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**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 2022**

**FINANCIAL HIGHLIGHTS**

- Total operating revenue of the Company in 2022 amounted to RMB55,353 million (2021: RMB47,819 million), representing an increase of 15.76% YoY;
- Net profit attributable to the shareholders of the Company in 2022 amounted to RMB2,855 million (2021: RMB2,289 million), representing an increase of 24.71% YoY;
- Basic earnings per share of the Company in 2022 were RMB0.92 (2021: RMB0.73);
- New orders of the Company in 2022 were approximately RMB65,579 million (2021: RMB56,392 million), representing an increase of 16.29% YoY;
- The Board has proposed the payment of a 2022 cash dividend of RMB3.35 for every 10 shares (tax inclusive), 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 2022 (the “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises.

## FINANCIAL INFORMATION

### Consolidated Balance Sheet

31 December 2022

		<i>Unit: Yuan    Currency: RMB</i>	
<b>Item</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021
<b>Current Assets:</b>			
Cash and cash equivalents		15,038,954,412.20	18,721,874,434.15
Clearing provision		-	-
Funds for lending		30,000,000.00	2,331,536,400.00
Held-for-trading financial assets		1,031,815,888.77	1,466,444,004.12
Derivative financial assets		-	-
Notes receivable	2	1,259,829,103.22	2,994,627,532.41
Accounts receivable	2	10,092,237,182.40	7,986,787,322.58
Accounts receivable financing		1,553,557,305.66	1,342,379,048.57
Prepayments		5,485,312,103.62	3,636,005,219.95
Premiums receivable		-	-
Amounts receivable under reinsurance contracts		-	-
Reinsurer’s share of insurance contract reserves		-	-
Other receivables	3	508,367,654.26	607,440,479.81
Dividend receivable		44,123,162.89	215,623,964.55
Including: Interests receivable		24,482,648.69	29,522,398.50
Financial assets purchased under resale agreements		1,390,000,000.00	2,827,514,000.00
Inventories		18,455,259,894.80	19,062,432,842.88
Contract assets		10,685,404,327.66	7,979,898,927.87
Assets as held for sale		-	-
Non-current assets due within one year		931,706,413.91	57,404,867.28
Other current assets		947,426,336.84	840,264,379.42
<b>Total Current Assets</b>		<b>67,409,870,623.34</b>	<b>69,854,609,459.04</b>

<b>Item</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021
<b>Non-current Assets:</b>			
Loans and advances		<b>4,548,783,922.30</b>	3,240,998,518.16
Debt investments		<b>25,380,129,406.70</b>	12,660,183,476.06
Other debt investments		–	–
Long-term receivables		<b>175,090,435.83</b>	552,276,661.97
Long-term equity investments	10	<b>2,398,321,350.77</b>	2,289,593,722.69
Other investments in equity instruments		<b>643,319,010.30</b>	52,300,000.00
Other non-current financial assets		–	–
Investment properties		<b>148,621,837.35</b>	157,660,075.01
Fixed assets		<b>4,876,157,932.17</b>	4,965,866,715.89
Constructions in process		<b>375,883,613.38</b>	286,478,771.81
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		<b>297,189,745.62</b>	231,326,102.07
Intangible assets		<b>1,761,826,282.17</b>	1,648,133,848.18
Development expenditure		<b>5,250,961.72</b>	4,270,168.76
Goodwill		–	–
Long-term deferred expenses		<b>2,184,738.06</b>	2,267,046.54
Deferred tax assets		<b>3,143,255,183.92</b>	3,140,003,311.70
Other non-current assets		<b>4,099,175,423.76</b>	4,018,605,426.45
<b>Total Non-current Assets</b>		<b><u>47,855,189,844.05</u></b>	<b><u>33,249,963,845.29</u></b>
<b>TOTAL ASSETS</b>		<b><u>115,265,060,467.39</u></b>	<b><u>103,104,573,304.33</u></b>

<b>Item</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021
<b>Current Liabilities:</b>			
Short-term Loans		<b>103,235,027.02</b>	41,830,000.00
Loans from the central bank		-	-
Taking from banks and other financial institutions		-	-
Held-for-trading financial liabilities		-	-
Derivative financial liabilities		<b>2,725,701.24</b>	-
Notes payable	4	<b>10,026,704,197.84</b>	6,254,798,141.80
Accounts payable	4	<b>17,349,894,192.01</b>	13,959,367,074.05
Receipts in advance		-	-
Contract liabilities		<b>32,191,795,772.36</b>	30,404,986,962.19
Financial assets sold under repurchase agreements		-	-
Customer deposits and deposits from banks and other financial institutions		<b>4,389,305,510.35</b>	3,739,754,238.51
Funds from securities trading agency		-	-
Funds from underwriting securities agency		-	-
Employee benefits payable		<b>842,346,003.01</b>	785,747,202.80
Taxes payable		<b>330,959,977.79</b>	440,915,873.31
Other payables		<b>1,267,004,545.61</b>	1,406,088,437.27
Dividend receivable		<b>7,526,176.87</b>	6,950,944.06
Including: Interests receivable		<b>4,023,929.75</b>	3,740,681.09
Fees and commissions payable		-	-
Amounts payable under insurance contracts		-	-
Liabilities as held for sale		-	-
Non-current liabilities due within one year		<b>625,856,387.58</b>	102,152,874.33
Other current liabilities		<b>294,431,940.09</b>	840,444,121.90
<b>Total Current Liabilities</b>		<b><u>67,424,259,254.90</u></b>	<b><u>57,976,084,926.16</u></b>

Item	31 December 2022	31 December 2021
<b>Non-current Liabilities:</b>		
Insurance contract reserves	-	-
Long-term borrowings	951,113,407.87	1,565,091,967.96
Bonds payable	-	-
Including: Preferred stock	-	-
Perpetual capital securities	-	-
Lease liabilities	184,843,215.08	126,932,623.70
Long-term payables	240,000.00	240,000.00
Long-term accrued payroll	1,047,826,935.57	978,695,570.03
Estimated liabilities	6,633,580,833.59	6,668,286,020.12
Deferred income	338,013,895.13	359,404,573.56
Deferred tax liabilities	60,311,398.09	45,960,397.43
Other non-current liabilities	-	-
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<b>Total Non-current Liabilities</b>	<b>9,215,929,685.33</b>	<b>9,744,611,152.80</b>
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<b>TOTAL LIABILITIES</b>	<b>76,640,188,940.23</b>	<b>67,720,696,078.96</b>
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Item	Notes	31 December 2022	31 December 2021
<b>Owners' Equity (or Shareholders' Equity):</b>			
Paid-up capital (or share capital)		3,118,807,797.00	3,119,151,130.00
Other equity instruments		-	-
Including: Preferred stock		-	-
Perpetual capital securities		-	-
Capital reserves		11,644,956,621.11	11,443,491,813.08
Less: Treasury shares		112,550,221.81	168,649,028.00
Other comprehensive income		262,952.31	-68,955,596.96
Special reserves		129,425,897.03	109,375,113.28
Surplus reserves		1,201,503,540.86	1,086,931,884.63
General risk reserves		-	-
Retained profits	5	18,999,069,789.89	16,976,316,664.38
<b>Total owners' equity (or shareholders' equity) attributable to equity holders of the parent company</b>		<b><u>34,981,476,376.39</u></b>	<b><u>32,497,661,980.41</u></b>
<b>Non-controlling shareholders' equity</b>		<b><u>3,643,395,150.77</u></b>	<b><u>2,886,215,244.96</u></b>
<b>Total owners' equity (or shareholders' equity)</b>		<b><u>38,624,871,527.16</u></b>	<b><u>35,383,877,225.37</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)</b>		<b><u>115,265,060,467.39</u></b>	<b><u>103,104,573,304.33</u></b>

## Consolidated Income Statement

January to December 2022

Unit: Yuan Currency: RMB

Item	Notes	2022	2021
<b>I. Total revenue</b>		<b>55,353,140,128.96</b>	47,819,166,940.47
Including: Operating income	6	<b>54,179,060,388.71</b>	46,755,975,362.02
Interest income	6	<b>1,171,721,197.95</b>	1,060,766,819.24
Premium earned		–	–
Fee and commission income	6	<b>2,358,542.30</b>	2,424,759.21
<b>II. Total operating costs (loss is indicated by “-”)</b>		<b>52,452,269,609.69</b>	45,419,182,973.91
Including: Operating costs	6	<b>45,244,939,114.25</b>	38,669,905,112.14
Interest expenses		<b>102,851,963.82</b>	110,807,636.82
Fee and commission expenses		<b>1,431,949.73</b>	1,474,526.03
Surrenders		–	–
Net amount of compensation payout		–	–
Net provision for insurance contract reserve		–	–
Insurance policyholder dividends		–	–
Expenses for reinsurance accepted		–	–
Tax and levies		<b>325,820,061.43</b>	240,038,558.46
Sales expenses		<b>1,483,431,162.60</b>	1,457,513,664.15
Administrative expenses		<b>3,116,971,392.44</b>	2,789,577,618.34
R&D expenditure		<b>2,274,631,356.87</b>	2,109,687,440.50
Financial expenses		<b>-97,807,391.45</b>	40,178,417.47
Including: Interest expenses		<b>79,420,015.61</b>	33,518,711.96
Interest income		<b>42,432,535.20</b>	36,438,093.04

