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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 2021

FINANCIAL HIGHLIGHTS

- Total operating revenue of the Company in 2021 amounted to RMB47,819 million (2020: RMB37,283 million), representing an increase of 28.26% YoY;
- Net profit attributable to the shareholders of the Company in 2021 amounted to RMB2,289 million (2020: RMB1,862 million), representing an increase of 22.93% YoY;
- Basic earnings per share of the Company in 2021 were RMB0.73 (2020: RMB0.60);
- New orders of the Company in 2021 were approximately RMB56,392 million (2020: RMB49,448 million), representing an increase of 14.15% YoY;
- The Board has proposed the payment of a 2021 cash dividend of RMB2.3 for every 10 shares (before tax), subject to Shareholders' approval.

The board of directors (the “**Board**”) of Dongfang Electric Corporation Limited (the “**Company**”) announces the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises.

FINANCIAL INFORMATION

Consolidated Statement of Financial Position

31 December 2021

		<i>Unit: Yuan Currency: RMB</i>	
Item	Notes	31 December 2021	31 December 2020
Current Assets:			
Cash and cash equivalents		18,721,874,434.15	26,686,232,240.60
Clearing provision		–	–
Funds for lending		2,331,536,400.00	–
Held-for-trading financial assets		1,466,444,004.12	1,292,860,471.15
Derivative financial assets		–	–
Notes receivable	2	2,994,627,532.41	3,781,237,139.94
Accounts receivable	2	7,986,787,322.58	7,526,238,208.54
Accounts receivable financing		1,342,379,048.57	1,946,034,819.15
Prepayments		3,636,005,219.95	2,973,122,649.71
Premiums receivable		–	–
Amounts receivable under reinsurance contracts		–	–
Reinsurer’s share of insurance contract reserves		–	–
Other receivables	3	607,440,479.81	633,416,127.20
Financial assets purchased under resale agreements		2,827,514,000.00	2,730,498,000.00
Inventories		19,062,432,842.88	15,609,854,069.57
Contract assets		7,979,898,927.87	6,527,930,416.19
Assets as held for sale		–	–
Non-current assets due within one year		57,404,867.28	–
Other current assets		840,264,379.42	965,833,690.73
Total Current Assets		69,854,609,459.04	70,673,257,832.78

Item	Notes	31 December 2021	31 December 2020
Non-current Assets:			
Loans and advances		3,240,998,518.16	1,927,919,340.85
Debt investments		12,660,183,476.06	9,946,621,270.91
Other debt investments		–	–
Long-term receivables		552,276,661.97	273,964,739.39
Long-term equity investments	10	2,289,593,722.69	1,775,770,115.49
Other investments in equity instruments		52,300,000.00	27,544,649.47
Other non-current financial assets		–	–
Investment properties		157,660,075.01	162,966,524.20
Fixed assets		4,965,866,715.89	5,242,562,925.69
Constructions in process		286,478,771.81	204,474,620.89
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		231,326,102.07	164,993,842.35
Intangible assets		1,648,133,848.18	1,599,905,484.86
Development expenditure		4,270,168.76	2,051,886.80
Goodwill		–	–
Long-term deferred expenses		2,267,046.54	2,109,452.20
Deferred tax assets		3,140,003,311.70	2,975,542,663.62
Other non-current assets		4,018,605,426.45	2,815,452,419.66
Total Non-current Assets		33,249,963,845.29	27,121,879,936.38
TOTAL ASSETS		103,104,573,304.33	97,795,137,769.16

Item	Notes	31 December 2021	31 December 2020
Current Liabilities:			
Short-term Loans		41,830,000.00	297,980,000.00
Loans from the central bank		–	16,043,235.82
Taking from banks and other financial institutions		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable	4	6,254,798,141.80	4,861,679,751.95
Accounts payable	4	13,959,367,074.05	13,641,381,835.86
Receipts in advance		–	–
Contract liabilities		30,404,986,962.19	28,922,353,784.79
Financial assets sold under repurchase agreements		–	–
Customer deposits and deposits from banks and other financial institutions		3,739,754,238.51	5,726,841,172.92
Funds from securities trading agency		–	–
Funds from underwriting securities agency		–	–
Employee benefits payable		785,747,202.80	677,337,429.12
Taxes payable		440,915,873.31	288,449,718.75
Other payables		1,406,088,437.27	1,411,657,254.42
Fees and commissions payable		–	–
Amounts payable under insurance contracts		–	–
Liabilities as held for sale		–	–
Non-current liabilities due within one year		102,152,874.33	139,954,877.02
Other current liabilities		840,444,121.90	121,286,819.72
Total Current Liabilities		57,976,084,926.16	56,104,965,880.37

Item	<i>Notes</i>	31 December 2021	31 December 2020
Non-current Liabilities:			
Insurance contract reserves		–	–
Long-term borrowings		1,565,091,967.96	719,350,539.48
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual capital securities		–	–
Lease liabilities		126,932,623.70	27,531,905.94
Long-term payables		240,000.00	5,660,910.03
Long-term accrued payroll		978,695,570.03	960,970,033.23
Estimated liabilities		6,668,286,020.12	5,896,410,937.40
Deferred income		359,404,573.56	404,283,233.21
Deferred tax liabilities		45,960,397.43	34,364,292.43
Other non-current liabilities		–	–
Total Non-current Liabilities		<u>9,744,611,152.80</u>	<u>8,048,571,851.72</u>
TOTAL LIABILITIES		<u>67,720,696,078.96</u>	<u>64,153,537,732.09</u>

Item	Notes	31 December 2021	31 December 2020
OWNERS' EQUITY			
Share capital		3,119,151,130.00	3,119,764,130.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual capital securities		–	–
Capital reserves		11,443,491,813.08	11,584,176,034.17
Less: Treasury shares		168,649,028.00	172,329,868.00
Other comprehensive income		-68,955,596.96	-67,918,065.04
Special reserves		109,375,113.28	88,508,618.58
Surplus reserves		1,086,931,884.63	972,805,441.29
General risk reserves		–	–
Retained profits	5	16,976,316,664.38	15,382,662,236.78
Total owners' equity (or shareholder's equity) attributable to equity holders of the parent company		32,497,661,980.41	30,907,668,527.78
Non-controlling shareholders' equity		2,886,215,244.96	2,733,931,509.29
Total owners' equity (or shareholder's equity)		35,383,877,225.37	33,641,600,037.07
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDER'S EQUITY)		103,104,573,304.33	97,795,137,769.16

