東方電氣股份有限公司
DONGFANG ELECTRIC CO., LTD.

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

(Stock Code: 1072)

RESULTS ANNOUNCEMENT FOR THE YEAR 2020

FINANCIAL HIGHLIGHTS

- Total operating revenue of the Company in 2020 amounted to RMB37,283 million (2019: RMB32,840 million), representing an increase of 13.53% YoY;
- Net profit attributable to the shareholders of the Company in 2020 amounted to RMB1,862 million (2019: RMB1,278 million), representing an increase of 45.73% YoY;
- Basic earnings per share of the Company in 2020 were RMB0.60 (2019: RMB0.41);
- New orders of the Company in 2020 were approximately RMB49,448 million (2019: RMB40,184 million), representing an increase of 23.05% YoY;
- The Board has proposed the payment of a 2020 cash dividend of RMB1.8 for every 10 shares (before tax), subject to Shareholders' approval.

The board of directors (the "**Board**") of Dongfang Electric Corporation Limited (the "**Company**") announces the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**") prepared in accordance with the China Accounting Standards for Business Enterprises.

FINANCIAL INFORMATION

Consolidated Statement of Financial Position

31 December 2020

Unit: Yuan Currency: RMB

Item	*Notes*	31 December 2020	31 December 2019
Current Assets:			
Cash and cash equivalents		**26,686,232,240.60**	30,479,728,679.02
Clearing provision		**–**	–
Funds for lending		**–**	469,762,000.00
Held-for-trading financial assets		**1,292,860,471.15**	1,606,664,199.35
Derivative financial assets		**–**	–
Notes receivable	2	**3,781,237,139.94**	1,518,715,778.12
Accounts receivable	2	**7,526,238,208.54**	6,215,286,948.87
Accounts receivable financing		**1,946,034,819.15**	1,816,408,795.25
Prepayments		**2,973,122,649.71**	2,467,333,662.69
Premiums receivable		**–**	–
Amounts receivable under reinsurance contracts		**–**	–
Reinsurer's share of insurance contract reserves		**–**	–
Other receivables	3	**633,416,127.20**	989,033,924,05
Financial assets purchased under resale agreements		**2,730,498,000.00**	2,490,000,000.00
Inventories		**15,609,854,069.57**	13,142,022,679.41
Contract assets		**6,527,930,416.19**	7,290,368,005.89
Assets as held for sale		**–**	–
Non-current assets due within one year		**–**	–
Other current assets		**965,833,690.73**	913,567,655.40
Total Current Assets		**70,673,257,832.78**	69,398,892,328.05

Item	*Notes*	**31 December 2020**	31 December 2019
Non-current Assets:			
Loans and advances		**1,927,919,340.85**	1,025,152,847.76
Debt investments		**9,946,621,270.91**	3,756,152,435.75
Other debt investments		**–**	–
Long-term receivables		**273,964,739.39**	390,738,271.80
Long-term equity investments	10	**1,775,770,115.49**	1,717,650,083.08
Other investments in equity instruments		**27,544,649.47**	4,889,859.48
Other non-current financial assets		**–**	–
Investment properties		**162,966,524.20**	175,495,834.49
Fixed assets		**5,242,562,925.69**	5,279,930,962.85
Constructions in process		**204,474,620.89**	382,771,135.73
Productive biological assets		**–**	–
Oil and gas assets		**–**	–
Right-of-use assets		**164,993,842.35**	291,388,386.25
Intangible assets		**1,599,905,484.86**	1,632,833,016.54
Development expenditure		**2,051,886.80**	–
Goodwill		**–**	–
Long-term deferred expenses		**2,109,452.20**	50,792,966.40
Deferred tax assets		**2,975,542,663.62**	2,892,961,105.86
Other non-current assets		**2,815,452,419.66**	2,619,316,321.68
Total Non-current Assets		**27,121,879,936.38**	20,220,073,227.67
TOTAL ASSETS		**97,795,137,769.16**	89,618,965,555.72

Item	*Notes*	**31 December 2020**	31 December 2019
Current Liabilities:			
Short-term Loans		**297,980,000.00**	13,850,000.00
Loans from the central bank		**16,043,235.82**	–
Taking from banks and other financial institutions		**–**	–
Held-for-trading financial liabilities		**–**	–
Derivative financial liabilities		**–**	–
Notes payable	4	**4,861,679,751.95**	3,650,947,932.56
Accounts payable	4	**13,641,381,835.86**	11,833,812,175.96
Receipts in advance		**–**	28,000,000.00
Contract liabilities		**28,922,353,784.79**	25,873,464,019.06
Financial assets sold under repurchase agreements		**–**	–
Customer deposits and deposits from banks and other financial institutions		**5,726,841,172.92**	4,999,411,987.90
Funds from securities trading agency		**–**	–
Funds from underwriting securities agency		**–**	–
Employee benefits payable		**677,337,429.12**	780,900,223.52
Taxes payable		**288,449,718.75**	261,045,191.58
Other payables		**1,411,657,254.42**	1,770,776,404.82
Fees and commissions payable		**–**	–
Amounts payable under insurance contracts		**–**	–
Liabilities as held for sale		**–**	–
Non-current liabilities due within one year		**139,954,877.02**	154,232,008.74
Other current liabilities		**121,286,819.72**	87,375,624.68
Total Current Liabilities		**56,104,965,880.37**	49,453,815,568.82

Item	*Notes*	**31 December 2020**	31 December 2019
Non-current Liabilities:			
Insurance contract reserves		**–**	–
Long-term borrowings		**719,350,539.48**	627,019,323.12
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual capital securities		**–**	–
Lease liabilities		**27,531,905.94**	156,664,637.27
Long-term payables		**5,660,910.03**	9,600,357.51
Long-term accrued payroll		**960,970,033.23**	784,413,550.52
Estimated liabilities		**5,896,410,937.40**	6,280,380,090.91
Deferred income		**404,283,233.21**	470,607,566.07
Deferred tax liabilities		**34,364,292.43**	38,031,490.91
Other non-current liabilities		**–**	–
Total Non-current Liabilities		**8,048,571,851.72**	8,366,717,016.31
TOTAL LIABILITIES		**64,153,537,732.09**	57,820,532,585.13

Item	*Notes*	**31 December 2020**	31 December 2019
OWNERS' EQUITY			
Share capital		**3,119,764,130.00**	3,090,803,431.00
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual capital securities		**–**	–
Capital reserves		**11,584,176,034.17**	11,345,339,174.91
Less: Treasury shares		**172,329,868.00**	165,972,988.00
Other comprehensive income		**-67,918,065.04**	-24,418,047.58
Special reserves		**88,508,618.58**	76,102,748.09
Surplus reserves		**972,805,441.29**	907,174,974.45
General risk reserves		**–**	–
Retained profits	5	**15,382,662,236.78**	14,225,616,456.64
Total owners' equity (or shareholder's equity) attributable to equity holders of the parent company		**30,907,668,527.78**	29,454,645,749.51
Non-controlling shareholders' equity		**2,733,931,509.29**	2,343,787,221.08
Total owners' equity (or shareholder's equity)		**33,641,600,037.07**	31,798,432,970.59
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDER'S EQUITY)		**97,795,137,769.16**	89,618,965,555.72

Consolidated Income Statement

January to December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Total revenue		**37,282,871,287.38**	32,840,321,080.22
Including: Operating income	6	**36,238,925,547.37**	31,777,585,757.68
Interest income	6	**1,040,835,178.93**	1,062,215,899.11
Premium earned		**–**	–
Fee and commission income	6	**3,110,561.08**	519,423.43
II. Total operating costs		**35,166,801,721.20**	30,697,953.151.01
Including: Operating costs	6	**28,863,684,916.87**	24,938,437,889.53
Interest expenses		**98,164,043.10**	81,498,284.37
Fee and commission expenses		**1,190,341.73**	165,136.20
Surrenders		**–**	–
Net amount of compensation payout		**–**	–
Net provision for insurance contract		**–**	–
Insurance policyholder dividends		**–**	–
Expenses for reinsurance accepted		**–**	–
Tax and levies		**236,099,949.15**	240,099,288.59
Sales expenses		**1,176,571,933.25**	1,308,499,758.09
Administrative expenses		**2,619,878,388.04**	2,380,523,760.63
R&D expenditure		**2,002,738,590.77**	1,888,388,724.59
Financial expenses		**168,473,558.29**	-139,659,690.99
Including: Interest expenses		**35,891,626.03**	49,431,576.08
Interest income		**38,908,682.48**	83,050,317.66

