Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2012 ANNUAL RESULTS

RESULTS HIGHLIGHTS

- Total operating revenue of the Company in 2012 amounted to RMB38,100 million, representing a decrease of 11.27% as compared with 2011;
- Net profit attributable to the Company in 2012 amounted to RMB2,200 million, representing a decrease of 28.31% as compared with 2011;
- Earnings per share of the Company amounted to RMB1.09 in 2012;
- New orders of the Company in 2012 amounted to RMB44,000 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 2012 (the "**Reporting Period**") prepared in accordance with the China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

Consolidated Balance Sheet

31 December 2012

Unit: RMB

Item	*Note*	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents		**8,960,708,524.63**	10,345,027,829.13
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		**30,311,323.96**	64,969,532.34
Bills receivable		**2,568,756,924.94**	2,240,345,399.29
Trade receivables	2	**14,991,233,562.34**	14,240,086,148.67
Prepayments		**5,784,631,010.52**	5,728,312,159.37
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interest receivable		**61,740,939.07**	76,378,518.13
Dividends receivable		**136,612.20**	
Other receivables		**325,693,411.09**	309,264,085.87
Purchases of resold financial assets			
Inventories		**31,901,091,912.16**	35,859,918,720.62
Non-current assets due within one year			
Other current assets			
Total current assets		**64,624,304,220.91**	68,864,302,393.42

Item	*Note*	**Closing balance**	Opening balance
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		**413,013,757.00**	308,987,298.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		**590,419,356.09**	456,044,512.62
Investment properties		**27,479,503.13**	29,120,431.80
Fixed assets		**9,873,036,157.62**	10,004,175,568.58
Construction in progress		**723,924,491.91**	836,061,475.90
Construction materials		**113,464.96**	169,875.22
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		**997,185,846.76**	991,153,405.69
Development expenses			
Goodwill			
Long-term deferred expenditures		**615,000.10**	769,883.26
Deferred income tax assets		**1,076,964,799.34**	951,941,072.59
Other non-current assets			
Total non-current assets		**13,702,752,376.91**	13,578,423,524.56
Total assets		**78,327,056,597.82**	82,442,725,917.98

Item	*Note*	**Closing balance**	Opening balance
Current liabilities:			
Short-term borrowings		**2,118,520,012.90**	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		**25,830,967.05**	30,643,140.64
Bills payable		**4,107,094,766.78**	3,847,524,566.75
Trade payables	3	**13,385,150,089.62**	14,460,216,174.87
Receipts in advance		**37,594,148,516.54**	42,510,698,850.55
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		**398,694,229.45**	407,917,862.46
Taxes payable		**251,202,094.65**	448,458,426.69
Interest payable			
Dividends payable		**2,008,723.98**	1,560,249.58
Other payables		**2,027,341,175.03**	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		**54,320,000.00**	116,320,000.00
Other current liabilities		**80,844,288.14**	85,945,216.36
Total current liabilities		**60,045,154,864.14**	66,052,609,185.00

Item	*Note*	**Closing balance**	Opening balance
Non-current liabilities:			
Long-term borrowings		**125,827,585.21**	165,808,428.01
Debentures payable			
Long-term payables		**685,252.84**	685,252.84
Special payables			22,744,416.01
Estimated liabilities		**1,064,299,498.92**	937,485,337.58
Deferred income tax liabilities		**3,932,355.83**	11,640,378.99
Other non-current liabilities		**539,641,886.45**	644,999,141.25
Total non-current liabilities		**1,734,386,579.25**	1,783,362,954.68
Total liabilities		**61,779,541,443.39**	67,835,972,139.68
Shareholders' equity:			
Share capital		**2,003,860,000.00**	2,003,860,000.00
Capital reserve		**5,074,096,576.25**	5,075,180,693.34
Less: Treasury shares			
Special reserve		**8,196,251.24**	
Surplus reserve		**453,492,120.76**	319,634,515.30
General risk provision			
Undistributed profit	4	**8,158,283,796.26**	6,421,629,656.29
Difference arising from translation of foreign currency financial statements		**-19,823,326.89**	-17,745,990.70
Total equity attributable to shareholders of the Company		**15,678,105,417.62**	13,802,558,874.23
Minority interests		**869,409,736.81**	804,194,904.07
Total shareholders' equity		**16,547,515,154.43**	14,606,753,778.30
Total liabilities and shareholders' equity		**78,327,056,597.82**	82,442,725,917.98

