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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)

## **ANNOUNCEMENT OF 2022 INTERIM RESULTS**

### **RESULTS HIGHLIGHTS**

Total operating revenue of the Group for the first half of 2022 amounted to RMB27,909 million, representing an increase of 22.75% as compared with the same period of the previous year;

Net profit of the Group attributable to shareholders of the parent company for the first half of 2022 amounted to RMB1,774 million, representing an increase of 31.59% as compared with the same period of the previous year;

Earnings per share of the Group in the first half of 2022 amounted to RMB0.57, as compared with RMB0.43 for the same period of the previous year;

New orders of the Group in the first half of 2022 amounted to RMB36,656 million; and

The Board does not recommend the payment of an interim dividend.

The board (the “**Board**”) of directors (the “**Directors**”) of Dongfang Electric Corporation Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**” or “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises. The unaudited interim consolidated results have been reviewed by the audit and review committee of the Company.

## FINANCIAL INFORMATION

### Consolidated Statement of Financial Position

30 June 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Current Assets:</b>			
Cash and cash equivalents		13,235,457,588.96	18,721,874,434.15
Clearing provision		–	–
Funds for lending		1,017,114,000.00	2,331,536,400.00
Held-for-trading financial assets		1,186,436,367.43	1,466,444,004.12
Derivative financial assets		106,250.00	–
Notes receivable		2,424,530,706.62	2,994,627,532.41
Accounts receivable	2	11,400,828,869.24	7,986,787,322.58
Receivables financing		881,508,063.80	1,342,379,048.57
Prepayments		3,642,087,804.12	3,636,005,219.95
Premiums receivable		–	–
Amounts receivable under reinsurance contracts		–	–
Reinsurer's share of insurance contract reserves		–	–
Other receivables		596,448,551.85	607,440,479.81
Financial assets purchased under resale agreements		2,720,000,000.00	2,827,514,000.00
Inventories		17,424,490,828.71	19,062,432,842.88
Contract assets		10,889,474,654.37	7,979,898,927.87
Assets held for sale		–	–
Non-current assets due within one year		28,702,433.64	57,404,867.28
Other current assets		686,148,943.29	840,264,379.42
<b>Total Current Assets</b>		<b>66,133,335,062.03</b>	<b>69,854,609,459.04</b>

Item	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Non-current Assets:</b>			
Loans and advances		4,425,329,750.80	3,240,998,518.16
Debt investments		21,262,290,867.67	12,660,183,476.06
Other debt investments		–	–
Long-term receivables		1,052,531,511.49	552,276,661.97
Long-term equity investments		2,281,886,476.62	2,289,593,722.69
Other investments in equity instruments		72,300,000.00	52,300,000.00
Other non-current financial assets		–	–
Investment properties		154,015,393.76	157,660,075.01
Fixed assets		4,796,670,288.97	4,965,866,715.89
Constructions in process		361,475,963.48	286,478,771.81
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		326,654,367.95	231,326,102.07
Intangible assets		1,645,419,121.17	1,648,133,848.18
Development expenditure		5,612,112.35	4,270,168.76
Goodwill		–	–
Long-term deferred expenses		2,095,337.20	2,267,046.54
Deferred tax assets		3,269,930,940.80	3,140,003,311.70
Other non-current assets		4,105,817,185.87	4,018,605,426.45
<b>Total Non-current Assets</b>		<b>43,762,029,318.13</b>	<b>33,249,963,845.29</b>
<b>TOTAL ASSETS</b>		<b>109,895,364,380.16</b>	<b>103,104,573,304.33</b>

Item	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Current Liabilities:</b>			
Short-term Loans		50,000,000.00	41,830,000.00
Loans from the central bank		—	—
Taking from banks and other financial institutions		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payable		7,697,172,845.53	6,254,798,141.80
Accounts payable	3	16,693,183,278.19	13,959,367,074.05
Receipts in advance		—	—
Contract liabilities		28,009,447,966.75	30,404,986,962.19
Financial assets sold under repurchase agreements		—	—
Customer deposits and deposits from banks and other financial institutions		6,902,378,484.40	3,739,754,238.51
Funds from securities trading agency		—	—
Funds from underwriting securities agency		—	—
Employee benefits payable		737,039,538.45	785,747,202.80
Taxes payable		603,450,974.43	440,915,873.31
Other payables		2,053,045,076.74	1,406,088,437.27
Fees and commissions payable		—	—
Amounts payable under insurance contracts		—	—
Liabilities as held for sale		—	—
Non-current liabilities due within one year		50,774,628.30	102,152,874.33
Other current liabilities		347,561,008.54	840,444,121.90
<b>Total Current Liabilities</b>		<b>63,144,053,801.33</b>	<b>57,976,084,926.16</b>

Item	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Non-current Liabilities:</b>			
Insurance contract reserves		–	–
Long-term borrowings		1,573,709,556.24	1,565,091,967.96
Bonds payable		–	–
Including: Preferred stocks		–	–
Perpetual capital securities		–	–
Lease liabilities		292,222,569.22	126,932,623.70
Long-term payables		240,000.00	240,000.00
Long-term accrued payroll		1,136,011,067.92	978,695,570.03
Provisions liabilities		6,716,179,351.75	6,668,286,020.12
Deferred income		342,025,841.33	359,404,573.56
Deferred tax liabilities		43,647,259.93	45,960,397.43
Other non-current liabilities		–	–
<b>Total Non-current Liabilities</b>		<b>10,104,035,646.39</b>	<b>9,744,611,152.80</b>
<b>TOTAL LIABILITIES</b>		<b>73,248,089,447.72</b>	<b>67,720,696,078.96</b>

Item	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Owners' Equity:</b>			
Share capital		3,119,001,130.00	3,119,151,130.00
Other equity instruments		–	–
Perpetual capital securities		–	–
Capital reserves		11,417,375,894.06	11,443,491,813.08
Less: Treasury shares		113,815,586.30	168,649,028.00
Other comprehensive income		(34,260,077.31)	(68,955,596.96)
Special reserves		135,156,721.95	109,375,113.28
Surplus reserves		1,086,931,884.63	1,086,931,884.63
General risk reserves		–	–
Retained profits	4	18,033,082,545.86	16,976,316,664.38
<b>Total owners' equity attributable to equity holders of the parent company</b>		<b>33,643,472,512.89</b>	<b>32,497,661,980.41</b>
<b>Non-controlling shareholders' equity</b>		<b>3,003,802,419.55</b>	<b>2,886,215,244.96</b>
<b>Total owners' equity</b>		<b>36,647,274,932.44</b>	<b>35,383,877,225.37</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>109,895,364,380.16</b>	<b>103,104,573,304.33</b>

## Consolidated Income Statement

For the six months ended January-June 2022

(Amounts are expressed in RMB unless otherwise stated)

