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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 ANNUAL RESULTS

RESULTS HIGHLIGHTS

- Total operating revenue of the Company in 2010 amounted to RMB37,600 million, representing an increase of 14.73% compared with 2009
- Net profit of the Company in 2010 amounted to RMB2,700 million, representing an increase of 58.08% compared with 2009
- Earnings per share of the Company amounted to RMB1.298 in 2010, representing an increase of 38.53% compared with 2009
- New orders of the Company in 2010 amounted to RMB50,000 million

The board of directors (the "Board") of Dongfang Electric Corporation Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 (the "Reporting Period") prepared in accordance with the Hong Kong Generally Accepted Accounting Principles :

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** ***RMB'000***	2009 *RMB'000* *(Restated)*
Revenue	3	**37,603,832**	32,774,750
Cost of sales		**(30,499,710)**	(27,425,341)
Gross profit		**7,104,122**	5,349,409
Other income	4	**673,798**	593,633
Distribution expenses		**(806,970)**	(794,267)
Administrative expenses		**(4,063,945)**	(3,185,808)
Share of profit of associates		**40,960**	18,555
Share of profit of jointly controlled entities		**50,657**	4,941
Finance costs	5	**(118,850)**	(289,171)
Profit before tax		**2,879,772**	1,697,292
Income tax (charge) credit	6	**(180,062)**	10,508
Profit for the year	7	**2,699,710**	1,707,800
Other comprehensive income			
Fair value gain on available-for-sale financial assets		**5,641**	—
Exchange differences arising on translation		**379**	2,273
Income tax relating to components of other comprehensive income (investment revaluation reserve)		**(802)**	—
Other comprehensive income for the year		**5,218**	2,273
Total comprehensive income for the year		**2,704,928**	1,710,073

Profit for the year attributable to:			
Owners of the Company		**2,600,670**	1,679,144
Non-controlling interests		**99,040**	28,656
		2,699,710	1,707,800
Total comprehensive income attributable to:			
Owners of the Company		**2,605,888**	1,681,417
Non-controlling interests		**99,040**	28,656
		2,704,928	1,710,073
Earnings per share- basic and diluted	9	**RMB1.298**	RMB0.937

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	**31/12/2010** ***RMB'000***	31/12/2009 *RMB'000* (Restated)	1/1/2009 *RMB'000* (Restated)
Non-current Assets				
Property, plant and equipment		**8,861,751**	6,122,194	3,426,958
Construction in progress		**1,492,828**	2,528,680	1,456,458
Prepaid lease payments		**831,873**	817,558	727,563
Investment properties		**24,867**	26,369	27,871
Intangible assets		**130,794**	106,140	123,391
Interests in associates		**112,373**	87,252	51,332
Interests in jointly controlled entities		**180,989**	120,040	120,881
Available-for-sale investments		**413,150**	30,400	39,600
Deferred tax assets		**706,936**	646,137	497,156
Derivative financial instruments		**10,238**	3,902	—
		12,765,799	10,488,672	6,471,210

Current Assets				
Inventories		**32,187,434**	27,156,484	20,358,514
Amounts due from associates	10	**—**	46,867	1,270,368
Amounts due from related parties	11	**1,545,037**	1,608,559	2,503,030
Trade and other receivables	12	**19,522,727**	17,486,194	14,255,952
Prepaid lease payments		**20,520**	8,399	7,499
Other tax assets		**153,877**	1,278,526	475,768
Amounts due from customers for contract works		**2,439,680**	1,575,806	1,627,629
Derivative financial instruments		**21,050**	275	—
Held for trading investments		**25,303**	—	—
Restricted bank balances		**—**	150,456	280,890
Pledged bank deposits		**83,744**	99,288	142,487
Cash and deposits in banks and a financial institution		**13,670,551**	14,708,242	11,521,364
		69,669,923	64,119,096	52,443,501
Current Liabilities				
Amounts due to customers for contract works		**7,798,514**	7,877,881	10,425,315
Amounts due to related parties	11	**2,828,732**	5,504,908	7,291,359
Trade and other payables	13	**54,113,142**	47,179,970	31,767,178
Derivative financial instruments		**209**	1,814	—
Enterprise income tax liabilities		**99,047**	124,537	159,049
Other tax liabilities		**1,405,168**	438,515	214,578
Borrowings		**2,366,320**	467,306	718,215
Provision		**781,890**	591,695	334,098
Deferred income		**129,711**	195,683	150,316
Termination benefit		**23,268**	4,353	12,150
		69,546,001	62,386,662	51,072,258
Net Current Assets		**123,922**	1,732,434	1,371,243
Total Assets less Current Liabilities		**12,889,721**	12,221,106	7,842,453

Non-current Liabilities			
Derivative financial instruments	**5,097**	1,096	—
Deferred income	**756,009**	763,228	808,499
Borrowings	**275,808**	760,000	867,320
Long term liabilities	**685**	685	685
Termination benefit	**63,570**	81,012	69,083
Amounts due to related parties	**—**	1,587,907	3,625,908
Deferred tax liabilities	**5,036**	190	—
	1,106,205	3,194,118	5,371,495
Net assets	**11,783,516**	9,026,988	2,470,958
Capital and reserves			
Share capital	**2,003,860**	1,001,930	882,000
Reserves	**9,034,028**	7,647,278	1,259,353
Equity attributable to owners of the Company	**11,037,888**	8,649,208	2,141,353
Non-controlling interests	**745,628**	377,780	329,605
Total Equity	**11,783,516**	9,026,988	2,470,958

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The 2009 and 2010 Group Reorganisation (as defined below) 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 the Hong Kong Institute of Certified Public Accountants (the "HKICPA") since the directors of the Company consider that the Company, Dongfang (Guangzhou) Heavy Machinery Co., Ltd ("DFHM") and Tianjin Turbine Blade Construction Company Limited ("Tianjin Blade") are under the common control of DEC.

2009 Group Reorganisation

During the year ended 31 December 2009, the Company and DEC entered into an acquisition agreement for the purchase of 27.3% equity interest in DFHM, a limited liability company established in the PRC (the "2009 Group Reorganisation"), for which DEC held 57.3% controlling interest since May 2004. (DEC held 27.3% equity interest of DFHM directly and the other 30% equity interest in DFHM through its 50.12% shareholding in the Company). DFHM was previously accounted for as an associate of the Group before the 2009 Group Reorganisation. Upon the completion of the 2009 Group Reorganisation on 30 December 2009, the Group holds 57.3% controlling interest (effective interest of 57.2%) in DFHM and was treated as a subsidiary.

