



DONGFANG ELECTRIC CORPORATION LIMITED  
( H Share Stock Code: 1072 ) ( A Share Stock Code: 600875 )

2016  
ANNUAL REPORT

## Important Notice

- I. **The Board of Directors, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.**
- II. **All the directors of the Company attended the meeting of the Board of Directors, while Mr. Huang Wei, who is a director, authorized to appoint Mr. Zhu Yuanchao who is a director to attend and vote at the meeting .**
- III. **ShineWing Certified Public Accountants (Special General Partnership) has issued the audit report with unqualified opinions to the Company.**
- IV. **Zou Lei, the person-in-charge of the Company, Gong Dan, the person-in-charge of accounting and Chen Don, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this annual report.**
- V. **Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period**

As audited by ShineWing Certified Public Accountants, in 2016, the net profit attributable to the owners of the Company amounted to RMB-1,784,306,804.76. According to the Profit Distribution Plan for 2016 of the Company, no profit distribution would be made, no surplus reserves would be converted into share capital and no dividend would be declared. Such plan should be proposed at the 2016 annual general meeting for consideration and approval.

### VI. **Risks disclaimer of the forward-looking statements**

The business plan of the Company does not constitute a profit guarantee of the Company to investors. Investors should be aware of the investment risks and have a proper understanding of differences between the business plan and profit guarantee.

### VII. **Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose**

No

### VIII. **Any provision of external guarantee in violation of the stipulated decision making procedure**

No

### IX. **Material risk alert**

For the risks described in this report, please refer to the possible risk factors and strategies stated in the "Discussion and Analysis on Future Development" in the Report of the Board of Directors.

### X. **Others**

No

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## CHAIRMAN'S STATEMENT



### To investors of DEC,

2016 is the starting year of the “13th Five-Year Plan” period. Faced with the internal and external grim situation, the Company produced power generation equipment with a total capacity of 29GW throughout the year and achieved an operating revenue of RMB33.2 billion, owing to concerted efforts of its entire staff. Moreover, steady progress has been made in the reform and development with periodic achievement being acquired for various tasks, while production operation is generally under control and within the target range. Nevertheless, the Company suffered a substantial loss during the Reporting Period, due to the shrinking power generation equipment industry, the restructuring of the wind power sector, staff downsizing, and the implementation of “de-capacity and de-stocking” that caused an increase in provision for falling price.

During the Reporting Period, the Company adjusted its development strategies to an emphasis on growing stronger and better. Specifically, the Company determined its development strategies of “seeking progress amidst difficulties, pursuing innovation and change, undergoing transformation and upgrade, delivering enhancement and optimization”, together with a clear strategic planning which encompasses “concentrating on one vision, expanding two markets, capturing three prominent positions, promoting four transformations, and implementing five development principles”. Based on such strategies and strategic planning, the Company intensively proceeded with its five major projects, namely, “deepening the reform, undertaking technological innovation, developing a quality-focused company, lowering costs, and improving management”, thus working out a clear direction for the Company’s development during the “13th Five-Year Plan” period. By far, the Company has made a solid step to switch its focus from “growing bigger” to “growing stronger and better”, from the expansion of production capacity to improvement of product function, growth driven by innovation and restructuring with new approaches, and from extensive management to refined management. With such changes taking place, the Company basically attained its objectives of “conglomeration-oriented operation, industrialized operation, and lean production”.

During the Reporting Period, the restructuring was proceeded with in a solid manner. The Company successfully started optimizing its domestic and overseas markets, and integrated its resources in market development, project execution and after-sales services, which created synergy among its markets. Furthermore, proposal regarding deepening the reform and improving quality and efficiency has been formulated and issued, with the appraisal measures for incentives and restraints revised in order to underline a performance orientation. The strategy of expanding the nuclear power segment has been implemented effectively, which further consolidated DEC’s leading position in nuclear power industry. In addition, the Company launched its acquisition of assets of its Controlling Shareholder by issuance of A shares, thus boosting the Company’s sustainable development capability as a listed company.

## CHAIRMAN'S STATEMENT (CONTINUED)

During the Reporting Period, the Company governed itself according to law, starting with rigorous management and concrete efforts. The Company was firm in its orientation towards problems, objectives and performance, its change of the way of work and assuming responsibility, and its rigorous management, down-to-earth attitude and concrete efforts. The Company managed its finance, quality, fundamentals, operation and risk control in a stringent manner, which facilitated strict corporate governance in full compliance with law. On top of that, the streamlining plan has been proceeded with, through optimizing its organizational structure and business process and strictly allocating specific staff for specific positions.

During the Reporting Period, the Company was also down-to-earth in quality and efficiency enhancement as well as risk control and prevention. The Company promoted its cost reduction and efficiency enhancement through procurement tendering, engagement of external parties and seeking external assistance, with further efforts to reduce trade receivables and inventories. As a result, a decrease was recorded in the balance of both accounts receivable and inventories in 2016. By strengthening its risk control and prevention, the Company managed to gain a clear picture of its situation which revealed the risks exposure and eliminated risk hazards, thereby improving the operation quality and ensuring robust operation.

Looking into 2017, we are embraced by a complicated international economy, an improving domestic economy and fresh challenges in corporate development. Against the backdrop, we will overcome the difficulties by promoting internal reform to further our development. We will deepen our reform, undertake technological innovation, develop a quality-focused company, lower costs, and improve management. We will be firm in our endeavor to improve our economic front and strive to be stronger and better.

Finally, I would like to express my gratitude for investors who believe in and give support to us, as well as the hard work and selfless contribution from all the staffs.

*Chairman: Zou Lei*

24 March 2017

# DEFINITIONS

## I. DEFINITIONS

In this report, otherwise stated, the following expressions shall have meanings as follows:

### Definitions of frequently-used terms

DEC, Company	Dongfang Electric Corporation Limited
Controlling Shareholder, Dongfang Electric Corporation	Dongfang Electric Corporation
Reporting Period	From 1 January 2016 to 31 December 2016
Shanghai Stock Exchange, SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB, RMB'0000, RMB100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million



# COMPANY PROFILE AND MAJOR FINANCIAL INDICES

## I. COMPANY INFORMATION

Chinese name of the Company	東方電氣股份有限公司
Abbreviation of the Chinese name of the Company	東方電氣
English name of the Company	Dongfang Electric Corporation Limited
Abbreviation of the English name of the Company	DEC
Legal representative of the Company	Zou Lei

## II. CONTACT PERSONS AND METHODS

	<b>Secretary to the Board of Directors</b>	<b>Representative of securities affairs</b>
Name	Gong Dan	Huang Yong
Contact address	No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province	No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Telephone	028-8758 3666	028-8758 3666
Fax	028-8758 3551	028-8758 3551
E-mail	dsb@dongfang.com	dsb@dongfang.com



# COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

## III. BASIC INFORMATION

Registered address	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code for the registered address	611731
Company business address	No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Postal code for business address	610036
Company website	<a href="http://www.dec-ltd.cn">http://www.dec-ltd.cn</a>
E-mail	<a href="mailto:dsb@dongfang.com">dsb@dongfang.com</a>

## IV. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION FOR RELEVANT DOCUMENTS

Newspapers designated for disclosure of the Company's information	China Securities Journal and Shanghai Securities News
Website designated by the CSRC for publication of the Company's annual report	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Place where the Company's annual report is available for inspection	Office of the Board of the Company

## V. SHARE INFORMATION

### Share Information

Class of share	Listing place	Abbreviation of the stock	Stock code	Stock name before the change
A Shares	Shanghai Stock Exchange	東方電氣	600875	東方電機
H Shares	Hong Kong Stock Exchange	Dongfang Elec	01072	Dongfang Electrical



# COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

## VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES FOR THE LAST 3 YEARS

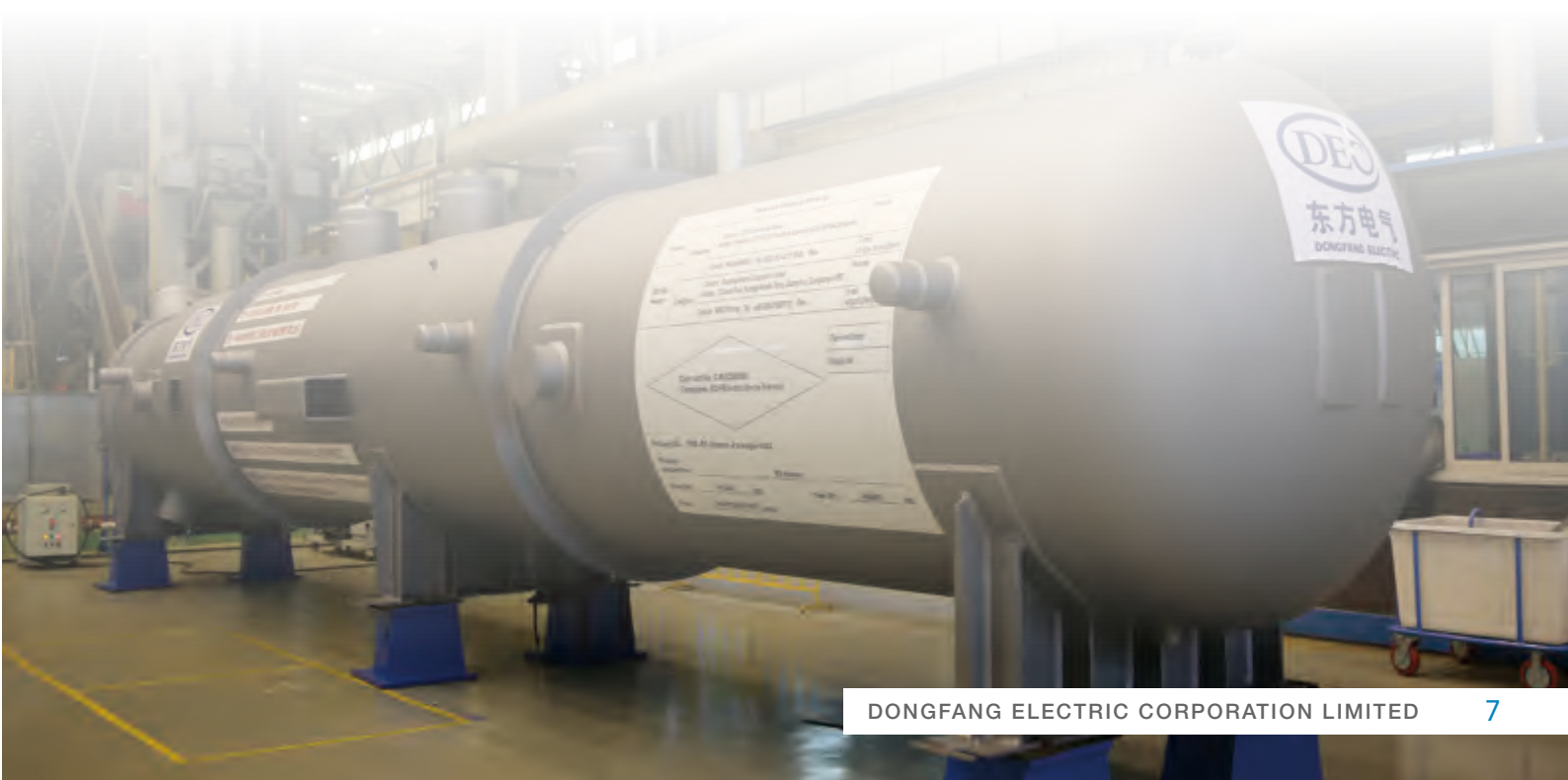
### (I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2016	2015	Year-on-year increase/decrease (%)	2014
Operating income	<b>33,285,723,808.34</b>	36,017,943,700.32	-7.59	39,036,164,758.11
Net profit attributable to shareholders of the Company	<b>-1,784,306,804.76</b>	439,072,644.82	-506.38	1,278,258,405.62
Net profit after non-recurring profit and loss attributable to shareholders of the Company	<b>-1,982,592,343.89</b>	316,317,054.25	-726.77	1,162,491,531.20
Net cash flow from operating activities	<b>8,965,090,194.05</b>	4,155,867,579.48	115.72	2,832,630,323.09

	2016	2015	Increase/decrease for the end of the year compared to the end of last year (%)	2014
Net assets attributable to shareholders of the Company	<b>21,144,292,192.79</b>	23,051,589,145.83	-8.27	19,544,092,526.73
Total assets	<b>84,702,600,301.42</b>	86,134,423,264.67	-1.66	85,842,623,386.50
Total share capital	<b>2,336,900,368.00</b>	2,336,900,368.00	0.00	2,003,860,000.00



# COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

## (II) Major financial indices

Major financial index	2016	2015	Year-on-year increase/ decrease (%)	2014
Basic earnings per share (RMB/share)	<b>-0.76</b>	0.19	-500.00	0.64
Diluted earnings per share (RMB/share)	<b>-0.76</b>	0.19	-500.00	0.59
Basic earnings per share after non-recurring profit and loss (RMB/share)	<b>-0.85</b>	0.14	-707.14	0.58
Weighted average return on net assets (%)	<b>-8.07</b>	1.94	-515.98	6.92
Weighted average return on net assets after non-recurring profit and loss (%)	<b>-8.97</b>	1.39	-745.32	6.29

## VII. PRINCIPAL FINANCIAL DATA BY QUARTER FOR THE YEAR OF 2016

Unit: Yuan Currency: RMB

Item	The first quarter (From January to March)	The second quarter (From April to June)	The third quarter (From July to September)	The fourth quarter (From October to December)
Operating income	9,287,202,976.70	8,932,411,298.16	5,420,098,512.25	9,646,011,021.23
Net profit attributable to shareholders of the Company	4,394,811.03	-346,047,311.99	-723,287,029.99	-719,367,273.81
Net profit after non-recurring profit and loss attributable to shareholders of the Company	-4,010,334.05	-319,931,297.02	-755,222,816.64	-903,427,896.18
Net cash flow from operating activities	55,426,300.40	3,090,691,593.48	2,321,446,593.86	3,497,525,706.31

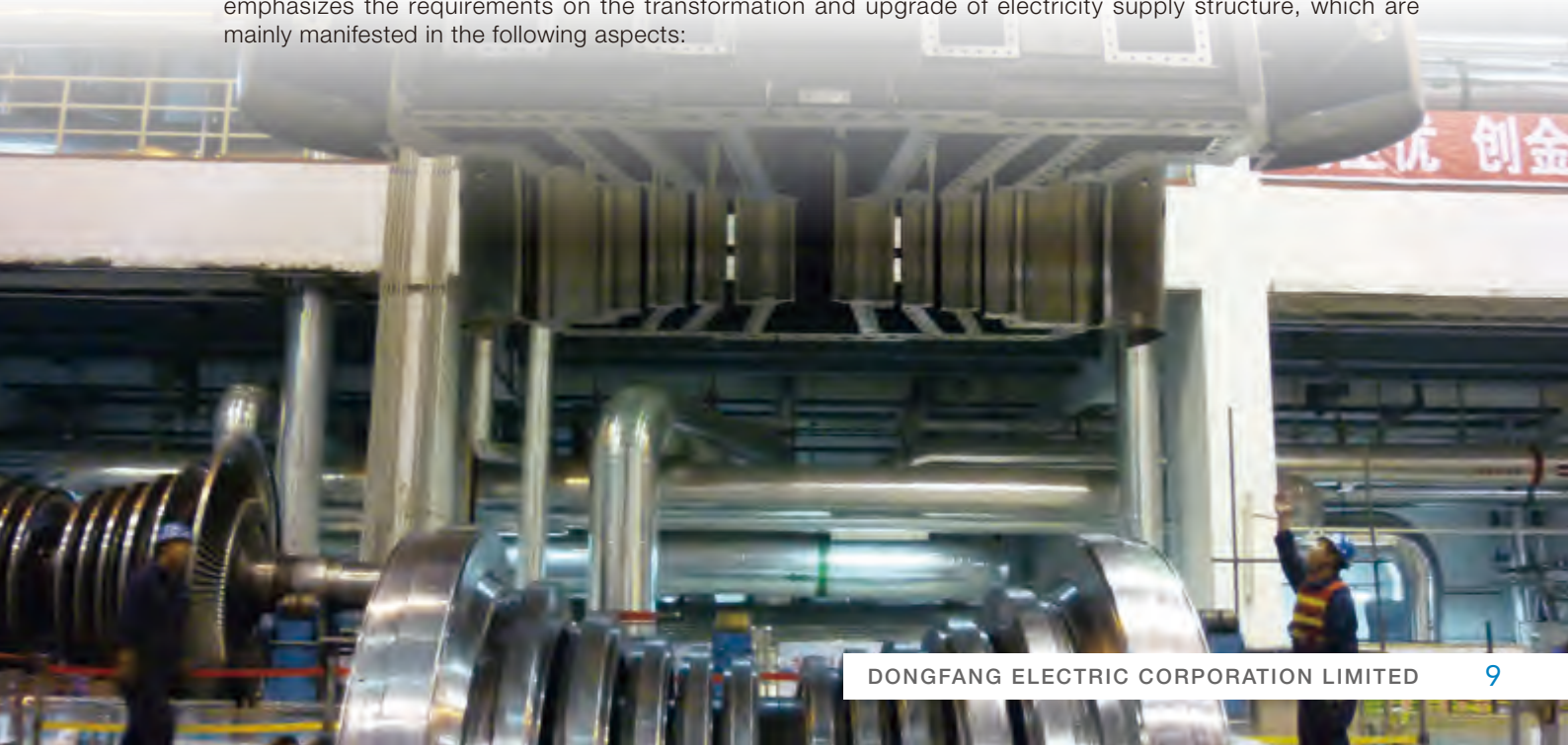


## I. THE COMPANY'S PRINCIPAL BUSINESS, OPERATING MODEL AND INDUSTRY INFORMATION DURING THE REPORTING PERIOD

The Company is engaged in power equipment manufacturing industry. By adhering to the objective of “to create value and to enjoy fruits together (共創價值、共享成功)”, the Company committed to becoming a world leading manufacturer of major technology and equipment and service provider with international competitiveness, and to providing its customers with large-scale power generation equipment of clean and efficient power such as hydropower, thermal power, nuclear power, wind power and steam power, and engineering contracting and services. There was no material change to the principal business during the Reporting period. Its main products include 1,000MW ultra supercritical thermal power units, 1,000MW hydropower units, 1,000MW–1,750MW nuclear power units, heavy-duty gas turbines, MW-level wind power equipments and large environmental equipments, establishing a five-in-one and jointly-developing structure (i.e. hydropower, thermal power, nuclear power, wind power and gas).

The Company is mainly engaged in designing, manufacturing and selling large, advanced sets of equipment for the high-efficiency clean generation of hydropower, thermal power, nuclear power, wind power and gas power. The Group is also engaged in such related business as providing global electricity operators with construction contracting and services. The Company has ranked top globally for successive years in terms of production volume of power generation equipment. With its power generation equipment and service business covering nearly 70 countries and regions, the Company is highly competitive and influential in the field of power generation equipment. As one of the largest R&D and manufacturing bases of power generation equipment and one of the mega enterprises for power-plant project contracting in China, the Company possesses excellent technology, a renowned brand and world-class manufacturing capability. All these serve as the key performance drivers for the Company to realize its sustainable development.

During the Reporting Period, the international energy supply landscape went through significant transformation, with the new reform of energy technology well under way. The Chinese “13th Five-Year Plan for the Electricity Sector” (《電力發展“十三五”規劃》) points out that, during the “13th Five-Year Plan” period, the electricity sector faces a fresh series of situations and challenges, including excess supply as a normal occurrence, a structure of clean energy supplies, intelligent electricity systems, international electricity development, and market-oriented systems and mechanisms. Based on such situations and challenges, the plan specifies the basic principles of “staying clean and low-carbon, seeking green development, optimizing layout, seeking safe development and being intelligent and efficient” in electricity development. Moreover, according to the requirement that approximately 15% of energy consumption should come from non-fossil fuels, the plan emphasizes the requirements on the transformation and upgrade of electricity supply structure, which are mainly manifested in the following aspects:



## BUSINESS OVERVIEW (CONTINUED)

Actively developing hydropower. The emphasis should be on the construction of leading power stations along key river basins, with scientific development of hydropower resources in southwestern China and orderly construction of large hydropower bases. By 2020, the routine installed capacity of hydropower should reach 340GW.

Vigorously developing new energies. The distribution of wind power should be optimized by adhering to the principle of combining centralized development and scattered development and adjacent areas consuming most of the electricity generated. By 2020, the installed capacity of wind power should exceed 210GW across the country, including around 5GW of offshore wind power. The principle of scattered development and adjacent areas consuming most of the electricity generated should be applied to the distribution of PV power plants. By 2020, the installed capacity of solar power should exceed 110GW, including more than 60GW of distributed PV power and 5GW of concentrated solar power.

Safely developing nuclear power. More efforts should be made to develop independent demonstration projects of nuclear power and accelerate nuclear power development in coastal areas. During the “13th Five-Year Plan” period, approximately 30GW of nuclear power will be put into production across the country, with construction in progress for a capacity of more than 30GW and the installed capacity to reach 58GW by 2020.

Developing power generation through natural gas in an orderly manner and vigorously proceeding with the development of distributed steam power. During the “13th Five-Year Plan” period, an additional 50GW of steam power will be put into operation across China, with the amount to exceed 110GW by 2020, including 15GW for the integrated system of power generation, refrigeration and heating supply.

Developing coal power in a clean and orderly manner, with strict control over the planning and implementation of coal power development. During the “13th Five-Year Plan” period, more than 150GW of coal power development projects will be cancelled or delayed. By 2020, the installed capacity of coal power will be controlled within 1,100GW for the whole country. In respect of the energy saving and emissions reduction, the country will eliminate more than 20GW of outdated capacity of thermal power. Average standard-coal consumption should fall below 300 grams per KWh for the power supply by newly built coal-fired power generating units and 310 grams per KWh for the existing ones.

## II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As one of the largest R&D and manufacturing bases for power equipments and the largest power station project contracting enterprises in China, the Company possesses a relatively strong international competitiveness, especially in techniques, brand and manufacturing ability. The core competitiveness of the Company mainly shows as below:

1. Excellent techniques and innovative capability of products. The Company has the proprietary technologies for the R&D, design and manufacture of such equipment as 300–1,000MW hydropower units, 300–1,000MW thermal power units, 1,000MW nuclear power units, MW-level wind power units, and heavy duty gas turbine units. In addition, breakthroughs have been recorded in performance improvement for 660MW and 1,000MW ultra-supercritical steam turbine, R&D and demonstrative application of key technology of ultra-high parameter secondary reheat unit, and major progress have been made in main equipment for CAP1400 major and special pilot nuclear power projects such as Shidao Bay project, Hualong No. 1, Fuqing No. 5 and 6 and CFR600 demonstration fast breeder reactor, and the progress of independently developed project of 50MW heavy-duty gas turbine which is the first one in procession of the full independent intellectual property rights has been accelerated. For EPC contracting and full-package engineering for power station projects, the Company achieves top-class of overall technological level in the PRC, and has outperformed its domestic peers and reached advanced international level in certain aspects. The Company has 1,062 researchers who possess senior technique job title, and obtained 304 additional valid patents (including 138 patents for invention) in 2016 and possessed 1,106 valid patents (including 382 patents for invention) as at the end of 2016.

2. Comprehensive product structure and service ability: The Company has established a five-in-one and jointly-developing structure (i.e. hydropower, thermal power, nuclear power, wind power and steam power) which enable it to provide comprehensive transformation and service for power stations. The full-package power station improvement and optimization solutions provided by the Company can meet various demands of customers, therefore increasing competitiveness and anti-risk ability.
3. First-rate manufacturing capability: The Company has owned the manufacturing technology, craftsmanship, and production equipment of advanced international levels and sophisticated production management methods and approaches, thereby forming the first-rate manufacturing capability. The Company can mass-produce 1,000MW hydropower units, 1,000MW thermal power units, 1,000MW nuclear power units, MW-level wind power units, E-grade and F-grade heavy-duty gas turbines, flue gas desulfurizers or denitrators for large power station boilers, and other products meeting various requirements of safe and environmental protection.
4. Remarkable market expansion capability: Through powerful promotion team, complete domestic and overseas network and product structure, the Company has maintained considerable market share in the PRC, and made breakthrough in the international market expansion.
5. Strong brand influence: Brands including “DEC” became famous brand names in China, ranking 160th among “China’s 500 Most Valuable Brands” in 2016. In addition, “DEC” has registered successfully and been protected by local laws in 25 countries like Germany, France and Russia, which indicated an increasingly strong brand influence.



# REPORT OF THE BOARD OF DIRECTORS

## I. DISCUSSION AND ANALYSIS ON OPERATION

### Review of overall operation during the reporting period

2016 is the starting year of the “13th Five-Year Plan” period. Faced with the internal and external grim situation, the Company proactively implements overall working strategies of “seeking progress amidst difficulties, pursuing innovation and change, undergoing transformation and upgrade, delivering enhancement and optimization”. The Company was committed to vigorously develop both domestic and international markets, capturing the three prominent positions in “technology, market and services”. United thoughts have boosted the confidence among the Group. Owing to concerted efforts of its officers and staff, the Group produced power generation equipment with a total capacity of 29GW throughout the year, with production operation generally under control and within the target range.

Nevertheless, affected by a decrease in demand in the power generation equipment industry, there was a decline in operating revenue in this year as compared with last year; a decrease of 4.80 percentage points was recorded in gross profit margin of principal operations of the Company as compared with last year due to lower product prices. Further loss was incurred owing to the wind power contracts entered previously. The increase in provision for termination benefits as compared with last year resulted from the deepening internal reform and the implementation of streamlining plans. These caused the Company suffering a substantial loss during the Reporting Period.

### Capacity of power generation equipment maintaining a high level

In 2016, the Company produced power generation equipment with total capacity of 29,006.1MW, representing a growth of 3% as compared with the power generation equipment completed in last year. The equipment included 9 hydro-electric turbine generating units (770.5MW); 72 steam turbine generators (26,976MW) (including nuclear power generators and gas turbine generators); and 603 wind turbine generator sets (1,259.6MW); 45 power station boilers (21,089MW); and 98 power station steam turbines (28,193.6MW) (including gas turbines).

### Steady overall market orders

Against the grim market situation, the Group worked hard to overcome obstacles and obtained newly effective orders amounted to RMB36.6 billion, including export orders amounted to RMB3.7 billion. Among the new orders, 61% was attributable to high-efficiency clean energy, 12% to new energy, 5% to hydropower and environmental protection, and 22% to engineering and services. As at the end of 2016, the Company had orders in hand amounting to RMB100.7 billion, among which high-efficiency clean energy accounted for 56%, new energy 17%, hydropower and environmental protection 9%, engineering and services 18%. Export orders accounted for 18.8% of all of the orders in hand.

### I. DISCUSSION AND ANALYSIS ON OPERATION (Continued)

#### Review Of Overall Operation During The Reporting Period (Continued)

Steady improvement in domestic market orders. The Company had a generally stable market share of thermal power, with market share of over 30% in large and medium-sized thermal power markets. In respect of the nuclear power market, DEC has maintained its leading position in domestic market. The Company signed a supply contract for CFR600 demonstration fast-reactor steam-turbine generating units, and won the bid for supplying reactor pressure vessels and steam generators for No.1 generating unit of SNPTC Lianjiang Nuclear Power Project (Phase I) and the bid for the demonstration project for technical design and testing and verification of fast-reactor steam generators. It also prevailed in its bid for supplying generating units to Huaneng (華能) Dongguan F4 Project, maintaining a 25% market share. In respect of hydropower, the Company succeeded in its bid for providing four 180MW Francis Turbines for Karot Hydropower Station in Pakistan. In respect of wind power, the Company obtained a batch of important orders, including providing 200MW wind turbines for the Huanglianguan Project for China Power Construction Corporation (中電建). The Company has also started entering into offshore wind power sector, by signing an offshore wind power project to supply 5MW generating units to Xinghua Bay in Fujian. In respect of power plant services, the Company won the bid for the Qiandong Project of 600MW Steam Turbine Through-flow Renovation with State Power Investment Corporation (國電投), and entered into an agreement for the Huaneng Linhe Demonstration Project of Parameter Modification and Flexibility Renovation for 300MW Turbines.

Progress in exploring international markets. The Company entered into the 2×100MW thermal power Kalteng project in Indonesia and the 2×56MW hydropower Jatigede project in Indonesia. Furthermore, new breakthroughs were achieved in the general contracting of wind power plants. The Company entered the markets of Latin America and Russia by signing a 50MW wind power Herradura project (Phase II) in Cuba and a 14×2.5MW wind power Ulyanovsk project in Russia.

#### Smooth progress in product manufacturing and overseas engineering projects

The Company performed its product contracts in a way that generally met users demand. During the year, a total of 74 thermal power generating units passed 168 hours of trial run, and the warranty period expired for 1,138 generating units in 34 wind power projects. Operation has formally started for the 22 units of 75MW tubular generator with the largest unit capacity in the world at Gerry Power Plant in Brazil. Commercial operation also successively started for No. 6 thermal power generating units in Venezuelan Central Power Plant, Fuqing No. 3 (福清3號) nuclear power generating units, and two thermal power generating units in Dongguan.

Overseas engineering projects proceeded in an orderly manner. The Company has obtained the final acceptance certificate for its generating units in the Vietnam maritime defense project (Phase II). Stanari Power Plant in Bosnia obtained its preliminary acceptance certificate 45 days ahead of schedule. This is the first project that has completed construction and commenced operation under the China-CEECs 16+1 Cooperation Framework. As for Bracken Wind Power Project (Phase IV) in Sweden, all 14 generating units have passed 266 hours of trial run and attained the preliminary qualification for transfer.

### I. DISCUSSION AND ANALYSIS ON OPERATION (Continued)

#### Impressive achievements in research, development and innovation of major products

The Company has completed the review of its demonstration project of Million-KW 630℃ double reheat in Yuncheng. The project represents the highest civil thermal-power technology under the “13th Five-Year Plan”. The Company has also attained an internationally advanced level in its actual heat consumption of steam turbines, following the through-flow new technology transformation of the 600MW subcritical steam turbines of Togtoh Power Plant and the 600MW supercritical steam turbines of Changshu Power Plant. Furthermore, the Company has completed the development and model test for its 350MW air-cooled steam turbine generators, with all the technical indicators meeting the research and development targets. The Company has completed the development of its third generation nuclear power Hualong No. 1 steam generator, and made progress in the development of Hualong No. 1 and the steam turbine and power generator for CAP1400 civil nuclear island equipment as scheduled. The Company has conducted performance tests for the compressors of its 50MW thermal generating units. Besides, the Company also succeeded in the design optimization and site renovation for its offshore 5MW wind power generating units. The Company’s self-developed electrical control system for 2MW wind power generating units has been applied in batches, which has yielded good effect.

#### Proceeding with law-based corporate governance and stringent management in a solid and orderly fashion

The effect has started to emerge from the efforts of reducing cost and expenditure. During the year, the Company experienced a decrease in both trade receivables and inventory balance. In particular, the effect is significant from the reduction of purchasing cost. A centralized purchase management platform was launched, to process over 80% of purchasing of the Group. The progress of the Group’s reform was moving steadily, the trial program for creating “super departments system” took place successfully at the marketing department. In order to further enhance the efficiency, the Company optimized the service management model for its overseas offices, subsidiaries and power plants, in a bid to achieve effective coordination in business. In its continuous corporate streamlining, the Company optimized its organizational structure and business process. In addition, the Company organized its “Long-term Quality Assurance Campaign” (質量萬里行) to put into effect quality-related responsibility, with the Company’s overall product quality under control. In addition, the Company strives to enhance its social responsibility management and capital operation, and has launched the acquisition of assets of its Controlling Shareholder by issuance of A shares.



## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB33.286 billion, representing a decrease of 7.59% over the same period of last year; net profit attributable to the shareholders of the Company of RMB-1.784 billion, representing a decrease of 506.38% over the same period of last year; earnings per share of RMB-0.76; and the gross profit margin for principal operations was 11.91%, representing a decrease of 4.80 percentage points compared with last year.

