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)

PRELIMINARY ANNOUNCEMENT OF 2012 INTERIM RESULTS

RESULTS HIGHLIGHTS

Total revenue from operations in the first half of 2012 amounted to RMB20,011 million, representing an increase of 1.28% compared with the same period last year;

Net profit attributable to shareholders of the Company in the first half of 2012 amounted to RMB1,244 million, representing a decrease of 19.11% compared with the same period last year;

Earnings per share in the first half of 2012 amounted to RMB0.62, as compared with RMB0.77 for the same period last year; and

New orders in the first half of 2012 amounted to RMB22 billion.

The board (the "Board") of directors (the "Directors") of Dongfang Electric Corporation Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Period") prepared in accordance with the China Accounting Standards for Business Enterprises. The interim financial results have been reviewed by the audit and review committee of the Company.

I. FINANCE INFORMATION

Consolidated Balance Sheet

Unit: RMB

Item	*Notes*	**Closing balance**	Opening balance
Current assets:			
Monetary fund		**8,122,669,252.07**	10,345,027,829.13
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		**36,191,232.10**	64,969,532.34
Bills receivable		**2,544,753,785.24**	2,240,345,399.29
Trade receivables	2	**15,042,306,050.10**	14,240,086,148.67
Prepayments		**5,941,631,286.90**	5,728,312,159.37
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable		**26,275,314.97**	76,378,518.13
Dividends receivable		**6,466,740.03**	
Other receivables		**306,755,840.77**	309,264,085.87
Purchases of resold financial assets			
Inventories		**33,866,326,404.66**	35,859,918,720.62
Non-current assets due within one year			
Other current assets			
Total current assets		**65,893,375,906.84**	68,864,302,393.42

Item	*Notes*	**Closing balance**	Opening balance
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		**434,025,530.00**	308,987,298.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		**528,999,554.73**	456,044,512.62
Investment properties		**28,299,967.46**	29,120,431.80
Fixed assets		**9,789,165,200.12**	10,004,175,568.58
Construction in progress		**1,060,260,132.34**	836,061,475.90
Construction materials		**113,464.96**	169,875.22
Disposal of fixed assets		**5,394,207.63**	
Productive biological assets			
Oil and gas assets			
Intangible Assets		**996,583,782.05**	991,153,405.69
Development expenses			
Goodwill			
Long-term deferred expenditures		**668,000.08**	769,883.26
Deferred income tax assets		**1,022,028,531.78**	951,941,072.59
Other non-current assets			
Total non-current assets		**13,865,538,371.15**	13,578,423,524.56
Total assets		**79,758,914,277.99**	82,442,725,917.98

Item	*Notes*	**Closing balance**	Opening balance
Current liabilities:			
Short-term borrowings		**2,955,768,751.18**	2,272,298,661.98
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities		**58,519,413.33**	30,643,140.64
Bills payable		**3,807,531,070.58**	3,847,524,566.75
Trade payables	3	**14,439,869,224.93**	14,460,216,174.87
Receipts in advance		**38,656,005,386.74**	42,510,698,850.55
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		**412,065,965.59**	407,917,862.46
Taxes payable		**-567,582,847.26**	448,458,426.69
Interests payable			
Dividends payable		**322,626,323.98**	1,560,249.58
Other payables		**2,067,895,735.63**	1,871,026,035.12
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year		**126,320,000.00**	116,320,000.00
Other current liabilities		**63,495,979.00**	85,945,216.36
Total current liabilities		**62,342,515,003.70**	66,052,609,185.00