Item	Notes	January-June 2022 (Unaudited)	January-June 2021 (Unaudited)
<b>I. Total revenue</b>	5	<b>27,909,010,359.66</b>	22,737,085,561.92
Including: Operating income		<b>27,323,411,535.87</b>	22,213,283,866.86
Interest income		<b>584,434,000.71</b>	522,217,202.09
Premium earned		-	-
Fee and commission income		<b>1,164,823.08</b>	1,584,492.97
<b>II. Total operating costs</b>		<b>25,997,346,352.43</b>	21,285,174,090.41
Including: Operating costs		<b>22,835,597,803.11</b>	18,209,818,438.64
Interest expenses		<b>50,997,730.48</b>	56,581,143.01
Fee and commission expenses		<b>699,886.05</b>	785,443.91
Surrenders		-	-
Net claims		-	-
Net provision for insurance contract		-	-
Insurance policyholder dividends		-	-
Expenses for reinsurance accepted		-	-
Tax and levies		<b>170,614,007.64</b>	111,658,734.01
Sales expenses		<b>707,505,965.71</b>	649,498,860.65
Administrative expenses		<b>1,341,880,622.33</b>	1,221,241,346.31
R&D expenses		<b>945,283,705.10</b>	1,034,076,117.49
Financial expenses		<b>(55,233,367.99)</b>	1,514,006.39
Including: Interest expenses		<b>25,281,722.08</b>	13,819,760.24
Interest income		<b>17,610,455.06</b>	24,422,770.46

<b>Item</b>	<i>Notes</i>	<b>January-June 2022 (Unaudited)</b>	<b>January-June 2021 (Unaudited)</b>
Add: Other gains		<b>188,104,269.86</b>	55,973,729.36
Investment income		<b>134,846,276.83</b>	184,365,546.04
Including: Income from investments in associates and joint ventures		<b>116,777,292.85</b>	140,123,305.27
Derecognition of gains on financial assets measured at amortized cost		–	–
Foreign exchange gains		<b>1,720,767.48</b>	231,986.54
Gains from net exposure hedges		–	–
Gains from changes in fair values		<b>(9,897,217.58)</b>	(11,520,868.30)
Credit impairment loss		<b>91,443,759.24</b>	(60,718,145.40)
Impairment loss of assets		<b>(272,368,380.50)</b>	(213,043,003.18)
Gains from disposal of assets		<b>43,041,729.82</b>	227,469,625.08
<b>III. Operating profit</b>		<b>2,088,555,212.38</b>	1,634,670,341.65
Add: Non-operating income		<b>17,321,985.17</b>	12,308,505.03
Less: Non-operating expenses		<b>36,431,583.15</b>	17,505,757.73
<b>IV. Total profit</b>		<b>2,069,445,614.40</b>	1,629,473,088.95
Less: Income tax expenses	6	<b>204,189,356.65</b>	189,729,824.63
<b>V. Net profit</b>		<b>1,865,256,257.75</b>	1,439,743,264.32
(I) Classified by continuing operations			
1. Net profit from continuing operations		<b>1,865,256,257.75</b>	1,439,743,264.32
2. Net profit from discontinued operations		–	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of parent company		<b>1,774,136,141.38</b>	1,348,252,556.66
2. Profit or loss attributable to non- controlling interest		<b>91,120,116.37</b>	91,490,707.66



Item	Notes	January-June 2022 (Unaudited)	January-June 2021 (Unaudited)
<b>VI. Other comprehensive income (“OCI”) (net of tax)</b>		<b>35,460,142.80</b>	<b>(8,552,373.02)</b>
OCI attributable to owners of the parent company (net of tax)		<b>34,695,519.65</b>	<b>(8,402,897.11)</b>
(I) OCI that will not be reclassified to profit and loss		–	–
1. Changes arising from remeasurement benefit plans recognized		–	–
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		<b>34,695,519.65</b>	<b>(8,402,897.11)</b>
1. OCI by equity method that will be reclassified to profit and loss		<b>273,511.35</b>	<b>(145,751.22)</b>
2. Changes in fair value of other debt investment		–	–
3. The amount of financial assets reclassified into OCI		–	–
4. Credit impairment provisions for other debt investment		<b>1,685,257.82</b>	–
5. Reserve on cash flow hedges		–	–
6. Exchange differences from translation of financial statements		<b>32,736,750.48</b>	<b>(8,257,145.89)</b>
7. Others		–	–
OCI attributable to non-controlling interest, (net of tax)		<b>764,623.15</b>	<b>(149,475.91)</b>
<b>VII. Consolidated income</b>		<b>1,900,716,400.55</b>	<b>1,431,190,891.30</b>
Consolidated income attributable to owners of parent company		<b>1,808,831,661.03</b>	<b>1,339,849,659.55</b>
Consolidated income attributable to non-controlling interests		<b>91,884,739.52</b>	<b>91,341,231.75</b>
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share ( <i>RMB/share</i> )	7	<b>0.57</b>	0.43
(2) Diluted earnings per share ( <i>RMB/share</i> )	7	<b>0.57</b>	0.43

## NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts are expressed in RMB unless otherwise stated)

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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. ACCOUNTS RECEIVABLE

#### Aging analysis of accounts receivable

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year	8,502,755,979.87	5,482,435,246.56
1 to 2 years	2,547,730,501.52	1,843,505,123.39
2 to 3 years	900,314,280.63	1,189,263,023.78
3 to 4 years	721,584,161.92	624,912,548.77
4 to 5 years	524,173,165.60	571,247,657.81
Over 5 years	3,093,067,544.00	3,171,917,400.95
Sub-total	16,289,625,633.54	12,883,281,001.26
Less: Provision for bad debts	4,888,796,764.30	4,896,493,678.68
<b>Total</b>	<b>11,400,828,869.24</b>	<b>7,986,787,322.58</b>

*Note:* The Group conducted the aging analysis for accounts receivable based on the dates of relevant invoices and settlement statements.

### 3. ACCOUNTS PAYABLE

#### Aging analysis of accounts payable

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year (inclusive)	<b>14,120,030,177.17</b>	11,232,232,094.80
1 to 2 years (inclusive)	<b>1,091,886,863.07</b>	1,284,148,929.82
2 to 3 years (inclusive)	<b>506,819,186.34</b>	344,635,046.35
Over 3 years	<b>974,447,051.61</b>	1,098,351,003.08
<b>Total</b>	<b><u>16,693,183,278.19</u></b>	<b><u>13,959,367,074.05</u></b>

*Note:* The Group conducted the aging analysis for accounts payable based on the dates of relevant invoices and settlement statements.