Consolidated Income Statement
January to December 2021

Unit: Yuan Currency: RMB

Item	Notes	2021	2020
I. Total revenue		47,819,166,940.47	37,282,871,287.38
Including: Operating income	6	46,755,975,362.02	36,238,925,547.37
Interest income	6	1,060,766,819.24	1,040,835,178.93
Premium earned		—	—
Fee and commission income	6	2,424,759.21	3,110,561.08
II. Total operating costs (loss is indicated by “-”)		45,419,182,973.91	35,166,801,721.20
Including: Operating costs	6	38,669,905,112.14	28,863,684,916.87
Interest expenses		110,807,636.82	98,164,043.10
Fee and commission expenses		1,474,526.03	1,190,341.73
Surrenders		—	—
Net amount of compensation payout		—	—
Net provision for insurance contract reserve		—	—
Insurance policyholder dividends		—	—
Expenses for reinsurance accepted		—	—
Tax and levies		240,038,558.46	236,099,949.15
Sales expenses		1,457,513,664.15	1,176,571,933.25
Administrative expenses		2,789,577,618.34	2,619,878,388.04
R&D expenditure		2,109,687,440.50	2,002,738,590.77
Financial expenses		40,178,417.47	168,473,558.29
Including: Interest expenses		33,518,711.96	35,891,626.03
Interest income		36,438,093.04	38,908,682.48

Item	Notes	2021	2020
Add: Other gains		133,941,228.05	199,608,889.59
Investment income		425,573,959.28	336,698,393.07
Including: Income from investments in associates and joint ventures		279,625,882.45	185,295,786.09
Income from derecognition of financial assets measured at amortized cost		—	—
Foreign exchange gains		1,188,244.23	769,827.40
Gains from net exposure hedges		—	—
Gains from changes in fair values		173,613,348.19	-138,205,491.40
Credit impairment loss		-198,976,953.76	205,360,065.67
Impairment loss of assets		-549,024,327.71	-567,090,570.83
Gains from disposal of assets		271,943,405.18	7,079,975.17
III. Operating profit (loss is indicated by “-”)		2,658,242,870.02	2,160,290,654.85
Add: Non-operating income		51,417,885.20	40,628,812.79
Less: Non-operating expenses		42,613,160.32	133,695,631.01
IV. Total profit (total loss is indicated by “-”)		2,667,047,594.90	2,067,223,836.63
Less: Income tax expenses	7	237,824,064.64	150,959,705.84
V. Net profit (net loss is indicated by “-”)		2,429,223,530.26	1,916,264,130.79
(I) Classified by continuing operations			
1. Net profit from continuing operations		2,429,223,530.26	1,916,264,130.79
2. Net profit from discontinued operations			
(II) Classified by ownership			
1. Net profit attributable to shareholders of parent company		2,289,036,817.45	1,861,998,155.29
2. Profit or loss attributable to non-controlling Shareholders		140,186,712.81	54,265,975.50

Item	Notes	2021	2020
VI. Other comprehensive income (“OCI”) (net of tax)		-23,311,920.74	-50,001,753.27
Net OCI attributable to owners of the parent company		-20,618,148.92	-43,672,787.61
(I) OCI that will not be reclassified to profit and loss		–	–
1. Changes arising from re-measurement of defined benefit plans		–	–
2. OCI by equity method that will not be reclassified to profit and loss		–	–
3. Changes in fair value of investment in other equity instruments		–	–
4. Changes in fair value of the Company’s own credit risks		–	–
(II) OCI that will be reclassified to profit and loss		-20,618,148.92	-43,672,787.61
1. OCI by equity method that will be reclassified to profit and loss		-1,649,817.99	-141,538.59
2. Changes in fair value of other debt investment		–	–
3. The amount of financial assets reclassified into OCI		–	–
4. Credit impairment provisions for other debt investment		–	–
5. Reserve on cash flow hedges derivatives		–	–
6. Exchange differences from translation of financial statements		-21,724,978.56	-43,577,687.02
7. Others		–	46,438.00
OCI attributable to non-controlling interest (net of tax)		-2,693,771.82	-6,328,965.66

Item	Notes	2021	2020
VII. Consolidated income		2,405,911,609.52	1,866,262,377.52
Consolidated income attributable to owners of parent company		2,268,418,668.53	1,818,325,367.68
Consolidated income attributable to non-controlling Shareholders		137,492,940.99	47,937,009.84
VIII. Earnings per share:			
(i) Basic earnings per share (<i>RMB/share</i>)	8	0.73	0.60
(ii) Diluted earnings per share (<i>RMB/share</i>)		0.73	0.60

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 December 2021

1 BASIS OF PREPARATION OF FINANCIAL STATEMENT

(1) Basis of Preparation

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

(2) Going Concern

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

2 NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

Unit: Yuan Currency: RMB

Item	31 December 2021	31 December 2020
Notes receivable	2,994,627,532.41	3,781,237,139.94
Accounts receivable	12,883,281,001.26	12,416,204,162.34
Less: Provision for bad debts	4,896,493,678.68	4,889,965,953.80
Net accounts receivable (<i>note 2a</i>)	7,986,787,322.58	7,526,238,208.54
Net notes and accounts receivable	10,981,414,854.99	11,307,475,348.48

(2a) Ageing analysis of accounts receivable

Unit: Yuan Currency: RMB

Ageing	31 December 2021	31 December 2020
Within 1 year	5,482,435,246.56	5,130,256,766.78
1–2 years	1,843,505,123.39	1,690,563,764.54
2–3 years	1,189,263,023.78	708,575,024.69
3–4 years	624,912,548.77	951,541,934.99
4–5 years	571,247,657.81	1,041,298,116.42
Over 5 years	3,171,917,400.95	2,893,968,554.92
Subtotal	12,883,281,001.26	12,416,204,162.34
Less: Provision for bad debts	4,896,493,678.68	4,889,965,953.80
Total	7,986,787,322.58	7,526,238,208.54

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

3 OTHER RECEIVABLES

Unit: Yuan Currency: RMB

Item	31 December 2021	31 December 2020
Interest receivable	215,623,964.55	236,257,055.12
Dividends receivable	29,522,398.50	54,487,143.57
Other receivables	662,005,306.14	1,501,224,806.68
Less: Provision for bad debts	299,711,189.38	1,158,552,878.17
Other net receivables (3a)	362,294,116.76	342,671,928.51
Total	607,440,479.81	633,416,127.20

(3a) Ageing analysis of other receivables

Unit: Yuan Currency: RMB

Ageing	31 December 2021	31 December 2020
Within 1 year	335,106,633.72	283,918,190.23
1–2 years	39,415,318.04	66,321,537.99
2–3 years	25,599,500.29	12,089,842.32
3–4 years	9,231,760.54	12,451,966.28
4–5 years	11,297,006.85	1,891,133.84
Over 5 years	241,355,086.70	1,124,552,136.02
Subtotal	662,005,306.14	1,501,224,806.68
Less: Provision for bad debts	299,711,189.38	1,158,552,878.17
Total	362,294,116.76	342,671,928.51

