**6,771,850**	6,122,193
Construction in progress		**2,788,560**	2,528,681
Prepaid lease payments		**809,214**	793,405
Investment properties		**25,616**	26,369
Intangible assets		**139,354**	130,818
Interests in associates		**88,338**	87,252
Interests in jointly controlled entities		**123,472**	120,040
Available-for-sale investments		**30,400**	30,400
Deferred tax assets		**677,829**	637,234
		11,454,633	10,476,392
Current assets			
Inventories		**29,670,221**	27,030,730
Amounts due from associates		**—**	46,867
Amounts due from related parties		**1,296,971**	1,608,559
Trade and other receivables	10	**20,834,824**	17,582,566
Prepaid lease payments		**8,238**	7,874
Other tax assets		**889,407**	1,278,526
Amounts due from customers for contract works		**1,490,882**	1,575,806
Derivative financial instruments		**19,346**	4,177
Restricted bank balances		**84,467**	150,456
Pledged bank deposits		**82,205**	99,288
Cash and deposits in banks and a financial institution		**12,709,799**	14,708,242
		67,086,360	64,093,091

Current liabilities			
Amounts due to customers for contract works		**4,375,714**	7,877,881
Amounts due to associates		**11,811**	—
Amounts due to related parties		**3,274,211**	5,379,744
Trade and other payables	11	**55,366,289**	47,155,161
Derivative financial instruments		**2,165**	2,910
Enterprise income tax liabilities		**173,606**	127,501
Other tax liabilities		**48,251**	435,552
Borrowings		**1,898,553**	592,306
Provision		**784,953**	591,694
Deferred income		**52,776**	195,683
Termination benefit		**4,480**	4,353
		65,992,809	62,362,785
Net current assets		**1,093,551**	1,730,306
Total assets less current liabilities		**12,548,184**	12,206,698
Non-current liabilities			
Deferred income		**882,718**	763,228
Borrowings		**602,808**	760,000
Long term liabilities		**685**	685
Termination benefit		**71,834**	81,012
Amounts due to related parties		**1,059,263**	1,587,908
Deferred tax liabilities		**—**	190
		2,617,308	3,193,023
Net assets		**9,930,876**	9,013,675

Capital and reserves		
Share capital	**1,001,930**	1,001,930
Reserves	**8,455,622**	7,633,965
Equity attributable to:		
Owners of the Company	**9,457,552**	8,635,895
Non-controlling interests	**473,324**	377,780
Total Equity	**9,930,876**	9,013,675

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL

The Company was established on 28 December 1993 in Deyang, Sichuan, the People's Republic of China ("PRC") as a joint stock limited company. With effect from the same date, the Company assumed the business of manufacture and selling power equipment, electric motors and their respective auxiliary parts together with the relevant assets and liabilities from Dongfang Electrical Machinery Works ("DFEW"). 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 ("Stock Exchange") since 6 June 1994. On 4 July 1995, with the approval of the relevant authorities including China Securities Regulatory Commission, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (the "A Shares") in the PRC. The A Shares have been listed on the Shanghai Stock Exchange since 10 October 1995. 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) (《關於東方電機股份有限公司國有股權劃轉有關問題的批覆》國資產權[2005]1604號)) to approve the transfer of 220,000,000 non-circulating State-owned domestic shares, representing DFEW's then 48.89% of the share capital of the Company, from DFEW (the former largest shareholder of the Company) to Dongfang Electric Corporation Limited ("**Dongfang Electric Corporation**"), a stated-owned enterprise established in the PRC which is directly supervised by SASAC, and Dongfang Electric Corporation accordingly became the largest shareholder of the Company.

The Board considers that its immediate parent and ultimate parent is DEC which is a state-owned enterprise established in the PRC. The address of the registered office of the Company is 18 Xixin Road, High-Tech District (Western District), Chengdu, Sichuan Province.