Item	*Notes*	**Closing balance**	Opening balance
Non-current liabilities:			
Long-term borrowings		**135,808,428.01**	165,808,428.01
Debentures payable			
Long-term payables		**685,252.84**	685,252.84
Special payables		**29,194,416.01**	22,744,416.01
Estimated liabilities		**1,072,481,877.32**	937,485,337.58
Deferred income tax liabilities		**5,877,864.34**	11,640,378.99
Other non-current liabilities		**630,237,270.01**	644,999,141.25
Total non-current liabilities		**1,874,285,108.53**	1,783,362,954.68
Total liabilities		**64,216,800,112.23**	67,835,972,139.68
Shareholders' equity			
Share capital		**2,003,860,000.00**	2,003,860,000.00
Capital reserve		**5,089,415,547.86**	5,075,180,693.34
Less: Treasury shares			
Special reserve			
Surplus reserve		**319,634,515.30**	319,634,515.30
General risk provision			
Undistributed profit	4	**7,344,971,551.62**	6,421,629,656.29
Difference arising from translation of foreign currency financial statements		**-20,712,046.13**	-17,745,990.70
Total equity attributable to shareholders of the Company		**14,737,169,568.65**	13,802,558,874.23
Minority interests		**804,944,597.11**	804,194,904.07
Total shareholders' equity		**15,542,114,165.76**	14,606,753,778.30
Total liabilities and shareholders' equity		**79,758,914,277.99**	82,442,725,917.98

Consolidated Income Statement

Unit:RMB

Item	*Notes*	**Amount for the Period**	Amount for the same period last year
I. Total revenue from operations		**20,011,488,282.92**	19,759,214,532.88
Including: Revenue from operations	5	**20,011,488,282.92**	19,759,214,532.88
Interest income			
Insurance premiums earned			
Income from fees and commissions			
II. Total cost of operations		**18,602,938,862.25**	18,124,177,954.14
Including: Cost of operations	5	**16,095,892,049.32**	15,632,770,296.23
Interest expenses			
Fee and commission expenses			
Surrender payment			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business tax and surcharges		**159,266,534.17**	94,778,159.41
Selling expenses		**374,786,556.90**	353,004,746.29
Administrative expenses		**1,572,262,820.95**	1,511,721,483.56

Item		Notes	Amount for the Period	Amount for the same period last year
	Finance costs		**-11,274,152.26**	-27,551,873.67
	Impairments loss of assets		**412,005,053.17**	559,455,142.32
Add:	Gains from change in fair value (loss is represented by "-")		**-56,654,572.93**	32,135,104.90
	Gain from investment (loss is represented by "-")	6	**76,183,748.44**	55,360,755.74
Including:	Gains from investment in associates and joint ventures		**73,421,782.14**	37,096,231.98
	Exchange gain (loss is represented by "-")			
III.	Operating profit (loss is represented by "-")		**1,428,078,596.18**	1,722,532,439.38
Add:	Non-operating income		**60,362,166.98**	55,667,398.77
Less:	Non-operating expense		**13,250,160.48**	3,562,293.87
Including:	Loss from disposal of non-current assets		**580,334.84**	1,949,466.71
IV.	Total profit (total loss is represented by "-")		**1,475,190,602.68**	1,774,637,544.28
Less:	Income tax expense	7	**212,340,334.56**	206,336,717.61

Item		*Notes*	**Amount for the Period**	Amount for the same period last year
V.	Net profit (net loss is represented by "-")		**1,262,850,268.12**	1,568,300,826.67
	Net profit attributable to the shareholders of the Company		**1,243,959,495.33**	1,537,912,879.36
	Minority interests		**18,890,772.79**	30,387,947.31
VI.	Earnings per share:	8		
	(I) Basic earnings per share		**0.62**	0.77
	(II) Diluted earnings per share		**0.62**	0.77
VII.	Other comprehensive income		**11,268,799.09**	-21,194,240.48
VIII.	Total comprehensive income		**1,274,119,067.21**	1,547,106,586.19
	Total comprehensive income attributable to the shareholders of the Company		**1,255,228,294.42**	1,516,718,638.88
	Total comprehensive income attributable to minority interests		**18,890,772.79**	30,387,947.31

Notes

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements is prepared on a going concern basis and with reference to actual transactions and events.

The financial statements is prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standards and 38 specific accounting standards issued by the Ministry of Finance of the PRC on 15 February 2006, the Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively the "PRC ASBE') issued thereafter and the disclosure requirements in the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 -General Provisions on Financial Reporting (Revised in 2010) issued by China Securities Regulatory Commission.