Consolidated Income Statement

From January to December 2012

Unit: RMB

Item		*Note*	**2012**	2011
I.	**Total revenue from operations**		**38,079,202,510.13**	42,916,618,329.18
	Including: revenue from operations	5	**38,079,202,510.13**	42,916,618,329.18
	Interest income			
	Premiums earned			
	Income from fees and commissions			
II.	**Total cost of operations**		**35,746,806,430.03**	39,660,796,872.70
	Including: Cost of operations	5	**30,001,922,705.62**	33,954,397,638.01
	Interest expenses			
	Fee and commission expenses			
	Surrender payment			
	Net expenditure for compensation			
	Net provision for insurance contracts			
	Expenditures for insurance policy dividend			
	Reinsurance costs			
	Business tax and surcharges		**284,805,579.01**	237,830,858.72
	Selling expenses		**850,521,579.71**	888,697,144.47
	Administrative expenses		**3,578,333,642.91**	3,397,724,995.81
	Finance costs		**-84,629,161.74**	-87,907,615.55
	Impairments loss of assets		**1,115,852,084.52**	1,270,053,851.24
	Add: Gain from change in fair value (loss is represented by "-")		**-29,846,034.79**	-41,087,165.89
	Gain from investment (loss is represented by "-")		**179,665,206.21**	141,600,995.37
	Including: Gains from investment in associates and joint ventures		**170,903,239.91**	122,079,261.11
	Exchange gain (loss is represented by "-")			

Item	*Note*	**2012**	2011
III. Profit from operations (loss is represented by "-")		**2,482,215,251.52**	3,356,335,285.96
Add: Non-operating income		**233,888,232.18**	255,411,857.33
Less: Non-operating expenses		**97,444,860.68**	67,690,339.73
Including: Loss on disposal of non-current assets		**2,925,418.52**	13,596,302.65
IV. Total profit (total loss is represented by "-")		**2,618,658,623.02**	3,544,056,803.56
Less: Income tax expenses	6	**364,937,341.51**	425,839,071.57
V. Net profit (net loss is represented by "-")		**2,253,721,281.51**	3,118,217,731.99
Net profit attributable to the shareholders of the Company		**2,191,129,345.43**	3,056,227,705.50
Minority interests		**62,591,936.08**	61,990,026.49
VI. Earnings per share:			
(I) Basic earnings per share	7	**1.09**	1.53
(II) Diluted earnings per share	7	**1.09**	1.53
VII. Other comprehensive income		**-5,702,488.72**	-31,921,743.88
VIII. Total comprehensive income		**2,248,018,792.79**	3,086,295,988.11
Total comprehensive income attributable to the shareholders of the Company		**2,185,426,856.71**	3,024,305,961.62
Total comprehensive income attributable to minority interests		**62,591,936.08**	61,990,026.49

NOTES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

These financial statements are prepared in accordance with the Accounting Standards for Business Enterprises - Basic Standards and 38 specific accounting standards issued by the Ministry of Finance 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, these financial statements are in compliance with the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

2. TRADE RECEIVABLES

(1) Overall analysis of trade receivables

Unit : RMB

Item	**Closing balance**	Opening balance
Trade receivables	**19,025,831,908.38**	17,483,287,106.01
Less: Provision for bad debts	**4,034,598,346.04**	3,243,200,957.34
Net amount	**14,991,233,562.34**	14,240,086,148.67

(2) Ageing analysis of trade receivables

Unit : RMB

Age	Closing balance	Opening balance
Within one year	**7,236,756,539.25**	7,926,150,897.28
One to two years	**4,027,312,887.90**	3,291,061,227.87
Two to three years	**2,234,117,651.98**	1,890,177,413.94
Three to four years	**990,630,771.02**	794,056,249.24
Four to five years	**502,415,712.19**	338,640,360.34
Net amount	**14,991,233,562.34**	14,240,086,148.67

The portion of the Group's revenue generated from construction projects are 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. Revenue from small, new or short-term customers is normally expected to be settled 180 days after provision of services or delivery of goods.

3. TRADE PAYABLES

Unit : RMB

Item	Closing balance	Opening balance
Within one year	**9,578,267,258.07**	11,184,128,254.18
One to two years	**1,876,094,829.84**	2,262,461,944.04
Two to three years	**1,044,970,982.43**	600,913,896.71
Above three years	**885,817,019.28**	412,712,079.94
Total	**13,385,150,089.62**	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	**Amount for the year**	Amount for last year
At 31 December 2011	**6,421,629,656.29**	3,793,595,551.57
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	**2,191,129,345.43**	3,056,227,705.50
Less: Transfers to statutory surplus reserves	**133,857,605.46**	167,691,800.78
Dividends payable on ordinary shares	**320,617,600.00**	260,501,800.00
At 31 December 2012	**8,158,283,796.26**	6,421,629,656.29

The distribution of dividends on ordinary shares to shareholders of the Company was made according to the plan for distribution of profits after tax for 2011 approved at the 2011 annual general meeting of the Company held on 17 May 2012, namely, a cash dividend of RMB1.60 (tax inclusive) for every ten shares to each shareholder, totaling RMB320,617,600.00 (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	**2012**	2011
Revenue from principal operations	**37,739,345,699.73**	42,442,890,520.58
Revenue from other operations	**339,856,810.40**	473,727,808.60
Total revenue from operations	**38,079,202,510.13**	42,916,618,329.18
Cost of principal operations	**29,873,907,510.09**	33,638,268,991.00
Cost of other operations	**128,015,195.53**	316,128,647.01
Total cost of operations	**30,001,922,705.62**	33,954,397,638.01
Gross profit of principal operations	**7,865,438,189.64**	8,804,621,529.58
Gross profit of other operations	**211,841,614.87**	157,599,161.59
Total gross profit of operations	**8,077,279,804.51**	8,962,220,691.17

6. INCOME TAX EXPENSES

Income tax expenses

Unit: RMB

Item		**2012**	2011
Income tax for the year		**497,032,102.95**	670,742,160.05
Including:	PRC	**495,166,410.67**	668,932,618.62
	India	**1,865,692.28**	1,809,541.43
Deferred income tax		**-132,094,761.44**	-244,903,088.48
Total		**364,937,341.51**	425,839,071.57

Except that Dongfang Electric (India) Private Limited which was taxed at 32.445% and certain subsidiaries entitled to a preferential rate of 15% for enterprise income tax, all other subsidiaries were subject to enterprise income tax at a rate of 25%.