### 4. RETAINED PROFITS

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Retained profits at the beginning of the year	<b>16,976,316,664.38</b>	15,382,662,236.78
Add: Net profits attributable to owners of parent company for the Period	<b>1,774,136,141.38</b>	2,289,036,817.45
Less: Withdrawal of statutory surplus reserves	–	114,140,705.95
Withdrawal of discretionary surplus reserve	–	–
Withdrawal of general risk reserve	–	–
Dividend payable on ordinary shares	<b>717,370,259.90</b>	561,532,703.40
Ordinary shares dividends transferred to share capital	–	–
Add: Carry-forward of other comprehensive income for retained earnings	–	(19,580,617.00)
Others	–	(128,363.50)
Retained profits at the end of the Period	<b><u>18,033,082,545.86</u></b>	<b><u>16,976,316,664.38</u></b>

## 5. OPERATING REVENUE AND OPERATING COST

Item	For the six months ended 30 June 2022 (Unaudited)		For the six months ended 30 June 2021 (Unaudited)	
	Revenue	Cost/Interest expenses/Fee and commission expenses	Revenue	Cost/Interest expenses/Fee and commission expenses
Principal operations	27,087,854,394.87	22,753,171,458.08	21,933,804,310.86	18,096,962,917.96
Other operations	235,557,141.00	82,426,345.03	279,479,556.00	112,855,520.68
Interest income	584,434,000.71	50,997,730.48	522,217,202.09	56,581,143.01
Fee and commission income	1,164,823.08	699,886.05	1,584,492.97	785,443.91
Total	<u>27,909,010,359.66</u>	<u>22,887,295,419.64</u>	<u>22,737,085,561.92</u>	<u>18,267,185,025.56</u>

## 6. INCOME TAX EXPENSES

Item	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)
Income tax expenses for current period	332,680,097.28	252,313,652.11
Deferred income tax expenses	<u>(128,490,740.63)</u>	<u>(62,583,827.48)</u>
Total	<u>204,189,356.65</u>	<u>189,729,824.63</u>

Except for five overseas subsidiaries of the Company, namely Dongfang Electric (India) Private Limited (東方電氣(印度)有限公司), Dongfang Electric (Indonesia) Private Limited (東方電氣(印尼)有限公司), Dongfang Electric Machinery Venezuela Co., Ltd. (東方電機委內瑞拉有限責任公司), Laos Nam Mang Power Company Limited (老撾南芒河電力有限公司) and Dongfang Electric Azerbaijan Private Limited (東方電氣阿塞拜疆有限公司), which are subject to corporate income tax as stipulated by their respective local laws, and certain other subsidiaries which enjoy a preferential tax rate of 15% and Dongfang Electric Zhongneng Industrial Control Network Security Technology (Chengdu) Company Limited (東方電氣中能工控網絡安全技術(成都)有限責任公司) which enjoys a preferential tax rate for small and micro businesses, the remaining subsidiaries are subject to corporate income tax at a rate of 25%.

## 7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing the combined net profit attributable to the holders of ordinary shares of the Parent Company by the weighted average number of outstanding ordinary shares of the Parent Company.

Basic earnings per share are calculated as follows:

Item	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)
Combined net profit attributable to the holders of ordinary shares of the Parent Company	1,774,136,141.38	1,348,252,556.66
Weighted average number of outstanding ordinary shares of the Company (Note)	3,119,076,130.00	3,119,672,130.00
Basic earnings per share (RMB per share)(Note)	0.57	0.43
Including: Basic earnings per share from continuing operations (RMB per share)	<u>0.57</u>	<u>0.43</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 decrease to the end of the Reporting Period/ the number of months during the Reporting Period

= 3,119,076,130.00

- (2) Basic earnings per share

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

- (3) The Company repurchased and cancelled 150,000 restricted A shares during the Period, which did not affect the calculation of basic earnings per share and did not had dilution effect on earnings per share.

## 8. SEGMENT REPORTING

The Company determines operation reportable segments on the basis of the internal organizational structure, management requirements and internal report system, and disclose such segment information.

The Company's management regularly evaluates the operating results of each reportable segment to make decisions about resources to be allocated to them and to assess their performance.

### Reportable segments for the first half of 2022

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	9,579,800,238.13	15,105,288,599.59	5,098,404,109.00	2,732,654,189.67	6,002,145,672.66	38,518,292,809.05	10,609,282,449.39	27,909,010,359.66
Including: External transaction income	8,148,581,783.36	8,534,207,636.55	4,474,351,406.28	2,328,945,346.08	4,422,924,187.39	27,909,010,359.66	-	27,909,010,359.66
Inter-segment transaction income	1,431,218,454.77	6,571,080,963.04	624,052,702.72	403,708,843.59	1,579,221,485.27	10,609,282,449.39	10,609,282,449.39	-
Operating cost	8,576,828,189.34	13,584,749,762.90	4,549,027,525.39	1,930,859,565.35	5,149,334,264.95	33,790,799,307.93	10,903,503,888.29	22,887,295,419.64
Cost written off	1,436,417,445.06	6,856,668,166.65	554,140,655.88	719,849,365.30	1,336,428,255.40	10,903,503,888.29	10,903,503,888.29	-
Expenses for the period	-	-	-	-	-	2,646,967,043.50	(292,469,881.65)	2,939,436,925.15
Operating profit (loss)	1,002,972,048.79	1,520,538,836.69	549,376,583.61	801,794,624.32	852,811,407.71	4,727,493,501.12	2,638,938,288.74	2,088,555,212.38
<b>Total assets</b>						<b>193,254,878,511.22</b>	<b>83,359,514,131.06</b>	<b>109,895,364,380.16</b>
Including: Amount of substantial impairment loss on a single asset						-	-	-
<b>Total liabilities</b>						<b>135,319,753,104.33</b>	<b>62,071,663,656.61</b>	<b>73,248,089,447.72</b>
Supplemental information						-	-	-
Capital expenditure						-	-	-
Recognized impairment loss of the current period						(159,059,229.90)	21,865,391.36	(180,924,621.26)
Including: Amortization of impairment of goodwill						-	-	-
Depreciation and amortization expenses						449,822,030.35	-	449,822,030.35
Non-cash expenses other than impairment loss, depreciation and amortization						-	-	-

## Reportable segments for the first half of 2021

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	9,389,128,264.49	10,801,421,379.00	3,171,963,245.28	2,693,663,954.46	5,457,736,134.32	31,513,912,977.55	8,776,827,415.63	22,737,085,561.92
Including: External transaction income	7,871,218,877.06	6,190,243,009.80	2,575,811,954.05	2,364,855,456.57	3,734,956,264.44	22,737,085,561.92	–	22,737,085,561.92
Inter-segment transaction income	1,517,909,387.43	4,611,178,369.20	596,151,291.23	328,808,497.89	1,722,779,869.88	8,776,827,415.63	8,776,827,415.63	–
Operating cost	8,398,172,054.20	9,710,262,479.78	2,789,488,479.50	2,004,468,342.49	4,467,350,597.76	27,369,741,953.73	9,102,556,928.17	18,267,185,025.56
Cost written off	1,538,648,038.55	4,836,453,264.78	664,565,892.45	628,279,529.99	1,434,610,202.40	9,102,556,928.17	9,102,556,928.17	–
Expenses for the period	–	–	–	–	–	2,616,184,619.14	(290,145,711.70)	2,906,330,330.84
Operating profit (loss)	990,956,210.29	1,091,158,899.22	382,474,765.78	689,195,611.97	990,385,536.56	1,527,986,404.68	(106,683,936.97)	1,634,670,341.65
<b>Total assets</b>						<b>172,367,058,430.68</b>	<b>72,859,009,331.02</b>	<b>99,508,049,099.66</b>
Including: Amount of substantial impairment loss on a single asset						–	–	–
<b>Total liabilities</b>						<b>117,149,017,830.85</b>	<b>52,192,421,664.90</b>	<b>64,956,596,165.95</b>
Supplemental information						–	–	–
Capital expenditure						–	–	–
Recognized impairment loss of the current period						(368,308,897.25)	(94,547,748.67)	(273,761,148.58)
Including: Amortization of impairment of goodwill								
Depreciation and amortization expenses						453,066,772.02	–	453,066,772.02
Non-cash expenses other than impairment loss, depreciation and amortization						–	–	–