In addition, the financial statements is in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (the Chapter 32 of the Laws of Hong Kong) and the applicable disclosure provisions of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. TRADE RECEIVABLES

Unit: RMB

	Closing balance			Opening balance		
	Carrying amount			Carrying amount		
Age	**Amount**	**Percentage** *(%)*	**Provision for bad debts**	Amount	Percentage	Provision for bad debts
Within one year	**8,106,704,930.88**	**43.27**	**392,723,428.89**	8,372,447,907.26	47.89	446,297,009.98
One to two years	**4,510,810,578.36**	**24.08**	**500,877,445.61**	3,662,107,189.39	20.95	371,045,961.52
Two to there years	**2,574,958,516.87**	**13.75**	**516,555,337.98**	2,386,179,236.18	13.65	496,001,822.24
Three to four years	**1,378,142,340.81**	**7.36**	**556,979,086.32**	1,442,673,665.40	8.25	648,617,416.16
Four to five years	**986,669,963.94**	**5.27**	**547,844,981.96**	677,280,720.70	3.87	338,640,360.36
Above five years	**1,176,048,250.04**	**6.27**	**1,176,048,250.04**	942,598,387.08	5.39	942,598,387.08
Total	**18,733,334,580.90**	**100**	**3,691,028,530.80**	17,483,287,106.01	100.00	3,243,200,957.34

Portion of the Group's revenue generated from construction projects is settled in accordance with the terms specified in the contracts governing the projects. The Group offers a longer credit period (such as two to three years) to large or long-established customers with good repayment history.

For sales of products, settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. A credit period normally at one year may be granted to large or long-established customers with good repayment history. Small, new or short-term customers are normally expected to settle relevant payments 180 days after provision of services or delivery of goods by the Group.

3. TRADE PAYABLES

Unit: RMB

Age	Closing Balance	Opening Balance
Within one year	**11,154,180,521.53**	11,184,128,254.18
One to two years	**1,859,085,588.19**	2,262,461,944.04
Two to three years	**757,294,327.12**	600,913,896.71
Above three years	**669,308,788.09**	412,712,079.94
Total	**14,439,869,224.93**	14,460,216,174.87

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.

4. UNDISTRIBUTED PROFIT

Unit: RMB

Item	Closing Balance	Opening Balance
At 31 December 2011	**6,421,629,656.29**	3,793,595,551.57
Add: adjustment on undistributed profit at 1 January 2012		
Including: change in scope of consolidation under common control		
At 1 January 2012	**6,421,629,656.29**	3,793,595,551.57
Add: net profit attributable to shareholders of the Company for the year	**1,243,959,495.33**	3,056,227,705.50
Less: Transfers to statutory surplus reserves		167,691,800.78
Dividends payable on ordinary shares	**320,617,600.00**	260,501,800.00
Others		
At 30 June 2012	**7,344,971,551.62**	6,421,629,656.29

The distribution of dividends on ordinary share to shareholders of the Company was made according to the plan for distribution of profits after tax approved at the 2011 annual general meeting held on 17 May 2012, namely, a cash dividend of RMB1.6 (tax inclusive) for every ten shares to each shareholder, totaling RMB320,617,600 (tax inclusive), as calculated based on the Company's total issued share capital of 2,003,860,000 as at 31 December 2011.

5. REVENUE FROM OPERATIONS AND COST OF OPERATIONS

Unit: RMB

Item	**Amount for the year**	Amount for last year
Revenue from principal operations	**19,873,410,965.65**	19,521,996,033.45
Revenue from other operations	**138,077,317.27**	237,218,499.43
Cost of operations	**16,095,892,049.32**	15,632,770,296.23

6. INVESTMENT INCOME

Unit: RMB

(1) Sources of investment income

Item	**Amount for the year**	Amount for last year
Gain from long-term equity investments accounted for using the equity method	**73,421,782.14**	37,096,231.98
Investment gain generated during the period from the held-for-trading financial assets		301,359.90
Investment gain generated during the period from available-for-sale financial assets	**1,445,390.00**	11,488,788.80
Investment gain from disposal of held-for-trading financial assets		5,345,732.83
Investment gain from disposal of available-for-sale financial assets	**1,316,576.30**	1,074,178.70
Others		54,463.53
Total	**76,183,748.44**	55,360,755.74