Item	Notes	2020	2019
Add: Other gains		**199,608,889.59**	139,844,440.55
Investment income (Loss is indicated by “-”)		**336,698,393.07**	377,935,987.09
Including: Income from investments in associates and joint ventures		**185,295,786.09**	203,802,439.98
Income from derecognition of financial assets measured at amortized cost		**–**	–
Foreign exchange gains (Losses are indicated by (“-”)		**769,827.40**	872,319.89
Gains from net exposure hedges (losses are indicated by “-”)		**–**	–
Gains from changes in fair values (losses are indicated by “-”)		**-138,205,491.40**	-126,073,198.44
Credit impairment loss		**205,360,065.67**	-72,235,760.33
Impairment loss of assets		**-567,090,570.83**	-849,872,542.63
Gains from disposal of assets (losses are indicated by “-”)		**7,079,975.17**	9,424,700.01
III. Operating profit (Loss is indicated by “-”)		**2,160,290,654.85**	1,622,263,875.35
Add: Non-operating income		**40,628,812.79**	104,192,017.32
Less: Non-operating expenses		**133,695,631.01**	147,871,972.61
IV. Total profit (Total loss is indicated by”-”)		**2,067,223,836.63**	1,578,583,920.06
Less: Income tax expenses	7	**150,959,705.84**	197,712,209.73

Item	*Notes*	**2020**	2019
V. Net profit (net loss is indicated by "-")		**1,196,264,130.79**	1,380,871,710.33
(I) Classified by continuing operations			
1. Net profit from continuing operations (net loss indicated by "-")		**1,196,264,130.79**	1,380,871,710.33
2. Net profit from discontinued operations (net loss indicated by "-")		**–**	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of parent company (net loss indicated by "-")		**1,861,998,155.29**	1,277,671,818.13
2. Profit or loss attributable to non-controlling Shareholders (net loss indicated by "-")		**54,265,975.50**	103,199,892.20
VI. Other comprehensive income ("OCI") (net of tax)		**-50,001,753.27**	10,537,271.19
Net OCI attributable to owners of the parent company		**-43,672,787.61**	8,939,920.42
(I) OCI that will not be reclassified to profit and loss		**–**	–
1. Changes arising from re-measurement of defined benefit plans		**–**	–
2. OCI by equity method that will not be reclassified to profit and loss		**–**	–
3. Changes in fair value of investment in other equity instruments		**–**	–
4. Changes in fair value of the Company's own credit risks		**–**	–

Item	*Notes*	**2020**	2019
(II) OCI that will be reclassified to profit and loss		**-43,672,787.61**	8,939,920.42
1. OCI by equity method that will be reclassified to profit and loss		**-141,538.59**	1,791,356.58
2. Changes in fair value of other debt investment		**–**	–
3. The amount of financial assets reclassified into OCI		**–**	–
4. Credit impairment provisions for other debt investment		**–**	–
5. Reserve on cash flow hedges derivatives		**–**	–
6. Exchange differences from translation of financial statements		**-43,577,687.02**	7,148,563.84
7. Others		**46,438.00**	–
OCI attributable to non-controlling interest (net of tax)		**-6,328,965.66**	1,597,350.77
VII. Consolidated income		**1,866,262,377.52**	1,391,408,981.52
Consolidated income attributable to owners of parent company		**1,818,325,367.68**	1,286,611,738.55
Consolidated income attributable to non-controlling Shareholders		**47,937,009.84**	104,797,242.97
VIII. Earnings per share:	8		
(i) Basic earnings per share *(RMB/share)*		**0.60**	0.41
(ii) Diluted earnings per share *(RMB/share)*		**0.60**	0.41

NOTES TO THE FINANCIAL INFORMATION
For the year ended 31 December 2020

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

(1) Basis of Preparation

The Company's financial statements have been prepared on a going concern basis, recognized and measured based on the actual transactions and matters incurred, and in accordance with the "Accounting Standards for Business Enterprises–Basic Standards" issued by the Ministry of Finance and the relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements (collectively, the "**Accounting Standards for Business Enterprises**"), and taking into account the disclosure requirements under Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15－General Provisions on Financial Reporting (Revised in 2014) issued by the China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

(2) Going Concern

The Company has evaluated continuing operation ability within 12 months from the end of the reporting period and does not have any event or circumstance that arises material concerns about assumptions on continuing operation ability. Therefore, the financial statements are prepared on the assumption of going concern principle.

2. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

Unit: Yuan Currency: RMB

Item	31 December 2020	31 December 2019
Notes receivable	**3,781,237,139.94**	1,518,715,778.12
Accounts receivable	**12,416,204,162.34**	10,477,791,761.13
Less: Provision for bad debts	**4,889,965,953.80**	4,262,504,812.26
Net accounts receivable *(note 2a)*	**7,526,238,208.54**	6,215,286,948.87
Net notes and accounts receivable	**11,307,475,348.48**	7,734,002,726.99

(2a) Ageing analysis of accounts receivable

Unit: Yuan Currency: RMB

Ageing	31 December 2020	31 December 2019
Within 1 year	**5,130,256,766.78**	3,584,734,118.98
1–2 years	**1,690,563,764.54**	1,220,225,381.88
2–3 years	**708,575,024.69**	1,242,701,454.24
3–4 years	**951,541,934.99**	1,120,166,619.62
4–5 years	**1,041,298,116.42**	859,218,842.68
Over 5 years	**2,893,968,554.92**	2,450,745,343.73
Subtotal	**12,416,204,162.34**	10,477,791,761.13
Less: Provision for bad debts	**4,889,965,953.80**	4,262,504,812.26
Total	**7,526,238,208.54**	6,215,286,948.87

Note: Ageing analysis of accounts receivable was carried out by the Group based on the time shown on relevant invoices, documents of settlement, etc.

3. OTHER RECEIVABLES

Unit: Yuan Currency: RMB

Item	31 December 2020	31 December 2019
Interest receivable	**236,257,055.12**	416,416,397.66
Dividends receivable	**54,487,143.57**	37,002,845.36
Other receivables	**1,501,224,806.68**	1,808,986,601.80
Less: Provision for bad debts	**1,158,552,878.17**	1,273,371,920.77
Other net receivables *(3a)*	**342,671,928.51**	535,614,681.03
Total	**633,416,127.20**	989,033,924.05

(3a) Ageing analysis of other receivables

Unit: Yuan Currency: RMB

Ageing	31 December 2020	31 December 2019
Within 1 year	**283,918,190.23**	477,902,190.62
1–2 years	**66,321,537.99**	44,980,515.79
2–3 years	**12,089,842.32**	21,666,508.57
3–4 years	**12,451,966.28**	10,352,956.13
4–5 years	**1,891,133.84**	10,847,916.38
Over 5 years	**1,124,552,136.02**	1,243,236,514.31
Subtotal	**1,501,224,806.68**	1,808,986,601.80
Less: Provision for bad debts	**1,158,552,878.17**	1,273,371,920.77
Total	**342,671,928.51**	535,614,681.03

4. NOTES AND ACCOUNTS PAYABLE

Unit: Yuan Currency: RMB

Item	31 December 2020	31 December 2019
Notes payable	**4,861,679,751.95**	3,650,947,932.56
Accounts payable	**13,641,381,835.86**	11,833,812,175.96
Total	**18,503,061,587.81**	15,484,760,108.52

Ageing analysis of accounts payable	31 December 2020	31 December 2019
Within one year (inclusive)	**11,401,420,521.60**	9,606,589,127.35
1–2 years (inclusive)	**730,111,491.10**	803,022,569.41
2–3 years (inclusive)	**420,449,910.67**	501,740,777.39
Over 3 years	**1,089,399,912.49**	922,459,701.81
Total	**13,641,381,835.86**	11,833,812,175.96

Note: The Ageing analysis is carried out by the Group based on the date of relevant invoice, settlement notes and other materials used to confirm the accounts payable.