## 9. DIVIDENDS

The Company paid 2021 final dividend of RMB2.30 for every 10 shares (before tax) totalling a cash distribution of RMB717,370,259.90 (before tax) to its shareholders on 28 July 2022, with the approval of the 2021 annual general meeting held on 29 June 2022.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **I. Information of the Industry in which the Company Operates and the Company's Principal Business during the Reporting Period**

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 the principal business of the Company 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, gas power, thermal power and other high-efficient clean energy. The Company is also engaged in such related business as providing global energy operators with construction contracting and services. As one of the largest R&D and manufacturing bases of energy equipment and one of the mega enterprises for power-plant project contracting in the world, the Company's production volume of power generation equipment ranked among the best in the world for several consecutive years, energy equipment and service business covered nearly 80 countries and regions around the world, and has strong competitiveness and influence in the field of energy equipment.

The Company has a complete energy equipment research and manufacturing system, with a leading position in the industry in fields of thermal power generation units of 1 million KW and large circulating fluidized bed boilers etc. The overall level of hydropower products ranks among the top in China, and the hydropower technologies such as consistent and mixed flow have reached international-leading level. The research and development of pumped storage units has reached world-class level, and the 13 MW offshore wind power units have reached Asia-leading level. The Company has formed a hydrogen energy integration plan for hydrogen acquisition, hydrogen storage, hydrogen refueling and hydrogen use, and promoted the demonstration application of the first set of 100 kW hydrogen fuel cell cold and heat three-generation joint supply system in China. The Company has developed fuel cell membrane electrode, high power density reactor and testing equipment with independent intellectual property rights, built a fuel cell product system with full independent intellectual property rights, and mastered the ability of mass production, testing, quality control and after-sales service of products. More than 200 hydrogen fuel buses equipped with Dongfang Electric fuel cell engine have been in operation for over 14 million kilometers in total, and all indicators are at the advanced level in China. The Company has completed the development of the 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.



In the first half of 2022, international situation was complex and severe, the world economy showed an obvious slowdown in terms of growth; in China, the sporadic and frequent outbreaks of the COVID-19 cases increased economic downward pressure. In the first half of 2022, the electricity consumption in the PRC increased by 2.9% year on year, narrowed in growth as compared to the corresponding period of previous year. The State has initiated a package of policies and measures to stabilize economy, including accelerating the building of and investments in infrastructure, and the national economy stabilized and rebounded. The power installation and power investment maintained a growth momentum. According to the statistics from the China Electricity Council, as of the end of June 2022, the installed power capacity in the PRC was 2,440,000 MW, representing an increase of 8.1% year on year; from January to June, the power generation projects of major power enterprises in China completed an investment of RMB215.8 billion, representing an increase of 14.0% year on year. In general, the market demand for the energy equipment industry still remained relatively stable.

## **II. Analysis of Core Competitiveness during the Reporting Period**

As one of the largest Research and Development (R&D) and manufacturing bases of energy equipment and one of the mega enterprises for power-plant project contracting in the world, the Company proactively linked up and served national strategies, based on the development, design, manufacture and sales of large-scale energy equipment, by continuously improving the industrial pattern of “Simultaneous Development of Six Types of Power” including wind power, solar power, hydropower, nuclear power, gas power and thermal power as well as “Five Industries Synergy” including energy conservation and environmental protection, engineering and international trade, modern manufacturing services, power electronics and control, and emerging industries. The Company has the advantages of strong technological innovation capability with completed industrial structure and advanced manufacturing and service capability, and sound marketing system and remarkable market expansion capability, a high-quality talent team and increasing brand influence. During the Reporting Period, there were no material changes in the Company’s core competitiveness.

### III. Discussion and Analysis of Operations

During the Reporting Period, the Company has overcome the pandemic and other adverse impacts, and remained committed to securing production and supply as well as forging ahead against adversities. The goal of “Doubling over half” in main economic indicator was achieved on the basis of “good start” groundwork laid in the first quarter. During the period from January to June 2022, the Company recorded a total operating revenue of RMB27,909 million, representing an increase of 22.75% year on year; the net profit attributable to the shareholders of the Company reached RMB1.774 billion, representing an increase of 31.59% year on year; and new effective orders amounted to RMB36,656 million; and achieved earnings per share of RMB0.57, which consolidated and further enhanced the continuous good momentum of development.

#### *(I) Steady progress alongside with industrial development*

Aiming at the “seeking the future” and taking the “dual carbon” target as the guide, the Company has systematically planned the development direction of green and low carbon technologies and industries, and kept optimizing the industrial pattern. To strengthen strategic leadership, the Company has launched a series of special studies on solar power, wind power, hydropower, hydrogen energy, gas power, and others to further determine the direction, goal and path of development. Adhering to staying close to the market, the Company will promote the regional industrial development layout and accelerate the preparation and establishment of key regional branches. Following closely the market changes, the Company promoted business model innovation and launched the businesses of complete new energy project facilities and services. During the Reporting Period, clean and efficient power generation equipment, renewable energy equipment, modern manufacturing services, engineering and trading, and emerging industries accounted for 30.58%, 29.20%, 8.34%, 16.03% and 15.85% of the total revenue, respectively.

## ***(II) Further improvement of innovation capability***

By focusing on serving and securing major national projects, the Company spared no effort to promote R&D of technologies. The installation of all the 8 units on the left bank of Baihetan hydropower station was completed as scheduled, and 6 units were put into operation successfully. The steam generator of the “Guohe No. 1” demonstration project was successfully developed and put into operation. The world’s first non-gas-fired compressed air energy storage power station pilot demonstration project for which the Company provided key core equipment was officially put into operation. The Company also gave priority to strengthening core competitiveness by further advancing product development. The largest single-unit capacity 13MW offshore wind turbine in Asia was officially put into operation, and the first self-developed Class F 50MW heavy-duty gas turbine with intellectual property rights in China successfully passed the 72-hour test, and BDO high-pressure chemical shield pump was successfully developed. Centering on building a more efficient scientific research system and mechanism and a higher level innovation platform, the Company has cooperated with many domestic top universities and several provincial and ministerial level innovation platforms to continuously improve the level of our scientific and technological innovation capability.

## ***(III) Continuous intensification in reform endeavors***

The Company completed the main task one month ahead of schedule on the basis of comprehensively promoting the three-year action plan for reform of state-owned enterprises, which effectively promoted the transformation of governance and improvement of governance effectiveness. The Company continuously improved the “two-pronged” governance system, and optimized and improved the work-related system for the Board and full-time Directors to further improve the standard operation. By promoting the differentiated management of subsidiaries in every fields, further clarifying the scope of power allocation and responsibility boundaries of major decision-making matters of the parent company and subsidiaries to form a differentiated management and control list. The Company continued to deepen the three-system reform. The Company formulated the Regulations on the Management of Total Labor Employment (《勞動用工總量管理規定》), established a total labor management and control mechanism focusing on the improvement of labor efficiency and further improved the mechanism for facilitating promotion and demotion, thus to steadily promote medium- and long-term incentive works.