4 NOTES AND ACCOUNTS PAYABLE

Unit: Yuan Currency: RMB

Item	31 December 2021	31 December 2020
Notes payable	6,254,798,141.80	4,861,679,751.95
Accounts payable	<u>13,959,367,074.05</u>	<u>13,641,381,835.86</u>
Total	<u>20,214,165,215.85</u>	<u>18,503,061,587.81</u>
Ageing analysis of accounts payable	31 December 2021	31 December 2020
Within one year (inclusive)	11,232,232,094.80	11,401,420,521.60
1–2 years (inclusive)	1,284,148,929.82	730,111,491.10
2–3 years (inclusive)	344,635,046.35	420,449,910.67
Over 3 years	<u>1,098,351,003.08</u>	<u>1,089,399,912.49</u>
Total	<u>13,959,367,074.05</u>	<u>13,641,381,835.86</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	15,382,662,236.78	14,225,616,456.64
Total opening balance adjusted (Increase+, Decrease-)	—	—
Opening balance after adjustment	15,382,662,236.78	14,225,616,456.64
Add: Net profit attributable to owners of the parent company	2,289,036,817.45	1,861,998,155.29
Less: Appropriation of statutory surplus reserve	114,140,705.95	65,630,466.84
Appropriation of discretionary surplus reserve	—	—
Appropriation of general risk reserve	—	—
Dividend payable on ordinary shares	561,532,703.40	639,352,397.16
Dividend on ordinary share converted to share capital	—	—
Add: Other comprehensive income carried over to retained earnings	-19,580,617.00	-172,770.15
Other internal transfer of owners' equity	—	—
Other	-128,363.50	203,259.00
Closing balance	<u>16,976,316,664.38</u>	<u>15,382,662,236.78</u>

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	46,208,592,919.03	38,364,531,787.64	35,841,635,457.48	28,658,398,531.51
2. Other operations	547,382,442.99	305,373,324.50	397,290,089.89	205,286,385.36
3. Interest income	1,060,766,819.24	110,807,636.82	1,040,835,178.93	98,164,043.10
4. Fee and commission income	2,424,759.21	1,474,526.03	3,110,561.08	1,190,341.73
Total	<u>47,819,166,940.47</u>	<u>38,782,187,274.99</u>	<u>37,282,871,287.38</u>	<u>28,963,039,301.70</u>

7 INCOME TAX EXPENSE

Unit: Yuan Currency: RMB

Item	Amount for current year	Amount for last year
Income tax expense for current period	390,688,607.72	236,212,644.56
Including: China	386,563,737.78	235,011,961.53
India	2,896,055.61	1,197,687.58
Other regions	1,228,814.33	2,995.45
Deferred income tax expense	<u>-152,864,543.08</u>	<u>-85,252,938.72</u>
Total	<u>237,824,064.64</u>	<u>150,959,705.84</u>

8 EARNINGS PER SHARE

a) Basic earnings per share

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

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

Unit: Yuan Currency: RMB

Item	Current year	Last year
Combined net profit attributable to parent company's shareholders of ordinary shares	2,289,036,817.45	1,861,998,155.29
Weighted average number of outstanding ordinary shares of the Company ^{note1}	3,119,490,796.67	3,116,540,738.00
Basic earnings per share ^{note2} (RMB/share)	0.73	0.60
Including: Basic earnings per share from continuing operations (RMB/share)	<u>0.73</u>	<u>0.60</u>

Note:

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

= Share capital at the beginning of the year – decrease 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

=3,119,490,796.67

(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

=RMB2,289,036,817.45/3,119,490,796.67 shares = 0.73 (RMB/Share)

(3) The Company repurchased and cancelled 613,000 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 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	23,107,114,285.36	18,717,207,313.08	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	12,786,983,905.17	15,138,463,805.74	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	10,320,130,380.19	3,578,743,507.34	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	20,799,431,377.15	16,547,697,837.58	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	10,790,479,510.33	3,577,233,803.88	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)	2,778,032,038.35	2,167,999,772.04	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								
Supplemental information								
Capital expenditure						126,303,158,392.54	58,582,462,313.58	67,720,696,078.96
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								

Segment information of 2020

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

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 cash dividends or profit	Provision for impairment	Others	Closing balance
I. Joint ventures											
MHPS Dongfang Boiler Co., Ltd. (MHPS Dongfang)	200,501,789.79			5,906,052.91		269,979.36	4,311,250.00			202,366,572.06	
Dongfang Framatome Nuclear Pump Co., Ltd. (Dongfang Framatome)	196,943,910.43			26,475,901.12						223,419,811.55	
Dongfang Electric (Xichang) Hydrogen Energy Co.,Ltd. (Dongfang (Xichang) Hydrogen)	6,591,580.67			-460,958.35						6,130,622.32	
Sub-total	404,037,280.89			31,920,995.68		269,979.36	4,311,250.00			431,917,005.93	
II. Associated companies											
Sichuan Wind Power Industry Investment Co., Ltd. (Sichuan Wind Power)	459,291,163.21			78,259,809.66						537,550,972.87	
Huadian Longkou Wind Power Co., Ltd. (Longkou Wind Power)	56,849,571.33			18,545,450.75						75,395,022.08	
Inner Mongolia Energy Power Hongjiying Wind Power Co., Ltd. (Hongjiying Wind Power)	18,545,550.24			4,890,399.76						23,435,950.00	
CLP Combined Heavy Gas Turbine Technology Co., Ltd. (CLP Combined Heavy Gas)	131,724,838.53			-326,043.15						131,398,795.38	
Inner Mongolia Mengneug Sanshengtai Wind Power Co., Ltd. (Sanshengtai Wind Power)	17,522,034.07			-2,619,426.54						14,902,607.53	
Inner Mongolia Mengneug Wulan New Energy Co., Ltd. (Wulan New Energy)	42,668,021.37			-3,952,253.33						38,715,768.04	
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. (Mitsubishi Heavy Industries)	466,763,496.13			145,849,997.90			108,864,132.00		85,109.07	503,834,471.10	
Sichuan Dongshu New Material Co., Ltd. (Dongshu New Material)	173,240,548.46			35,714,014.46	-1,747,873.71					207,206,689.21	
Leshan City Dongle Heavy Piece Handling Co., Ltd. (Dongle Heavy Piece)	3,085,627.12			-146,301.43						2,939,325.69	
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	2,041,984.14			20,266.17						2,062,250.31	
Hunan Pigeon Environmental Protection Co., Ltd.		29,190,000.00								29,190,000.00	
Deyang Guangda Dongqi New Material Co., Ltd.		336,274,509.80		-28,531,027.48					-16,698,617.77	291,044,864.55	
Sub-total	1,371,732,834.60	365,464,509.80		247,704,886.77	-1,747,873.71		108,864,132.00		-16,613,508.70	1,857,676,716.76	
Total	1,775,770,115.49	365,464,509.80		279,625,882.45	-1,747,873.71	269,979.36	113,175,382.00		-16,613,508.70	2,289,593,722.69	

11 DIVIDENDS

Based on 3,119,001,130 shares in the share capital as at the disclosure date of this announcement, the Board has proposed the payment of a dividend for the year 2021 of RMB2.3 for every 10 shares (before tax) totalling a cash distribution of RMB717,370,259.90 (before tax) (2020: cash dividend of RMB1.8 for every 10 shares (before tax)), subject to shareholders' approval at the annual general meeting for 2021. If approved, the 2021 final dividend is expected to be distributed to the Shareholders on 28 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and Analysis of Operations

Operating in energy equipment industry, the Company provides various energy, environmental protection, chemical and other products and systems packages, trade, finance, logistics and other services to global energy operators and other users. There were no material changes in our principal business during the Reporting Period.