For the year ended 31 December 2016, to the best of the Directors' knowledge, the Company has been complying applicable laws and regulations in business operating activities, including the Company Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

#### (I) Analysis of Principal Business

Analysis of changes in certain items in the income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Amount for the year	Amount for last year	Change (%)
Operating revenue	<b>33,285,723,808.34</b>	36,017,943,700.32	-7.59
Operating cost	<b>29,277,766,070.66</b>	29,959,761,391.90	-2.28
Selling expenses	<b>1,446,957,948.09</b>	964,883,532.33	49.96
Administrative expenses	<b>3,562,680,183.45</b>	3,361,762,730.46	5.98
Finance costs	<b>-641,457,176.95</b>	-477,001,415.20	-34.48
Net cash flows from operating activities	<b>8,965,090,194.05</b>	4,155,867,579.48	115.72
Net cash flows from investing activities	<b>-443,004,675.55</b>	-257,589,010.85	-71.98
Net cash flows from financing activities	<b>-1,373,686,177.28</b>	-706,185,646.29	-94.52
Research and development expenses	<b>1,285,959,003.86</b>	1,252,235,199.43	2.69

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 1. Analysis of revenue and cost

(1) Principal operations by industry, product and region

Unit: Yuan Currency: RMB

##### Principal operations by industry

Industry	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (percentage point)
Power generation equipment industry	33,108,359,821.73	29,164,503,964.42	11.91	-7.44	-2.11	-4.80

##### Principal operations by product

Product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (percentage point)
High-efficient cleaning power generation equipment	19,674,428,536.27	16,557,435,538.20	15.84	-14.58	-14.29	-0.28
New energy	7,936,769,747.08	7,179,233,035.00	9.54	73.09	79.12	-3.05
Hydropower and environmental protection equipment	1,604,246,497.40	1,672,691,854.29	-4.27	-38.99	-17.84	-26.84
Engineering and services	3,892,915,040.98	3,755,143,536.93	3.54	-29.51	-15.24	-16.24

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 1. Analysis of revenue and cost (Continued)

(1) *Principal operations by industry, product and region (Continued)*

Principal operations 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 (percentage point)
Domestic	29,449,564,340.62	25,390,466,044.78	13.78	-4.63	-0.52	-3.56
Overseas	3,658,795,481.11	3,774,037,919.64	-3.15	-25.20	-11.62	-15.85

- ① Under the effect of macro-economy, the Company recorded decline in revenue of all segments, save for the slight growth of new energy segment. The revenue of principal operations in this year decreased year-on-year by 7.44%.
- ② The operating revenue from high-efficient cleaning power generation equipment during the year decreased by 14.58% as compared with the same period of last year, which was mainly attributable to downsizing of sales of thermal power, gas turbine and nuclear power conventional island products. The gross profit margin of high-efficient cleaning power generation equipment decreased slightly in the year, due to the effect of product price.
- ③ The revenue from new energy products during the year increased by 73.09% as compared with the same period of last year, mainly due to the increase of 114.83% in revenue of the wind power products. The gross profit margin of the new energy recorded a year-on-year decrease of 3.05 percentage points, which was primarily resulted from the higher proportion of wind power products which has lower profitability over the new energy products.
- ④ The revenue from hydropower and environmental protection equipment decreased by 38.99% as compared with the same period of last year, mainly due to the decrease of 50.56% and 25.96% in sales revenue of hydropower projects and environmental protection equipment respectively. The gross profit margins of this segment dropped by 26.84 percentage points, which was mainly caused by the loss recorded in some hydropower projects.
- ⑤ Revenue from construction and services for the year decreased by 29.51% as compared with the same period of last year, mainly due to the year-on-year decrease of 44.17% and 10.30% in income from engineering projects and power station services respectively. The gross profit margins of engineering and services projects recorded a year-on-year decrease of 16.24 percentage points due to the lower gross profit margin of some engineering projects.

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 1. Analysis of revenue and cost (Continued)

##### (2) Cost analysis

Unit: Yuan Currency: RMB

By industry	Cost composition	Amount for the year	As a percentage in total costs for the period (%)	Amount for the last year	Percentage in total costs for last year (%)	Year-on-year increase/decrease (%)
Power generation equipment manufacturing and services	Raw materials and purchased parts	23,305,451,013.34	79.91	23,425,851,299.72	78.63	-0.51
Power generation equipment manufacturing and services	Direct labour costs	1,265,166,706.49	4.34	1,679,340,924.73	5.64	-24.66
Power generation equipment manufacturing and services	Manufacturing costs	4,593,886,244.59	15.75	4,687,914,569.41	15.73	-2.01
Power generation equipment manufacturing and services	Total	29,164,503,964.42	100.00	29,793,106,793.86	100.00	-2.11

##### (3) Major customers in sales

During the Reporting Period, the Company's sales from its top five customers amounted to RMB4,229 million, accounting for 12.71% of the total sales for the year, among which, sales to connected parties was nil, representing 0% of the total sales for the year.

##### (4) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB2,538 million, accounting for 10.99% of the total procurement for the year, among which, the procurement from connected parties was RMB13,020 million, representing 5.64% of the total procurement for the year.

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 2. Expenses

Unit: RMB

Item	Amount for the year	Amount for last year	Change (%)
Selling expenses	<b>1,446,957,948.09</b>	964,883,532.33	49.96
Administrative expenses	<b>3,562,680,183.45</b>	3,361,762,730.46	5.98
Finance costs	<b>-641,457,176.95</b>	-477,001,415.20	-34.48
Income tax expenses	<b>-184,625,607.38</b>	73,401,825.32	-351.53

##### 3. R&D expenditure

Unit: RMB

Expensed R&D expenditure for the year	1,285,959,003.86
Capitalized R&D expenditure for the period	0
Total R&D expenditure	1,285,959,003.86
Percentage of total R&D expenditure over revenue (%)	3.86
Number of R&D staff	1,580
Percentage of R&D staff over the total staffs (%)	8.2
Percentage of R&D expenditure capitalization (%)	0

## II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

#### 3. R&D expenditure (Continued)

##### *Note information*

In 2016, the Company comprehensively improved the quality and enhanced the efficiency of major products, expedited the research and development of new technology and new products and the commercialization of scientific research achievements. The Company has proceeded with the “Climbing Plan” and major science and technology projects, which has further enhanced the technical performance of our major products.

**As to hydropower**, major scientific and technological breakthrough has been stably made. The overall design and review has been completed for the generator and water turbine of Baihetan 1,000MW Francis type hydropower generating units, and its runner model has passed the inspection. The overall structure design and the production and technical preparations has been completed for large components of Jixi and Dunhua 700m super-high water head pumped-storage mechanism. The installation and commissioning of Xianju 375MW pumped-storage mechanism have been completed and put into commercial operation. The parameter determination and main equipment model selection of the hydraulic test stand of the impulse turbine generating units have been completed, with research and development accelerated.

**With respect to coal-fired power generation**, the through-flow renovation of Changshu supercritical 600MW steam turbine and the parameter upgrade renovation and performance test of Togtoh 600MW subcritical steam turbines have been completed, with the actually measured heat rate lower than the value guaranteed in the contract, reaching the international advanced level. The Company has developed the new generation ultra-supercritical 660MW and 1,000MW steam turbines by application of the latest technical achievements, realizing the international advanced performance, which will be applied in the Gujiao and Ezhou Power Plant respectively. Efforts have been made to research and develop the 660MW ultra-supercritical CFB boiler, and the steam turbine and boiler for ultra-high parameter 630℃ ultra-supercritical 1,000MW secondary reheat unit. The Company has designed and reviewed the FGD-WESP combined removal proposal for thermal power units of different capacities. The model test of 350MW air-cooled steam turbine generators has been completed, with all the technical indexes reaching the research and development targets.

**In terms of the nuclear power**, the Company has developed the main equipment for the third generation nuclear power Hualong No. 1, CAP1400 Island and conventional islands with the independent technology. The water pressure test of the independently developed third generation Hualong No. 1 has been completed, and the manufacture of the key components of CAP1400 steam generator has been completed. The Company has tackled key problems in the development of key components of CAP1400 nuclear power steam turbine. The major national science and technology project “China Advanced Nuclear Power Standard System Research and the subject “Conventional Island Equipment Manufacture Standard System Research” have successfully passed the inspection of the National Energy Administration.

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 3. R&D expenditure (Continued)

*Note information (Continued)*

**As for thermal generating units**, the Company has realized new progress in the independent development of 50MW thermal generating units, conducted the performance tests for the compressors and the full-temperature tests for burners, and basically completed the design of the prototype. Efforts have been made to develop the movable vane and guide vane of Grade 1–4, and promote the manufacturing of the prototype. The Company has actively participated in the design and feasibility study of 300MW gas turbines in the major national science and technology project. In response to market demands, the Company has also introduced technology applied in M701F5 and M701J thermal generating units, and enhanced the market competitiveness of heavy-duty thermal power generators.

**In terms of the wind power**, the research and development of advanced double-fed 116 type 2MW wind power generating units have been conducted, and the design optimization and test of 2MW and 2.3MW generating units have been completed, which will be put into use in projects located in North Shandong. The Company has carried out the high-quality projects with Dongfang direct-driven 2.5MW units, completed the independent design of the electrical control system which has entered into the sample production phase. It has reached the domestic advanced level upon completion of performance optimization of Rudong 5MW offshore wind power generating units, and conducted the design optimization of the new generation advanced offshore 5MW units. Efforts are also made to conduct the standardized design of double-fed and direct-driven products, enhance the supply chain management ability and carry out independent research and development of the electrical control system and design of vanes, in order to reduce the production cost, and improve the quality and market competitiveness of units.

In 2016, the Company has successfully applied for 304 patents, including 138 patents for invention and received licenses for 252 patents including 95 patents for invention.

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 4. Cash flows

Unit: RMB

Item	Amount for the year	Amount for last year	Change (%)
Received tax rebates	<b>119,520,446.16</b>	522,069,019.17	-77.11
Other cash received from operating activities	<b>804,645,589.20</b>	464,728,239.06	73.14
Cash received from disposal of investments	<b>11,469,200.22</b>	125,784,604.33	-90.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>7,530,160.40</b>	32,208,418.68	-76.62
Cash received from return on investments	<b>12,538,818.20</b>	83,670,897.49	-85.01
Cash paid for investment	<b>200,716,755.66</b>	113,971,569.15	76.11
Cash received from borrowings	<b>824,440,000.00</b>	3,044,000,000.00	-72.92
Cash paid for repayment of loans	<b>1,985,000,000.00</b>	3,438,297,000.00	-42.27
Dividends paid, profit distributed or interest paid	<b>210,916,342.68</b>	341,888,963.27	-38.31

- (1) Received tax rebates decreased by 77.11% on a year-on-year basis, mainly due to the substantial decrease of tax refund for export received in this year as compared with the corresponding period of last year.
- (2) Cash received relating to other operating activities increased by 73.14% on a year-on-year basis, mainly due to the increase in government subsidies and deposit interest income received by the Company in this year as compared with the corresponding period of last year.
- (3) Cash received from disposal of investments decreased by 90.88% on a year-on-year basis, which was mainly affected by the disposal of investments in stock in last year.
- (4) Net cash received from disposal of fixed assets, intangible assets and other long-term assets decreased by 76.62% on a year-on-year basis, mainly due to the decrease in disposal of assets during this period.
- (5) Cash received from return on investments decreased by 85.01% on a year-on-year basis, which was mainly affected by the higher level of dividend received from joint venture in last year.
- (6) Cash paid to acquire investments increased by 76.11% on a year-on-year basis, mainly due to the increase in investment in joint ventures such as Sichuan Nengtou Wind Power Development Co., Ltd. by the Company in this year.



## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

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

##### 4. Cash flows (Continued)

- (7) Cash received from borrowings decreased by 72.92% on a year-on-year basis, mainly due to the continued scaled-down of loans as the Company repaid the borrowings due from financial institutions in this year.
- (8) Cash paid for repayment of loans decreased by 42.27% on a year-on-year basis, mainly due to the lower prepayment amount of loans in this year than that of last year.
- (9) Cash payments for interest expenses and distribution of dividends or profits decreased by 38.31% on a year-on-year basis, mainly due to the year-on-year decrease in dividends distributed by the Company in this year, and the year-on-year decrease in interest paid for borrowings from financial institutions as the borrowing amount decreased.

#### (II) Description of Material Change in Profit Due to Non-principal Business

Applicable  Not Applicable

#### (III) Analysis on Assets and Liabilities

##### 1. Analysis on assets and liabilities

Unit: RMB

Item	Closing amount at the end of the year	Closing amount at the end of the year over total assets (%)	Closing amount at the end of last year	Percentage of closing amount at the end of last year over total assets (%)	Increase/decrease of closing amount at the end of the year over that at the end of last year (%)
Cash and cash equivalents	28,408,778,336.14	33.54	21,087,539,125.49	24.48	34.72
Financial assets at fair value through profit or loss	59,661,930.59	0.07	36,079,098.10	0.04	65.36
Accounts receivable	15,954,481,388.79	18.84	17,290,192,715.92	20.07	-7.73
Other receivables	245,140,412.85	0.29	366,296,279.41	0.43	-33.08
Inventory	19,871,046,530.61	23.46	26,899,590,387.82	31.23	-26.13
Construction in progress	107,598,422.31	0.13	447,801,742.11	0.52	-75.97
Fixed assets	7,617,279,165.25	8.99	8,099,246,237.21	9.40	-5.95
Short term borrowings	284,500,000.00	0.34	1,642,000,000.00	1.91	-82.67
Accounts payable	14,380,312,585.36	16.98	15,179,533,382.72	17.62	-5.27
Prepayments	35,566,439,682.61	41.99	34,846,467,692.38	40.46	2.07
Non-current liabilities due within one year	731,379,338.40	0.86	354,320,000.00	0.41	106.42
Long-term remuneration payable	462,107,103.50	0.55	142,868,920.51	0.17	223.45
Estimated liabilities	1,771,952,763.14	2.09	1,330,193,012.30	1.54	33.21

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (III) Analysis on assets and liabilities (Continued)

##### 1. Analysis on assets and liabilities (Continued)

- (1) Cash and cash equivalents of the Company increased by 34.72% at the end of the year as compared with the beginning of the year, mainly attributable to the increase in recovery of payment since the Company made more efforts to collect payment, and the optimized arrangement of purchasing capital as the Company strengthened the management of purchasing.
- (2) Financial assets at fair value through profit or loss of the Company increased by 65.36% at the end of the year as compared with the beginning of the year, mainly due to the newly acquired stock assets during the year.
- (3) Other receivable of the Company decreased by 33.08% at the end of the year as compared with the beginning of the year, mainly due to the decrease in operating advances made in this year.
- (4) Construction in progress of the Company decreased by 75.97% at the end of the year as compared with the beginning of the year, mainly due to the stringent measures taken by the Company to reduce the investment scale which resulted in a decrease of new construction in progress projects in this year, and the conversion of substantial construction in progress into long-term assets in this year.
- (5) Short-term borrowings of the Company decreased by 82.67% at the end of the year as compared with the beginning of the year, mainly due to the decrease in short-term borrowings of the subsidiaries of the Company.
- (6) Non-current liabilities due within one year of the Company increased by 106.42% at the end of the year as compared with the beginning of the year, mainly due to the increase in amount of long-term borrowings due within one year.
- (7) Long-term staff remuneration payable by the Company increased by 223.45% at the end of the year as compared with the beginning of the year, mainly due to the increase in provision for termination benefits in this year.
- (8) Estimated liabilities of the Company increased by 33.21% at the end of the year as compared with the beginning of the year, mainly due to adjustment made to the amount of estimated liabilities for the sold projects of which warranty period has not expired after the reassessment on the book value of the estimated liabilities at the end of the year.

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis of Investment

##### 1. Overall analysis on external equity investment

No.	Name of investees	Principle business	Amount of investment (RMB'0000)	Proportion of shareholding (%)	Partners
1	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	Wind power generation	1,600	20	Inner Mongolia Energy Investment Group New Energy Co., Ltd., which holds 80% of equity in the investee.
2	Inner Mongolia Mengneng Wulan Wind Power Co., Ltd.	Wind power generation	3,600	20	Inner Mongolia Energy Investment Group New Energy Co., Ltd., which holds 80% of equity in the investee.
3	Sichuan Nengtou Wind Power Development Co., Ltd.	Wind power generation	12,600	20	Sichuan Energy Investment Limited, China Electricity Construction Group East China Research Institute of Survey and Design Co., Ltd., Chengdu Mingyong Investment Co., Ltd., which hold 55%, 15% and 10% of equity in the investee respectively.
4	Huadian Longkou Wind Power Co., Ltd.	Wind power generation	1,875	25	Huadian Power International Corporation Limited and Yantai Shengneng Investment Co., Ltd., which hold 65% and 10% of equity in the investee respectively.

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis of Investment (Continued)

##### 1. Overall analysis on external equity investment (Continued)

(1) Financial assets at fair value

Unit: RMB

No.	Type	Stock code	Stock short name	Initial investment cost (RMB)	Number of shares held (shares)	Carrying amount at the end of the period (RMB)	Percentage to total securities investment at the end of the period (%)	Profit or loss in the Reporting Period (RMB)
1	Stock	600011	Huaneng Power	30,732,595.64	2,802,100.00	19,754,805.00	34.96	-3,390,541.00
2	Stock	601179	China XD	10,107,744.90	1,447,000.00	8,074,260.00	14.29	-1,577,230.00
3	Stock	000883	Hubei Energy	1,897,910.00	285,400.00	1,307,132.00	2.31	-419,252.60
4	Stock	600406	Nari Technology Development	15,229,977.58	1,131,400.00	18,815,182.00	33.30	3,885,808.64
5	Stock	600900	China Yangtze Power	2,419,297.00	200,000.00	2,532,000.00	4.48	191,928.84
6	Stock	600030	CITIC Securities	6,309,814.00	374,900.00	6,020,894.00	10.66	-103,489.14
			Total	66,697,339.12	-	56,504,273.00	100.00	-1,412,775.26

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (IV) Analysis of Investment (Continued)

##### 2. Analysis of major controlling subsidiaries and investees

Unit: RMB100 million

Company name	Shareholding	Main products or services	Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and sales of steam turbines, water turbine, gas turbines, compressors, fans, pumps and auxiliary equipment, wind turbine generator units, solar and renewable energy; industrial control and automation; the research, design installation, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and accessories as well as the related import and export business	18.46	293.51	15.98	128.04	-21.25	-21.97
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipment, steam turbine generators, AC and DC motors; the design, manufacturing and sales of control equipment; the transformation of power stations, the installation of power station equipment	20.00	142.03	35.70	50.47	-6.62	-5.83
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste treatment etc.)	16.06	233.45	52.32	112.99	0.38	0.64
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%	Business prohibited by national laws and regulations shall not be operated; business which is subject to special approval shall be operated upon approval; other business can be independently organized and operated	11.51	36.21	16.56	10.54	0.53	0.62
Dongfang Electric Wind Power Co., Ltd.	100.00%	Design, production, sales and service of wind turbine generator units and introduction, development and application of associated technology; construction and operation of wind farms, manufacturing and sales of components and parts of wind turbine generator units; technical service and technical consultation related to manufacturing of fans as well as construction and operation of wind farms; and import and export of wind turbine generator units, components and parts and associated technologies	7.50	77.13	0.74	38.25	-4.40	-4.35

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (V) Financial Position and Operating Results during the Reporting Period

##### 1. Analysis of operating results

Unit: RMB

Item	Amount for the year	Amount for last year	Year-on-year increase/decrease (%)
Operating revenue	<b>33,285,723,808.34</b>	36,017,943,700.32	-7.59
Selling expenses	<b>1,446,957,948.09</b>	964,883,532.33	49.96
Administrative expenses	<b>3,562,680,183.45</b>	3,361,762,730.46	5.98
Finance costs	<b>-641,457,176.95</b>	-477,001,415.20	-34.48
Impairment loss of assets	<b>1,497,637,534.28</b>	1,665,374,908.04	-10.07
Operating profit	<b>-1,995,933,133.63</b>	383,982,344.61	-619.80
Total profit	<b>-1,944,064,007.65</b>	532,899,436.82	-464.81
Income tax expenses	<b>-184,625,607.38</b>	73,401,825.32	-351.53
Net profit	<b>-1,759,438,400.27</b>	459,497,611.50	-482.90
Net profit attributable to shareholders of the Parent Company	<b>-1,784,306,804.76</b>	439,072,644.82	-506.38

- (1) The operating revenue of the Company decreased year-on-year by 7.59% under the effect of macro-economic environment.
- (2) The selling expenses of the Company increased year-on-year by 49.96%, which was mainly due to the adjustment made to the amount of estimated liabilities for the sold projects of which warranty period has not expired after the reassessment on the book value of the estimated liabilities at the end of the year.
- (3) The administrative expenses of the Company increased year-on-year by 5.98% mainly due to the increase in provision for the termination benefits resulted by more efforts put into the implementation of "streamlining plans".
- (4) The finance costs of the Company decreased year-on-year by 34.48%, mainly due to increase of interest income for continuous optimization of deposit structure and increase of exchange gain under the effect of change in exchange rate.

## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (V) Financial Position and Operating Results during the Reporting Period (Continued)

##### 1. Analysis of operating results (Continued)

- (5) The operating profit of the Company decreased year-on-year by 619.80%, total profit decreased year-on-year by 464.81%, and net profit decreased year-on-year by 482.90%, which were mainly attributable to the following reasons: slowdown of macro-economic growth, the demand in the power generation equipment market decreased and product price and sale also dropped, causing a decrease of operating revenue and reduction of gross profit margin and gross profit amount in this year. In addition, the termination benefits increased by RMB502 million as compared with last year, due to the rising cost for reform of the Company.

##### 2. Analysis of assets, liabilities and shareholders' equity

At the end of the year, the Company's total assets amounted to RMB84.703 billion. The assets scale decreased slightly, among which, sharp decreases were recorded in inventory and accounts receivable, with decreases of 26.13% and 7.73% respectively. Meanwhile, total liabilities amounted to RMB62.617 billion, up by 0.74% as compared with the beginning of the year, mainly attributable to the increase of 13.28% in notes payable. Shareholders' equity amounted to RMB22.086 billion in total, down by 7.89% as compared with the beginning of the year, mainly attributable to the operating loss in the year.

##### 3. Analysis of gearing ratio

Item	As at the end of 2016	As at the end of 2015	Year-on-year increase/decrease (percentage point)
Gearing ratio (%)	<b>73.93</b>	72.16	1.77

Gearing ratio of the Company was 73.93% at the end of the year, representing an increase of 1.77 percentage points as compared with the beginning of the year. The risk from assets structure of the Company is in a controllable state.

### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (V) Financial Position and Operating Results during the Reporting Period (Continued)

##### 4. Bank borrowings

As at 31 December 2016, the Company had borrowings from financial institutions (banks) of RMB785 million due within one year and had bank borrowings of RMB500 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB1,285 million were fixed-rate loans. The Company has maintained a favorable credit rating with banks and a sound financing capacity.

##### 5. 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.

##### 6. Pledge of assets

At the end of the year, the Company had a guaranteed loan of RMB22.5 million, which was borrowed by a subsidiary from a financial institution with the purpose of settlement of payment to Shanghai Oujikete Slewing Bearing Co., Ltd of which the joint and several liability of guarantee is provided by Shanghai Oujikete Slewing Bearing Co., Ltd and Shanghai Oujikete Slewing Bearing Co., Ltd would bear the relevant interest incurred on the borrowings. As at the end of the year, the Company had pledged borrowings of RMB142 million, which were related to borrowings from financial institutions secured by machinery, equipment, properties and land use rights. As at the end of the year, this part of borrowings was not mature and repayable.

##### 7. Contingent liabilities

Please see "Contingent event" in Note 13 to the Audit Report.



### II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (Continued)

#### (VI) Main Sources and Uses of Funds

##### 1. Cash flows from operating activities

During the year, the Company's cash inflows from operating activities amounted to RMB38,491 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB23,089 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB8,965 million. The net cash flows from operating activities increased by 115.72% year-on-year.

##### 2. Cash flows from investing activities

During the year, the Company's cash inflows from investing activities amounted to RMB32 million, mainly attributable to the retrieval of portion of investments in Zhongke Securities and receipt of dividend from joint ventures; cash outflows from investing activities amounted to RMB475 million, mainly attributable to investment expenditures for purchase and construction of fixed assets and investment in joint ventures by the Company; net cash flows from investing activities amounted to RMB-443 million. The net cash outflows from investing activities increased by 71.98% as compared with the same period last year.

##### 3. Cash flows from financing activities

During the year, the Company's cash inflows from financing activities amounted to RMB824 million, representing a decrease of 72.92% as compared with that of last year, mainly attributable to the decrease of borrowings of the Company; cash outflows from financing activities amounted to RMB2,198 million, mainly attributable to the repayment of borrowings due and the payment for interest accrued thereon by the Company, as well as the distribution of 2015 cash dividends of RMB140 million to the shareholders of the Company; net cash outflows from financing activities amounted to RMB1,374 million, which is mainly due to the decrease in the amount of borrowings.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

#### (I) Competition pattern and development trend of the industry

##### 1. Macro-economic environment

In terms of the macro situation, the global economy is still in the stage of deep consolidation, during which it shows the features such as slowing growth, over-capacity and increasing uncertainties. As the developed countries attach more importance on the manufacturing of high-end products, the layout of global manufacturing industry is significantly affected by the new production technological revolution which is dominated by informed, intelligent and networking technologies. Domestically, Central Economic Work Conference stated that “supply-side structural reforms” will be further deepened in the year of 2017 and the basic tone of work will be seeking progress while maintaining stability. It also stressed that product quality should be improved by focusing on deepening the supply-side structural reforms.

##### 2. Development trend of the industry

According to the objectives set out in the “Energy Sector Development in the 13th Five-Year Plan” (《電力發展“十三五”規劃》), the installed capacity of the coal-fired power should be maintained at not more than 1,100 million KW by 2020, indicating that the room for additional thermal power will be limited during the 13th Five-Year Plan period. In respect of the energy distribution, the wind power and PV power will be moved towards the central and eastern regions and will be mainly developed by distribution and locally consumed. Nuclear power will be concentrated in the constructions in the eastern coastal areas, with the estimated installed capacity to reach 58 million KW by 2020.

Pursuant to the Guiding Opinions on Energy Development for 2017 (《2017年能源工作指導意見》) released by the National Energy Administration, the state further declared that thermal power projects should be strictly controlled, and the scale of non-fossil power should be expanded. The targets set for installed capacity of various types of power are: the installed capacity of newly constructed **hydropower** projects is sought to reach 30 million KW, with additional installed capacity of 10 million KW; the installed capacity of newly constructed **wind power** projects is sought to reach 25 million KW, with additional installed capacity of 20 million KW, through steadily promoting the progress of preparatory work of wind power projects located at certain regions; the installed capacity of **nuclear power** is sought to increase by 6.41 million KW by vigorously accelerating the approval procedures of construction of qualified projects, with 8 units of generators to be put into operation during the year. The installed capacity of newly constructed **solar power** projects is sought to reach 20 million KW, with additional installed capacity of 18 million KW by orderly promoting the progress of preparatory work of the projects located at certain regions. The ultra-low emission transformation planned to be completed in a scale of 80 million KW and the energy-saving transformation planned to be completed in a scale of 60 million KW during the year by pushing forward the **transformation in the field of coal-fired power**. Overall, great development opportunities will be brought to the wind power, solar power and nuclear power segments and the growth potential exists in the areas of energy-saving and emissions reduction in coal-fired power, pumped-storage hydroelectricity and biomass power.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (Continued)

#### (I) Competition pattern and development trend of the industry (Continued)

##### 3. Competition pattern of the industry

From the perspective of competition in the industry, with the significant decline in the growth of demand for power generation during the “13th Five-Year Plan” period, the installed capacity of power generation grew at a lower rate and new characteristics of competition has emerged in the power generation equipment industry in the PRC, such as large decrease in demand in thermal power and other fossil energy markets, more intensive market competition due to the decrease in development amount of hydro power resource, which resulted in the continued decline in the price of power generation equipment. On the other hand, during the “13th Five-Year Plan” period, energy structure will be adjusted and new energy development will be sped up, creating new opportunities for development of nuclear power, wind power and solar power. New requirements will be proposed by the state in respect of economy, reliability, energy conservation and environmental-friendliness of generator units, bringing room for new market growth in reformation on energy conservation and emissions reduction, technical innovation for parameters upgrade, and power plant maintenance and operation. Under the new circumstance, the demand for power generation equipment will grow slowly and competition in domestic power market will become more intensive in the “13th Five-Year Plan” period. It has become essential for the development of power generation equipment enterprises to increase competitiveness and expand market share with technology, quality, service and cost control.

In respect of international market, the implementation of “One Belt One Road” and international capacity cooperation will bring new development opportunities. However, new challenges will arise from market channels response, risk prevention, cost control and resource deployment in the international market and other international operation requirements.

#### (II) Development strategy of the Company

The Company’s vision: To be “China’s GE” and a prime supplier of the power technology, equipment and service around the world.

Strategic positioning: A world-class supplier of major technology, equipment and service with international competitiveness.

The development strategies of the Company during the “13th Five-Year Plan” period include: taking proactive initiatives in adapting to “New Normality”; adhering to the development principle of “innovation, coordination, greenness, openness and sharing”; implementing the strategic tasks relating to “One Belt One Road”, manufacturing powerhouse and deepening reform stipulated by the state; capturing the advantages in “technology, market and service” and stimulating development vitality with innovation by focusing on the “structural adjustment, transformation and upgrade”; consolidating the favorable resources to strengthen the organic growth driver; cultivating the core capability and enhancing the management and control; emphasizing the enhancement and optimization to improve the development quality and efficiency. All of these efforts are made to realize the sustainable development of DEC and position it as a world-class supplier of major technology, equipment and service with international competitiveness.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (Continued)

#### (III) Business plan of the Company

2017 is an essential year for the Company to rise above difficulties and achieve rejuvenation with deep reform. By promotion of the “Tier-three spirit” and “DEC culture”, the Company will endeavor to realize the objective of “rising above difficulties and achieving rejuvenation” and “second venture”. Driven by the deepening reform, the Company will dedicate its resources into “science innovation, quality improvement, cost control, further reform and management enhancement”, while insisting on emancipating minds, transforming values and refining the organizational behavior. In order to accomplish the comprehensive plan of 2017 and reform and development tasks in each stage, the Company will be committed to seizing every opportunity to vigorously expand market based on the goal-oriented discipline.

In 2017, following the guidance of “de-capacity, de-stock, cost saving, and restructuring”, the Company will seek to rise above difficulties and achieve rejuvenation by putting more efforts into the transformation and upgrading. The Company has planned to achieve the annual output of power generation equipment of 28 million KW and maintain stable operating revenue. The Company also expects to secure a steady and sustainable development through further reducing cost and improving efficiency, enhancing the profitability and turning loss into profit. For this purpose, the Company intends to adopt the following measures:

#### 1. Expansion of domestic and overseas markets with best and concerted efforts.

**Domestic market share shall be expanded and consolidated.** For the thermal power, market share of one third in the large and medium-sized thermal power markets shall be attained through vigorously promoting the demonstration projects with innovative technology which cater to the demand of users on the high-efficiency, cleanness and flexibility, while proactively following up the projects such as civil thermal power, delivering power source station and self-developed power plants. **For the hydropower**, the competitive strength of DEC shall be maintained in the large-sized hydropower generators and pumped-storage hydropower generator unit market, and leading position in the tubular-turbine generation unit market shall be further enhanced, in a bid to strive for 40% of market share. **For the nuclear power**, the Company shall maintain 45% of market share for the core products including civil nuclear island equipment, and maintain 35% of market share for products such as nuclear island reactor pressure vessels, steam generators and main nuclear pump. **For the thermal power generators**, the Company shall maintain 25% of market share by accelerating the introduction and absorption of technology applied in F5 and model J heavy-duty thermal power generators due to the market competition. **For the wind power**, the market share will be expanded by using various methods to improve the reliability and economic performance of prevailing products in market. **For the power station service**, the Company will use best endeavors to capture the market share of service segments such as parameter upgrade, capacity enhancement, power saving, efficiency improvement and product life extending through the coordination of resources. In addition, the Company will keep a close eye on the thermal power flexibility renovation market in the PRC, while strengthening the service capability covering entire life cycle such as examination, inspection and repair, operation and maintenance, with an aim to grow at a faster pace.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (Continued)

#### (III) Business plan of the Company (Continued)

##### 1. Expansion of domestic and overseas markets with best and concerted efforts. (Continued)

**More efforts shall be dedicated to further develop the international market.** The integration of overseas resources shall be accelerated to build the unified overseas operation platform so as to cultivate our core competitiveness. **The Company will strengthen its business layout in overseas market.** Riding on “One Belt One Road” initiative, we will further explore such traditional markets as India, Indonesia, Pakistan and Vietnam, vigorously expand such potential markets as the Middle East and Central Asia and actively exploit such emerging markets as Eastern Europe and Africa. The functions of overseas administrative offices will be utilized in expanding our coverage in areas without our footprint, so as to establish a more effective overseas marketing channel. **The international industrial expansion will be vigorously promoted,** with expansion into the upstream and downstream of industrial chain, extension to the upstream of value chain, in an effort to create the full life cycle service ability of the power plant. New business model will be established based on the overseas complete sets of equipment and power plant EPC, so as to develop the integrated projects covering the post-service, early-phase feasibility study, exploration and investment, construction and operation of overseas power plants. **The progress of structural adjustment will be accelerated.** More efforts will be put into the promotion of products with high thermal power parameters, high efficiency and low emission and such new energy products as large-sized efficient hydropower, wind power and solar power and related project development in the overseas markets, with the purpose of increasing the overseas market share of hydropower and new energy products.