#### ***(IV) Continuous improvement in management efficiency***

The Company resolutely took special actions to improve quality and efficiency, by clarifying the objectives and priorities of quality and efficiency improvement, decomposing the indicators for quality and efficiency improvement and the “Two Funds (i.e. housing provident fund and enterprise annuity)” management and control plan, so as to effectively promote the relevant operating indicators to reach the budget targets. The level of integration of business and finance was further improved by the Company, and its ability to predict financial targets was also improved. The Company continuously tracked and effectively prevented and controlled the risk relating to achieving financial targets, for which, the financial management efficiency was significantly improved. The Company steadily advanced digital transformation by upholding a planning-oriented, standards-based and coordinated approach to promote the gradual transformation of the Group’s production and management methods to digitalization. The Company solidly carried out the endeavors in management system effectiveness improvement. The Company also established abnormal matters identification and assessment mechanism, abnormal matters classification and control mechanism and management effectiveness issues collection and feedback mechanism, to promote further improvement of operation efficiency.

#### IV. PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company recorded a total operating revenue of RMB27,909 million, representing an increase of 22.75% as compared with the same period of last year; net profit attributable to the shareholders of the Company of RMB1,774 million, representing an increase of 31.59% as compared with the corresponding period of last year; net profit attributable to the shareholders of the Company after non-recurring profit or loss of RMB1,438 million, representing an increase of 17.14% as compared with the corresponding period of last year; and achieved earnings per share of RMB0.57.

##### *(I) Analysis of Principal Business*

##### *1. Analysis of changes in certain items in the financial statements*

Item	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)	Change (%)
Total operating revenue	27,909,010,359.66	22,737,085,561.92	22.75
Operating revenue	27,323,411,535.87	22,213,283,866.86	23.00
Cost of sales	22,835,597,803.11	18,209,818,438.64	25.40
Tax and surcharges	170,614,007.64	111,658,734.01	52.80
Selling expenses	707,505,965.71	649,498,860.65	8.93
Administrative expenses	1,341,880,622.33	1,221,241,346.31	9.88
Finance costs	(55,233,367.99)	1,514,006.39	N/A
R&D expenditure	945,283,705.10	1,034,076,117.49	-8.59
Other income	188,104,269.86	55,973,729.36	236.06
Credit impairment losses	91,443,759.24	(60,718,145.40)	N/A
Impairment losses on assets	(272,368,380.50)	(213,043,003.18)	N/A
Gains on disposal of assets	43,041,729.82	227,469,625.08	-81.08
Non-operating income	17,321,985.17	12,308,505.03	40.73
Non-operating expenses	36,431,583.15	17,505,757.73	108.11
Net profit attributable to shareholders of the parent company	1,774,136,141.38	1,348,252,556.66	31.59

<b>Item</b>	<b>For the six months ended 30 June 2022 (Unaudited)</b>	<b>For the six months ended 30 June 2021 (Unaudited)</b>	<b>Change (%)</b>
Net cash flow from operating activities	<b>2,399,289,834.48</b>	(4,662,670,603.55)	N/A
Net cash flows from investing activities	<b>(8,440,628,678.16)</b>	4,014,006,063.67	N/A
Net cash flows from financing activities	<b>82,597,531.87</b>	(4,369,039.43)	N/A

- (1) Reasons for change in operating revenue: The operating revenue for the period increased by 23.00% from the previous year, mainly due to the growth of thermal power, engineering contracting, international trade, wind power and other segments.
- (2) Reasons for change in cost of sales: the cost of sales for the period increased by 25.40% from the previous year, mainly due to the corresponding increase as a result of the increase in sales volume.
- (3) Reasons for change in taxes and surcharges: the taxes and surcharges for the period increased by 52.80% from the previous year, mainly due to the increase in value-added tax paid for the period.
- (4) Reasons for change in selling expenses: the selling expenses for the period increased by 8.93% from the previous year, mainly due to the year-on-year increase in provisions made for quality warranty based on income proportion during the period.
- (5) Reasons for change in administrative expenses: the administrative expenses for the period increased by 9.88% from the previous year, mainly due to the year-on-year increase in employee remuneration, repair expenses and safety production expenses accrued in proportion to revenue for the period.
- (6) Reasons for change in finance costs: the finance costs for the period decreased by RMB57 million from the previous year, mainly due to the year-on-year increase in net exchange gains for the period (exchange gains for the period of RMB63 million, exchange losses for the same period of last year of RMB27 million).

- (7) Reasons for change in research and development expenditure: the R&D expenditure for the period decreased by 8.59% from the previous year, mainly due to the low settlement progress of R&D projects.
- (8) Reasons for change in other income: the other income for the period increased by 236.06% from the previous year, mainly due to the income from debt restructuring of RMB135 million after offsetting the accounts payable and accounts receivable between the Company and Hangzhou New Energy according to the Settlement Agreement entered into between the Company and the manager of Hangzhou New Energy and the Notice issued by the manager of Hangzhou New Energy during the Reporting Period.
- (9) Reasons for change in credit impairment losses: the provision for credit impairment losses for the period decreased by RMB152 million from the previous year, mainly due to the reversal of credit impairment provisions resulting from the better collection of receivables during the period.
- (10) Reasons for change in impairment losses on assets: the impairment losses on assets for the period increased by RMB59 million from the previous year, mainly due to the increase in provision for impairment losses on contract assets for the period.
- (11) Reasons for change in gains on disposal of assets: the gains on disposal of assets for the period decreased by 81.08% from the previous year, mainly due to the gains on disposal of assets arising from the mixed ownership reform of the subsidiaries in the same period of last year. There was no such event in the period.
- (12) Reasons for change in non-operating income: the non-operating income for the period increased by 40.73% from the previous year, mainly due to the write-off of debts that cannot be paid.
- (13) Reasons for change in non-operating expenses: the non-operating expenses for the period increased by 108.11% from the previous year, mainly due to the changes in performance of contracts for the period.
- (14) Reasons for change in net profit attributable to shareholders of the listed company: the net profit attributable to shareholders of the listed company for the period increased by 31.59% from the previous year, mainly due to the increase in revenue for the period and the corresponding increase in gross profit.



- (15) Reasons for change in net cash flow from operating activities: the net cash flow from operating activities for the period increased by RMB7,062 million from the previous year, mainly due to (1) the better collection; (2) the increase in deposits from customers.
- (16) Reasons for change in net cash flow from investing activities: the net cash flow from investing activities for the period decreased by RMB12,455 million from the previous year, mainly due to the year-on-year increase in net investment outflow of the interbank deposit certificates and other businesses of DEC Finance of Company during the period.
- (17) Reasons for change in net cash flows from financing activities: the net cash flows from financing activities for the period increased by RMB87 million from the previous year, mainly due to the year-on-year increase in cash received by subsidiaries absorbing minority shareholders' investment during the period.