The total consideration for the acquisition of 27.3% equity interest of DFHM amounted to RMB155,792,000 and was satisfied by cash. DFHM was established on 2 September 2003 in the PRC under the Company Law of the PRC and is engaged in the business of manufacturing of components for nuclear island equipment.

The consolidated statement of comprehensive income and the consolidated statement of cash flows in the report have been prepared as if the Group structure after the 2009 Group Reorganization had been in existence since DFHM has been under DEC's control since May 2004. The condescending adjustment has been made in the Group's financial statement for the year ended 31 December 2009.

2010 Group Reorginsation

Tianjin Blade was established on 11 January 2007 in the PRC under the Company Law of the PRC and is engaged in the business of manufacturer and sales of wind power generation sets and related services.

In March 2010, Dongfang Turbine Company Limited ("Dongfang Turbine"), a subsidiary of the Company, acquired 55.63% equity interest in Tianjin Blade through the contribution of a capital injection to Tianjin Blade (the "2010 Group Reorganisation"). Dongfang Turbine did not hold any equity interest in Tianjin Blade before the 2010 Group Reorganisation.

Tinjian Blade has been under the DEC's control since April 2007 for which DEC held 85% equity interest in Tianjin Blade. The consolidated statement of comprehensive income and the consolidated statement of cash flows in this report have been prepared as if the group structure after the 2010 Group reorganisation had been in existence since Tianjin Blade has been under DEC's control in 2007. In addition, the Group's consolidated statement of financial position as at 1 January and 31 December 2009 have 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 Tinjin Blade has been under DEC's control in 2007 and in accordance with the respective equity interests of Tianjin Blade.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27(Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation ("Int") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (IFRIC)-Int 17	Distributions of Non-Cash Assets to Owners

The adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised 2008) 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 subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods, may be affected by future transactions for which HKFRS3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

In prior years, there are no specific requirements in HKFRSs regarding changes in ownership interests in existing subsidiaries. Under HKAS 27 (Revised 2008), all increases or decreases in such interests that do not result in the Group losing control over the subsidiaries are dealt with in equity, with no impact on goodwill or profit or loss.

Amendment to HKAS 17 Lease

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the leasee. The director of the Company anticipate that the application of the amendments to HKAS17 will not have significant impact.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS3 (Revised in 2008), HKFRS7, HKAS1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, 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 July 2011.

6 Effective for annual periods beginning on or after 1 January 2012.

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKAS 24 (Revised) clarifies and modifies the definition of related parties and simplifies disclosures for government-related entities. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopted HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosure will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents sale of goods and services rendered by the Group for the year. An analysis of the Group's revenue for the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Sales of goods	**16,958,244**	14,799,001
Revenue from construction contracts	**20,615,143**	17,942,740
Revenue from engineering and repairing services	**30,445**	33,009
	37,603,832	32,774,750

The Group's operating segments, based on information reported to board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

In order to better evaluate the nature and financial effects of the business activities on which the Group engages and the economic environments in which the Group operates, the Group has changed the composition of the reportable segments in the current year. The business segment for the comparable period has been restated accordingly.

Before the change of composition of the reportable segments, the operating segments operated by the Group was (i) Main thermal power equipment, (ii) Main hydro power equipment, (iii) Wind power generation sets, (iv) Nuclear power generation sets and (v) Others.

After the change of composition of business segments, the operating segments operated by the Group under HKFRS 8 are as follows:

High efficiency and clean energy	Thermal power equipment products, nuclear power conventional island equipment products and power transmission and distribution equipment products
New energy	Nuclear power nuclear island equipment products, wind power equipment products
Hydro power and environmental protection equipments	Hydro power generation equipment products and environmental protection equipment products
Construction and services	Construction service and engineering and repairing services for power stations

Following the group reorganisation in recent years, the operation of the Group has been enlarged and the segments become integrated to each others. 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 to the sales orders.

As no discrete information in respect of segment assets, liabilities and other information is for the assessment of performance and allocation of resources for different reportable segments and thus, other than reportable segment revenue and results, no analysis of segment assets, liabilities and other information is presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2010

	High Efficiency and Clean Energy	New Energy	Hydro power and Environmental Protection Equipments	Construction and Services	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
External sales	20,394,229	9,518,148	2,957,645	4,733,810	—	37,603,832
Inter-segment sales	5,283,616	1,851,129	—	(247,505)	(6,887,240)	—
Total	25,677,845	11,369,277	2,957,645	4,486,305	(6,887,240)	37,603,832
Segment profit	3,609,269	1,995,588	466,336	1,032,929	—	7,104,122
Other income						673,798
Distribution expenses						(806,970)
Administrative expenses						(4,063,995)
Share of profit of associates						40,960
Share of profit of jointly controlled entities						50,657
Finance costs						(118,850)
Profit before taxation						2,879,772

Inter-segment sales are charged at prevailing market rate.

For the year ended 31 December 2009

	High Efficiency and Clean Energy *RMB'000*	New Energy *RMB'000*	Hydro power and Environmental Protection Equipments *RMB'000*	Construction and Services *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Revenue						
External sales	20,960,912	7,581,128	3,245,552	987,158	—	32,774,750
Inter-segment sales	1,465,437	1,785,908	—	(95,641)	(3,155,704)	—
Total	22,426,349	9,367,036	3,245,552	891,517	(3,155,704)	32,774,750
Segment profit	3,322,932	920,251	343,929	762,297	—	5,349,409
Other income						593,633
Distribution expenses						(794,267)
Administrative expenses						(3,185,808)
Share of profit of associates						18,555
Share of profit of jointly controlled entities						4,941
Finance costs						(289,171)
Profit before taxation						1,697,292

Inter-segment sales are charged at prevailing market rate.

Geographical information

More than 90% of the Group's sales and provision of services are provided to customers located in the PRC and all of the Group's carrying amount of segment assets and additions to property, plant and equipment are situated in the PRC. Accordingly, no segmental analysis of geographical segment is presented for both years.

Information about major customers

There was no individual customer contributed more than 10% of the Group's turnover for both years.

4. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Interest income	**178,990**	171,539
Consultancy service income	**15,189**	53,194
Release of government grant for property, plant and equipment	**188,459**	195,683
Fair value changes in derivative financial instruments	**25,351**	1,267
Fair value changes in held for trading investments	**1,312**	—
Gain from sales of scrap and other materials	**155,325**	111,498
Gain on disposal of available-for-sale investments	**—**	395
Net rental income (less: direct outgoings of RMB612,000 (2009: RMB612,000))	**1,081**	1,933
Government subsidies *(Note a)*	**55,277**	—
Net foreign exchange gain	**—**	31,170
Management fees received from DEC	**14,300**	—
Compensation income *(Note b)*	**6,098**	15,327
Others	**32,416**	11,627
	673,798	593,633

Note a: The amount represented loan interest subsidies received by the Group from the PRC government with non specific conditions attached.

