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## 東方電氣股份有限公司

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

(Stock Code: 1072)

### **PRELIMINARY ANNOUNCEMENT OF 2013 INTERIM RESULTS**

#### **RESULTS HIGHLIGHTS**

Total revenue from operations in the first half of 2013 amounted to RMB20,500 million, representing an increase of 2.28% compared with the same period last year;

Net profit attributable to shareholders of the Group in the first half of 2013 amounted to RMB1,190 million, representing a decrease of 4.65% compared with the same period last year;

Earnings per share in the first half of 2013 amounted to RMB0.59, as compared with RMB0.62 for the same period last year; and

New orders in the first half of 2013 amounted to RMB20.2 billion.

The board (the “Board”) of directors (the “Directors”) of Dongfang Electric Corporation Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 (the “Period”) prepared in accordance with the China Accounting Standards for Business Enterprises. The interim financial results have been reviewed by the audit and review committee of the Company.

## I. FINANCE INFORMATION

### Consolidated Balance Sheet

30 June 2013

*Unit: RMB*

Item	Notes	Closing Balance	Opening Balance
<b>Current assets:</b>			
Monetary fund		<b>9,958,637,548.02</b>	8,960,708,524.63
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		<b>26,891,159.35</b>	30,311,323.96
Bills receivable		<b>2,607,164,297.49</b>	2,568,756,924.94
Trade receivables	2	<b>15,136,371,229.11</b>	14,991,233,562.34
Prepayments		<b>5,372,617,550.95</b>	5,784,631,010.52
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable		<b>71,863,982.72</b>	61,740,939.07
Dividends receivable		<b>136,612.20</b>	136,612.20
Other receivables		<b>443,540,904.68</b>	325,693,411.09
Purchases of resold financial assets			
Inventories		<b>29,826,862,557.09</b>	31,901,091,912.16
Non-current assets due within one year			
Other current assets			
Total current assets		<b>63,444,085,841.61</b>	64,624,304,220.91

<b>Item</b>	<i>Notes</i>	<b>Closing Balance</b>	Opening Balance
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets		<b>315,454,892.00</b>	413,013,757.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		<b>656,083,683.75</b>	590,419,356.09
Investment properties		<b>26,659,038.79</b>	27,479,503.13
Fixed assets		<b>9,552,098,456.56</b>	9,873,036,157.62
Construction in progress		<b>760,079,358.18</b>	723,924,491.91
Construction materials		<b>113,464.96</b>	113,464.96
Disposal of fixed assets		<b>172,251.82</b>	
Productive biological assets			
Oil and gas assets			
Intangible assets		<b>1,019,892,759.26</b>	997,185,846.76
Development expenses			
Goodwill			
Long-term			
deferred expenditures		<b>562,000.12</b>	615,000.10
Deferred income tax assets		<b>1,095,927,821.36</b>	1,076,964,799.34
Other non-current assets			
Total non-current assets		<b>13,427,043,726.80</b>	13,702,752,376.91
Total assets		<b>76,871,129,568.41</b>	78,327,056,597.82

<b>Item</b>	<i>Notes</i>	<b>Closing Balance</b>	<b>Opening Balance</b>
<b>Current liabilities:</b>			
Short-term borrowings		<b>2,578,311,287.44</b>	2,118,520,012.90
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities		<b>626,413.92</b>	25,830,967.05
Bills payable		<b>3,975,779,044.55</b>	4,107,094,766.78
Trade payables	3	<b>13,916,314,319.74</b>	13,385,150,089.62
Receipts in advance		<b>34,398,575,450.54</b>	37,594,148,516.54
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		<b>418,541,826.18</b>	398,694,229.45
Taxes payable		<b>-87,892,043.25</b>	251,202,094.65
Interests payable			
Dividends payable		<b>225,743,332.02</b>	2,008,723.98
Other payables		<b>2,220,074,147.29</b>	2,027,341,175.03
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year		<b>74,320,000.00</b>	54,320,000.00
Other current liabilities		<b>54,511,257.40</b>	80,844,288.14
<b>Total current liabilities</b>		<b>57,774,905,035.83</b>	60,045,154,864.14