Item	Notes	2022	2021
Add: Other gains		<b>150,750,295.09</b>	133,941,228.05
Investment income		<b>480,560,078.52</b>	425,573,959.28
Including: Income from investments in associates and joint ventures		<b>301,765,196.11</b>	279,625,882.45
Income from derecognition of financial assets measured at amortized cost		-	-
Foreign exchange gains		<b>3,072,500.69</b>	1,188,244.23
Gains from net exposure hedges		-	-
Gains from changes in fair values		<b>-61,542,570.68</b>	173,613,348.19
Credit impairment loss		<b>277,444,685.94</b>	-198,976,953.76
Impairment loss of assets		<b>-480,476,926.26</b>	-549,024,327.71
Gains from disposal of assets		<b>50,192,696.72</b>	271,943,405.18
<b>III. Operating profit (loss is indicated by “-”)</b>		<b>3,320,871,279.29</b>	2,658,242,870.02
Add: Non-operating income		<b>56,535,658.02</b>	51,417,885.20
Less: Non-operating expenses		<b>52,433,768.20</b>	42,613,160.32
<b>IV. Total profit (total loss is indicated by “-”)</b>		<b>3,324,973,169.11</b>	2,667,047,594.90
Less: Income tax expenses	7	<b>314,616,641.19</b>	237,824,064.64
<b>V. Net profit (net loss is indicated by “-”)</b>		<b>3,010,356,527.92</b>	2,429,223,530.26
(I) Classified by continuing operations			
1. Net profit from continuing operations		<b>3,010,356,527.92</b>	2,429,223,530.26
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of parent company		<b>2,854,650,575.05</b>	2,289,036,817.45
2. Profit or loss attributable to non-controlling Shareholders		<b>155,705,952.87</b>	140,186,712.81



Item	Notes	2022	2021
<b>VI. Other comprehensive income (“OCI”) (net of tax)</b>		<b>79,233,039.82</b>	-23,311,920.74
(I) Net OCI attributable to owners of the parent company		<b>69,218,549.27</b>	-20,618,148.92
1. OCI that will not be reclassified to profit and loss		<b>24,219,958.28</b>	–
(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		<b>24,219,958.28</b>	–
(4) Changes in fair value of the Company’s own credit risks		–	–
2. OCI that will be reclassified to profit and loss		<b>44,998,590.99</b>	-20,618,148.92
(1) OCI by equity method that will be reclassified to profit and loss		<b>79,928.69</b>	-1,649,817.99
(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		<b>-1,426,925.76</b>	2,756,647.63
(5) Reserve on cash flow hedges derivatives		–	–
(6) Exchange differences from translation of financial statements		<b>46,392,026.06</b>	-21,724,978.56
(7) Others		<b>-46,438.00</b>	–
(II) OCI attributable to non-controlling interest (net of tax)		<b>10,014,490.55</b>	-2,693,771.82

Item	Notes	2022	2021
<b>VII. Consolidated income</b>		<b>3,089,589,567.74</b>	2,405,911,609.52
(I) Consolidated income attributable to owners of parent company		<b>2,923,869,124.32</b>	2,268,418,668.53
(II) Consolidated income attributable to non-controlling Shareholders		<b>165,720,443.42</b>	137,492,940.99
<b>VIII. Earnings per share:</b>			
(i) Basic earnings per share ( <i>RMB/share</i> )	8	<b>0.92</b>	0.73
(ii) Diluted earnings per share ( <i>RMB/share</i> )		<b>0.92</b>	0.73

## NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 December 2022

### 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*

<b>Item</b>	<b>31 December 2022</b>	31 December 2021
Notes receivable	<b>1,259,829,103.22</b>	2,994,627,532.41
Accounts receivable	<b>14,770,395,477.33</b>	12,883,281,001.26
Less: Provision for bad debts	<b><u>4,678,158,294.93</u></b>	<u>4,896,493,678.68</u>
Net accounts receivable ( <i>note 2a</i> )	<b><u>10,092,237,182.40</u></b>	<u>7,986,787,322.58</u>
Net notes and accounts receivable	<b><u><u>11,352,066,285.62</u></u></b>	<u><u>10,981,414,854.99</u></u>

### (2a) Ageing analysis of accounts receivable

*Unit: Yuan Currency: RMB*

<b>Ageing</b>	<b>31 December 2022</b>	31 December 2021
Within 1 year	<b>7,186,583,421.99</b>	5,482,435,246.56
1–2 years	<b>2,504,180,735.35</b>	1,843,505,123.39
2–3 years	<b>1,208,150,000.58</b>	1,189,263,023.78
3–4 years	<b>762,150,071.93</b>	624,912,548.77
4–5 years	<b>404,728,806.77</b>	571,247,657.81
Over 5 years	<b><u>2,704,602,440.71</u></b>	<u>3,171,917,400.95</u>
<b>Subtotal</b>	<b><u>14,770,395,477.33</u></b>	<u>12,883,281,001.26</u>
Less: Provision for bad debts	<b><u>4,678,158,294.93</u></b>	<u>4,896,493,678.68</u>
<b>Total</b>	<b><u><u>10,092,237,182.40</u></u></b>	<u><u>7,986,787,322.58</u></u>

*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*

<b>Item</b>	<b>31 December 2022</b>	31 December 2021
Interest receivable	<b>44,123,162.89</b>	215,623,964.55
Dividends receivable	<b>24,482,648.69</b>	29,522,398.50
Other receivables	<b>738,986,382.96</b>	662,005,306.14
Less: Provision for bad debts	<b>299,224,540.28</b>	299,711,189.38
Other net receivables ( <i>note 3a</i> )	<b>439,761,842.68</b>	362,294,116.76
<b>Total</b>	<b>508,367,654.26</b>	607,440,479.81

#### (3a) Ageing analysis of other receivables

*Unit: Yuan Currency: RMB*

<b>Ageing</b>	<b>31 December 2022</b>	31 December 2021
Within 1 year	<b>395,303,973.92</b>	335,106,633.72
1–2 years	<b>70,726,322.83</b>	39,415,318.04
2–3 years	<b>7,838,073.32</b>	25,599,500.29
3–4 years	<b>20,618,544.05</b>	9,231,760.54
4–5 years	<b>5,128,437.80</b>	11,297,006.85
Over 5 years	<b>239,371,031.04</b>	241,355,086.70
<b>Subtotal</b>	<b>738,986,382.96</b>	662,005,306.14
Less: Provision for bad debts	<b>299,224,540.28</b>	299,711,189.38
<b>Total</b>	<b>439,761,842.68</b>	362,294,116.76

#### 4 NOTES AND ACCOUNTS PAYABLE

*Unit: Yuan Currency: RMB*

<b>Item</b>	<b>31 December 2022</b>	31 December 2021
Notes payable	<b>10,026,704,197.84</b>	6,254,798,141.80
Accounts payable	<b><u>17,349,894,192.01</u></b>	<u>13,959,367,074.05</u>
<b>Total</b>	<b><u>27,376,598,389.85</u></b>	<u>20,214,165,215.85</u>
<b>Ageing analysis of accounts payable</b>	<b>31 December 2022</b>	31 December 2021
Within one year (inclusive)	<b>14,584,970,836.66</b>	11,232,232,094.80
1–2 years (inclusive)	<b>1,211,799,005.78</b>	1,284,148,929.82
2–3 years (inclusive)	<b>518,486,513.10</b>	344,635,046.35
Over 3 years	<b><u>1,034,637,836.47</u></b>	<u>1,098,351,003.08</u>
<b>Total</b>	<b><u>17,349,894,192.01</u></b>	<u>13,959,367,074.05</u>

*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 year	Last year
Balance before adjustment at the end of preceding period	<b>16,976,316,664.38</b>	15,382,662,236.78
Total opening balance adjusted (Increase+, Decrease-)	–	–
Opening balance after adjustment	<b>16,976,316,664.38</b>	15,382,662,236.78
Add: Net profit attributable to owners of the parent company	<b>2,854,650,575.05</b>	2,289,036,817.45
Effects of other adjustments	–	–
Less:		
Appropriation of statutory surplus reserve	<b>114,571,656.23</b>	114,140,705.95
Appropriation of discretionary surplus reserve	–	–
Appropriation of reserve fund	–	–
Appropriation of enterprise development fund	–	–
Return on investment	–	–
Appropriation of employee bonus funds	–	–
Appropriation of general risk reserve	–	–
Dividend payable on ordinary shares	<b>717,325,793.31</b>	561,532,703.40
Dividend on ordinary share converted to share capital	–	–
Preferred share dividend	–	–
Other distributions to shareholders	–	–
Return on investment	–	–
Other profit distribution	–	–
Increase: Surplus reserves offsetting against losses	–	–
Change in defined benefit plan carried over to retained earnings	–	–
Other comprehensive income carried over to retained earnings	–	-19,580,617.00
Other internal transfer of owners' equity	–	–
Other	–	-128,363.50
Closing balance	<b><u>18,999,069,789.89</u></b>	<b><u>16,976,316,664.38</u></b>

## 6 INCOME AND COST

*Unit: Yuan Currency: RMB*

Item	Amount for current year		Amount for last year	
	Income	Cost/interest expenses/fee and commission expenses	Income	Cost/interest expenses/fee and commission expenses
1. Principal operation	53,657,760,444.64	45,087,891,273.56	46,208,592,919.03	38,364,531,787.64
2. Other operations	521,299,944.07	157,047,840.69	547,382,442.99	305,373,324.50
3. Interest income	1,171,721,197.95	102,851,963.82	1,060,766,819.24	110,807,636.82
4. Fee and commission income	2,358,542.30	1,431,949.73	2,424,759.21	1,474,526.03
<b>Total</b>	<b>55,353,140,128.96</b>	<b>45,349,223,027.80</b>	<b>47,819,166,940.47</b>	<b>38,782,187,274.99</b>

## 7 INCOME TAX EXPENSE

*Unit: Yuan Currency: RMB*

Item	Amount for current year	Amount for last year
Income tax expense for current period	307,742,588.36	390,688,607.72
Including: China	293,352,654.35	386,563,737.78
India	9,043,003.89	2,896,055.61
Other regions	5,346,930.12	1,228,814.33
Deferred income tax expense	6,874,052.83	-152,864,543.08
<b>Total</b>	<b>314,616,641.19</b>	<b>237,824,064.64</b>

## 8 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:

The detailed calculation information on basic earnings per share is as follows:

<i>Unit: Yuan Currency: RMB</i>		
Item	Current year	Last year
Combined net profit attributable to parent company's shareholders of ordinary shares	<b>2,854,650,575.05</b>	2,289,036,817.45
Weighted average number of outstanding ordinary shares of the Company <sup>note1</sup>	<b>3,118,958,074.58</b>	3,119,490,796.67
Basic earnings per share <sup>note2</sup> (RMB/share)	<b>0.92</b>	0.73
Including: Basic earnings per share from continuing operations (RMB/share)	<b><u>0.92</u></b>	<b><u>0.73</u></b>

Notes:

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

= Share capital at the beginning of the year + newly issued shares 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

= 3,118,958,074.58

(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

=RMB2,854,650,575.05/3,118,958,074.58 shares = 0.92 (RMB/Share)

(3) The Company repurchased and cancelled 343,333.00 restricted A shares during the current period, which had no effect on the calculation of basic earnings per share, nor did it have dilution effect on earnings per share.