5. RETAINED PROFITS

Unit: Yuan Currency: RMB

Item	Current period	Last period
Balance before adjustment at the end of preceding period	**14,225,616,456.64**	13,324,105,405.23
Total opening balance adjusted (Increase+, Decrease-)	**–**	-228,081.66
Opening balance after adjustment	**14,225,616,456.64**	13,323,877,323.57
Add: Net profit attributable to owners of the parent company	**1,861,998,155.29**	1,277,671,818.13
Less: Appropriation of statutory surplus reserve	**65,630,466.84**	35,901,807.65
Appropriation of discretionary surplus reserve	**–**	–
Appropriation of general risk reserve	**–**	–
Dividend payable on ordinary shares	**639,352,397.16**	339,988,377.41
Dividend on ordinary share converted to share capital	**–**	–
Other comprehensive income carried over to retained earnings	**172,770.15**	42,500.00
Other	**-203,259.00**	–
Closing balance	**15,382,662,236.78**	14,225,616,456.64

6. INCOME AND COST

Unit: Yuan Currency: RMB

Item	**Amount for current period** Operating income	Cost/interest expenses/fee and commission expenses	Amount for last period Operating income	Cost/interest expenses/fee and commission expenses
1. Principal operation	**35,841,635,457.48**	**28,658,398,531.51**	31,269,847,147.78	24,559,343,836.65
2. Other operations	**397,290,089.89**	**205,286,385.36**	507,738,609.90	379,094,052.88
3. Interest income	**1,040,835,178.93**	**98,164,043.10**	1,062,215,899.11	81,498,284.37
4. Fee and commission income	**3,110,561.08**	**1,190,341.73**	519,423.43	165,136.20
Total	**37,282,871,287.38**	**28,963,039,301.70**	32,840,321,080.22	25,020,101,310.10

7. INCOME TAX EXPENSE

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period
Income tax expense for current period	**236,212,644.56**	181,696,731.48
Including: China	**235,011,961.53**	179,880,564.64
India	**1,197,687.58**	1,815,626.20
Other regions	**2,995.45**	540.64
Deferred income tax expense	**-85,252,938.72**	16,015,478.25
Total	**150,959,705.84**	197,712,209.73

8 EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per share are computed by dividing the combined net profit attributable to Parent Company's shareholders of ordinary shares by the weighted average number of the Company's outstanding ordinary shares:

Unit: Yuan Currency: RMB

Item	Current period	Last period
Combined net profit attributable to parent company's shareholders of ordinary shares	**1,861,998,155.29**	1,277,671,818.13
Weighted average number of outstanding ordinary shares of the Company *note1*	**3,116,540,738.00**	3,090,803,431.00
Basic earnings per share *note2* *(RMB/share)*	**0.60**	0.41
Including: Basic earnings per share from continuing operations *(RMB/share)*	**0.60**	0.41

Note:

(1) Weighted average number of outstanding ordinary shares of the Company

= Share capital at the beginning of the year + shares issued in the current period * months counted from the next month following share increase to the end of the Reporting Period/the number of months during the Reporting Period =3,116,540,738.00

(2) Basic earnings per share

= the consolidated net profit attributable to the holders of ordinary shares of the Parent Company/the weighted average number of the outstanding ordinary shares

=RMB1,861,998,155.29/3,116,540,738.00 share=0.60 *(RMB/Share)*

b) *Diluted earnings per share*

Diluted earnings per share are computed by dividing the combined net profit (diluted) attributable to Parent Company's shareholders of ordinary shares by the weighted average number (diluted) of the Company's outstanding ordinary shares:

Item	**Current period**	Last period
Combined net profit attributable to parent company's shareholders of ordinary shares (diluted)	**1,861,998,155.29**	1,277,671,818.13
Weighted average number of outstanding ordinary shares of the Company (diluted)	**3,116,540,718.00**	3,090,803,431.00
Diluted earnings per share *(RMB/Share)*	**0.60**	0.41
Including: Diluted earnings per share from continuing operations (RMB/Share)	**0.60**	0.41

9. SEGMENT REPORTING

The Company will determine operation segment on the basis of the internal organizational structure, management requirements and internal report system, and determine reporting segment on the basis of operation segment, and disclose such segment information.

An operating segment is a component of the Company that meets the following conditions simultaneously:

(1) the component is able to generate revenues and incur expenses from its ordinary activities;

(2) its operating results are regularly evaluated by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance;

(3) the accounting information on financial position, operating results and cash flows of the component is available to the Company.

(4) The segment revenue of such operation segment represents 10% or more of the aggregate revenue of all segments; and

(5) The absolute amount of segment profit (loss) of such segment represents 10% or more of the absolute amount of the aggregate profit of all profit-making segments or the absolute amount of the aggregate loss of all loss-making segments. whichever is greater.

Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

Segment information of 2020

Unit: Yuan   Currency: RMB

Item	High-efficient clean energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services business	Emerging growth business	Summary	Write-off	Total
Operating income	20,620,579,004.88	12,860,816,343.11	5,671,400,462.18	5,754,973,385.58	7,508,886,207.58	52,416,655,403.33	15,133,784,115.95	37,282,871,287.38
Including: External transaction income	11,152,332,807.94	10,085,174,688.16	4,838,854,024.63	4,910,246,778.17	6,296,262,988.48	37,282,871,287.38		37,282,871,287.38
Inter-segment transaction income	9,468,246,196.94	2,775,641,654.95	832,546,437.55	844,726,607.41	1,212,623,219.10	15,133,784,115.95	15,133,784,115.95	
Operating cost	18,270,014,654.69	11,375,662,989.01	4,418,978,849.27	4,144,995,125.80	6,692,257,799.76	44,901,909,418.53	15,938,870,116.83	28,963,039,301.70
Cost written off	9,745,754,684.82	2,728,871,824.14	882,412,809.03	1,430,727,608.52	1,151,103,190.32	15,938,870,116.83	15,938,870,116.83	
Expenses for the period						5,310,820,744.87	-656,841,725.48	5,967,662,470.35
Operating profit (loss)	2,628,072,838.07	1,438,383,523.29	1,302,287,984.39	2,195,979,260.89	755,108,379.04	2,601,968,403.48	441,677,748.63	2,160,290,654.85
Total assets						173,890,023,177.13	76,094,885,407.97	97,795,137,769.16
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						119,641,921,684.65	55,488,383,952.56	64,153,537,732.09
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						-404,120,517.68	-42,390,012.52	-361,730,505.16
Including: Impairment of goodwill						-	-	-
Amortization of depreciation and amortization expenses						1,017,607,159.55		1,017,607,159.55
Non-cash expenses other than impairment loss, depreciation and amortization						-	-	-

Segment information of 2019

Unit: Yuan Currency: RMB

Item	High-efficient clean energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services business	Emerging growth business	Summary	Write-off	Total
Operating income	25,717,015,292.60	7,546,273,108.24	4,849,216,487.01	4,739,997,637.34	3,829,695,024.89	46,682,197,550.08	13,841,876,469.86	32,840,321,080.22
Including: External transaction income	15,511,358,033.23	5,921,352,862.59	4,430,612,539.73	3,876,251,271.37	3,100,746,373.30	32,840,321,080.22	–	32,840,321,080.22
Inter-segment transaction income	10,205,657,259.37	1,624,920,245.65	418,603,947.28	863,746,365.97	728,948,651.59	13,841,876,469.86	13,841,876,469.86	–
Operating cost	21,866,585,340.00	6,856,213,784.92	4,194,573,904.10	3,275,138,606.29	3,276,915,839.92	39,469,427,475.23	14,449,326,165.13	25,020,101,310.10
Cost written off	10,139,674,344.99	1,645,241,506.56	666,413,738.02	1,393,423,438.48	604,573,137.08	14,449,326,165.13	14,449,326,165.13	–
Expenses for the period						4,906,101,391.84	-531,651,160.48	5,437,752,552.32
Operating profit (loss)	3,784,447,038.22	710,380,584.23	902,452,373.65	1,994,536,103.56	428,403,670.46	2,456,696,729.83	834,432,854.48	1,622,263,875.35
Total assets						162,039,943,325.15	72,420,977,769.43	89,618,965,555.72
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						109,791,079,903.37	51,970,547,318.24	57,820,532,585.13
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						442,839,662.05	-479,268,640.91	922,108,302.96
Including: Impairment of goodwill						–	–	–
Amortization of depreciation and amortization expenses						1,043,837,728.30	–	1,043,837,728.30
Non-cash expenses other than impairment loss, depreciation and amortization						–	–	–