The Group is principally engaged in the business of manufacture and sale of main thermal power equipment, main hydro power equipment and AC/DC motors which are used in large-scale coal-fired, gas-fired, and nuclear power plants and wind power generation sets, as well as provision of engineering and repairing services. The Group also has the capacity to manufacture nuclear island equipment (mainly reactor pressure vessels and steam generators) and convention island equipment (mainly moisture separator re-heaters).

In March 2010, Dongfang Turbine Company Limited (東方電氣集團東方汽輪機有限公司) ("Dongfang Turbine"), a subsidiary of the Company, acquired 55.63% equity interests in Tianjin Dongqi Wind Turbine Blade Engineering Company Limited (天津東汽風電葉片工程有限公司) ("Tianjin Blade") through contributing RMB110,000,000 to Tianjin Blade, and thus obtained the control over Tianjin Blade ("2010 Group Reorganization").

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

Since the Board considers that the Company and Tianjin Blade are under the common control of Dongfang Electric Corporation, the 2010 Group Reorganisation have been accounted for as combination of businesses under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting under Common Control Combination" issued by HKICPA.

2010 Group Reorganisation

The consolidated statement of comprehensive income and the consolidated statement of cash flows in this condensed consolidated interim financial information have been prepared as if the Group's structure after the 2010 Group Reorganisation had been in existence since 1 January 2009. Tianjin Blade has been under the Company's control since April 2007. In addition, the Group's consolidated statement of financial position since 2009 has been restated accordingly. The assets and liabilities of the companies now comprising the Group are as if the current Group structure after the 2010 Group Reorganisation had been in existence since 1 January 2009 and in accordance with the respective equity interests of each of these companies.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5, as for Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemption for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-Settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

The application HKFRS 3 (Revised) had no effect on the condensed consolidated interim financial information of the Group for the current accounting period.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of other new and revised HKFRSs had no effect on the condensed consolidated interim results and financial information of the Group for the current or prior accounting periods.

The Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of Minimum Funding Requirement[4]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2010, as appropriate.

2 Effective for annual periods beginning on or after 1 February 2010.

3 Effective for annual periods beginning on or after 1 July 2010.

4 Effective for annual periods beginning on or after 1 January 2011.

5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Board anticipates that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial position of the Group.

4. SUMMARY OF EFFECT FOR COMMON CONTROL COMBINATION

The effect of adoption of common control combination on the equity of the Group as at 31 December 2009 are summarized as below:

	As at 31 December 2009 (reported before adjustment) *RMB'000*	**Adjustment** *RMB'000*	**As at 31 December 2009** (restated) *RMB'000*
Retained earnings (accumulated profit or loss)	2,958,470	(69,831)	2,888,639
Non-controlling interests	360,598	17,182	377,780
	3,319,068	(52,649)	3,266,419

The effect of adoption of common control combination for six months ended 30 June 2009 by line items are as follows:

	Six months ended 30 June 2009
	RMB'000
Turnover	349,205
Cost of sales	(356,842)
Distribution expenses	(1,062)
Administrative expenses	(51,384)
Share of profit of associates	14,286
Finance costs	(23,625)
Decrease in profit for the Period	(69,422)
Attributable to:	
Owners of the Company	(44,455)
Non-controlling interests	(24,967)
	(69,422)

The effects of the adoption of common control combination on the Group's basic and diluted loss per share for six months ended 30 June 2009:

	Six months ended 30 June 2009
	RMB
Earnings per share	
Reported figures before adjustments	0.35
Adjustments arising on common control combination	(0.02)
Restated	0.33

5. TURNOVER AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Amended)
Revenue from sales of goods	**9,170,007**	7,523,245
Revenue from construction contracts	**7,388,627**	7,756,841
Revenue from other services	**54,802**	35,173
	16,613,436	15,315,259

Business segments

The Group operates in five major segments as follows:-

Main thermal power equipment, main hydro power equipment, wind power generation sets, main nuclear power equipment and other services:

The Group's 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
Nuclear power generation sets	manufacture and sale of nuclear power generation sets
Wind power generation sets	manufacture and sale of wind power generation sets
Others	manufacture and sale of environmental protection products, AC/DC motors and related power generation facilities and other services