##### 2. Exploring potential and laying down a solid foundation for development by improving quality and efficiency.

**Firstly,** more efforts will be devoted to the collection of receivables so as to realize decrease of outstanding receivables at the end of 2017 as compared with that at the beginning of the year. **Secondly,** the utilization efficiency of inventory will be improved and the disposal of abnormal inventory will be intensified with the purpose of achieving decrease at remaining inventory at the end of 2017 as compared with that of the beginning of the year. **Thirdly,** the Company will carry out cost-driven program to steadily push forward target cost management and strictly control the unproductive expenditure, so as to attain higher gross profit margin in principle business in 2017 as compared with last year. **Fourthly,** the procurement will be centralized in compliance with the requirements of “centralized management, centralized bidding, centralized procurement and benefits preferred”, so that the procurement concentration rate shall reach over 90%.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (Continued)

#### (III) Business plan of the Company (Continued)

#### 3. Driving the research and development and industrialization process of main products by innovation.

**The Company will attach great importance on the implementation of “Climbing Plan” and major science and technology projects.** The “Climbing Plan” and major science and technology projects will be vigorously promoted with the focus on principle business, so as to achieve breakthroughs in core technology of key products, optimize performance and enhance the product competitiveness. **In respect of thermal power,** critical breakthroughs will be recorded in performance improvement for 660MW and 1,000MW ultra-supercritical steam turbine, research and development of 660MW ultra-supercritical CFB boiler, promotion of the research, development and demonstrative application of key technology of ultra-high parameter secondary reheat unit. **In terms of nuclear power,** the independent development of the third generation of main equipment shall be speeded up, while positive efforts will be put into the research and development of the fourth generation. Great importance shall be attached to the development of main equipment for such CAP1400 major and special pilot projects as Shidao Bay project, Hualong No. 1, Fuqing No. 5 and 6 and CFR600 demonstration fast breeder reactor. **As to hydropower,** priority will be given to the development of Baihetan 1,000MW mega hydropower generating units, Jixi and Dunhua pumped-storage mechanism; and the preliminary research of impulse mega turbine and the relevant testing should be pushed forward. **With respect to wind power,** great efforts should be devoted to promoting the research, development and application of such core technology as independent electrical control and blades to achieve upgrading and updating of products. **In regard to gas turbine,** the independently developed project of 50MW gas turbine should be accelerated. **For new technological industrialization,** the progress of technological research and application for digital power plant will be in a faster pace through the development of health and intelligence management and demonstration project for thermal power units.

#### 4. Deepening reform and stimulating development vitality.

In order to reduce the burdens on business operation, streamlining plans will be implemented on five dimensions covering “segment, organization, position, leader and employee”. By adhering to the principles of “retreat from low-efficient business, optimization of structure and streamlining”, the Company will retreat from the segments with low-efficient capacity and non-core business to streamline and optimize the organizational structure. In addition, the Company will strictly comply with the “three rules”, with control on the total number of staff and adjustments to the personnel structure.

Targeted measures and policies will be adopted to cultivate talents, retain talents, make good use of talents, stimulate vitality and form the innovation-driven and talents-led pattern. The Company will be committed to satisfying the demands of key talents required by operation according to the strategic development focus. The career development channel of technical experts, senior management and operation talents will be refined through improvement of assessment and management methods of various specialists. The Company will also strive to cultivate the leading talents in the industry by implementing key projects and major scientific research projects.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (Continued)

#### (III) Business plan of the Company (Continued)

##### 5. Preventing the operational risk effectively by stringent management and control.

The management and control on project risk should be reinforced. The potential contract performance risk shall be prevented by strengthening the communication with users, conducting in-depth on-site investigation on projects, following up the on-site situation of projects timely, assessing the project progress and revising the project execution plan, as well as adjusting the progress of design, purchasing, manufacturing and shipping in due course. The Company will also reinforce the analysis and study of national policy, domestic and overseas economic situations and conduct periodic analysis on economic development, so as to find solutions as soon as possible and avoid business risks. Measures will be taken to prevent legal risk. General legal consultant system will be launched at principle subsidiaries, the main responsibilities of subsidiaries in legal work will be identified and the accountability system for illegal operation will be established.

##### 6. Improving the sustainable development ability of the Group through acquisition of assets from its controlling shareholder by issuance of shares.

Through implementing the transaction of acquisition of assets from its controlling shareholder by issuance of shares, the Company will expand its business scope in power electronics and control, finance, logistic, trading business, new energy, and industrial intelligence equipment, and will thus improve the Company's industry chain as well as the quality and efficiency of the core power generation equipment. The Company, by conducting such transaction, will strongly enhance the integration of industry and financial sector, and international management and operation, and improve the development profitability and risk-resistance capability, and enhance the Group's overall competitiveness. The proposed injected assets will help to significantly enhance the independent innovation ability of the Company's core and emerging technology and realize the innovation-driven growth. Besides, the commercialization of relevant scientific innovation results can be accelerated by utilization of the platform of a listed company. While maintaining the leading position in the industry, the Company will vigorously expand into the fresh business by proactively implementing the development strategy of dual drivers, namely "traditional core segments + emerging segments", in a bid to foster new profit growth point and improve the sustainable development ability of the Company.

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (Continued)

#### (IV) Possible Risks

##### 1. Market orders risk:

In 2017, the Chinese economy is still under downturn pressure. Reform on supply side and power systems reform will exert relatively great effects on domestic power demand. In particular, the new power generation equipment market faces sharp downturn and uncertainties increase for concluded contracts due to further control to be imposed by the National Energy Administration on the capacity of coal-fired power during the “13th-Five Year Plan” period in order to further promote the orderly development of the coal-fired power. All of these factors bring about great pressure and risks to orders of enterprises.

Aimed at demands in the target market, the Company will strengthen market planning and implement the marketing strategic to be carried out by all the staff members, so as to improve quick and efficient market response mechanism to deal with market changes. Meanwhile, the Company will promote transformation and upgrading to satisfy market demands by fully leveraging the advantages in “technology, market and service”.

##### 2. Project execution risk:

The domestic projects currently in progress of the Company are subject to the impact of slowdown in the construction of the power infrastructure as well as the adjustment and control on coal-fired power, and thus may bring about some project execution risk. In respect of overseas projects, the project execution risk is generated from factors such as the politics, economy, safety, policies and project schedules, quality and exchange rate in the country where such overseas projects are located.

By promoting the establishment of internal control system, the Company enhanced investigation and examination of project contracts, while accelerating the progress of implementation of the proposal of resources integration for overseas market. In so doing, a uniform platform is formed to achieve the synergic effect, thereby facilitating the expansion of international market and enhancing the capability of preventing project risk.

##### 3. Risk of recovering receivables:

Since the progress of construction of some power stations is slowing down, the Company is facing the risk arising from the increasing account receivables and more difficulties in recovery of such payments. As a result, the cash flow generated from operating activities such as the recovery of receivables decreased.

In order to ensure the normal operation of the Company’s capital chain to satisfy the capital demand for production and operation, the Company will strengthen fund management to prevent fund risk, and make more efforts on recovering the account receivables.



### **IV. THE DESCRIPTION OF AND REASONS FOR THE FAILURE OF THE COMPANY TO DISCLOSE IN COMPLIANCE WITH THE STANDARDS DUE TO NON-APPLICABLE OF THE STANDARDS AND OTHER SPECIAL REASONS SUCH AS THE NATIONAL SECRETS AND COMMERCIAL SECRETS**

No

### **V. OTHER EVENTS**

Saved as disclosed above, description in relation to the following issues included in the sections headed “Directors, Supervisors, Senior Management and Employees” and “Significant Events” forms part of this report.

#### **(I) Directors and Supervisors**

Please refer to Section VIII headed “Directors, Supervisors, Senior Management and Employees” for list of members regarding the Board of Directors, the Supervisory Committee in 2016.

#### **(II) Principal business**

The Company is engaged in power equipment manufacturing industry and our principal business includes complete large-scale power generation equipment, engineering contracting and services, etc.

#### **(III) Interests of Directors and Supervisors**

For details of the interests of Directors and Supervisors in 2016, please refer to the Section VI “Significant Events – VII. Material Contracts and Implementation thereof”.

#### **(IV) Donations**

For the year ended 31 December 2016, the aggregated amount of donation made by the Company for charity and other purposes amounted to RMB5.77 million.

#### **(V) Events after the Balance Sheet Date**

##### **1. Acquisition of assets by issuance of shares of the Company**

The Company entered into the proposed Assets Transfer Agreement with DEC on 7 March 2017, pursuant to which the Company has conditionally agreed to acquire the Target Assets from DEC at a total consideration of RMB6,909.4047 million (subject to adjustment) which shall be settled by issuance of approximately 766.8596 million Consideration Shares by the Company at the issue price of RMB9.01 per Consideration Share to DEC.

### V. OTHER EVENTS (Continued)

#### (V) Events after the Balance Sheet Date (Continued)

##### 1. Acquisition of assets by issuance of shares of the Company (Continued)

The Target Assets include: (i) 100% equity interest in DEC Materials, (ii) 100% equity interest in DEC Bulk Logistic, (iii) 100% equity interest in DEC Finance, (iv) 100% equity interest in DEC International Cooperation, (v) 100% equity interest in DEC Automatic Control, (vi) 41.24% equity interest in DEC Hitachi, (vii) 100% equity interest in DEC Clean Energy, (viii) 100% equity interest in DEC Smart Energy, (ix) certain equipment and intangible assets, including 833 equipment (including 407 mechanical equipment, and 426 electronic equipment) and 473 intangible assets (including 63 software, 14 computer software copyrights, and 396 patents).

The abovementioned transactions are subject to approval from the independent shareholders of the Company at the General Meeting and the Class Meetings after approval from the relevant regulatory authorities. For details of such transactions, please refer to the announcement issued by the Company on 9 March 2017.

The trading in A shares of the Company has been suspended from 9 December 2016, and is expected to remain suspended until the SSE has no further comments on the disclosed information of the Company in relation to the proposed Acquisition published on SSE in accordance with the SSE Listing Rules.

#### (VI) Share Incentive Scheme

For details of the Share Option Incentives Scheme of the Company during the year, please refer to Section VI "Significant Events – XI. The Company's Share Incentive Scheme, Employee Shareholding Plan or Other Employees' Incentive Schemes and the Impact Thereof".

#### (VII) Dividend and Income Tax of Shareholders

According to the Profit Distribution Plan for 2016 of the Company, no profit distribution would be made, no surplus reserves would be converted into share capital and no dividend would be declared. Such plan should be proposed at the 2016 annual general meeting for consideration and approval.

### V. OTHER EVENTS (Continued)

#### (VII) Dividend and Income Tax of Shareholders (Continued)

According to the provisions in the Notice by the State Administration of Taxation on Issues Regarding the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), for the dividend and bonus incomes from shares offered in Hong Kong by domestic non-foreign investment enterprises acquired by individual shareholders as overseas foreign resident individual shareholders, the withholding agent shall legally lawfully withhold and remit paid the individual income taxes according to item “interest, dividend and bonus income”. For shares offered in Hong Kong by domestic non-foreign investment enterprises, the individual shareholders as overseas residents can claim related tax preferences according to the provisions in the tax treaty signed by the country to which the resident identity belongs and the PRC and in the tax arrangements between Mainland China and Hong Kong (Macao). According to the related tax treaties and tax arrangements, the tax rates for dividends are normally 10%. To simplify administration of tax collection, when the domestic non-foreign investment enterprises offering shares in Hong Kong allocate distributable dividend and bonuses, the individual income taxes are generally withheld at the tax rate of 10% and such application is not necessary. If the dividend tax rate is not 10%, individual income taxes shall be withheld as per the following provisions: (1) for residents subject to tax rates below 10% pursuant to relevant treaties, the withholding agent can apply related treatment under such treaties on behalf of the residents and the governing tax authority will refund the additional tax payments after approving the application; (2) for residents subject to tax rate over 10% but lower than 20% pursuant to relevant treaties, when the withholding agent distributes dividend and bonus, the individual income tax shall be withheld and paid at the actual tax rate specified in the treaties and application for approval is not necessary; (3) for residents from the country which did not enter into any tax treaty with the PRC, when the withholding agent distributes dividend and bonus, the individual income tax shall be withheld and paid at the tax rate of 20%.

According to the provisions in the Notice on Issues regarding Withholding of Enterprise Income Taxes when PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise H shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號) issued by the State Administration of Taxation, when Chinese resident enterprises distribute annual dividends and bonuses for foreign non-resident enterprise H shareholders for the year 2008 and subsequent years, the corporate income tax shall be withheld and paid by PRC resident enterprises at the uniform tax rate of 10% on behalf of its shareholders.

According to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, State Administration of Taxation and CSRC, for dividends and bonuses acquired by Mainland individual investors by investing in listed H shares at the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, such H share companies shall withhold the individual income tax at a tax rate of 20%. For dividends and bonuses acquired from Mainland securities investment funds by investing in listed shares at the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, the individual income tax shall be levied as per above regulations. For dividends and bonuses acquired by mainland enterprise investor from investing in listed shares at the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, such H share companies shall not withhold or pay any income taxes on the dividends and bonuses, as the income tax should be paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses acquired by Mainland resident enterprises for continuous holding of relevant H shares for 12 months, the corporate income tax shall be exempted according to laws.

### V. OTHER EVENTS (Continued)

#### (VII) Dividend and Income Tax of Shareholders (Continued)

According to the current practices of Inland Revenue Department of Hong Kong, no tax shall be levied for dividends distributed by the Company in Hong Kong.

The shareholders of the Company shall pay relevant taxes and/or be entitled to tax reliefs according to above provisions.

#### (VIII) Permitted Indemnity Provisions

To comply with the provisions of the Corporate Governance Code, the Company has arranged appropriate liability insurance for directors, so as to provide compensation insurance for their liability arising from enterprise business activities.

#### (IX) Directors' and Supervisors' Interests in Contracts

No contracts of significance (as defined in Appendix 16 to the Listing Rules), in which a director or supervisor of the Company had material interest, either directly or indirectly, subsisted during or at the end of the year.

None of Directors or Supervisors of the Company had material interests which are crucial, either directly or indirectly, in any forms, in any contracts entered into or proposed to enter into with the Company.

#### (X) Distributable Reserves

As at 31 December 2016, distributable reserves of the Company amounted to RMB9.193 billion. The Company has proposed the Profit Distribution Plan for 2016, pursuant to which, no profit distribution would be made, no surplus reserves would be converted into share capital and no dividend would be declared. In addition, the Company's capital surplus was RMB8.828 billion, and surplus reserve amounted to RMB769 million, both are available for distribution in case of capitalization issue in the future.

#### (XI) Key Relationships with Persons with Significant Impact

The Company has been keeping stable and sound relationship with our customers and suppliers. The Company cherishes talents and carefully performs its corporate responsibilities. By providing training management, health protection, it aims to assist employees to make progress and become talents.

#### (XII) Corporate Social Responsibility

By adhering to the "green value", the Company continued its efforts in the construction of green plant and environmental protection works. To comply with energy conservation provisions under the national laws and regulations in relation to the material infrastructure projects, the Company endeavors to promote green, energy-saving and environmentally friendly low-carbon technologies for major equipment and facilities. In respect of optimizing working environment, the Company enhanced its management and regulation on the disposal of waste oil, liquid and residue, advocated paperless office, and implemented energy conservation and emission reduction among each unit of the Company through various education activities. For details, please refer to the Social Responsibility Report of Dongfang Electric Corporation Limited for 2016 《東方電氣股份有限公司2016年社會責任報告》 which is published together with this report.

# REPORT OF THE SUPERVISORY COMMITTEE

## To shareholders,

2016 is the starting year of “13th Five-Year Plan” of the Company. Faced with the significant shrinking demand and increasing fierce competition in the power generation equipment manufacturing industry, the Supervisory Committee proactively and faithfully performed its duties in conformity with the Company Law, and the Articles of Association of the Company, thus effectively playing its role in facilitating the regulated operation of the Company. The work of the Supervisory Committee in 2016 is set out as follows:

## I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

### (I) Enhancing the development of capabilities of the Supervisory Committee

First of all, training on laws, regulations and other securities regulatory requirements of SSE and CSRC were organized for Supervisors, to enable them to obtain information relating to policies, measures and reform of securities regulatory in a timely manner, and diligently perform their supervision duties by continued enhancement of business skills, innovation of work methods and improvement of standards in the supervisory work. Secondly, Supervisors were encouraged to participate the special exchanges and learning activities carried out by the China Securities Regulatory Commission, the Securities Regulatory Bureau of Sichuan Province, the Chinese Association of Listed Companies (中國上市公司協會) and the Association of Listed Companies of Sichuan Province (四川省上市公司協會). Thirdly, the regulated management of supervisory office were strengthened so as to perform its function as a daily operation organization of the Supervisory Committee.

### (II) Convening of meetings of the Supervisory Committee

In 2016, a total of 6 meetings were convened by the Supervisory Committee. During the Reporting Period, the convening and procedures of decision are in compliance with the relevant laws, regulations and related requirements under the Articles of Association. Details of the meetings are set out as follows:

1. The fourth meeting of the eighth session of the Supervisory Committee was convened in Chengdu on 24 February 2016. There were 3 Supervisors eligible to attend the meeting, and 3 attended in person. The following matters were considered and approved at the meeting:
  - (1) to consider the resolution on 2016 Annual Operation Plan of the Company;
  - (2) to consider the resolution on 2016 Fixed Assets Investment Plan of the Company;
  - (3) to consider the resolution on 2016 External Investment Plan of the Company;
  - (4) to consider the resolution on 2016 Annual Financial Budget of the Company;
  - (5) to debrief issues regarding the establishment of a subsidiary in Turkey;
  - (6) to discuss the major work plan of the Supervisory Committee for 2016.

### I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (Continued)

#### (II) Convening of meetings of the Supervisory Committee (Continued)

2. The fifth meeting of the eighth session of the Supervisory Committee was convened in Chengdu on 28 March 2016. There were 3 Supervisors eligible to attend the meeting, and 3 attended in person. The following matters were considered and approved at the meeting:
  - (1) to consider the resolution on 2015 Audited Financial Report of the Company;
  - (2) to consider the resolution on 2015 Annual Profit Distribution Plan of the Company;
  - (3) to consider the resolution on 2015 Annual Report of the Company;
  - (4) to consider the resolution on 2015 Appraisal Report of Internal Control and the Audit Report of Internal Control of the Company;
  - (5) to consider the resolution on Annual Special Report on the Deposit and Use of the Proceeds of the Company;
  - (6) to consider the resolution on Report of the Supervisory Committee for 2015;
  - (7) to consider the resolution on amendments to Regulations for the Work of Risk Management Committee under the Board;
  - (8) to consider the resolution on retrospective adjustment to the opening balance in 2015 Financial Report of the Company;
  - (9) to debrief the report on increase of contribution to the registered capital of Huadian Longkou Wind Power Co., Limited (華電龍口風電有限公司);
  - (10) to debrief the report on increase of contribution to the registered capital of Sichuan Energy Investment Wind Power Co., Ltd. (四川省能投風電開發有限公司);
  - (11) to debrief the report on establishment of a subsidiary in Basil.
3. The sixth meeting of the eighth session of the Supervisory Committee was convened in Chengdu on 27 April 2016. There were 3 Supervisors eligible to attend the meeting, and 3 attended in person. The resolution on 2016 unaudited First Quarterly Report of the Company was considered and approved at the meeting.

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

### I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (Continued)

#### (II) Convening of meetings of the Supervisory Committee (Continued)

4. The seventh meeting of the eighth session of the Supervisory Committee was convened in Chengdu on 26 August 2016. There were 3 Supervisors eligible to attend the meeting, and 3 attended in person. The following matters were considered and approved at the meeting:
  - (1) to consider the resolution on 2016 unaudited Interim Report of the Company;
  - (2) to consider the resolution on 2016 Interim Report of the Company;
  - (3) to debrief the issue regarding the provision of external guarantee by Dongfang Steam Turbine, which is a wholly-owned subsidiary of the Company;
  - (4) to debrief the issue regarding the provision of finance lease guarantee by the Company to Wulan New Energy;
  - (5) to debrief the report on “13th Five-Year” Development Strategy and the Outline of Development Plan of the Company;
  - (6) to debrief the issue regarding investment of the Company on Liangshanzhou New Energy Operation and Maintenance Co., Ltd. (涼山州新能源運維公司).
5. The eighth meeting of the eighth session of the Supervisory Committee was convened in Chengdu on 20 October 2016. There were 3 Supervisors eligible to attend the meeting, and 3 attended in person. The following matters were considered and approved at the meeting:
  - (1) to consider the resolution on 2016 unaudited Third Quarterly Report of the Company;
  - (2) to consider the resolution on 2016 Third Quarterly Report of the Company;
  - (3) to debrief the issue regarding the construction of experimental facilities of the 50MW thermal generating units of DEC.
6. The ninth meeting of the eighth session of the Supervisory Committee was convened in Chengdu on 28 December 2016. There were 3 Supervisors eligible to attend the meeting, and 3 attended in person. The resolution on Changes in Accounting Estimates of the Company was considered and approved at the meeting.

In 2016, the Supervisory Committee conscientiously reviewed relevant proposals by way of holding meetings, and raised certain rationalized advices on external investment, internal control, budget execution, inventory management, collection of receivables and other aspects. The Supervisory Committee circulated their advice to relevant units and departments by way of minutes of meeting. Such advice obtained high attention and faithful implementation of the Board and the management of the Company and effectively enhanced the management of the Company.

### I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (Continued)

#### (III) Attendance of the Board meetings, work meetings of the President and general meetings for timely obtaining the information regarding operational decision-making and safeguarding the benefits of the Company and legal interests of Shareholders

During the Reporting Period, in accordance with the Company Law, the Securities Law, the Articles of Association and the Rules of Procedure of the Supervisory Committee, the Supervisors attended the general meetings, Board meetings and work meetings of the President, to directly debrief various reports of the Company, communicate with the senior management of the Company on a periodic basis, inspect relevant information, provide advices on major events of the Company and oversee the establishment and implementation of decision-making procedures and internal control system as well as the duty performance of Directors and senior management of the Company, thereby effectively safeguarding the benefits of the Company and legal interests of all Shareholders.

#### (IV) Daily supervision by the Supervisors

The Supervisors proactively involved themselves in the activities of improving management and developing internal control. At the same time, the Supervisors conducted a series of regulatory measures for such positions as finance staff, auditors and Supervisory Committee chairman in subsidiaries, so that the insufficiencies of the Company were timely discovered and addressed and risks were prevented in corporate operation and decision-making.

#### (V) On-site inspection of the production operation, financial management and internal control of some subsidiaries in 2016

According to its 2016 annual work plan, the Supervisory Committee inspected the production operation, financial management, risk management and internal control of Dongfang Boiler and Dongfang Heavy Duty Machinery. The Committee proposed suggestions and rectification requirements based on the insufficiencies and major risks existed in the Company, in a bid to put into practice the Board's annual work targets and safeguard the shareholders' interest.



## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

### II. PERFORMANCE OF DUTIES BY SUPERVISORS

In 2016, pursuant to the requirements of the Work Guidelines for Supervisory Committees of Listed Companies, Supervisors conscientiously performed their supervisory duties. The attendance rate of Supervisors attending the meetings of the Supervisory Committee, the general meetings and Board meetings was 100% in the whole year except those on business trip, whereas the Supervisor who was absent from the general meetings and Board meetings performed the procedures according to related requirements of the Company.

- Detailed breakdown of the Supervisors' attendance at the meetings of the Supervisory Committee was set out below:

Name	Staff representative supervisor (Yes/No)	Number of meetings required to attend in this year	Attendance in person	Attendance by proxy	Absence
Wen Limin	No	6	6	0	0
Wang Zaiqiu	No	6	6	0	0
Wang Congyuan	Yes	6	6	0	0

- Detailed breakdown of the Supervisors' attendance at the Board meetings was set out below:

Name	Staff representative supervisor (Yes/No)	Number of meetings required to attend in this year	Attendance in person	Attendance by proxy	Absence
Wen Limin	No	6	6	0	0
Wang Zaiqiu	No	6	6	0	0
Wang Congyuan	Yes	6	5	0	1

- Detailed breakdown of the Supervisors' attendance at the general meetings was set out below:

Name	Staff representative supervisor (Yes/No)	Number of meetings required to attend in this year	Attendance in person	Attendance by proxy	Absence
Wen Limin	No	2	1	0	1
Wang Zaiqiu	No	2	2	0	0
Wang Congyuan	Yes	2	1	0	1

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS FOR THE REPORTING PERIOD

#### (I) The Supervisory Committee's independent opinion on legal compliance of the Company's operations

Having supervised and examined the operation of the Company pursuant to its duties and responsibilities under the Company Law, the Securities Law and the Articles of Association, the Supervisory Committee is of the opinion that the Company is able to carry out its operation and strictly implement the resolutions of the general meetings in accordance with the laws and regulations and the requirements of the Articles of Association. All significant decisions of the Company were made in compliance with legal procedures and information disclosure was made in a timely and accurate basis. The preparation and review procedures of the Company's 2016 Annual Report are in compliance with requirements of the laws, regulations, the Articles of Association and the internal management systems; and the Company's 2016 Annual Report is in the content and format satisfactory to the relevant requirements of China Securities Regulatory Commission and Shanghai Stock Exchange and contains the information which objectively and truly reflects the financial position and significant operation and management events of the Company during the Reporting Period.

#### (II) The Supervisory Committee's independent opinion on the financial position of the Company

During the Reporting Period, the Supervisory Committee has carefully monitored, examined and reviewed the financial position and financial management of the Company in 2016 by way of hearing the special reports made by the Company, carefully considering the financial report of the Company, reviewing auditors' report and keeping close eyes on and investigating major events. In the opinion of the Supervisory Committee, no changes of accounting policies incurred, and the changes in the accounting estimates were made in conformity with relevant regulations and the Accounting Standards. The preparation and reporting and decision-making procedures of the Company's 2016 financial report are in compliance with relevant requirements, and ShineWing Certified Public Accountants (Special General Partnership) has audited the 2016 financial report and issued a standard unqualified auditor's report. The 2016 financial report gives an objective and true view of the financial position and the operating results of the Company.

#### (III) The Supervisory Committee's independent opinion on the Company's connected transactions

During the Reporting Period, the Supervisory Committee seriously and carefully considered the connected transactions of the Company and paid attention to the reports and management information in relation with the connected transactions submitted by the Secretarial office of the Board. The Supervisory Committee was of the opinion that the continuing connected transactions of the Company were carried out under the principle of openness, fairness, justice and voluntariness and in compliance with relevant national laws and regulations, the Articles of Association and relevant regulations of the Company; that the connected transactions were fair and reasonable with sufficient information disclosure being made and without prejudice to the interests of the Company and other shareholders, especially minority shareholders and non-connected shareholders.

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS FOR THE REPORTING PERIOD (Continued)

#### (IV) The Supervisory Committee's independent opinion on the internal control self-assessment report and internal control audit report

During the Reporting Period, the Company carried out a self-assessment on its internal controls in accordance with the Basic Standards for Enterprise Internal Control jointly issued by the Ministry of Finance of the PRC and China Securities Regulatory Commission and other authorities, the Guidelines on Internal Control of Listed Companies issued by the Shanghai Stock Exchange and other relevant national laws and regulations.

The Supervisory Committee was briefed on report of the 2016 internal control self-assessment and internal control audit of the Company, a list of defects and rectification proposal, and the internal control and audit report with standard unqualified opinions issued by ShineWing Certified Public Accountants (Special General Partnership). After careful consideration and based on the daily supervisory duties performed, the Supervisory Committee was of the opinion that the Company had established a relatively complete internal control system, which can be effectively executed. The Company's internal control self-assessment report and internal control audit report give a true and objective view of the construction and operation of the Company's internal control system.

#### (V) The Supervisory Committee's independent opinion on the Resolution on Changes in Accounting Estimates of the Company

During the Reporting Period, the Supervisory Committee was briefed by the Company on and carefully reviewed such resolution. The Supervisory Committee was of opinion that the changes in the accounting estimates of the Company gave a more fair view of the actual position of the Company and were made according to procedures in conformity with relevant laws, regulations and relevant systems and requirements of the Company without prejudice to the interests of the Company and Shareholders. The Supervisory Committee agreed with such changes in the accounting estimates.

#### (VI) The Supervisory Committee's independent opinion on retrospective adjustment to the opening balance in 2015 Financial Report

The Supervisory Committee was briefed by the Company on the retrospective adjustment to the opening balance in 2015 Financial Report and inspected the written description provided by the accounting firm and Independent Board Committee. After carefully considering, the Supervisory Committee gave its audit opinion as follow: the retrospective adjustment to the opening balance in 2015 Financial Report was made by the Company upon corresponding request of the State-owned Assets Supervision and Administration Commission of the State Council and the Hong Kong Stock Exchange and was in compliance with relevant requirements of Accounting Standards for Business Enterprises. Save for the impacts on calculation and analysis of the total assets and gearing ratio of the Company for relevant period, such retrospective adjustment affected neither the Company's profit nor shareholders' equity, and had no actual effect on the exact taxation amount payable by Company. The Supervisory Committee agreed with the retrospective adjustment to the opening balance in 2015 Financial Report of the Company.

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS FOR THE REPORTING PERIOD (Continued)

#### (VII) The Supervisory Committee's independent opinion on Profit Distribution Plan for 2016

The Supervisory Committee was briefed by the Company on the proposed distribution of profit and dividend for 2016. After carefully considering, the Supervisory Committee gave its audit opinion as follow: the profit distribution plan for 2016 and cash dividends distribution policy are formulated by the Company in compliance with the Articles of Association and the cash dividends management measures. The opinion on profit distribution plan was objective and truth, the decision-making procedure thereof was in accordance with relevant regulations. The profit distribution plan was in the interests of the Shareholders as a whole and met the production and operation needs of the Company. Nothing was found in the Company's decision-making on profit distribution and cash dividends to be detrimental to legitimate rights and interests of minority shareholders.

#### (VIII) The Supervisory Committee's independent opinion on the Special Report on the Deposit and Use of Proceeds for the Year

The Supervisory Committee was briefed by the Company on the Special Report on the Deposit and Use of Proceeds for the Year and office of the Supervisory Committee conducted supervision and examination over the actual management and use of proceeds. After carefully considering, the Supervisory Committee gave its audit opinion as follow: the management of proceeds was in line with principles of special account, standard use, honest disclosure and strict management. The Supervisory Committee did not find any deposit and use of proceeds in violation of related regulations.

In 2017, the Supervisory Committee will continue to conscientiously adhere to the requirements of relevant laws, regulations and the Articles of Association, strictly execute the resolutions of general meetings, and oversee and enhance the Company's standardized operation with a broadened train of thought and strengthened supervision, so as to provide better protection for the legal interests of all Shareholders. Members of the Supervisory Committee will proactively continue their study, in a bid to improve their professionalism and supervisory capability. All these future efforts aim to ensure the effective execution of the internal control measures, prevent and reduce corporate risks, and facilitate the Company in its continuous and healthy development.

## I. PLAN FOR PROFIT DISTRIBUTION OF ORDINARY SHARES AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

### (I) Formulation, implementation of or adjustment to the cash dividend policy

The Company has specified its cash dividend policy in the Articles of Association, which reads as: where net profit attributable to shareholders of the listed company of the Company for that year and the accumulated distributable profit as at the end of that year are positive, dividends can be distributed in cash; where the undistributed profit of the Company is positive, the profit distributed in cash for the last three years shall not be less than 30% of the average annual distributable profit realized for the last three years.

On 24 May 2015, the Profit Distribution Plan for 2015 was considered and approved at the 2015 annual general meeting of the Company. The plan was in compliance with the Articles of Association of the Company and relevant procedures for consideration, fully protecting the legal interests of the minority investors. Independent Directors had expressed their opinions concerning the plan which had clear distribution standard and proportions. During the Reporting Period, the implementation of the aforesaid profit distribution plan had been completed.

During the Reporting Period, the Company did not adjust or change its dividend policy.

### (II) Plan or proposal for profit distribution of ordinary shares, transfer of capital reserve to share capital of the Company for the last three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of cash dividend	Bonus shares for every 10 shares (share)	Cash dividend for every 10 shares (RMB) (Tax inclusive)	Number of shares transferred into share capital for every 10 shares (share)	The amount of cash dividends (Tax inclusive)	Net profit	The percentage
					attributable to shareholders of the Company in the consolidated statements for the year of distribution	in net profit attributable to shareholders of the Company in the consolidated statements (%)
2016	0	0	0	0	-1,784,306,804.76	0
2015	0	0.60	0	140,214,022.08	439,072,644.82	31.93
2014	0	0.90	0	210,321,033.12	1,278,258,405.62	16.45

## SIGNIFICANT EVENTS (CONTINUED)

### II. THE COMPANY'S ANALYSIS AND EXPLANATION OF REASONS FOR AND IMPACTS OF CHANGES IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES AND CORRECTION OF MAJOR ACCOUNTING ERRORS

#### (I) Analysis and Explanations Given by the Board Regarding the Reasons For and Impacts of Changes in Accounting Policy, Accounting Estimates and Accounting Treatment

##### 1. Changes in accounting estimates and reasons

As the price of wind power products are decreasing due to the development of wind power industry in recent years, in particular, the warranty period has extended from two years to three years even five years, the product warranty provisions calculated at a rate of 3% are inadequate to cover the expenses incurred in the warranty period of wind power projects. According to the Resolution in relation to Changes in Accounting Estimates of the Company which was considered and approved at the 13th meeting of the eighth session of the Board of the Company held on 28 December 2016, the Company's product warranty provisions have been calculated at a rate of 6% instead of 3% of the sales revenue of the complete sets of wind power generators units starting from 1 October 2016.