7. EARNINGS PER SHARE

Unit: RMB

Item	**2012**	2011
Net profit attributable to shareholders of the Company	**2,191,129,345.43**	3,056,227,705.50
Extraordinary items attributable to the Company	**166,809,638.76**	166,367,631.05
Net profit attributable to shareholders of the Company after deducting extraordinary items	**2,024,319,706.67**	2,889,860,074.45
Total number of shares at 1 January	**2,003,860,000.00**	2,003,860,000.00
Weighted average number of ordinary shares in issue	**2,003,860,000.00**	2,003,860,000.00
Basic earnings per share (I)	**1.09**	1.53
Basic earnings per share (II)	**1.01**	1.44

Diluted earnings per share was the same as basic earnings per share for the Reporting Period as there were no diluting events (For the 12 months ended 31 December 2011: nil) during the Reporting Period.

8. SEGMENT INFORMATION

Reporting segments for 2012

Unit: RMB

Item	Clean high-efficiency power generation equipments	New energy	Water energy and environmental equipments	Engineering and services	Unallocated	Eliminations	Total
Revenue from operations	28,004,533,259.15	8,976,729,291.99	4,577,778,275.07	5,713,939,724.49	368,404,850.83	9,562,182,891.40	38,079,202,510.13
Operating expenses	23,319,370,885.11	7,708,074,838.08	3,333,968,739.63	4,907,160,632.99	4,967,372,915.54	8,638,960,752.74	35,596,987,258.61
Operating profit (losses)	4,685,162,374.04	1,268,654,453.91	1,243,809,535.44	806,779,091.50	-4,598,968,064.71	923,222,138.66	2,482,215,251.52
Total assets					108,548,772,886.39	30,221,716,288.57	78,327,056,597.82
Total liabilities					82,387,757,805.86	20,608,216,362.47	61,779,541,443.39
Depreciation and amortization expenses					1,299,963,209.48		1,299,963,209.48

Reporting segments for 2011

Unit: RMB

Item	Clean high-efficiency power generation equipments	New energy	Water energy and environmental equipments	Engineering and services	Unallocated	Eliminations	Total
Revenue from operations	32,190,427,023.62	10,422,484,025.31	3,261,170,475.33	6,441,109,256.50	502,917,156.66	9,901,489,608.24	42,916,618,329.18
Operating expenses	26,950,586,503.93	8,561,491,366.87	2,688,320,510.98	5,300,553,363.22	5,100,944,983.23	9,041,613,685.01	39,560,283,043.22
Operating profit (losses)	5,239,840,519.69	1,860,992,658.44	572,849,964.35	1,140,555,893.28	-4,598,027,826.57	859,875,923.23	3,356,335,285.96
Total assets					111,229,809,563.68	28,787,083,645.70	82,442,725,917.98
Total liabilities					86,970,704,035.67	19,134,731,895.99	67,835,972,139.68
Depreciation and amortization expenses					1,228,625,428.22		1,228,625,428.22

9. NET CURRENT ASSETS

Unit: RMB

Item	Closing balance	Opening balance
Current assets	**64,624,304,220.91**	68,864,302,393.42
Less: Current liabilities	**60,045,154,864.14**	66,052,609,185.00
Net current assets	**4,579,149,356.77**	2,811,693,208.42

10. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	Closing balance	Opening balance
Total assets	**78,327,056,597.82**	82,442,725,917.98
Less: current liabilities	**60,045,154,864.14**	66,052,609,185.00
Total assets less current liabilities	**18,281,901,733.68**	16,390,116,732.98

11. DIVIDENDS

The Board proposes to pay a final cash dividend of RMB0.11 (tax inclusive) per share for year 2012, totalling RMB220,424,600.

Subject to the approval of shareholders at the 2012 annual general meeting, the dividend will be paid to holders of H shares whose names appear on the register of members of the Company on 3 June 2013.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

Overall Operations

2012 was a crucial year for the Company to tamp its foundation and plan for development. Throughout the year, the Company adhered to the guideline of "three shifts" (namely shifting from scale expansion to efficiency and profit growth, shifting from capacity expansion to technical upgrading, and shifting from manufacturing-based operations to manufacturing- and service-based operations) and spared no efforts to carry out production and business activities by following the overall requirement of "adjusting structure, promoting innovation, enhancing management and raising standards". As such, the Company overcame the adverse impact from the continued slump in global and domestic markets and worked hard to achieve new progress in various activities, thereby sustaining a steady growth momentum.