The Group's business segment information is as follows:

Segment information about each business is presented below:

For the six months ended 30 June 2010

	Main thermal power equipment	Main hydro power equipment	Nuclear power generation sets	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 revenue	10,302,116	1,178,613	1,461,468	3,426,112	245,127	—	16,613,436
Inter-segment revenue	—	—	—	—	—	—	—
Total revenue	10,302,116	1,178,613	1,461,468	3,426,112	245,127	—	16,613,436
Segment results	1,662,191	121,781	256,743	635,941	44,440	—	2,721,096
Other income							268,160
Distribution expenses							(337,328)
Administrative expenses							(1,434,423)
Share of profit of associates							1,085
Share of profit of jointly controlled entities							10,684
Finance costs							(50,374)
Profit before taxation							1,178,900

Each inter-segment revenue is charged at cost prevailing market rate.

For the six months ended 30 June 2009

	Main thermal power equipment	Main hydro power equipment	Nuclear power generation sets	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 revenue	9,995,530	1,280,570	539,487	3,252,891	246,781	—	15,315,259
Inter-segment revenue	487	—	—	—	—	(487)	—
Total revenue	9,996,017	1,280,570	539,487	3,252,891	246,781	(487)	15,315,259
Segment results	1,703,684	140,728	-87,217	487,193	41,076	—	2,285,464
Other income							181,164
Distribution expenses							(349,518)
Administrative expenses							(1,181,045)
Share of profit of associates							18,907
Share of profit of jointly controlled entities							4,308
Finance costs							(173,016)
Profit before taxation							786,264

Each segment revenue is charged at cost prevailing market rate.

6. INCOME TAX EXPENSE

	For six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
PRC enterprise income tax		
— Current period	**158,686**	109,575
Deferred tax	**(40,785)**	25,423
	117,901	134,998

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

(b) Applicable income tax rate of 15% represents the relevant income tax rate for the Company, 東方電氣集團東方電機有限公司 ("Dongfang Machinery"), Dongfang Boiler (Group) Co. Limited ("Dongfang Boiler"), and Dongfang Turbine, which are the major entities of the Group.

Pursuant to the provisions from the State Council in 2007 in relation to the Development of the Western Region, the enterprise income tax rate for the Company, Dongfang Electrical Machinery (東方電機), Dongfang Boiler, Dongfang Turbine and Chengdu Dongfang KWH Catalysts Co., Ltd. is 15% until 2010.

The enterprise income tax rate of Shenzhen Dongfang Boiler Control Co., Ltd. is 15% as it has been assessed as "High-New Technology Enterprise" under the Enterprise Income Tax Law for the successive three years from 2009.

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and implementation Regulation of the EIT Law, the tax rate of other PRC Subsidiaries is 25% from 2008 onwards.

The relevant tax rates of the Group's other subsidiaries in the PRC is 25%.

(c) Tax benefits represents an incentive scheme, in addition to the research and development cost which is deductible for tax purpose, further tax benefit was granted in respect of the research and development costs incurred.

(d) Pursuant to No. 131 [2009] issued by the Tax Bureau of Deyang, Dongfang Machinery are exempted from enterprise income tax until the year ended 31 December 2010 as Dongfang Machinery is located in the area of 12 May Earthquake.

Pursuant to Notice concerning Issues about Taxation policy in Support of the Restoration and Reconstruction in Wenchuan after Earthquake Disaster (《關於支援汶川地震災後恢復重建有關稅收政策問題的通知》), Dongfang Turbine are exempted from enterprise income tax for the 3 years ended 31 December 2010 as Dongfang Turbine is located in the area of 12 May Earthquake.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Amortisation of intangible assets included in administrative expenses	**6,825**	6,087
Allowance for bad and doubtful debts (Net of reversal of doubtful debts)	**258,308**	152,160
Cost of inventories recognised as an expense	**13,892,340**	13,029,795
Amortisation of prepaid lease payments	**8,265**	9,111
Depreciation on property, plant and equipment	**364,878**	265,256
Depreciation on investment properties	**752**	823
Loss on disposal of property, plant and equipment (included in cost of sales)	**736**	724
Impairment loss on inventories (included in cost of sales)	**98,941**	82,202

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend. No interim dividend was declared for the same period of 2009.