(2) Gain from long-term equity investments accounted for using the equity method

Item	**Amount for the year**	Amount for last year	**Reason for year-on-year change**
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co.,Ltd	17,673,533.15	20,962,640.78	Decrease in operating profit
Dongfang AREVA	47,361,418.86	9,631,770.82	Increase in operating profit
Dongfang Hitachi Boiler Co.,Ltd	7,151,420.60	2,331,814.38	Increase in operating profit
Leshan East Lok bulkyCo.,Ltd	1,619,310.67	4,170,006.00	Decrease in operating profit
Sichuan Wind Power Industry Investment Co.,Ltd.	-383,901.14		
Total	73,421,782.14	37,096,231.98	

7. INCOME TAX EXPENSES

Unit: RMB

Item	**Amount for the year**	Amount for last year
Income tax for the year	**290,706,405.47**	243,288,471.85
Deferred income tax	**-78,366,070.91**	-36,951,754.24
Total	**212,340,334.56**	206,336,717.61

(1) DEC Dongfang Turbine Co., Ltd., DEC Dongfang Boiler Group Co., Ltd., DEC Dongfang Electric Machinery Co., Ltd. and Chengdu Dongfang KWH Catalysts Co., Ltd. respectively obtained the Certificates for High-Tech Enterprises (No. GR20095100307, GF201151000188, GR20095100306 and GR200951000220) on 28 December 2009, 12 October 2011, 28 December 2009, and 28 December 2009, which were issued jointly by the Science & Technology Department of Sichuan Province, the Finance Department of Sichuan Province, the Sichuan Provincial Office of SAT, and the local taxation bureau. Dongfang (Guangzhou) Heavy Machinery Co., Ltd. obtained the Certificate for High-Tech Enterprises (No. GR201044000150) on 26 September 2010, which was issued jointly by the Science & Technology Department of Guangdong Province and the Finance Department of Guangdong Province, the Guangdong Provincial Office of SAT, and the local taxation bureau. Shenzhen Dongfang Boiler Control Co., Ltd. obtained the Certificate for High-Tech Enterprises (No. GR200944200022) on 27 June 2009, which was issued jointly by the Shenzhen Bureau of Science, Technology & Information, the Shenzhen Municipal Bureau of Finance, the Shenzhen Municipal Office of SAT, and the Shenzhen Local Taxation Bureau. Pursuant to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, and upon filing and confirmation with their respective tax authorities, the above enterprises are entitled to a preferential rate of 15% for enterprise income tax of high-tech enterprises for the first half of 2012.

(2) As approved by the local SAT Office of Chengdu Hi-Tech Industrial Development Zone, the Company is entitled to a preferential rate of 15% for enterprise income tax under the State's Development of West China Initiative with effect from 2011.

8. EARNINGS PER SHARE

Unit: RMB

Item	**Amount for year**	Amount for last year
Net profit attributable to shareholders of the Company	**1,243,959,495.33**	1,537,912,879.36
The weighted average number of the Company's ordinary shares in issue	**2,003,860,000.00**	2,003,860,000.00
Basic earnings per share	**0.62**	0.77

Diluted earnings per share was the same as basic earnings per share for the Period as there were no diluting events (For the six months ended 30 June 2011: nil) during the Period.

9. SEGMENT INFORMATION

Unit: RMB

Business segments for the Period

Item	Clean high-efficiency power generation equipments	New energy	Water energy and environmental equipments	Engineering and services	Unallocated	Eliminations	Total
Revenue from operations	14,698,920,761.90	4,801,129,183.88	1,863,732,374.43	2,607,481,682.09	138,077,317.27	4,097,853,036.65	20,011,488,282.92
Including: external sales	11,420,900,841.60	4,112,010,888.06	1,833,939,344.51	2,506,559,891.48	138,077,317.27		20,011,488,282.92
Inter-segment sales	3,278,019,920.30	689,118,295.82	29,793,029.92	100,921,790.61		4,097,853,036.65	
Operating expenses	12,296,568,564.09	4,050,983,697.09	1,455,323,889.90	2,311,633,903.38	1,645,227,105.56	3,161,815,326.38	18,597,921,833.64
Operating profit (losses)	2,402,352,197.81	750,145,486.79	408,408,484.53	295,847,778.71	-1,507,149,788.29	936,037,710.27	1,413,566,449.28
Total assets					107,164,745,236.38	27,405,447,057.25	79,759,298,179.13
Total liabilities					82,012,307,719.63	17,795,507,607.40	64,216,800,112.23
Supplemental information							
Depreciation and amortisation expenses						636,582,526.82	636,582,526.82
Capital expenditure							
Non-cash expenses other than depreciation and amortisation							