The Company is mainly engaged in development, designing, manufacturing and sale of advanced sets of equipment for the generation of wind power, solar power, hydropower, nuclear power, steam power, thermal power and other clean and efficient energy. The Company is also engaged in such related business as providing global energy operators with construction contracting and services.

The Company has a complete energy equipment research and manufacturing system, with a industry leading position in various aspects such as 1 million kilowatt-class units and large circulating fluidized bed boilers; our hydropower products are generally among the top in China, and our hydroelectric technologies, such as cross-flow and mixed-flow, have reached international leading level. The research and manufacturing of the pumped storage unit has reached world-class level. Our 13MW class offshore wind turbine has reached leading level in Asia. The Company has established a hydrogen energy integration plan for hydrogen acquisition, hydrogen storage, hydrogen filling and hydrogen use, which promoted the demonstration of application of the first set of 100kW domestic hydrogen cell CCHP system, with all indicators are at the advanced level in China, as evidenced by the development of fuel cell membrane electrode with independent intellectual property rights and high power density electric reactor and testing equipment, the building of fuel cell product system with full independent intellectual property rights, the grasp of the ability of mass production, testing, quality control and after-sales service, and the operation for nearly 10,000,000 kilometers in total of a hundreds of hydrogen fuel buses equipped with fuel cell engine of Dongfang Electric. The Company has completed the development of air turbine, a national demonstration project of compressed air energy storage and power generation system, and has promoted the construction of the first new carbon dioxide energy storage verification project in China.

(I) The operation and development momentum was sound

In 2021, in the new stage of development, the Company fully, accurately and comprehensively implemented the new development philosophy, served the establishment of a new development pattern and spared no effort for growth, transformation and risk control, leading to a sprint in growth in the opening year of the “Fourteenth Five-Year Plan” period. The Company recorded a total operating income of RMB47,819 million, representing an increase of 28.26% as compared with last year; net profit attributable to the shareholders of parent company amounted to RMB2,289 million, representing a year-on-year increase of 22.93%; weighted average return on net assets was 7.20%, representing an increase of 1.01 percentage points as compared with the corresponding period last year.

(II) Remarkable success have been attained in marketing

The Company closely followed the new energy security strategy and the strategic goals of “peak carbon emissions and carbon neutrality” by taking the initiative to meet the construction needs of new power structure featuring with new energy as the main body and vigorously promoting market expansion. In 2021, the new orders of the Company amounted to RMB56,392 million, representing a year-on-year increase of 14.15%. High-efficient clean energy equipment efficiently accounted for 25.81% of the new effective orders, renewable energy equipment accounted for 29.40%, engineering and trade accounted for 13.46%, modern manufacturing services accounted for 12.78%, and emerging growth business accounted for 18.55%. As of the end of 2021, the Company had RMB81,600 million of orders in hand.

(III) Breakthrough made in scientific and technological innovation

The Company adheres to innovation as the primary driving force. The Company's R&D investment amounted to RMB2,722 million, accounting for 5.82% of the operating revenue, and was awarded second prize of the National Science and Technology Progress Award and 29 provincial and ministerial awards. Breakthrough made in key core technologies. The innovative quality projects of million-kilowatt hydropower unit in Baihetan with the world's largest single-unit capacity achieved excellent performance and stable operation of first list of units. The pumped storage unit in Changlongshan, the highest water head in China, was put into commercial operation with excellent performance in all parameters. The self-developed nuclear power in the first global nuclear power of "HPR1000 (華龍一號)" has consistently been operating in safe and stable manners with reliable performance since putting into commercial operation. The 13MW wind turbine with the largest single-unit capacity and the largest impeller diameter in Asia was successfully launched on 22 February 2022; Baihetan hydropower unit, 50MW Heavy Gas Turbine and 10MW offshore wind turbine units were selected as major scientific and technological innovation achievements cases by the Science and Technology Innovation Bureau of the SASAC. By establishing four innovation alliances such as advanced power equipment with over 70 domestic enterprises, the technological innovation system was continuously optimized featuring on-going improvement of incentive mechanism. By virtue of formulating the management regulations on selecting competent person in terms of scientific and technological innovation, collaborative and open innovation were continuously promoted, thus improving the sharing of research and development resources.

(IV) Industrial development through transformation and upgrading

By focusing on the new development concept, the Company closely followed the new energy security strategy and the strategic goals of "peak carbon emissions and carbon neutrality" by taking the initiative to meet the construction needs of a new power system featuring with new energy as the main body. The Company also conducted a series of strategic research around the development of new industries by strengthening the top-level design combined with the accelerated transformation and upgrading of industrial structure, thus to promote the continuous development of new industries and new business model. In 2021, the proportions of operating revenue and new effective contracts increased to 26.4% and 23.1%, respectively, while the proportions of operating revenue of coal power industry and new effective contracts decreased to less than 20%, and the proportion of "zero-carbon" power generation equipment accounted for over 60% of the equipment manufacturing segment.

(V) Vertical advancement of deepening reform

The Company fully implemented the tasks of the three-year action plan for state-owned enterprise reform by focusing on key points, stepping up its efforts in shoring up the weaknesses, thus to improve the modern enterprise system with Chinese characteristics. The board of directors (supervisors) of all sub-subsidiaries should be fully established with best efforts, with the majority proportion of external directors. The important functions and powers of the board of directors of 12 subsidiaries such as the right to appoint (dismiss) managers, the right to review the performance of managers and the right to distribute remuneration should be implemented. The standardization of the board of directors of the subsidiaries was further improved by fully exerting their strengths. The reform of the three systems was continuously deepened by achieving all and sub-coverage of contractual management of the tenure system of the management of enterprises. By further improving the breadth and strength of medium and long-term incentives, seven enterprises, including Dongfang Electrical, implemented eight medium and long-term incentive plans such as project dividend income for key employees and excess profit sharing, and realized all kinds of medium and long-term incentives in “best effort” basis, thus effectively stimulating the innovation vitality of cadres and employees.

(VI) Effective improvement of management level

The strategic leadership and control capabilities made ongoing enhancement through establishing the Strategic Advisory Committee with aim to strengthen the development of strategic research capabilities and build a professional strategic research system of the Company to provide effective support for strengthening strategic guidance. Lean management reaped fruitful results, for which 128 lean improvement projects were organized and implemented, which effectively promoted the solving of pain points and bottlenecks in the production and operation of enterprises as well as continuously improve the efficiency of lean management,. Dongfang Electric Wind Power promoted the implementation of whole value chain cost management, achieving remarkable results in cost reduction throughout the year.