Operations during the Reporting Period

- Completion of operation indicators

  During the Reporting Period, under the PRC ASBE, the Company recorded a total operating revenue of RMB38,079 million, representing a year-on-year decrease of 11.27%; net profit attributable to shareholders of the Company of RMB2,191 million, representing a year-on-year decrease of 28.31%; earnings per share of RMB1.09; and gross profit margin for principal operations of 20.84%, representing a year-on-year increase of 0.10 percentage point.

- Capacity of power generation equipments

  During the Reporting Period, the Company produced power generation equipments with total capacity of 32,612.5MW, representing a decrease of 17.8% as compared with the same period last year. (For the capacity of each product, please refer to "Analysis of factors affecting product revenue" on page 18 below).

- Continuing market exploration

  In face of tough international and domestic markets, the Company went all out to grab market share through strengthened coordination and well-considered plans. The Company's new orders for the year 2012 amounted to approximately RMB44 billion, of which exports accounted for 12% or US$880 million. Among the new orders, 64% was attributable to high-efficiency clean energy, 14% to new energy, 8% to water energy and environmental protection, and 14% to engineering and services.

  As at 31 December 2012, the Company had orders in hand of more than RMB145 billion, among which high-efficiency clean energy accounted for 60%, new energy 14%, water energy and environmental protection 9%, engineering and services 17%. Exports accounted for 19% of all of the Company's orders in hand.

  Active efforts were made in exploring domestic market. The Company secured the contract for the power generating units of Xianju pumped-storage project in Zhejiang, the pumped-storage power units of which are of the largest individual capacity in China. The Company entered into a supply contract for boiler-turbine power units (機爐電設備) of Chongqing Wanzhou 2×1,000 MW project, the first generating unit with steam outlet temperature and pressure of 620°C and 28 MPa in China. In addition, the Company entered into the contract for Anyuan 2×660 MW double reheat generating units, the Company's first supply contract of 660 MW double reheat generating units. The Company continued to maintain its leading position in respect of F-class gas turbines by entering into a number of major gas turbine supply contracts. Furthermore, the Company secured the procurement contract with the State Nuclear Power Technology Corporation (SNPTC) for the development and manufacture of T/G equipment for the large advanced PWR CAP1400 demonstration project. Steady progress was achieved in international market expansion. The Company was awarded the EPC contract for the Stanari project in Bosnia and Herzegovina, indicating its official entry into the thermal power EPC market in Eastern Europe. The Company entered Central Asian markets by securing the boiler island supply contract for BTPP 2×660MW project in Kazakhstan.

- Remarkable achievements in production engineering management

  Product manufacturing tasks were successfully completed. The first 600MW circulating fluidized bed generating unit was delivered to our client. The 1,750MW generator for Taishan nuclear power project, which has the largest individual capacity in the world, was manufactured successfully. The coal slurry gasifier which is the largest of its kind in China in terms of dimension and weight successfully rolled off production line, marking an initial breakthrough in the field of gasifiers. The EPC project of Pingdingshan 2×1,000MW generating units denitration won the "2011-2012 National Quality Engineering Gold Award".

  Engineering construction proceeded as scheduled. Currently, the Company has 30 projects in hand, with a total installed capacity of 23,227MW. In the year, two 600MW generating units were finally delivered, and fifteen 2,837MW generating units were preliminarily delivered. In 2012, fourteen 3,303MW generating units were interconnected with power grid. All the three generating units of Indonesia Longwan 3×315MW power plant project were put into operation within the year, and the No. 1 and No. 2 generating units of Pacitan project were interconnected with power grid. As to the Indian market, four generating units were interconnected with power grid. In addition, the four generating units of Jinnah hydropower project in Pakistan were interconnected with power grid.

- Independent innovation capacity reaching a new high

  The Company accomplished the development of Angu 190MW large axial-flow turbine and Gezhouba 125MW capacity expansion generating unit and 1,000MW Francis turbine unit and Xianju 375MW pumped-storage power units. The technical program for improving the quality and efficiency of 600MW thermal power units was determined. 600MW supercritical circulating fluidized bed boilers and SCR flue gas denitrators for large power station boilers were included in the national key new products. Breakthrough was made in the new models of ultra-supercritical generating units and the double reheat project. The independent research and development of 50MW F-class gas turbines proceeded as scheduled. The workshop assembling and static debugging for 5.5MW offshore wind power units were completed.

- Gaining new experience in resource allocation

  The Company actively promoted the integration of resources in international market. Through establishing unified centers and platforms for technologies and services in overseas markets, the Company managed to build an overall external image and improve the efficiency of resource use. The Company carried out an in-depth study on the industrial situation and actively promoted the integration of resources. Through investment in fixed assets, resources were put together to enhance innovative ability and core competitiveness and develop new businesses.

- Further enhancement in overall risk management

  A comprehensive risk management system for annual report preparation and reporting was implemented. Internal control system was constantly improved and great efforts were made in establishing an internal control system covering all affiliated entities of the Group. Through sorting out defects in capital management, tendering and bidding and procurement activities of the Company and its affiliated enterprises on a comprehensive basis, the Company improved relevant systems and enhanced the implementation of these systems, thereby improving its risk management such as financial management, and promoting the enhancement of its management efficiency.