Business segments from January to June 2011

Item	Clean high-efficiency power generation equipments	New energy	Water energy and environmental equipments	Engineering and services	Unallocated	Eliminations	Total
Revenue from operations	14,349,766,675.62	4,983,116,978.44	1,279,749,408.86	2,430,937,217.59	237,218,499.43	3,521,574,247.06	19,759,214,532.88
Including: external sales	11,569,712,135.12	4,241,930,280.42	1,279,749,408.86	2,430,604,209.05	237,218,499.43		19,759,214,532.88
Inter-segment sales	2,780,054,540.50	741,186,698.02		333,008.54		3,521,574,247.06	—
Operating expenses	12,038,738,415.88	4,160,217,486.27	1,045,284,950.20	1,790,332,426.87	1,653,496,161.99	2,651,387,347.71	18,036,682,093.50
Operating profit (losses)	2,311,028,259.74	822,899,492.17	234,464,458.66	640,604,790.72	-1,416,277,662.56	870,186,899.35	1,722,532,439.38
Total assets					112,950,605,886.46	26,642,285,596.98	86,308,320,289.48
Total liabilities					90,263,921,340.99	17,024,138,355.65	73,239,782,985.34
Supplemental information							
Depreciation and amortisation expenses					568,117,442.85		568,117,442.85
Capital expenditure							
Non-cash expenses other than depreciation and amortisation							

10. NET CURRENT ASSETS

Unit: RMB

Item	Closing balance	Opening balance
Current assets	**65,893,375,906.84**	68,864,302,393.42
Less: Current liabilities	**62,342,515,003.70**	66,052,609,185.00
Net current assets	**3,550,860,903.14**	2,811,693,208.42

11. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	Closing balance	Opening balance
Total assets	**79,758,914,277.99**	82,442,725,917.98
Less: current liabilities	**62,342,515,003.70**	66,052,609,185.00
Total assets less current liabilities	**17,416,399,274.29**	16,390,116,732.98

12. DIVIDENDS

The Board does not recommend the payment of interim dividends for 2012. (Interim dividend for the same period in 2011: Nil).

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Discussion and Analysis on the Overall Operations during the Period

In the first half of 2012, the Company overcame the adverse impact from the sluggish world economy and shrinking demands in the power generation equipment market, vigorously carried out various production, operation and management activities and achieved steady and sustained development by adhering to the priorities on "highlighting principal operations, optimizing allocation and refining management" and implementing "three shifts" (namely shifting from scale expansion to efficiency and profit growth, shifting from business expansion to strength enhancement, and shifting from manufacturing-based operations to manufacturing- and service-based operations).

Completion of Operation Indicators

During the reporting period, in accordance with the PRC ASBE, the Company recorded a total operating revenue of RMB20,011 million, representing an increase of 1.28% over the same period last year; net profit attributable to shareholders of the Company of RMB1,240 million, representing a decrease of 19.11% from the same period last year; earnings per share of RMB0.62; and gross profit margin for principal operations of 19.35%, representing a decrease of 1.08 percentage points from the same period last year.

Capacity of Power Generation Equipments

During the reporting period, the Company produced power generation equipments with total capacity of 16,551MW, including 13 hydro-electric turbine generator sets (3,257MW), 24 steam turbine generators (13,170MW), and 82 wind turbine generator sets (124MW), as well as 34 power station boilers (11,480MW) and 41 power station steam turbines (10,053.5MW).