10. LONG-TERM EQUITY INVESTMENTS

i. *Investment in Joint Ventures and Associated Companies*

Unit: Yuan   Currency: RMB

Invested companies	Balance as at 1 January 2020	Provision for impairment balance as at 1 January 2020	Increase/decrease in the Period: Follow-on investment	Reduced investment	Recognized investment loss /gain by equity method	Adjustment to other comprehensive income	Changes in other equity	Announcement of distribution of cash dividends or profit	impairment Provision	Others	Balance as at 31 December 2020	Provision for impairment for the current period	Provision for impairment Balance as at 31 December 2020
1. Joint ventures													
MHPS Dongfang Boiler Co., Ltd.	201,740,045.96	–			625,629.78		597,502.37	2,461,388.32			200,501,789.79		
Dongfang Framatome Nuclear Pump Co., Ltd	197,683,241.32	–			21,636,060.42			22,375,391.31			196,943,910.43		
Dongfang Electric (Xichang) Hydrogen Energy Co.,Ltd.	6,797,753.04	–			-206,172.37						6,591,580.67		
Sub-total	406,221,040.32	–			22,055,517.83		597,502.37	24,836,779.63	–		404,037,280.89		
2. Associated companies													
Sichuan Wind Power Industry Investment Co., Ltd	377,037,984.14	–	16,600,000.00		71,941,747.05			6,288,567.98			459,291,163.21		
Huadian Longkou Wind Power Co., Ltd	69,411,440.90	–			7,225,737.74			19,787,607.31			56,849,571.33		
Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	24,089,758.61	–			1,473,200.46			7,017,408.83			18,545,550.24		
CLP Combined Heavy Gas Turbine Technology Co., Ltd.	131,727,987.41	–			-3,148.88			-			131,724,838.53		
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	20,507,393.99	–			474,771.36			3,460,131.28			17,522,034.07		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	43,555,480.19	–			2,941,348.94			3,828,807.76			42,668,021.37		
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd	501,521,321.70	–			66,114,576.86			105,972,302.00		5,099,899.57	466,763,496.13		
Sichuan Dongshu New Material Co., Ltd.	138,140,317.21	–	24,245,400.00		13,381,782.08	-149,950.83		2,377,000.00			173,240,548.46		
Leshan City Dongle Heavy Piece Handling Co., Ltd.	3,414,983.64	–			-329,356.52						3,085,627.12		
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd	2,022,374.97	–			19,609.17						2,041,984.14		
Sub-total	1,311,429,042.76	–	40,845,400.00		163,240,268.26	-149,950.83		148,731,825.16		5,099,899.57	1,371,732,834.60		
Total	1,717,650,083.08	–	40,845,400.00		185,295,786.09	-149,950.83	597,502.37	173,568,604.79		5,099,899.57	1,775,770,115.49		

11. DIVIDENDS

Based on 3,119,626,130 shares in the share capital as at the disclosure date of this announcement, the Board has proposed the payment of a dividend for the year 2020 of RMB1.80 for every 10 shares (before tax) totalling a cash distribution of RMB561,532,703.40 (before tax) (2019: cash dividend of RMB2.05 for every 10 shares (before tax)), subject to shareholders' approval at the annual general meeting for 2020. If approved, the 2020 final dividend is expected to be distributed to the Shareholders on 25 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and Analysis of Operations

The Group specializes in the power equipment manufacturing industry. Its business covers the manufacturing, sales and R&D of general equipment manufacturing industry, electronic and mechanical equipment manufacturing industry, equipment for nuclear power generation, wind power equipment, renewable energy power generation equipment and its parts and components; R&D, manufacturing and sales of industrial control and automation, environmental protection (desulfurization, denitration, wastewater and solid waste) and energy-saving equipment, petrochemical vessel, as well as apparatus, ordinary machinery; manufacturing and sales of industrial gases; design of the power station; development, sales and services of electric power complete set equipment; contracting and sub-contracting of the power generation equipment, mechanical and electrical equipment and complete set of engineering overseas and the domestic and international bidding projects. In addition, the Company provides the export of equipment, materials and labors for implementing the above overseas projects; import and export trade; commercial services; the professional technical service; technological exchange and popularization (Projects subject to approval of relevant departments in accordance with laws shall be approved by the relevant departments before being carried out). The key products and services involve power generating equipment of thermal, hydro, wind, nuclear and gas, etc.

(I) Continuous improvement of development quality and efficiency during the Reporting Period

In 2020, in the face of sudden outbreak of the COVID-19 pandemic, under the premise of ensuring no risk of pandemic, with unconventional measures, the Company managed to maintain smooth production and operation in all respects, and realized the overall improvement of the main business indicators on a year-on-year basis. The Company recorded a total operating income of RMB37,283 million, representing an increase of 13.53% as compared with last year; net profit attributable to the shareholders of parent company after non-recurring profit or loss amounted to RMB1,529 million, representing a year-on-year increase of 44.51%; weighted average return on net assets after non-recurring profit and loss was 5.08%, representing an increase of 1.44 percentage points as compared with the corresponding period last year; and the operating profit margin was 5.79%, representing an increase of 0.85 percentage point as compared with the corresponding period last year. The total output of power generation equipment was 24.883 million kilowatts, representing an increase of 30.4% as compared with last year. The new effective contracts amounted to RMB49,448 million, representing an increase of 23.05% as compared with last year.

(II) Effective market expansion

In 2020, the new orders of the Company amounted to RMB49,448 million, representing a year-on-year increase of 23.05%. High-efficient clean energy equipment efficiently accounted for 32.4% of the new effective orders, renewable energy equipment accounted for 23.9%, engineering and trade accounted for 13.4%, modern manufacturing services accounted for 16.1%, and emerging growth business accounted for 14.3%. As of the end of 2020, the Company had RMB84,500 million of orders in hand.

(III) Fruitful scientific and technological innovation

The Company persisted in on putting scientific and technological innovation in the first place. In 2020, the annual scientific research investment amounted to RMB2,003 million, representing a year-on-year increase of 6.06%, which vigorously promote the major innovation results emerged in a concentrated manner. Million-kilowatt hydro-electric turbine unit in Baihetan achieved the first hoisting of the rotor and turbine rotor, the “Digital workshop construction project for intelligent manufacturing of the large-scale clean and efficient power generation equipment”, a special project of Ministry of Industry and Information Technology passed the inspection and acceptance, 10MW offshore wind power, the largest single-unit capacity in Asia, has been connected to the grid for power generation, 50MW heavy-duty gas turbine with independent intellectual property rights steadily operated under full load, and “Hualong One” demonstration project of the world's first this kind reactor has been smoothly connected to the grid for power generation.

(IV) Deepening reform and multi-point breakthroughs

The Company realized the full coverage of the term system and contractual management of the managers of the secondary enterprises, clarified the responsibilities and rights, strictly performed the contract, and rigidly assessed and fulfilled, which has fully stimulated the vitality of the cadre staff. It gave classified guidance to the enterprises of the Company, boosted the construction of the board of directors at all levels of the Company, strengthened the construction of the team of full-time directors and supervisors, and allocated full-time directors and supervisors to the main member enterprises, which laid the foundation for the standardized operation of the subsidiary enterprises. Moreover, it continued to improve the total wage determination mechanism, and strengthened the positive guiding role of value creation ability, labor cost efficiency, and labor efficiency indicators. The Company completed Restricted A Share Incentive Scheme, and actively consolidate staff share ownership, excess profit sharing and other medium and long-term incentive schemes. Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. and Dongfang DEC Dongfang Steam Turbine Co., Ltd., the subsidiaries of the Company introduced strategic investors to complete mixed ownership reform. DEC Dongfang Steam Turbine Co., Ltd. invested partial of its casting and forging assets to establish a joint venture with Zhangjiagang Guangda Special Material Co., Ltd. (張家港廣大特材股份有限公司).