##### 2. Effects of the changes in accounting estimates on the amount in the current period

The changes in accounting estimates resulted in an increase of RMB78.0857 million in sales expenses and a decrease of RMB78.0857 million in profit for the period between October and December of 2016.

### III. APPOINTMENT OR DISMISSAL OF THE AUDITOR

Unit: RMB'0000 Currency: RMB

		<b>Current auditor</b>
Domestic auditor		Shine Wing Certified Public Accountants (Special General Partnership)
Remuneration of the domestic auditor		180
Term of audit of the domestic auditor		8
		<b>Name</b>
		<b>Remuneration</b>
Internal control auditor		Shine Wing Certified Public Accountants (Special General Partnership)
		50

#### IV. SIGNIFICANT LITIGATION OR ARBITRATION EVENTS

No

#### V. THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEES' INCENTIVE SCHEMES AND THE IMPACT THEREOF

- (I) Relevant incentive events have been disclosed in the temporary announcement and there is no further development or change in subsequent implementation

##### Summary of the events

##### Query index

The Company convened the Board meeting and the general meeting on 27 October 2012 and 15 December 2012, respectively, at which the Resolution in relation to H share appreciation rights scheme were considered and approved.

For details, please refer to the announcements published on the website of Shanghai Stock Exchange, Shanghai Securities News and China Securities Journal on 27 October 2012 and 15 December 2012, respectively.

- (II) Explanation of the relevant incentive matters of the Company during the Reporting Period

The Company launched the first H share appreciation rights scheme on 14 December 2012, incentive recipients included the Directors and senior management of the Company, the principal and key managerial personnel of main subsidiaries, the senior management and important managerial personnel of the subsidiaries, the key engineering and technical professionals and the key professionals with expertise. The restrictive period was from 14 December 2012 to 13 December 2014, and the lock-up period was commenced on 14 December 2014 and ended on 13 December 2017.

All the 2013 annual performance evaluation indicators under the H share appreciation rights scheme exceeded the target value. One third of the H share appreciation rights granted by the Company to incentive recipients took effect from 14 December 2014. None of incentive recipients exercised such rights during the Reporting Period.

Since the 2014 and 2015 annual performance evaluation indicators under the H share appreciation rights scheme didn't reach the target value, two thirds of the H share appreciation rights granted by the Company to incentive recipients had been invalid.

Pursuant to the requirements of Accounting Standard for Business Enterprises 11 – Share-based Payment, incentive funds of RMB0 was provided during the Reporting Period with accumulated provision for incentive funds of RMB0.

### VI. MATERIAL CONNECTED TRANSACTIONS

#### (I) Connected transactions relating to day-to-day operation

##### 1. Matters disclosed in provisional announcements with progress or change in subsequent implementation

On 30 October 2014, the Company entered into the 2015–2017 Purchase and Production Services Framework Agreement, 2015–2017 Sales and Production Services Framework Agreement, 2015–2017 Combined Ancillary Services Framework Agreement, 2015–2017 Properties and Equipment Framework Lessee Agreement and 2015–2017 Properties and Equipment Framework Lessor Agreement with Dongfang Electric Corporation, and entered into the 2015–2017 Financial Services Framework Agreement with Dongfang Electric Finance Co., Ltd. (“DEC Finance”) in Chengdu, Sichuan Province. Such continuing connected transactions are effective from 1 January 2015 to 31 December 2017.

Dongfang Electric Corporation is the controlling shareholder of the Company, and DEC Finance is a wholly-owned subsidiary of Dongfang Electric Corporation. Therefore, the agreements entered into by the Company, Dongfang Electric Corporation and DEC Finance and the day-to-day continuing connected transactions thereunder constituted the continuing connected transactions of the Company pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The basic contents of such agreements are as follows:

##### (1) *2015–2017 Purchase and Production Services Framework Agreement*

Dongfang Electric Corporation and its affiliated enterprises would supply products (raw materials, semi-finished products, auxiliary equipment, supporting materials, components, production equipment and tools, processing tools, employee necessities, and other related products and materials) and provide production services (processing services, import agency services, technical services, inspection and testing services, after-sales services, transportation services, maintenance, repair and management services for equipment and tools, repair of vehicles and other related production services) to the Company or its subsidiaries.

##### (2) *2015–2017 Sales and Production Services Framework Agreement*

The Company and its subsidiaries would supply products (raw materials, semi-finished products, finished products, turbine products, boiler products, nuclear products, gas turbines, power generation equipment, production equipment, components, spare parts, supporting materials, employee necessities and other related products and materials) and provide production services (processing services, technical services, transportation services, import agency services, and other related production services) to Dongfang Electric Corporation and its affiliated enterprises.



### VI. MATERIAL CONNECTED TRANSACTIONS (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 1. Matters disclosed in provisional announcements with progress or change in subsequent implementation (Continued)

(3) *2015–2017 Combined Ancillary Services Framework Agreement*

The Company and its subsidiaries would provide the combined ancillary services (including but not limited to training services, utility services (including water, electricity and gas), communication services, combined management services and other ancillary services) to Dongfang Electric Corporation and its affiliated enterprises; Dongfang Electric Corporation and its affiliated enterprises would provide the combined ancillary services (including but not limited to medical services, cleaning services, employee management services, nursery services, management services for retired employees, militia services, educational services, training services, and other ancillary services) to the Company and its subsidiaries.

(4) *2015–2017 Properties and Equipment Framework Lessee Agreement*

Dongfang Electric Corporation and its affiliated enterprises would lease relevant properties to the Company and its subsidiaries.

(5) *2015–2017 Properties and Equipment Framework Lessor Agreement*

The Company and its subsidiaries would lease relevant properties to Dongfang Electric Corporation and its affiliated enterprises.

(6) *2015–2017 Financial Services Framework Agreement*

DEC Finance will provide the following financial services to the Company and its subsidiaries in accordance with the permit for operating finance business (經營金融業務許可證) and business license it currently holds: deposit-taking services, loans services, fund settlement services and other investment and financial services approved by the China Banking Regulatory Commission.

For details of the aforesaid agreements, please refer to the announcement and circular of the Company in relation to continuing connected transactions published by the Company on the websites of SSE and Hong Kong Stock Exchange on 30 October 2014 and 7 November 2014, respectively.

## SIGNIFICANT EVENTS (CONTINUED)

### VI. MATERIAL CONNECTED TRANSACTIONS (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 1. Matters disclosed in provisional announcements with progress or change in subsequent implementation (Continued)

The aforesaid day-to-day continuing connected transactions between the Company and Dongfang Electric Corporation and other related parties are necessary for the production and operation of the Company, are in compliance with the normal commercial terms and the principle of fairness and are conducted pursuant to the framework agreements and relevant specific transaction agreements. The conditions and pricing of such transactions are fair, and have gone through the approval procedures according to relevant regulations, without prejudice to the interests of the Company and shareholders. The relevant continuing connected transactions are conducive to the production and operation as well as the sustainable and stable development of the Company.

These continuing connected transactions have come into force with the approval from the independent Directors of the Board and/or independent shareholders at the general meetings of the Company. As of 31 December 2016, the specific amounts of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

The actual amounts of the connected transactions as at 31 December 2016 and the annual caps for 2016

*Unit: RMB'000 Currency: RMB*

Name of agreement	Total actual amount for 2016	Proposed annual cap for 2016
Purchase and Production Services Framework Agreement	<b>1,606,318</b>	4,000,000
Sales and Production Services Framework Agreement	<b>104,168</b>	1,050,000
Combined Ancillary Services Framework Agreement (receipt of services)	<b>14,944</b>	150,000
Combined Ancillary Services Framework Agreement (provision of services)	<b>0</b>	10,000
Properties and Equipment Framework Lessee Agreement	<b>44,994</b>	100,000
Properties and Equipment Framework Lessor Agreement	<b>40</b>	10,000
	<b>12,299,827</b>	12,500,000
Financial Services Framework Agreement	<b>2,998,308</b>	(Deposit plus interest income) 12,500,000 (Loans plus interest expense)

### VI. MATERIAL CONNECTED TRANSACTIONS (Continued)

#### (I) Connected transactions relating to day-to-day operation (Continued)

##### 1. Matters disclosed in provisional announcements with progress or change in subsequent implementation (Continued)

The Company confirms that the aforesaid connected transactions (if applicable) and continuing connected transactions have been in compliance with the disclosure requirements under the Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company had reviewed these continuing connected transactions and confirmed that these transactions have been entered into:

- (1) in the ordinary business of the Company;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with the Rule 14A.56 of the Listing Rules, the auditor engaged by the Company confirmed that, in 2016, these continuing connected transactions:

- (1) had been approved by the Board of the Company;
- (2) were conducted pursuant to pricing policy of the Company (if applicable);
- (3) entered into in accordance with the relevant agreement governing the transactions; and
- (4) had not exceeded the cap disclosed in previous announcements.

### VI. MATERIAL CONNECTED TRANSACTIONS (Continued)

#### (II) Connected transactions relating to acquisition or disposal of assets or equity

##### 1. Progress or change in subsequent implementation of matters which has been disclosed in provisional announcements

The connected transactions set out in Note 11.2 to the financial statements of this annual report included some transactions which constitute connected transactions/continuing connected transactions as defined in Chapter 14A of the Listing Rules and have been disclosed in such note in compliance with the disclosure requirements under the Chapter 14A of the Listing Rules.

On 8 December 2016, the Company received a notice from the Controlling Shareholder of the Company, that Dongfang Electric Corporation is contemplating material matters which may involve the Company's issuance of its A shares for the acquisition of assets of Dongfang Electric Corporation. As such matters consist of significant uncertainties, trading of the Company's A shares maintained suspension since 9 December 2016 and the subsequent announcements for continued suspension have been issued in a periodic manner according to relevant requirements. For details, please refer to the announcements published on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

On 7 March 2017, the Proposal for Acquisition of Assets by Issuance of Shares of Dongfang Electric Corporation Limited and Connected Transaction, after considered and approved at the 15th meeting of the eighth session of the Board of directors of the Company, announced on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## SIGNIFICANT EVENTS (CONTINUED)

### VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

#### (I) Guarantee

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)

Guarantor	Relationship between guarantor and listed company		Guaranteed amount	Date of guarantee (execution date of agreement)			Type of guarantee	Is the guarantee fully fulfilled	Is the guarantee overdue	Overdue amount	Any counter-guarantee	Is the guarantee provided to related party	Related party relationship
	Guaranteed parties	Guaranteed amount		Commencement date of guarantee	Expiry date of guarantee								
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000	19 January 2016	19 January 2016	19 January 2026	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	29 June 2026	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Wulan New Energy Co., Ltd.	36,000,000	27 October 2016	27 October 2016	27 October 2026	General pledge	No	No	0	No	No	Other
DEC Dongfang Steam Turbine Co., Ltd.	A wholly-owned subsidiary	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	24,500,000	22 September 2016	22 September 2016	30 April 2025	General pledge	No	No	0	Yes	No	Other

Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)	92,500,000
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	92,500,000

#### Guarantee provided by the Company and its subsidiaries to its subsidiaries

Total guarantee to subsidiaries incurred during the Reporting Period	0
Total balance of guarantee to subsidiaries as at the end of the Reporting Period (B)	0

## SIGNIFICANT EVENTS (CONTINUED)

### VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (Continued)

#### (I) Guarantee (Continued)

##### Aggregate guarantee of the Company (including those to subsidiaries)

Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)	92,500,000
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	92,500,000
Aggregate guarantee (A+B)	92,500,000
Percentage of aggregate guarantee to net assets of the Company (%)	0.42
Representing:	
Amount of guarantee provided for shareholders, de facto controller and their related parties (C)	0
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	0
Excess amount of aggregate guarantee over 50% of net assets (E)	0
Aggregate amount of the above three items (C+D+E)	0

Statement on the contingent joint and several liability in connection with unexpired guarantee

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 and derivative interests in each of above companies. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract are being repaid.

The guarantee provided by DEC Dongfang Steam Turbine Co., Ltd. for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. constitutes a continuous security 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.

Statement on guarantee

For details on the above guarantees, please refer to the announcements on financial leasing guarantee issued the Company on the website of SSE on 9 January 2016, 28 June 2016 and 26 August 2016, respectively.

### VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (Continued)

#### (II) Other material contracts

During the Reporting Period, there is no contract of significance between the Company or any of its subsidiaries and its controlling shareholder (as defined in Appendix 16 to the Listing Rules) or its subsidiaries.

During the Reporting Period, there is no contract of significance for the provision of services to the Company or its subsidiaries by the controlling shareholder of the Company or its subsidiaries.

No contracts (other than service contracts with any director, supervisor or full-time employees of the Company), pursuant to which any persons, firms or corporate assume the management and administration of the whole or any substantial part of the business of the Company, were entered into or existed during or at the end of the year.

No contracts, to which the Company, its subsidiary or controlling company, or subsidiary of the controlling company of the Company, is a party, and in which, a director or supervisor of the Company, either directly or indirectly, in any forms, had material interests at any time during the year, existed during or at the end of the year (In any case as mentioned above, the directors or supervisors of the Company are of the opinion that the contract has material relations with the Company's business and the material relations that relevant directors and supervisors have in the contract are or had been crucial). The contracts referred herein do not include the service contract of a director or supervisor of the Company or the contract entered into between the Company and an enterprise, in which the director or supervisor of the Company had material relations due to their concurrently holding position as director and supervisor at the enterprise.

At no time during or at the end of the year was the Company, its subsidiary or controlling company, or subsidiary of the controlling company of the Company, a party to any arrangements whose objects are, or one of whose objects is, to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporations.

## SIGNIFICANT EVENTS (CONTINUED)

### VIII. OTHER SIGNIFICANT EVENTS

#### 1. Public Float

Based on the public information available to the Company and its directors as at the date of this annual report, the number of shares of the Company held by the public is enough and in compliance with the Listing Rules.

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

During the Reporting Period, none of the Company or its subsidiaries purchased, sold or redeemed any listed securities of the Company.

#### 3. Audit Committee

The Board has established an audit committee, which consists of three independent non-executive Directors, namely Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe. The audit committee has reviewed the annual report of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

#### 4. Five Year's Financial Summary

Unit: Yuan Currency: RMB

Item	2016 (31 December 2016)	2015 (31 December 2015)	2014 (31 December 2014)	2013 (31 December 2013)	2012 (31 December 2012)
Total assets	<b>84,702,600,301.42</b>	86,134,423,264.67	85,842,623,386.50	77,836,703,054.12	78,327,056,597.82
Total liabilities	<b>62,616,845,381.45</b>	62,156,834,114.73	65,373,357,755.18	59,243,312,433.39	61,779,541,443.39
Total shareholders' equity	<b>22,085,754,919.97</b>	23,977,589,149.94	20,469,265,631.32	18,593,390,620.73	16,547,515,154.43
Including: Equity attributable to shareholders of the Company	<b>21,144,292,192.79</b>	23,051,589,145.83	19,544,092,526.73	17,693,768,986.23	15,678,105,417.62
Minority interests	<b>941,462,727.18</b>	926,000,004.11	925,173,104.59	899,621,634.50	869,409,736.81
Revenue from operations	<b>33,285,723,808.34</b>	36,017,943,700.32	39,036,164,758.11	42,390,796,682.51	38,079,202,510.13
Total profit	<b>-1,944,064,007.65</b>	532,899,436.82	1,502,342,336.40	2,787,492,093.47	2,618,658,623.02
Income tax expenses	<b>-184,625,607.38</b>	73,401,825.32	181,725,615.62	388,089,412.34	364,937,341.51
Net profit	<b>-1,759,438,400.27</b>	459,497,611.50	1,320,616,720.78	2,399,402,681.13	2,253,721,281.51
Including: Net profit attributable to the Company	<b>-1,784,306,804.76</b>	439,072,644.82	1,278,258,405.62	2,349,431,591.08	2,191,129,345.43
Minority interests	<b>24,868,404.49</b>	20,424,966.68	42,358,315.16	49,971,090.05	62,591,936.08

Note: Prepared in accordance with the PRC Accounting Standards.



### VIII. OTHER SIGNIFICANT EVENTS (Continued)

#### 5. Pre-emptive Rights

There are no provisions regarding pre-emptive rights under the Company Law of the People's Republic of China and the Articles of Association, which require the Company to issue new shares to the existing shareholders in proportion to their existing shareholdings.

### IX. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITY

#### (I) Works of social responsibility

For details, please refer to the simultaneous disclosed Social Responsibility Report of Dongfang Electric Corporation Limited for 2016《東方電氣股份有限公司2016年社會責任報告》.

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## I. CHANGES IN ORDINARY SHARE CAPITAL

### (I) Table of changes in ordinary shares

#### 1. Total number of shares and the structure of share capital of the Company

Share class	Number (share)	Percentage
I A shares		
1. Dongfang Electric Corporation	974,016,763	41.68%
2. Others	1,022,883,605	43.77%
II H shares	340,000,000	14.55%
Total	2,336,900,368	100%

## II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

### (I) Total number of shareholders

Total number of ordinary shareholders as of the end of the Reporting Period (shareholder)	135,583
Total number of ordinary shareholders as of the end of the month prior to the date of disclosure of the Annual Report (shareholder)	135,600

## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER (Continued)

#### (II) Shareholdings of the top 10 shareholders and top 10 holders of tradable shares (or shareholders that were not subject to trading moratorium) as of the end of the Reporting Period

Unit: share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of top 10 shareholders		Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
		Number of shares held at the end of the Period	Percentage (%)				
Dongfang Electric Corporation		974,016,763	41.68	0	Nil	0	State-owned legal person
HKSCC Nominees Limited	+30,000	338,254,697	14.47	0	Unknown	0	Overseas legal person
China Securities Finance Corporation Limited (中國證券 金融股份有限公司)		49,648,500	2.12	0	Unknown	0	Other
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任 公司)		22,645,600	0.97	0	Unknown	0	Other
Bank of China – EFund Active Growth Equity Fund (中國銀行— 易方達積極成長證券投資基金)		10,930,748	0.46	0	Unknown	0	Other
Bosera Funds-Agricultural Bank – Bosera China Securities and Financial Assets Management Program (博時基金—農業銀行— 博時中證金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金—農業銀行—易方達 中證金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other

## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER (Continued)

#### (II) Shareholdings of the top 10 shareholders and top 10 holders of tradable shares (or shareholders that were not subject to trading moratorium) as of the end of the Reporting Period (Continued)

Unit: share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of top 10 shareholders		Number of shares held at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
		Number of shares held at the end of the Period	Percentage (%)						
Dacheng Fund – Agricultural Bank – Dacheng China Securities and Financial Assets Management Program (大成基金–農業銀行– 大成中證金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other		
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金–農業銀行–廣發中證 金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other		
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基 金–農業銀行–中歐中證金融資 產管理計劃)		8,480,400	0.36	0	Unknown	0	Other		
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基 金–農業銀行–南方中證金融資 產管理計劃)		8,480,400	0.36	0	Unknown	0	Other		
Top 10 shareholders that were not subject to trading moratorium									

## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

#### (I) Information of Controlling Shareholder

##### 1 Legal person

Name	Dongfang Electric Corporation
Person in charge of the company or legal representative	Zou Lei
Date of establishment	6 November 1984
Principal business	Import and export business; general contracting and subcontracting of projects of hydro-, thermal- and nuclear-power stations; whole-set technological development of power station equipment and technology consultation; manufacturing and sales of whole-set equipment; sales of machinery and electrical ancestries; general contracting and subcontracting of related projects.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the Reporting Period	Stock account under the Parent Company of the Group also held shares of the following listed companies as at the end of 2016:

Stock Name	Number of shares held (shares)	Percentage of the share capital of the listed company %
HPI (華能國際)	500,000	0.003
Huadian Power (華電國際)	200,000	0.002
GD Power Development Co., Ltd. (國電電力)	3,040,000	0.015
China's nuclear power (中國核電)	800,000	0.005
Datang Power (大唐發電)	17,173,679	0.129

Other information Nil

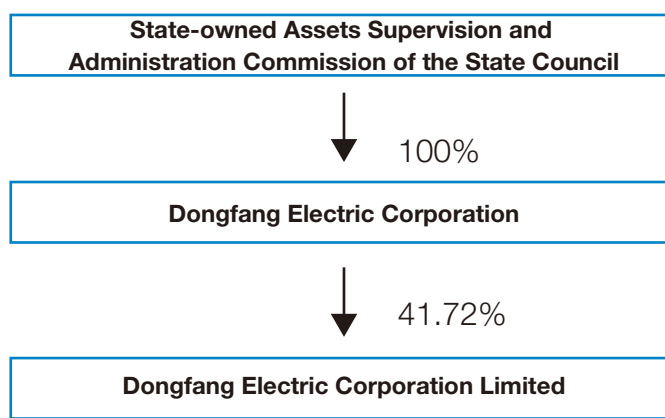
##### 2 Special explanation that the Company does not have any controlling Shareholder

Dongfang Electric Corporation is the Controlling Shareholder and de facto controller of the Company.

### III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

(I) Information of Controlling Shareholder (Continued)

3. Framework of the property right and controlling relationship between the Company and the Controlling Shareholder



### IV. OTHER LEGAL PERSONS HOLDING SHARES OF 10% OR ABOVE

There is no other legal person of the Company holding shares of 10% or above other than the Controlling Shareholder as at the end of the Reporting Period.

## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### V. PARTICULARS OF DISCLOSED SHAREHOLDINGS ACCORDING TO REGULATORY REGULATIONS ON H SHARES

#### Interests of substantial shareholders

To the best knowledge of the Directors, as at 31 December 2016, the following person was recorded in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance as the substantial shareholder (defined in the Hong Kong Securities and Futures Ordinance) of the Company, whose interests were as follows:

Name	Share class	Capacity	Number of shares held	Percentage of total share capital (%)	Percentage in the respective class of share capital (%)
Dongfang Electric Corporation	A Shares	Beneficial owner Interest held by controlled corporation	974,016,763 (L)	41.68 (L)	48.77 (L)
	H Shares		858,800 (L)	0.04 (L)	0.25 (L)

(L) – Long position, (S) – Short position, (P) – Lending pool

#### Notes:

- Dongfang Electric Corporation held 100% of interests in Dongfang Electric (Hong Kong), Limited therefore, Dongfang Electric Corporation was deemed to own the interests in such H shares held by Dongfang Electric (Hong Kong), Limited pursuant to the Hong Kong Securities and Futures Ordinance.
- The above interests held by Dongfang Electric Corporation reflected its latest disclosure of interests of substantial Shareholder under the Hong Kong Securities and Futures Ordinance.
- The above percentage of total share capital and the percentage in the respective class of share capital were calculated on the basis of total share capital and respective class of share capital of the Company as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company did not record other interests (including derivative interests) or short position in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period

Unit: share

Name	Position (Note)	Gender	Age	Commencement of term of office	Expiry of term office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Number of shares changed during the year	Reasons for change	Total remuneration received from the Company in Reporting Period (RMB)	Whether get payment from related parties of the Company
Zou Lei	Chairman	Male	50	21 October 2016	27 June 2018	0	0	0		0	Yes
Si Zefu	Former Chairman	Male	58	28 June 2015	25 May 2016	0	0	0		0	Yes
Zhang Xiaolun	Director	Male	52	28 June 2015	27 June 2018	0	0	0		0	Yes
Wen Shugang	Former Director and former President	Male	54	28 June 2015	12 December 2016	0	0	0		0	Yes
Huang Wei	Director	Male	51	28 June 2015	27 June 2018	0	0	0		0	Yes
Zhu Yuanchao	Director	Male	60	28 June 2015	27 June 2018	0	0	0		0	Yes
Zhang Jilie	Director	Male	53	28 June 2015	27 June 2018	0	0	0		0	Yes
Chen Zhangwu	Independent non-executive Director	Male	70	28 June 2015	27 June 2018	0	0	0		80,000	No
Gu Dake	Independent non-executive Director	Male	63	28 June 2015	27 June 2018	0	0	0		80,000	No
Xu Haihe	Independent non-executive Director	Male	62	28 June 2015	27 June 2018	0	0	0		80,000	No
Wen Limin	Chairman of Supervisory Committee	Male	51	28 June 2015	27 June 2018	0	0	0		0	Yes
Wang Zaiqiu	Supervisor	Male	59	28 June 2015	27 June 2018	0	0	0		408,325	No
Wang Congyuan	Supervisor	Male	52	28 June 2015	27 June 2018	0	0	0		309,495	No
Zhang Zhiying	Executive Vice President	Male	56	28 June 2015	27 June 2018	0	0	0		499,600	No
Han Zhiqiao	Vice President	Male	58	28 June 2015	27 June 2018	2,540	2,540	0		499,500	No
Gong Dan	Chief Accountant, Secretary to the Board	Male	54	28 June 2015	27 June 2018	2,540	2,540	0		499,500	No
Chen Huan	Vice President	Male	55	28 June 2015	27 June 2018	0	0	0		538,100	No
Gao Feng	Vice President	Male	53	28 June 2015	27 June 2018	0	0	0		499,500	No
Total	/	/	/	/	/	5,080	5,080	0	/	3,494,020	/



### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

#### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

##### Explanations on other matters

1. Other than the independent non-executive Directors as well as the Supervisors, the remuneration disclosed in the table above represented the sum of basic annual salary for 2016 and the performance-based emolument for 2015 (deferred part included).
2. Members of the management team concurrently serving as directors, supervisors of Dongfang Electric Corporation will not be receiving any form of remuneration from the Company since 1 January 2015 pursuant to the requirements by Zhongfa [2014] No. 12 and Guo Zi Fa Fen Pei [2015] No. 83.

As at 31 December 2016, the interests and short positions of the Directors, Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) adopted by the Company, were as disclosed above.

All of the shares and interests disclosed above represent A shares of the Company.

During the Reporting Period, there was no change in shareholdings of Directors, Supervisors and senior management of the Company.

None of the Directors, Supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right before 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors, Supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associate corporations (within the meaning under Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code adopted by the Company.

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zou Lei	<p>born in June 1966, is currently the Chairman of the Company, and the Chairman and secretary of the Party Committee of Dongfang Electric Corporation. He graduated from Jiamusi Technical College (佳木斯工學院) with a bachelor's degree in mechanical manufacture process and professional equipment, completed his postgraduate study at Harbin Institute of Technology with a master degree in business administration and then obtained a doctorate degree in technological economy and professional management from Harbin Institute of Technology. He joined Harbin Electric Corporation in August 1988 and acted as an intern of the Auxiliary Machinery Branch, the dispatcher of the dispatching room of production division, Party office secretary, league deputy secretary and league secretary in the former Harbin Boiler Works, Party branch secretary of pipe first branch factory, factory director of heavy vessel workshop, factory director of Pingshan branch factory, production director of General Manager Department, deputy general manager, chairman and general manager, and Party committee deputy secretary of Harbin Boiler Company Limited. Mr. Zou was a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation from December 2008 to January 2009, a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation as well as a standing committee member of the Party Committee of Harbin Power Equipment Company Limited from January to February 2009, a standing committee member, director and general manager of Harbin Electric Corporation and a standing committee member of the Party Committee and executive director of Harbin Power Equipment Company Limited from February to November 2009, a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation as well as a standing committee member of the Party Committee and the deputy chairman of Harbin Electric Corporation from November 2009 to February 2015, and the secretary of the Party Committee and chairman of Harbin Electric Corporation as well as a standing committee member of the Party Committee and the deputy chairman of Harbin Electric Corporation from February 2015 to March 2015. He was the secretary of the Party Committee and chairman of both Harbin Electric Corporation and Harbin Electric Company from March 2015 to May 2016. He has been serving as Chairman and secretary of the Party Committee of Dongfang Electric Corporation since May 2016, and the Chairman of the Company since 21 October 2016. Mr. Zou holds the title of senior economist.</p>

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zhang Xiaolun	born in August 1964, is currently a Director of the Company, director, executive general manager, deputy secretary of the Party Committee, president of the Party School of Dongfang Electric Corporation, secretary of the Party Committee directly under Dongfang Electric Corporation. He graduated from Huazhong Engineering College with a bachelor degree of engineering, majoring in electrical engineering. Mr. Zhang completed his postgraduate study in South Western University of Finance and Economics with an MBA Degree, majoring in Business and Management. He joined Dongfang Electric Corporation in July 1986 and has since held various positions including office secretary, deputy section head of Haikou Engineering Department, Deputy Section Head of office and secretary to the Youth League Committee. From July 1992 to June 2000, he has been the deputy head of office of Dongfang Electric Corporation, executive deputy factory manager, factory manager, factory manager and secretary to the Party Committee of Zhongzhou Steam Turbine Works, and assistant to the general manager of Dongfang Electric Corporation and deputy manager of the Engineering Branch of Dongfang Electric Corporation. From June 2000 to April 2008, he has been a director, vice general manager and member of the Party Committee of Dongfang Electric Corporation. From April 2008 to May 2016, he has been a vice general manager and deputy secretary of the Party Committee of Dongfang Electric Corporation. He has been a Director, executive general manager, deputy secretary of the Party Committee of Dongfang Electric Corporation since May 2016. Mr. Zhang holds the title of senior engineer.
Huang Wei	born in July 1965, is currently a Director of the Company, vice general manager and a member of the Party Committee of Dongfang Electric Corporation. He also holds concurrent posts as chairman of DEC International Cooperation Limited. Mr. Huang graduated from Shanghai Jiao Tong University with a bachelor's degree of ship power machinery, University of Chongqing with a master's degree of thermal engineering, and Southwestern University of Finance and Economics with a doctor's degree of economics. He joined Dongfang Electric Corporation in January 1989 and had been a key technician of the Complete Plant Section of Dongfang Electric Corporation, and manager assistant, deputy manager, deputy general manager, and general manager of the thermal power department of Sichuan Dongfang Power Equipment Union Company Limited of Dongfang Electric Corporation. He served as deputy general manager of Dongfang Electric Corporation from June 2000 to February 2007, a member of the Party Committee and deputy general manager of the State Nuclear Power Technology Corporation from February 2007 to September 2008. He has been a deputy general manager and a member of the Party Committee of Dongfang Electric Corporation since September 2008. Mr. Huang holds the title of senior engineer.