Market exploration through painstaking efforts

In the first half of 2012, falling market demands led to fiercer competition. The Company struggled to carry out its market exploration. The Company's new orders for the Period amounted to approximately RMB22 billion, of which export orders declined notably to US$350 million as compared with the same period last year, accounting for 10% of all new orders. Nevertheless, the Company secured a substantial growth in orders for gas turbine products with contract value of RMB6.7 billion in the first half of the year, accounting for 30% of all new orders. Among such new orders, 59.4% was attributable to high-efficiency clean energy, 14.8% to new energy, 10.8% to water energy and environmental protection, and 15.0% to engineering and services.

As at 30 June 2012, the Company had orders in hand of more than RMB147 billion, among which high-efficiency clean energy accounted for 58.4%, new energy 15.8%, water energy and environmental protection 9.7%, engineering and services 16.1%. Export orders accounted for 18.4% of all of the Company's orders in hand.

Further enhanced management level

In the first half of this year, the Company kicked off and fully implemented the management enhancement campaign, continuously strengthened fundamental corporate management, boosted quality management level, furthered technological innovation, and enhanced its core competitiveness through self-optimization, introduction and absorption, and innovation-based growth.

Continuously proceeded with cost reduction and efficiency increase

In the first half of this year, the Company firmly carried out the "cost/expenditure reduction and efficiency/income increase" activity, practically reinforced cost control throughout all the production and operation process, and lowered cost expenditures through such measures as optimizing the design process, improving the production organization flow, centralized tender offer for bulk materials procurement, energy saving and consumption reduction, and control of quality loss, thus facilitating cost reduction and efficiency increase in a sustained manner.

(II) Main Businesses and Their Operations

1. *Principal Operations by Industry and Product*

Unit: RMB

Industry/Product	Operating Revenue	Operating Cost	Operating profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/ decrease in operating profit margin (%)
By Industry						
Manufacture of power generation equipments	19,873,410,965.65	16,027,533,038.59	19.35	1.8	3.18	Decreased by 1.08 percentage points
By Product						
High efficiency and clean power generation equipments	11,420,900,841.60	9,079,275,934.74	20.5	-1.29	-2.23	Increased by 0.76 percentage points
New energy	4,112,010,888.06	3,361,865,401.27	18.24	-3.06	-1.67	Decreased by 1.16 percentage points
Water energy and environmental equipments	1,833,939,344.51	1,455,323,889.90	20.64	43.3	39.23	Increased by 2.32 percentage points
Engineering and services	2,506,559,891.48	2,131,067,812.68	14.98	3.12	19.48	Decreased by 11.64 percentage points

Descriptions of Principal Operations by Industry and Product:

From perspective of comprehensive gross profit margin, the Company's comprehensive gross profit margin of principal operations for the Period was 19.35%, decreased by 1.08 percentage points as compared with 20.43% for the same period last year. From perspective of products, the gross profit margin of new energy for the Period was 18.24%, representing a decrease of 1.16 percentage points as compared with 19.40% for the same period last year, mainly attributable to the year-on-year decrease in the sales price of wind power products during the Period. The gross profit margin of water energy and environmental equipments for the Period was 20.64%, representing an increase of 2.32 percentage points as compared with 18.32% for the same period last year, mainly attributable to changes in the structure of hydropower equipment projects during the Period. The gross profit margin of engineering and services for the Period was 14.98%, representing a material year-on-year decrease of 11.64 percentage points, mainly due to changes in the structure of engineering projects during the Period.

2. *Principal Operations by Region*

Unit: RMB

Region	Operating Revenue	Year-on-year increase/decrease in operating revenue *(%)*
PRC	15,638,434,283.47	-11.59
Overseas	4,234,976,682.18	130.90

3. *Problems and Obstacles in Operation*

In the first half of 2012, the Company was confronted with great difficulties and challenges in market exploration as a result of lingering sluggish market demands, shrinking demands for thermal power, actually stalled nuclear power market, increasing competition in the wind power market and sharp declines in the demands of international markets. On the other hand, affected by the state policies and insufficient capital financed by owners of power projects, the construction progress of certain power projects became uncertain, making it more difficult to recover loans and arrange production schedules.

4. *Material Events*

There has been no event since the end of the reporting period which materially affected the Company and its subsidiaries.