(V) Continuous improvement of management level

The Company was benchmarked against world class enterprise and took action to improve its management. It actively utilized lean management concepts and tools and made steady progress in promoting management improvement. It established a sound operation control system with comprehensive budget management as the starting point. It built the Company's 1 + N quality management system framework, optimized and improved the quality management system, and effectively raised the quality management level. Furthermore, it completed the major risk identification of the Company, implemented the dynamic management and control of major risks on a quarterly basis, and continuously strengthened the ability of risk prevention and resolution to ensure that no major risks occur.

(VI) Solid and effective pandemic prevention and control to minimize the effect of pandemic

During the period after the outbreak of the COVID-19 pandemic, the global economy was greatly affected, and the major impact on the production and operation of the Company was characterized in three main points. Firstly, it affected the Company's supply chain in short term. The decline of suppliers' production capacity and poor logistics channels have an adverse impact on the Company's production material supplies. Secondly, it affected the Company's production organization in short term. It disrupted the production rhythm and scheduling plan, and increased the pressure on enterprises to ensure delivery. Thirdly, it affected the Company's overseas projects over a longer period of time. It caused inconvenience to the movement of people at domestic and abroad and affected overseas projects to be carried out normally. Moreover, the Company actively responded to the challenge of the pandemic, established a leading group for pandemic prevention and control immediately, optimized the prevention and control strategy according to the time and situation, systematically analyzed and studied the impact of the pandemic and adopted targeted action plans. It strived to implement the normalization of the pandemic prevention and control and production and operation works, There were no confirmed cases, suspected cases and asymptomatic carriers at domestic and abroad since the resumption of work. In 2020, the production and operation of the Company achieved growth against the trend, and the COVID-19 pandemic did not have a significant impact on the production, operation and the working capital of the Company year round.

II. PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company recorded a total operating revenue of RMB37,283 million, representing an increase of 13.53% as compared with the same period of last year; net profit attributable to the shareholders of the Company of RMB1,862 million, representing an increase of 45.73% as compared with the corresponding period last year; net profit attributable to the shareholders of the Company after non-recurring profit or loss amounted to RMB1,529 million, representing an increase of 44.51% YoY; achieved earnings per share of RMB0.60.

(I) ANALYSIS OF PRINCIPAL BUSINESS

1. Analysis of Changes in Certain Items in the Income Statement and Cash Flow Statement

Unit: Yuan Currency: RMB

Item	2020	2019	Change (%)
Total operating income	**37,282,871,287.38**	32,840,321,080.22	13.53
Operating income	**36,238,925,547.37**	31,777,585,757.68	14.04
Operating costs	**28,863,684,916.87**	24,938,437,889.53	15.74
Sales expenses	**1,176,571,933.25**	1,308,499,758.09	-10.08
Administrative expenses	**2,619,878,388.04**	2,380,523,760.63	10.05
R&D expenditure	**2,002,738,590.77**	1,888,388,724.59	6.06
Financial expenses	**168,473,558.29**	-139,659,690.99	N/A
Net cash flows from operating activities	**-2,748,802,008.23**	202,244,625.11	N/A
Net cash flows from investing activities	**-680,279,207.00**	1,370,233,737.29	N/A
Net cash flows from financing activities	**-454,241,917.28**	-104,540,674.57	N/A

2. *Analysis of Revenue and Cost*

(1) Major operations by industry, product and region

Unit: Yuan Currency: RMB

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 industry	37,282,871,287.38	28,963,039,301.70	22.32	13.53	15.76	Decreased 1.49 percentage points

By product

Product	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 (%)
High-efficient clean energy equipment	11,152,332,807.94	8,524,259,969.87	23.57	-28.10	-27.31	Decreased 0.83 percentage points
Renewable energy equipment	10,085,174,688.16	8,646,791,164.87	14.26	70.32	65.93	Increased 2.26 percentage points
Engineering and trade	4,838,854,024.63	3,536,566,040.24	26.91	9.21	0.24	Increased 6.54 percentage points
Modern manufacturing services business	4,910,246,778.17	2,714,267,517.28	44.72	26.68	44.24	Decreased 6.74 percentage points
Emerging growth business	6,296,262,988.48	5,541,154,609.44	11.99	103.06	107.35	Decreased 1.83 percentage points

By region

Region	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 (%)
Domestic	33,006,237,995.42	25,967,010,871.48	21.33	15.73	23.51	Decreased 4.95 percentage points
Overseas	4,276,633,291.96	2,996,028,430.22	29.94	-1.03	-25.02	Increased 22.41 percentage points

(1) During the year, the total operating revenue of the Company increased by 13.53% as compared with last year. Revenue generated from other segments increased year-on-year except for the segment of high-efficient clean energy equipment.

(2) Renewable energy equipment revenue increased by 70.32% year on year, primarily attributable to the operating revenue of wind power products increased by 108.71% year-on-year.

(3) Revenue of emerging growth business increased by 103.06% year-on-year, primarily attributable to the revenue of environmental protection products increased by 240.88% year-on-year.

(2) Capacity and sales analysis table

Major products	Capacity (MW)	Sales (MW)	Inventory (MW)	Capacity increase/ decrease from the previous year (%)	Sales increase/ decrease from the previous year (%)	Inventory increase/ decrease from the previous year (%)
Hydro-generating Unit	7,093	5,604	5,152	72.03%	226.76%	40.69 %
Steam turbine generators	14,964	12,356	15,418	7.19%	-28.45%	20.36 %
Wind power units	2,826	2,853	186	186%	200.95%	12.68 %
Power station steam turbines	15,256	10,881	17,781	-0.10%	-16.46%	36.14 %
Power station boilers	16,406	16,406	0	9.00%	9.00%	0.00%

(3). Cost analysis

Unit: 0'000 yuan Currency: RMB

By industry

Industry	**Cost composition**	**Amount for 2020**	**Percentage in total costs for current period** *(%)*	**Amount for 2019**	**Percentage in total costs of the corresponding period last year** *(%)*	**Year-on-year increase/ decrease** *(%)*	**Remark**
Power generation equipment manufacturing	Raw materials	**2,342,008.14**	80.86	1,996,591.26	79.80	17.30	
Power generation equipment manufacturing	Labour costs	**92,074.36**	3.18	97,065.95	3.88	-5.14	
Power generation equipment manufacturing	Other costs	**462,221.43**	15.96	408,352.93	16.32	13.19	
	Total	**2,896,303.93**	100.00	2,502,010.14	100.00	15.76	
High-efficient clean energy equipment	Raw materials	**691,843.58**	81.16	970,585.22	82.76	-28.72	
High-efficient clean energy equipment	Labour costs	**36,406.10**	4.27	52,632.93	4.49	-30.83	
High-efficient clean energy equipment	Other costs	**124,176.32**	14.57	149,472.95	12.75	-16.92	
	Total	**852,426.00**	100.00	1,172,691.10	100.00	-27.31	
Renewable energy equipment	Raw materials	**688,534.94**	79.63	382,934.97	73.49	79.80	
Renewable energy equipment	Labour costs	**26,286.54**	3.04	23,892.97	4.59	10.02	
Renewable energy equipment	Other costs	**149,857.64**	17.33	114,269.29	21.92	31.14	
	Total	**864,679.12**	100.00	521,097.23	100.00	65.93	

By industry

Industry	Cost composition	Amount for 2020	Percentage in total costs for current period (%)	Amount for 2019	Percentage in total costs of the corresponding period last year (%)	Year-on-year increase/decrease (%)	Remark
Engineering and trade	Raw materials	**331,334.97**	93.69	311,649.62	88.33	6.32	
Engineering and trade	Labour costs	**4,946.06**	1.40	2,406.15	0.68	105.56	
Engineering and trade	Other costs	**17,375.57**	4.91	38,760.25	10.99	-55.17	
	Total	**353,656.60**	100.00	352,816.02	100.00	0.24	
Modern manufacturing services	Raw materials	**136,582.21**	50.32	94,315.42	50.12	44.81	
Modern manufacturing services	Labour costs	**7,259.34**	2.67	6,489.79	3.45	11.86	
Modern manufacturing services	Other costs	**127,585.20**	47.01	87,366.31	46.43	46.03	
	Total	**271,426.75**	100.00	188,171.52	100.00	44.24	
Emerging growth business	Raw materials	**493,712.44**	89.10	237,106.03	88.72	108.22	
Emerging growth business	Labour costs	**17,176.32**	3.10	11,644.11	4.36	47.51	
Emerging growth business	Other costs	**43,226.71**	7.80	18,484.13	6.92	133.86	
	Total	**554,115.46**	100.00	267,234.27	100.00	107.35	

(4) Major Customers in Sales and Major Suppliers

The Company's sales to its top five customers amounted to RMB4,091.3109 million, accounting for 10.97% of the total sales for the year with the largest customer accounted for approximately 2.69% of the total sales for the year, among which, sales to related parties was nil, accounting for 0% of the total sales for the year.