9. EARNINGS PER SHARE

On 18 June 2010, the Board was pleased to approve the bonus issue to holders of A Shares and H Shares of the Company on the basis of 10 capitalization H Shares for every 10 existing H Shares and 10 capitalization A Shares for every 10 existing A Shares at the record date. The basis earnings per share for six months ended 30 June of 2010 and for the six months ended 30 June of 2009 have been calculated after making adjustment to the number of ordinary shares in issue as if the capital reserve of the Company had been converted into the Company's new ordinary shares since 1 January 2009.

During the Period, the calculation of the basic and diluted earnings per share is based on profit attributable to shareholders of the Group of approximately RMB1,024,355,000 (six months ended 30 June 2009: approximately RMB670,597,000) and the weighted average 2,003,860,000 shares in issue (six months ended 30 June 2009: 2,003,860,000 shares).

For the six months ended 30 June 2010, the Company has no potentially dilutive shares (for the six months ended 30 June 2009: Nil), therefore, diluted loss per share is the same as basic loss per share.

10. TRADE AND OTHER RECEIVABLES

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. For large or long-establizhed customers with good repayment history are usually offered a longer credit period of, say two to three years.

For sales of products, 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 within 180 days after provision of services or delivery of goods.

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Trade receivables	**13,635,775**	11,414,751
Less: allowance for doubtful debts	**(1,820,105)**	(1,482,070)
	11,815,670	9,932,681
Prepayment for raw materials	**8,521,838**	7,195,997
Deposits and other receivables	**497,316**	453,888
	20,834,824	17,582,566

Included in the trade receivables is bills receivables amounted to approximately RMB1,414,661,000 (31 December 2009: RMB986,983,000) aged within one year.

The following is an aged analysis of trade receivables based on invoice date net of impairment losses at the end of reporting period:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Within 1 year	**7,142,235**	5,914,447
1-2 years	**2,487,146**	2,263,598
2-3 years	**1,379,631**	1,088,549
More than 3 years	**806,658**	666,087
	11,815,670	9,932,681

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of reporting period:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Within 1 year	**11,525,595**	11,408,535
1-2 years	**28,931**	749,311
More than 2 years	**14,578**	133,209
	11,569,104	12,291,055
Receipt in advance	**42,862,836**	33,416,141
Accrual for 12 May Earthquake rehabilitation and resettlement cost	**84,467**	150,456
Other payables and accruals	**849,882**	1,297,509
	55,366,289	47,155,161

The average credit period for payment of purchases of goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Included in the trade payables is bills payables amounting to RMB2,414,843,000 (31 December 2009: RMB3,156,693,000) aged with in one year.

DIFFERENCES IN REQUIREMENTS AS APPLICABLE TO THE GROUP BETWEEN HKFRSS AND THE PRC ACCOUNTING STANDARDS

(a) Differences between net profit and net assets in the financial report prepared in accordance with HKAS and PRC Accounting Standards

Unit: RMB0'000

	Net profit		Net assets	
	For the Period	For the previous period	**Closing balance**	Opening balance
Prepared in accordance with PRC accounting standards	**100,243.20**	66,756.62	**946,019.14**	866,045.88
Items and total amount adjusted in accordance with HKAS:				
Difference adjustment	**2,192.30**	303.08	**-264.14**	-2,456.48
Prepared in accordance with HKAS	**102,435.50**	67,059.70	**945,755.00**	863,589.40

(b) Explanation of the differences between HKAS and the PRC Accounting Standards

The difference adjustment is the appreciation in Dongfang Turbine's Assets valuation, coupled with the effect of government subsidies and deferred income tax.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the Period, the Group managed to overcome the challenges of the harsh macroeconomic and market conditions, and endeavored to improve product quality by focusing on 2010 production goal and adhering to the market-centered approach. The Company achieved good operating performance and laid a solid foundation towards accomplishing the annual target of 2010.