5. *Outlook for the Second Half of the Year*

In the second half of 2012, in face of grimmer domestic and overseas market conditions, the Company will closely keep track of new technologies and projects, and make unremitting efforts to explore both domestic and overseas markets by seizing the opportunities arising from the fast-growing gas turbine market and restart of nuclear power. Meanwhile, the Company will continue its management enhancement initiative in pursuit of constant progress in quality management and technology management, boost products quality and strictly control cost expenditures by means of cost reduction and efficiency increase. In addition, the Company will strengthen products research and development for breakthroughs in key products and core technologies with the emphasis on highlighting principal operations, optimize performance and continuously raise the competitiveness of its products so as to fulfill sustained and stable growth.

(III) Financial Analysis

Analysis on Changes in Balance Sheet during the Reporting Period

Changes in composition of assets:

Unit: RMB

Item	**Closing balance**	Opening balance	**Year-on-year increase/decrease** %
Monetary fund	**8,122,669,252.07**	10,345,027,829.13	-21.48
Available-for-sale financial assets	**434,025,530.00**	308,987,298.90	40.47
Short-term borrowings	**2,955,768,751.18**	2,272,298,661.98	30.08
Taxes payable	**-567,582,847.26**	448,458,426.69	-226.56
Dividends payable	**322,626,323.98**	1,560,249.58	20,577.87

Analysis on reasons for the changes:

1. As at the end of the Period, monetary fund decreased by 21.48% as compared with the beginning of the Period, mainly attributable to a significant year-on-year decrease in payments for goods received by the Company during the Period.

2. As at the end of the Period, available-for-sale financial assets increased by 40.47% as compared with the beginning of the Period, mainly attributable to further acquisition of shares of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd.(內蒙華電) by the Company during the Period.

3. As at the end of the Period, short-term borrowings increased by 30.08% as compared with the beginning of the Period, mainly attributable to a sharp decrease in payments for goods received and increase in borrowings of certain subsidiaries of the Company as working capital.

4. As at the end of the Period, taxes payable decreased by 226.56% as compared with the beginning of the Period, mainly attributable to the deductible value added tax since the input tax exceeded output tax in the Period.

5. As at the end of the Period, dividends payable saw a significant increase as compared with the same period last year, mainly attributable to the cash dividend for 2011 which has not yet been paid in the reporting period.

Analysis on Changes in Items in Income Statement during the Reporting Period

Changes in composition of expenses

Unit: RMB

Item	For the Period	For the same period last year	Year-on-year increase/decrease %
Business tax and surcharges	**159,266,534.17**	94,778,159.41	68.04
Finance costs	**-11,274,152.26**	-27,551,873.67	-59.08
Impairments loss of assets	**412,005,053.17**	559,455,142.32	-26.36
Investment income	**76,183,748.44**	55,360,755.74	37.61

Analysis on reasons for the changes:

1. Business tax and surcharges for the Period increased by 68.04% as compared with the same period last year, mainly attributable to a substantial year-on-year increase in the value added tax paid in the Period based on which the business tax and surcharges also increased.

2. Finance costs for the Period increased by 59.08% as compared with the same period last year, mainly attributable to a significant decrease in monetary fund and a decrease in interest income from deposits.

3. Impairment loss of assets for the Period decreased by 26.36% as compared with the same period last year, mainly attributable to a substantial year-on-year decrease in provision for impairment of inventories.

4. Investment income for the Period increased by 37.61% as compared with the same period last year, mainly attributable to a substantial increase in profits of joint ventures for the Period, which resulted in a corresponding increase in the Company's investment income accounted for by equity method.

Analysis on Changes in Items in Cash Flow Statement for the Reporting Period

Changes in items in cash flow statement

Unit: RMB

Item	Amount for the Period	Amount for the same period last year	Year-on-year increase/decrease %
Net cash flow from operating activities	**-2,256,809,459.49**	-1,827,903,695.83	23.46
Net cash flow from investing activities	**-758,201,630.29**	-862,640,175.12	-12.11
Net cash flow from financing activities	**740,916,337.45**	-274,842,357.06	-369.58

Analysis on reasons for the changes:

1. Net cash outflow from operating activities increased by 23.46% as compared with the same period last year, mainly due to a significant decrease in payments for goods received by the Company during the Period.