The Company's procurement from its top five suppliers amounted to RMB2,631.8756 million, accounting for 8.40% of the total procurement for the year, with the largest supplier accounted for approximately 2.27% of the total sales for the year among which, the procurement from related parties was RMB572.8872 million, representing 1.83% of the total procurement for the year.

3. *Expenses*

Item	**2020**	2019	Change *(%)*
Selling expenses	**1,176,571,933.25**	1,308,499,758.09	-10.08
Administrative expenses	**2,619,878,388.04**	2,380,523,760.63	10.05
R&D expenditure	**2,002,738,590.77**	1,888,388,724.59	6.06
Finance costs	**168,473,558.29**	-139,659,690.99	N/A
Income tax expenses	**150,959,705.84**	197,712,209.73	-23.65

4. *R&D Expenditure*

Unit: Yuan Currency: RMB

	2020
Expensed R&D expenditure for the period	**2,002,738,590.77**
Capitalized R&D expenditure for the period	**0**
Total R&D expenditure	**2,002,738,590.77**
Percentage of total R&D expenditure over revenue *(%)*	**5.5**
Number of R&D staff of the Company	**3,615**
Percentage of R&D staff over the total staffs *(%)*	**20.9**
Percentage of R&D expenditure capitalization *(%)*	**0**

5. *Cash flows*

Unit: Yuan

Item	2020	2019	Change (%)
Net cash flows from operating activities	**-2,748,802,008.23**	202,244,625.11	N/A
Net cash flows from investing activities	**-680,279,207.00**	1,370,233,737.29	N/A
Net cash flows from financing activities	**-454,241,917.28**	-104,540,674.57	N/A

(1) Cash flows from operating activities

The net cash flows from operating activities of RMB-2,749 million, representing a decrease of RMB2,951 million from RMB202 million last year was mainly due to net outflows from the normal operations by DEC Finance for the year.

(2) Cash flows from investing activities

The net cash flows from investing activities of RMB-680 million, representing a decrease of RMB2,050 million from RMB1,370 million last year was mainly due to a year-on-year increase in net outflows from the investment in bank wealth management products by DEC Finance.

(3) Cash flows from financing activities

The net cash flows from financing activities of RMB-454 million, representing a decrease of RMB349 million from RMB-105 million last year was mainly due to the increase in the payment of cash dividends for the year.

(II) ANALYSIS OF ASSETS AND LIABILITIES

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Funds for lending	–	–	469,762,000.00	0.52	-100.00	Decrease in the funds for lending of Dongfang Electric Finance Co., Ltd. ("DEC Finance")
Notes receivable	3,781,237,139.94	3.87	1,518,715,778.12	1.69	148.98	Increase in the settlement of notes.
Other receivable	633,416,127.20	0.65	989,033,924.05	1.10	-35.96	mainly due to the decrease in the interest receivable amounting to RMB180 million
loans and advances	1,927,919,340.85	1.97	1,025,152,847.76	1.14	88.06	Increase in the loans and advances of DEC Finance
Debt investments	9,946,621,270.91	10.17	3,756,152,435.75	4.19	164.81	Increase in the investments of DEC Finance
Other investments in equity instruments	27,544,649.47	0.03	4,889,859.48	0.01	463.30	Mainly due to the capital increase in Zhejiang Yuhuan Huadian Wind Power Company Limited
Constructions in process	204,474,620.89	0.21	382,771,135.73	0.43	-46.58	Increase in the reclassification of construction in progress
Right-of-use assets	164,993,842.35	0.17	291,388,386.25	0.33	-43.38	Decrease in balance after depreciation in the period
Long-term deferred expenses	2,109,452.20	0.00	50,792,966.40	0.06	-95.85	Decrease in the balance after amortization for the period
Short-term Loans	297,980,000.00	0.30	13,850,000.00	0.02	2,051.48	Increase in the credit borrowings
Notes payable	4,861,679,751.95	4.97	3,650,947,932.56	4.07	33.16	Increase in the settlement of notes
Lease liabilities	27,531,905.94	0.03	156,664,637.27	0.17	-82.43	The balance decreases after the current payment
Long-term payables	5,660,910.03	0.01	9,600,357.51	0.01	-41.03	Decrease in the balance after amortization in the period

III. POSITION AND OPERATING RESULTS OF THE COMPANY DURING THE REPORTING PERIOD

(1) Analysis of operating results

Unit: Yuan Currency: RMB

Item	**2020**	2019	Year-on-year increase/ decrease *(%)*
Total operating income	**37,282,871,287.38**	32,840,321,080.22	13.53
Sales expenses	**1,176,571,933.25**	1,308,499,758.09	-10.08
Administrative expenses	**2,619,878,388.04**	2,380,523,760.63	10.05
R&D expenditure	**2,002,738,590.77**	1,888,388,724.59	6.06
Financial expenses	**168,473,558.29**	-139,659,690.99	N/A
Operating profit	**2,160,290,654.85**	1,622,263,875.35	33.17
Total profit	**2,067,223,836.63**	1,578,583,920.06	30.95
Income tax expenses	**150,959,705.84**	197,712,209.73	-23.65
Net profit	**1,916,264,130.79**	1,380,871,710.33	38.77
Net profit attributable to shareholders of the parent company	**1,861,998,155.29**	1,277,671,818.13	45.73

The total operating income of the Company increased year-on-year by 13.53% for the year. Revenue generated from other segments increased year-on-year except for the segment of high-efficient clean energy equipment.

The selling expenditure decreased year-on-year by 10.08%, mainly due to the decrease in quality warranty incurred during the year.

The administrative expenses increased year-on-year by 10.05%, mainly due to the provision of the non-planning expenses of employees who officially retired.

The R&D expenditure increased year-on-year by 6.06%, mainly due to the increase in the investment in R&D during the year.

The finance costs increased year-on-year by RMB308 million, mainly due to a year-on-year increase of RMB264 million in foreign exchange losses during the year as affected by the foreign exchange fluctuation.

Income tax expenses decreased by 23.65% year-on year, mainly due to the increase of the povision of deferred income tax assets

Net profit attributable to shareholders of the listed company during the year increased year-on-year by 45.73%, mainly due to firstly, the increase in gross profit of the products as a result of an increase in the sales scale of the Company during the period; secondly, the increase in profitability as a result of the launch of the special activities of quality and efficiency improvement by the Company.

ANALYSIS OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

At the end of the year, the Company's total assets amounted to RMB97,795 million, representing an increase of 9.12% as compared with the beginning of the year, among which, an increase of 18.78% and 21.09% were recorded in inventory and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB64,154 million, representing an increase of 10.95% as compared with the beginning of the year, attributable to an increase of 15.27% in accounts payable and an increase of 11.78% in contract liabilities. Shareholders' equity amounted to RMB33,642 million in total, representing an increase of 5.80% as compared with the beginning of the year, mainly attributable to the increase in profit during the year.

GEARING RATIO

Item	**Current period**	Last period	Year-on-year decrease (percentage point)
Gearing ratio *(%)*	**65.60**	64.52	1.08

Note: Gearing ratio = Total liabilities/Total assets x 100%

Gearing ratio of the Company was 65.60% at the end of the year, representing an increase of 1.08 percentage points as compared with the beginning of the year. The Company's assets structure risk is controllable.