**I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)**

(I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zhu Yuanchao	<p>born in November 1956, is currently, a Director of the Company, the deputy general manager and a member of the Party Committee of Dongfang Electric Corporation. He graduated from Hefei Industrial University and specialized in electrical engineering with a bachelor's degree in engineering, and obtained a master's degree for economic management of Central Party School. He joined DFEW in February 1982 and has been engaged in hydro-electric turbine generator design. Mr. Zhu served as deputy section head of Electrical Equipment Department, deputy officer of the Chief Engineer Office and deputy chief engineer in Dongfang Electric Machinery Company Limited from April 1995 to November 1999. He also acted as executive director, deputy general manager, chief engineer, vice chairman, general manager and chairman of Dongfang Electrical Machinery Company Limited, as well as deputy secretary to the Party Committee, deputy factory head, the secretary to the Party Committee and head of DFEW from November 1999 to November 2006. He was appointed as deputy general manager of Dongfang Electric Corporation from November 2006 to September 2007. He was appointed as the deputy general manager and a member of the Party Committee of Dongfang Electric Corporation from September 2007 to July 2010 and the senior vice president of the Company from September 2008 to July 2010. He has been the deputy general manager and a member of the Party Committee of Dongfang Electric Corporation since July 2010. From December 2006 to July 2008, he also served as chairman of DEC Investment Management Company Limited. From December 2008 to December 2010, he concurrently served as the chairman of DEC (Wuhan) Nuclear Equipment Company Limited. Mr. Zhu holds the title of senior engineer.</p>

**I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)**

(I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zhang Jilie	<p>born in August 1963, is currently a Director of the Company, chief law consultant, the secretary to the Board and the director of the general office of Dongfang Electric Corporation. Mr. Zhang graduated from Wuhan Polytechnic University majoring in industrial business management with a bachelor degree of engineering. He graduated from Southwest Jiaotong University with a MBA degree specializing in business management. From July 1984 to November 2000, he had been secretary to Factory Office, deputy section head of Planning Department, section head of Planning Department, deputy officer of administrative office, officer and secretary to Party Branch Committee of DFEW, assistant to the general manager, officer of General Manager Office and secretary to Party Branch Committee, manufacturing head of Dongfang Electric Machinery Company Limited, and director, general manager and secretary to Party Branch Committee of DFEM Control Equipment Company Limited. From November 2000 to January 2007, he had been executive deputy factory manager of DFEW, assistant to general manager and section head of Corporate Management Department of Dongfang Electric Corporation. He concurrently acted as a director, general manager and secretary to Party Committee of DEC Investment Management Company Limited. From February 2004 to January 2006, he received on-the-job training in Honghe Prefecture of Yunnan Province, serving as a member of the standing committee and deputy head of the Prefecture. From January 2007 to July 2008, he had been chief law consultant and the head of Legal Affairs Department of Dongfang Electric Corporation, and general manager of DEC Investment Management Company Limited. He has been chief law consultant, the head of Planning and Development Department and the head of Legal Affairs Department of Dongfang Electric Corporation from August 2008 to December 2010. He has been the chief law consultant and the head of legal affairs department of Dongfang Electric Corporation from December 2010 to October 2015. He had been the chief law consultant and the director of the General Office of Dongfang Electric Corporation from October 2015 to December 2015. Mr. Zhang has been the chief law consultant, secretary to the board as well as the director of the General Office of Dongfang Electric Corporation since December 2015. Mr. Zhang holds the title of senior economist and the practicing qualification of corporate law consultant.</p>

**I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)**

**(I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)**

<b>Name</b>	<b>Principal working experience</b>
Chen Zhangwu	born in November 1946, has been an independent non-executive Director of the Company since 28 June 2015, is a professor in economics and a leading lecturer in management and economics of Tsinghua University. He graduated from the Engineering Physics Faculty of Tsinghua University where he specialized in physics and obtained a master's degree in accelerator physics from Engineering Physics Faculty of Tsinghua University. He had been a member to the Party Committee and secretary to the Group Committee of Engineering Physics Faculty of Tsinghua University, deputy secretary to the Party Committee of Modern Applied Physics Faculty of Tsinghua University, the deputy dean of the Economic Management Faculty, deputy secretary and secretary to the Party Committee of Tsinghua University and a member of the Party Committee of Tsinghua University, etc.
Gu Dake	born in March 1954, has been an independent non-executive Director of the Company since 28 June 2015, is a professor-level senior engineer with a bachelor's degree. Mr. Gu has held positions including the specialized person-in-charge of the boilers, the person-in-charge of the production arrangement division, deputy chief engineer and the head of the repair division of Tianjin Ji County Power Plant; the chief engineer, deputy director and director of Tianjin Panshan Power Plant; the chief engineer and deputy general manager of Beijing Guohua Power Company Limited; the vice president of CLP Guohau Corporation (中電國華電力股份有限責任公司); the member of the Party Committee, deputy general manager and chief engineer of China Power International Holding Limited; the vice president of China Power International Development Limited; the deputy secretary to the Party Committee and deputy general manager of the branch company of China Power Investment Corporation in Northern China; the general manager of Shanxi Zhangze Power Company Limited; the chief operational officer in power generation of China Power Investment Corporation. He also serves as the executive director and president of China Power International Development Limited, and concurrently holds the positions of the general manager, deputy secretary to the Party Committee of China Power International Holding Limited and others.

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Xu Haihe	born in February 1955, has been an independent non-executive Director of the Company since 28 June 2015, is an MBA degree holder and senior accountant. Mr. Xu ever served for China National Electronic Materials Corporation as deputy head of financial management division, head of financial management division, general manager assistant and head of finance division, head of auditing division, deputy general manager, member of party group, general manager (legal representative) and secretary of party group; worked for China Electronics Corporation as deputy general manager of finance department and director of finance department, concurrently served for China Electronics Financial Co., Ltd. as director and the chairman (legal representative) and for China Electronics Corporation as general economist and worker's director.
Wen Limin	born in March 1966, is currently the chairman of the Supervisory Committee of the Company. He is also the chief accountant and member of the Party Committee of Dongfang Electric Corporation and chairman of China Dongfang Electric Corporation Finance Company Limited. He graduated from Beijing Institute of Hydraulic and Electric Power Management where he majored in accounting and obtained a bachelor degree in economics. He majored in business administration and obtained an EMBA Degree from South Western University of Finance and Economics. From July 1990 to September 2005, he had acted as accountant of Finance Section of China Gezhouba (Group) Corporation No. 9 Engineering Company, accountant of the Finance Department of Three-Gorge Project Commanding Department of China Gezhouba (Group) Corporation, section head and deputy head of Finance and Asset Department of China Gezhouba Group Company Limited, deputy head and head of Finance and Property Right Management Department of China Gezhouba (Group) Corporation. He has been transferred to Finance Department of Dongfang Electric Corporation as chief accountant from September 2005 to September 2016. He has been chief accountant and member of the Party Committee of Dongfang Electric Corporation since August 2016. He has been chairman of China Dongfang Electric Corporation Finance Company Limited since June 2008. Mr. Wen holds the title of senior accountant and holds the Certified Public Accountant Certificate.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Wang Zaiqiu	<p>born in September 1957, is the Supervisor of the Company and the chairman of the supervisory committee of Dongfang Electric Machinery Company Limited (東方電機有限公司), Dongfang Steam Turbine Co., Ltd. (東方汽輪機有限公司) and Dongfang Boiler Group Co., Ltd. (東方鍋爐股份有限公司), a supervisor of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. (東方電氣(廣州)重型機器有限公司), the chairman of the supervisory committee of DEC (Wuhan) Nuclear Equipment Company Limited (東方電氣(武漢)核設備有限公司) and Huadian Longkou Wind Power Co., Limited (華電龍口風電有限公司), as well as a part-time supervisor of Dongfang Electric Corporation. He graduated from Sichuan Radio and TV University (四川廣播電視大學) with a college diploma majoring in industrial accounting. From September 1976 to December 1978, Mr. Wang was sent down to the countryside at Nongtuan Town in the suburb of Zigong City, Sichuan Province for training. From December 1978 to June 1997, Mr. Wang served as an accountant in the finance department of Public Transportation Company of Zigong City, Sichuan Province (四川省自貢市公交公司), management team leader, section chief and deputy head of finance division of Dongfang Boiler Factory (東方鍋爐廠), head of the finance department of Dongfang Electric Corporation, assistant to general manager of Sichuan Mingri Enterprise (Group) Co., Ltd. (四川明日企業集團公司), and deputy chief accountant and head of finance division of Zhongzhou Steam Turbine Works (中州汽輪機廠). From June 1997 to October 2012, Mr. Wang served as chief accountant of Zhongzhou Steam Turbine Works, director of office of audit committee of the board and audit office of finance department as well as director of office of audit and supervisory committee of Dongfang Electric Corporation, head of audit department and director of office of supervisory committee of Dongfang Electric Corporation Limited, chief accountant of Dongfang Steam Turbine Co., Ltd. etc.. Mr. Wang holds the title of senior accountant.</p>
Wang Congyuan	<p>born in August 1964, is currently a Supervisor of the Company, deputy head of the audit division and deputy director of the office of supervisory committee of Dongfang Electric Corporation Limited, and deputy head of audit division of Dongfang Electric Corporation. He graduated from the major of national economy plan and management of Jilin University and obtained the bachelor's degree in economics. From July 1986 to June 1996, Mr. Wang served as assistant accountant of Dongfang Power Station Complete Equipment Company Limited, assistant accountant and deputy head of Shengdian Construction Department of China Dongfang Electric Corporation. From April 1997 to January 2008, he served as deputy director of Audit Office under Financial Department of China Dongfang Electric Corporation, deputy director of Office of Audit and Supervisory Committee of China Dongfang Electric Corporation. Mr. Wang has been the deputy head of Auditing Department and deputy director of Office of Supervisory Committee of Dongfang Electric Corporation Limited since January 2008. He has been deputy head of the Audit Division of Dongfang Electric Corporation since October 2009. Mr. Wang holds the title of senior accountant.</p>



## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zhang Zhiying	<p>born in December 1960, is currently an executive vice president of the Company. Mr. Zhang graduated from Xi'an Jiaotong University with a bachelor's degree of engineering in turbine thermal turbo machinery and from University of Electronic Science and Technology of China with a doctor degree of management in enterprise management. From August 1982 to December 1999, he had been assistant engineer, engineer and team leader of the main unit team of Design Department, Deputy Head of Product Service Division of Product Design and Experimental Institution, deputy officer of the main unit office of Product Design and Experimental Institution, deputy officer and senior engineer of Steam Turbine Office of Design Department, deputy head and deputy chief economist of Operation Department of Dongfang Turbine Works; he had been the chief economist of Dongfang Turbine Works from December 1999 to December 2006, a director and general manager of DEC Dongfang Steam Turbine Co. Ltd. from December 2006 to October 2007, the vice president of Dongfang Electric Corporation Limited and a director and the general manager of DEC Dongfang Steam Turbine Co. Ltd. from October 2007 to June 2010; he has been an executive vice president of Dongfang Electric Corporation Limited since June 2010. Mr. Zhang holds the title of senior engineer.</p>
Han Zhiqiao	<p>born in October 1958, is currently a vice president of the Company. He is also the chairman of Dongfang Electric (India) Private Limited. He graduated from the faculty of Hydro works of Shanxi college of Technology with a Bachelor's degree in engineering and majored in hydroelectric power generating equipment. He attended the MBA course jointly held by Southwest Jiaotong University and University of South Australia and obtained MBA degree. He joined DFEW in August 1983 and has long been engaged in product sales and technological services. He had been the deputy section head, section head, deputy department head, assistant to the general manager of the Sales Service Department of Dongfang Electric Machinery Company Limited from December 1992 to November 1999, and had been executive director and deputy general manager, director and general manager, vice chairman and general manager of Dongfang Electric Machinery Company Limited from November 1999 to October 2007. He had been vice president of Dongfang Electric Corporation Limited and director and general manager of Dongfang Electric Machinery Company Limited from October 2007 to December 2010. He has been the vice president of Dongfang Electric Corporation Limited since December 2010, and he concurrently served as the general manager of the Engineering Branch Company of Dongfang Electric Corporation Limited from December 2010 to June 2011. He has also concurrently served as the general manager and secretary of the Party committee of the International Engineering Branch Company of Dongfang Electric Corporation Limited from June 2011 to October 2016. He concurrently served as the chairman of Dongfang Electric (India) Private Limited since May 2014. Mr. Han holds the title of senior engineer.</p>

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Gong Dan	<p>born in January 1963, currently acts as chief accountant, secretary to the Board of the Company and chief law consultant as well as a director of DEC Dongfang Steam Turbine Co. Ltd., DEC Dongfang Electric Machinery Co., Ltd. and Dongfang Boiler Co. Ltd. He graduated from Department of Mechanics of Hefei Industrial University majoring in casting and equipment and obtained a bachelor's degree of engineering. He joined DFEW in September 1983 and mainly involved in production technology, corporate management, management of young workers and the running of the organization department. He had been deputy secretary and secretary to the Youth League Committee, officer of the Young Workers' Office, and deputy head and head of Organization Department. From November 1999 to October 2007, he also worked as an executive director, deputy general manager and secretary to the board of directors of Dongfang Electric Machinery Company Limited. He has been chief accountant and secretary to the Board of Directors of Dongfang Electric Corporation Limited since October 2007. He has also concurrently served as the chief law consultant of Dongfang Electric Corporation Limited since June 2011. Mr. Gong holds the title of senior engineer and senior accountant.</p>
Chen Huan	<p>born in November 1961, is currently the vice president of the Company. From 1979 to 1992, he graduated from Beijing University with a bachelor degree in physics, from Beijing University of Technology with a master degree in materials science and engineering, from University of Virginia with a doctor degree in materials science and engineering. Apart from that, he did the material scientific research work in the electron microscope lab of Chinese Academy of Sciences and University of Virginia. From 1993 to 1994, he worked as a postdoctoral researcher in the Center of Materials Development Center at the University of Massachusetts. From 1995 to 2000, Mr. Chen acted as marketing manager of Marketing Department, chief sales executive of Sales Department, business manager of Foreign Joint Venture Department in Siemens Westinghouse. From 2000 to 2004, he was vice president (on behalf of the foreign party) in Shanghai Turbine Co., Ltd. From 2004 to 2009, Mr. Chen worked as Executive Vice President in Shanghai Electric Power Corporation, and the vice president of Central Research Institute of Shanghai Electric Group Co., Ltd. He joined the Company in April 2009 and has been the vice president of Dongfang Electric Corporation Limited since June 2009. He has also concurrently served as the general manager of Power Station Service Division in Dongfang Electric Corporation Limited from December 2009 to March 2011.</p>

## I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

### (I) Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

<b>Name</b>	<b>Principal working experience</b>
Gao Feng	<p>born in January 1964, is currently the vice president of the Company and concurrently serves as the chairman of DEC (Wuhan) Nuclear Equipment Company Limited, Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd. He graduated from Electrical Engineering Department of University of Chongqing where he majored in electric machinery and obtained a bachelor degree of engineering. He obtained an MBA degree from Southwest Jiaotong University majoring in business management. He started his career in August 1984, and held various positions in DFEW such as technician, engineer, Deputy Station Head of Quality Inspection Office from August 1984 to April 1995. Mr. Gao served as Deputy Section Head, Section Head, Deputy General Quality Controller and Deputy Department Head of Dongfang Electric Machinery Company Limited from April 1995 to February 2001. He had been Deputy Chief Economist of DFEW and General Manager of Dongfang Electrical Appliance Company (東電電器公司) from February 2001 to January 2002 and Assistant to General Manager of Dongfang Electric Machinery Company Limited from January 2002 to November 2002. He had been executive director and Deputy General Manager of Dongfang Electric Machinery Company Limited from November 2002 to June 2005, and Assistant to General Manager and General Manager of Nuclear Power Division of Dongfang Electric Corporation from June 2005 to January 2008. He had been Assistant to President and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from January 2008 to June 2010, and Vice President of and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from June 2010 to December 2010. He has been chairman of Dongfang Electric Wind Power Co., Ltd. from March 2015 to December 2016. He has been Vice President of Dongfang Electric Corporation Limited since December 2010. Mr. Gao holds the title of senior engineer.</p>

## II. POSITIONS HELD BY EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RETIRED DURING THE REPORTING PERIOD

### (I) Positions held in shareholders entities

Name	Name of shareholders entities	Name of shareholders entities
Zou Lei	Dongfang Electric Corporation	Chairman, secretary of the Party Committee
Si Zefu (Resigned)	Dongfang Electric Corporation	Former Director, general manager, deputy secretary of the Party Committee
Zhang Xiaolun	Dongfang Electric Corporation	Director, general manager, deputy secretary of the Party Committee
Wen Shugang (Resigned)	Dongfang Electric Corporation	Former member of the Party Committee
Huang Wei	Dongfang Electric Corporation	Deputy general manager, member of the Party Committee
Zhu Yuanchao	Dongfang Electric Corporation	Deputy general manager, member of the Party Committee
Zhang Jilie	Dongfang Electric Corporation	Chief law consultant, secretary to the Board, director of the General Office
Wen Limin	Dongfang Electric Corporation	Chief accountant, member of the Party Committee
Wang Congyuan	Dongfang Electric Corporation	Deputy head of Audit Department

Explanations on particulars of positions held in shareholders entities      For the commencing date of the above person's positions held in shareholders entities, please refer to preceding detailed biographies of Directors, Supervisors and senior management.

### III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of Directors, Supervisors and senior management	Remuneration of directors, supervisors and senior management will be assessed by the Remuneration and Assessment Committee of the Board and considered and approved on the Board meeting and submitted to the annual general meeting for approval.
Basis of determination for the remuneration of Directors, Supervisors and senior management	Remuneration of directors and supervisor shall be in accordance with the resolution passed on the annual general meeting. Remuneration of senior management is determined based on the operating performance, job responsibilities and the results of annual performance.
Remuneration payable to Directors, Supervisors and senior management	Please refer to table above about “changes in the shareholding and remuneration of Directors, Supervisors and senior management”.
Total remuneration actually paid to Directors, Supervisors and senior management as at the end of the Reporting Period	During the Reporting Period, there were a total of 18 members of Directors (including 2 retired directors), among which eight Directors (including 5 incumbent directors, 2 retired directors and 1 supervisor) did not receive any remuneration from the Company. The remuneration actually received by the other 10 persons (including 3 independent directors, 2 supervisors and 5 senior management) of the Company was RMB3,494,020 (before tax) in total during the Reporting Period.

#### IV. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY

Name	Position	Change situation	Reasons for changes
Zou Lei	Chairman	Election	Elected at the general meeting and Board meeting
Si Zefu	Former Chairman	Resignation	Job reallocation
Wen Shugang	Former Director, President	Resignation	Job reallocation

Since 25 May 2016, Mr. Si Zefu no longer served as the director, chairman of the Board, chairman of the Strategic Development Committee and member of the Nomination Committee. Since 12 December 2016, Mr. Wen Shugang no longer served as director, president, chairman of the Risk Management Committee, member of the Nomination Committee and member of the Strategic Development Committee. The Company hereby expressed its high regard and sincere gratitude for contributions of Mr. Si Zefu and Mr. Wen Shugang to the Company during their tenure of their services.

On 18 October 2016, Mr. Zou Lei was elected as Director of the eighth session of the Board at 2016 first extraordinary meeting held by the Company. On 21 October 2016, Mr. Zou Lei was elected as chairman of the Board concurrently served as chairman of the Strategic Development Committee and member of the Nomination Committee at the twelfth meeting of the eighth session of the Board.

#### V. THE RECORDS OF BEING PUBLISHED BY SECURITIES REGULATORS IN RECENT THREE YEARS

No

## VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

### (I) Information on employees

The number of employees on register of the Company	682
The number of employees on register of principal subsidiaries	18,096
Total	18,778
The number of retired employees whose expenses shall be assumed by the Company and principal subsidiaries	13,523

### Professional Composition

<b>Category of professional structure</b>	<b>Headcount</b>
Production	9,542
Sales	535
Technical	4,944
Financial	275
Administrative	3,482
Total	18,778

### Background education

<b>Category of background education</b>	<b>Headcount</b>
Master degree and above	1,413
Bachelor degree	6,379
Tertiary degree	4,405
Technical middle school and below	6,581
Total	18,778

### VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES (CONTINUED)

#### (II) Remuneration policy

During the Reporting Period, the Company followed its principles of “Incentives, Restraints and Development” to revise and improve its budget management system for manpower costs and total remuneration. The Company also referred to the actual production operation to carry out a more stringent mechanism in which profit determined the level of remuneration and total remuneration was pegged to total profit in an all-round manner. Such further efforts sought to encourage businesses to create more profit. In the meantime, the Company continued to intensify the reform of its internal income distribution system, with income distribution continuing to lean towards “four types of frontline work”, namely, production, technology, marketing and management. Based on its talent fund and market development incentives established during the early stage, the Company took further measures to provide more incentives for the key talents in research and development, operation and management, with special incentives in place for various key talents, projects and fields. This has effectively motivated both the leaders and the staff.

#### (III) Training plan

During the Reporting Period, the Company centered on its strategies and the requirements on “Transformation, Upgrade and Deepening Reform”, adhering to demand-oriented. By doing so, the Company continued to further improve its training management system for all the staff. In addition to preparing training schemes for different levels and categories of staff, the Company continued to train its professional personnel mainly on job knowledge and skills, qualification certificates and adaptation, based on continuous improvement, facilitated the overall improvement on the ability and quality of our employees, which in turns provided personnel support for the continuous development of the Company.

### VII. OTHERS

#### Core Technical Team or Key Technicians of the Company

There was no change in core technicians who have a material impact on the core competitiveness of the Company during the Reporting Period.

#### Directors’ and Supervisors’ Service Contracts

None of the Directors or Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).



## I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE

The Company has been committed to continuously improving its corporate governance structure and standardizing corporate operations in strict compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations of the China Securities Regulatory Commission ("CSRC") and requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. An effective check and balance mechanism has been established with segregation of duties and coordination among the general meeting, the board of directors, supervisory committee and managers of the Company.

In accordance with requirements of the regulatory bodies such as the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the CSRC, the Company established comprehensive governance systems, mainly including the Regulations for the Work of Remuneration and Assessment Committee, Regulations for the Work of Nomination Committee, Regulations for the Work of Audit and Review Committee, Regulations for the Work of Risk Management Committee, Regulations for the Work of Strategic Development Committee, Rules for Procedure of the Board, Rules for Procedure of the Supervisory Committee, Rules for Procedure of the General Meeting, Management Measures for Cash Dividends and Shareholders' Return Plan for the Next Three Years. In order to further regulate acts of inside information management and to strengthen confidentiality of inside information, the Company formulated and complied with the Systems for Registration of Insiders and Management for External Users to effectively maintain openness, fairness and justice of information disclosure of the Company.

During the Reporting Period, major aspects of corporate governance are as follows:

### I. In relation to shareholders and general meetings

The Company is able to treat all shareholders equally with due respect and protect their interests. In particular, minority shareholders are entitled to their status and fully exercise their rights with their legal interests being protected. The Company ensures that shareholders are entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations. By strictly following the relevant requirements for convening and holding general meetings set out in the Articles of Association and the Rules for Procedure of the General Meeting, related persons are arranged to abstain from voting on connected transactions, so as to ensure that connected transactions are open, equal and fair. During the Reporting Period, the Company held two general meeting which was witnessed by lawyers with their legal opinions issued in such respect.

### II. In relation to Directors and the Board of Directors

The eighth session of Board of Directors of the Company consists of 8 Directors, of which 3 are independent non-executive Directors. The Board has set up the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee.

All the Directors are familiar with relevant laws and regulations as well as their responsibilities, rights and obligations, and are able to fully express opinions on the matters discussed. All Directors are able to perform their duties in an honest, faithful and diligent manner and in the interests of the Company and all Shareholders as a whole. The Company convened the Board meetings in strict accordance with statutory procedures. During the Reporting Period, a total of 8 Board meetings were convened.

### I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE (CONTINUED)

#### III. In relation to Supervisors and the Supervisory Committee

The eighth session of Supervisory Committee of the Company comprises 3 Supervisors, of which 2 are shareholders representative Supervisors and 1 is staff representative Supervisor. Upholding the principle of being responsible to all shareholders of the Company, the Supervisory Committee supervised and inspected the legal compliance of the Company's operations, financial affairs and investments of the Company and maintained the legitimate interests of the Company and all its shareholders in accordance with the Company Law, the Securities Law as well as the requirements of the Articles of Association and Rules of Procedure of the Supervisory Committee. During the Reporting Period, the Supervisory Committee held a total of 6 meetings.

#### IV. In relation to stakeholders

The Company is able to fully respect and protect the legal interests of stakeholders and also places high emphasis on social responsibility, with a view to achieve a balance among the interests of various parties including shareholders, staff and the society; and for enhancing the continuous and healthy development of the Company.

Any material discrepancy between corporate governance and relevant requirements of CSRC and the explanation thereof (if any):

None

### II. SUPERVISORY COMMITTEE'S DESCRIPTION ON RISKS IN THE COMPANY

The Supervisory Committee had no objection against the supervisions during the Reporting Period.

### III. THE COMPANY'S EXPLANATION ON NON-INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF OPERATION, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

The Company has independent and intact business and operation ability within its registered business scope. The Company is independent from its controlling shareholder in terms of personnel, operation, assets, organization and finance.

Corresponding solutions, working progress and subsequent working plans of the Company in case of inter-industry competition

There is no inter-industry competition for the Company during the Reporting Period

### **IV. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD**

The Company adopts annual salary system for senior management whose annual remuneration is determined based on the operating performance, job responsibilities and the results of annual performance. During the Reporting Period, no application on exercising H share appreciation rights was received from senior management.

The one third of number of H share appreciation rights from the directors and senior management granted by the Company became effective from 14 December 2014. During the Reporting Period, no application on exercising such rights was received from directors and senior management; Since the results of annual performance of the Company failed to meet the target indicator defined by incentive scheme on H share appreciation rights in 2014 and 2015, the two third of number of H share appreciation rights from the directors and senior management granted by the Company became void. No H share appreciation rights was granted to supervisors by the Company.

### **V. DISCLOSURE OF SELF-ASSESSMENT REPORT ON INTERNAL CONTROL**

For details, please refer to the Self-assessment Report on Internal Control of the Company disclosed on the website of the Shanghai Stock Exchange.

### **VI. EXPLANATION OF AUDIT REPORT ON INTERNAL CONTROL**

For details, please refer to the Audit Report on Internal Control of the Company disclosed on the website of the Shanghai Stock Exchange

Whether the Audit Report on Internal Control is disclosed: Yes

## VII. CORPORATE GOVERNANCE REPORT

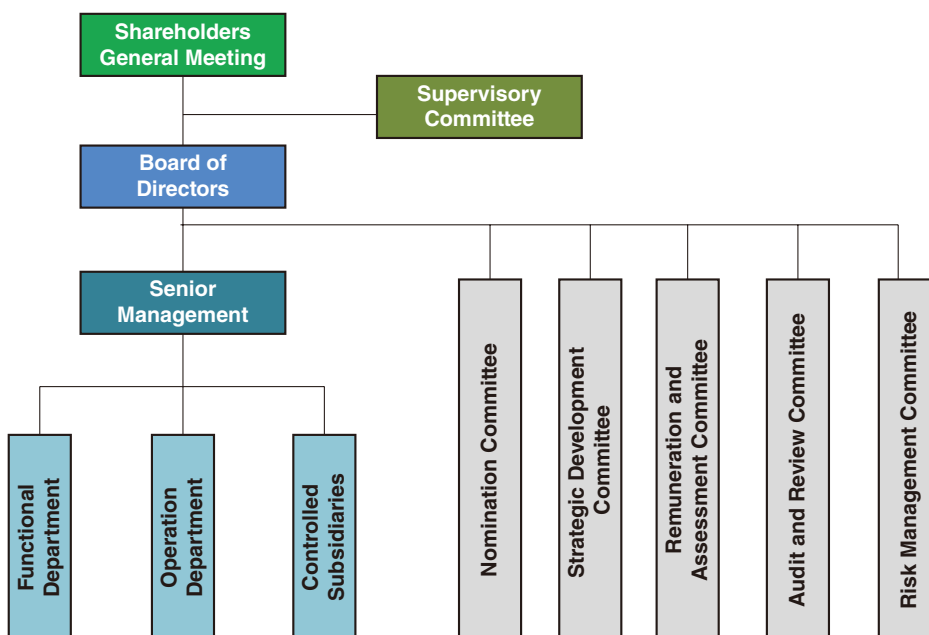
### Corporate governance practices

The Company has been committed to improvement of corporate governance and regards the corporate governance as a part of value creation of the Company, to reflect the commitments of all Directors and senior management in respect of corporate governance, maintain transparency and accountability for shareholders and maximize the value for all shareholders.

The documents related to corporate governance of the Company include the Articles of Association, Rules for Procedure of the General Meeting, Rules for Procedure of the Board, Rules for Procedure of the Supervisory Committee, Regulations for the Work of the Special Committees under the Board and Regulations for the Work of the President, etc. To achieve the highest level of corporate governance, the Board of Directors of the Company has set up 5 special committees, namely the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee.

During the Reporting Period, the Company has complied with all the code provisions of the Corporate Governance Code (“Corporate Governance Code”) as set out in Appendix 14 to the Listing Rules.

The chart for corporate governance structure of the Company is as follows:



## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

## Corporate governance practices (Continued)

## I. General Meeting

As the highest authority of the Company, the general meeting performs its functions and power in determining the material events of the Company under the laws. The annual general meeting or extraordinary general meeting provides a direct communication channel for the Board and the shareholders. Hence, the Company regards highly of the shareholders' general meetings. Notice of meetings will be delivered 45 days before convening. All Directors and members of senior management are requested to attend as far as possible. The Company encourages all shareholders to attend the shareholders' meeting and welcomes shareholders to express their opinions in the meeting. The details of the shareholders' general meeting of the Company in 2016 are as follows:

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2015 annual general meeting	24 May 2016	The following resolutions were considered at the meeting by way of ordinary resolution: <ol style="list-style-type: none"> <li>1. Work Report of the Board of the Company for 2015;</li> <li>2. Work Report of the Supervisory Committee of the Company for 2015;</li> <li>3. After-tax Profit Distribution Plan of the Company for 2015;</li> <li>4. Audited Financial Report of the Company for 2015;</li> <li>5. Resolution in relation to the Re-appointment of Accountant of the Company for 2016 and the Authorization to the Board to Determine Its Remuneration.</li> </ol>	Approved	www.sse.com.cn	25 May 2016
2016 first extraordinary general meeting	18 October 2016	To consider the resolution on the election of the Directors of the Company	Approved	www.sse.com.cn	19 October 2016

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### II. Board of Directors

###### (I) *Division of Responsibilities*

The main responsibility of the Board is to exercise the power to make management decisions on the Company's development strategy, management structure, investment and finance, planning and financial supervision as authorized at the shareholders' meeting. The Company's Chairman and President will be served by different persons respectively, and the Company has a clear division of responsibilities. The Chairman of the Board presides over the meetings of the Board, and reviews the implementation of the resolutions made by the Board. The responsibility of the President is to manage, operate and coordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

###### (II) *Composition*

The eighth session of Board is composed of 8 Directors, of which 3 are independent non-executive Directors, representing one third of all Directors. The independent non-executive directors of the Company are Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe, and the remaining Directors of the Company are Mr. Zou Lei, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Zhu Yuanchao and Mr. Zhang Jilie; the Chairman of the Company is Mr. Zou Lei. This session of Board is the eighth session of the Board since the establishment of the Company, the term of which is expected to end on 27 June 2018.

Members of the Board have different industry background. They all have professional knowledge in different areas, such as enterprise management, technical development, financial accounting, investment strategy, human resources etc. Their personal profiles are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report. For the biographical details of the directors of the Company, please refer to the section VIII headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

Saved as disclosed in the section, there is no other material relationship between the members of the Board (including financial, business, family or other material or relevant relationships).

In order to comply with the provisions under the Corporate Governance Code, the Company has arranged appropriate liability insurance for Directors to provide insurance by way of indemnity for their liability arising from the activities of the enterprise.

Independent non-executive Directors of the Company understood the rights and obligations as a director and an independent non-executive director of a listed company. During the Reporting Period, the independent non-executive Directors attended the Board meetings in a prudent, responsible and serious attitude, fully using their experience and expertise, did a lot of work for improvement of corporate governance and major decision-makings, voiced their pertinent and objective opinions about the important matters of the Company and connected transactions, promoted the scientific decision-making and decision-making procedures of the Board, and safeguarded the interests of the Company and majority shareholders. The three independent non-executive Directors of the Company also served in the Board's special committees.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### II. Board of Directors (Continued)

###### (III) *Policy concerning diversity of Board members*

Code Provision A.5.6 in the Corporate Governance Code which became effective from 1 September 2013 stipulates that the Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

In order to comply with the Code Provision A.5.6, the Board has authorized the Nomination Committee to formulate a series of diversified standards including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, and to review and supervise the effects of diversity of Board members. The Board has adopted the policy concerning diversity of Board members.

###### (IV) *Corporate governance functions*

The Board of Directors shall perform the corporate governance functions as set out below:

To develop and review the Company's policies and practices on corporate governance;

To review and monitor the training and continuous professional development of Directors and senior management;

To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

To develop, review and monitor the code of conduct and compliance code applicable to employees and directors;

To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### II. Board of Directors (Continued)

###### (V) Directors

The directors are elected or replaced at general meetings. Director elections adopt the cumulative voting system. Director candidates may be nominated by the Board or the Supervisory Committee, or by shareholders individually or jointly holding at least 1% issued shares of the Company. The term of office of directors (except for independent non-executive directors) is 3 years, eligible for re-election upon expiry of terms. The independent non-executive directors shall be persons with no connected relationship with the management staff in the Company and major shareholders, and their term of office could not exceed 2 sessions.

Through the secretary of the Board, all the directors can obtain the related information and latest trends about statutory, regulatory and other continuous responsibility, which the directors of a listed company must comply with. In this way, they can ensure the responsibility to be understood, implementation of the procedures of the Board and appropriate compliance with applicable laws and regulations. The Board and special committees shall be entitled to appoint an independent organization for its service, in accordance with needs to exercise powers, fulfill duties and run its business. Reasonable fees arising herefrom shall be borne by the Company.

The Company strictly abides by the relevant binding clauses, which are applied to the securities transactions conducted by the directors, as provided by the domestic and Hong Kong regulatory bodies to directors and sticks to the principle of strict compliance.

###### *Securities transactions by Directors*

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under Appendix 10 of the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirms that, as of 31 December 2016, all Directors and Supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

The Company confirmed that it has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines requirements of the Listing Rules and are independent in accordance with the provisions of the guidelines.

###### *Director's service contract*

The Company has entered into separate service contracts with each Director of the eighth session of the Board.



VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

II. Board of Directors (Continued)

(VI) Meeting of the Board of Directors

During the Reporting Period, 8 Board meetings were convened by the Company with the attendance rate of 100% (including attendance by proxy) to discuss the investment plan, business and financial performance. The Board meetings can effectively produce quick and prudent decisions by effective discussion. The independent non-executive Directors of the Company had no objection to the Company's decisions.