(VII) Effective risk prevention and control

The Company systematically integrated risk by managing systems with compliance and internal control, improving the internal evaluation indicator system, optimizing the risk early warning system covering the whole company, strengthening audit supervision, forming the risk, compliance and internal control mechanism embedded in the business process for the continuous improvement of risk prevention and control capabilities. No major risk events were newly-added throughout the year. There were zero major quality incidents, major quality management issues and major quality complaints from customers throughout the year. In the overall ranking of thermal power unit reliability of the year selected by the China Electricity Council, the Company ranked first in China. There were zero major production safety accidents, major fire accidents, major sudden environmental pollution accidents and major occupational hazard accidents throughout the year.

(VIII) Compliance and efficiency of operation of listed companies

The operation of the listed company is compliant and efficient. In strict accordance with laws and regulations and the Articles of Association, the Company implemented the governance requirements for listed companies, revised the “Three Importance and One Large” decision-making management system in time, and promoted the coordinated operation of governance bodies. In compliance with the laws and regulations, the Company conducted high-quality information disclosure of listed companies. In 2021, the Company completed 227 items of information disclosure of listed companies, and was rated A by the Shanghai Stock Exchange for seven consecutive years. The Company also attached importance to corporate social responsibility by publishing ESG reports, for which, maintained the forefront of the electrical equipment industry in the third-party rating. The Company maintained good communication with investors by way of regularly organizing investor exchange activities to convey the Company’s value.

II. PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company recorded a total operating revenue of RMB47,819 million, representing an increase of 28.26% as compared with the same period of last year; net profit attributable to the shareholders of the Company of RMB2,289 million, representing an increase of 22.93% as compared with the corresponding period last year; net profit attributable to the shareholders of the Company after non-recurring profit or loss amounted to RMB1,762 million, representing an increase of 15.31% YoY; achieved earnings per share of RMB0.73.

(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 (%)
Total operating income	47,819,166,940.47	37,282,871,287.38	28.26
Operating income	46,755,975,362.02	36,238,925,547.37	29.02
Operating costs	38,669,905,112.14	28,863,684,916.87	33.97
Sales expenses	1,457,513,664.15	1,176,571,933.25	23.88
Administrative expenses	2,789,577,618.34	2,619,878,388.04	6.48
Financial expenses	40,178,417.47	168,473,558.29	-76.15
R&D expenditure	2,109,687,440.50	2,002,738,590.77	5.34
Net cash flows from operating activities	-4,420,888,980.16	-2,748,802,008.23	N/A
Net cash flows from investing activities	-3,052,869,630.90	-680,279,207.00	N/A
Net cash flows from financing activities	-378,255,038.12	-454,241,917.28	N/A

1. Reasons for change in operating revenue for the Year: The operating revenue for the year increased by 28.26% from the previous year, mainly due to the increase of 69.77% in the revenue of wind power segment.
2. Reasons for change in operating costs for the Year: The operating costs for the year increased by 33.97% from the previous year, mainly due to the corresponding increase as a result of the increase in sales volume.

3. Reasons for change in selling expenses for the Year: The selling expenses for the year increased by 23.88% from the previous year, mainly due to the year-on-year increase in provisions made for quality warranty based on income proportion during the year.
4. Reasons for change in administrative expenses for the Year: The administrative expenses for the year increased by 6.84% from the previous year, mainly due to provisions for the termination benefits resulted by the reform of enterprises with mixed ownership during the year.
5. Reasons for change in finance costs for the Year: The finance costs for the year decreased by 76.15% from the previous year, mainly due to the year-on-year decrease in net foreign exchange losses during the year.
6. Reasons for change in R&D expenses for the Year: The R&D expenses for the year increased by 5.34% from the previous year, mainly due to the increase in the research and development investment in key projects during the year.
7. Reasons for change in net cash flows from operating activities for the Year: The decrease in net cash flows from operating activities for the year as compared with the previous year was mainly due to the net outflow from normal operation of the DEC Finance during the year. After deducting the cash flow from financial business activities of DEC Finance, net cash inflow from operating activities for the year was RMB705 million.
8. Reasons for change in net cash flows from investing activities for the Year: The decrease in net cash flows from investing activities for the year as compared with the previous year was mainly due to the year-on-year increase in the investment of the bank's wealth management products of DEC Finance of the Company during the year.
9. Reasons for change in net cash flows from financing activities for the Year: The increase in net cash flows from financing activities for the year as compared with the previous year was mainly due to the increase in bank borrowings obtained during the year.

2. Analysis of Operations by Industry, Product or Region

(1) Major operations by industry, product and region

Unit: Yuan Currency: RMB

By industry						
Industry	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs margin (%)	Year-on-year increase/decrease in gross profit margin (%)
Power generation equipment manufacturing industry	47,819,166,940.47	38,782,187,274.99	18.90	28.26	33.90	Decreased 3.42 percentage points
By product						
Product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs margin (%)	Year-on-year increase/decrease in gross profit margin (%)
Renewable energy equipment	15,138,463,805.74	12,970,464,033.70	14.32	50.11	50.00	Increased 0.06 percentage point
High-efficient clean energy equipment	12,786,983,905.17	10,008,951,866.81	21.73	14.66	17.42	Decreased 1.84 percentage points
Engineering and trade services business	7,758,030,958.59	6,913,753,522.80	10.88	60.33	95.49	Decreased 16.03 percentage points
services business	3,963,328,641.64	2,120,860,489.80	46.49	-19.28	-21.86	Increased 1.77 percentage points
Emerging growth business	8,172,359,629.33	6,768,157,361.88	17.18	29.80	22.14	Increased 5.19 percentage points

By region						
Region	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Domestic	43,918,993,698.68	35,817,696,268.37	18.45	33.06	37.94	Decreased 2.88 percentage points
Overseas	3,900,173,241.79	2,964,491,006.62	23.99	-8.80	-1.05	Decreased 5.95 percentage points

By sales model						
Sales model	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 (%)
Customized sales	47,819,166,940.47	38,782,187,274.99	18.90	28.26	33.90	Decreased 3.42 percentage points

Major operations by industry, product, region and sales model

- (1) During the year, the total operating revenue of the Company increased by 28.26% as compared with last year. Revenue generated from other segments increased year-on-year except for the segment of modern manufacturing services.
- (2) Renewable energy equipment revenue increased by 50.11% year on year, primarily attributable to the operating revenue of wind power products increased by 69.77% year-on-year.