Income tax expense decreased by 23.65% as compared with the previous year, mainly due to the increase in deferred income tax assets provided for this year.

BANK BORROWINGS

As at 31 December 2020, the Company had borrowings from financial institutions (banks) of RMB38 million due within one year and had bank borrowings of RMB579 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB617 million were fixed-rate loans. The Company has maintained a favorable credit rating with banks and a sound financing capacity.

EXCHANGE RISK MANAGEMENT

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 reducing 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 2020, the Company had pledged borrowings of RMB384 million (2019: RMB432 million), which were related to borrowings from financial institutions secured by concession. As at 31 December 2020, net concession value amounted to RMB524 million (2019: RMB585 million). As at the end of the year, this part of borrowings was not mature and repayable.

DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Structure and trend of the industry

According to the National Energy Working Conference, energy work in 2021 will focus on two major goals of safeguarding energy security and combating climate change, and continuously promote the implementation of the new energy security strategy of "Four Revolutions and One Cooperation". We will focus on improving energy supply, accelerating the development of wind power and photovoltaic, steadily promoting the construction of hydropower and nuclear power, enhancing the capacities of new energy consumption and storage, further promoting the clean and efficient development and utilization of coal, and further optimizing and improving the construction of power grids; we will focus on promoting energy technology innovation, accelerating new breakthroughs in core technology and equipment, striving to build new advantages in energy technology and equipment, and deepening the construction of new platforms for energy technology innovation.

According to the forecast of the China Electricity Council, the growth rate of the national total electricity consumption in 2021 is expected to decline gradually from a high level at the beginning, with an annual growth rate of 6% to 7%, which will be significantly higher than the level in 2020. In 2021, the country's estimated additional installed power generation capacity of infrastructure is about 180 million KW, of which about 140 million KW of non-fossil energy power generation capacity will be put into operation. As at the end of 2021, the country's estimated installed power generation capacity is 2,370 million KW, representing a year-on-year increase of 7.7%, and estimated installed non-fossil energy power generation capacity will reach to about 1,120 million KW, the proportion of total installed capacity will rise to 47.3%, representing an increase of about 2.5 percentage points as compared to the end of 2020. The proportion of installed wind and solar power generation capacity will increase by about 3 percentage points as compared to the end of 2020, the demand for flexible adjustment capabilities of the power system has further increased.

The continuous energy structure adjustment will bring new opportunities and challenges to the industry. In terms of new opportunities, the requirements of peaking carbon emissions and achieving carbon neutral promotes the clean and efficient use of coal, striving for the development of new energy, and actively and orderly develop nuclear power under the premise of ensuring safety; under the background of enhancing the independent and controllable capability of the industrial chain and supply chain, there is huge market for technology development to solve the "bottleneck" problems in the field of new energy; the rapid development of wind power and photovoltaic brings opportunities for new installations of supporting energy storage systems and the storage service market; the new business model of intelligent energy services centered with customer needs will provide a way out for enterprises to transform from production-oriented to service-oriented. In terms of new challenges, the adjustment of the development path of coal-fired power has placed new demands on core technology capabilities; the intensification of competition in the renewable energy power generation market has placed new demands on business model innovation and cost control; and the increasing demand for digital capabilities in various segments of the energy system has placed new demands on enterprises to accelerate their digital transformation.

(II) Operation plan

In 2021, the Company will fully implement various key tasks while performing normalized prevention and control, accelerate the transformation and upgrading of the Company, focus on promoting technological innovation, and implement management improvements to lay a solid foundation, promote the continuous deepening of the improvement of quality and efficiency, and continue to increase market development efforts, prevent and control risks and strictly observe the bottom line, and improve the corporate governance of listed company. In 2021, the Company expects to achieve 30 million KW of the capacity of power generating equipment, with steady growth in operating income, continuous increase in total profits, promoting the high-quality development of the enterprise.

1. Accelerating the transformation and upgrading of the Company

Following the direction of green, low-carbon and digitalization to effectively promote the transformation and upgrading of the Company, accelerate the Company's realization of a green and low-carbon transformation. We will vigorously promote the development of the wind power industry, thoroughly study and evaluate opportunities in the photovoltaic industry, accelerate the development of the energy conservation and environmental protection industry to create a sound situation of multi-subject collaboration and multi-field breakthroughs. In terms of accelerating the Company's realization of digital transformation, we will improve the Company's level of digitization, networking, and intelligence, so as to gradually form a full range of digital capabilities in manufacturing, service and management. The Company will accelerate the construction of digital workshops, further improve the user-centered platform service system, and promote the establishment of the Company's digital strategic management and control platform by way of the application of the ERP system as the core.

2. Promoting technological innovation with diligence

Focus on enhancing the independent controllability of the industrial and supply chain to comprehensively promote collaborative innovation, accelerate breakthroughs in key core technologies of "bottlenecks", lead industrial development with scientific and technological innovation achievements, promote scientific and technological innovation according to industrial development needs, and focus on "strengthening the advantages and making up for the weaknesses, forming mechanisms, and building platforms". The Company will complete the research and development of major hydropower projects such as Baihetan hydropower project and Changlongshan hydropower project with high-quality, promote the development of important scientific research projects such as high-parameter thermal power units, ultra-large offshore wind power units, and floating offshore wind power units in an orderly manner. It will actively and orderly carry out the trials and verification of 50MW heavy-duty gas turbines to complement the weaknesses of high-end equipment for the country, strengthen the protection of R&D investment and improve the long-term mechanism of "internal marketization" in R&D.

3. *Implementing management upgrading to lay a solid foundation*

Adhere to the standard of world-class management as the main carrier and lean management as the main tool, the Company strives to improve the Company's management level, and continues to consolidate the management foundation for the high-quality leap-forward development of the Company. Taking world-class enterprises standard as the starting point to strengthen the management system and building the management capacity building. Taking lean management as the main tool to improve the management level, concentrate on guiding the extension of lean management from manufacturing to non-manufacturing segments, and devote greater efforts to promote the integration of lean management theory and practical experience in the Company into effect.

4. *Promoting continuous improvement in quality and efficiency*

The Company insists on making quality and efficiency improvement an important tool to promote high-quality development and perform well in operational management to enhance the development quality of the Company. We will promote the in-depth integration of comprehensive budget management and economic operation analysis, strengthen the control of budget execution process and improve the quality of economic operation analysis. We will persistently focus on the "three reductions and two improvements" to promote continuous improvement in the proportion of costs and expenses to operating revenue, the labour productivity rate of all employees and the gearing ratio of the Company. We will in-depth promote lean cost management, propel the enterprises to speed up refining internal accounting units, the establishment of an internal market price system, the strengthening of internal market-based assessment and the exploration of cost management across the value chain covering the entire production and operation process.

5. Continuing increase of market expansion efforts

We will make every effort to obtain orders and protect the market share, and push for a new high market development target in 2021. Deepening our efforts in the main industry market, we will strive for key projects in hydro and thermal power in 2021; continue to increase our efforts in developing the wind power market; actively participate in the pre-study and joint research and development of nuclear energy projects; and vigorously promote the market application of our own gas turbines. We will actively explore emerging markets, step up efforts to promote market breakthroughs in such promising and high-growth industries as energy conservation and environmental protection, and turbomachinery. We will vigorously explore overseas markets, promote localised operations, continue to cultivate the hydro and thermal power market, and strive to develop the new energy segment. We will innovate marketing ideas and expand marketing models, strengthen brand awareness, enhance brand building, promote marketing publicity and planning of new products and technologies, and increase the popularity and recognition of Dongfang Electric.

6. Preventing and controlling risks and strictly adhere to the bottom line

We will accelerate the organic integration of risk, compliance and internal control management systems to effectively enhance the level of risk prevention and control work and ensure that no major risks occur. We will optimise the risk warning indicator system and develop a risk management model that integrates with business processes, strengthen the control of key risks and regularly identify and dynamically control the Company's major annual risks. We will insist on quality-focused development, continue to promote the construction of a quality culture, improve the quality management system and strengthen the quality management level to ensure that no major quality risks occur. We will firmly establish the concept of safe development, prevent and resolve various safety risks, so as to create a stable and safety environment for the Company's high-quality development and innovative leaping development.