Note b: Compensation income was received from insurance companies for damage of the Group's plant and machinery.

5. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Interest on:		
Bank loans and other borrowings wholly repayable		
within five years	**32,086**	61,816
over five years	**1,031**	11,466
Interest on amounts due to related parties	**99,562**	244,836
Total borrowing costs	**132,679**	318,118
Less: amount capitalised in the cost of		
qualifying assets	**(13,829)**	(28,947)
	118,850	289,171

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 0.52% (2009: 1.75%) per annum to expenditure on qualifying assets.

6. INCOME TAX CHARGE (CREDIT)

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
PRC Enterprise Income Tax		
— Current year	**236,817**	139,656
— Overprovision in prior years	**—**	(1,373)
	236,817	138,283
Deferred tax	**(56,755)**	(148,791)
	180,062	(10,508)

The tax credit for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation	**2,879,772**	1,697,292
Tax charge at enterprise tax rate of 15% (2009: 15%) (b)	**431,966**	254,593
Tax effect of income not taxable for tax purpose	**(12,362)**	(44,499)
Tax effect of share of profit of associates	**(6,144)**	(2,783)
Tax effect of share of profit of jointly controlled entities	**(7,599)**	(741)
Tax effect of expenses not deductible for tax purpose	**32,945**	52,978
Tax effect of tax benefits (c)	**(21,323)**	(47,775)
Tax exemption for 12 May Earthquake (d)	**(261,782)**	(111,690)
Utilisation of tax losses previously not recognised	**(39,380)**	(58,660)
Tax effect of tax losses not recognised	**29,869**	29,922
Effect of excess of applicable tax rate for deferred tax over current tax on deductible temporary difference	**13,749**	(80,762)
Overprovision in prior years	**—**	(1,373)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**20,123**	282
Tax charge (credit) for the year	**180,062**	(10,508)

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 of the Company, Dongfang Machinery, Dongfang Boiler (Group) Company 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 tax rate of the Company, Dongfang Machinery, Dongfang Boiler, Dongfang Turbine and Chengdu Dongfang KWH Catalysts Co., Ltd is 15% until 2010.

The enterprise tax rate of Dongfang Guangzhou Heavy Machinery Co., Ltd is 15% as it has been assessed as "High-New Technology Enterprises" under the Enterprise Income Tax Law for the three successive years from 2010 (2009: 25%).

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

The enterprise tax rate of Dongfang Electric (India) Private Limited ("Dongfang India") is 30% (2009: 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 1 January 2008 onwards.

(c) Tax benefits represents an incentive scheme, in addition to the research and development cost which is deductible for tax purpose, further tax benefit ranging from 10% to 50% was granted in respect of certain approved research and development cost incurred.

(d) Pursuant to No. 131 [2009] 《關於延長部份稅收優惠政策執行期限的通知》 and No.104 [2008] 《關於支持汶川地震災後恢復重建有關稅收政策問題的通知》 issued by the tax bureau, Dongfang Turbine and Donfang Machinery are exempted for enterprise income tax for the year ended 31 December 2010 and 2009.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Salaries and wages	**2,007,515**	1,657,236
Retirement benefits scheme contributions		
— defined contribution plans	**239,521**	217,550
Staff welfare	**267,165**	192,514
Housing fund	**194,956**	183,040
Termination benefits	**46,538**	38,416
Total staff costs *(Note a)*	**2,755,695**	2,288,756
Auditor's remuneration	**2,300**	1,800
Amortisation of intangible assets	**51,085**	24,781
Amortisation of prepaid lease payments	**18,604**	19,457
Allowance for bad and doubtful debts (net off reversal of doubtful debts)		
— trade receivables	**717,163**	583,927
— amount due from related parties	**42,147**	(83,305)
Cost of inventories recognised as an expense	**30,499,710**	27,425,341
Depreciation on property, plant and equipment	**858,329**	554,777
Depreciation on investment properties	**1,502**	1,502
Impairment loss on available-for-sale investments	**3,800**	5,000
Impairment loss on inventories (included in cost of sales)	**193,793**	292,994
Loss on disposal of property, plant and equipment	**4,065**	247
Written off of intangible assets	**17**	318
Rental expense	**66,423**	34,737
Research and development expenditure	**977,393**	647,006
Share of tax of associates (included in share of profit of associates)	**3,653**	5,096
Share of tax of jointly controlled entities (included in share of profit of joint controlled entities)	**7,157**	2,584

Note: (a) Directors' and supervisors' emoluments are included in the above staff costs.

8. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
2009 Final — RMB0.16 (2009: 2008 final dividend RMB0.22) per ordinary shares	**160,309**	17,640

The final dividend of RMB0.13 (2009: RMB0.16) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The directors recommend a bonus issue to the shareholders whose names appear on the register of members of the Company as at 15 April 2010 on the basis of 10 bonus issue shares for every 10 shares held by them. Such bonus issue of shares has been approved by the shareholders at the annual general meeting held on 18 June 2010. The details are set out in the announcement of the Company dated 29 April 2010.

9. EARNINGS PER SHARE

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

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**2,600,670**	1,679,144
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,003,860**	1,792,258

The weighted average number of ordinary shares for the purpose of basic earning per share for the year ended 31 December 2009 have been adjusted for bonus issue in respect of the effect of capitalisation of capital reserve and the new shares were issued to the shareholders on 18 June 2010.

Diluted earnings per share was the same as basic earnings per share for the two years ended 31 December 2010 and 2009 as there were no diluting events existed during both years.

10. AMOUNTS DUE FROM ASSOCIATES

Amounts represented the advance payments to associates for contract works and were unsecured and interest-free. The amounts were fully repaid during the year ended 31 December 2010.

11. AMOUNTS DUE FROM/TO RELATED PARTIES

All of the Group's revenue generated from related parties are through construction projects. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions, and the Group offers credit terms generally accepted in the power equipment manufacturing industry of two to three years to them, which vary depending on the size of contract, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables effectively, quality of customers are evaluated periodically.