<b>Item</b>	<i>Notes</i>	<b>Closing Balance</b>	<b>Opening Balance</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>75,627,585.21</b>	125,827,585.21
Debentures payable			
Long-term payables		<b>685,252.84</b>	685,252.84
Special payables			
Estimated liabilities		<b>1,037,540,669.62</b>	1,064,299,498.92
Deferred income tax liabilities		<b>3,354,450.17</b>	3,932,355.83
Other non-current liabilities		<b>540,045,077.43</b>	539,641,886.45
Total non-current liabilities		<b>1,657,253,035.27</b>	1,734,386,579.25
Total liabilities		<b>59,432,158,071.10</b>	61,779,541,443.39
<b>Shareholders' equity</b>			
Share capital		<b>2,003,860,000.00</b>	2,003,860,000.00
Capital reserve		<b>4,991,171,541.00</b>	5,074,096,576.25
Less: Treasury shares			
Special reserve		<b>20,570,308.99</b>	8,196,251.24
Surplus reserve		<b>453,492,120.76</b>	453,492,120.76
General risk provision			
Undistributed profit	4	<b>9,124,014,090.59</b>	8,158,283,796.26
Difference arising from translation of foreign currency financial statements		<b>-30,865,856.81</b>	-19,823,326.89
Total equity attributable to shareholders of the Company		<b>16,562,242,204.53</b>	15,678,105,417.62
Minority interests		<b>876,729,292.78</b>	869,409,736.81
Total shareholders' equity		<b>17,438,971,497.31</b>	16,547,515,154.43
Total liabilities and shareholders' equity		<b>76,871,129,568.41</b>	78,327,056,597.82

# **Consolidated Income Statement**

January-June 2013

<b>Item</b>	<i>Notes</i>	<b>Amount for the Period</b>	Amount for the same period last year
Finance costs		<b>-45,060,691.01</b>	-11,274,152.26
Impairments loss of assets		<b>356,335,343.11</b>	412,005,053.17
Add: Gains from change in fair value (loss is represented by “-”)		<b>21,784,388.52</b>	-56,654,572.93
Gain from investment (loss is represented by “-”)	6	<b>67,325,202.92</b>	76,183,748.44
Including: Gains from investment in associates and joint ventures		<b>65,446,195.92</b>	73,421,782.14
Exchange gain (loss is represented by “-”)			
III. Operating profit (loss is represented by “-”)		<b>1,387,417,561.17</b>	1,428,078,596.18
Add: Non-operating income		<b>72,347,038.76</b>	60,362,166.98
Less: Non-operating expense		<b>23,984,916.20</b>	13,250,160.48
Including: Loss from disposal of non-current assets		<b>1,326,673.02</b>	580,334.84
IV. Total profit (total loss is represented by “-”)		<b>1,435,779,683.73</b>	1,475,190,602.68
Less: Income tax expense	7	<b>223,705,752.38</b>	212,340,334.56

<b>Item</b>	<i>Notes</i>	<b>Amount for the Period</b>	Amount for the same period last year
V. Net profit (net loss is represented by “-”)		<b>1,212,073,931.35</b>	1,262,850,268.12
Net profit attributable to the shareholders of the Company		<b>1,186,154,894.33</b>	1,243,959,495.33
Minority interests		<b>25,919,037.02</b>	18,890,772.79
VI. Earnings per share:	8		
(I) Basic earnings per share		<b>0.59</b>	0.62
(II) Diluted earnings per share		<b>0.59</b>	0.62
VII. Other comprehensive income		<b>-93,967,565.17</b>	11,268,799.09
VIII. Total comprehensive income		<b>1,118,106,366.18</b>	1,274,119,067.21
Total comprehensive income attributable to the shareholders of the Company		<b>1,092,187,329.16</b>	1,255,228,294.42
Total comprehensive income attributable to minority interests		<b>25,919,037.02</b>	18,890,772.79



## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

## 2. TRADE RECEIVABLES

*Unit: RMB*

Age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within one year	7,604,422,860.24	39.07	386,396,244.43	7,618,045,381.07	40.04	381,288,841.79
One to two years	4,281,047,877.01	21.99	455,430,532.69	4,505,152,097.68	23.68	477,839,209.79
Two to three years	3,152,883,297.92	16.20	650,223,099.98	2,919,602,050.73	15.35	685,484,398.76
Three to four years	1,878,546,930.53	9.65	782,276,383.78	1,695,732,055.22	8.91	705,101,284.21
Four to five years	1,058,025,798.47	5.44	564,229,274.18	1,165,236,874.41	6.12	662,821,162.22
Above five years	1,489,470,794.64	7.65	1,489,470,794.64	1,122,063,449.27	5.90	1,122,063,449.27
Total	<u>19,464,397,558.81</u>	<u>100</u>	<u>4,328,026,329.70</u>	<u>19,025,831,908.38</u>	<u>100</u>	<u>4,034,598,346.04</u>

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

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

### 3. TRADE PAYABLES

*Unit: RMB*

<b>Age</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Within one year	<b>10,469,246,548.61</b>	9,578,267,258.07
One to two years	<b>1,313,802,696.52</b>	1,876,094,829.84
Two to three years	<b>976,601,246.70</b>	1,044,970,982.43
Above three years	<b>1,156,663,827.91</b>	885,817,019.28
Total	<b><u>13,916,314,319.74</u></b>	<b><u>13,385,150,089.62</u></b>