2. Analysis of Principal Operations

- *Analysis of operating results*

Unit : RMB

Item	**2012**	**2011**	**Year-on-year increase/ decrease** *(%)*
Operating revenue	38,079,202,510.13	42,916,618,329.18	–11.27
Selling expenses	850,521,579.71	888,697,144.47	–4.30
Administrative expenses	3,578,333,642.91	3,397,724,995.81	5.32
Finance costs	–84,629,161.74	–87,907,615.55	–3.73
Impairment loss of assets	1,115,852,084.52	1,270,053,851.24	–12.14
Total profit	2,618,658,623.02	3,544,056,803.56	–26.11
Income tax	364,937,341.51	425,839,071.57	–14.30
Net profit	2,253,721,281.51	3,118,217,731.99	–27.72
Net profit attributable to shareholders of the Company	2,191,129,345.43	3,056,227,705.50	–28.31

(1) Sales revenue for the Reporting Period saw a decrease of 11.27% as compared with the same period last year due to the adjustments made to the lead times of certain projects under the impact of the slowdown in global and domestic economic growth in 2012.

(2) Selling expenses for the Reporting Period decreased by 4.30% as compared with the same period last year, mainly due to a decrease in provisions made for product quality warranty in 2012 according to relevant accounting policies.

(3) Administrative expenses for the Reporting Period increased by 5.32% as compared with the same period last year, mainly due to the increase in staff remuneration, R&D expenditures and repair charges of fixed assets of the Company for 2012.

(4) Total profit and net profit attributable to shareholders of the Company for the Reporting Period decreased by 26.11% and 28.31% as compared with the same period last year , respectively, mainly due to the decrease in sales revenue.

- *Revenue*

  (1) Analysis of factors affecting product revenue

  In 2012, the Company continued to maintain a higher share of China's market, occupying 40% of the domestic large- and medium-sized hydropower market and approximately 30% of the domestic thermal power market as well as maintaining a leading position in the domestic gas turbine market.

  In the Reporting Period, the Company produced power generation equipment with total capacity of 32,612.5MW, representing a decrease of 17.8% as compared with the same period last year, including hydro-electric turbine generator sets with total capacity of 6,682MW, representing an increase of 22.3% as compared with the same period last year; steam turbine generators with total capacity of 25,380MW, representing a decrease of 22.5% as compared with the same period last year; and wind turbine generator sets with total capacity of 550.5MW, representing a decrease of 62.1% as compared with the same period last year. In addition, the Company produced power station boilers with total capacity of 20,645MW and power station steam turbines with total capacity of 25,954.5MW, representing a decrease of 5.7% and 33.7% respectively as compared with the same period last year.

  Due to the slowdown in domestic economic growth, the electricity consumption growth rate in China in 2012 was lower than expected, which led to a decrease in market demand and the suspension or delay in delivery of a number of projects. For the purpose of controlling business risks, the Company adjusted its production schedule and postponed the delivery of certain projects according to the progress of project implementation, which led to a noticeable decrease in the capacity of coal-fired generating products such as steam turbine generators and power station steam turbines. Meanwhile, the capacity of wind power generating products was lower than expected due to fewer new orders in 2012. Due to the decline in the output of both coal-fired and wind power generating products, the capacity of the power generation equipment produced by the Company was lower than the planned target set at the beginning of the year.

(2) Analysis of orders

Due to the decrease in market demand as a result of the slowdown in domestic economic growth and the lower-than-expected electricity consumption growth rate in China in 2012, a number of projects were either suspended or delayed for delivery. As such the number of the preliminary orders completed in the Reporting Period was lower than expected.

(3) Major customers

During the Reporting Period, the Company's revenue derived from its top five customers amounted to RMB6,868 million, accounting for 18.04% of the Company's total revenue.

- *Costs*

(1) Cost analysis

Unit: RMB

By product	Cost composition	2012	As a percentage in total costs *(%)*	2011	As a percentage in total costs *(%)*	Year-on-year increase/decrease *(%)*
Power generation equipment manufacturing and services	Raw materials and purchased parts	24,687,005,205.21	82.64	28,535,002,163.98	84.83	-13.49
	Direct labor costs	2,016,113,552.54	6.75	2,022,208,398.00	6.01	-0.30
	Manufacturing costs	3,170,788,752.34	10.61	3,081,058,429.02	9.16	2.91
	Total	29,873,907,510.09	100.00	33,638,268,991.00	100.00	-11.19

(2) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB2,386 million, accounting for 15.84% of the Company's total procurement.