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Amounts due from related parties			
Trade receivables:			
Fellow subsidiaries	**704,857**	815,754	664,650
Jointly controlled entities	**25,162**	4,414	321
Immediate holding entity	**405,668**	220,833	977,204
Less: allowance for doubtful debts	**(149,395)**	(107,248)	(189,923)
	986,292	933,753	1,452,252
Prepayment for materials and contract works:			
Fellow subsidiaries	**553,808**	617,289	1,033,640
Jointly controlled entities	**—**	56,860	16,481
Immediate holding entity	**4,937**	657	657
	558,745	674,806	1,050,778
	1,545,037	1,608,559	2,503,030

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Amounts due to related parties			
Trade payables:			
Fellow subsidiaries	**811,020**	1,557,010	1,090,980
Jointly controlled entities	**34,464**	129,592	81,528
Immediate holding entity	**1,141**	603	1,420
	846,625	1,687,205	1,173,928
Receipt in advance:			
Fellow subsidiaries	**1,313,764**	1,253,682	855,560
Jointly controlled entities	**52,703**	18,001	19,207
Immediate holding entity	**614,839**	1,498,684	2,216,590
	1,981,306	2,770,367	3,091,357
Cash consideration payable to immediate holding entity for:			
Acquisition of 100% Dongfang Turbine and 68.05% of Dongfang Boiler *(Note a)*	**—**	1,403,651	3,252,336
Acquisition of 31.61% Dongfang Boiler *(Note b)*	**—**	1,126,592	2,799,884
	—	2,530,243	6,052,220

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Interest payable to immediate holding entity	**801**	—	158,792
Advance from immediate holding entity for 12 May Earthquake *(Note c)*	**—**	—	440,970
Advance from immediate holding entity to DFHM *(Note d)*	**—**	105,000	—
	801	105,000	599,762
	2,828,732	7,092,815	10,917,267
Analysed for reporting purpose:			
Current portion	**2,828,732**	5,504,908	7,291,359
Non-current portion	**—**	1,587,907	3,625,908
	2,828,732	7,092,815	10,917,267

Notes:

(a) The RMB1,403,651,000 as at 31 December 2009 represented the remaining cash consideration payable to DEC arising from the acquisition of 100% equity interest of Dongfang Turbine and 68.05% of equity interest of Dongfang Boiler during the year ended 31 December 2007 ("2007 Acquisition"). The original outstanding balance included RMB942,336,000 which was interest-free and repayable on demand; and five equal annual installments totalling RMB2,310,000,000 payable to DEC after the completion of the 2007 Acquisition which carries interest at 6.08% per annum. The amount was fully settled during the year ended 31 December 2010.

During the year ended 31 December 2009, RMB1,848,685,000 was repaid to DEC. During the year ended 31 December 2010, the Group had repaid the remaining balance of RMB1,403,641,000. The payment schedule is mutually agreed between the Company and DEC.

(b) The RMB2,799,884,000 represented the cash consideration payable to DEC arising from the acquisition of 31.61% equity interest of Dongfang Boiler in 2008 ("2008 Acquisition"), which represents five equal annual instalments totalling RMB2,799,884,000 payable to DEC after the completion of the 2008 Acquisition which carries interest at 6.08% per annum. The amount was fully settled during the year ended 31 December 2010.

During the year ended 31 December 2009, RMB1,673,292,000 was repaid to DEC (including 1 early installment of RMB559,997,000). During the year ended 31 December 2010, the Group had repaid the remaining balance of RMB1,126,592,000. The payment schedule is mutually agreed between the Company and DEC.

(c) Pursuant to the Notice 417 [2008] "Rehabilitation planning and feasibility study of the relocation of the Hanwang production plant of Dongfang Turbine" issued by the Bureau of Planning and Development of State-owned Assets Supervision and Administration Commission of the State Council, the total cost of the rehabilitation of Dongfang Turbine is RMB5.097 billion; of which RMB1.5 billion would be contributed from the State as state-owned capital to the Company; RMB2 billion from bank borrowings and the remaining from the Group's internal resources. The rehabilitation work is expected to be completed by two and a half year.

Pursuant further to the Notice 318 [2008] issued by the Ministry of Finance ("MOF") "Regarding the notice from Ministry of Finance on the 2008 Central State capital budget allocated to Dongfang Electric Corporation" and Notice 397 of 2008 issued by MOF "Regarding the allocation of funds for rehabilitation of Central enterprises in Wenchuan earthquake disaster area", a total of RMB440.97 million and RMB559.03 million was received by the Company on 25 December 2008 and 16 January 2009 respectively. The aggregate of RMB1.0 billion shall be used for the rehabilitation of Dongfang Turbine only.

During the year ended 31 December 2009, Dongfang Turbine had fully repaid the RMB1.0 billion to DEC.

(d) Pursuant to the Notice 7 [2009] "Nuclear Island of heavy equipment, construction of research and development test platform" issued by DEC, according to the Ministry of Finance ("MOF") approved allocation of project funding program, through the fourth Management Meeting of DEC in 2009, it was resolved that proceeds amounted to RMB59 million for the nuclear island for heavy equipment technology research and development platform project to be allocated to DFHM.

Pursuant to the Notice 9 [2009] "Technology improvement project of million kilowatt nuclear power conventional island" issued by DEC, DEC submitted the Feasibility Analysis Report of the project to National Development and Reform Commission ("NDRC"). Upon NDRC approval, in accordance with the Notice 1044 [2008] of [MOF], MOF granted PRC Government Loan amounted to RMB180 million to DEC as specialised capital investment in DEC by the Government. Through the fourth Management Meeting of DEC in 2009, it was resolved that RMB46 million of the specialised fund to be allocated to DFHM. The amount was fully repaid during the year ended 31 December 2010.

Apart from as mentioned above, other balances with related parties are interest-free and unsecured. In respect to the trade balances, the general credit period offer to/from related parties is two to three years.

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

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 1 year	**426,327**	662,391	967,803
1 - 2 years	**272,723**	152,140	183,705
2 - 3 years	**133,758**	75,862	288,709
More than 3 years	**153,484**	43,360	12,035
	986,292	933,753	1,452,252

The Group allows an average credit period is two to three years to its related parties, where payment in advance is normally required. The Group does not hold any collateral over trade receivables from related parties.

Trade receivables from related parties which are past due at the reporting date for which the Group has not provided for impairment loss, the aged analysis is set out as follow:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
2-3years	**67,883**	54,831	77,153
More than 3 years	**79,429**	43,360	12,035
	147,312	98,191	89,188

Impairment of the above amounts has not been provided by the Group as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of trade receivables due from related parties during the year are as follows:

Movement in the allowance for doubtful debts

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	**107,248**	189,923	83,440
Impairment loss recognised on receivables	**42,147**	—	106,483
Amount recovered during the year	**—**	(82,675)	—
Balance at end of the year	**149,395**	107,248	189,923

Included in the allowance for doubtful debts are individually impaired trade receivables due from related parties with an aggregate balance of approximately RMB149,395,000 (31/12/2009: RMB107,248,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade payables due to related parties presented based on the invoice date as at the end of the reporting period:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 1 year	**625,397**	1,576,177	1,125,964
1 - 2 years	**168,542**	103,415	19,465
2 - 3 years	**48,876**	7,094	21,516
More than 3 years	**3,810**	519	6,983
	846,625	1,687,205	1,173,928

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

12. 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, and the Group offers credit terms generally accepted in the power equipment manufacturing industry of two to three years to its customers, which vary depending on the size of contract, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables effectively, quality of customers are evaluated periodically.