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

#### 4. UNDISTRIBUTED PROFIT

*Unit: RMB*

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
At 31 December 2012	<b>8,158,283,796.26</b>	6,421,629,656.29
Add: Adjustment on undistributed profit at 1 January 2013 Including: change in scope of consolidation under common control		
At 1 January 2013	<b>8,158,283,796.26</b>	6,421,629,656.29
Add: Net profit attributable to shareholders of the Company for the year	<b>1,186,154,894.33</b>	2,191,129,345.43
Less: Transfers to statutory surplus reserves		133,857,605.46
Dividends payable on ordinary shares	<b>220,424,600.00</b>	320,617,600.00
Others		
At 30 June 2013	<b><u>9,124,014,090.59</u></b>	<b><u>8,158,283,796.26</u></b>

The distribution of dividends on ordinary share to shareholders of the Company was made according to the plan for distribution of profits after tax approved at the 2012 annual general meeting held on 24 May 2013, namely, a cash dividend of RMB0.11 (tax inclusive) per share to each shareholder, totaling RMB220,424,600 (tax inclusive), as calculated based on the Company's total issued share capital of 2,003,860,000 as at 31 December 2012.

#### 5. REVENUE FROM OPERATIONS AND COST OF OPERATIONS

*Unit: RMB*

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period last year</b>
Revenue from principal operations	<b>20,330,627,515.53</b>	19,873,410,965.65
Revenue from other operations	<b>136,479,225.36</b>	138,077,317.27
Cost of operations	<b><u>16,713,119,226.23</u></b>	<b><u>16,095,892,049.32</u></b>

## *Principal Operations by Product*

*Unit: RMB*

Industry Name	Amount for the Period		Amount for the same period last year	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Revenue from operations	<b>10,754,580,223.18</b>	<b>8,806,871,264.85</b>	11,420,900,841.60	9,079,275,934.74
Including: thermal power	<b>9,138,136,916.29</b>	<b>7,316,102,704.91</b>	9,389,531,691.46	7,289,955,474.11
Gas turbine	<b>554,901,696.58</b>	<b>484,075,958.70</b>	721,863,515.04	605,549,563.79
Conventional island				
of nuclear power	<b>1,061,541,610.31</b>	<b>1,006,692,601.24</b>	1,309,505,635.10	1,183,770,896.84
New energy	<b>4,708,292,450.16</b>	<b>3,923,574,989.46</b>	4,112,010,888.06	3,361,865,401.27
Including: wind power	<b>4,175,969,157.96</b>	<b>3,547,155,570.28</b>	3,381,023,361.91	2,842,407,405.09
Nuclear power island	<b>532,323,292.20</b>	<b>376,419,419.18</b>	730,987,526.15	519,457,996.18
Water energy and				
environmental equipments	<b>2,102,242,667.93</b>	<b>1,682,658,907.92</b>	1,833,939,344.51	1,455,323,889.90
Including: water energy	<b>1,478,562,018.68</b>	<b>1,166,009,960.12</b>	1,583,956,211.06	1,237,899,849.87
Environmental protection	<b>623,680,649.25</b>	<b>516,648,947.80</b>	249,983,133.45	217,424,040.03
Engineering and services	<b>2,765,512,174.26</b>	<b>2,247,124,628.97</b>	2,506,559,891.48	2,131,067,812.68
Including: engineering	<b>2,151,441,835.78</b>	<b>1,831,707,244.02</b>	2,057,653,973.07	1,767,603,559.63
Power station services	<b>477,776,060.85</b>	<b>286,850,670.90</b>	375,678,297.72	302,379,015.80
Others	<b>136,294,277.63</b>	<b>128,566,714.05</b>	73,227,620.69	61,085,237.25
Total	<b><u>20,330,627,515.53</u></b>	<b><u>16,660,229,791.20</u></b>	<b><u>19,873,410,965.65</u></b>	<b><u>16,027,533,038.59</u></b>

## 6. INVESTMENT INCOME

### (1) Sources of investment income

Item	Unit: RMB	
	Amount for the Period	Amount for the same period last year
Gain from long-term equity investments accounted for using the equity method	<b>65,446,195.92</b>	73,421,782.14
Investment gain generated from the held-for-trading financial assets		
Investment gain generated from available-for-sale financial assets	<b>1,879,007.00</b>	1,445,390.00
Investment gain from disposal of held-for-trading financial assets		
Investment gain from disposal of available-for-sale financial assets		1,316,576.30
Others		
Total	<b><u>67,325,202.92</u></b>	<b><u>76,183,748.44</u></b>