Sales revenue and profit continued to grow

During the Period, calculated in accordance with Hong Kong accounting standard, the Group recorded a total operating revenue of RMB16,613 million, representing an increase of 8.47% over the same period last year; net profit of RMB1,024 million, representing an increase of 52.49% over the same period last year; earnings per share of RMB0.51, representing an increase of 54.55% over the same period last year.

Production tasks successfully accomplished

During the Period, the capacity of power generation equipment of the Group was up to 16,794MW, including 10 hydro-electric turbine generator sets (2,498MW), 23 steam turbine generators (13,170MW), 750 wind power generation sets (1,126MW), 26 power station boilers (10,550MW) and 34 power station steam turbines (15,613.5MW).

Remarkable achievements of market expansion

During the Period, new orders of the Group amounted to RMB21.25 billion, 41.6% of which was attributable to thermal power generation, 16.3% attributable to nuclear power, 27.0% attributable to wind power, 4.3% attributable to hydro power and 10.8% attributable to others. Among the new orders, export accounted for 6.6%. Among the new orders, the proportion of orders for wind power such new energy further increased, providing strong support for the Group's adjustment in terms of industrial structure.

Sound and effective advancement of the research and development of new products

The Group has achieved large-scale research and localization of key parts of super-critical thermal generating units, and continuously improved the thermal efficiency and economic efficiency. Among which, the 300MW CFB boiler demonstration project and localization project developed by Dong Fang Boiler were awarded the third prize for scientific and technological progress for the year of 2009 by the National Energy Administration. The Group completed the first processing and production of nuclear power rotor, marking a significant breakthrough in welding rotor technology. The Group completed the final assembly of 2MW wind-power generating units with completely independent intellectual rights, jointly developed 2.5 MW wind-power generating units, completed the installation and testing of direct-drive wind-power generating units in wind farm and has already obtained the first orders.

Completion of post-disaster reconstruction of DEC

For the second anniversary of "5.12" Wenchuan earthquake, the new base of Dongfang Turbine in Deyang was put into operation on 10 May 2010. Since the commencement of construction of the Deyang base on 1 August 2008, it only took one year and nine months to complete building the world-class new DEC.

Smooth progress of major construction projects

The plant of Dongfang Electric wind power (new energy) manufacturing base in East China has been put into production. Complex building, three combinations of plant and four combinations of plant in new construction projects of Dongfang Boiler base of Deyang have undergone installation. Two combinations of plant in Dongfang Guangzhou Heavy Machinery Co., Ltd. (東方電氣(廣州)重型機器有限公司) ("DFHM") Phase III construction project have been put into full operation. This will greatly improve the production capacity and efficiency of the Group, and relieve the bottleneck problems of production, thus providing strong support for maintaining a good production and operation trend for the Group.

Dividend distribution and capitalisation issue of shares successfully accomplished

With the approval of the Board and of the general meeting of the company, the Company implemented the plan of 2009 dividend distribution and capitalisation issue of shares. The Company brought returns to the investors by initiative distribution and enlarged the scale of share capital, playing an active role in the Company's future operation in the capital market.

II. PROBLEMS AND OBSTACLES IN OPERATION

Since the beginning of this year, China has speed up the pace of structural adjustment to product mix in the domestic power generating equipment market. The demand for thermal power decreased continuously, the price of wind power continuously declined and the competition in the power generating equipment market increasingly intensified. Thus, great challenges were brought to the Group's market development, capacity configuration, technology preparation and production arrangement. Meanwhile, the pressure of an expected inflation and an appreciation of the RMB added more difficulties for the Group to develop international markets.

III. OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of 2010, the Group will aggressively develop domestic and overseas markets with focus on consolidating traditional markets and gearing up the development of emerging markets, while adhering to the guideline of "developing markets through structural adjustment, enhancing capacity through technological renovation, building brand by way of quality improvement, controlling risk by way of strengthened management, and attaining healthy growth in scientific manner", so as to grasp the development opportunities emerging from low-carbon economy. The Group will place more resources in new energy sector, take full advantage of the development opportunities for its core operations including nuclear power equipments, wind power equipments and efficient and clean thermal power equipments. Moreover, the Group will accelerate the pace of independent renovation and new product development and optimise its product mix to increase its core competitiveness and risk resistance capability in a steady course, with a view to receiving another round of development.

FINANCIAL ANALYSIS

I. Financial Status

As at 30 June 2010, the current assets of the Group amounted to RMB67,086,360,000 (31 December 2009: RMB64,093,091,000). Items with relatively significant changes compared with the beginning of the Period and the reasons are listed as follows: 1. Cash, deposits in bank and financial institution amounted to RMB12,709,799,000 (31 December 2009: RMB14,708,242,000), representing an decrease of 13.59% over the beginning of the Period, which is mainly due to 1) the further increased purchase expenditure, and 2) the payment of the Group for the funds of equity acquisition. 2. Inventories amounted to RMB29,670,221,000 (31 December 2009: RMB27,030,730,000), representing an increase of 9.76% over the beginning of the Period, which mainly due to 1) the increased parts and components purchased for expanded production of new energy products, especially wind power products of the Group, and 2) increase in work in progress as a result of more long-cycle projects like nuclear products and 100MW thermal power projects. 3. Construction in progress amounted to RMB2,788,560,000 (31 December 2009: RMB2,528,681,000), representing an increase of 10.28% over the beginning of the Period, mainly due to 1) the increase of project settlements during the Group's post-disaster reconstruction, and 2) the ongoing investment in the Group's new energy base construction projects and further increase in project expenditure.

As at 30 June 2010, the total liabilities of the Group amounted to RMB68,610,117,000 (31 December 2009: RMB65,555,808,000). Items with relatively significant changes compared with the beginning of the Period and the reasons are listed as follows: 1. Prepayment received from customers for the construction contracts amounted to RMB4,375,714,000 (31 December 2009: RMB7,877,881,000), representing an decrease of 44.46% from the beginning of the Period. The decrease is mainly due to the large sales amount of construction contracts during the Period. 2. Accounts due to associated company amounted to RMB3,274,211,000 (31 December 2009: RMB5,379,744,000), representing an decrease of 39.14% over the beginning of the Period, which is mainly due to the Group's payment of consideration for the acquisition of equity interests during the Period. 3. The estimated liabilities of the Company was RMB784,953,000 (31 December 2009: RMB591,694,000), representing an increase of 32.66% over the beginning of the Period, which is mainly due to the increase in estimated liabilities incurred from sales of wind power equipments as the Group's sales revenue from wind power had increased substantially.

During the Period, profit attributable to the shareholders of the Group increased by RMB353,758,000 over the same period last year, mainly due to the significant increase in gross profit margin for wind power and nuclear power products during the Period.

As for comprehensive gross profit margin, the Group's gross profit margin of principal business for the Period was 16.38%, representing an increase of 1.46 percentage points over the same period last year which was 14.92%. By products, thermal power posted a gross profit margin of 16.13% for the Period, which stayed at similar level with the same period last year; gross profit margin for wind power for the Period was 18.56%, with a rapid increase of 3.58 percentage points over the same period last year which was 14.98%; nuclear power posted a gross profit margin of 17.57% for the Period with noticeable increase over the same period last year which was 16.17%, and the proportion of revenue from the sale of nuclear power products in total sales increased significantly from 3.52% to 8.80%; gross profit margin for hydro power was 10.33%, representing a decrease of 0.66 percentage points over the same period last year which was 10.99%, basically on a par with the same period last year.