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 180 days after provision of services or delivery of goods.

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade receivables	**14,303,757**	11,414,505	8,891,804
Less: allowance for doubtful debts	**(2,199,220)**	(1,482,057)	(898,760)
	12,104,537	9,932,448	7,993,044
Prepayment for raw materials	**6,957,131**	7,099,613	6,126,252
Deposits and other receivables	**461,059**	454,133	136,656
	19,522,727	17,486,194	14,255,952

Included in the trade receivables is bills receivable amounted to approximately RMB1,379,477,000 (31/12/2009: RMB986,983,000, 1/1/2009: RMB143,350,000) aged within one year.

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

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 1 year	**7,352,651**	5,914,214	4,705,420
1 — 2 years	**2,564,832**	2,263,598	2,040,215
2 — 3 years	**1,421,080**	1,088,549	853,186
More than 3 years	**765,974**	666,087	394,223
	12,104,537	9,932,448	7,993,044

Before accepting any new customer, the Group carries out research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. For the year ended 31 December 2010, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 22.24% (2009: 19.57%) of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 7.85% (2009: 6.79%) of the Group's total turnover. There is no customer who represents more than 5% (2009: 5%) of the total balance of trade debtors. In the opinion of directors, trade and other receivables neither past due nor impaired are of good credit quality at the end of the reporting period. The Group does not hold any collateral over these balances.

Trade receivables which are past due at the reporting period for which the Group has not provided for impairment loss, the aged analysis is set out as follow:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
1 - 2 years	**185,082**	257,270	20,466
2 - 3 years	**128,638**	227,344	10,735
	313,720	484,614	31,201

Impairment of the above amounts has not been made by the Group as there has not been a significant change in credit quality and the amounts are still considered recoverable. The directors of the Company consider they are in good credit quality. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of trade receivables during the year are as follows:

Movement in the allowance for doubtful debts

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Balance at beginning of the year	**1,482,057**	898,760	719,430
Impairment losses recognised on receivables	**717,163**	583,297	179,330
Balance at end of the year	**2,199,220**	1,482,057	898,760

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB2,199,220,000 (31/12/2009: RMB1,482,057,000, 1/1/2009: RMB898,760,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

13. TRADE PAYABLES AND OTHER PAYABLES

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	31/12/2010	31/12/2009	1/1/2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Within 1 year	**12,551,694**	11,514,468	9,006,513
1 - 2 years	**868,740**	749,981	145,120
2 - 3 years	**345,629**	63,151	88,885
3 - 4 years	**66,479**	70,166	—
	13,832,542	12,397,766	9,240,518
Receipt in advance	**37,961,021**	33,416,141	21,385,574
Accrual for 12 May Earthquake rehabilitation and resettlement cost *(Note)*	**—**	150,456	280,890
Other payables and accruals	**2,319,579**	1,215,607	860,196
	54,113,142	47,179,970	31,767,178

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 timeframe.

Included in the trade payables is bills payable amounting to approximately RMB2,940,038,000 (2009: RMB3,074,711,000) aged within one year. Included in the other payables is retentions payable to customers for contract works approximately amounted to RMB716,914,000 (2009: RMB431,040,000).

Note : In 2008, the Group received donations amounting to RMB402,405,000 from the general public and the government for the 12 May Earthquake. The Group specifically formed a committee to govern and closely monitor the utilisation of the donations. The committee decided to restrict the usage of the donations to rehabilitation of the disaster area and resettlement of the affected employees of the Group. For the year ended 31 December 2009, the amount of approximately RMB150,456,000 kept at designated bank accounts of the Group. During the year, the amount has been used up.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Operations

The year 2010 was the last year of the period covered by the 11th Five-year Plan. During the period covered by the 11th Five-year Plan, the Company has capitalized on developments opportunities, speeded up the development of its core businesses, and actively promoted the adjustment of its industrial structure to develop the four core businesses, i.e. high-efficiency clean energy (including thermal power complete equipments, nuclear power conventional island equipments and gas turbines), new energy (including wind power, nuclear power nuclear island equipments), water energy and environmental protection (including hydro power complete equipments and environmental protection), engineering and service industry (including engineering projects and power station renovation projects, etc.). The capacity of the power generation equipments has increased from 20,280MW in 2005 to 34,410MW in 2010, with an average annual growth rate of 12.6%. The operating revenue has increased sharply from RMB16.3 billion in 2005 to RMB38.08 billion in 2010, with an average annual growth rate of 19.0%. The Company's profitability has been continuously enhanced and its economic efficiency has been further improved to achieve a sustainable and steady growth.

Operations during the Reporting Period

- Year-round production targets fully achieved

  In 2010, the Company's power generation equipments have generated electricity totaling 34,511MW, of which 5,440.5MW was generated by 18 hydro-electric turbine generator units, 26,673MW by 48 steam turbine generator units, 2,397.5MW by 1,596 wind power generator units, 20,505MW by 47 power station boilers and 32,844.4MW by 78 power station steam turbines.

- Remarkable progress in market expansion

  The Company's new effective orders for the year 2010 amounted to approximately RMB50 billion, including US$1.7 billion from exports, which accounted for 22%. Among the new orders, 43% was attributable to high-efficiency clean energy, 25% to new energy, 4% to water energy and environmental protection, and 28% to engineering and service industry. The continuing perfection of the order placing structure has provided a solid basis for further optimization of the Company's business structure. As at 31 December 2010, the Company had orders in hand of more than RMB140 billion, including high-efficiency clean energy (63%), new energy (16%), water energy and environmental protection (10%), and engineering and service industry (11%). Exports accounted for 16% of all of the Company's orders in hand.

  In the international market, the Company has signed the turnkey contract for the Vietnam Duyen Hai phase 1 coal-fired power station project 2×622MW, which is the largest engineering project to date undertaken by Chinese enterprises in Vietnam in terms of its scale and amount. The Company has signed the turnkey contract for STANARI 1×300MW coal-fired power station project in Bosnia and Herzegovina, which is another milestone in the Company's internationalization progress. The Company has signed the supply contract with KSK of India to supply 166 sets of 1.5MW direct drive wind power equipment (which has not been included in the new orders effective in 2010), thus realizing the first batch exports of wind power equipments.