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

*Unit: RMB*

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period last year</b>	<b>Reason for year-on-year change</b>
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co.,Ltd	30,891,120.10	17,673,533.15	Increase in operating profit
Dongfang AREVA	29,410,350.88	47,361,418.86	Decrease in operating profit
Dongfang Hitachi Boiler Co.,Ltd	4,487,010.10	7,151,420.60	Decrease in operating profit
Leshan East Lok Bulky Co.,Ltd	1,215,703.15	1,619,310.67	Decrease in operating profit
Sichuan Wind Power Industry Investment Co.,Ltd.	-557,988.31	-383,901.14	Under construction and not yet profitable
Total	<u>65,446,195.92</u>	<u>73,421,782.14</u>	

## 7. INCOME TAX EXPENSES

*Unit: RMB*

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period last year</b>
Income tax for the period under the tax law and relevant regulations	<b>228,638,363.54</b>	290,706,405.47
Adjustment to deferred income tax	<b>-4,932,611.16</b>	-78,366,070.91
Total	<b><u>223,705,752.38</u></b>	<b><u>212,340,334.56</u></b>

*Note:*

Except that Dongfang Electric (India) Private Limited was taxed at 32.445% and the Company, Dongfang Steam Turbine Co., Ltd., Dongfang Boiler Group Co. Ltd., Dongfang Electric Machinery Co., Ltd., DFEM Control Equipment Manufactory Co. Ltd, Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd., Shenzhen Dongfang Boiler Control Co., Ltd. and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. were entitled to a preferential rate of 15% for enterprise income tax, all other subsidiaries were subject to enterprise income tax at a rate of 25%.

## 8. EARNINGS PER SHARE

*Unit: RMB*

<b>Item</b>	<b>Amount for Period</b>	<b>Amount for the same period last year</b>
Net profit attributable to shareholders of the Company	<b>1,186,154,894.33</b>	1,243,959,495.33
The weighted average number of the Company's ordinary shares in issue	<b>2,003,860,000.00</b>	2,003,860,000.00
Basic earnings per share	<b><u>0.59</u></b>	<b><u>0.62</u></b>

Diluted earnings per share was the same as basic earnings per share for the Period as there were no diluting events (For the six months ended 30 June 2012: nil) during the Period.

## 9. SEGMENT INFORMATION

### *Business segment from January to June 2013*

*Unit: RMB*

Item	High Efficiency and Clean Energy		Hydro power and Environmental Protection		Construction and Services	Unallocated	Eliminations	Total
	Energy	New Energy	Protection	Environmental				
Operating revenue	14,008,357,063.36	5,318,930,907.91	2,117,370,766.27	2,783,627,964.85		136,479,225.36	3,897,659,186.86	20,467,106,740.89
Including: external sales	10,754,580,223.18	4,708,292,450.16	2,102,242,667.93	2,765,512,174.26		136,479,225.36		20,467,106,740.89
inter-segment sales	3,253,776,840.18	610,638,457.75	15,128,098.34	18,115,790.59			3,897,659,186.86	
Operating expenses	12,028,778,625.95	4,533,611,847.15	1,695,452,726.89	2,295,155,715.88		1,746,937,726.24	3,220,247,462.39	19,079,689,179.72
Operating profit (losses)	1,979,578,437.41	785,319,060.76	421,918,039.38	488,472,248.97		-1,610,458,500.88	677,411,724.47	1,387,417,561.17
Total assets						108,239,586,991.53	31,368,457,423.12	76,871,129,568.41
Total liabilities						81,186,411,208.73	21,754,253,137.63	59,432,158,071.10
Supplemental information								
Depreciation and amortization expenses						629,932,984.36		629,932,984.36
Capital expenditure								
Non-cash expenses other than depreciation and amortization								

### *Business segment from January to June 2012*

*Unit: RMB*

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



## 10. NET CURRENT ASSETS

*Unit: RMB*

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Current assets	<b>63,444,085,841.61</b>	64,624,304,220.91
Less: Current liabilities	<b><u>57,774,905,035.83</u></b>	<u>60,045,154,864.14</u>
Net current assets	<b><u><u>5,669,180,805.78</u></u></b>	<u><u>4,579,149,356.77</u></u>

## 11. TOTAL ASSETS LESS CURRENT LIABILITIES

*Unit: RMB*

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Total assets	<b>76,871,129,568.41</b>	78,327,056,597.82
Less: Current liabilities	<b><u>57,774,905,035.83</u></b>	<u>60,045,154,864.14</u>
Total assets less current liabilities	<b><u><u>19,096,224,532.58</u></u></b>	<u><u>18,281,901,733.68</u></u>

## 12. DIVIDENDS

The Board does not recommend the payment of interim dividends for 2013 (Interim dividend for the same period in 2012: Nil).