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

### 1. Total operating revenue by industry and product

By product	Revenue	Cost	Gross profit margin  (%)	Year-on-	Year-on-	Year-on-
				year increase/	year increase/	year increase/
				decrease in	decrease in	decrease in
				revenue	cost	gross profit
						margin  (%)
Operations by industry						
Renewable energy equipment	8,148,581,783.36	7,140,410,744.28	12.37	3.52	4.09	-0.48
High-efficient clean energy equipment	8,534,207,636.55	6,728,081,596.25	21.16	37.87	38.05	-0.10
Engineering and trade	4,474,351,406.28	3,994,886,869.51	10.72	73.71	88.00	-6.79
Modern manufacturing services business	2,328,945,346.08	1,211,010,200.05	48.00	-1.52	-12.00	6.20
Emerging growth business	4,422,924,187.39	3,812,906,009.55	13.79	18.42	25.72	-5.01



- (1) The Company sought to restructure and upgrade proactively, optimized the allocation of resources and improved its quality control continuously. Realizing various varying level of income growth in other segments except for modern manufacturing services, which recorded a decrease in revenue during the Period. Total operating revenue increased year-on-year by 22.75% during the Period.
- (2) The revenue from renewable energy equipment for the Period increased year-on-year by 3.52%, mainly due to the year-on-year increase of 7.71% in revenue from wind power products. The gross profit margin for the Period decreased year-on-year by 0.48 percentage point, mainly due to the decrease in the gross profit margin of hydropower products during the Period.
- (3) The operating revenue from high-efficiency clean energy equipment increased year-on-year by 37.87%, mainly due to an increase in the scale of sales of thermal power and gas turbine products during the Period. The gross profit margin remained basically steady as compared with the corresponding period of last year.
- (4) The operating revenue from engineering and trade for the Period increased year-on-year by 73.71%, mainly due to the year-on-year increase in revenue from trade. The gross profit margin decreased year-on-year by 6.79 percentage points during the Period, mainly due to the decrease in the gross profit margin of engineering contracting.
- (5) The operating revenue from modern manufacturing services business for the Period decreased year-on-year by 1.52%, mainly due to the year-on-year decrease in logistics services. The gross profit margin increased year-on-year by 6.20 percentage points, mainly due to the year-on-year increase in the gross profit margin of the items sold during the Period .

- (6) The operating revenue from emerging growth business for the Period increased year-on-year by 18.42%, mainly due to the year-on-year growth in revenue from environmental friendly products and energy saving products. The gross profit margin for the Period decreased by 5.01 percentage points as compared with the corresponding period of last year, mainly due to the decrease in gross profit of environmental friendly products and energy saving products during the Period.

2. Total operating revenue by region

*Unit: RMB*

<b>Region</b>	<b>Total operating revenue</b>	<b>Year-on-year increase/decrease in total operating revenue</b>
Domestic	<b>25,313,547,295.26</b>	21.33
Overseas	<b>2,595,463,064.40</b>	38.50
Total	<b><u>27,909,010,359.66</u></b>	<b><u>22.75</u></b>

## (II) Analysis on Assets and Liabilities

### 1. Assets and liabilities

Item	30 June 2022	Percentage in total assets (%)	31 December 2021	Percentage in total assets (%)	Change in proportion of balance at the end of the current period compared with the same period of the end of the prior period (%)	Explanation (See note below)
Cash and cash equivalents	13,235,457,588.96	12.04	18,721,874,434.15	18.16	-29.30	(1)
Funds for lending	1,017,114,000.00	0.93	2,331,536,400.00	2.26	-56.38	(2)
Accounts receivable	11,400,828,869.24	10.37	7,986,787,322.58	7.75	42.75	(3)
Accounts receivable financing	881,508,063.80	0.80	1,342,379,048.57	1.30	-34.33	(4)
Inventories	17,424,490,828.71	15.86	19,062,432,842.88	18.49	-8.59	(5)
Contract assets	10,889,474,654.37	9.91	7,979,898,927.87	7.74	36.46	(6)
Non-current assets due within one year	28,702,433.64	0.03	57,404,867.28	0.06	-50.00	(7)
Loans and advances to customers	4,425,329,750.80	4.03	3,240,998,518.16	3.14	36.54	(8)
Debt investments	21,262,290,867.67	19.35	12,660,183,476.06	12.28	67.95	(9)
Long-term receivables	1,052,531,511.49	0.96	552,276,661.97	0.54	90.58	(10)
Other equity instrument investments	72,300,000.00	0.07	52,300,000.00	0.05	38.24	(11)
Investment property	154,015,393.76	0.14	157,660,075.01	0.15	-2.31	(12)
Fixed assets	4,796,670,288.97	4.36	4,965,866,715.89	4.82	-3.41	(13)
Construction in progress	361,475,963.48	0.33	286,478,771.81	0.28	26.18	(14)
Right-of-use assets	326,654,367.95	0.30	231,326,102.07	0.22	41.21	(15)
Development expenditure	5,612,112.35	0.01	4,270,168.76	0.00	31.43	(16)
Short-term borrowings	50,000,000.00	0.05	41,830,000.00	0.04	19.53	(17)
Customer deposits and deposits from banks and other financial institutions	6,902,378,484.40	6.28	3,739,754,238.51	3.63	84.57	(18)
Contract liabilities	28,009,447,966.75	25.49	30,404,986,962.19	29.49	-7.88	(19)
Tax payable	603,450,974.43	0.55	440,915,873.31	0.43	36.86	(20)
Other payables	2,053,045,076.74	1.87	1,406,088,437.27	1.36	46.01	(21)
Current liabilities due within one year	50,774,628.30	0.05	102,152,874.33	0.10	-50.30	(22)
Other current liabilities	347,561,008.54	0.32	840,444,121.90	0.82	-58.65	(23)
Lease liabilities	292,222,569.22	0.27	126,932,623.70	0.12	130.22	(24)

- (1) Reasons for change in cash and cash equivalents: the cash and cash equivalents amounted to RMB13,235 million at the end of the period, representing a decrease of 29.30% as compared with the beginning of the period, mainly due to the increase of RMB8,568 million in the purchase of interbank deposit certificates by DEC Finance in the period as compared with the beginning of the period.
- (2) Reasons for change in funds for lending: the funds for lending amounted to RMB1,017 million at the end of the period, representing a decrease of 56.38% as compared with the beginning of the period, mainly due to the more maturities of funds for lending during the period.
- (3) Reasons for change in accounts receivable: the accounts receivable at the end of the period amounted to RMB11,401 million, representing an increase of 42.75% as compared with the beginning of the period, mainly due to the expansion of sales scale.
- (4) Reasons for change in accounts receivable financing: the accounts receivable financing amounted to RMB882 million at the end of the period, representing a decrease of 34.33% from the beginning of the period, mainly due to the decrease in the endorsement of notes during the period.
- (5) Reasons for change in inventories: the inventories amounted to RMB17,424 million at the end of the period, representing a decrease of 8.59% as compared with the beginning of the period, mainly due to the increase in sales during the period and the increase in inventory carried forward.
- (6) Reasons for change in contract assets: the contract assets amounted to RMB10,889 million at the end of the period, representing an increase of 36.46% from the beginning of the period, mainly due to the expansion of sales scale and the increase in contract retention receivables.
- (7) Reasons for change in non-current assets due within one year: the non-current assets due within one year amounted to RMB29 million at the end of the period, representing a decrease of 50% as compared with the beginning of the period, mainly due to the recovery of long-term receivables due within one year.