2. Net cash outflow from investing activities decreased by 12.11% as compared with the same period last year, mainly due to a significant year-on-year decrease in cash expenditures for fixed assets investment in the Period.

3. Net cash inflow from financing activities increased by 369.58% as compared with the same period last year, mainly due to a significant increase in borrowings as working capital in the Period.

Statements on other matters during the Reporting Period

1. ***Borrowings***

   As at the end of the Period, the Company had bank borrowings of RMB3,082,088,800 due within one year and RMB135,808,400 due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. The Company has maintained a sound financing capacity due to its healthy credit status and future sustainable profitability.

2. ***Gearing Ratio***

   As at the end of the Period, the gearing ratio of the Company was 80.51%, representing a decrease of 1.77 percentage points from 82.28% as at the end of 2011.

3. ***The Company did not pledge any of its assets in the Period.***

4. ***Exchange Rate Fluctuation Risk and any Related Hedging***

   With the increasing scale of the international operations of the Company, Renminbi exchange rate is becoming an increasingly important element affecting the Company. Given the complicated and volatile international financial situations and the Company's actual operation, the Company carried out a careful study on currency risk relating to its international construction projects and adopted financial leverage instruments including forward exchange settlement as and when necessary during the Period, so as to evade and control the risks arising from exchange rate fluctuations.

5. *Contingencies*

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

In March 1994, Dongfang Electric Corporation("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 imported from Foster Wheeler the technology for 50MW and 100MW non-reheat circulating fluidized-bed boilers. In January 1999, Dongfang Boiler Factory transferred its rights and obligations stipulated under the licensing agreement to Dongfang Boiler.

In January 2009, Foster Wheeler filed an arbitration claim with the Chamber of Commerce of Stockholm, Sweden against DEC, Dongfang Boiler Factory and Dongfang Boiler as respondents. Foster Wheeler alleged that DEC, Dongfang Boiler Factory and Dongfang Boiler have used its technology on 135MW and 300MW boilers in violation of the provisions of the licensing agreement, and claimed compensation for its losses.

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler to pay to Foster Wheeler nominal royalties of USD4,815,000 and unpaid royalties of USD1,520,000 and the interest accrued thereon, and Foster Wheeler has to return the technology licensing fees of USD1,117,000 to Dongfang Boiler. Further, DEC shall bear joint and several liabilities for the above debts. Dongfang Boiler and DEC disagree with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. As at the date of this interim results announcement, the Svea Court of Appeal, Sweden has not yet rendered a verdict.

(2) Possible commercial risks in relation to the Saudi Rabigh project

In July 2009, the consortium including the Company entered into a general contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Company undertook the supply of major equipment and provision of relevant technical services. Due to problems of certain equipments, the generating units were not put into commercial operation as scheduled, which may expose the Company to commercial risk. Currently, the Company is the in the process of negotiation with the project owners from Saudi Arabia on the correction and improvement work to be carried out after the end of this summer-peak season for power generation.

(3) Save for the above contingent matters, the Group had no other material contingent matters as at 30 June 2012.

III. OTHER MATTERS

(I) 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.

(II) EXTERNAL GUARANTEE AND PERFORMANCE

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

(III) MATERIAL LITIGATION AND ARBITRATION

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

(IV) EMPLOYEES

As at 30 June 2012, the Company had 20,827 employees, who were remunerated based on their individual performance. Remuneration packages are structured with reference to their positions and the Company's results.

(V) CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in full compliance with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the Period.

(VI) 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") contained in Appendix 10 to 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.

(VII) AUDIT COMMITTEE

The Board has set up an audit and review committee comprising three independent non-executive Directors, namely, Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing. The audit and review committee has reviewed the interim results of the Company for the Period, and agreed to the accounting treatments adopted by the Company.

(VIII) INFORMATION DISCLOSURE

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2012, 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 of Hong Kong Limited and the Company (http://dfem.wsfg.hk) in due course.

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

Chengdu, Sichuan, the People's Republic of China
21 August 2012

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

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