- *Expenses*

Unit: RMB

Item	**2012**	**2011**	**Increase/ decrease as compared with the same period last year** *(%)*
Selling expenses	850,521,579.71	888,697,144.47	-4.30
Administrative expenses	3,578,333,642.91	3,397,724,995.81	5.32
Finance costs	-84,629,161.74	-87,907,615.55	-3.73
Income tax expenses	364,937,341.51	425,839,071.57	-14.30

3. Analysis of Operations by Industry, Product or Region

- *Principal operations by industry and product*

Unit: RMB

Principal operations by industry

Industry	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Power generation equipment manufacturing	37,739,345,699.73	29,873,907,510.09	20.84	-11.08	-11.19	0.10

Principal operations by product

Sector	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Clean high efficiency power generation equipments	20,200,166,742.82	15,749,998,160.13	22.03	-17.49	-20.09	2.53
New energy	7,664,847,200.75	6,398,558,706.19	16.52	-13.72	-8.62	-4.66
Water energy and environmental equipments	4,528,310,383.48	3,299,084,666.02	27.15	39.69	23.62	9.48
Engineering and services	5,346,021,372.68	4,426,265,977.75	17.20	-8.37	3.95	-9.82

(1) During the Reporting Period, the operating revenue from clean high-efficiency power generation equipments decreased by 17.49% as compared with the same period last year, mainly due to a decrease of 17.56% in revenue from thermal power and a decrease of 26.73% in revenue from conventional island of nuclear power.

(2) During the Reporting Period, the revenue from the new energy segment decreased by 13.72% as compared with the same period last year, mainly due to the decrease of 12.37% in revenue from the wind power business. Meanwhile, the gross profit margin of the new energy segment decreased by 4.66%, mainly due to the lower sales price of wind power in 2012.

(3) During the Reporting Period, the revenue from water energy and environmental equipments increased by 39.69% as compared with the same period last year, mainly due to the growth of 33.38% in sales revenue of hydro-power equipments together with the 9.48% growth of gross profit margin, which was resulted from changes in structures of hydro-power projects in 2012.

(4) During the Reporting Period, the gross profit margin in engineering and services decreased by 9.82% as compared with the same period last year, mainly due to the change in structure of construction projects in 2012.

- *Principal operations by region*

Unit: RMB

Region	**Operating revenue**	**Year-on-year increase/decrease in operating revenue** *(%)*
PRC	29,059,784,443.80	-20.23
Overseas	8,679,561,255.93	44.32

4. Analysis of Major Subsidiaries and Investees

Unit: RMB100 million

Company name	Equity interest of the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and marketing of steam turbines, turbine, gas turbines, compressors, fans, pumps and auxiliary equipments, wind generating sets , solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the corresponding equipments; mechanical equipment and accessories as well as the related import and export business	18.46	393.10	37.02	155.15	4.31	4.18
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors; the design manufacturing and sales of control equipments; the transformation of power stations, the installation of power station equipments	20.00	139.07	39.02	65.09	4.52	4.45
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	193.72	45.93	116.50	9.56	8.00
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.1813%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	38.14	14.63	13.15	2.01	1.78

5. Financial Position during the Reporting Period

- *Analysis of assets, liabilities and shareholders' equity*

  As at 31 December 2012, the Company's total assets amounted to RMB78,327 million, down by 4.99% as compared with the same period last year, mainly attributable to a 13.38% decrease in cash and cash equivalents and a 11.04% decrease in inventories; total liabilities amounted to RMB61,780 million, down by 8.93% as compared with the same period last year, mainly attributable to 11.57%, 7.43% and 43.99% decreases in receipts in advance, trade payables and taxes payable, respectively; and shareholders' equity amounted to RMB16,548 million, up by 13.29% as compared with the same period last year, mainly attributable to a 27.04% increase in undistributed profit.

- *Gearing ratio*

  As at 31 December 2012, the Company's gearing ratio (calculated as total liabilities divided by total assets) was 78.87%, representing a decrease of 3.41% as compared with the same period last year because the financial position of the Company was further optimized and improved.

- *Bank borrowings*

  As at 31 December 2012, the Company had bank borrowings of RMB2,173 million due within one year and RMB126 million due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB2,173 million were fixed-rate loans. The Company has maintained a sound financing capacity due to its favorable credit rating with banks.

- *Exchange risk management and related hedging*

  With the increasing scale of the international operations of the Company, foreign exchange rate risk has become a more important element that affects the Company's operating results. With a view to effectively reduce the impact of fluctuations in foreign currency exchange rates on the Company's financial position and operating results, the Company prudently adopts exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

- *Pledge of assets*

  As at 31 December 2012, the Company had pledged borrowings of RMB194 million, which were related to the commercial acceptance bills that the Company applied to financial institutions for discounting. As at 31 December 2012, such commercial acceptance bills were not yet due.

- *Contingent liabilities*

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

  In July 2009, the consortium including the Company entered into an EPC 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. After negotiations with the project owners from Saudi Arabia, the Company carried out rectification and improvement work after the end of the 2012 summer-peak season for power generation. No. 1 generating unit was put into commercial operation on 14 December 2012, and No 2 generating unit was put into commercial operation on 28 January 2013. Currently, the Company is in the process of negotiation with the project owners from Saudi Arabia in respect of the compensation for prolongation and delivery of the project.

  (2) Arbitration over technology contract 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 Group Co. Ltd. ("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 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 US$4,815,000 and unpaid royalties of US$1,520,000 and the interest accrued thereon, and the Foster Wheeler has to return the technology licensing fees of US$1,117,000 to Dongfang Boiler. Dongfang Boiler and DEC disagreed 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. Up to now, the Svea Court of Appeal, Sweden has not yet rendered a verdict.