Attendance of Directors to the Board meetings and shareholders' general meetings

Name	Independent Director or not	Required attendance during the year	Attendance at the Board meetings				Attendance at general meetings	
			Attendance in person	Attendance by communication equipment	Attendance by proxy	Absence	Absence in person for twice consecutively	Attendance at general meetings
Zou Lei	No	2	2	0	0	0	No	0
Si Zefu (resigned)	No	3	3	0	0	0	No	0
Zhang Xiaolun	No	8	5	2	1	0	No	2
Wen Shugang (resigned)	No	7	5	2	0	0	No	0
Huang Wei	No	8	6	2	0	0	No	1
Zhu Yuanchao	No	8	6	2	0	0	No	1
Zhang Jilie	No	8	6	2	0	0	No	0
Chen Zhangwu	Yes	8	6	2	0	0	No	0
Gu Dake	Yes	8	6	2	0	0	No	0
Xu Haihe	Yes	8	6	2	0	0	No	1

Number of Board meetings convened during the year	8
Among which: number of meetings convened on-site	6
Number of meetings convened by communication equipment	2
Number of meetings convened by a combination of the above two means	0

Directors who could not attend the Board meetings in person appointed other directors to attend and vote at the meetings on their behalves.

Independent non-executive Directors did not raise objection to proposals of the Board meetings or other proposals during the Reporting Period.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### III. Special committees of the Board

The Board has established five special committees, each of which has the defined terms of reference to oversee the affairs of the Company's specific aspects.

(I) *Audit and Review Committee*

The main duties of the Audit and Review Committee are:

- ① supervise and assess the work of the external audit institutions, and propose to appoint or change external audit institutions;
- ② guide the internal audit work and supervise the internal audit system of the Company and its implementation;
- ③ review the financial information of the Company and its disclosure, and review the interim and annual financial statements before submitting to the Board;
- ④ coordinate the communication between the management, internal audit department and relevant departments and external audit institutions;
- ⑤ examine the internal control system of the Company and assess its effectiveness;
- ⑥ examine the major connected transactions of the Company;
- ⑦ review the letter from the external auditor to the management and the feedback of the management.

The members of audit and review committee under the eighth session of the Board of the Company comprise of independent non-executive directors of the Company, including Mr. Xu Haihe (chairman), Mr. Chen Zhangwu and Mr. Gu Dake.

In 2016, the audit and review committee held a total of 5 meetings, at which resolutions including the Audited Financial Report of the Company for 2015, the Unaudited First Quarterly Financial Report of the Company for 2016, the Unaudited Interim Financial Report of the Company for 2016, the Unaudited Third Quarterly Financial Report of the Company for 2016, and the Resolution on Change of Accounting Estimation were considered and approved.

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

## Corporate governance practices (Continued)

## III. Special committees of the Board (Continued)

(I) *Audit and Review Committee* (Continued)

Members of the Audit and Review Committee and attendance at its meetings

<b>Name</b>	<b>Position</b>	<b>Required attendance in 2016</b>	<b>Actual Attendance</b>
Xu Haihe (Independent non-executive Director)	Chairman of the committee	5	5
Chen Zhangwu (Independent non-executive Director)	Member	5	5
Gu Dake (Independent non-executive Director)	Member	5	5

(II) *Strategic Development Committee*

The main duties of the Strategic Development Committee are to provide opinions for the Company's strategies and review the proposals for significant investments.

The members of the strategic development committee under the eighth session of Board of directors comprise of Mr. Si Zefu (chairman), Mr. Wen Shugang, Mr. Zhu Yuanchao and Mr. Gu Dake, an independent non-executive Director. Since 25 May 2016, Mr. Si Zefu no longer served as the chairman of the Strategic Development Committee of the Board due to job reallocation; Since 12 December 2016, Mr. Wen Shugang no longer served as the member of the Strategic Development Committee of the Board. On 21 October 2016, the Board of Directors considered and approved the appointment of Mr. Zou Lei, Chairman of the Board, as the chairman of the Strategic Development Committee of the Board at the twelfth meeting of the eighth session of the Board.

In 2016, the Strategic Development Committee convened one meeting mainly to consider and approve the Development Strategy and Plan of the Company for "the thirteenth-five year period".

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (II) Strategic Development Committee (Continued)

Members of the Strategic Development Committee and attendance at its meetings

Name	Position	Required attendance in 2016	Actual Attendance
Zou Lei (Director)	Chairman of the committee	0	0
Si Zefu (Director)	Former Chairman of the committee	0	0
Wen Shugang (Director)	Former Member	1	1
Zhu Yuanchao (Director)	Member	1	1
Gu Dake (Independent non-executive Director)	Member	1	1

##### (III) Remuneration and Assessment Committee

The main duties of the Remuneration and Assessment Committee are:

- ① to formulate remuneration plan or scheme for directors and senior management based on their work scope, duties and importance with reference to the compensation levels of similar positions in comparable companies;
- ② to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;
- ③ to review and approve the management's remuneration proposals by reference to the corporate goals and objectives set by the Board;
- ④ to make recommendations to the Board on the remuneration of independent non-executive Directors;
- ⑤ consider the remuneration paid by similar companies, the time commitment, job duties and the employment conditions for other positions in the Group;

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (III) *Remuneration and Assessment Committee* (Continued)

- ⑥ examine the duty performance of Directors and senior management, and conduct annual performance appraisal;
- ⑦ review and approve compensation payable to non-independent Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
- ⑧ review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- ⑨ be responsible for supervising the implementation of the remuneration system of the Company;
- ⑩ other matters authorized by the Board.

The members of the Remuneration and Assessment Committee under the eighth session of Board of Directors comprise of independent non-executive Directors Mr. Gu Dake (Chairman), Mr. Chen Zhangwu and Mr. Xu Haihe and Director Mr. Zhang Xiaolun.

During the year of 2016, the Remuneration and Assessment Committee convened 1 meeting to mainly consider and approve the Report on Remuneration of Directors, Supervisors and Senior Management of the Company for 2015, the Results of H Share Appreciation Rights Assessment, etc..

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (III) *Remuneration and Assessment Committee* (Continued)

Members of the Remuneration and Assessment Committee and attendance at its meetings

<b>Name</b>	<b>Position</b>	<b>Required attendance in 2016</b>	<b>Actual Attendance</b>
Gu Dake (Independent non-executive Director)	Chairman of the committee	1	1
Chen Zhangwu (Independent non-executive Director)	Member	1	1
Xu Haihe (Independent non-executive Director)	Member	1	1
Zhang Xiaolun (Director)	Member	1	1

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (IV) Risk Management Committee

The main duties of the Risk Management Committee are:

- ① to submit the Annual Report on Overall Risk Management to the Board of Directors;
- ② to consider the Company's risk management strategies and the solutions for major risk management;
- ③ to consider the judgment criteria or the judgment mechanism related to major decision makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions;
- ④ to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department;
- ⑤ to consider the establishment of the risk management organizations, and their proposed responsibilities.

The members of Risk Management Committee under the eighth session of Board of Directors comprise of Directors Mr. Wen Shugang (Chairman), Mr. Huang Wei and Mr. Zhang Jilie and an independent non-executive Director Mr. Xu Haihe. Since 12 December 2016, Mr. Wen Shugang no longer served as the Chairman of the Risk Management Committee of Board due to job reallocation.

During the year of 2016, the Risk Management Committee convened 1 meeting to consider and approve Work Rules for Risk Management Committee and debrief the Report on the Assessment of Internal Control of Dongfang Electric Corporation Limited for 2015 from the finance department, and agreed to submit the same to the Board of Directors for consideration.

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (IV) Risk Management Committee (Continued)

Members of the Risk Management Committee and attendance at its meetings

Name	Position	Required attendance in 2016	Actual Attendance
Wen Shugang (Director)	Former Chairman of the committee	1	1
Huang Wei (Director)	Member	1	1
Zhang Jilie (Director)	Member	1	1
Xu Haihe (Independent non-executive Director)	Member	1	1

##### (V) Nomination Committee

The main duties of the Nomination Committee are:

- ① review the structure, composition and diversification (including but not limited to gender, age, cultural and educational background, ethnics, skills, knowledge, term of service and experience) of the Board and senior management at least once a year according to the operating activities, asset scale and shareholding structure of the Company, and make recommendations in respect of any proposed changes on the Board to be in line with the corporate strategies;
- ② study the criteria and procedures for selection of Director and senior management and make recommendations to the Board;
- ③ review the qualification of candidates for Directors and senior management and make recommendations on this;
- ④ formulate policy for nomination of Directors to identify individuals suitably qualified to become members of the Board, and select and nominate such individuals to serves as Directors or make recommendations to the Board on this. When the committee identifies suitable individuals, it shall take into account the strength of such individuals and objective criteria with due regard to the benefits of diversity on the Board;



### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (V) *Nomination Committee* (Continued)

- ⑤ assess the independence of independent non-executive Directors;
- ⑥ review the implementation of the Board diversity policy, review the diversity policy as and when appropriate, and review the measurable target set by the Board for the implementation of the Board diversity policy and its progress and make recommendations to the Board;
- ⑦ make recommendation to the Board on the appointment and re-appointment of directors and the succession plan of directors (in particular the Chairman and the president of the Company) in accordance with the corporate strategy of the Company, the techniques, knowledge and experience that meet future need and the diversification of the Board.

The members of nomination committee of the eighth session of Board of Directors comprise of independent non-executive directors Mr. Chen Zhangwu (chairman), Mr. Gu Dake and Mr. Xu Haihe and directors Mr. Si Zefu and Mr. Wen Shugang. Since 25 May 2016, Mr. Si Zefu no longer served as the member of the Nomination Committee of the Board due to job reallocation; Since 12 December 2016, Mr. Wen Shugang no longer served as the member of the Nomination Committee of the Board.

During the year of 2016, the Nomination Committee convened 1 meeting to consider resolution on the nomination of candidates of Directors. At the meeting, candidates for the new session of Board of Directors recommended by Controlling Shareholder were reviewed and came to the conclusion that the recommendation gave full play to the advantages of such candidates, took the board diversity policy into account (including, but not limited to the gender, age, culture, educational background, ethnics, expertise, knowledge, term of service and experience) and conformed with reasonable recommendation procedure and structure.

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate governance practices (Continued)

#### III. Special committees of the Board (Continued)

##### (V) *Nomination Committee* (Continued)

Members of the Nomination Committee and attendance at its meetings

<b>Name</b>	<b>Position</b>	<b>Required attendance in 2016</b>	<b>Actual Attendance</b>
Chen Zhangwu (Independent non-executive Director)	Chairman of the committee	1	1
Gu Dake (Independent non-executive Director)	Member	1	1
Xu Haihe (Independent non-executive Director)	Member	1	1
Si Zefu (Director)	Former Member	0	0
Wen Shugang (Director)	Former Member	1	1

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### IV. Duties of the management team

Pursuant to the terms of reference under the Articles of Association, the management of the Company mainly discharges the following duties:

- (1) to take charge of the management of the production and business operations of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report the work to the Board of Directors;
- (2) to organize the implementation of the annual business plans and investments plans of the Company;
- (3) to propose development programs, annual production and operation plans, annual budget, plans for after-tax profit distributions and plans for making up losses of the Company;
- (4) to formulate plans for the establishment of the internal management organization of the Company;
- (5) to formulate the basic management system of the Company;
- (6) to formulate basic rules and regulations of the Company;
- (7) to propose to appoint or dismiss the Senior Vice President, Vice President, Chief Accountant and other senior management of the Company;
- (8) to represent the Company externally in handling important business matters within the scope of authorization by the Board of directors.

##### V. Secretary to the Board

- (1) The Company has a secretary to the Board who shall be appointed by the Board and is a senior management member of the Company;
- (2) The primary duties of the secretary to the Board are to take charge of the information disclosure, investor relationship management and shareholding management affairs, organize and make preparations for the Board meetings and shareholders' general meetings, etc.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

#### VI. Participation of Directors, supervisors and senior management in training and continuous professional development

During the Reporting Period, the Company provides trainings for all the Directors (including Mr. Zou Lei, Mr. Si Zefu, Mr. Zhang Xiaolun, Mr. Wen Shugang, Mr. Huang Wei, Mr. Zhu Yuanchao, Mr. Zhang Jilie, Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe), Supervisors (including Mr. Wen Limin, Mr. Wang Zaiqiu and Mr. Wang Congyuan) and senior management by providing comprehensive compliance information for listed companies in a timely manner. Training materials were prepared and distributed for their information on update of their knowledge and skills, to ensure that their continuous contribution to the Board was under the comprehensive and relevant circumstance.

#### VII. Information disclosure and investor relation management

Secretary to the Board and representative of securities affairs are responsible for information disclosure and investor relation management.

As for information disclosure, in order to enable the investors to understand the Company's operation conditions, the Company made meticulous organization and careful arrangement to strengthen coordination of information disclosure work, analyze and identify keys and difficulties and make effective communication with regulatory authorities. Accordingly, the Company finished the disclosure work as required. In 2016, the Company has made information disclosure for approximately 168 times in mainland China and Hong Kong, covering regular reports and temporary announcements.

In investor relation management, the Company organized investors to discuss key issues, analyzed trend of capital market and operation status of the Company and timely kept up with investors' opinions on DEC, so as to make a targeted communication with investors and enhance communication quality. The Company further regulated processes of reception arrangements and made such processes standardized and professional. The Company's communication methods with investors mainly include shareholders' general meetings, results briefing conferences, road shows, reception of investor's visits, SSE e-interaction, teleconference, the Company's website and email box, facsimile and hotline, etc., to enable shareholders to express opinions or exercise rights.

In respect of management of inside information, the Company formulated the Systems for Registration of Insiders and Management for External Users, to ensure and remind the insiders to take the responsibility for keeping inside information confidential. In the course of preparation and issue of periodic reports and capital operation for material matters, registration and filing to the stock exchange should be prepared in accordance with the system requirement, documents should be kept available for inspection. Furthermore, the Company obtained knowledge of relevant requirements under SFO and Listing Rules, and made efforts to ensure that inside information will be published in an effective and consistent manner. The inside information should be kept in the strictest confidence before disclosed to the public.

**VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practices (Continued)

**VIII. Auditors**

During the Reporting Period, the Audit and Review Committee proposed to retain ShineWing Certified Public Accountants as the internal control auditing firm of the Company for 2016 considering its performance in providing audit services. The Board adopted such proposal and appointed ShineWing Certified Public Accountants as the auditor of the Company. Remuneration paid by the Company to ShineWing Certified Public Accountants in respect of their annual audit services is set out below. As at the end of the Reporting Period, ShineWing Certified Public Accountants has provided auditing services for the Company for 8 years. Set out below are the audit services and non-audit services provided by it:

*Unit: RMB0'000*

Whether changed the accounting firm:	No	
	<b>Former</b>	<b>Existing</b>
Name of domestic accounting firm	ShineWing Certified Public Accountants (Special General Partnership)	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration for domestic accounting firm	230	180
Service length of the domestic accounting firm ( <i>year</i> )	7	8
	<b>Name</b>	<b>Remuneration</b>
Accounting firm in respect internal control	ShineWing Certified Public Accountants (Special General Partnership)	50

**IX. Acknowledgement of the directors and auditor**

All Directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2016.

ShineWing Certified Public Accountants (Special General Partnership), the auditor of the Company, has acknowledged its reporting responsibilities in the Auditor's Report of the financial statements prepared under the PRC accounting standards for the year ended 31 December 2016.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### X. Material changes in the constitutional documents of the Company

Nil

##### XI. Internal controls

The Company has established effective risk management and internal control systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Risk Management Committee of the Board of the Company is mainly responsible for the deliberation of risk management strategies and major risk management plans of the Company, and the assessment of decisions on major risks, and report to the Board.

The Board is responsible for implementing the risk management and internal control systems of the Company and its subsidiaries and reviewing the effectiveness of such systems. The Board assesses and reviews the effectiveness of the risk management and internal control systems and procedures based on the information derived from discussions with the senior management, internal audit team and external auditor and the reports from the internal audit team. Our internal audit team regularly reviews the effectiveness of our Company's material internal controls, including financial, operational and compliance controls and risk management functions according to the audit plans and reports to the Board with its findings and makes recommendations to improve the internal controls of our Company. The Audit and Review Committee has reviewed the comments of external auditors provided at the Audit and Review Committee meetings. In 2016, ShineWing Certified Public Accountants was engaged by the Company to review the effectiveness of internal control on the financial report for the year ended 31 December 2016, and issued the audit report on internal control with unqualified opinion.

During the year, the Board reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and was not aware of any breach of laws, regulations and rules or any material mistake in respect of compliance monitor and risk management. The Board considered that such systems are effective and adequate. With reference to assessment opinions from the Audit and Review Committee, the senior management, the internal audit team and external auditor, the Board makes its assessment on the efficiency of the internal control. The annual review of the system of internal control also includes consideration of the adequacy of resources, qualifications and experience of staff of accounting and financial reporting functions, including their training programme and training budget.

For the year ended 31 December 2016, based on the assessment made by the Audit and Review Committee, the senior management and the internal audit team, the Board reviewed the risk management and internal control systems of the Company and its subsidiaries.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

#### XII. Shareholders' rights

##### *Procedures for Shareholders convening an extraordinary general meeting ("EGM")*

Shareholders requesting to convene an EGM shall follow the procedures below:

- (1) The shareholders who individually or jointly hold 10% or more of the Company's issued shares have the right to propose the board of directors to convene an EGM, and shall put forward the proposal to the Board of Directors in written form. The Board of Directors shall, in accordance with the laws, administrative regulations and these Articles, give a written reply on whether to convene an EGM or not within 10 days upon receipt of the proposal. The aforesaid amount of the shares held by the shareholders is calculated on the date of the written proposal put forwarded by the shareholders.
- (2) If the Board of Directors does not agree to convene an EGM or fails to give feedback within 10 days upon receipt of the proposal, the shareholders who individually or jointly hold 10% or more of the Company's issued shares shall have the right to propose the Supervisory Committee to convene an EGM, but shall put forward the request to the Supervisory Committee in written form.
- (3) If the Supervisory Committee fails to send out a notice of the EGM within the prescribed time limit, it shall be deemed that the Supervisory Committee will not convene or preside over the meeting, and the shareholders who individually or jointly hold 10% or more of the Company's issued shares for a consecutive 90 or more days may convene and preside over the meeting by themselves. The procedures of convening the meeting shall be the same with that of convening the meeting by the Board of Directors, and the place of the meeting shall be at the domicile of the Company.
- (4) Where shareholders decide to convene the EGM by themselves, they shall send out a written notice to the Board of Directors, and shall put on the records of the dispatched office of CSRC at the locality of the Company and the stock exchange. Before the resolution of the EGM is announced, the proportion of the summoning shareholders shall be no less than 10%.

The shareholders that convene the meeting shall, when circulating a notice of meeting and making an announcement on the resolution of a shareholders' general meeting, submit the relevant certification materials to the dispatched office of CSRC at the locality of the Company and the stock exchange.

- (5) In respect of the EGM convened by shareholders on their own initiative, the Board of Directors and its secretary shall show cooperation. The Board of Directors shall provide the register of shareholders on the date of equity registration.
- (6) The necessary expenses for convening the EGM by shareholders shall be borne by the Company. The expenses will be deducted from the sum owed by the Company to the Directors in neglect of duty.

### VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Corporate governance practices (Continued)

##### XII. Shareholders' rights (Continued)

###### *Procedures for Putting Forward Proposals to the Shareholders' General Meeting*

When the Company convenes a shareholders' general meeting, shareholders individually or jointly holding 3% or more shares of the Company are entitled to make proposals to the Company.

The shareholders who individually or jointly hold 3% or more of the shares of the Company may put forward a temporary proposal and submit it to the convener in writing within 10 days before the meeting is held. The convener shall issue a supplementary notice of the meeting and announce the contents of the temporary proposal within 2 days upon receipt of the aforesaid proposal.

When the Company is to convene an annual general meeting, shareholders holding 5% or more of the shares carrying voting rights or the Supervisory Committee shall have the right to put forward new motions in writing to the Company. The Company shall include in the agenda of the meeting the matters which are within the scope of responsibilities of the general meeting in accordance with the prescribed procedures.

###### *Procedures for Shareholders to Propose a Director Candidate*

For the procedures for proposing a Director candidate, please refer to the information published on 21 June 2012 under the Investor Relation section at the Company's website [www.dec-ltd.cn](http://www.dec-ltd.cn).

###### *Procedures for Shareholders to Make Enquiries to the Board*

Shareholders may send any enquiries and questions in writing to the company secretary of the Company who will forward the same to the Board. The contact details of the company secretary are set out as follows:

Secretarial office of the Board of Dongfang Electric Corporation Limited at No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province

Fax No.: 028-87583551

Email: [dsb@dongfang.com](mailto:dsb@dongfang.com)

Shareholders may also put forward enquiries to the Board at the shareholders' general meeting of the Company.





**Dongfang Electric Corporation Limited**  
**Financial Statements and Auditor's Report**  
**For the year ended December 31, 2016**

[English translation for reference only.  
Should there be any inconsistency between the Chinese and English version, the  
Chinese version shall prevail.]

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信永中和会计师事务所

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## AUDITOR'S REPORT

XYZH/2017CDA30104

**To the Shareholders of Dongfang Electric Corporation Limited:**

### 1. Opinion

We have audited the accompanying financial statements of Dongfang Electric Corporation Limited (hereafter referred to as "Dongfang Electric"), which comprise the company's and consolidated balance sheets as at 31 December 2016, and the company's and consolidated income statements, the company's and consolidated statements of changes in owners' equity and the company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements attached have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the company's financial position of Dongfang Electric as at 31 December 2016, and of their consolidated and the company's financial performance and cash flows for the year then ended.

### 2. Basis of preparation of opinion

We performed our audit in accordance with China Standards on Auditing. Further elaboration about our responsibility have been made in "Auditor's Responsibility". In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of Dongfang Electric and have performed other duties in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for the publication of the audit opinion.

### 3. Key Audit Matter

The key audit matters are the most important matters that we consider to be audited in the current financial statements based on our professional judgment. The response to these matters is based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not comment on these matters individually.

1. Recognition of Operating Income	
Key Audit Issues	Response

<p>As stated in Note 6, 47 of Dongfang Electric's financial statements note, in the year 2016, annual operating income of Dongfang Electric is RMB 33.286 billion, mainly for product sales revenue and construction contract revenue. Appropriate revenue recognition is vital to the Dongfang Electric business results, so we focus a lot on the recognition of product sales revenue and construction contract revenue.</p> <p>(1) The occurrence and integrity of product sales revenue will have a great impact on the business results of Dongfang Electric.</p> <p>(2) Dongfang Electric uses the percentage of completion method to confirm the construction contract revenue, to accumulate the actual cost of the total cost of the proportion of the estimated completion of the progress. By the existing experience and the impact of future market judgments, difference methods of estimate adopted by the management of the construction contract will have a significant impact on the recognition of construction contract revenue. Therefore, we identify the occurrence and integrity of the sales revenue and the estimated total cost of the construction contract as the key audit matters.</p>	<p>(1) For the occurrence and integrity of the sales revenue of the products, the main audit procedures we have performed are as follows: Evaluating the design and implementation of internal control of sales revenue of Dongfang Electric;</p> <p>Sampling. Review the revenue-related sales contract, sales invoices, transport orders, customer acceptance and other documents of Dongfang Electric, then reassess the occurrence of product sales;</p> <p>Cut off testing, Sales income of products which were confirmed before and after the balance sheet date, the transportation orders and customer acceptance orders and other documents were reviewed.</p> <p>(2) For the estimated total cost of the construction contract, the main audit procedures we performed are as follows: Evaluating the design and implementation of the internal control of the estimated total cost of the Dongfang Electric's construction contract;</p> <p>Sampling. Compare the estimated total cost of the Dongfang Electric's unfinished project with the historical actual cost of the similar completed project. Assessing the experience and ability of the management to make such judgment and estimate;</p> <p>Reviewing the preparation basis of the estimated total cost and evaluate the rationality of estimated total cost by sampling methods.</p>
<p><b>2. Withholding the Demission Benefit</b></p>	
<p><b>Key Audit Issues</b></p>	<p><b>Response</b></p>
<p>As stated in note 6.24 and 6.33 of Dongfang Electric financial statement note, the balance of benefit paid by Dongfnag Electric as of</p>	<p>The main audit procedures we performed are as follows: Evaluating the design and implementation of</p>

<p>December 31, 2016 totaled RMB 637 million, representing an increase of RMB 408 million from RMB 229 million as at December 31, 2015, an increase of 178%. Therefore, we treated the withholding of demission benefit of year 2016 as a key audit matter.</p>	<p>internal control of the scope and standard of dismissed benefit of Dongfang Electric; Obtain the calculation table of demission benefit of Dongfang Electric, and examine the accuracy of the calculation.</p>
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#### **4. Other Information**

Dongfang Electric's management is responsible for other information. Other information includes the information covered in the annual report of Dongfang Electric 2016, but does not include the financial statements and our audit reports.

Our audit opinion on the financial statements does not cover any other irrelevant information, and also, we do not publish any assurance conclusions on irrelevant information in any forms.

In conjunction with our audit of the financial statements, our responsibility is to read other information in the course of considering whether other information is materially inconsistent with the financial statements or what we have learned in the course of the audit or that there is a material misstatement.

Based on the work we have performed, we should report the facts if we could ensure that there is a material misstatement of other information. In this respect, we have no need to report any matter.

#### **5. Management's responsibility for the financial statements**

Management of Dongfang Electric is responsible for the preparation in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of these financial statements and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the management is responsible for assessing the continuing operating capacity of Dongfang Electric, disclosing related matters relating to continuing operations and applying the assumptions of continuing operating, unless liquidation, termination or no other realistic choice available.

The management is responsible for overseeing the process of financial reporting of Dongfang Electric.

#### **6. Auditor's responsibility**

Our responsibility is to make a reasonable assurance about whether the financial statements are free from material misstatement and perform the audit opinion.

Reasonable assurance is a high-level assurance, but there is no guarantee that audits carried out in

accordance with the audit criteria will not found a material misstatement. Mistakes may be caused by fraud or error, and it is generally considered that the misstatement is significant if it is reasonably expected that the misstatement alone or aggregated may affect the economic decision of the financial statement user based on the financial statements.

In the course of carrying out the audit work in accordance with the audit standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following works:

(1) Identify and evaluate the risk of material misstatement of financial statements due to fraud or error, then design and implement audit procedures to address these risks and obtain adequate and appropriate audit evidence as the basis for the issuance of audit opinions. Since fraud may involve collusion, forgery, intentional omission, false statements or above internal controls, the risk of material misstatement due to fraud is not higher than the risk of that due to an error.

(2) Design the appropriate audit procedures based on the understanding of the audit-related internal control.

(3) Evaluate the appropriateness of accounting policy selection and the rationality of accounting estimates and related disclosures

(4) Draw conclusions on the appropriateness of ongoing operating assumptions used by management. At the same time, based on the audit evidence obtained, it may lead to significant uncertainties in matters or circumstances about the ongoing operating ability of Dongfang Electric. If we conclude that there are significant uncertainties, the audit criteria require us to draw the attention of the reporting user to the disclosure in the financial statements; if the disclosure is inadequate, we should publish an unqualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may lead to Dongfang Electric cannot continue to operate.

(5) Evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.

(6) Obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of Dongfang Electric, and express an opinion on the financial statement. We are responsible for directing, supervising and performing group audits and taking full responsibility for the audit opinion.

We communicate with the management on the planned scope of the audit, timing and major audit findings, including communication of the internal control deficiencies that we have identified in our audit.

We also provide a statement to the management that we have followed the ethical requirements related to independence.

In the case of communication with management, we determine which matters are most important to the current financial statement audit and thus constitute a critical audit matter. We describe these matters in the audit report unless the laws and regulations prohibit for publicly disclosure of these matters or, in rare cases, if the reasonable expectation of communicating the matter in the audit report exceeds the negative benefits arising from the public interest, the matter should not be communicated in the audit report.

ShineWing Certified Public Accountants

Chinese Certified Public Accountant (Partner)

Beijing, China

Chinese Certified Public Accountant:

March 24, 2017

## Consolidated Statement of Financial Position

December 31, 2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and cash equivalents	6.1	28,408,778,336.14	21,087,539,125.49
Clearing provision			
Funds for lending			
Financial asset at fair value through profit or loss	6.2	59,661,930.59	36,079,098.10
Derivative financial assets			
Notes receivable	6.3	4,917,792,022.12	4,340,955,431.92
Accounts receivable	6.4	15,954,481,388.79	17,290,192,715.92
Prepayments	6.5	2,513,937,554.91	3,299,961,538.85
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Interest receivable	6.6	373,159,473.91	297,206,934.58
Dividends receivable			
Other receivable	6.7	245,140,412.85	366,296,279.41
Financial assets purchased under resale agreements			
Inventories	6.8	19,871,046,530.61	26,899,590,387.82
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	6.9	293,077,796.09	335,373,683.92
<b>Total Current Assets</b>		<b>72,637,075,446.01</b>	<b>73,953,195,196.01</b>
<b>Non-current Assets:</b>			
Loans and advances			
Financial assets available-for-sale	6.10	3,100,000.00	3,100,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	6.11	1,447,245,662.23	1,066,013,723.84
Investment properties	6.12	111,942,870.46	70,560,947.99
Fixed assets	6.13	7,617,279,165.25	8,099,246,237.21
Constructions in process	6.14	107,598,422.31	447,801,742.11
Construction materials		113,464.96	113,464.96
Fixed assets on disposal		48,257.24	24,979.33
Productive biological assets			
Oil and gas assets			
Intangible assets	6.15	911,701,102.64	946,229,278.85
Development expenditure			
Goodwill			
Long-term deferred expenses	6.16	1,075,608.94	344,000.22
Deferred tax assets	6.17	1,864,994,092.61	1,547,269,129.51
Other non-current assets	6.18	426,208.77	524,565
<b>Total Non-current Assets</b>		<b>12,065,524,855.41</b>	<b>12,181,228,068.66</b>
<b>TOTAL ASSETS</b>		<b>84,702,600,301.42</b>	<b>86,134,423,264.67</b>

Legal Representative :    Person in charge of accounting function :    Person in charge of accounting department :



**Consolidated Statement of Financial Position (Continued)**

12/31/2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Liabilities:</b>			
Short-term Loans	6.19	284,500,000.00	1,642,000,000.00
Loans from the central bank			
Customer deposits and deposits from banks and other financial institutions			
Taking from banks and other financial institutions			
Financial liability at fair value through profit or loss	6.20	10,372,195.96	5,853,124.58
Derivative financial liabilities			
Notes Payable	6.21	5,276,331,920.02	4,657,772,328.81
Accounts Payable	6.22	14,380,312,585.36	15,179,533,382.72
Receipts in advance	6.23	35,566,439,682.61	34,846,467,692.38
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	6.24	427,869,549.45	396,074,204.46
Taxes payable	6.25	566,207,934.48	518,222,871.19
Interest payable	6.26	736,111.11	1,776,111.10
Dividends payable	6.27	2,787,911.77	3,144,122.09
Other payables	6.28	1,965,909,372.89	1,774,765,747.04
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Assets classified as held for sale			
Non-current liabilities due within one year	6.29	731,379,338.40	354,320,000.00
Other current liabilities	6.30	77,113,715.51	103,512,042.66
<b>Total Current Liabilities</b>		<b>59,289,960,317.56</b>	<b>59,483,441,627.03</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings	6.31	536,940,000.00	718,820,000.00
Bonds payable			
Including:Preferred stock			
Perpetual capital securities			
Long-term payables	6.32	16,537,992.70	
Long-term accrued payroll	6.33	462,107,103.50	142,868,920.51
Special payables	6.34	58,062,614.63	58,062,614.63
Provisions	6.35	1,771,952,763.14	1,330,193,012.30
Deferred income	6.36	473,991,696.19	408,634,664.10
Deferred tax liabilities	6.17	7,292,893.73	14,813,276.16
Other non-current liabilities			
<b>Total Non-current Liabilities</b>		<b>3,326,885,063.89</b>	<b>2,673,392,487.70</b>
<b>TOTAL LIABILITIES</b>		<b>62,616,845,381.45</b>	<b>62,156,834,114.73</b>
<b>OWNERS' EQUITY</b>			
Share capital	6.37	2,336,900,368.00	2,336,900,368.00
Other equity instruments			
Including:Preferred stock			
Perpetual capital securities			
Capital reserves	6.38	8,828,262,489.81	8,828,516,983.85
Less:Treasury shares			
Other comprehensive income	6.39	-28,762,895.01	-34,093,733.04
Special reserves	6.40	45,314,931.41	33,167,401.60
Surplus reserves	6.41	769,092,997.56	730,751,423.51
General risk reserves			
Retained profits	6.42	9,193,484,301.02	11,156,346,701.91
<b>Total owners' equity attributable to equity holders of the Company</b>		<b>21,144,292,192.79</b>	<b>23,051,589,145.83</b>
Minority shareholder's equity	6.43	941,462,727.18	926,000,004.11
<b>TOTAL OWNERS' EQUITY</b>		<b>22,085,754,919.97</b>	<b>23,977,589,149.94</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>84,702,600,301.42</b>	<b>86,134,423,264.67</b>