(2) Capacity and sales analysis table

Major products	Unit	Capacity (MW)	Sales (MW)	Inventory (MW)	Capacity increase/ decrease from the previous year (%)	Sales increase/ decrease from the previous year (%)	Inventory increase/ decrease from the previous year (%)
Hydro-generating Unit	MW	8,101	11,957	1,295	14.2	113.36	-74.86
Steam turbine generators	MW	25,028	24,966	15,480	67.25	102.06	0.4
Wind power units	MW	3,370	3,362	199	19.26	17.84	6.99
Power station steam turbines	MW	23,929	18,495	20,945	56.84	69.97	17.79
Power station boilers	MW	22,017	22,017	0	34.19	34.19	N/A

(3) Cost analysis

Unit: 0'000 yuan Currency: RMB

Industry	Cost composition	Amount for the Year	By industry Percentage in total costs for current year (%)	Amount for last year	Percentage in total costs of last year (%)	Year-on-year increase/decrease (%)	Remark
Power generation equipment manufacturing	Raw material costs (procurement cost)	3,091,681.67	79.72%	2,342,008.14	80.86	32.01	
Power generation equipment manufacturing	Labour costs	156,680.28	4.04%	92,074.36	3.18	70.17	
Power generation equipment manufacturing	Other costs	629,856.78	16.24%	462,221.43	15.96	36.27	
	Total						

Industry	Cost composition	Amount for the Year	By industry	Amount for last year	Percentage in	Year-on-year increase/decrease (%)	Remark
			Percentage in total costs for current year (%)		Percentage in total costs of last year (%)		
Renewable energy equipment	Raw material costs (procurement cost)	1,053,404.41	27.16	688,534.94	23.77	52.99	
Renewable energy equipment	Labour costs	75,777.03	1.95	26,286.54	0.91	188.27	
Renewable energy equipment	Other costs	167,864.96	4.33	149,857.64	5.17	12.02	
High-efficient clean energy equipment	Raw material costs (procurement cost)	847,842.88	21.86	691,843.58	23.89	22.55	
High-efficient clean energy equipment	Labour costs	39,283.02	1.01	36,406.10	1.26	7.90	
High-efficient clean energy equipment	Other costs	113,769.29	2.93	124,176.32	4.29	-8.38	
Engineering and trade	Raw material costs (procurement cost)	574,047.16	14.80	331,334.97	11.44	73.25	
Engineering and trade	Labour costs	4,084.24	0.11	4,946.06	0.17	-17.42	
Engineering and trade	Other costs	113,243.96	2.92	17,375.57	0.60	551.74	
Modern manufacturing services	Raw material costs (procurement cost)	75,774.38	1.95	136,582.21	4.72	-44.52	
Modern manufacturing services	Labour costs	7,788.96	0.20	7,259.34	0.25	7.30	
Modern manufacturing services	Other costs	128,522.71	3.31	127,585.20	4.41	0.73	
Emerging growth business	Raw material costs (procurement cost)	540,612.84	13.94	493,712.44	17.05	9.50	
Emerging growth business	Labour costs	29,747.03	0.77	17,176.32	0.59	73.19	
Emerging growth business	Other costs	106,455.87	2.74	43,226.70	1.49	146.27	
	Total						

(4) Major Customers in Sales and Major Suppliers

The Company's sales to its top five customers amounted to RMB5,736.7016 million, accounting for 12.00% of the total sales for the year with the largest customer accounted for approximately 3.53% of the total sales for the year, among which, sales to related parties was RMB743.0541 million, accounting for 1.55% of the total sales for the year.

The Company's procurement from its top five suppliers amounted to RMB3,695.2978 million, accounting for 9.53% of the total procurement for the year, with the largest supplier accounted for approximately 3.51% of the total sales for the year among which, the procurement from related parties was RMB1,914.4437 million, representing 4.94% of the total procurement for the year.

3. *Expenses*

Item	2021	2020	Change (%)
Selling expenses	1,457,513,664.15	1,176,571,933.25	23.88
Administrative expenses	2,789,577,618.34	2,619,878,388.04	6.48
R&D expenditure	2,109,687,440.50	2,002,738,590.77	5.34
Finance costs	40,178,417.47	168,473,558.29	-76.15
Income tax expenses	237,824,064.64	150,959,705.84	57.54

4. *R&D Expenditure*

Unit: Yuan Currency: RMB

	2021
Expensed R&D expenditure for the period	2,498,757,662.56
Capitalized R&D expenditure for the period	223,174,577.78
Total R&D expenditure	2,721,932,240.34
Percentage of total R&D expenditure over revenue (%)	5.82
Percentage of R&D expenditure capitalization (%)	8.20

5. Cash flows

Item	2021	Unit: Yuan	
		2020	Change (%)
Net cash flows from operating activities	-4,420,888,980.16	-2,748,802,008.23	N/A
Net cash flows from investing activities	-3,052,869,630.90	-680,279,207.00	N/A
Net cash flows from financing activities	-378,255,038.12	-454,241,917.28	N/A

(II) ANALYSIS OF ASSETS AND LIABILITIES

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and cash equivalents	18,721,874,434.15	18.16	26,686,232,240.60	27.29	-29.84	Outflows from the normal operations by DEC Finance for the year
Accounts receivable financing	1,342,379,048.57	1.30	1,946,034,819.15	1.99	-31.02	Increase in derecognition of bills endorsement
Long-term receivables	552,279,661.97	0.54	273,964,739.39	0.28	101.59	Increase in installment payments for sales of goods
Long-term equity investments	2,289,593,722.69	2.22	1,775,770,115.49	1.82	28.94	
Constructions in process	286,478,771.81	0.28	204,474,620.89	0.21	40.10	Increase in fixed assets investment
Right-of-use assets	231,326,102.07	0.22	164,993,842.35	0.17	40.20	New lease contracts
Short-term Loans	41,830,000.00	0.04	297,980,000.00	0.30	-85.96	Partial repayment of borrowings
Long-term Loans	1,565,091,967.96	1.52	719,350,539.48	0.74	117.57	Loans obtained by Orient International, a subsidiary
Lease liabilities	<u>126,932,623.70</u>	<u>0.12</u>	<u>27,531,905.94</u>	<u>0.03</u>	<u>361.04</u>	New lease contracts

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

(I) Analysis of operating results

Unit: Yuan Currency: RMB

Item	2021	2020	Year-on-year increase/decrease (%)
Total operating income	47,819,166,940.47	37,282,871,287.38	28.26
Sales expenses	1,457,513,664.15	1,176,571,933.25	23.88
Administrative expenses	2,789,577,618.34	2,619,878,388.04	6.48
R&D expenditure	2,109,687,440.50	2,002,738,590.77	5.34
Financial expenses	40,178,417.47	168,473,558.29	-76.15
Operating profit	2,658,242,870.02	2,160,290,654.85	23.05
Total profit	2,667,047,594.90	2,067,223,836.63	29.02
Income tax expenses	237,824,064.64	150,959,705.84	57.54
Net profit	2,429,223,530.26	1,916,264,130.79	26.77
Net profit attributable to shareholders of the parent company	<u>2,289,036,817.45</u>	<u>1,861,998,155.29</u>	<u>22.93</u>

Total operating revenue of the Company for the year increased by 28.26% as compared with last year, mainly due to the year-on-year increase of 69.77% in revenue from the wind power segment.

Selling expenses increased by 23.88% as compared with the previous year, mainly due to the year-on-year increase in quality assurance expenses accrued in proportion to revenue for the year.

Administrative expenses increased by 6.48% compared with the previous year, mainly due to provision for termination benefits for the mixed ownership reform of the industry this year.

R&D expenditure increased by 5.34% compared with the previous year, mainly due to the increased investment in R&D of key projects during the year.