According to the ruling of the arbitration court of the Chamber of Commerce of Stockholm, Sweden, made on 20 October 2011, Dongfang Boiler confirmed expected liabilities for the year of RMB53,197,144.96 (including interest expenses of RMB20,399,405.96) based on the enterprise accounting standards.

On 18 February 2013, Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. Hearings were held from 4 March to 15 March 2013, where the Company asserted no breach of contract was constituted in respect of such projects, and actively responded and strongly retorted from the technical, commercial and legal aspects. Up to now, the arbitration court has not yet rendered a verdict.

6. Main Sources and Uses of Funds

- *Cash flows from operating activities*

  During the Reporting Period, the Company's cash inflows from operating activities amounted to RMB34,634 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB34,813 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB-179 million. The net cash outflows from operating activities decreased by 84.32% as compared with the same period last year, mainly due to a significant decrease in payment for procurement as the Company further enhanced capital management in response to the decrease in total cash received from sales of goods.

- *Cash flows from investing activities*

  During the Reporting Period, the Company's cash inflows from investing activities amounted to RMB353 million, mainly attributable to the cash received from disposal of the shares of Huaneng Power held by the Company; cash outflows from investing activities amounted to RMB1,599 million, mainly attributable to investment expenditures for purchase and construction of fixed assets and acquisition of shares of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd.(內蒙華電) by the Company; net cash flows from investing activities amounted to RMB-1,246 million. The net cash outflows from investing activities decreased by 30.84% as compared with the same period last year, mainly due to a year-on-year decrease in investment in fixed assets.

- *Cash flows from financing activities*

  During the Reporting Period, the Company's cash inflows from financing activities amounted to RMB3,585 million, mainly attributable to short-term borrowings from financial institutions; cash outflows from financing activities amounted to RMB3,560 million, mainly attributable to the repayment of borrowings due and the payment for interest accrued thereon by the Company, as well as the distribution of 2011 cash dividends of RMB321 million to the shareholders of the Company; net cash flows from financing activities amounted to RMB26 million. The net cash flows from financing activities increased by RMB470 million as compared with the same period last year, mainly attributable to the increase in the Company's borrowings from financial institutions.

7. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

- *Competition pattern and development trend of the industry*

  The world economy is likely to experience a narrow growth in 2013, with the Chinese economy also stabilizing and growing moderately. The domestic power generation equipment market is still in correction and steady progress. The demand for hydropower will remain somewhat stable, but with competition further intensifying. According to the overall requirement for adjustment of the power source structure, investment in thermal power is expected to stabilize; construction of nuclear power projects resumes, and the nuclear power industry is likely to maintain stable and sustained development; the wind power sector still stays in a period of correction; the gas turbine industry will maintain rapid development, as there is still a huge market demand; the power station service and energy-saving and environment protection industry will also maintain rapid growth. In overseas power generation equipment markets, there is a general pickup in the growth rate of emerging markets and developing economies, but there still exist great policy-related, legal and other risks in our target markets, therefore expansion of overseas markets still remains a great challenge.

- *Development strategy of the Company*

  Under the supreme guidelines of the spirits of the “18th Party Congress”, by taking up the mission of reinvigorating the major technical equipment industry of China, and centering on the “three shifts”, the Company, always driven by market demands, will particularly develop and enhance its principal business of power generation equipment, continuously raise its independent innovation capability, effectively allocate internal resources, and boost development quality, so as to build the Company into a world-leading manufacturer of major energy and power equipment with international competitiveness.

- *Business plan*

  In 2013, the Company, in accordance with the general requirement of “seeking progress amid stability”, will take an innovation-driven approach, boost the management level and development quality, and promote the sustained and healthy development of the Company. Due to plenty of uncertainties in the domestic and overseas environments, the Company has prudently formulated the business plan for 2013, with focus placed on benefits, transformation, risk control and sustainable development. The Company expects the total capacity of power generation equipment upon completion of construction to reach 33,000MW. Major measures to be taken to achieve the target for the year include:

  (1) To make unsparing efforts in expansion of domestic and overseas markets

  In the domestic market, the Company will accelerate the market promotion of 1,200MW thermal power units, 5.5MW offshore wind power units, 2.5MW direct-drive wind power units and other products, actively promote the application of 1,000MW double reheat, 600MW thermal power renovation and other technologies, and step up efforts in developing the market of pumped storage hydropower units. In overseas markets, the Company will tap deep into the key markets of India, Indonesia, Pakistan and Vietnam, vigorously expand the markets in the Middle East and Central Asia, make breakthroughs with key projects, and actively explore new markets in East Europe and Africa.

(2) To constantly enhance the internationalized operation level of the Company

The Company will proactively press ahead with optimized resources allocation in overseas markets, and explore the top-notch design of overseas business management systems; accelerate the implementation of the resources consolidation plan in overseas markets including India, and build a unified platform to form synergy so as to facilitate the expansion of international markets, prevention of project risks, and enhancement of project management level and profitability; actively broaden channels, establish a sound and scientific sub-suppliers (分供方) management system, and build strong contract performance capabilities in engineering projects, in order to drive further growth of the Company's engineering business.