## 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 2022

Unit: Yuan Currency: RMB

Item	Renewable energy equipment	High-efficient clean energy equipment	Engineering and trade	Modern manufacturing services business	Emerging growth business	Summary	Write-off	Total
Operating income	17,626,977,403.86	26,700,616,136.74	11,800,786,634.10	4,918,128,217.76	13,798,633,957.86	74,845,142,350.32	19,492,002,221.36	55,353,140,128.96
Including: External transaction income	14,913,928,738.85	14,684,569,729.76	10,539,987,531.09	4,238,084,530.29	10,976,569,598.97	55,353,140,128.96		55,353,140,128.96
Inter-segment transaction income	2,713,048,665.01	12,016,046,406.98	1,260,799,103.01	680,043,687.47	2,822,064,358.89	19,492,002,221.36	19,492,002,221.36	
Operating cost	15,582,922,414.81	23,866,460,777.94	10,788,242,026.94	3,224,812,861.04	11,828,614,925.07	65,291,053,005.80	19,941,829,978.00	45,349,223,027.80
Cost written off	2,617,803,003.82	12,286,785,976.89	1,335,028,169.25	1,288,994,399.87	2,413,218,428.17	19,941,829,978.00	19,941,829,978.00	
Expenses for the period						6,246,204,191.67	-531,022,328.79	6,777,226,520.46
Operating profit (loss)	1,948,809,327.86	3,104,894,928.71	1,086,773,673.40	2,302,266,069.12	1,561,173,102.07	10,003,917,101.16	6,683,045,821.87	3,320,871,279.29
Total assets						200,698,233,016.47	85,433,172,549.08	115,265,060,467.39
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						140,709,385,496.42	64,069,196,556.19	76,640,188,940.23
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						-327,051,991.20	-124,019,750.88	-203,032,240.32
Including: Impairment of goodwill								
Amortization of depreciation and amortization expenses						886,137,572.99		886,137,572.99
Non-cash expenses other than impairment loss, depreciation and amortization								

## Segment information of 2021

Unit: Yuan Currency: RMB

Item	Renewable energy equipment	High-efficient clean energy equipment	Engineering and trade	Modern manufacturing services business	Emerging growth business	Summary	Write-off	Total
Operating income	18,717,207,313.08	23,107,114,285.36	8,764,600,495.09	4,651,829,303.25	11,304,489,203.53	66,545,240,600.31	18,726,073,659.84	47,819,166,940.47
Including: External transaction income	15,138,463,805.74	12,786,983,905.17	7,758,030,958.59	3,963,328,641.64	8,172,359,629.33	47,819,166,940.47		47,819,166,940.47
Inter-segment transaction income	3,578,743,507.34	10,320,130,380.19	1,006,569,536.50	688,500,661.61	3,132,129,574.20	18,726,073,659.84	18,726,073,659.84	
Operating cost	16,547,697,837.58	20,799,431,377.15	7,771,645,626.91	3,405,031,654.93	9,328,627,000.08	57,852,433,496.65	19,070,246,221.66	38,782,187,274.99
Cost written off	3,577,233,803.88	10,790,479,510.33	857,892,104.11	1,284,171,165.13	2,560,469,638.21	19,070,246,221.66	19,070,246,221.66	
Expenses for the period						5,828,470,022.99	-568,487,117.47	6,396,957,140.46
Operating profit (loss)	2,167,999,772.04	2,778,032,038.35	844,277,435.79	1,842,468,151.84	1,404,202,267.46	9,036,979,665.48	6,378,736,795.46	2,658,242,870.02
Total assets						182,606,985,457.55	79,502,412,153.22	103,104,573,304.33
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						126,303,158,392.54	58,582,462,313.58	67,720,696,078.96
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						-824,141,145.24	-76,139,863.77	-748,001,281.47
Including: Impairment of goodwill								
Amortization of depreciation and amortization expenses						897,422,988.23		897,422,988.23
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	Increase/decrease in the Period							Closing balance of provision for impairment			
	Opening balance	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		Provision for impairment	Others	Closing balance
<b>I. Joint ventures</b>											
Dongfang Framatome Nuclear Pump Co., Ltd	223,419,811.55			19,695,673.97			21,712,801.41				221,402,684.11
MHPS Dongfang Boiler Co., Ltd	202,366,572.06			9,177,922.72			2,642,181.57				209,546,035.58
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	6,130,622.32			469,682.54							5,660,939.78
Sub-total	431,917,005.93			28,403,914.15			643,722.37				436,609,659.47
<b>II. Associated companies</b>											
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd	503,834,471.10			127,791,106.60			131,146,215.00			354,301.56	500,833,664.26
Sichuan Dongshu New Material Co., Ltd.	207,206,689.21			561,204.83	84,679.19	-1,364,730.78	15,003,624.00			-2,487,568.44	188,996,650.01
Deyang Guangda Dongqi New Material Co., Ltd.	291,044,864.55			12,659,902.45		5,295,404.84				23,041,972.31	326,746,739.31
Sichuan Wind Power Industry Investment Co., Ltd	537,550,972.87			121,849,870.49						664,696,248.20	
Huadian Longkou Wind Power Co., Ltd	75,395,022.08			10,803,106.87			9,185,537.56			77,012,591.39	
CLP Combined Heavy Gas Turbine Technology Co., Ltd.	131,398,795.38			18,011.81						131,416,807.19	
Inner Mongolia Energy Power Hongjijing Wind Power Co., Ltd.	23,435,950.00			1,064,430.91			3,069,018.07			21,431,362.84	
Inner Mongolia Mengeng Sanshengtai Wind Power Co., Ltd.	14,902,607.53			-1,176,636.06				13,725,971.47		13,725,971.47	
Mongolia Mengeng Wulan New Energy Co., Ltd.	38,715,768.04			-4,924,446.15				27,120,000.00		33,791,321.89	
Leshan city Dongle Heavy Piece Handling Co., Ltd.	2,939,325.69			1,655,899.88						4,595,225.57	
Hunan Pingan Environmental Protection Co., Ltd.	29,190,000.00	5,000,000.00		3,039,998.88						32,229,998.88	
Dongfang Zhongheng (Chengde) New Energy Technology Co., Ltd.				-1,088.79						4,998,911.21	
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd	2,062,250.31			19,920.24						2,082,170.55	
Sub-total	1,857,676,716.76	5,000,000.00		273,361,281.96	84,679.19	3,930,674.06	158,404,394.63	40,845,971.47	20,908,705.43	2,002,557,662.77	40,845,971.47
Total	2,289,593,722.69	5,000,000.00		301,765,196.11	84,679.19	4,574,396.43	182,759,377.61	40,845,971.47	20,908,705.43	2,439,167,322.24	40,845,971.47

## 11 DIVIDENDS

Based on 3,118,533,797 shares in the total share capital of the Company when the Board meeting is held on 31 March 2023, the Board has proposed the payment of a dividend for the year 2022 of RMB3.35 for every 10 shares (tax inclusive) totalling a cash distribution of RMB1,044,708,822.00 (before tax) (2021: cash dividend of RMB2.3 for every 10 shares (tax inclusive)), subject to shareholders' approval at the annual general meeting for 2022. If approved, the 2022 final dividend is expected to be distributed to the Shareholders on 28 July 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Discussion and Analysis of Operations

#### *(I) Taking a Leap Forward in High-quality Development*

In 2022, the Company strived to drive the production and operation to continue to improve, with the good momentum of high-quality development being further consolidated and strengthened. In 2022, the Company recorded a total operating income of RMB55,353 million, representing an increase of 15.76% as compared with last year; net profit attributable to shareholders of the parent company amounted to RMB2,855 million, representing a year-on-year increase of 24.71%; and weighted average return on net assets was 8.43%, representing an increase of 1.23 percentage points as compared with the corresponding period last year.

#### *(II) Market Expansion and Enhancement*

The Company emphasized the promotion of green and low-carbon transformation of energy and the construction of new power systems, highlighting the role of industry-wide planning and coordination, and collaboratively promoting integrated marketing. In 2022, the new orders of the Company amounted to RMB65,579 million, representing a year-on-year increase of 16.29%. In particular, high-efficient clean energy equipment accounted for 33.07%, renewable energy equipment accounted for 27.17%, engineering and trade accounted for 12.96%, modern manufacturing services accounted for 12.23%, and emerging growth business accounted for 14.57%.

The market share of gas power had obvious advantages, and while maintaining the leading position in the F-class market, the Company continued to explore the H-class gas turbine market; the market of nuclear power achieved a breakthrough in the design order of high temperature gas-cooled reactor equipment; the clean coal power continued to make strides, and a number of high parameter secondary reheat projects were awarded; the market share of hydropower remained stable, with the bidding of regular hydropower projects such as Dong Sahong in Laos and pumped storage projects in Panan and Hami. New orders won for wind power throughout the year were at a new record high. The orders of modern manufacturing services industry recorded a historical new high, with the first batch of orders from Xinjiang and Inner Mongolia for the flexible transformation of coal-fired power generating units and the gradual opening up of the “Synergistic Renovation in Three Aspects” market. In terms of overseas markets, we obtained EPC Orders for 308MW Solar Photovoltaic Projects in Azerbaijan and 500MW Solar Photovoltaic Projects in Uzbekistan, achieving a breakthrough in large-scale overseas photovoltaic projects. In terms of emerging industry, we achieved a new breakthrough in the business model of hydrogen energy, wind energy and photovoltaic energy synergy, and secured orders for photovoltaic and hydrogen fuel cell engines in Gansu.