Financial expenses decreased by 76.15% as compared with the previous year, mainly due to the year-on-year decrease in exchange losses for the year.

Income tax expenses increased by 57.54% as compared with last year, mainly due to the increase in profit for the year.

Net profit attributable to shareholders of the listed company during the year increased year-on-year by 22.93%, 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 RMB103,105 million, representing an increase of 5.43% as compared with the beginning of the year, among which, an increase of 22.12% and 6.12% were recorded in inventory and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB67,721 million, representing an increase of 5.56% as compared with the beginning of the year, attributable to an increase of 2.33% in accounts payable and an increase of 5.13% in contract liabilities. Shareholders' equity amounted to RMB35,384 million in total, representing an increase of 5.18% as compared with the beginning of the year, mainly attributable to the increase in profit during the year.

GEARING RATIO

Item	Current period	Last period	Year-on-year decrease (percentage point)
Gearing ratio (%)	65.68	65.60	0.08

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

Gearing ratio of the Company was 65.68% at the end of the year, representing an increase of 0.08 percentage points as compared with the beginning of the year. The Company's assets structure risk is controllable.

BANK BORROWINGS

As at 31 December 2021, the Company had borrowings from financial institutions (banks) of RMB42 million due within one year and had bank borrowings of RMB856 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB542 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 2021, the Company had pledged borrowings of RMB356 million (2020: RMB384 million), which were related to borrowings from financial institutions secured by concession. As at 31 December 2021, net concession value amounted to RMB488 million (2020: RMB524 million). As at the end of the year, this part of borrowings was not mature and repayable.

DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Structure and trend of the industry

According to the National Energy Working Conference, we will adhere to the general principle of seeking progress with stability for the energy work in 2022 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 and low-carbon development. We will continue to exert the power of coal as "ballast", to enhance the ability of electricity safety and supply by virtue of effectively playing a fundamental regulatory role of coal and electricity. We will accelerate the implementation of renewable energy substitution to promote the adjustment of power system. The Company will accelerate the energy technology innovation through strengthening the technology and equipment research and carrying out the technological and industrial innovation and deepening the reform for system and mechanism to expand international energy cooperation.

According to the forecast of the China Electricity Council, in 2022, it is expected that the annual electricity consumption of the whole society will increase by 5% to 6%, and the overall growth rate of electricity consumption of the whole society in each quarter will increase at quarterly basis. Driven by the rapid development of new energy, it is expected that the newly installed capacity will reach a record-breaking high in 2022, with an annual newly installed capacity of approximately 0.23 billion kilowatt of power generation

Achieving carbon peak and carbon neutrality is an inherent requirement for promoting high-quality development. We will unswervingly pursue the goal. The gradual withdrawal of traditional energy will be established on the basis of the safe and reliable new energy substitution. The industry ushered in the development opportunities of new energy supply capacity construction represented by wind power and photovoltaic industry, the development opportunities of new energy consumption capacity construction represented by pumped storage and energy storage, and the development opportunities of clean and efficient utilization of coal represented by coal power transformation and upgrading and moderate construction. Meanwhile, the demand for green and low-carbon technology has become increasingly prominent.

Since 2021, China has continuously introduced policies in the energy field, with clarified planning and supporting policies for offshore wind power in coastal regions across the country in orderly manner. In particular, Guangdong, Shandong, Zhejiang, Hainan, Jiangsu, Guangxi and other regions have primarily defined their development goals for offshore wind power. According to incomplete statistics, during the “14th Five-Year Plan” period, the planned total installed capacity of offshore wind power in China exceeded 100GW featuring with the continued explosive growth trend for offshore wind power. The National Medium and Long-term Development Plan for Pumped Storage (2021–2035) issued in September 2021 clarified that, by 2025, the total output of pumped storage will reach over 62 million kilowatts, and, by 2030, the total output will reach around 120 million kilowatts; By 2035, a modern pumped storage industry will be developed to meet large-scale development needs with the high proportion of new energy, characterized with good momentum of the development trend of pumped storage. In October 2021, the National Development and Reform Commission and the National Energy Administration issued the “Implementation Plan for the Renovation and Upgrade of Coal-fired Power Generating Units in China”, which clarified that, during the “14th Five-Year Plan” period, the scale of coal-saving and consumption reduction transformation shall not be less than 350 million kilowatts, and the scale of heat supply transformation shall strive to reach 50 million kilowatts, and the existing coal-fired power generating units shall be transformed flexibly with efforts, by completing 200 million kilowatts and increasing the system adjustment capacity by 30–40 million kilowatts. In principle, new coal-fired power generating units are adopted with ultra-supercritical units with low coal consumption, and the demand for clean and efficient development of coal-fired power is obvious.

(II) The Company's development strategy

In 2022, the key year for 14th Five-Year Plan period, the Company will adhere to seeking progress while maintaining stability by focusing on innovation and seeking development. We will also promote the implementation of key works in all aspects such as industrial green transformation and digital transformation, operation quality improvement, technological innovation, market expansion, further reform, management improvement, human resource and risk prevention and control. The Company will comprehensively complete the targets for production and operation in 2022, thus to usher to a new level for the development of the Company.

(III) Business plan

In 2022, the Company will maintain steady growth in operating revenue and continuous increase in total profit, expect to complete the production of power generation equipment of 35.24 million, vigorously promote the rapid progress of new energy equipment, thus to usher to a new level for the development of the Company. The details are as follows:

1. Industrial green transformation and digital transformation

The Company will scientifically promote the double-carbon work by further strengthening the cooperation with central enterprises to improve the supply capacity of comprehensive solutions and accelerate the further optimization of the industrial landscape of “combination of six powers and synergy in five industries”. We organized and implemented clean process transformation to reduce resource consumption and environmental impact in the production process, and continued to promote the construction of green workshops.

2. Operation quality

The Company will hold firm to focus on the key tasks such as “Receivables and Inventories” reduction by strengthening operational control and fully using of methods and tools such as lean management, deeply implementing special actions to identify potential areas and enhance efficiency, so as to consolidate and improve operational quality and continue to promote the synergy growth of efficiency and scale.

3. *Technological innovation*

The Company will further strengthen open and collaborative innovation by continuing to strengthen the investment and precision of R&D funds as well as accelerating the breakthrough of key core technologies. We will actively create original technology sources and strive to be the leader of the industrial chain. Through further improving the system and mechanism of scientific and technological innovation, the three-year action plan for scientific and technological innovation and the ten-year plan for basic research on application will be formulated and published by the Company. We also further promote the implementation of the mechanism of “appreciation of competent person” for major projects and further strengthen the construction of innovation platforms and actively participated in the construction of national-level innovation bases such as the restructuring of national key laboratories.

4. *Market expansion*

The Company will actively respond to and implement the national policies on pumped storage, transformation and upgrading of coal power generating units, vigorously promote the continuous innovation of new energy equipment, new business models and new business forms, and promote the high-quality, sustainable and healthy development of the Company. We will actively establish the strategic cooperation relations with the foreign countries to promote the ordered implementation of strategic cooperation matters in a pragmatic manner. The Company will strive for more market orders with good project execution.