## II. MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, confronted with tricky economic situation at home and abroad and increasingly stiff competition in the power generation equipment industry, the Group adhered to the guideline of “three shifts” (namely shifting from scale expansion to efficiency and profit growth, shifting from capacity expansion to technical upgrading, and shifting from manufacturing-based operations to manufacturing-and service-based operations). The Group upgraded managerial level, optimized resources allocation, derived growth momentum from innovation, improved the quality of development, maintained the stable growth trend and laid a solid foundation for fulfilling the business targets for the whole year.

## **Completion of Operation Indicators**

During the Period, in accordance with the PRC ASBE, the Group recorded a total operating revenue of RMB20,500 million, representing an increase of 2.28% over the same period last year; net profit attributable to shareholders of the Company of RMB1,190 million, representing a decrease of 4.65% from the same period last year; earnings per share of RMB0.59; and gross profit margin for principal operations of 18.05%, representing a decrease of 1.3% from the same period last year.

## **Capacity of Power Generation Equipments**

During the Period, the Group produced power generation equipments with total capacity of 17,705MW, up 7.0% year on year, fulfilling the semi-annual production goal. These equipment included 21 hydro-electric turbine generator sets (4,187MW), up 28.6% year on year; 30 steam turbine generators (13,445MW), up 2.1% year on year; and 45 wind turbine generator sets (73MW), down 41.1% year on year; 38 power station boilers (10,670MW), down 7.1% year on year; and 45 power station steam turbines (15,126MW), up 50.5% year on year.

## **Market Orders**

During the Period, industry demand for power generation equipment continued to be lukewarm as international and domestic economic growth slackened. In response to such grim circumstances, all employees of the Group worked hard and forged ahead with concerted efforts, achieving new progress in marketing activities. The Group's prominent performance in the nuclear power market won us a series of contracts for major nuclear power projects. Meanwhile, the Group remained an industry leader in terms of market share of gas turbines and high-efficiency boiler of 1,000MW.

The Group's new orders amounted to RMB20.2 billion, of which export orders amounted to an equivalent of RMB3,331 million, accounting for 16.5%, while 66.8% of the new orders was attributable to high-efficiency clean energy, 4.7% to new energy, 6.3% to water energy and environmental protection, and 22.2% to engineering and services during the Period.

As at 30 June 2013, the Group had orders in hand of more than RMB140 billion, among which high-efficiency clean energy accounted for 59.5%, new energy 14.0%, water energy and environmental protection 7.3%, and engineering and services 19.2%. Export orders accounted for 21.8% of all of the Group's orders in hand.

## **Production and Project Construction**

In the Period, the stator of No. 1 of the Taishan 1,750MW nuclear power generators with the world's largest unit capacity was produced and successfully delivered; the world's first 600MW supercritical circulating fluidized bed generating unit independently developed by the Company successfully came on stream in Baima of Sichuan province; No. 1 and No. 2 units of the independently developed Xianyou 300MW pumped-storage power units were successfully put into operation; No. 1 unit of phase 1 of Hongyanhe nuclear power plant in Liaoning was officially put into commercial operation.

The Group had 19 power plant projects under construction with a total capacity of 14,518MW including 4 EPC contracting projects. During the Period, all major projects made noticeable and substantial breakthrough, with four units of the No. 1 unit of Kalisindh (凱萊) in India connected to power grids. 2 units commenced of commercial operation for the Rabigh (拉比格) project in Saudi Arabia and the opening ceremony was held for the Stanari (斯坦納瑞) project in Bosnia-Herzegovina in May.

## **Technological Innovation Further Promoted**

The Group independently developed the world's first 600MW supercritical circulating fluidized bed boilers, which successfully came on stream in Baima Power Plant of Sichuan province, and the giant water-turbine generating set with a unit capacity of 770MW, which successfully commenced operation at the first try in Xiluodu Power Plant, the world's third largest hydropower station, and was officially put into commercial operation. The development of offshore wind turbines also achieved success. The research and development for large pumped-storage power units, Baihetan 1,000MW Francis turbine hydropower units, CAP1400 nuclear steam turbine generator set and 1,000MW-grad high-parameter ultra-supercritical units, which represent the advanced level in the world, proceeded in an orderly way.

In the Period, the Group applied for a total of 54 patents including 26 patents for invention and received 47 patents including 15 patents for invention.

## **Continuing management improvement activities**

In the Period, the Group revolved around management improvement to take up the slack and consolidate management practices. To sharpen up core competitiveness, management improvement activities were carried out consistently to upgrade managerial level and to step up internal control and risk prevention.

## **OUTLOOK FOR THE SECOND HALF**

In the second half of 2013, on one hand, the moderate recovery of global economy and the steady progress of domestic economy would bring about new opportunities for the power generation equipment industry, in particular the clean energy, environmental equipments and service for transformation of power stations sectors, and there is still considerable room for growth in certain countries and regions in the world. On the other hand, the conventional power demand in China would grow at a slow pace and the total demand for power equipment would slide further, while the demand in overseas electrical infrastructure market would be weak with capital shortage, which will pose higher risks in terms of project safety and business and technology.