### ***(III) Fruitful Achievements in Scientific and Technological Innovation***

In 2022, the Company further implemented the innovation-driven development strategy and invested RMB3.105 billion in research and development, accounting for 5.73% of its operating revenue, obtained 40 provincial, ministerial and above level awards, presided over and participated in the formulation or amendment of 3 and 45 national standards, respectively; and presided over and participated in the formulation or amendment of 10 and 64 national standards, respectively. Outstanding achievements were made in scientific and technological innovation. The first nationally produced F-class 50MW heavy-duty gas turbine was completed and put into operation for grid-connected power generation, marking a key step forward in the independent development of domestic heavy-duty gas turbines; the Company maintained the leadership in independent nuclear power equipment and completed the development and delivery of the “Guohe No. 1” nuclear steam generator; in the selection of the best global WTGs published by Windpower Monthly, an authoritative magazine in the wind power industry, Dongfang Electric won the Gold Award of Global Best Blade, the Bronze Award of Best Onshore Generator with High Power, and the Bronze Award of Best Transmission Chain. The development of new energy storage equipment achieved a breakthrough, with the world's first “CO<sub>2</sub> + Flying Wheel” energy storage demonstration project completed, and the world's first non-supplemental combustion 60MW compressed air energy storage power station providing power turbine generator put into commercial operation; the hydrogen energy industry continued to make efforts, and a 270kW high-power fuel cell engine system was successfully developed.

#### ***(IV) Breakthrough Made in Digital Transformation***

The Company was firmly committed to the direction of digital transformation and continued to promote digitalisation of management, product intelligence and manufacturing intelligence. The digital management capability was improved as a whole, the construction of a “control-based” treasury was successfully completed, and the systems for financial sharing, contract management and procurement management achieved all and sub-coverage, with cross-organisational and cross-business processes being fully connected. The level of product intelligence continued to improve, with intelligence as an empowering factor, creating intelligent hydropower, intelligent wind power and intelligent thermal power solutions, and developing new digital service products such as intelligent inspection and maintenance simulation systems for units, remote expert systems and three-dimensional digital manuals. The achievements of intelligent manufacturing continued to emerge, with the construction of six digital workshops completed throughout the year. Intelligent manufacturing maturity of Dongfang Turbine and Dongfang Electric Machinery has reached Level 3. Dongfang Turbine has built a leading domestic “black light production line” for turbine blades; Dongfang Research Institute’s “Clean Energy Equipment Manufacturing Industry Internet Platform” was selected as 2022 Pilot Project on the Integration of New Generation Information Technology and Manufacturing Industry by the Ministry of Industry and Information Technology, and Dongfang Electric Machinery’s “Large-scale Clean and Efficient Power Generation Equipment Smart Manufacturing Demonstration Plant” was selected as 2022 Smart Manufacturing Demonstration Plant by the Ministry of Industry and Information Technology. During the 2022 World Clean Energy Equipment Conference, a number of intelligent manufacturing scenes of the Company were displayed, and the transformation achievements were fully recognized.

## ***(V) Vertical Advancement of Deepening Reform***

The Company insisted on deepening reforms, and the three-year action plan for state-owned enterprise reform came to a successful conclusion, with all reform tasks implemented on the ground, further improving governance, activating power, enhancing efficiency and strengthening capacity. New breakthroughs were continuously made in the reform work. The Company implemented Dongfang Electric Wind Power's employee shareholding to further stimulate the vitality of the enterprise's development; established a long-term mechanism for the withdrawal of inefficient and ineffective production capacity, effectively revitalized assets and production sites, and constantly deepened the three system reformation. We established a standardised and long-term mechanism for the "ability to move up and down", and increased market-based selection and exit efforts; improved the quantitative evaluation rules for differentiated salary allocation, and continued to optimise the labour productivity, personnel cost rate and labour cost profit margin of all staff. The efficiency and effectiveness of financial control were enhanced. The Company's financial forecasting model was built by integrating financial and business data to facilitate medium- and long-term forecasting; the Company also made solid efforts to improve quality and efficiency, and the turnover rate of the "two funds (i.e. housing provident fund and enterprise annuity)" continued to improve, resulting in significant cost reduction throughout the year.



## ***(VI) Effective Risk Prevention and Control***

The Company systematically promoted risk control, compliance and internal control management, and continued to enhance its risk prevention capability. We made strengthening audit supervision an important tool for risk prevention and control, innovated the organization of audit projects and effectively promoted the completion of corporate economic responsibility audits in a high-quality manner. The risk management system was further optimised and a “two verticals and one horizontal” risk control system was established, with the professional lines linked up and down, the enterprise as a whole working together, and the risk management horizontally linked up, and an annual key risk control plan was formulated and the new risks and control effects were dynamically evaluated to ensure that no systemic risks occurred throughout the year. We further strengthened our work on the governance of enterprises in accordance with the law, optimised the general counsel system and built a team of leading figures in the governance of enterprises in accordance with the law. The Board established a Risk and Compliance Management Committee to systematically strengthen the leadership of compliance work, and the tasks of the Compliance Enhancement Year were effectively implemented. An evaluation list on the effectiveness of corporate compliance management was formulated and supervision and inspection were carried out; the prevention of overseas compliance risks was strengthened, and the mechanism for legal compliance in respect of foreign operations was improved.

## ***(VII) Compliance and Efficiency of Operation of Listed Companies***

The Company continued to improve the corporate governance mechanism, and all governance bodies performed their duties and responsibilities in strict accordance with the laws and regulations and the Articles of Association of the Company. The Board held 14 meetings during the year to earnestly review major issues such as financial budgets, major investments, senior management appointments and performance appraisals of the Company. The Company continued to improve the institutional system with the Articles of Association as its core, and amended more than 14 systems throughout the year, including the Articles of Association, the Rules of Procedure of the Governing Body and the Regulations on Investor Relations, further enhancing the standardisation of the Company's operations. The Company improved its information disclosure system and carried out information disclosure work in a high quality manner, completed 255 items of information disclosure for listed companies in Shanghai and Hong Kong, and was awarded A grade (the highest grade) in information disclosure by the SSE for eight consecutive years, and was successfully selected for the ESG Pioneer 50 Index of central enterprises. The Company has been awarded the "2022 Best Practice for Directors' Office of Listed Companies" for its efforts in communicating with investors in various ways, actively conveying the value of the Company and maintaining the stability of its market value.

## II. Principal Business During the Reporting Period

During the Reporting Period, the Company recorded a total operating revenue of RMB55,353 million, representing an increase of 15.76% as compared with the same period of last year; net profit attributable to the shareholders of the Company of RMB2,855 million, representing an increase of 24.71% 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 RMB2,382 million, representing an increase of 35.09% YoY; achieved earnings per share of RMB0.92.

### (I) Analysis of Principal Business

#### 1. Analysis of Changes in Certain Items in the Financial Statements

Unit: Yuan Currency: RMB

Item	Amount in the year	Amount in the prior year	Change (%)
Operating income	<b>54,179,060,388.71</b>	46,755,975,362.02	15.88
Operating costs	<b>45,244,939,114.25</b>	38,669,905,112.14	17.00
Tax and surcharges	<b>325,820,061.43</b>	240,038,558.46	35.74
Sales expenses	<b>1,483,431,162.60</b>	1,457,513,664.15	1.78
Administrative expenses	<b>3,116,971,392.44</b>	2,789,577,618.34	11.74
R&D expenditure	<b>2,274,631,356.87</b>	2,109,687,440.50	7.82
Finance costs	<b>-97,807,391.45</b>	40,178,417.47	-343.43
Gains from changes in fair values (loss is indicated by "-")	<b>-61,542,570.68</b>	173,613,348.19	-135.45
Credit impairment loss (loss is indicated by "-")	<b>277,444,685.94</b>	-198,976,953.76	N/A
Gains from disposal of assets (loss is indicated by "-")	<b>50,192,696.72</b>	271,943,405.18	-81.54
Income tax expenses	<b>314,616,641.19</b>	237,824,064.64	32.29
Net cash flow from operating activities	<b>8,410,116,418.30</b>	-4,420,888,980.16	N/A
Net cash flows from investing activities	<b>-13,186,238,590.76</b>	-3,052,869,630.90	N/A
Net cash flows from financing activities	<b>-117,013,011.47</b>	-378,255,038.12	N/A

1. Reasons for change in operating revenue: The operating revenue for the year increased by 15.88% year on year, mainly due to the increase in the revenue of high-efficient clean energy and emerging growth business segment.
2. Reasons for change in operating costs: The operating costs for the year increased by 17.00% year on year, mainly due to the corresponding increase as a result of the increase in sales volume.
3. Reasons for change in tax and surcharges: The tax and surcharges for the year increased by 35.74% year on year, mainly due to the increase in the surcharges and stamp duty.
4. Reasons for change in sales expenses: The sales expenses for the year increased by 1.78% year on year, which remained basically steady as compared with the previous year.
5. Reasons for change in administrative expenses: The administrative expenses for the year increased by 11.74% year on year, mainly due to the year-on-year increase in employee remuneration and repair expenses for the year.
6. Reasons for change in R&D expenditure: The R&D expenditure for the year increased by 7.82% year on year, mainly due to the increased investment in research and development for the year.
7. Reasons for change in finance costs: The finance costs for the year decreased by 343.43% year on year, mainly due to the year-on-year increase in net exchange gains for the year.
8. Reasons for changes in fair values: The changes in fair values for the year decreased by 135.45% year on year, mainly due to the floating loss of stocks and funds during the year.