Legal Representative :    Person in charge of accounting function :    Person in charge of accounting department :

Statement of Financial Position of the Parent

12/31/2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and cash equivalents	17.1	11,381,567,991.30	7,514,610,838.61
Financial asset at fair value through profit or loss	17.2	59,661,930.59	36,068,759.00
Derivative financial assets			
Notes receivable	17.3	567,394,000.00	386,376,590.50
Accounts receivable	17.4	4,745,672,922.71	5,571,352,222.71
Prepayments	17.5	12,586,382,578.40	12,140,191,338.69
Interest receivable	17.6	65,747,794.78	18,120,377.78
Dividends receivable	17.7	131,436,444.73	131,436,444.73
Other receivable	17.8	6,144,015,724.17	6,215,312,953.39
Inventories	17.9	1,541,201,576.93	1,424,153,310.29
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	17.10	475,804,734.55	647,969,236.34
<b>Total Current Assets</b>		<b>37,698,885,698.16</b>	<b>34,085,592,072.04</b>
<b>Non-current Assets:</b>			
Financial assets available-for-sale			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	17.11	10,813,480,800.68	10,559,843,563.61
Investment properties	17.12	14,545,537.78	15,658,898.04
Fixed assets	17.13	5,712,064.88	8,562,532.97
Constructions in process		704,585.01	135,922.33
Construction materials			
Fixed assets on disposal		31,646.24	24,979.33
Productive biological assets			
Oil and gas assets			
Intangible assets	17.14	10,598,294.13	12,566,992.92
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	17.15	183,477,713.82	203,043,329.94
Other non-current assets			
<b>Total Non-current Assets</b>		<b>11,028,550,642.54</b>	<b>10,799,836,219.14</b>
<b>TOTAL ASSETS</b>		<b>48,727,436,340.70</b>	<b>44,885,428,291.18</b>

Legal Representative : Person in charge of accounting function : Person in charge of accounting department :

## Statement of Financial Position of the Parent (Continued)

12/31/2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Closing balance	Opening balance
<b>Current Liabilities:</b>			
Short-term Loans			
Financial liability at fair value through profit or loss		40,589.32	
Derivative financial liabilities			
Notes Payable			
Accounts Payable	17.16	8,118,611,030.08	6,536,829,028.27
Receipts in advance	17.17	20,414,122,044.34	18,411,949,106.94
Employee benefits payable	17.18	13,911,224.08	9,724,290.17
Taxes payable	17.19	8,555,709.24	107,266,289.32
Interest payable			
Dividends payable			
Other payables	17.20	1,557,682,276.88	1,400,746,598.40
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities		23,521.36	148,521.37
<b>Total Current Liabilities</b>		<b>30,112,946,395.30</b>	<b>26,466,663,834.47</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term payables			
Long-term accrued payroll	17.21	40,328.62	
Special payables			
Provisions	17.22	58,500,000.00	108,130,000.00
Deferred income		5,377,849.97	3,738,056.91
Deferred tax liabilities	17.15	473,648.64	
Other non-current liabilities			
<b>Total Non-current Liabilities</b>		<b>64,391,827.23</b>	<b>111,868,056.91</b>
<b>TOTAL LIABILITIES</b>		<b>30,177,338,222.53</b>	<b>26,578,531,891.38</b>
<b>OWNERS' EQUITY</b>			
Share capital	17.23	2,336,900,368.00	2,336,900,368.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserves	17.24	8,891,700,256.53	8,891,700,256.53
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves	17.25	1,057,456,113.99	1,019,114,539.94
Retained profits	17.26	6,264,041,379.65	6,059,181,235.33
<b>TOTAL OWNERS' EQUITY</b>		<b>18,550,098,118.17</b>	<b>18,306,896,399.80</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>48,727,436,340.70</b>	<b>44,885,428,291.18</b>

Legal Representative : Person in charge of accounting function : Person in charge of accounting department :

Consolidated Income Statement

Jan.-Dec., 2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Total revenue</b>		33,285,723,808.34	36,017,943,700.32
Including: Operating income	6.47	33,285,723,808.34	36,017,943,700.32
Interest income			
Premium earned			
Fee and commission income			
<b>II. Total operating costs</b>		35,521,296,310.11	35,804,857,985.80
Including: Operating costs	6.47	29,277,766,070.66	29,959,761,391.90
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of amounts recoverable from reinsurers)			
Changes in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Business tax and levies	6.48	377,711,750.58	330,076,838.27
Sales expenses	6.49	1,446,957,948.09	964,883,532.33
Administrative expenses	6.50	3,562,680,183.45	3,361,762,730.46
Financial expenses	6.51	-641,457,176.95	-477,001,415.20
Impairment loss of assets	6.52	1,497,637,534.28	1,665,374,908.04
Add: Gains from changes in fair values (Losses are indicated by "-")	6.53	-4,895,327.47	-20,939,890.13
Investment income (Loss is indicated by "-")	6.54	244,534,695.61	191,836,520.22
Including: Income from investments in associates and joint ventures		246,351,801.03	165,611,516.59
Foreign exchange gains (Losses are indicated by "-")			
<b>III. Operating profit (Loss is indicated by "-")</b>		-1,995,933,133.63	383,982,344.61
Add: Non-operating income	6.55	219,422,545.80	227,912,649.23
Including: Gain from disposal of non-current assets		3,406,076.57	17,450,857.66
Less: Non-operating expenses	6.56	167,553,419.82	78,995,557.02
Including: Losses from disposal of non-current assets		8,842,983.53	4,044,719.71
<b>IV. Total profit (Total loss is indicated by "-")</b>		-1,944,064,007.65	532,899,436.82
Less: Income tax expenses	6.57	-184,625,607.38	73,401,825.32
<b>V. Net profit (Net loss is indicated by "-")</b>		-1,759,438,400.27	459,497,611.50
Net profit attributable to parent of the Company		-1,784,306,804.76	439,072,644.82
Profit or loss attributable to minority interests		24,868,404.49	20,424,966.68
<b>VI. Other comprehensive income (net of tax)</b>	6.63	5,330,615.51	1,786,267.55
Net OCI attributable to Owners of the Company		5,330,838.03	1,786,259.12
1. OCI that will not be reclassified to profit and loss			
Including: (1). Actuarial gains and losses on defined benefit plans recognized			
(2). Shares of OCI by equity method that will not be reclassified to profit and loss			
2. OCI that will be reclassified to profit and loss		5,330,838.03	1,786,259.12
Including: (1). Shares of OCI by equity method that will be reclassified to profit and loss			
(2). Gain/loss on fair value of available-for-sale financial assets			
(3). Gain/loss on reclassifying of investment held-to-maturity to available-for-sale financial asset			
(4). Gains and losses on derivatives held as cash flow hedges (only for effective portions)			
(5). Foreign currency translation differences-foreign operation		5,330,838.03	1,786,259.12
(6) others			
Net other comprehensive income attribute to minority shareholders		-222.52	8.43
<b>VII. Consolidated income</b>		-1,754,107,784.76	461,283,879.05
Consolidated income attributable to parent company		-1,778,975,966.73	440,858,903.94
Consolidated income attributable to minority interests		24,868,181.97	20,424,975.11
<b>VIII. Earnings per share</b>			
(1) Basic earnings per share	6.62	-0.76	0.19
(2) Diluted earnings per share	6.62	-0.76	0.19

Legal Representative :

Person in charge of accounting function :

Person in charge of accounting department :

## Income Statement of the Parent

Jan.-Dec., 2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Operating income</b>	17.29	16,310,743,282.66	19,284,271,592.95
Less: Operating costs	17.29	16,413,861,765.85	18,599,802,129.53
Business taxes and levies		14,389,568.00	4,736,594.61
Sales expenses	17.30	-8,622,143.98	111,729,862.30
Administrative expenses	17.31	169,943,738.67	196,310,613.38
Financial expenses	17.32	-291,433,919.38	-265,868,797.86
Impairment loss of assets	17.33	-184,584,801.18	546,385,828.70
Add: Gains from changes in fair values (Losses are indicated by “-”)	17.34	-406,506.31	-15,058,045.88
Investment income (Loss is indicated by “-”)	17.35	212,716,860.22	511,698,553.88
Including: Income from investments in associates and joint ventures		62,887,237.07	78,032,439.09
<b>II. Operating profit (Loss is indicated by “-”)</b>		409,499,428.59	587,815,870.29
Add: Non-operating income		9,669,891.95	8,374,277.52
Including: Gain from disposal of non-current assets			
Less: Non-operating expenses		1,389,173.71	379,692.29
Including: Losses from disposal of non-current assets		30,119.60	377.49
<b>III. Total profit (Total loss is indicated by “-”)</b>		417,780,146.83	595,810,455.52
Less: Income tax expenses	17.36	34,364,406.38	29,323,067.39
<b>IV. Net profit (Net loss is indicated by “-”)</b>		383,415,740.45	566,487,388.13
<b>V. Other comprehensive income (net of tax)</b>			
1. OCI that will not be reclassified to profit and loss			
Including: (1). Actuarial gains and losses on defined benefit plans recognized			
(2). Shares of OCI by equity method that will not be reclassified to profit and loss			
2. OCI that will be reclassified to profit and loss			
Including: (1). Shares of OCI by equity method that will be reclassified to profit and loss			
(2). Gain/loss on fair value of available-for-sale financial assets			
(3). Gain/loss on reclassifying of investment held-to-maturity to available-for-sale financial asset			
(4). Gains and losses on derivatives held as cash flow hedges (only for effective portions)			
(5). Foreign currency exchange			
(6). Others			
<b>VI. Total comprehensive income</b>		383,415,740.45	566,487,388.13
<b>VII. Earnings per share</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Person in charge of accounting function:

Person in charge of accounting department

## Consolidated Cash Flow Statement

Jan.-Dec., 2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		38,491,201,013.05	37,103,750,197.88
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from banks and other financial institutions			
Cash receipts from premiums under direct insurance contracts			
Net cash receipts from reinsurance business			
Net cash receipts from policyholders' deposits and investment contract liabilities			
Net cash receipts from disposal of financial assets held for trading			
Cash receipts from interest, fees and commissions			
Net increase in taking from banks			
Net increase in financial assets sold under repurchase arrangements			
Receipts of tax refunds		119,520,446.16	522,069,019.17
Other cash receipts relating to operating activities	6.64	804,645,589.20	464,728,239.06
<b>Sub-total of cash inflows from operating activities</b>		<b>39,415,367,048.41</b>	<b>38,090,547,456.11</b>
Cash payments for goods purchased and services received		23,088,940,522.03	25,471,281,801.78
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institutions			
Cash payments for claims and policyholders' benefits under direct insurance contracts			
Cash payments for interest, fees and commissions			
Cash payments for insurance policyholder dividends			
Cash payments to and on behalf of employees		3,492,832,222.80	3,757,826,789.22
Payments of various types of taxes		2,610,334,457.50	3,365,417,867.42
Other cash payments relating to operating activities	6.64	1,258,169,652.03	1,340,153,418.21
<b>Sub-total of cash outflows from operating activities</b>		<b>30,450,276,854.36</b>	<b>33,934,679,876.63</b>
<b>Net Cash Flow from Operating Activities</b>		<b>8,965,090,194.05</b>	<b>4,155,867,579.48</b>
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		11,469,200.22	125,784,604.33
Cash receipts from investment income		12,538,818.20	83,670,897.49
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		7,530,160.40	32,208,418.68
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>31,538,178.82</b>	<b>241,663,920.50</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		273,826,098.71	385,281,362.20
Cash payments to acquire investments		200,716,755.66	113,971,569.15
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>474,542,854.37</b>	<b>499,252,931.35</b>
<b>Net Cash Flow from Investing Activities</b>		<b>-443,004,675.55</b>	<b>-257,589,010.85</b>
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions			316.98
Including: cash receipts from capital contributions from minority owners of subsidiaries			316.98
Cash receipts from borrowings		824,440,000.00	3,044,000,000.00
Cash receipts from issue of bonds			
Other cash receipts relating to financing activities	6.64		30,000,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>824,440,000.00</b>	<b>3,074,000,316.98</b>
Cash repayments of borrowings		1,985,000,000.00	3,438,297,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		210,916,342.68	341,888,963.27
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		9,890,986.37	11,534,269.82
Other cash payments relating to financing activities	6.64	2,209,834.60	
<b>Sub-total of cash outflows from financing activities</b>		<b>2,198,126,177.28</b>	<b>3,780,185,963.27</b>
<b>Net Cash Flow from Financing Activities</b>		<b>-1,373,686,177.28</b>	<b>-706,185,646.29</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>179,344,851.29</b>	<b>71,999,060.41</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>7,327,744,192.51</b>	<b>3,264,091,982.75</b>
Add: Opening balance of Cash and Cash Equivalents		21,066,533,111.81	17,802,441,129.06
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		<b>28,394,277,304.32</b>	<b>21,066,533,111.81</b>

Legal Representative:

Person in charge of accounting function :

Person in charge of accounting department :

## Cash Flow Statement of the Parent

Jan.-Dec., 2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		18,288,547,382.17	17,229,305,680.81
Receipts of tax refunds		110,019,138.86	513,535,081.17
Other cash receipts relating to operating activities	17.40	155,855,263.55	429,119,693.38
<b>Sub-total of cash inflows from operating activities</b>		<b>18,554,421,784.58</b>	<b>18,171,960,455.36</b>
Cash payments for goods purchased and services received		13,843,180,267.79	17,570,400,285.07
Cash payments to and on behalf of employees		207,798,827.69	209,442,143.36
Payments of various types of taxes		250,821,834.31	162,556,652.36
Other cash payments relating to operating activities	17.40	486,830,508.10	365,550,928.90
<b>Sub-total of cash outflows from operating activities</b>		<b>14,788,631,437.89</b>	<b>18,307,950,009.69</b>
<b>Net Cash Flow from Operating Activities</b>		<b>3,765,790,346.69</b>	<b>-135,989,554.33</b>
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		475,000,000.00	2,784,378,099.19
Cash receipts from investment income		155,967,569.32	500,012,702.74
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,700.00	
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>630,969,269.32</b>	<b>3,284,390,801.93</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,721,018.00	3,446,566.51
Cash payments to acquire investments		515,716,755.66	2,076,598,809.15
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>517,437,773.66</b>	<b>2,080,045,375.66</b>
<b>Net Cash Flow from Investing Activities</b>		<b>113,531,495.66</b>	<b>1,204,345,426.27</b>
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions			
Cash receipts from borrowings			
Cash receipts from issue of bonds			
Other cash receipts relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>			
Cash repayments of borrowings			3,497,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		140,214,022.08	210,595,965.23
Other cash payments relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>140,214,022.08</b>	<b>214,092,965.23</b>
<b>Net Cash Flow from Financing Activities</b>		<b>-140,214,022.08</b>	<b>-214,092,965.23</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>128,825,332.42</b>	<b>48,518,006.26</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>3,867,933,152.69</b>	<b>902,780,912.97</b>
Add: Opening balance of Cash and Cash Equivalents		7,507,119,838.61	6,604,338,925.64
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		<b>11,375,052,991.30</b>	<b>7,507,119,838.61</b>

Legal Representative :    Person in charge of accounting function :    Person in charge of accounting department :

Consolidated Statement of Changes in Owners' Equity  
2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Amount for the current period												
	Attributable to owners of the Company											Minority shareholder's equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Other Comprehensive Income	Special reserve	Surplus reserve	General reserve	Retained profits	Others		
	Preferred stock	Perpetual capital securities	Others										
<b>I. Closing balance of the preceding year</b>	2,336,900,368.00				8,828,516,983.85	-34,093,733.04	33,167,401.60	730,751,423.51		11,156,346,701.91		926,000,004.11	23,977,589,149.94
Add: Changes in accounting policies													
Corrections of prior period errors													
Enterprises under common control													
Others													
<b>II. Opening balance of the current year</b>	2,336,900,368.00				8,828,516,983.85	-34,093,733.04	33,167,401.60	730,751,423.51		11,156,346,701.91		926,000,004.11	23,977,589,149.94
<b>III. Changes for the year</b>					-254,494.04	5,330,838.03	12,147,529.81	38,341,574.05		-1,962,862,400.89		15,462,723.07	-1,891,834,229.97
(I) Comprehensive income						5,330,838.03				-1,784,306,804.76		24,868,181.97	-1,754,107,784.76
(II) Owners' contributions and reduction in capital												-573,980.36	-573,980.36
1. Capital contribution from owners												-573,980.36	-573,980.36
2. Capital contribution from other equity instruments													
3. Share-based payment recognised in owners' equity													
4. Others													-
(III) Profit distribution								38,341,574.05		-178,555,596.13		-10,494,776.05	-150,708,798.13
1. Transfer to surplus reserve								38,341,574.05		-38,341,574.05			
2. Transfer to general reserve													
3. Distributions to owners										-140,214,022.08		-10,494,776.05	-150,708,798.13
4. Others													
(IV) Transfers within owners' equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(V) Special reserve							12,147,529.81					1,664,152.63	13,811,682.44
1. Transfer to special reserve in the period							55,471,046.44					3,309,125.93	58,780,172.37
2. Amount utilised in the period							-43,323,516.63					-1,644,973.30	-44,968,489.93
(VI) Others					-254,494.04							-855.12	-255,349.16
<b>IV. Closing balance of the current year</b>	2,336,900,368.00				8,828,262,489.81	-28,762,895.01	45,314,931.41	769,092,997.56		9,193,484,301.02		941,462,727.18	22,085,754,919.97

Legal Representative:

Person in charge of accounting function :

Person in charge of accounting department :



Consolidated Statement of Changes in Owners' Equity (Continued)

2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Amount for the same period of last year											Minority shareholder's equity	Total owners' equity
	Attributable to owners of the Company										Others		
	Share capital	Other equity instruments			Capital reserve	Other Comprehensive Income	Special reserve	Surplus reserve	General reserve	Retained profits			
	Preferred stock	Perpetual capital securities	Others										
<b>I. Closing balance of the preceding year</b>	2,003,860,000.00				5,895,507,792.32	-35,879,992.16	22,258,212.85	674,102,684.70		10,984,243,829.02		925,173,104.59	20,469,265,631.32
Add: Changes in accounting policies													
Corrections of prior period errors													
Enterprises under common control													
Others													
<b>II. Opening balance of the current year</b>	2,003,860,000.00				5,895,507,792.32	-35,879,992.16	22,258,212.85	674,102,684.70		10,984,243,829.02		925,173,104.59	20,469,265,631.32
<b>III. Changes for the year</b>	333,040,368.00				2,933,009,191.53	1,786,259.12	10,909,188.75	56,648,738.81		172,102,872.89		826,899.52	3,508,323,518.62
(I) Comprehensive income						1,786,259.12				439,072,644.82		20,424,975.11	461,283,879.05
(II) Owners' contributions and reduction in capital	333,040,368.00				2,933,031,535.61							317.02	3,266,072,220.63
1. Capital contribution from owners												317.02	317.02
2. Capital contribution from other equity instruments	333,040,368.00				3,735,818,352.23								4,068,858,720.23
3. Share-based payment recognised in owners' equity													
4. Others					-802,786,816.62								-802,786,816.62
(III) Profit distribution								56,648,738.81		-266,969,771.93		-20,657,999.03	-230,979,032.15
1. Transfer to surplus reserve								56,648,738.81		-56,648,738.81			
2. Transfer to general reserve													
3. Distributions to owners										-210,321,033.12		-20,657,999.03	-230,979,032.15
4. Others													
(IV) Transfers within owners' equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(V) Special reserve							10,909,188.75					1,059,681.50	11,968,870.25
1. Transfer to special reserve in the period							48,530,244.57					4,024,757.40	52,555,001.97
2. Amount utilised in the period							-37,621,055.82					-2,965,075.90	-40,586,131.72
(VI) Others					-22,344.08							-75.08	-22,419.16
<b>IV. Closing balance of the current year</b>	2,336,900,368.00				8,828,516,983.85	-34,093,733.04	33,167,401.60	730,751,423.51		11,156,346,701.91		926,000,004.11	23,977,589,149.94

Legal Representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Changes in Owners' Equity of the Parent

2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Amount for the current period										
	Share capital	Other equity instruments			Capital reserve	Other Comprehensive Income	Special reserve	Surplus reserve	Retained profits	Others	Total owners' equity
		Preferred stock	Perpetual capital securities	Others							
<b>I. Closing balance of the preceding year</b>	2,336,900,368.00				8,891,700,256.53			1,019,114,539.94	6,059,181,235.33		18,306,896,399.80
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
<b>II. Opening balance of the current year</b>	2,336,900,368.00				8,891,700,256.53			1,019,114,539.94	6,059,181,235.33		18,306,896,399.80
<b>III. Changes for the year</b>								38,341,574.05	204,860,144.32		243,201,718.37
(I) Comprehensive income									383,415,740.45		383,415,740.45
(II) Owners' contributions and reduction in capital											
1. Capital contribution from owners											
2. Capital contribution from other equity instruments											
3. Share-based payment recognised in owners' equity											
4. Others											
(III) Profit distribution								38,341,574.05	-178,555,596.13		-140,214,022.08
1. Transfer to surplus reserve								38,341,574.05	-38,341,574.05		
2. Distributions to owners									-140,214,022.08		-140,214,022.08
3. Others											
(IV) Transfers within owners' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilised in the period											
(VI) Others											
<b>IV. Closing balance of the current year</b>	2,336,900,368.00				8,891,700,256.53			1,057,456,113.99	6,264,041,379.65		18,550,098,118.17

Legal Representative:

Person in charge of accounting function:

Person in charge of accounting department:

Statement of Changes in Owners' Equity of the Parent (Continued)

2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	Amount for the same period of last year										
	Share capital	Other equity instruments			Capital reserve	Other Comprehensive Income	Special reserve	Surplus reserve	Retained profits	Others	Total owners' equity
		Preferred stock	Perpetual capital securities	Others							
<b>I. Closing balance of the preceding year</b>	2,003,860,000.00				5,958,668,720.92			962,465,801.13	5,759,663,619.13		14,684,658,141.18
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
<b>II. Opening balance of the current year</b>	2,003,860,000.00				5,958,668,720.92			962,465,801.13	5,759,663,619.13		14,684,658,141.18
<b>III. Changes for the year</b>	333,040,368.00				2,933,031,535.61			56,648,738.81	299,517,616.20		3,622,238,258.62
(I) Comprehensive income									566,487,388.13		566,487,388.13
(II) Owners' contributions and reduction in capital	333,040,368.00				2,933,031,535.61						3,266,071,903.61
1. Capital contribution from owners											
2. Capital contribution from other equity instruments	333,040,368.00				3,735,818,352.23						4,068,858,720.23
3. Share-based payment recognised in owners' equity											
4. Others					-802,786,816.62						-802,786,816.62
(III) Profit distribution								56,648,738.81	-266,969,771.93		-210,321,033.12
1. Transfer to surplus reserve								56,648,738.81	-56,648,738.81		
2. Distributions to owners									-210,321,033.12		-210,321,033.12
3. Others											
(IV) Transfers within owners' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilised in the period											
(VI) Others											
<b>IV. Closing balance of the current year</b>	2,336,900,368.00				8,891,700,256.53			1,019,114,539.94	6,059,181,235.33		18,306,896,399.80

Legal Representative:

Person in charge of accounting function:

Person in charge of accounting department:

## **Dongfang Electric Corporation Limited**

Notes to the financial statements

For the year of 2016

(Amount in RMB unless otherwise stated)

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### **1. General information of the Company**

Dongfang Electric Corporation Limited (Previously named as Dongfang Electric Machinery Co., Ltd, hereinafter referred to as the “Company”, or as the “Group” while including its subsidiaries”) is a limited company permitted by State Commission for Economic Restructuring(Ti Gai Sheng [1992] No.67 and Ti Gai Sheng [1993] No.214) and former National Administrative Bureau of the State Owned Property of the People's Republic of China(Guo Zi Qi Han Fa [1993] No.100), with Dongfang Electric Machinery Co., Ltd as the exclusive promoter and with contributed operating assets as capital injection on December 28,1993. The Company obtained the Business License from Chengdu Administration for Industry and Commerce, and the Social Credit Number of the Company is 91510100205115485Y. The registered address of the Company is No.18 Xixin Avenue, west of high-tech district, Chengdu City, Sichuan Province, the headquarter office address of the Company is No.333 Shuhan Avenue, Jinniu district, Chengdu City, Sichuan Province.

On May 31,1994, with the approval from State Commission for Economic Restructuring (Ti Gai Sheng [1994] No.42) on April 12,1994, the Company issued 170,000,000 overseas listed foreign shares(H-shares) and have been listed on The Stock Exchange of Hong Kong Ltd. (SEHK) since June 6, 1994. On July 4, 1995, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (A-shares) in PRC and has been listed on Shanghai Stock Exchange (SSE) since October 10, 1995. After the issuance of fore mentioned shares, the share capital of the Company has increased to 450,000,000 shares.

On December 30, 2005, according to the Approval of Certain Issues on the Transfer of State-owned Shares of Dongfang Electrical Machinery Company Limited (Guo Zi Chan Quan [2005] No. 1604) issued by State-Owned Assets Supervision & Administration Commission of the State Council, Dongfang Electric Machinery Co., Ltd (hereinafter referred to as DFEM) transferred its 220,000,000 State-owned shares, representing 48.89% of its original share capital, to Dongfang Electric Corporation (“DEC”).

On November 2007, according to the Approval of Dongfang Electrical Machinery Company Limited Targeted Issuance of Shares to Dongfang Electric Corporation to Purchase Assets ( Zheng Jian Gong Si Zi[2007] No.172) issued by China Securities Regulatory Commission, on October 17, 2007, the Company issued 367,000,000 domestic listed shares (A shares) to Dongfang Electric Corporation in exchange of the 273,165,244 domestic listed shares (representing 68.05% of shares capital of Dongfang Boiler Group Co., Ltd) of Dongfang Boiler Group Co., Ltd held by Dongfang

**Dongfang Electric Corporation Limited**

Notes to the financial statements

For the year of 2016

(Amount in RMB unless otherwise stated)

Electric Corporation , and 100% share capital of Dongfang Turbine Co., Ltd. On October 26, 2007, the Company changed its name to Dongfang Electric Corporation in accordance with the Resolution of the 2nd Provisional Shareholders' Meeting 2007.

On November 2008, the Company issued 65,000,000 domestic listed shares (A shares) to unspecified investors in accordance with the Approval of Certain Issues in the Additional Issuance of Shares of Dongfang Electric Corporation (Zheng Jian Xu Ke [2008] No.1100) by China Securities Regulatory Commission on September 5, 2008. The shares of the Company increased to 882,000,000.

On November 6, 2009, with the Approval of Certain Issues regarding the Private Placement of the Shares of Dongfang Electric Corporation Limited (Zheng Jian Xu Ke[2009] No.1151) , the Company issued 119,930,000 domestic listed private placement of the A-shares to eight specified companies including Dongfang Electric Corporation. The Company's shares increased to 1,001,930,000.

According to the resolutions of 2009 annual general meeting of the shareholders, the 1st domestic shareholders meeting in 2010 and the 1st foreign shareholders meeting on June 18, 2010, the Company increased its shares by issuing 10 shares to every 10 shares held by shareholders for no consideration and the shares was based on 1,001,930,000 shares as at December 31, 2009. After the increase of shares, total share capital has been raised into 2,003,860,000.

The Company's RMB 4 billion A-shares convertible notes , which was issued according to About the Approval of Dongfang Electric Corporation to Publicly Issue Convertible Notes issued by China Securities Regulatory Commission on July 10, 2014, has entered into convertible period since January 12, 2015. Up to February 17, 2015, the accumulated number of A-shares that has been converted into was 333,040,368 shares, the Company's share capital changed to 2,336,900,368 shares.

As of December 31,2016, the Company's share capital is 2,336,900,368 shares, including domestic shares(A-shares) without sale restrictions of 1,996,900,368, representing 85.45% of the share capital; foreign capital stock listed abroad (H-shares) without sale restrictions of 340,000,000, 14.55% of the share capital.

The parent and ultimate controller of the Company is Dongfang Electric Corporation. The shareholders' general meeting acts as the authority of the Company, deciding the Company's operating, funding, investing and distribution of the profit decisions and operating in accordance with the law. The Board of Directors is responsible for the shareholders' general meeting, making production and operation decisions according to the law. The Management executes resolutions of the shareholders' general

## **Dongfang Electric Corporation Limited**

Notes to the financial statements

For the year of 2016

(Amount in RMB unless otherwise stated)

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meeting and the Board, organizes producing and management. The Company has such eleven functional departments as the office of board, the office of the president, the human resources department, the department of the economic operation, the legal affairs department, the department of science & technology and quality, the marketing department, the accounting department, the auditing department, the planning and development department, and the center of purchase. Moreover, there are three business units, combustion engine division, nuclear power division and wind power division, and international construction branch. The Company controls 21 subsidiaries, including: Dongfang Turbine Co., Ltd., Dongfang Boiler Group Co., Ltd., Dongfang Electric Machinery Co., Ltd.( hereinafter referred to as the " Dongfang Electric Co., Ltd."), Dongfang (Guangzhou) Heavy Machinery Co., Ltd.(hereinafter referred to as the "Dongfang Heavy Machinery Co., Ltd."), Dong Fang Electric (India) Private Limited(hereinafter referred to as the "India Company"), Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.( hereinafter referred to as the "Wuhan Nuclear Equipment Co., Ltd."), Dongfang Wind Power Co., Ltd.( hereinafter referred to as the " Dongfang Wind Power Co., Ltd.") and PT Dongfang Electric Indonesia(hereinafter referred to as "Indonesia Company").

The Group specializes in the power equipment manufacturing industry. Its business covers general equipment manufacturing industry, electronic and mechanical equipment manufacturing industry, equipment for nuclear power, wind power equipment, renewable energy power generation equipment; R&D, manufacturing and sales of industrial control and automation, environmental protection and energy-saving equipment, petrochemical vessel ,as well as apparatus, ordinary machinery; manufacturing and sales of industrial gases; design of the power station; development, sales and services of electric power equipment; contracting or sub-contracting of the power equipment manufacturing, mechanical and electrical equipment and complete set of engineering overseas. In addition, the Company provides the export of equipment, materials and labors, import and export, the professional service with high effectiveness and high quality, technological exchange and popularization. The key productions involve power generating equipment of hydro, thermal, nuclear, wind, and gas turbine generating unit.

## **2. The Scope of Consolidated Financial Statements**

The scope of consolidated financial statements includes 21 companies, including: Dongfang Turbine Co., Ltd., Dongfang Boiler Group Co., Ltd., Dongfang Electric Co., Ltd, Dongfang Heavy Machinery Co., Ltd., Wuhan Nuclear Equipment Co., Ltd., Dongfang Wind Power Co., Ltd., India Company and Indonesia Company, and so on.

**Dongfang Electric Corporation Limited**

Notes to the financial statements

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Compared to the previous year, no changes have been made, except for the liquidation of Dongfang Electric Power Equipment Co., Ltd., subsidiary of Dongfang Electric Co., Ltd. For more detailed information about the consolidation scope, please see Notes “7.Changes in the scope of consolidation” and “8.Equity in other entities”.

**3. Basis of Preparation of Financial Statements****3.1 Basis of preparation**

The Group’s financial statements have been prepared on a going concern basis, and based on the actual transactions and matters incurred, in accordance with “Accounting Standards for Business Enterprises” issued by Ministry of Finance of the People’s Republic of China. In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15—General Provisions on Financial Reporting (Revised in 2014), Exchange Listing Rules of The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance and followed Note 4 "Critical accounting policies and accounting estimates".

**3.2 Going concern**

The Group had a history in making profits and getting all necessary financial support. It’s reasonable to prepare the financial statements on a going concern basis.

**4. Critical Accounting Policies and Accounting Estimates****4.1 Statement of compliance of Accounting Standards for Business Enterprises**

The Company’s financial statements of 2016 have been prepared in conformity with the Accounting Standards for Business Enterprises and truly and completely present the financial position, operating results, cash flows and other relevant information of the Company and the Group as at December 31, 2016.

**4.2 Accounting period**

The accounting period of the Group is from 1st January to 31st December of each calendar year.

**4.3 Operating circle**

The operating circle of the Group is 12 months.

**4.4 Functional currency**

The functional currency of the Company and its domestic subsidiaries is RMB, foreign transactions are recorded with local currency. The functional currency of the Group is RMB in preparing the financial statements.

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### 4.5 The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

As the consolidated party, the Group, on the consolidated date, accounts assets and liabilities from business combination under the same control as booked value on the consolidated financial statement. The difference between net assets acquired and the consideration is adjusted as capital reserve. Any addition exceed capital reserve is adjusted in retained earnings.