Faced with persistently tough market conditions and existing developmental opportunities, the Group would face up to difficulties and tap into the domestic and overseas market with greater efforts. The Group would attempt at technical breakthroughs and faster progress on product R&D to keep enhancing the competitiveness of offerings. Quality management would be strengthened and carried out with rigor, with a view to a steady improvement in product quality. Cash management would be stepped up to increase revenue, reduce costs and boost profitability. The Group would improve risk prevention and execute projects more efficiently to ensure the fulfillment of the targets for the year and to achieve continuous healthy and balanced development of the Group.

## (I) Analysis of Principal Operations

### 1. Analysis of changes in certain items in income statement and cash flow statement

Unit : RMB

Item	Amount for the Period	Amount for the same period last year	Change (%)
Operating revenue	<b>20,467,106,740.89</b>	20,011,488,282.92	2.28
Operating cost	<b>16,713,119,226.23</b>	16,095,892,049.32	3.83
Selling expenses	<b>431,688,349.95</b>	374,786,556.90	15.18
Administrative expenses	<b>1,558,124,480.21</b>	1,572,262,820.95	-0.90
Finance costs	<b>-45,060,691.01</b>	-11,274,152.26	299.68
Net cash flows from operating activities	<b>886,961,511.14</b>	-2,256,809,459.49	-139.30
Net cash flows from investing activities	<b>-379,658,649.70</b>	-758,201,630.29	-49.93
Net cash flows from financing activities	<b>534,276,095.50</b>	740,916,337.45	-27.89
Research and development expenses	<b>370,730,462.00</b>	410,023,297.91	-9.58

## 2. *Top five customers and suppliers*

### (1) Major customers

During the Period, the Group's revenue derived from its top five customers amounted to RMB4,481 million, accounting for 21.90% of the Group's total revenue.

### (2) Major suppliers

During the Period, the Group's procurement from its top five suppliers amounted to RMB1,273 million, accounting for 12.29% of the Group's total procurement.

## 3. *Cash flows*

*Unit : RMB*

<b>Item</b>	<b>Amount for the Period</b>	Amount for the same period last year	<b>Change (%)</b>
Net cash flows from operating activities	<b>886,961,511.14</b>	-2,256,809,459.49	-139.30
Cash received from disposal of investments		279,614,645.16	-100.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	<b>358,866,905.54</b>	647,516,090.53	-44.58
Cash paid for investment	<b>28,000,000.00</b>	394,000,000.00	-92.89
Other cash received from financing-related activities		85,940,000.00	-100.00

- (1) Net cash outflows from operating activities decreased by 139.30% year-on-year, mainly due to a year-on-year decline in cash payment for procurement as the Group further enhanced capital management in response to the increase in total cash received from sales of goods.
- (2) Cash received from disposal of investments decreased by RMB280 million year-on-year, mainly due to the disposal of the tradable shares of Huaneng Power held by the Group in the same period last year.
- (3) Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets decreased by 44.58% year-on-year, mainly due to a further decline in the number and scale of the Group's fixed-asset investment projects during the Period.
- (4) Cash paid for investment decreased by 92.89% year-on-year, mainly due to the fact the Group acquired the tradable shares issued under the non-public issue of Inner Mongolia Mengdian Huaneng Thermal Power Corp. Ltd. (內蒙華電) in the same period last year.
- (5) Other cash received from financing-related activities decreased by RMB86 million year-on-year, mainly due to the receipt of special funds for technological innovation projects by the Group in the same period last year.

## (II) Analysis of Operations by Industry, Product or Region

### 1. Principal operations by industry and product

Unit: RMB

Product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (%)
Clean high efficiency power generation equipments	10,754,580,223.18	8,806,871,264.85	18.11	-5.83	-3.00	-2.39
New energy	4,708,292,450.16	3,923,574,989.46	16.67	14.50	16.71	-1.57
Water energy and environmental equipments	2,102,242,667.93	1,682,658,907.92	19.96	14.63	15.62	-0.68
Engineering and services	2,765,512,174.26	2,247,124,628.97	18.74	10.33	5.45	3.76
Total	<u>20,330,627,515.53</u>	<u>16,660,229,791.20</u>	<u>18.05</u>	<u>2.30</u>	<u>3.95</u>	<u>-1.30</u>