9. Reasons for change in credit impairment losses: the provision for credit impairment losses for the year decreased by RMB476 million year on year, mainly due to the reversal of credit impairment provisions resulting from the better collection of receivables during the year.
10. Reasons for change in gains on disposal of assets: the gains on disposal of assets for the year decreased by 81.54% year on year, mainly due to the gains on disposal of assets arising from the mixed ownership reform of the subsidiaries in the same period of last year. There was no such event during the year.
11. Reasons for change in income tax expenses: the income tax expenses for the year increased by 32.29% year on year, mainly due to the increase in deferred income tax expenses during the year.
12. Reasons for change in net cash flows from operating activities: the cash flows from operating activities for the year increased by RMB12,831 million year on year, mainly due to the better collection during the year.
13. Reasons for change in net cash flows from investing activities: the cash flows from investing activities for the year decreased by RMB10,133 million year on year, mainly due to the year-on-year increase in net outflow of the interbank deposit certificates and other businesses of DEC Finance of Company during the year.
14. Reasons for change in net cash flows from financing activities: the cash flows from financing activities for the year increased by RMB261 million year on year, mainly due to the year-on-year increase in cash received by subsidiaries absorbing minority shareholders' investment during the year.

## 2. Analysis of Operations by Industry, Product or Region

### (1) Major operations by industry, product and region

Unit: Yuan Currency: RMB

Industry	Operating revenue	Operating costs	By industry			
			Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs margin (%)	Year-on-year increase/decrease in gross profit margin (%)
Power generation equipment manufacturing industry	55,353,140,128.96	45,349,223,027.80	18.07	15.76	16.93	Decreased by 0.83 percentage point

Product	Operating revenue	Operating costs	By product			
			Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs margin (%)	Year-on-year increase/decrease in gross profit margin (%)
Renewable energy equipment	14,913,928,738.85	12,965,119,410.99	13.07	-1.48	-0.04	Decreased by 1.25 percentage points
High-efficient clean energy equipment	14,684,569,729.76	11,579,674,801.05	21.14	14.84	15.69	Decreased by 0.59 percentage point
Engineering and trade	10,539,987,531.09	9,453,213,857.69	10.31	35.86	36.73	Decreased by 0.57 percentage point
Modern manufacturing services business	4,238,084,530.29	1,935,818,461.17	54.32	6.93	-8.72	Increased by 7.83 percentage points
Emerging growth business	10,976,569,598.97	9,415,396,496.90	14.22	34.31	39.11	Decreased by 2.96 percentage points

Region	By region		Gross profit margin (%)	Year-on-year increase/	Year-on-year	Year-on-year increase/decrease in gross profit margin (%)
	Operating revenue	Operating costs		decrease in operating revenue (%)	increase/decrease in operating costs (%)	
Domestic	50,422,083,708.00	41,487,947,059.57	17.72	14.81	15.83	Decreased by 0.73 percentage point
Overseas	4,931,056,420.96	3,861,275,968.23	21.69	26.43	30.25	Decreased by 2.30 percentage points

Sales model	By sales model		Gross profit margin (%)	Year-on-year increase/	Year-on-year	Year-on-year increase/decrease in gross profit margin (%)
	Operating revenue	Operating costs		decrease in operating revenue (%)	increase/decrease in operating costs (%)	
Customized sales	55,353,140,128.96	45,349,223,027.80	18.07	15.76	16.93	Decreased by 0.83 percentage points

#### Major operations by industry, product, region and sales model

- (1) During the year, the total operating revenue of the Company increased by 15.76% as compared with last year. Revenue generated from other segments increased year-on-year except for the segment of renewable energy equipment.

(2) Capacity and sales analysis table

Major products	Unit	Capacity (MW)	Sales (MW)	Inventory (MW)	Capacity	Sales increase/	Inventory
					increase/ decrease from the previous year (%)	decrease from the previous year (%)	increase/ decrease from the previous year (%)
Hydro-generating Unit	MW	4,290	2,730	2,855	-47.04	-77.17	120.46
Steam turbine generators	MW	27,416	27,298	15,598	9.54	9.34	0.76
Wind power units	MW	4,339.3	3,687.5	850.8	28.76	9.68	327.54
Power station steam turbines	MW	29,897.8	3,289,510,235	18,060.3	24.94	77.86	-13.77
Power station boilers	MW	22,514	22,514	0	2.26	2.26	/

(3) Cost analysis

Unit: 0'000 yuan Currency: RMB

Industry	Cost composition	Amount for the period	By industry				Remark
			Percentage in total costs for the period (%)	Amount for the same period last year	Percentage in total costs for the same period last year (%)	Percentage change in the amount for the period as compared to the same period last year (%)	
Power generation equipment manufacturing	Raw material costs (procurement cost)	3,788,370.80	83.54	3,091,681.67	79.72	22.53	
Power generation equipment manufacturing	Labour costs	155,703.29	3.43	156,680.28	4.04	-0.62	
Power generation equipment manufacturing	Other costs	590,848.20	13.03	629,856.78	16.24	-6.19	



Industry	Cost composition	Amount for the period	By industry		Percentage in total costs for the same period last year (%)	Percentage change in the amount for the period as compared to the same period last year (%)	Remark
			Percentage in total costs for the period (%)	Amount for the same period last year			
Renewable energy equipment	Raw material costs (procurement cost)	<b>1,107,880.79</b>	24.43	1,053,404.41	27.16	5.17	
Renewable energy equipment	Labour costs	<b>65,837.24</b>	1.45	75,777.03	1.95	-13.12	
Renewable energy equipment	Other costs	<b>122,793.92</b>	2.71	167,864.96	4.33	-26.85	
High-efficient clean energy equipment	Raw material costs (procurement cost)	<b>976,577.40</b>	21.53	847,842.88	21.86	15.18	
High-efficient clean energy equipment	Labour costs	<b>44,824.62</b>	0.99	39,283.02	1.01	14.11	
High-efficient clean energy equipment	Other costs	<b>136,565.46</b>	3.01	113,769.29	2.93	20.04	
Engineering and trade	Raw material costs (procurement cost)	<b>832,219.04</b>	18.35	574,047.16	14.80	44.97	
Engineering and trade	Labour costs	<b>4,809.28</b>	0.11	4,084.24	0.11	17.75	
Engineering and trade	Other costs	<b>108,293.06</b>	2.39	113,243.96	2.92	-4.37	
Modern manufacturing services	Raw material costs (procurement cost)	<b>52,019.61</b>	1.15	75,774.38	1.95	-31.35	
Modern manufacturing services	Labour costs	<b>11,304.15</b>	0.25	7,788.96	0.20	45.13	
Modern manufacturing services	Other costs	<b>130,258.09</b>	2.87	128,522.71	3.31	1.35	
Emerging growth business	Raw material costs (procurement cost)	<b>819,673.97</b>	18.07	540,612.84	13.94	51.62	
Emerging growth business	Labour costs	<b>28,928.01</b>	0.64	29,747.03	0.77	-2.75	
Emerging growth business	Other costs	<b>92,937.67</b>	2.05	106,455.87	2.74	-12.70	

(4) Major Customers in Sales and Major Suppliers

The Company's sales to its top five customers amounted to RMB6,628.5708 million, accounting for 11.98% of the total sales for the year, among which, sales to related parties was RMB0 million, accounting for 0% of the total sales for the year.

The Company's procurement from its top five suppliers amounted to RMB4,698.4162 million, accounting for 10.36% of the total procurement for the year, among which, the procurement from related parties was RMB986.0097 million, representing 2.17% of the total procurement for the year.

3. Expenses

*Unit: Yuan Currency: RMB*

Item	2022	2021	Change (%)
Selling expenses	<b>1,483,431,162.60</b>	1,457,513,664.15	1.78
Administrative expenses	<b>3,116,971,392.44</b>	2,789,577,618.34	11.74
R&D expenditure	<b>2,274,631,356.87</b>	2,109,687,440.50	7.82
Finance costs	<b>-97,807,391.45</b>	40,178,417.47	-343.43
Income tax expenses	<b>314,616,641.19</b>	237,824,064.64	32.29

4. R&D Expenditure

*Unit: Yuan Currency: RMB*

	2022
Expensed R&D expenditure for the period	<b>2,735,418,123.21</b>
Capitalized R&D expenditure for the period	<b>369,238,442.37</b>
Total R&D expenditure	<b>3,104,656,565.58</b>
Percentage of total R&D expenditure over revenue (%)	<b>5.61</b>
Percentage of R&D expenditure capitalization (%)	<b>11.89</b>

## 5. Cash flows

Unit: Yuan Currency: RMB

Item	2022	2021	Change (%)
Cash received from sale of goods and of rendering services	<b>52,161,144,848.97</b>	44,969,412,588.26	15.99
Net increase in borrowings from other financial institutions	<b>2,358,615,348.35</b>	-2,320,607,584.15	N/A
Tax refund received	<b>603,451,364.44</b>	375,110,655.17	60.87
Other cash received from operating activities	<b>3,505,219,019.45</b>	1,922,408,416.09	82.33
Cash paid for purchase of goods and receipt of services	<b>39,413,672,651.47</b>	37,632,141,803.46	4.73
Other cash payments relating to operating activities	<b>3,315,335,398.61</b>	2,724,642,221.90	21.68
Cash received from returns on investments	<b>179,305,474.44</b>	151,172,201.13	18.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>27,166,342.58</b>	182,208,104.28	-85.09
Cash paid for investments	<b>27,904,078,392.24</b>	15,514,643,379.27	79.86
Cash from absorption of Investment	<b>410,141,811.50</b>	100,322,500.00	308.82
Cash received from borrowings obtained	<b>544,161,866.03</b>	1,146,850,000.00	-52.55