In the domestic market, the Company has fully entered into the market of nuclear island main equipments and conventional island stream turbine generating units for the third generation nuclear power technology (AP100, EPR) project. The Company has won the bid for the 4×300MW pumped-storage power project in Xianyou, Fujian, which brought an end to the long-term monopoly of foreign companies in the research and development of pumped-storage power generation equipments. The Company has successfully launched the F4 model gas turbine with high power and high efficiency, which has enabled the Company to win the bid for the gas turbine combination circulation heating project in Gaobeidian, Beijing. In addition, the newly launched direct drive wind turbine generating units have gradually won recognition from users.

- Steady Progress in Nuclear Power

In 2010, the Company has continued to promote the nuclear safety culture construction by strengthening relevant trainings, holding feedback meetings on Ling'ao (Phase II) project experiences, building a common platform for sharing experiences throughout the Group, and has ensured the smooth progress of batch production of the Company's nuclear power equipments. The manufacture of EPR nuclear island equipments and conventional island stream turbine generating units in Taishan has proceeded smoothly. The preliminary production technology preparations for projects such as AP 1000 Haiyang have progressed as scheduled. Nuclear island equipments and conventional island stream turbine generating units in projects such as Hongyanhe, Ningde, Fangjiashan, Fuqing and Yangjiang has reached their peak production period. The Company has made new achievements in the development of nuclear power markets. Upon successfully entering into the field of the third generation nuclear power technology (AP 1000, EPR) nuclear island main equipments, the Company has secured the supply contract for two stream turbine generating units of the AP 1000 project and become the only power generation equipment manufacturer in the world which has undertaken the manufacture of the AP 1000, EPR nuclear island main equipments and conventional island stream turbine generating units at the same time.

In 2010, the Company has improved its support for field installation services and ensured the early realization of commercial operation of No.1 equipment of Phase II of Ling'ao project on 20 September 2010. This was another milestone in China's nuclear power development history. The Company's utilization of localized equipments has laid a solid foundation for China's millions KW nuclear power stations to realize the idea of "independent design, independent manufacture, independent construction and independent operation".

In 2010, the Company has further strengthened the cultivation of the nuclear equipment design capability, and established the nuclear equipment design institute. Dongfang (Guangzhou) Heavy Machinery Co., Ltd (東方(廣州)重機公司), Dongfang (Wuhan) Nuclear Equipment Co., Ltd（東方（武漢）核武公司）and Dongfang Turbine Co., Ltd （東方汽輪機公司）have successively obtained manufacture licenses issued by the National Nuclear Safety Administration, symbolizing the Company's capability of supplying complete sets of nuclear island main equipments (reactor pressure vessels, steam generators, main pumps, reactor internals, control rod drive mechanism and pressure stablisers, etc.).

- Technology Accelerated the Structural Adjustment

Projects for the development of key products have progressed smoothly. The Company has independently researched and developed the super-critical 600MW CFB, ultra-super-critical 1000MW directly air-cooled power units and 60HZ660MW large thermal power generating units. The hydro power development and model tests of 75MW super-large bulb turbine units in Gerry, Brazil and large 300MW pumped-storage power units in Xianyou, Fujian have successfully passed for the owner's acceptance on the international neutral platform, and their comprehensive hydro power performance indicators have reached the international advanced level. The 1.5MW direct drive wind power generating units and 2MW variable-speed pitch-regulated double-fed constancy frequency wind power generating units with proprietary intellectual property rights owned by the Company were successively incorporated into the grid.

The construction of the key laboratories has been accelerated. The construction of experiment platform for turbine core technology of an international advanced level by the Company has smoothly passed for acceptance by the State. The Company has accelerated the construction of a series of key infrastructure laboratories, such as the test centre for "clean and high-efficiency combustion technology" and the "research and development platform for nuclear island heavy equipment technology", etc.

Technological innovation consecutively won awards. The project of "ultra-super-critical 1000MW thermal power large equipment research and development and industrialization" has won the second class award of the National Prize for Progress in Science and Technology. The project of "300MW CFB boiler demonstration engineering and localization" has won the third class award of the National Prize for Technological Progress in Energy given by the National Energy Bureau.

The adjustment of product structure resulted in early effectiveness. The smooth development and research on new energy and new technology by the Company have laid a solid foundation for the Company's adjustment of its product structure. Of the income generated from operations in 2010, high-efficiency energy has accounted for 54.23%, new energy for 25.31%, water energy and environmental protection for 7.87%, and engineering and service industry for 12.59%. The sales share of new energy products such as nuclear power and wind power has increased continually, demonstrating that the Company's intensified development of renewable energies in recent years and active adjustment of product structure have resuled in early effectiveness.

- Investments Went Smoothly

The new base of Dongfang Turbine（東方汽輪機公司）was completed and put into operation as scheduled. Near the second anniversary of 5.12 Wenchuan earthquake, the new base of Dongfang Turbine（東方汽輪機公司）in Deyang was completed and put into operation on 10 May 2010. The new energy base of the Company in Hangzhou, and the combined construction of Phase III project of DFHM (東方重機公司) in Haikou base and two plants were completed and put into operation. The expansion project of Dongfang Boiler (東方鍋爐廠) in Deyang base was completed and put into operation. The production lines for the capacity expansion and technological innovation project (Phase II) of Dongfang KWH （東方凱特瑞）(Phase II) was put into full operation. The investment projects of major fixed assets were completed successively, which would greatly improve the Company's productivity and efficiency, solve the production bottleneck problems and provide an effective guarantee for the Company to maintain good production and operation.

- Capital Market Improved the Brand Image

During the Reporting Period, the Company has implemented the distribution scheme of cash bonus and the transfer of capital reserve to additional share capital, so as to provide returns to investors by active distribution and increase the scale of its share capital. These have profound positive effects on the Company's long term development in the capital market. The Company has paid more attention to investor relationship management and achieved significant progress in information disclosure. The Company has won the "Outstanding Award Nomination for Information Disclosure of the year 2010" given by the Shanghai Stock Exchange. By virtue of its constantly improving comprehensive strengths, the Company was listed as one of the "Top 50 Listed Companies in Asia" by the Forbes magazine for the first time.