- (8) Reasons for change in loans and advances to customers: the loans and advances to customers amounted to RMB4,425 million at the end of the period, representing an increase of 36.54% as compared with the beginning of the period, mainly due to the increase in loans provided by the DEC Finance of the Company to improve the overall income of funds.
- (9) Reasons for change in debt investment: the debt investment amounted to RMB21,262 million at the end of the period, representing an increase of 67.95% as compared with the beginning of the period, mainly due to the increase in interbank certificates of deposit of DEC Finance of the Company.
- (10) Reasons for change in long-term receivables: the long-term receivables amounted to RMB1,053 million at the end of the period, representing an increase of 90.58% as compared with the beginning of the period, mainly due to the increase in instalment payments for sales of goods during the year.
- (11) Reasons for change in other equity instrument investments: the other equity instrument investments amounted to RMB72 million at the end of the period, representing an increase of 38.24% as compared with the beginning of the period, mainly due to the additional investment of RMB15 million in Zhejiang Yuhuan Huadian Wind Power Co., Ltd..
- (12) Reasons for change in investment properties: the investment properties amounted to RMB154 million at the end of the period, representing a decrease of 2.31% as compared with the beginning of the period, mainly due to the depreciation provided during the period.
- (13) Reasons for change in fixed assets: the fixed assets amounted to RMB4,797 million, representing a decrease of 3.41% at the end of the period as compared with the beginning of the period, mainly due to the depreciation provided during the period.
- (14) Reasons for change in construction in progress: construction in progress at the end of the period amounted to RMB361 million, representing an increase of 26.18% as compared with the beginning of the period, mainly due to the increase in investment in fixed assets during the period.

- (15) Reasons for change in right-of-use assets: the right-of-use assets amounted to RMB327 million at the end of the period, representing an increase of 41.21% from the beginning of the period, mainly due to the newly signed lease contracts during the period.
- (16) Reasons for change in development expenditure: the development expenditure amounted to RMB6 million at the end of the period, representing an increase of 31.43% as compared with the beginning of the period, mainly due to the fact that the new development expenditure has not been transferred into fixed assets during the period.
- (17) Reasons for change in short-term borrowings: the short-term borrowings amounted to RMB50 million at the end of the period, representing an increase of 19.53% as compared with the beginning of the period, mainly due to the new borrowings of subsidiaries for business needs.
- (18) Reasons for change in customer deposits and deposits from banks and other financial institutions: the customer deposits and deposits from banks and other financial institutions amounted to RMB6,902 million at the end of the period, representing an increase of 84.57% as compared with the beginning of the period, mainly due to the increase in deposits with DEC Finance as a result of the cash inflow for bonds issued by Dongfang Electric Corporation during the period.
- (19) Reasons for change in contract liabilities: the contract liabilities amounted to RMB28,009 million at the end of the period, representing a decrease of 7.88% from the beginning of the period, mainly due to the decrease in contract liabilities as a result of contract settlement during the period.
- (20) Reasons for change in taxes payable: the taxes payable amounted to RMB603 million at the end of the period, representing an increase of 36.86% from the beginning of the period, mainly due to the increase in VAT payable and income tax payable during the period.
- (21) Reasons for change in other payables: the other payables amounted to RMB2,053 million at the end of the period, representing an increase of 46.01% from the beginning of the period, mainly due to the increase in dividends payable during the period.

- (22) Reasons for change in current liabilities due within one year: the current liabilities due within one year amounted to RMB51 million at the end of the period, representing a decrease of 50.30% as compared with the beginning of the period, mainly due to the decrease in long-term borrowings due within one year and lease liabilities.
- (23) Reasons for change in other current liabilities: the other current liabilities amounted to RMB348 million at the end of the period, representing a decrease of 58.65% as compared with the beginning of the period, mainly due to the decrease in the endorsed but undue bills receivable that were not derecognized at the end of the period.
- (24) Reasons for change in lease liabilities: the lease liabilities amounted to RMB292 million at the end of the period, representing an increase of 130.22% as compared with the beginning of the period, mainly due to the newly signed lease contracts during the period.

## 2. Gearing ratio

Item	Amount at the end of the Period	Amount at the beginning of the year	Year-on- year increase/ decrease (percentage point)
Gearing ratio (%)	<b>66.65</b>	65.68	<b>0.97</b>

*Note:* Gearing ratio = total liabilities/total assets × 100%

The gearing ratio of the Group was 66.56% at the end of the Period, representing an increase of 0.97 percentage point as compared with the beginning of the year. The risk relating to the asset structure of the Company is in a controllable state.

### *3. Bank borrowings*

As at 30 June 2022, the Group had financial institution (bank) borrowings of RMB50 million due within one year and financial institution (bank) borrowings of RMB865 million due beyond one year. The Company's borrowings are mainly denominated in RMB. In particular, financial institution (bank) borrowings of RMB550 million were fixed-rate borrowings. The Group has maintained a favorable credit rating with banks and a sound financing capacity.

### *4. Cash and cash equivalents*

As at 30 June 2022, the cash and cash equivalents in RMB and US dollars held by the Group accounted for 82.05% and 11.54% of the Group's cash and cash equivalents respectively.

### *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 Company's operating results. With a view to effectively reduce the impact of fluctuations in foreign currency exchange rates on the Company's financial position and operating results, the Company prudently adopts exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

### *6. Pledge of assets*

As at 30 June 2022, the Group had pledged bank borrowings of approximately RMB364 million (31 December 2021: RMB356 million), which were related to borrowings from financial institutions secured by franchise rights of the Company. As at 30 June 2022, net franchise rights values amounted to RMB501 million (31 December 2021: RMB488 million). As at the end of the Period, this part of borrowings was not yet due and repayable.



### ***(III) Possible Risks***

#### ***1. Risks relating to market competition amid transformation and upgrade***

The energy equipment industry has undergone profound changes due to the impact of China's "14th Five-Year" Plan. Failing to implement transformation and upgrading in accordance with the new energy security strategy and the strategic goals of "carbon peak" and "carbon neutrality", the Company will lose its competitive edge in the market. In response to this risk, the Company will focus on building a new energy system, strengthen the research and marketing of integrated energy solutions, strengthen resource acquisition, and drive the integrated development of the "six power and five industries" with the development and utilization of relevant resources.

#### ***2. Risk relating to pandemic prevention and control and stability of energy supply***

The current national pandemic is characterized by sporadic, widespread and recurring traits, with tightened power supply to a certain extent. Under the circumstance of pandemic events and insufficient power supply, it will affect the normal production and operation of the Company and the stability of the supply chain. In response to this risk, the Company has adjusted the pandemic prevention and control requirements in a timely manner according to the situation of pandemic prevention and control by focusing on grasping the normal pandemic prevention and control and enhancing the emergency response capability, and keeping the continuity of the prevention and control system in effective operation. In response to the recent shortage of power supply in Sichuan, the Company has actively responded by adopting measures such as off-peak commute, work from home and adjustment of the production schedule.