## (II) Analysis of Assets and Liabilities

Unit: Yuan Currency: RMB

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
Cash and cash equivalents	15,038,954,412.20	13.05	18,721,874,434.15	18.16	-19.67	See other instructions for details
Funds for lending	30,000,000.00	0.03	2,331,536,400.00	2.26	-98.71	See other instructions for details
Held-for-trading financial assets	1,031,815,888.77	0.90	1,466,444,004.12	1.42	-29.64	See other instructions for details
Notes receivable	1,259,829,103.22	1.09	2,994,627,532.41	2.90	-57.93	See other instructions for details
Prepayments	5,485,312,103.62	4.76	3,636,005,219.95	3.53	50.86	See other instructions for details
Financial assets purchased under resale agreements	1,390,000,000.00	1.21	2,827,514,000.00	2.74	-50.84	See other instructions for details
Contract assets	10,685,404,327.66	9.27	7,979,898,927.87	7.74	33.90	See other instructions for details
Non-current assets due within one year	931,706,413.91	0.81	57,404,867.28	0.06	1,523.04	See other instructions for details
Loans and advances	4,548,783,922.30	3.95	3,240,998,518.16	3.14	40.35	See other instructions for details
Debt investments	25,380,129,406.70	22.02	12,660,183,476.06	12.28	100.47	See other instructions for details
Long-term receivables	175,090,435.83	0.15	552,276,661.97	0.54	-68.30	See other instructions for details
Other investments in equity instruments	643,319,010.30	0.56	52,300,000.00	0.05	1,130.06	See other instructions for details
Short-term borrowings	103,235,027.02	0.09	41,830,000.00	0.04	146.80	See other instructions for details
Taxes payable	330,959,977.79	0.29	440,915,873.31	0.43	-24.94	See other instructions for details
Notes payable	10,026,704,197.84	8.70	6,254,798,141.80	6.07	60.30	See other instructions for details
Non-current liabilities due within one year	625,856,387.58	0.54	102,152,874.33	0.10	512.67	See other instructions for details
Other current liabilities	294,431,940.09	0.26	840,444,121.90	0.82	-64.97	See other instructions for details
Long-term borrowings	951,113,407.87	0.83	1,565,091,967.96	1.52	-39.23	See other instructions for details
Lease liabilities	184,843,215.08	0.16	126,932,623.70	0.12	45.62	See other instructions for details

## Other instructions

- (1) Reasons for change in cash and cash equivalents: the cash and cash equivalents for the year decreased by 19.67% as compared with the beginning of the year, mainly due to the increase in the purchase of interbank deposit certificates by DEC Finance, and the decrease in cash and cash equivalents during the year.
- (2) Reasons for change in funds for lending: the funds for lending for the year decreased by 98.71% as compared with the beginning of the year, mainly due to the recovery of funds for lending during the period.
- (3) Reasons for change in held-for-trading financial assets: the held-for-trading financial assets for the year decreased by 29.64% as compared with the beginning of the year, mainly due to the redemption of funds during the year.
- (4) Reasons for change in accounts receivable: the accounts receivable for the year decreased by 57.93% as compared with the beginning of the year, mainly due to the recovery of accounts receivable upon maturity during the year.
- (5) Reasons for change in prepayments: the prepayments for the year increased by 50.86% as compared with the beginning of the year, mainly due to the increase in purchases made by the Company during the year.
- (6) Reasons for change in financial assets purchased under resale agreements: the financial assets purchased under resale agreements for the year decreased by 50.84% as compared with the beginning of the year, mainly due to the recovery of financial assets purchased under resale agreements upon maturity during the year.
- (7) Reasons for change in contract assets: the contract assets for the year increased by 33.90% as compared with the beginning of the year, mainly due to the expansion of sales scale and consequent growth in contract assets.

- (8) Reasons for change in non-current assets due within one year: the non-current assets due within one year for the year increased by 1,523.04% as compared with the beginning of the year, mainly due to the reclassification of long-term receivables during the year.
- (9) Reasons for change in loans and advances: the loans and advances for the year increased by 40.35% as compared with the beginning of the year, mainly due to the increase in loans provided by the DEC Finance of the Company.
- (10) Reasons for change in debt investment: the debt investment for the year increased by 100.47% as compared with the beginning of the year, mainly due to the increase in interbank certificates of deposit of DEC Finance of the Company.
- (11) Reasons for change in long-term receivables: the long-term receivables for the year decreased by 68.30% as compared with the beginning of the year, mainly due to the reclassification of non-current assets due within one year during the year.
- (12) Reasons for change in other investments in equity instruments: the other investments in equity instruments for the year increased by 1,130.06% as compared with the beginning of the year, mainly due to new investment of RMB540 million in China Southern Power Grid Energy Storage Co., Ltd.
- (13) Reasons for change in short-term borrowings: the short-term borrowings for the year increased by 146.80% as compared with the beginning of the year, mainly due to the new borrowings of subsidiaries for business needs.
- (14) Reasons for change in taxes payable: the taxes payable for the year decreased by 24.94% as compared with the beginning of the year, mainly due to the increase in payment of VAT and corporate income tax during the year.

- (15) Reasons for change in notes payable: the notes payable for the year increased by 60.30% as compared with the beginning of the year, mainly due to the increase in purchases made by the Company during the year.
- (16) Reasons for change in non-current liabilities due within one year: the non-current liabilities due within one year for the year increased by 512.67% as compared with the beginning of the year, mainly due to the increase in reclassification of long-term borrowings due within one year.
- (17) Reasons for change in other current liabilities: the other current liabilities for the year decreased by 64.97% as compared with the beginning of the year, mainly due to the decrease in the endorsed but undue bills receivable that were not derecognized at the end of the year.
- (18) Reasons for change in long-term borrowings: the long-term borrowings for the year decreased by 39.23% as compared with the beginning of the year, mainly due to the reclassification of non-current liabilities due within one year.
- (19) Reasons for change in lease liabilities: the lease liabilities for the year increased by 45.62% as compared with the beginning of the year, mainly due to the newly signed lease contracts during the year.

### III. Position and Operating Results of the Company During the Reporting Period

#### (I) Analysis of operating results

Unit: Yuan Currency: RMB

Item	2022	2021	Year-on-year increase/decrease (%)
Total operating income	<b>55,353,140,128.96</b>	47,819,166,940.47	15.76
Sales expenses	<b>1,483,431,162.60</b>	1,457,513,664.15	1.78
Administrative expenses	<b>3,116,971,392.44</b>	2,789,577,618.34	11.74
R&D expenditure	<b>2,274,631,356.87</b>	2,109,687,440.50	7.82
Financial expenses	<b>-97,807,391.45</b>	40,178,417.47	-343.43
Operating profit	<b>3,320,871,279.29</b>	2,658,242,870.02	24.93
Total profit	<b>3,324,973,169.11</b>	2,667,047,594.90	24.67
Income tax expenses	<b>314,616,641.19</b>	237,824,064.64	32.29
Net profit	<b>3,010,356,527.92</b>	2,429,223,530.26	23.92
Net profit attributable to shareholders of the parent company	<b><u>2,854,650,575.05</u></b>	<u>2,289,036,817.45</u>	<u>24.71</u>

Total operating revenue of the Company for the year increased by 15.76% as compared with last year, mainly due to the increase in revenue from the high-efficiency clean energy and the emerging growth business segments.

Selling expenses increased by 1.78% as compared with the previous year, largely in line with last year.

Administrative expenses increased by 11.74% compared with the previous year, mainly due to the year-on-year increase in employee remuneration, repair expenses for the year.

R&D expenditure increased by 7.82% compared with the previous year, mainly due to the increased investment in R&D during the year.



Financial expenses decreased by 343.43% as compared with the previous year, mainly due to the year-on-year increase in net exchange gains for the year.

Income tax expenses increased by 32.29% as compared with last year, mainly due to the increase in deferred income tax expenses recognised during the year.

Net profit attributable to shareholders of the listed company during the year increased year-on-year by 24.71%, mainly due to firstly, the increase in the sales scale of the Company during the year.

## ANALYSIS OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

At the end of the year, the Company's total assets amounted to RMB115,265 million, representing an increase of 11.79% as compared with the beginning of the year, among which, an increase of 100.47% and 26.36% were recorded in debt investment and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB76,640 million, representing an increase of 13.17% as compared with the beginning of the year, attributable to an increase of 24.29% in accounts payable and an increase of 5.88% in contract liabilities. Shareholders' equity amounted to RMB38,625 million in total, representing an increase of 9.16% 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 (%)	<u>66.49</u>	<u>65.68</u>	<u>0.81</u>

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

Gearing ratio of the Company was 66.49% at the end of the year, representing an increase of 0.81 percentage points as compared with the beginning of the year. The Company's assets structure risk is controllable.

## **BANK BORROWINGS**

As at 31 December 2022, the Company had borrowings from financial institutions (banks) of RMB613 million due within one year and had bank borrowings of RMB951 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB1,196 million were fixed-rate bank 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 2022, the Company had pledged borrowings of RMB368 million (2021: RMB356 million), which were related to borrowings from financial institutions secured by concession. As at 31 December 2022, net concession value amounted to RMB506 million (2021: RMB488 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 20th National Congress of the Communist Party of China, we shall actively and steadily promote carbon dioxide peaking and carbon neutrality, based on the energy resource conditions of China, insist on construction before destruction, and implement carbon dioxide peaking actions in a scheduled and step-by-step manner; we shall promote the clean, low-carbon and efficient use of energy to further advance the energy revolution, accelerate the planning and construction of a new energy system, and ensure energy security. In this context, China will work together to promote low-carbon energy transformation and supply security. New energy such as wind power and solar power will maintain rapid development, hydropower base construction will be actively promoted, nuclear power will be actively developed in a safe and orderly manner, the layout of pumped storage will be accelerated, the large-scale application of new energy storage will be accelerated, and coal power will be further developed as a supportive and regulating power source.