PROSPECT AND OUTLOOK

The year 2011 is the first year of the period covered by the 12th Five-Year Plan, the implementation of which will instill new energy into the economic development. The State will accelerate the shift of economic development mode, and launch new energy plannings and strategic plans for emerging industries to push forward the development of industries relating to new energy, clean energy and energy-saving and emission reduction. In the domestic market, the demand for electricity and installed power generators will continue to rise. However, there will be more significant changes in the structure of installed power generators. In addition, there will be a rapid increase in the capacity of installed hydro power generators. The installed capacity of nuclear power generators will continue to increase on safety basis. The demand for wind power will maintain at a relatively rapid increase. But there will be more keen market competitions. The demand for traditional thermal power will tend to be more rational. These will serve as good opportunities for the Company to optimize its product sturcture, expand its market share of new energy products and improve its comprehensive competitiveness. Even though the demand from overseas market is picking up gradually, the disordered competition problems of domestic power equipment enterprises in overseas markets will become stark, which will bring opportunities as well as challenges to the Company in expanding overseas markets.

In 2011, the Company will make a good start at its operation by taking advantage of the 12th Five-Year Plan so as to reach a new level in its operation and development and further increase its sales revenue. The Company plans that the total amount of production of completed power generation equipments will be 38,000 MW. In order to achieve its business targets, the Company intends to adopt the following strategies:

- Overall planning for market expansion

  Strengthening market planning and strategic deployment. Strengthening preliminary market research and analysis and improving the planning, operation and control of marketing. Strengthening the marketing and promotion of new products such as pumped storage power, high parameter ultra-super critical thermal power, IGCC, and offshore wind power. Making effective use of market resources, continuing to develop new products and the market of power station services and to steadily increase the its market shares.

Actively explore overseas markets by consolidating and stabilizing the market shares in India, intensifying the development of new markets in Europe, Middle East and South America. The Company will progressively enter the high and middle-end market and expand the market penetration and coverage of the Company's products. The Company will actively explore the highly potential service market of complete renovation of overseas power stations.

- To promote quality improvement continuously

  In 2011, the Company will focus on shaping a good quality culture, and promoting the quality management principle of nuclear power, "safety first and quality first" in the Group. The Company will also promote the principle of "Everything is guided; everything is documented; everything is accountable and everything is supervised" in all works to enhance the quality awareness of all staff, so as to further implement the quality responsibility system, to improve and perfect the construction of quality assurance system and to emphasize the quality control throughout the production and operation processes. The Company will especially focus on the comprehensive quality control in overseas projects such as Rabigh thermal power project in Saudi Arabia, Duyen Hai I 2×600MW Project in Vietnam and Jerry Project in Brazil to ensure a stable quality in project construction, products and equipments.

- To improve the strength through technological innovation

  The Company will further tackle key problems in design and manufacturing technology. The Company will optimize and improve the product performance indicators and localization levels based on the research and development of key products such as 1000 MW ultra-super critical units, 600 MW CFB boiler, 60 HZ large-capacity thermal power units, large pumped storage power units, large tubular turbine units, heavy duty gas turbine and wind power of 3 to 5 MW power. The Company will further accelerate technological breakthroughs in rotor welding technology of nuclear power and control rod drive mechanism manufacturing technology. At the same time, the Company will speed up the improvement of manufacturing technology on F4 gas turbine and critical components of megawatts nuclear suite to achieve localization and batch production. The Company will push ahead the construction of research and test facilities. The Company will accelerate the innovation of nuclear power technology, speed up the development of new energy technologies such as IGCC and the tidal power, as well as their reserves, thereby laying a solid foundation for the Company's further development.

• To ensure timely delivery with scientific production schedule

In 2011, the Company's production of power generation equipments will further increase. The output frequency of nuclear power products will be higher and there will be more new products and key products, which will bring great pressure and challenges to the Company in respect of the preparation of raw materials, technologies and supply chain management. The Company will strengthen the contractual awareness of all staff and improve the effectiveness of its project management. The Company will strengthen the production of key equipments and the control of key procedures, and make the most of internal and external resources to ensure timely delivery of key products. The Company will reinforce supply chain management to control resources effectively. The Company will also improve the management of project progress, cost, quality and safety, and enhance the project budget management. In addition, the Company will improve and enhance the management of construction subcontracts to ensure the achievement of project construction period objectives and batch production of nuclear power.

FINANCIAL ANALYSIS

1. Financial Status

As at 31 December 2010, the current assets of the Company amounted to RMB69,669,923,000 (2009: RMB64,119,096,000). Items with relatively more significant changes from 2009 and the reasons are as follows: (1) Amounts due from customers for contract works were RMB2,439,680,000 (2009: RMB1,575,806,000), up 54.82% over 2009, which was mainly due to the remarkable growth of income from items such as new nulear energy, 1,000MW clean high-efficiency power generating equipments and projects; and (2) inventories amounted to RMB32,187,434,000 (2009: RMB27,156,484,000), up 18.53% over 2009, which was mainly due to the continuous growth in the Company's output of new energy products such as wind power and nulear power and the Company's further increase in its scale of production by the end of 2010.

As at 31 December 2010, the non-current assets of the Company amounted to RMB12,765,799,000 (2009: RMB10,488,672,000). Items with relatively more significant changes from 2009 and the reasons are as follows: construction in progress amounted to RMB1,492,828,000 (December 2009: RMB2,528,680,000), which was down 40.96% over the beginning of the year; property, plant and equipment amounted to RMB8,861,751,000 (December 2009: RMB6,122,194,000), which was mainly due to the Company's re-categorisation of such items from being construction in progress to fixed assets upon the completion of post-disater reconstruction project of Dongfang Turbine （東方汽輪機公司）and the completion of Phase III Project of DFHM (東方重機公司), and the successive completion of the Company's new energy base construction projects.

As at 31 December 2010, the total liabilities of the Company amounted to RMB70,652,206,000 (2009: RMB65,580,780,000). Items with relatively more significant changes from 2009 and the reasons are as follows:(1)trade and other payables amounted to RMB54,113,142,000 (2009: RMB47,179,970,000), which was up 14.70% over 2009, which was mainly attributable to the more payables due to suppliers for surging production raw material purchases resulted from a tight production schedule of the Company; (2) amounts due to associates amounted to RMB2,828,732,000 (2009: RMB5,504,908,000), down 48.61% from 2009, which was mainly due to the settlement by the Company of the outstanding consideration for acquisition of equity interests from controlling shareholders during the Reporting Period; and (3) the liabilities of the Company was estimated to be RMB781,890,000 (2009: RMB591,695,000), up 32.14% over 2009, which was mainly due to the further increase in provisions for product quality margin by the Company with the continuous growth of sales income of the Company.