(3) To push forward and implement the innovation-driven strategy

The Company will practically pursue the enhancement of quality and efficiency with the thermal power subcritical, supercritical 600MW units, the research and manufacture of 660MW double reheat units at Huaneng Anyuan (華能安源), enhanced ultra-supercritical 1,000MW units at Zheneng Liuheng (浙能六横) and Shenhua Wanzhou (神華萬州), the research and development of the core technology relating to 1,000MW hydropower units and 400MW pumped storage hydropower units, the research and development of CAP1400 nuclear power units, and the testing of and construction design for key components of gas-fired 50MW heavy-duty gas turbines, the trial operation of 5.5MW offshore wind turbines, and the enhancement of quality and efficiency and optimization of performance of other leading products, concretely strengthen technological breakthroughs and innovation, and boost the quality of leading products and market competitiveness by virtue of advanced science and technology.

(4) To improve and boost production and engineering management

In 2013, as its production tasks still remain tight, and considering the large number of new and key products and short delivery cycles, the Company will step up preparation in respect of technology and raw materials, strengthen interaction during project implementation, and make every endeavor to solve the problem of resource bottleneck, so as to ensure the delivery of key projects on schedule, especially the delivery of gas turbines, export products, gasifiers, environment protection engineering and other products, with both quality and quantity guaranteed, and the progress in the construction of all the engineering projects.

(5) To fully enhance the quality management level

The Company will reinforce the promotion of the quality management philosophy for nuclear power products, strengthen cultivation of professional talents in quality management, and consolidate the foundation for quality development; step up control over technology quality, and ensure the R&D quality of research projects, new technologies and products; study the quality risk identification and control methods for major projects and key products, and further implement quality risk control; step up quality management of engineering projects from design, procurement, civil work, to installation and debugging to ensure engineering and construction quality.

- *Capital demand for maintaining the existing business and completing the construction of the investment project company*

In 2013, the Company will resolve the issue of capital sources by way of internal resources, bank financing and other means, based on its actual business needs.

- *Potential risks*

(1) Market risk: As a result of a weakened national economy, and decelerated growth in domestic power demands, the completed investment in power supply engineering declined constantly, especially with significant year-on-year decrease rate of completed investment in thermal power and wind power. The demand for hydropower is constrained by various factors including environment protection, migration, and public opinion, while nuclear power projects, though reactivated, fared below expectation. As the impact of the global financial crisis still lingers, and the demand of international markets remains sluggish, project owners face grave difficulties in financing, with the risk associated with project capital rising. All this brings difficulties and risks in market expansion by the Company.

The Company will step up marketing efforts with underscored focus, based on the demand of target markets, continuously improve a fast and effective market response mechanism, and fully exert the initiative of all parties to form synergy so as to respond to market changes rapidly. Meanwhile, the Company will further optimize the allocation of internal resources, and push forward transformation and upgrade to satisfy market demands.

(2) Risk associated with increasing difficulty in recovery of loans: Due to dynamic adjustments to macro fiscal and financial policies in the PRC, and a slowdown in the construction progress of some power station projects, the Company runs the risk of rising trade receivables and increasing difficulty in recovering loans, which may lead to a decrease of cash flow from operating activities, and reduction of monetary capital reserves of the Company.

The Company will concretely strengthen capital management, prevent capital risks, step up efforts in the recovery of loans and ensure the normal functioning of its capital chain and the satisfaction of capital demands in production and operation.

(3) Risk associated with project implementation: Among the secured domestic projects of the Company, those of untraditional power project owners are more susceptible to economic conditions, which may pose the risk associated with project implementation. The same is true with overseas projects, which are subject to the influence of exchange rate fluctuations, the politics, economy, safety and policies of host countries, as well as the construction period and quality of projects.

By pressing ahead with the construction of the internal control system, reinforcing inspection over project contracts, and accelerating the implementation of the resource consolidation plan in overseas markets, the Company will establish a unified platform with effective synergy, promote the expansion of international markets, and enhance its capability in preventing project risks.

III. OTHER MATTERS

1. 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.

2. EXTERNAL GUARANTEE AND PERFORMANCE

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

3. MATERIAL LITIGATION AND ARBITRATION

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

4. EMPLOYEES

As at 31 December 2012, the Company had 20,975 employees. The Company adopted a remuneration system linked with performance and paid the employees in accordance with their individual performance.

5. CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the "**Corporate Governance Code**"), revised and amended on the basis of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**Code on Corporate Governance Practices**"), took effect on 1 April 2012. The Company was in full in compliance with all the code provisions as set out in the Code on Corporate Governance Practices and the Corporate Governance Code during the Reporting Period.

6. 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.

7. AUDIT COMMITTEE

Under the Board of the Company is set an audit committee, which consists of 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 Company for the Reporting Period, and agreed on the accounting methods adopted by the Company.

8. INFORMATION DISCLOSURE

This announcement will 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 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 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
27 March 2013

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