(III) Possible Risks

1. Risks relating to market competition

Under the background of "Carbon Neutral", the traditional market space will further shrink, the industry competition will become increasingly fierce, which puts forward higher requirements for the Company's market exploration and cost control. The Company will reduce the cost and increase the efficiency by various ways such as continuous optimization, technology advancement and service quality improvement, thus to achieve differentiated competition. The Company will also actively carry out market exploration of emerging industries, so as to accelerate the transformation of the segment structure of the Company.

2. Risks relating to supply chain

Affected by the pandemic and the international situation, the ecology of the upstream and downstream supply chains were impacted to a certain degree, the project suppliers related to EPC and equipment supply suffered difficulties in the performance of obligations under the contracts, which may cause adverse impact on the Company's implementation of the projects. The Company will continue to enhance the management of suppliers, coordinate and supervise the production planning and scheduling of suppliers, guarantee the implementation progress of the existing projects, and expand the development of the suppliers, actively cultivate new qualified suppliers to meet the Company's expanding production needs.

3. Investment risks

In the course of optimizing and updating the industrial layout, the Company will increase the investment in new energy, environmental protection and other fields. However, the investment projects in related fields were seriously affected by policies and market environment, with many uncertain factors, thus there are risks for the investment projects failing to arrive at the expected target. The Company will perform well in risk assessment of investment projects and evaluation of investment contracts, enhance the monitoring on the investment projects to ensure the smooth promotion of the project.

4. International business risks under the pandemic

The impact of the COVID-19 pandemic is far-reaching, the economic globalization suffered from a countercurrent. The world has entered into the period of turbulent reform, the global economy is sluggish, and it is difficult to explore the overseas market. The Company will proactively study and analyze the international economic situation and the impact of pandemic and opportunities, strengthen the team building for international projects, enhance its expansion capability of overseas market, and centralize its resources for the development works of key areas and major projects.

OTHER EVENTS

1. Capital Structure

On 22 November 2019, the Company held the 22nd meeting of the 9th session of the Board and 14th meeting of the 9th session of Supervisory Committee, at which, the Resolution regarding the First Grant of the Restricted Shares to Participants under the Restricted A Share Incentive Scheme for 2019 was considered and approved. On 7 January 2020, 27,988,699 ordinary A Shares were directly issued to 780 participants under the Restricted A Share Incentive Scheme, and were registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and listed.

On 24 September 2020, the Company held the 32nd meeting of the 9th session of the Board, at which, the Resolution regarding the Grant of the Reserved Restricted Shares to Participants under the Restricted A Share Incentive Scheme for 2019 was considered and approved, which agreed to grant 972,000 restricted A shares to 26 participants, and such shares were registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and listed.

During the Reporting Period, the Company issued a total of 28,960,699 additional restricted A shares. All funds raised from the issue of additional restricted shares have been used to replenish the Company's working capital.

For the year ended 31 December 2020, total share capital of the Company amounted to RMB3,119,764,130, divided into 2,779,764,130 A shares of RMB1.00 per share and 340,000,000 H shares of RMB1.00 per share. The capital structure of the Company is as follows:

	2020		2019	
Class of shares	**Number of shares**	**% of total number of share capital issued**	Number of shares	% of total number of share capital issued
A share	**2,779,764,130**	**89.10%**	2,750,803,431	89.00%
H share	**340,000,000**	**10.90%**	340,000,000	11.00%
Total	**3,119,764,130**	**100%**	3,090,803,431	100%

2. Major Acquisition and Disposal of Subsidiaries and Associates

There were no major acquisition and disposal of subsidiaries and associates during the year ended 31 December 2020.

3. Purchase, sales or redemption of listed securities of the Company

During the Reporting Period, the Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

4. Guarantee and performance thereof

During the Reporting Period, the Company provided financing guarantees for Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd., Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. and Inner Mongolia Mengneng Wulan New Energy Co., Ltd. with its 20% equity interests in each of above three companies amounting to RMB68 million. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract being repaid.

DEC Dongfang Steam Turbine Co., Ltd., a controlling subsidiary of the Company, provided guarantee in an amount of RMB24.5 million for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd., which constituted a continuous guarantee of payment and performance of obligations. The guarantor's obligations under the guarantee should not exceed and should be limited to the scope of obligations and liabilities to be assumed by the vendor pursuant to the contract.

At the end of the Reporting Period, the aggregate guarantee of the Company amounted to RMB92.5 million, representing 0.27% of the net assets of the Company.

5. Material litigation and arbitration

During the year ended 31 December 2020 to the date of this announcement, the Company has not been involved in any material litigation and arbitration. As far as the Directors are aware, the Company does not have any material litigation or claims pending or threatening to the Company.

6. Employees and remuneration policy

As at 31 December 2020, the Company employed 17,336 staff (2019: 17,360). The Company adopted a remuneration system linked with performance and paid the employees in accordance with their performance.

During the Reporting Period, the Company further intensified the orientation towards economic benefits, labor cost efficiency and work efficiency in the wage determination mechanism, implemented classified management on total wages by different enterprises, promoted a total payroll filing system for Double-Hundred Enterprises, mixed reform enterprises and Innovative Technology Reform Demonstration Enterprises, thus the employees' income increased reasonably with the benefits of enterprises. The Company continued to optimize the incentive and constraint mechanism on persons in charge of the enterprise, actively promoted the tenure system and the contractual management of the managers, and achieved a full coverage of the tenure system and the contractual management of the managers in secondary enterprises. The Company intensified the orientation towards performance, promoted performance management for all employees, established a market-based and differentiated distribution appraisal mechanism, thus tilted the salary allocation to key core and backbone talents.

During the Reporting Period, the Company was guided by the strategy of serving the Company and leading the development of businesses, focused on the need of enterprise reform and development, talents construction and employee growth, continued to improve its training system and training mechanism, strengthened the management of training programs, and vigorously promoted the implementation of the key talent training project, the key position talent capability enhancement project and the whole staff knowledge updating project to promote the development of the Group Company and the increase of value of human capital.

7. Events Subsequent to the Reporting Period

On 24 September 2020, the Company held the 32nd meeting of the 9th session of the Board and 19th meeting of the 9th session of Supervisory Committee, at which, the Resolution on Repurchase and Cancellation of Certain Restricted Shares was considered and approved. Pursuant to the relevant requirements of the Administrative Measures on Share Incentives of Listed Companies ("**Administrative Measures**") and Restricted A Share Incentive Scheme for 2019 (Draft Revision) ("**Incentive Scheme (Draft Revision**") of the Company, two existing participants have resigned due to personal reasons and are no longer qualified as participants, and another two participants have been included in the employee stock ownership scheme of the subsidiaries of the Group, therefore, in accordance with the relevant provisions of SASAC of the State Council, they can no longer participate the Incentive Scheme of the Company. The Board considered and decided to repurchase and cancel all the restricted shares that have been granted to the aforesaid four participants yet still locked, i.e., totaling 138,000 A Shares. The repurchase price was RMB5.725 per Share and the total consideration of the repurchase was RMB791,693.

The repurchase and cancellation of all the restricted shares that have been granted to the aforesaid four participants yet still locked, totaling 138,000 A Shares was approved at the 2020 second extraordinary general meeting was held by the Company on 27 November 2020 and was cancelled on 5 February 2021.

8. Corporate Governance Code

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

9. Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that, for the year ended 31 December 2020, the 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.

10. Audit Committee

The Board has set up an audit committee comprising three independent non-executive Directors, namely, Mr. Gu Dake, Mr. Xu Haihe and Mr. Liu Dengqing. The audit committee has reviewed the annual results of the Company for the Period, and agreed to the accounting treatments adopted by the Company.

11. Information Disclosure

This announcement will be available on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020, which contains all information as proposed in the Disclosure of Financial Information set out in 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.

This announcement is prepared in both Chinese and English by the Company. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

By order of the Board
Dongfang Electric Corporation Limited
Yu Peigen
President

Chengdu, Sichuan Province, PRC
30 March 2021

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

Directors:	*Yu Peigen, Huang Wei, Xu Peng and Bai Yong*
Independent Non-executive Directors:	*Gu Dake, Xu Haihe and Liu Dengqing*