- (1) The Group maintained the momentum of steady development in the Period, with sales revenue for the Period from principal operations increasing by 2.30% as compared with the same period last year.
- (2) During the Period, the operating revenue from clean high-efficiency power generation equipments decreased by 5.83% as compared with the same period last year, mainly due to a decrease of 2.68% in revenue from thermal power, a decrease of 23.13% in revenue from gas turbines and a decrease of 18.94% in revenue from conventional island of nuclear power. The gross profit margin of clean high-efficiency power generation equipments decreased by 2.39% as compared with the same period last year, mainly attributable to a general decline of varied degrees in the gross profit margin of thermal power, gas turbines and conventional island of nuclear power.
- (3) During the Period, the revenue from the new energy segment increased by 14.50% as compared with the same period last year, mainly due to the increase of 23.51% in revenue from the wind power business. Meanwhile, the gross profit margin of the new energy segment decreased by 1.57%, mainly due to the lower sales price of wind power in the Period.



- (4) During the Period, the revenue from water energy and environmental equipments increased by 19.96% as compared with the same period last year, mainly due to the growth of 149.49% in sales revenue of environmental equipments. Meanwhile, the gross profit margin of water energy and environmental equipments declined by 0.68%, which mainly resulted from a decrease in the gross profit margin of hydropower in the Period.
- (5) During the Period, the gross profit margin of engineering and services increased by 3.76% as compared with the same period last year, mainly due to the increases in gross profit margin of engineering and power station services in the Period.

## 2. *Principal operations by region*

*Unit: RMB*

<b>Region</b>	<b>Operating revenue for the Peiod</b>	Year-on-year increase/decrease in operating revenue (%)
PRC	16,154,291,846.41	3.30
Overseas	4,176,335,669.12	-1.38
Total	<u><u>20,330,627,515.53</u></u>	<u><u>2.30</u></u>

### (III) Analysis of Major Subsidiaries and Investees

*Unit: One hundred million RMB*

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and marketing of steam turbines, turbine, gas turbines, compressors, fans, pumps and auxiliary equipments, wind generating sets, solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the corresponding equipments; mechanical equipment and accessories as well as the related import and export business	18.46	367.34	37.82	88.01	3.26	2.69
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors; the design manufacturing and sales of control equipments; the transformation of power stations, the installation of power station equipments	20.00	132.92	39.02	32.20	2.31	1.99
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	199.64	46.73	60.84	4.51	4.21
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.1813%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	38.33	14.62	5.46	0.45	0.38

## (IV) Analysis of Financial Position and Operating Results of the Company during the Reporting Period

### 1. Analysis of operating results

Unit: RMB

Item	Amount for the Peiod	Amount for the same period of last year	Year-on-year increase/decrease (%)
Operating revenue	<b>20,467,106,740.89</b>	20,011,488,282.92	2.28
Selling expenses	<b>431,688,349.95</b>	374,786,556.90	15.18
Administrative expenses	<b>1,558,124,480.21</b>	1,572,262,820.95	-0.90
Finance costs	<b>-45,060,691.01</b>	-11,274,152.26	299.68
Impairment loss of assets	<b>356,335,343.11</b>	412,005,053.17	-13.51
Total profit	<b>1,435,779,683.73</b>	1,475,190,602.68	-2.67
Income tax	<b>223,705,752.38</b>	212,340,334.56	5.35
Net profit	<b>1,212,073,931.35</b>	1,262,850,268.12	-4.02
Net profit attributable to shareholders of the Company	<b>1,186,154,894.33</b>	1,243,959,495.33	-4.65

- (1) The Group maintained the momentum of steady development in the Period, with sales revenue for the Period increased by 2.28% as compared with the same period last year.
- (2) Selling expenses for the Period increased by 15.18% as compared with the same period last year, mainly due to a year-on-year increase of 18.65% in service fees and provisions made for product quality warranty in 2013 according to relevant accounting policies.
- (3) Administrative expenses for the Period decreased by 0.90% as compared with the same period last year, mainly due to a year-on-year decrease of 9.58% in R&D expenditures for the Period.

- (4) Finance costs for the Period decreased by 299.68% as compared with the same period last year, mainly due to the decreased interest expenses on borrowings and increased interest income as the Group continually stepped up fund management efforts.
- (5) Total profit and net profit attributable to shareholders of the Group for the Period decreased by 2.67% and 4.65% as compared with the same period last year, respectively, mainly due to a year-on-year decrease of 1.30% in the sales gross profit margin of principal operations for the Period.

## 2. *Financial Position and analysis of assets, liabilities and shareholders' equity*

As at 30 June 2013, the Group's total assets amounted to RMB76,871 million, down by 1.86% as compared with the beginning of the year, mainly attributable to a 6.50% decrease in inventories; total liabilities amounted to RMB59,432 million, down by 3.80% as compared with the beginning of the year, mainly attributable to 8.50% and 134.99% decreases in receipts in advance and taxes payable, respectively; and shareholders' equity amounted to RMB17,439 million, up by 5.39% as compared with the beginning of the year, mainly attributable to a 11.84% increase in undistributed profit.