During the Reporting Period, profit attributable to shareholders of the Company has increased by RMB921,526,000 from 2009, which was mainly attributable to the continuous growth of sales income from new energy products such as wind power and nuclear power, the significant rise in income from projects and service sales, the Company's product structure adjustment and the effective efforts in reducing cost and increasing efficiency.

2. Cash Flow

As at 31 December 2010, the amount of cash and cash equivalents of the Company recorded a net decrease of RMB1,037,691,000 from 2009. The decrease was mainly attributable to the increase in expenses of the purchase business corresponding to the expansion in production and operation, leading to a decrease in the amount of net cash generated from operating activities by RMB1,946,421,000 or 37.51% from 2009; in addition, the amount of net cash used for investing activities has dropped by RMB1,338,525,000 or 33% from 2009. This was mainly attributable to the decrease in cash payment for investing activities of the Company with the successive completion of the post-disaster reconstruction projects and fund raising projects; the amount of net cash generated from financing activities has decreased by RMB3,527,308,000 or 158% from 2009. This was mainly due to the rise in cash flow from financing activities resulting from the proceeds of approximately RMB5 billion raised by the Company from the non-public additional issue of A shares in 2009.

3. Borrowings

As at 31 December 2010, the Company had bank borrowings of RMB2,366,320,000 due within one year, and RMB275,808,000 due in more than one year. Loans, cash and cash equivalents held by the Company are all denominated in Renminbi. The Company has maintained a sound financing capacity due to its healthy credit status and future sustainable profitability.

4. Gearing Ratio

As at the end of 2010, the gearing ratio of the Company was 85.71%, representing a decrease of 2.19 percentage points from 87.90% as at the end of 2009. The decrease was mainly attributable to the continuous accumulation of owners' interests thanks to the good sustainable profit level maintained in 2010 by the Company.

5. During the Reporting Period, the Company has not pledged any asset.

6. Risk in Exchange Rate Fluctuation and any related Hedging

In 2010, the global foreign exchange market was stable. The fluctuations in exchange rates of Reminbi against US dollar and Euro were 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 a wider and deeper global presence of the Company, Renminbi exchange rate has become a more important and influential element in the Company's business. Given the complicated and volatile international financial situations and the Company's actual operation, the Company has proactively adopted financial leverage instruments including forward exchange settlement in its international projects in 2010 to limit the risks arising from exchange rate fluctuations.

7. Contingent Liabilities

(1) The case concerning project settlement with 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)

In February 2005, DFHM (東方重機公司) and 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) entered into the Management Contract on Construction Project. The parties failed to reach a concensus on the payment in respect of the "settlement and review compensation rewards(結算審核獎勵報酬)" stipulated in the Management Contract on Construction Project. In February 2009, 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) filed an action to the People's Court of Nansha District, requesting DFHM (東方重機公司) to pay the service fee for deferred work of RMB360,000, the additional service fee for Phase I improvement project of RMB600,000 and settlement and review compensation rewards(結算審核獎勵報酬) of RMB6,955,700, totaling RMB7,915,720. As at the publishing date of this financial report, the case is still pending for judgment.

(2) The case concerning the contract dispute with Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司)

In May 2005, Donguo Joint Stock Company (東鍋股份公司) entered into a contract with Zigong Dongfang Color Steel Structure Co., Ltd.(自貢市東方彩鋼結構有限公司) for the color steel project for roofs of some workshops. Zigong Dongfang Color Steel Structure Co., Ltd.(自貢市東方彩鋼結構有限公司) subcontracted, without permission, the project to Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司), which further subcontracted the project to Deyang Runxin Color Steel Co., Ltd. (德陽潤鑫彩鋼有限公司). Disputes in relation to deduction of construction cost arose between the contract-issuing party (subcontract-issuing party) and the contractor (subcontractor) due to low construction quality.

In August 2010, Dongguo Joint Stock Company (東鍋股份公司) received an indictment issued by Intermidiate People's Court of Zigong City in relation to the contract dispute case of Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司) versus Deyang Runxin Color Steel Co., Ltd. (德陽潤鑫彩鋼有限公司). Zigong Yancheng Construction Engineering Co., Ltd. (自貢市沿城建築工程有限公司) claimed RMB2,588,200 for contract loss from Deyang Runxin Color Steel Co., Ltd. (德陽潤鑫彩鋼有限公司). In this case, Dongguo Joint Stock Company (東鍋股份公司) was regarded as the third person. Currently, no hearing has been held for this case.

(3) Arbitration over technology disputes with US-based Foster Wheeler

In March 1994, DEC, Dongfang Boiler Factory (東方鍋爐廠) and US-based Foster Wheeler entered into a licensing agreement, whereby DEC and Dongfang Boiler Factory (東方鍋爐廠) imported from Foster Wheeler the technology for 50MW and 100MW non-reheat loop fluidized-bed boilers. In January 1999, Dongfang Boiler Factory (東方鍋爐廠) transferred its rights and obligations stipulated under the licensing agreement to Dongguo Joint Stock Company (東鍋股份公司).

In January 2009, Foster Wheeler filed an arbitration claim with the Chamber of Commerce of Stockholm, Sweden against DEC, Dongfang Boiler Factory (東方鍋爐廠) and Dongguo Joint Stock Company (東鍋股份公司) as respondents. Foster Wheeler alleged that DEC, Dongfang Boiler Factory (東方鍋爐廠) and Dongguo Joint Stock Company (東鍋股份公司) have used its technology on 135MW and 300MW boilers in violation of provisions of the licensing agreement, and claimed compensation for its losses. DEC has submitted a statement of defense to the Chamber of Commerce of Stockholm, Sweden. It is expected that hearings will be held for this case in 2011.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL LITIGATION AND ARBITRATION

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

DESIGNATED DEPOSIT AND UNRECOVERABLE OVERDUE FIXED DEPOSIT

During the Reporting Period, the Company did not have any designated deposit or unrecoverable overdue fixed deposit.

AUDIT COMMITTEE

The audit committee of the Company consists of two non-executive directors, namely Mr. Zhang Xiaolun and Mr. Zhang Jilie, and three independent non-executive directors, namely Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing. The audit committee has reviewed the annual results of the Group for the Reporting Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in full in compliance with all the code provisions of the "Code on Corporate Governance Practices" under Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors and supervisors of the Company 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 provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

INFORMATION DISCLOSURE

This announcement shall be published on the website of the Stock Exchange (http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2010, which contains all information as proposed in the Disclosure of Financial Information set out in the Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company (http://www.dongfang.com) in due course.

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

Chengdu, Sichuan, the PRC
30 March 2011

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:	Li Yanmeng, Zhao Chunjun and Peng Shaobing