According to the National Energy Working Conference, we will adhere to the general principle of seeking progress with stability for the energy work in 2023 by fully implementing the new energy security strategy and further promoting the energy revolution to make efforts to ensure energy safety and to firmly promote the green development. We will make efforts to enhance the guarantee capacity of energy production and supply, give full play to the role of coal of ensuring the satisfaction of basic needs, and strengthen the foundation of electricity supply guarantee. The Company will strengthen the construction of wind power and solar power, coordinate the development of hydropower and ecological protection, actively develop nuclear power in a safe and orderly manner, and strengthen the construction of energy projects for people's livelihood through adjusting and optimizing the energy structure; and deepen reform in key areas, strengthen energy supervision, and enhance international energy cooperation through accelerating scientific and technological self-reliance and self-improvement.

According to the forecast of the China Electricity Council, in 2023, it is expected that the annual electricity consumption of the whole society will increase by around 6%, with the overall supply and demand of electricity in the country being tightly balanced, and the power demand and supply in the PRC will achieve an overall balance, where power demand and supply may run tight in certain regions during the peak period. Driven by the rapid development of new energy generation, it is expected that the total installed capacity of new power generation and the installed scale of non-fossil energy generating power will reach a new high in 2023. It is expected that the installed capacity of new power generation in the PRC will reach 250 million kilowatts in 2023, representing a further increase of 50 million kilowatts over 2022, including 180 million kilowatts of new non-fossil power generation capacity, representing a further increase of 20 million kilowatts over 2022. The installed power generation capacity in the PRC is expected to be around 2.81 billion kilowatts by the end of 2023, representing an increase of approximately 9.8% year on year, with a total of 1.48 billion kilowatts of non-fossil energy, accounting for an increase of approximately 52.5% of the total installed capacity, including 420 million kilowatts of hydropower, 430 million kilowatts of grid-connected wind power, 490 million kilowatts of grid-connected solar power, 58.46 million kilowatts of nuclear power and 45 million kilowatts of biomass power. The installed capacity of solar power and wind power will exceed that of hydropower for the first time in 2023.

From the perspective of industry development, the newly installed capacity of renewable energy has become the main source of China's new electricity installations, and the scale of installations is steadily expanding. Wind power and solar power are still in a period of rapid development, with the scale of installations having exceeded 100 million kilowatts for three consecutive years, the development trend will continue in the future, and the wind power and solar power industries will generate more market space. As new energy is connected to the power system on a large scale, the safety and system regulation

attributes of traditional energy in the power system are becoming more and more prominent, and the safe development of economic and social development and the construction of moderately advanced infrastructure are giving rise to new development opportunities for traditional energy. The demand for coal power is expected to increase, and the in-depth implementation of the “three conversions” will further promote the development of coal power; the speeding up of nuclear power approval in 2022 will effectively drive the industrial market; the demand for pumped storage continues to release, and the construction is obviously accelerating, with greater development potential; gas power is also expected to maintain greater demand. At the same time, new energy storage and hydrogen energy will continue to be promoted, energy saving and environmental protection will continue to deepen in the industrial sector, and equipment for the chemical industry will still have a wider market demand.

## **(II) Development Strategy of the Company**

The year 2023 is the opening year for the full implementation of the spirit of the 20th National Congress of the Communist Party of China. The Company will adhere to the general keynote of seeking progress in a stable manner, make comprehensive efforts in production and operation, reform and development, emphasize innovation, improve quality and efficiency, and promote transformation, and earnestly capitalize on the implementation of key tasks including technological innovation, market exploitation, efficiency and quality improvement, a new round of comprehensive deepening reform, development of emerging industries, talent building, risk prevention and control, and continue to promote green, low-carbon and digital transformation, fully achieve our production and operation targets for 2023, and vigorously promote the high-quality development of the Company.

## **(III) Business Plan**

In 2023, the Company will adhere to the principle of stability and seek progress in the midst of stability, and make every effort to achieve new progress in various areas of work, so as to maintain steady growth in operating revenue and a continuous increase in total profit, and expect to complete the production of power generation equipment of 47.72 million kilowatts, focusing on the following tasks.

## **1. *Focusing on special actions to improve quality and increase efficiency***

With the objective of continuously improving the return on net assets and operating cash ratio, the Company will improve the business strategies and continuously enhance the efficiency of input and output and the “gold content” of the business. We have to make every effort to reduce costs and ensure that the cost rate of the same calibre is further reduced in 2023. We will also continue to strengthen cost control and promote cost management across the value chain, target cost management and internal market-based management methods through “formulating policies based on actual circumstances of the enterprise”, so as to achieve “comprehensive control and continuous optimization” of costs.

## **2. *Focusing on technological assertive projects***

Focusing on the comprehensive technology level of the leading products to catch up with the world-class, the Company will deploy a number of major science and technology projects, position to take the lead in the industry and promote breakthroughs in fields such as floating offshore wind power, variable speed pumped storage, series of autonomous combustion engines, nuclear power high temperature reactors, as well as advanced hydrogen energy and energy storage. We will strengthen the foresight of technological innovation and actively carry out cutting-edge technology research by focusing on the development strategy of the Company and facing the global trend of energy equipment technology development. We will strengthen the construction of innovation platforms, enhance the construction of Dongfang Electric (Fujian) Innovation Research Institute (東方電氣（福建）創新研究院), and continue to improve the technological innovation capability of the Company. We will improve the system mechanism of scientific and technological innovation, continue to promote the collaboration of innovative subjects, the transformation of original achievements and the optimization of innovative ecology, so as to inject fresh vitality and strong momentum into scientific and technological innovation.

### ***3. Focusing on the new round of comprehensive deepening reform***

We are committed to implementing a new round of state-owned enterprise reform special actions, focus on building world-class enterprises, continue to improve the modern corporate governance system with Chinese characteristics, deepen the construction of a market-oriented business mechanism, solve the underlying problems of high-quality development, and strive to become a model enterprise in central enterprise governance. We will optimize the organization structure around development, improve the regional organization operation and management mechanism construction, and provide strong organizational guarantee for the high-quality development of the industry. We will carry out in-depth management effectiveness improvement, fill in shortcomings and strengthen weaknesses, and continue to seek benefits from management. We will make greater efforts to carry out the disposal of the inefficient and inefficacious assets and the governance of loss-making enterprises, co-ordinate the formulation and steady implementation of disposal plans, and continue to promote the layout optimization and structural adjustment of the Company's state-owned economy.

### ***4. Striving to enhance contract compliance***

Strengthening contract compliance control over major projects to ensure projects are completed on schedule. The Company will continue to enhance the contract performance and delivery capabilities, actively and steadily upgrade the core production capacity, and formulate scientific and effective capacity enhancement plans. We will make use of product quality improvement to deepen the quality improvement of contract performance, take the reduction of external quality loss as a key driver to push forward the systematic attack on external quality loss, promote the overall improvement of contract performance through lean management, continuously improve the lean management system, and consolidate the foundation of on-site lean management by means of “module-based project improvement” to promote significant improvements in the quality, cost, delivery and other indicators of a number of core products or key production units.

## **5. *Striving to achieve new breakthroughs in market development***

The Company will grasp the market opportunities in energy security and supply, further improve the institutional mechanism for marketing that is coordinated and efficient, strengthen the marketing system with integrated planning and graded responsibility between the headquarters and the subsidiaries, improve the regional account manager system and strengthen the construction of regional organizations. We will strengthen the market development efforts, enhance business model innovation and expand application scenarios to lay a good foundation for the Company's transformation and development. We will insist on promoting international operations, increase international development efforts, actively explore new international markets, improve international distribution and further strengthen the overseas marketing capabilities.

## **6. *Focusing on the development of emerging industries***

The Company should further optimize the environment for the development of the industry, improve the institutional mechanism for development, optimize the allocation of talents, capital and other development resources according to development needs, and create new momentum for the development of emerging industries. We should make every effort to develop the integrated energy services industry, build up the capacity of integrated energy system design and engineering services, coordinate the domestic and international markets, accelerate the preparation of a batch of demonstration plans, breakthroughs in a batch of demonstration scenes and promote a batch of project experiences. We will accelerate the development of the power electronics industry, focus on improving the technical capabilities, accelerate the cultivation of the industry, and continue to promote the development of core technologies and knock-out products and the construction of important testing facilities.

## **7. *Striving to enhance the competitiveness of talents***

The Company will launch the "Nest Building Project" and plan a platform for attracting high-level talents to the Company, and launch the "Talent Attracting Project" to attract high-level talents and intellectual resources from home and abroad through various channels and means. The "Empowerment Project" will be launched to improve the cultivation of talents and to build up a team of management talents with good management skills, technical talents with leading innovation and skilled talents with excellent technical skills. The "Double Excellence Project" will be launched to ensure that the labour productivity of all employees will continue to rise.

## **8. *Striving to establish a firm bottom line for risk prevention and control***

The Company will establish and improve a sound mechanism for controlling major operational risks, carry out closed-loop management of risk identification, assessment, early warning and response, organize key risk identification and assessment on a regular basis, strengthen dynamic management and monitoring of irregularities, and take timely response measures to effectively prevent and resolve major operational risks. We should insist on operating in compliance with the law, improve the compliance management system, strengthen the ability to operate in compliance with the law in our overseas businesses, improve the compliance risk identification, assessment and early warning mechanism, and strengthen the prevention and control of compliance risks in main fields. We will further strengthen audit supervision, solidly carry out major special audits, fully reveal problems and risks, and promote management improvement; further strengthen audit supervision “in the course of events”, actively build an audit online supervision platform, identify and avoid risks in a timely manner, and effectively reduce the occurrence of problems at source; further strengthen the rectification of audit problems, establish and improve the audit rectification system and mechanism, standardize and improve system requirements, and comprehensively raise the awareness of audit rectification, standardise audit rectification procedures and consolidate the results of audit supervision.