## 3. *Gearing ratio*

Gearing ratio = total liabilities/total assets × 100%

<b>Item</b>	<b>As at the end of June 2013</b>	As at the end of 2012	<b>Year-on-year increase/decrease (percentage point)</b>
Gearing ratio (%)	<b>77.31</b>	78.87	-1.56

The Group's gearing ratio as at 30 June 2013 was 77.31%, representing a decrease of 1.56% as compared with the beginning of the year. The financial position of the Group was further optimized and improved.

#### **4. Bank borrowings**

As at 30 June 2013, the Group had bank borrowings of RMB2,652 million due within one year and RMB76 million due beyond one year. The Group's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB2,652 million were fixed-rate borrowings. The Group has maintained favorable credit rating with banks and sound financing capacity.

#### **5. Exchange risk management**

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

#### **6. Pledge of assets**

As at the end of the Period, the Group had pledged borrowings of RMB13 million, which were related to the commercial acceptance bills that the Group applied to financial institutions for discounting. As at 30 June 2013, such commercial acceptance bills were not yet due.

#### **7. Contingent events**

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

In July 2009, the consortium including the Group entered into an EPC contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Group undertook the supply of two major equipments and provision of relevant technical services. Due to problems of certain equipments and so on, the generating units were not put into commercial operation as scheduled.

After negotiations with the project owners from Saudi Arabia, the Group carried out rectification and improvement work after the end of the 2012 summer-peak season for power generation. On 14 June 2013, both of No. 1 and No 2 generating units had obtained the preliminary reception certificates. The project owners confirmed that No. 1 and No 2 generating units were put into commercial operation on 14 December 2012 and 28 January 2013, respectively, and accordingly entered into quality guarantee periods.

Currently, the Group is in the process of negotiation with related parties in respect of the compensation for prolongation and settlement of the project.

(2) *Arbitration over technology contract disputes with US-based Foster Wheeler:*

In March 1994, Dongfang Electric Corporation (“DEC”), Dongfang Boiler Factory (東方鍋爐廠) and US-based Foster Wheeler entered into a licensing agreement, whereby DEC and Dongfang Boiler Factory imported from Foster Wheeler the technology for 50MW and 100MW non-reheat circulating fluidized-bed boilers. In January 1999, Dongfang Boiler Factory transferred its rights and obligations stipulated under the licensing agreement to Dongfang Boiler Group Co. Ltd. (“Dongfang Boiler”).

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

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler to pay to Foster Wheeler nominal royalties of US\$4,815,000 and unpaid royalties of US\$1,520,000 and the interest accrued thereon, and the Foster Wheeler has to return the technology licensing fees of US\$1,117,000 to Dongfang Boiler. Dongfang Boiler and DEC disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. The Svea Court of Appeal, Sweden made the verdict to affirm the ruling on 20 June 2013, pursuant to which Dongfang Boiler recognized a liabilities of RMB53,197,144.96.

On 18 February 2013, Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. Hearings were held from 4 March to 15 March 2013. On 12 July 2013, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in favour of Foster Wheeler, requiring Dongfang Boiler and DEC to pay to Foster Wheeler nominal royalties of RMB16,500,000 and the interest accrued thereon for 12 projects. Dongfang Boiler and DEC disagreed with the ruling and will appeal to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling.

## **(V) Material Events**

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

### **III. OTHER MATTERS**

#### **(I) PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

#### **(II) EXTERNAL GUARANTEE AND PERFORMANCE**

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

#### **(III) MATERIAL LITIGATION AND ARBITRATION**

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

#### **(IV) EMPLOYEES**

As at 30 June 2013, the Group had 20,902 employees, who were remunerated based on their individual performance. Remuneration packages are structured with reference to their positions and the Group's results.

#### **(V) CODE ON CORPORATE GOVERNANCE PRACTICES**

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



## **(VI) MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on terms not less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that all Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by Directors and supervisors as set out in the Model Code.

## **(VII) AUDIT AND REVIEW COMMITTEE**

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

## **(VIII) INFORMATION DISCLOSURE**

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>). The interim report of the Company for the period ended 30 June 2013, which contains all information as proposed in the Disclosure of Financial Information set out in the Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company (<http://www.dongfang.com>) in due course.

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

Chengdu, Sichuan, the People's Republic of China  
28 August 2013

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

*Directors:*

*Si Zefu, Zhang Xiaolun, Wen Shugang,  
Huang Wei, Zhu Yuanchao and Zhang Jilie*

*Independent non-executive  
Directors:*

*Li Yanmeng, Zhao Chunjun and Peng Shaobing*