#### ***3. Risk relating to international operation***

The international political situation was turbulent, the pandemic continued, and the Russia-Ukraine conflict triggered global market volatility, which was unfavorable to the Company's overseas market development. In response to this risk, the Company will actively explore the international new energy market, strengthen the innovation of international market development models, and vigorously seize the opportunities of green and low-carbon development of overseas energy, in order to strive for quality projects.

4. *Risk relating to investment and M&A in the course of expanding and developing new industries*

There is a risk of failure to fully and accurately identify major risks and hidden dangers due to external uncertainties or internal project due diligence, resulting in lower-than-expected investment gains or even investment losses. In response to this risk, the Company will continue to strengthen due diligence by engaging professional intermediaries for key projects to carry out due diligence in an in-depth and comprehensive manner, comprehensively identifying and judging major risks, thus to ensure that relevant risks in the course of merger and acquisition investment expansion into new industries are overall controllable.

***(IV) Material Events***

There are no events that have significant impacts on the Company and its subsidiaries since the end of the Reporting Period.

***(V) Prospect for the Second Half of 2022***

The Company will focus on the requirements of green and low-carbon development and new energy model innovation under the “dual-carbon” goal, continuously improve scientific and technological innovation capabilities, continue to promote the implementation and effectiveness of reforms, vigorously expand the market and seize orders, comprehensively promote the improvement of manufacturing capabilities, strengthen the construction of risk prevention and control capabilities, and ensure that the annual targets and tasks are completed with high quality.

## V. OTHER EVENTS

### 1. Capital Structure

As of 30 June 2022, the total share capital of the Company amounted to RMB3,119,626,130, divided into 2,779,626,130 A shares with a nominal value of RMB1.00 per share and 340,000,000 H shares with a nominal value of RMB1.00 per share. The capital structure of the Company is as follows:

Class of shares	As at 30 June 2022		As at 30 June 2021	
	Number of shares	% of total number of share capital issued	Number of shares	% of total number of share capital issued
A share	2,779,001,130	89.10%	2,779,626,130	89.10%
H share	340,000,000	10.90%	340,000,000	10.90%
Total	<u>3,119,001,130</u>	<u>100%</u>	<u>3,119,626,130</u>	<u>100%</u>

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

During the Reporting Period, pursuant to the Resolution on Repurchase and Cancellation of Certain Restricted Shares approved at the Company's 2021 first extraordinary general meeting, the 2021 second A Shares class meeting and the 2021 second H Shares class meeting, a total of 150,000 restricted A shares were repurchased, and canceled, from 5 participants who can no longer participate the Incentive Scheme of the Company. Please refer to the announcement of the Company dated 7 March 2022 for details.

Save as the above matter, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

There were no other major acquisition and disposal of subsidiaries and associates during the six months ended 30 June 2022.

#### **4. *Guarantee to external parties and performance thereof***

As of 30 June 2022, 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 its associated company 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 0.25% of the net assets of the Company.

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

During the six months ended 30 June 2022 and up to the date of this announcement, the Company has not been involved in any material litigation and arbitration. As far as the Directors are aware, the Company does not have any material litigation or claims pending or threatening to the Company.

## **6. *Employees and remuneration policy***

### **(1) *Number of employees***

As at 30 June 2022, the total number of employees of the Company was 17,764.

### **(2) *Remuneration of employees***

As at 30 June 2022, the total amount of remuneration paid to the employees during the Reporting Period was RMB1,171,050,000.

### **(3) *Remuneration policy***

During the Reporting Period, the Company continued to intensify the reform of the salary determination mechanism, improving the rules linking the total salary to the economic efficiency and labor efficiency of the enterprise, and achieving a steady increase in the income level of employees in line with the efficiency of the enterprise. The Company insisted on the combination of power delegation and control, by promoting the implementation of the responsibilities and powers of performance appraisal and remuneration allocation of the managerial level to the Board of the Company, for which, the results of performance appraisal and remuneration allocation of the members of the managerial level will be determined by the Board, so as to achieve full coverage of the performance appraisal and remuneration management system for the members of the managerial level. The Company optimizes the management of special rewards by increasing the strength of rewards in key areas, guiding enterprises to continuously increase the precision of distribution, and favoring the distribution of remuneration to key core backbone talents.

#### **(4) *Training plan***

During the Reporting Period, guided by the development strategy, the Company prepared and released annual training plans by closely focusing on reform and development, talent team building and staff growth needs, and established a mechanism for supervision and management of plan implementation. The Company has been strengthening the training of innovation, application-oriented and skillful talents, stimulating the innovation vitality of talents, with the focus on the implementation of “Six Talent Training Projects”, and orderly promoting nine talent training projects such as scientific and technological innovation talents, internationalization talents, financial management talents, legal and risk control talents, and so on. The Company has held Zhejiang University-Dongfang Electric training courses for young and middle-aged leaders, corporate management training courses, and excellent youth skills training class and other key training programs, so as to provide a guarantee for the high-quality development of the Company. Each enterprise under the Company constantly enriched training forms, strengthened training base construction, and created high-quality training projects by closely focusing on talent training needs, which promoted the overall improvement of the staff team’s ability and quality.

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

On 29 June 2022, the Company held the 2021 annual general meeting, the 2022 first A Shares class meeting and the 2022 first H Shares class meeting, at which, the Resolution on Repurchase and Cancellation of Certain Restricted Shares was considered and approved. Pursuant to the relevant provisions of Administrative Measures on the Share Option Incentive Scheme of Listed Companies (the “**Administrative Measures**”) and the Restricted A Share Incentive Scheme for 2019 (Amended Draft) (the “**Incentive Scheme (Amended Draft)**”) of the Company, as three Participants under the First Grant have resigned due to retirement and are no longer qualified as Participants; one Participant resigned due to personal reason and no longer qualified as Participant. The Board has considered and decided to repurchase and cancel all the restricted shares totalling 193,333 A shares that have been granted to the aforesaid 4 Participants yet still locked up, the cancellation was completed on 14 July 2022.

## **8. *Corporate Governance Code***

The Company has fully complied with all applicable 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 Period.

## **9. *Model Code for Securities Transactions by Directors***

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 enquiries to all Directors and supervisors, the Company confirms that, for the period ended 30 June 2022, the Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

## **10. Audit Committee**

The Board has set up an audit and review committee comprising three independent non-executive directors, being Mr. Liu Dengqing, Mr. Huangfeng, and Mr. Ma Yongqiang. The audit and review committee has reviewed and passed the interim results of the Group for the six months ended 30 June 2022, and agreed with the accounting treatment method adopted by the Company.

## **11. Information Disclosure**

This announcement will be available 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 2022, which contains all information as proposed in the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company (<http://dfem.wsfg.hk>) in due course.

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

By Order of the Board  
**Dongfang Electric Corporation Limited**  
**Yu Peigen**  
*Chairman*

Chengdu, Sichuan, the PRC  
30 August 2022

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

*Directors:* *Yu Peigen, Xu Peng, Zhang Yanjun,  
Liu Zhiquan and Zhang Jilie*

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