## **9. *Striving to improve the governance of listed companies***

In accordance with the work requirements for improving the quality of listed companies, the Company will improve the modern enterprise system with Chinese characteristics, improve the governance mechanism of state-controlled listed companies, solidly promote the construction and standardized operation of Board, and promote the coordinated operation of various governance bodies. We will carry out information disclosure work in compliance with the law and regulations, further improve the information disclosure mechanism, optimize the content of disclosure and enhance the quality of information disclosure in accordance with the needs of investors. We will establish and improve a multi-channel and multi-level investor communication mechanism, enhance investor communication through regular performance briefings, investor visits and telephone and network interactions, respond to investor requests in a timely manner and strengthen the daily maintenance of important investors. Further improving the environmental, social and governance (ESG) mechanism, compiling and publishing ESG reports in accordance with the regulations, and promoting continuous improvement in the professional governance capabilities of the Company.



#### **(IV) Possible Risks**

1. Risk of international operation. The world is currently undergoing turbulence and change, the geopolitical situation remains complex and volatile, the conflict between Russia and Ukraine continues, the game between major powers and regional conflicts have brought greater uncertainty to the global economic operation, and major economies have fallen into a low economic growth rate, which has led to a number of challenges to the Company's international operation and the international influence of the brand needs to be enhanced due to various factors. To address this risk, the Company will continue to strengthen the co-ordination of international markets, strengthen the overseas marketing capabilities and market development management, make every effort to secure quality projects and collaboratively promote the "Six Electricity and Six Industries" products and services to "go global", as well as conduct risk assessment and risk prevention and control on a regular basis and monitor the implementation of risk control measures dynamically.
2. Accounts receivable risk. Due to the macroeconomic impact, domestic consumption and investment are gradually recovering, coupled with the increase in raw materials, logistics and labour costs, some projects have been suspended or deferred and there are certain difficulties in recovering the remaining amounts. For suspended and deferred projects, the Company will maintain timely communication with customers to understand the actual capital and financing situation of the projects, adopt multi-dimensional cooperation measures to tide over the difficulties and actively strive for the commencement of the projects; for cancelled projects, we will adopt various ways to clear the backlog of inventory and, if necessary, take legal measures to protect legal rights.
3. Price risk. The current price competition in the market for some products is intensifying, which will affect the profitability of enterprises, especially when the revenue of projects in traditional industries decreases. To address this risk, the Company will establish and improve the tender cost measurement mechanism, continue to strengthen the cost process control, and promote cost management across the value chain, target cost management and internal market-based management methods through "formulating policies based on actual circumstances of the enterprise", so as to achieve "comprehensive control and continuous optimization" of costs.

## OTHERS

### 1. Capital Structure

For the year ended 31 December 2022, total share capital of the Company amounted to RMB3,118,807,797, comprising 2,778,807,797 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:

Class of shares	2022		2021	
	Number of shares	% of total number of share capital issued	Number of shares	% of total number of share capital issued
A share	2,778,807,797	89.10%	2,779,151,130	89.10%
H share	340,000,000	10.90%	340,000,000	10.90%
Total	<u>3,118,807,797</u>	<u>100%</u>	<u>3,119,151,130</u>	<u>100%</u>

### 2. Major Acquisition and Disposal of Subsidiaries and Associates

On 28 December 2022, the Board approved and agreed that Dongfang Electric Corporation (“DEC”) shall convert RMB232.9827 million out of the state funds of RMB610 million in aggregate which it is proposed to contribute to DEC Dongfang Boiler Group Co., Ltd. (“Dongfang Boiler”), DEC Dongfang Steam Turbine Co., Ltd. (“Dongfang Steam Turbine”) and DEC Academy of Science and Technology Co., Ltd. (“DEC Academy”) to be additional registered capital of the Target Companies, and the remaining shall be recognized in the capital reserve of Dongfang Boiler, Dongfang Steam Turbine and DEC Academy contributed by DEC (subject to financial treatment). Upon completion of the Capital Increase through Conversion of State Funds, the controlling interests held by the Company in Dongfang Boiler, Dongfang Steam Turbine and DEC Academy will be diluted, the Company shall still maintain its actual control over Dongfang Boiler, Dongfang Steam Turbine and DEC Academy. Dongfang Boiler, Dongfang Steam Turbine and DEC Academy will remain as subsidiaries of the Company and will be accounted for as subsidiaries in the financial statements of the Group. For details, please refer to the relevant announcement of the Company dated 28 December 2022.

As at the date of this announcement, the Company has not entered into the capital increase agreement with DEC in respect of the Proposed Capital Increase through Conversion of State Funds. The Company will make an announcement as required under the Listing Rules in due course.

Save as disclosed above, there were no major acquisition and disposal of subsidiaries and associates during the Reporting Period.

### **3. Purchase, Sales or Redemption of Listed Securities of the Company**

During the Reporting Period, the Company repurchased and cancelled part of the Restricted A shares granted under the 2019 Restricted A Share Incentive Scheme (the “**Incentive Scheme**”).

- i. As three Participants under the First Grant have resigned due to personal reasons and are no longer qualified as Participants; one Participant has breached relevant regulations and is no longer qualified as a Participant; one Participant failed to satisfy the conditions for the first unlocking period under the First Grant of the Incentive Scheme due to the failure to achieve the target of the individual performance appraisal, on 10 March 2022, the Company completed the repurchase and cancellation of a total of 150,000 Restricted A shares that have been granted to the aforesaid five Participants yet still locked up. For details, please refer to the relevant announcements of the Company dated 8 December 2021 and 7 March 2022.
- ii. As three of the Participants under the First Grant have retired and are no longer qualified as Participants, and a Participant has resigned due to personal reasons and is no longer qualified as a Participant, on 14 July 2022, the Company completed the repurchase and cancellation of all the Restricted Shares totalling 193,333 A shares that have been granted to the aforesaid four Participants yet still locked up. For details, please refer to the relevant announcements of the Company dated 29 April 2022 and 11 July 2022.

Save for the aforementioned matters, none of the Company or its subsidiaries purchased, sold or repurchased any listed securities of the Company during the Reporting Period.

#### **4. Guarantee and Performance thereof**

During the Reporting Period, the Company provided 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 shall not exceed and shall be limited to the scope of obligations and liabilities to be assumed by the vendor pursuant to the contract. The Guaranteed Entity provided an equivalent guarantee to the Company.

As of At the end of the Reporting Period, the aggregate guarantee of the Company amounted to RMB92.5 million, representing 0.24% of the net assets of the Company.

#### **5. Material Litigation and Arbitration**

During the year ended 31 December 2022 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 and Training Policy

As at 31 December 2022, the Company employed 17,463 staff (2021: 16,969).

During the Reporting Period, the Company continued to intensify the reform of wage determination mechanism. Based on the different enterprise categories, it continuously improved the mechanism on linkage of total payroll with enterprise benefits and labor cost efficiency, and the adjustment mechanism on linkage of average wage with working efficiency. The Company implemented the decision-making on the total salary of employees of the enterprise and the board of directors of the enterprise, promoted the management of the salary filing system of mixed-ownership reform enterprises and science reform demonstration enterprises, thus to steadily increase the income level of employees with the efficiency of the enterprise. By continuously deepening the reform of the cadre system, the Company achieved a full coverage of the tenure system and contractual management of the management of sub-enterprises at all levels and the annual personalized performance appraisal of the members of sub-managers at all levels, further increased the authorization and delegation of power to the affiliated enterprises, and implemented the performance appraisal and remuneration distribution rights of the management of the board of directors of the enterprise, for which such results of the performance appraisal and remuneration distribution of the members of managers are determined by the board of directors. The Company continued to promote the performance management of all employees, constantly improved the evaluation mechanism of differentiated distribution of enterprise employees' remuneration, tailored the quantitative standard of differentiated distribution of remuneration for different enterprises, and tilted remuneration distribution to key core talents.

During the Reporting Period, the Company was guided by development strategy and focused on the need of enterprise reform and development, talents construction and employee growth to fully improve employees' professional ability and work performance. By continuously improving its training system and training mechanism, the Company earnestly implemented the requirement based on Opinions on Further Strengthening Staff Education and Training (《進一步加強員工教育培訓工作的意見》) and strengthened the management of training programs, thus formed hierarchical, progressive ladder training arrangement for management, professional skill, and skilled personnel teams in the whole Group. Each enterprise of the Company closely focused on talent training needs and orientation by highlighting problem to improve the overall quality of the employees by constantly enriching training forms, vigorously building the training base and making high-quality training programs.

## **7. Events Subsequent to the Reporting Period**

On 28 December 2022, the Board and the Supervisory Committee of the Company have considered and approved the Resolution on the Repurchase and Cancellation of Certain Restricted Shares. Pursuant to the Incentive Scheme and the requirements of relevant laws and regulations, three Participants under the First Grant are no longer qualified as Participants due to the enterprise restructuring and termination of labor contract with the enterprise, three Participants are no longer qualified as the Participants due to the organizational arrangement of being transferred from the Company, three Participants are no longer qualified as Participants due to the violation of relevant laws and regulations, and four Participants do not meet the conditions for the second unlocking period under the First Grant of the Incentive Scheme due to the failure to achieve the target of the individual performance appraisal. The Board has considered and decided to repurchase and cancel all the Restricted Shares totalling 274,000 Restricted A Shares that have been granted to the aforesaid 13 Participants yet still locked up. The repurchase price is RMB5.315 per share.

The repurchase and cancellation of all the restricted shares that had been granted to the aforesaid 13 participants and yet still locked, totalling 274,000 A shares, was approved at the 2023 first extraordinary general meeting, the 2023 first A shares class meeting and the 2023 first H shares class meeting of the Company held on 24 February 2023 and such shares were cancelled on 13 March 2023.

## **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 2022, 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. Liu Dengqing, Mr. Huang Feng and Mr. Ma Yongqiang. 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 2022, 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**  
*Chairman*

Chengdu, Sichuan Province, PRC  
31 March 2023

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

*Directors:* *Yu Peigen, Song Zhiyuan, Liu Zhiquan and  
Zhang Jilie, Zhang Yanjun*

*Independent Non-executive  
Directors:* *Liu Dengqing, Huang Feng and Ma Yongqiang*