II. Cash Flows

As at 30 June 2010, net (decrease)/increase of cash and cash equivalents of the Group recorded a net decrease of RMB2,855,725,000 over the corresponding period last year, which was mainly due to the increase of the Group's net cash outflow resulting from the Group's increased purchase of materials for the production of more products such as nuclear power products during the Period, coupled with a long production cycle.

III. Borrowings

As at 30 June 2010, the Group held bank borrowings of RMB1,898,553,000 due within one year, and RMB602,808,000 of longer terms due after one year. Loans, cash and cash equivalents held by the Group are denominated in Renminbi. The Group maintains sound financing capacity on the back of the Group's healthy credit status and sustainable profitability.

IV. Gearing Ratio

As at 30 June 2010, gearing ratio of the Group was 87.35%, representing a decrease of 0.56 percentage points from a gearing ratio of 87.91% as at the end of last year, basically on a par with the beginning of the Period.

V. During the Period, the Group did not pledge any asset

VI. Risk in Exchange Rate Fluctuation and any related Hedging

In 2010, the stable global foreign exchange market witnessed fluctuation of exchange rates of Reminbi against US dollar and Euro within a normal range. It is expected that multiple regional reserve currency systems will emerge around the world after the financial storm, which will gradually replace the single US dollar reserve system in the future. With wider and deeper global presence of the Group, Renminbi exchange rate is playing a more and more important role in its business. Given the complicated and volatile international financial situation and the Group's actual operation, the Group continues to proactively adopt financial leverage instruments including forward exchange settlement in its international projects during the Period to limit the risks arising from exchange rate.

VII. Contingent Liabilities

There was a contractual dispute litigation between Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. (廣州經濟技術開發區建設監理有限公司) and DFHM. In February 2005, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. and DFHM entered into the Management Contract on Project Construction. Subsequently, the parties had disputes on the payment in respect of the clause "settlement and review compensation awards (結算審核獎勵報酬)" stipulated in the Management Contract and had failed to reach an agreement. In February 2009, Guangzhou Economic and Technological Development District Construction and Supervision Co., Ltd. filed an action to the People's Court of Nansha District, requesting DFHM to pay the deferred service fee of RMB360,000, the additional service fee for Phase I improvement project of RMB600,000 and settlement and review compensation awards (結算審核獎勵報酬) RMB6,955,700, totaling RMB7,915,720. As at 30 June 2010, the case is still pending for judgment.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EXTERNAL GUARANTEE AND PERFORMANCE

During the Period, the Company was not involved in any external guarantee and performance of any guarantee.

MATERIAL LITIGATION AND ARBITRATION

During the Period, the Company was not involved in any material litigation and arbitration.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is pleased to confirm that, the Directors were not aware of any information which can reasonably indicate, that the Company was not in compliance with the requirements of all code provisions of the "Code on Corporate Governance Practices" under Appendix 14 of the Listing Rules at all times during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

During the Period, the Company has adopted a code of conduct regarding securities transactions by directors and supervisors on terms not less exact than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") under Appendix 10 of 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 requirements under the Model Code in respect of the standard requirements governing the securities transactions by directors and supervisors.

AUDIT COMMITTEE

The Board of the Company had set up an Audit Committee comprising three independent non-executive Directors, namely, Mr. Zhao Chunjun, Mr. Li Yanmeng and Mr. Peng Shaobing, and two non-executive Directors, namely, Mr. Zhang Xiaolun and Mr. Zhang Jilie. The Audit Committee has reviewed the interim results of the Company for the Period, and agreed to the accounting methods adopted by the Company.

INTERIM REPORT

The Interim Report for the Period will be sent to the shareholders by the Company and will also be published in due course on the website of the Stock Exchange, containing all the information as required and recommended in "Disclosure of Financial Information of the Listing Rules" under Appendix 16 of the Listing Rules.

By Order of the Board
Dongfang Electric Corporation Limited
Si Zefu
Chairman

Chengdu, Sichuan, the PRC
25 August 2010

As at the date of this announcement, the directors of the Company are as follows:

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