5. *Deepening reform*

The Company made every effort to fully advance the completion of the three-year action plan for deepening reform with the effective implementation of various reform measures. We will continue to promote the reform of the three systems and accelerate the formation of a market-oriented operation mechanism. The Company will speed up the promotion of differentiated management of subsidiaries and enterprises, and form a differentiated management and control system plan based on the lists of management and control, report and supervision.

6. *Management improvement*

The Company will focus on solving the long-term and recurring management issues, continuously improve the ability to detect anomalies and rectify errors in timely manner to further increase the effectiveness of management. The Company shall make solid progress in the rectification of procurement bidding standards and the improvement of supply chain management.

7. *Risk prevention and control*

With the aim of improving risk management capability, we will optimize the risk identification and control mechanism, gradually promote the informatization of risk management, and realize the systematic optimization of risk prevention and control system. In terms of environmental protection, the Company will strengthen the rectification of the source of environmental protection and resolve major environmental protection risks. The Company will adhere to internal and external quality management benchmarking, strengthen supplier management, and strictly prevent material and batch quality risks. By combining with the effective management and control of the risks of the pandemic and solid barrier for pandemic prevention and control, the Company will ensure the high-quality development.

8. *Governance of listed companies*

The Company will earnestly implement the requirements of high-quality development of listed companies, constantly improve the corporate governance system, and promote the scientific decision-making management. The implementation the internal control system of listed companies should be strictly carried out by deepening the standardization of internal control system to improve the effectiveness of internal control. We will strictly comply with the information disclosure standards to disclose the information of listed companies and prepare regular reports. The Company will actively and effectively carry out investor-related management and market value management to establish a good image in capital market and create greater value for shareholders.

(IV) Possible Risks

1. *Pandemic prevention and control risk*

The situation of pandemic prevention and control is still severe. The risks of imported cases of pandemic remain, and there are occasional occurrences of reflections of different degrees in many parts of the country. Once a pandemic occurs in the Company, the normal production and operation will be affected. In response to such risks, the Company will further improve the normal prevention and control and the transformation mechanism of emergency response, so as to maintain the effective operation of the prevention and control system.

2. *Risk of international operation*

The international political situation is turbulent and the ongoing global COVID-19 is not conducive to the Company's overseas market expansion. In view of this risk, the Company will take multiple measures to actively explore the international new energy market, strengthen the innovation of international market development model, vigorously seize the opportunities of green and low-carbon development of overseas energy, and strive for high-quality projects on the basis of strengthening overseas pandemic prevention and control and safety and stability.

3. *Project execution risk.*

Due to the delay in the delivery of major and key project equipment resulting from the shortage of production capacity or the insufficient management and control ability of industrial chain and supply chain, the Company has incurred contract performance risk. For such risk, the Company will promote joint research and development and technological innovation, enhance the cultivation of suppliers, regularly conduct analysis and evaluation of product performance and coordinate all resources to fully ensure the delivery of goods in 2022.

4. *Risk of market competition*

The energy equipment industry will undergo profound changes under the influence of the national energy "14th Five-Year Plan", and market competition will become increasingly fierce, bringing challenges to the Company's market development. To address this risk, the Company will strengthen the research and marketing of integrated energy solutions around the construction of a new energy system, enhance the acquisition of resources, and use the development and utilization of relevant resources to drive the integration and leapfrog development of the whole industry of "six electricity and five industries". At the same time, the Company will continue to conduct cost control, adopt a variety of ways to enhance the competitiveness of products, such as optimizing design, reducing costs in management and increasing efficiency in production.

OTHERS

1. Capital Structure

For the year ended 31 December 2021, total share capital of the Company amounted to RMB3,119,151,130, divided into 2,779,151,130 A shares of RMB1.00 per share and 340,000,000 H shares of RMB1.00 per share. The capital structure of the Company is as follows:

Class of shares	2021		2020	
	Number of shares	% of total number of share capital issued	Number of shares	% of total number of share capital issued
A share	2,779,151,130	89.10%	2,779,764,130	89.10%
H share	340,000,000	10.90%	340,000,000	10.90%
Total	<u>3,119,151,130</u>	<u>100%</u>	<u>3,119,764,130</u>	<u>100%</u>

2. Major Acquisition and Disposal of Subsidiaries and Associates

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. Two Participants have resigned due to personal reasons and are no longer qualified as Participants, two Participants have been included in the Employee Stock Ownership Scheme of the subsidiaries. In accordance with the relevant provisions of State-owned Assets Supervision and Administration Commission of the State Council, they can no longer participate the Incentive Scheme of the Company. On 5 February 2021, the Company completed the repurchase and cancellation of a total of 138,000 Restricted A shares of the above four Participants. For details, please refer to the relevant announcements of the Company dated 24 September 2020 and 2 February 2021.

- ii. As six of the Participants under the First Grant have resigned due to personal reasons and are no longer qualified as Participants, three Participants have breached relevant regulations and no longer qualified as Participants; a Participant has passed away and is no longer qualified as a Participant; a Participant has been included in the Employee Stock Ownership Scheme of the subsidiaries of the Group and therefore could no longer participate in the Incentive Scheme of the Company; and a Participant under the Reserved Grant, has been transferred from the Company due to organizational arrangements and is no longer qualified as a Participant. On 20 August 2021, the Company completed the repurchase and cancellation of all the Restricted Shares totalling 475,000 A shares that have been granted to the aforesaid 12 Participants yet still locked up. For details, please refer to the relevant announcements of the Company dated 29 April 2021 and 20 August 2021.

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

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

At the end of the Reporting Period, the aggregate guarantee of the Company amounted to RMB92.5 million, representing 0.26% of the net assets of the Company.

5. Material litigation and arbitration

During the year ended 31 December 2021 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 2021, the Company employed 16,969 staff (2020: 17,336).

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 improve employees' professional ability and work performance. By continuously improving its training system and training mechanism, the Company 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 8 December 2021, 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 has resigned due to personal reasons and are no longer qualified as Participants; one Participant have breached relevant regulations and is no longer qualified as a Participant; one Participant failed to achieve the target of the individual performance appraisal. The Board has considered and decided to repurchase and cancel all the unqualified Restricted Shares totaling 150,000 A shares that have been granted to the aforesaid five Participants and still locked up. The repurchase price is RMB5.545 per share.

The repurchase and cancellation of all the restricted shares that had been granted to the aforesaid five participants and yet still locked, totaling 150,000 A shares, was approved at the 2021 first extraordinary general meeting, the 2021 second A shares class meeting and the 2021 second H shares class meeting of the Company held on 28 December 2021 and such shares was cancelled on 10 March 2022.

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 2021, 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 2021, 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
30 March 2022

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

Directors: Yu Peigen, Xu Peng and Zhang Yanjun
Independent Non-executive Directors: Liu Dengqing, Huang Feng and Ma Yongqiang