For a business combination for entities not under common control, acquired assets, liabilities and potential liabilities are accounted using fair value on acquisition date. Consolidated costs are the sum of cash consideration, non-cash asset, issued or guaranteed liabilities, issued equity, and any directly related expenditure for consolidation (for consolidation with multiple transactions by step, the consolidated costs are the sum of costs of all single transactions). When consolidated costs are higher than the acquired net assets, the difference is considered as Goodwill. When consolidated costs are lower than the acquired net assets, fair values of all acquired assets, liabilities and potential liabilities, and fair values of any non-cash assets or issued equity are double checked. After checked, if the consolidated costs are still lower than the acquired net asset, the difference is accounted as non-operating revenue.

### 4.6 Preparation of consolidated financial statements

The consolidated financial statements include all the Company's subsidiaries and structured entities.

When preparing consolidated financial statement, when the accounting standards for subsidiaries and the Company are different, the Company's accounting standard is used to adjust subsidiaries financial statements.

All important internal transactions, internal balances, and unrealized gain are net off when preparing consolidated financial statements. Equity not belongs to parent company and net gain/loss for current period, minority interest of other comprehensive income and comprehensive income of subsidiaries are shown as minority shareholder's equity, minority interest, and other comprehensive income and comprehensive income belongs to minority owners in consolidated financial statement.

For subsidiaries under common control, the operating results and cash flow is captured in consolidated statements from acquisition date. When preparing consolidated statements comparison, related items in prior year financial statement are adjusted as treating the consolidation existed since controlled by the ultimate owner.



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When consolidates and obtains subsidiaries not under common control, the Group includes the operating results and cash flow in consolidated statements from the date of obtaining control. All recognizable assets, liabilities or potential liabilities are adjusted to fair values based on subsidiaries' financial statement on the acquisition date when preparing consolidated financial statements.

### 4.7 Cash and cash equivalents

The term "cash" in the cash flow statement of the Group shall refer to cash on hand and deposits that are available for payment at any time. The term "cash equivalents" in the cash flow statement of the Group shall refer to short-term (no more than 3 months), highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 4.8 Translation of transactions and financial statements denominated in foreign currencies

#### 4.8.1 Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB at the spot exchange rate of the date of transaction.

On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and loss for the current period unless they arise from foreign currency borrowings for the purchase or construction of qualifying assets which are eligible for capitalization. Nonmonetary items denominated in foreign currency measured at historical cost shall continue to be translated at the spot exchange rate at the date of transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into RMB at the rates prevailing on the date when the fair value was determined. Translation differences arising thereon are directly expensed as the change in fair value in the profit and loss or other comprehensive income for the current period.

#### 4.8.2 Translation of foreign currency financial statements

Items of assets and liabilities in foreign currency balance sheets are translated at the spot exchange rate of the balance sheet date; items of owners' equity, except for "undistributed profits", are translated at the spot exchange rate of the date of transaction; Items of revenues and expenses in profit statements are translated at the spot exchange rate of the date of transaction. Translation differences of foreign currency statements arising from the foregoing translations are separately presented under other comprehensive income in the owners' equity. Foreign currency cash flows

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are translated at the spot exchange rate of the date of cash flow. Amounts of cash affected by fluctuations in exchange rates are separately presented in the statements of cash flow.

#### 4.9 Financial assets and financial liabilities

The Group recognizes its financial assets or financial liabilities when it becomes one party of a financial instrument contract.

##### 4.9.1 Financial assets

###### 4.9.1.1 Classification, recognition and measurement of financial assets

Financial assets of the Group are classified as financial assets at fair value through profit or loss for the current period, held-to-maturity investments, loans and receivables, and available-for-sale financial assets according to the purposes of investments and the economic substance of the assets.

Financial assets accounted using fair value, whose movement is accounted in profit and loss accounts include trading financial assets and financial assets which determined using fair value from recognized, whose movement is accounted in profit and loss account. Such financial assets of the Group mainly include stock investment and the forward settlement of derivative financial assets. For those financial assets, subsequent accounting method is fair value method. The movement of fair value is recorded in profit and loss from fair value changes. Interest and cash dividend gained during holding recognizes as investment income. Difference between fair value and the original amount is recognized as investment loss, adjust profit and loss from fair value changes at the mean time when the financial assets are at disposal.

Held to maturity investment are non-derivative financial asset with fixed maturity and fixed or determinable recovery amounts that management intends and is able to hold to maturity. Held to maturity investments are accounted using actual interest rates, and accounted based on the remaining amortized costs. The amortization, impairment, and any profit/loss from termination are accounted in profit and loss account in current period.

Receivable means non-derivative financial assets with fixed or confirmable receivable amount that have no quoted prices in active market. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized balance, impairment, and profit/loss from termination are accounted in Profit and loss in current period.

Financial assets held for sale means non derivative financial assets and financial assets

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that have not classified as other class that refer as held for sale when first recognized. For these assets, when there is no quoted price in active market and the fair value cannot be reliably measured, historical costs method is used for subsequent account. For other assets with quoted price in active market or have reliable measured fair value, fair value method is used for accounting. The movement of fair value is accounted in other comprehensive income. Other than impairment losses and the gain or loss on exchange arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. When such financial assets are derecognized, the accumulated amounts of changes in fair value originally recorded in equity are recorded in the profit or loss for the current period. Interests calculated on available-for-sale debt instruments using the effective interest method for the period in which the instruments are held and cash dividends which have been declared by the invested entity in relation to available-for-sale equity instruments are recognized in the profit or loss for the current period as investment income.

#### 4.9.1.2 Recognition and measurement of transfer of financial assets

A financial asset meeting any one of the following conditions is derecognized: (1) the contractual right to receive the cash flow of such financial asset terminates; (2) such financial asset has been transferred and the Group has transferred almost all risks and rewards on the ownership of such financial asset to the transferee; (3) such financial asset has been transferred and the Group waived the control over such financial asset though it did not transfer or reserve almost all risks and remunerations on the ownership of such financial asset.

If the entity does not transfer or reserve almost all risks and remunerations on the ownership of a financial asset nor waive the control over such financial asset, relevant financial asset is recognized according to the degree of its continuous involvement in the financial asset transferred and relevant liabilities are recognized accordingly.

If the overall transfer of a financial asset meets the conditions for derecognition, the difference between the carrying value of the financial asset transferred and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income is recorded in the profit or loss for the current period.

If the partial transfer of a financial asset meets the conditions for derecognition, the overall carrying value of the financial asset transferred is amortized at respective relative fair value between the part derecognized and the part not derecognized, and the difference between the foregoing carrying amount amortized and the sum of consideration received from such transfer and accumulated amount of changes in fair

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value previously recorded in other comprehensive income which should be amortized to the part derecognized is recorded in the profit or loss for the current period.

#### 4.9.1.3 Impairment of financial assets

Other than financial assets at fair value through profit or loss for the current period, the Group assesses the carrying amount of financial assets at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

When there is a significant or prolonged decline in fair value of available-for-sale financial assets, accumulated loss in fair value that previously recorded in shareholder's equity due to the decline in fair value should be recorded as impairment loss. In respect of available-for-sale debt instruments for which impairment loss has been recognized, if the fair value rises after the end of the period and such rise is objectively related to the matters occurring after the recognition of original impairment loss, impairment loss previously recognized should be written back and recorded in the profit or loss for the current period. Rise in fair value of available-for-sale equity instruments for which impairment loss has been recognized after the end of the period is directly recorded in shareholders' equity.

#### 4.9.2 Financial liabilities

##### 4.9.2.1 Classification, recognition and measurement of financial liabilities

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading and those designated at fair value through profit or loss for the current period on initial recognition. They are subsequently measured at fair value. The gain or loss on changes in fair value, and dividends and interest expense in relation to such financial liabilities are charged to the profit or loss for the current period as incurred.

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Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

### 4.9.2.2 Derecognizing financial liabilities

A financial liability is derecognized or partially derecognized when the underlying present obligations (or part of it) are discharged. When the company enters into a agreement with the creditor to replacing the existing financial liability with a new one, and the terms of the new financial liability is substantially different from that of the existing one, derecognizing the existing financial liability and recognizing the new one. When the company substantially amends the all or part of the terms of existing financial liability, derecognize the all or part of the existing financial liability and recognizing the amended financial liability as a new one. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the profit or loss for the current period.

### 4.9.2.3 Method of determining the fair value of financial assets and financial liabilities

The Group mainly uses market value to measure stock investment, foreign forward exchange tools and share-based payment. For those without any primary market, the Group uses the most favorable market value to measure the fair value of financial assets and liabilities, and uses the most appropriate and sufficient available data and other information to support the estimation. There are three levels of estimation of fair value. The first level balance is the unadjusted quoted price for similar assets and liabilities from active market. The second level balance is the direct or indirect observable value for related assets or liabilities besides from level 1. The third level balance is the unobservable value for related assets or liabilities. The Group priority uses the first level and finally uses the third level.

## 4.10 Provision for bad debts for receivables

Account receivables involve account receivables and other receivables. The account receivables from selling goods and providing services are measured at fair value according to relevant contract or agreement signed with goods purchasers or service receivers. Provision for bad debts is evaluated simultaneously with Individual and combined measurement basis.

### 4.10.1 Receivables that are individually significant and are provided for bad debts on individual basis

Judgment basis or amount standard for individually significant receivables	Receivables of more than RMB30,000,000 and other receivables of more than RMB 10,000,000 are individually significant
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	receivables.
Method for making provision for bad debts for individually significant receivables for which provision for bad debts is made individually	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

4.10.2 Receivables that are provided for bad debts on portfolio based on credit risk characteristics.

Basis for determining portfolio

Aged portfolio	Determine the credit risk characteristics by age of the receivables
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Method for making provision for bad debts by portfolio

Aged portfolio	Aging analysis
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Proportion of provisions for bad debts on receivables by aging analysis basis adopted by the Group is as follows:

Age	Proportion to accounts receivable (%)	Proportion to other receivables (%)
Within one year	5	5
1-2 years	10	10
2-3 years	20	20
3-4 years	40	40
4-5 years	50	50
Over 5 years	100	100

4.10.3 Receivables that are individually insignificant but are provided for bad debts on individual basis

Cause for making provision for bad debts individually	Receivables which of the amount is individually insignificant and the credit risk characteristics of provision made cannot be reflected on portfolio basis.
Method for making provision for bad debts	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows.

#### 4.11 Inventories

Inventories of the Group mainly include materials in transit, raw materials, work in progress, self-made semi-finished goods, finished goods, merchandise inventory, goods in process – outsourced and inventories arising from completed not yet settled construction contracts and etc.

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The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. The cost of inventories comprises the purchase price, conversion cost and other costs attributable to the acquisition of inventories. Actual cost is calculated using weighted average method or specific identification method when the inventories are acquired. Low value consumables and packaging material are amortized by one-time write off.

At the balance sheet date, inventories are stated at the lower of costs or net realizable value. Provisions for inventory impairment are made for the excess of its cost over its net realizable value. Provisions for inventory impairment are made for merchandise inventory and bulk raw materials according to the excess of the cost of single inventory item over its net realizable value; provisions for inventory impairment are made for other raw and auxiliary materials of large quantity and low unit price according to categories.

Net realizable value of such available-for-sale goods inventory as merchandise inventory, products in process and available-for-sale materials is determined by the estimated selling price less estimated selling expenses and related taxes. Net realizable value of material inventory held for production is determined by the estimated selling price of finished products less estimated cost incurred upon completion, estimated selling expenses and related taxes.

#### 4.12 Long-term equity investments

The Group's long-term equity investments mainly include investments in subsidiaries, associates and joint ventures.

The Group's judgment on joint control is the contractually agreed between all parties or party combinations sharing of control of an arrangement, decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence exists when the Group directly or indirectly owned 20 % (inclusive) or more but less than 50% shares with voting rights in the invested company. Significant influence cannot be established where there are objective evidences indicating that the Group is incapable of participating in the decision-making of operating policies in the investee company.

The investment cost for long-term equity investment acquired through business combination under common control is the carrying value of the share of equity at the combination date in the acquired company. The investment cost for long-term equity investment acquired through business combination not under common control is the

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fair value at the date of combination (acquisition) of the assets given up, liabilities incurred or committed and equity instruments issued.

Long-term equity investments gain from a business combination for entities not under common control should be recorded at its initial investment cost on acquisition.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment, the investment cost is based on the actual amount of cash paid for the acquisition. For long-term equity investment acquired by issuing equity securities, the investment cost is the fair value of the equity securities issued. For long-term equity investment invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring and exchange of nonmonetary assets, the investment cost is determined according to the relevant accounting standards and the actual situation of the Company.

A long-term equity investment in subsidiaries is measured at the cost method. A long-term equity investment in associates or joint ventures should be accounted for using the equity method.

Under the cost method, long-term equity investments are measured at its initial investment cost, and its cost is adjusted by the amount of additional investment or the amount recovered. The allocated profit or cash dividend announced by the invested company should be recognized as investment income in accordance with the attributable share.

Under the equity method, the book value of the investment shall be adjusted in accordance with the movement of the investee's shareholders' equity. When recognizing the share of net profit or loss of the investee, adjusting the net profit of the investee using the fair value of the realizable net asset of the investee on the acquisition date as basis and according to the account policies and accounting periods of the Group; and offsetting shares of unrealized profit or loss of internal trading between the Group and its associates and joint ventures in order to recognize investment income.

On disposal of long-term equity investments, the difference between the carrying value and the actually received is recognized as investment income for the current period. For long-term investments accounted for using equity method, when disposal, the proportion that originally accounted in other comprehensive income is now adjusted



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based on the standard of the same as disposal of related assets or liabilities by invested party directly..

For long-term equity investments which result investor to no longer have joint control over or significant effect on the investee due to disposal of investment and other reasons, the Group shall recognize the difference between the fair value of the investment on that disposal date and its book value in the profit and loss of the current period if residual investment is classified as financial asset available-for-sale. If other comprehensive income was recognized due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when equity method is no longer adopted.

For long-term equity investments which result investor to loss control over investee due to disposal of investment, equity method shall be adopted if the residual investment enables the investor to have joint control over or significant effect on the investee, and adjustments shall be made as if the equity method for the residual investment was adopted since acquisition; for residual investment which does not enable the investor to have joint control over or significant effect on the investee, and classified as financial asset available-for-sale, the difference between the fair value and the book value on the date when control was lost is recognized in the profit and loss in the current period.

Sometimes the group loses control of a subsidiary through two or more arrangements, if the multiple arrangements should not be accounted for as a single transaction, then the group accounts every arrangement as a separate transaction. If the multiple arrangements should be accounted for as a single transaction, the group shall recognize the difference between the consideration received and the related book value of the long-term equity investment in other comprehensive income before the group loses control of the subsidiary, the accumulated difference between the considerations received and the book value of the long-term investment will be transferred to current year profit or loss when the group loss control of the subsidiary.

#### 4.13 Investment properties

Investment properties of the Group include land use right leased and buildings leased.

Investment property is measured at cost. The cost for investment properties purchased from outsiders includes purchase price, related taxes and other expenses directly related to the assets. The cost of investment properties constructed by the Group includes the required construction expenses incurred to bring the assets to the condition of intended use. Subsequent expenditures related to the investment

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properties shall be recognized as cost of the investment properties only when the related economic benefit will probably flow into the group, or shall be recognized as expense when incurred.

Provision for depreciation or amortization of investment properties of the Group is made according to their estimated useful life and net residual value rate. Estimated useful life, net residual value rate and the annual depreciation rate of investment properties are as follows:

Category	Depreciation period	Estimated net residual value rate	Annual depreciation rate
Land use right	50 years		2%
Buildings			
Including: productive buildings	20 years	5%	4.75%
non-productive buildings	25 years	5%	3.80%

The Group reviews the estimated useful life, the estimated net residual value rate and the depreciation method at the end of each financial year and makes appropriate adjustment.

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is derecognized on disposal or retirement when it is expected that there shall be no economic benefit through disposal. Where the investment properties are sold, transferred, retired or damaged the proceeds from disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

#### 4.14 Fixed assets

Fixed assets of the Group are tangible assets that are held for the purpose of producing goods, rendering services, leasing or operation and management and have useful lives of more than one year.

Fixed assets consist of buildings, machinery and equipment, transportation equipment, instruments, electronic computers and others.

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A fixed asset is recognized when: economic benefit contained in such fixed asset is likely to flow into the entity; cost of such fixed asset can be measured reliably. The cost for fixed asset is measured at cost at the time when it is acquired. The cost of fixed asset purchased from outsiders includes purchase prices, import tax and other related taxes and other expenses incurred to bring the assets to the condition of intended use. The cost of fixed asset constructed by the Group includes the required expenses incurred to bring the assets to the condition of intended use. The fixed asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements, or the fair value where the agreed consideration as specified in the contracts or agreements is not justified. The fixed asset acquired under a finance lease is measured at the lower of its fair value and the present value of the minimum lease payment at the date of inception of the lease.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses and renovation and improvement expenses, are included in the cost of fixed asset when they meet the recognition criteria of a fixed asset, and the carrying amount of the replaced parts is derecognized. The subsequent expenditures incurred for a fixed asset are recognized in profit or loss for the current period.

Depreciation is provided for all fixed assets and lands measured individually, except for the fixed assets that are fully depreciated and remain in use and land that is separately valued and recorded. A fixed asset is depreciated over its useful life using the straight-line method or the double declining-balance method. The depreciation is allocated to cost or fee for the current period by use base. The useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimated useful lives	Estimated net residual value rate	Annual depreciation rate
Buildings			
Including: productive buildings	20 years	5%	4.75% or double declining-balance method
non-productive buildings	25 years	5%	3.80%
Machinery and equipment	10 years	5%	9.50% or double declining-balance method
Transportation equipment	6 years	5%	15.83%
Instruments	6 years	5%	15.83% or double declining-balance method

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Category	Estimated useful lives	Estimated net residual value rate	Annual depreciation rate
Electronic computers	5 years	5%	19.00% or double declining-balance method
Others	6 years	5%	15.83% or double declining-balance method

The Group re-assesses the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes will be dealt with as changes on accounting estimates.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is a reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

A fixed asset is derecognized on disposal or it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

#### 4.15 Construction in progress

Construction in progress is measured at cost actually incurred. The actual cost includes various construction expenditures, borrowing costs capitalized and other necessary cost before it is ready for intended use.

From the date when the construction in process is available for expected use, fixed assets are carried forward at estimated value according to construction budget, pricing or actual cost of construction project. Depreciation is provided for from the next month. Difference in original value of fixed assets is adjusted after the completion of formalities of final accounts for completion of construction.

#### 4.16 Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange difference arising from foreign currency borrowings.

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When expenditures for assets and borrowing costs are being incurred, activities relating to the acquisition, construction or production of those assets that are necessary to prepare the assets for their intended use or sale have commenced, borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, shall be capitalized. Capitalization of borrowing costs shall cease when the assets under acquisition, construction or product is ready for its intended use or sale. Other borrowing costs shall be recognized as costs for the current period.

Assets eligible for capitalization represent the fixed assets, investment property and inventories, etc., which shall take a long time (generally over 1 year) for acquisition, construction or production to be ready for its intended uses or sales.

The amount of interest of specific borrowings that eligible for capitalization occurred for the period shall be capitalized after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalization period; The capitalized amount of general borrowings shall be determined at the basis that the weighted average (of the excess amounts of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

In capitalization period, exchange difference arising from foreign currency specific borrowings shall be capitalized; exchange difference arising from foreign currency general borrowings shall be recognized as costs for the current period.

When an asset eligible for capitalization is interrupted abnormally and the suspending period lasts more than three months during acquisition, construction or production, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production of such assets resume.

#### 4.17 Intangible assets

Intangible assets of the Group include land use rights, patented technology, non-patented technology and others.

Intangible assets are measured at actual cost at the time of acquisition. The actual cost of the purchased intangible assets is measured at the actual payment and other related expenses. The actual cost of intangible asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements. In case where the agreed consideration of the contracts or agreements is not justified, the assets are measured at fair value.

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when dealing with acquiree's unrecognized intangible assets under business merger of different control, company should record their fair value when one of the following requirements is satisfied: (1) assets generated by contractual rights or other legal rights; (2) assets could be separated from acquiree, as well as combined (or solely) with related contracts, assets and liabilities for the purpose of sell, transfer, authorize, rent or exchange (if applicable).

To intangible assets with limited service life, its amortization amount shall be amortized by straight-line method within finite life. Land use rights are amortized evenly over the lease terms as from the date of purchase. Patents technology, non-patents technology and other intangible assets are amortized over the shortest of estimated useful life, contractual beneficial period and useful life specified in the law. Amortization amount is included in the cost of assets or expenses, as appropriate, for the period according to the usage of the assets.

The estimated useful life and amortization method of intangible assets with finite useful life are reviewed at the end of each financial year. Any changes are accounted for as a change in an accounting estimate.

Research and development expenses of the Group are classified as research expenses and development expenses according to their nature and the certainty over research and development activities' final formation of intangible assets.

Research expenses are recognized in the profit or loss for the current period when they are incurred.

Development expenses which simultaneously meet the following conditions are recognized as intangible assets:

- (1) It is technically feasible to complete such intangible assets so as to enable the use or sale thereof;
- (2) There is the intent to complete and use or sell such intangible assets;
- (3) Products produced by such intangible assets have market or such intangible assets themselves have market;
- (4) There is sufficient technical, financial and other resources to complete the development of such intangible assets and such intangible assets are able to be used or sold;
- (5) Expenses attributable to the development of such intangible assets can be reliably measured.

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Development expenses which fail to meet the foregoing conditions are recognized in the profit or loss for the current period when they are incurred. Development expenses which have been previously recognized in the profit or loss are not recognized as assets for periods thereafter. Development expenses already capitalized are recognized as development expenses in the balance sheet and translated to intangible assets from the date when such project is available for expected use.

### 4.18 Impairment of long-term non-financial assets

As of each balance sheet date, the Group assesses whether there is any sign indicating that the long-term equity investments, investment properties measured at cost method, fixed assets, construction in progress and intangible assets with finite useful lives may be impaired. If there is any sign indicating that an asset may be impaired, the asset will be tested for impairment. Goodwill arising in a business combination and an intangible asset with indefinite useful lives are tested for impairment annually, irrespective of whether there is any sign to indicating that the asset may be impaired.

After the test of impairment, if the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss. Once an impairment loss on the assets is recognized, it will not be reversed in subsequent periods.

### 4.19 Long-term deferred expenses

Long-term deferred expenses of the Group are expenditures which have incurred but shall be amortized over the current period and subsequent periods of more than 1 year (excluding 1 year). They are amortized evenly over the estimated beneficial period.

If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to the profit or loss for the period.

### 4.20 Employee benefits

(1) Employee benefits of the Group refer to short-term employee benefit, post-employment benefit and resignation benefit.

(2) Short-term employee benefit includes salaries, bonus, allowances and subsidies, staff welfare, medical insurance premiums, labor injury insurance, maternity insurance and other social security insurances, housing fund, union fund and staff education

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fund, short-term paid absences, short-term profit distribution plans, non-monetary benefits and others.

**(3) Post-employment benefit and resignation benefit**

Post-employment benefit mainly includes basic pension insurance, unemployment insurance and annuity, etc., and it shall be classified as Defined Contribution Plan and Defined benefit plan according to the risks and obligations the company will undertake. During the period in which employees render their services, the amount payable is calculated in accordance with the required pay base and percentage, which is recognized as a liability. The projected units credit method attributes the benefit obligation of the Company generated under defined benefit plans to the period in which the service is given, and the current profit or loss or relative assets is recognized.

The domestic companies of the Group has taken part in the employees' social security system established by Chinese government, including basic pension insurance, medical insurance, housing provident fund and others. Relevant expenditures would be recorded into capital cost or the profit or loss.

The employees working in subsidiaries overseas only participate in the Defined Contribution Pension Plan of local government under which welfare is only limited to accumulate amount paid. Once the employees leave, they could enjoy their accumulation account balances of the Plan which involve the payment of employers and employees, employee voluntary contributions, other contributions as well as interests and investment returns arising from the accounts. Relevant contribution of the Plan should be recorded into corresponding capital costs or current profit and loss.

The employees working in subsidiaries overseas could enjoy the liability of long service leave measured at the book value of future account payables generated from service provided by employee as of the balance sheet date and further expected wages and salaries as well as the experience and service term of the leavers should also be considered. Future expected payment is discounted by market interest rates over the same time.

Resignation benefit is the compensation offered when the Group terminates the employment with an employee before the expiry of the employment contract or provides compensation for acceptance of voluntary redundancy. When the Group made and be about to implement the termination plan or the redundancy offer and not allowed to unilaterally withdraw at the meantime, the provisions for compensation



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arising from the termination of employment with employees should be charged to the profit or loss for the current period.

#### 4.21 Provisions

The business related to such contingencies as external guarantee, trade acceptance discount, pending action or arbitration and product quality assurance which simultaneously meets the following conditions is recognized by the Group as a liability: such obligation is a current obligation assumed by the Group; the performance of such obligation may result in the flow of economic benefit out of the enterprise; the amount of such obligation can be measured reliably.

Provisions are initially measured based on the best estimate of expenditures necessary for the performance of relevant current obligations and in overall consideration of such factors relating to contingencies as risk, uncertainty and time value of money. If the time value of money has significant influence, the best estimate is determined after relevant future cash outflows are discounted. The increase of carrying value due to the discounted is included in interest expense in the income statement.

The carrying amount of accrued liabilities is reviewed on each balance sheet date. In case of any change, the carrying amount is adjusted to present the current best estimate.

#### 4.22 Share-based payment

The equity-settled share-based payments in return for employee services are measured at the fair value of the equity instruments granted to employees on the grant date. If the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then the amount of such fair value should, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses using the straight-line method during the vesting period and the capital reserves should be increased accordingly.

A cash-settled share-based payment is measured in accordance with the fair value of liability confirmed based on the shares or other equity instruments undertaken by the Group. If the right may be exercised immediately after the grant, the fair value of the liability undertaken is, on the grant date, included in the relevant costs or expenses, and the liabilities are increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period, based on the best estimate of the information about the exercisable

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right, are included in the relevant costs or expenses at the fair value of the liability undertaken by the Group, and the liabilities shall be increased accordingly.

On each balance sheet date and on each year end date prior to the settlement of the relevant liabilities, the fair value of the liabilities is re-measured and changes are included in the profit or loss for the current period.

Where the Group cancels the granted equity instruments in the vesting period, excluding those canceled as not satisfying the exercisable conditions, it shall be deemed as accelerated exercise, namely, the remaining equity payments in the vesting period all satisfy the exercisable conditions. All expenditures of those remaining equity payments shall be recorded at the period of the canceled granted equity instruments.

#### 4.23 Production safety reserve

The production safety reserve is to improve the production condition. For machinery manufacturing enterprises of the Group, production safety reserve withdrawn monthly based on actual revenue of previous year by excess regressive method. The standards of withdrawing are as follows:

- (1) For the revenues below 10,000,000, withdraw at 2%
- (2) For the revenues above 10,000,000 and up to 100,000,000, withdraw at 1%
- (3) For revenues above 100,000,000 and up to 1,000,000,000, withdraw at 0.2%
- (4) For revenues above 1,000,000,000 and up to 5,000,000,000, withdraw at 0.1%
- (5) For revenues above 5,000,000,000, withdraw at 0.05%

For machinery manufacturing companies that newly established or have taken into operation less than 1 year, withdraw monthly base on real revenues of current year.

Those directly included in the cost of relevant products of profit or loss for the period according to relevant national standards is recognized in special reserve. For those which form part of fixed assets according to the scope of the regulations, the cost of such fixed assets in excess of the amount recognized in special reserve is credited to accumulated depreciation. Those in the nature of expenses are directly charged against special reserve.

The production safety fee withdrawn should be recognized as current profit and loss, with a corresponding increase in special reserve and be disclosed separately under equity. If the production safety fee belongs to expenses when actually using, they shall directly offset special reserve. If the production safety fee is recognized as fixed

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assets, they should be allocated through “construction in progress”, and recognized as fixed assets until the safety projects are completed and reached expected usable condition; meanwhile, the cost of fixed assets shall be used to offset the special reserve, and accumulated depreciation shall be recognized in an equal amount. If the special reserve is not enough for be offset, it should be recorded in current profit and loss.

#### 4.24 Recognition and measurement of revenue

The operating revenue of the Group is generated mainly from sale of goods, rendering services, assignment of assets use rights and construction contracts. The principles of revenue recognition are as follows:

##### Revenue from sale of goods

Revenue from sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be measured reliably. The Group recognises revenue at the time point of delivery, acceptance or installation acceptance.

##### Revenue from rendering services

When the total revenue and the total cost of services can be reliably measured, the economic benefit relating to provision of services is likely to flow into the Group, and the results of services can be reliably determined, the realisation of the service revenue is recognised.

On the balance sheet date, if the results of transaction of rendering services can be reliably estimated, relevant service revenue is recognised using the percentage-of-completion method, and the percentage of completion is determined according to the proportion of cost incurred to the estimated total cost; if the results of transaction of rendering services cannot be reliably estimated and the cost of service incurred is expected to be compensated, revenue from provision of services is recognised in the amount of cost of services which is incurred and can be compensated, and cost of services incurred is carried forward; if the results of transaction of rendering services cannot be reliably estimated and the cost of services incurred is unlikely to be compensated at all, cost of services incurred is recorded in the profit and loss for the current period and the service income is not recognised.

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**(3) Revenue from assignment of assets use rights**

Revenue from assignment of assets use rights is calculated in accordance with such time and method that stipulated by relevant contracts and agreements. Revenue from assignment of assets use rights is recognized if economic benefits relating to a transaction can flow in and the amount of revenue can be reliably measured.

**4.25 Construction contracts**

The Group recognises contractual revenues and contractual expenses using the percentage-of completion method on the balance sheet date when total contractual revenues can be reliably measured, economic benefits relating to contracts are likely to flow into the Group, contractual costs incurred can be clearly distinguished and reliably measured, and the progress of contract completion and costs necessary for the completion of contracts can be reliably determined. When the percentage-of-completion method is adopted, the progress of contract completion is determined according to the proportion of the contracted working capacity completed to the estimated total working capacity of the contract.

When results of a construction contract cannot be reliably estimated, if contract cost can be recovered, contract revenue is recognised according to the actual contract cost which can be recovered, and contract cost is recognised as an expense for the current period; if contract cost cannot be recovered, contract cost is recognised as an expense immediately after it is incurred and no revenue is recognised.

The hydraulic power unit, nuclear power unit, steam turbine, electric generator (more than 1000MW) and project contracts which match the conditions of construction contracts, the Group confirms cost and income of contract in accordance with CAS 15. Due to the nature of boiler power station, the income is confirmed when the rate of completion reaches a certain degree.

Product grade	Percentage of completion	Notes
1000MW power station boiler, Environment protection production	≥10%	
600MW power station boiler, Environment protection production	≥20%	
300MW-600MW boiler power station, Environment protection production	≥30%	Excluding 600MW
200MW-300MW boiler power station, Environment protection production	≥40%	Excluding 300MW
100MW-200MW boiler power station, Environment protection production		Excluding 200MW
Including: CFB boiler power station	≥40%	
Others	≥50%	

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The Group checks construction contracts at the end of period. If the estimated total cost of construction contracts will exceed the estimated total revenue of construction contracts, provision is made for loss and estimated loss is recognised as an expense for the current period.

#### 4.26 Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, but exclude the capital invested from government as an investor.

Investments subsidies from the government at specific purposes are designated as capital reserve at documents from the State are also not government grants.

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a monetary asset, it is measured at the actually amount received. For a fixed quota for the allocation of the grant, it is measured at the amount receivable.

If a government grant is in the form of a non-monetary asset, it is measured at its fair value. If the fair value cannot be reliably obtained, it is measured at the nominal amount (RMB1).

The government grant of the Group is classified into assets-related government grants and income-related government grants. Assets-related government grants are government grants obtained by an enterprise related to the acquisition or construction (or any other method) of long-term assets. Income-related government grants are those other than assets-related government grants. If the government documents do not clearly defined the recipients of support, the Group should judge according to above rules.

Asset-related government grants are recognized as deferred income and are allocated evenly to the profit and loss for the period over the useful life of the relevant asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised directly in profit or loss for the current period.

For repayment of a government grant already recognised, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income,

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and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

#### 4.27 Deferred tax assets and deferred tax liabilities

The deferred income tax assets and deferred income tax liabilities of the Group are recognized based on the differences between the tax bases of assets and liabilities and their respective book values (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax law for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognized. For temporary differences associated with the initial recognition of goodwill, no deferred liability is recognized. For temporary differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. As of the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period in which the assets are realized or liability is settled.

The deferred income tax assets arising from the deductible temporary difference are recognised to the extent that it is probable that taxable profit will be available to the Group to offset such deductible temporary difference.

#### 4.28 Leases

Leases are classified as finance leases and operating leases at the date of inception. Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. Operating leases are leases other than finance leases.

##### (1) The Group as lessee under finance leases

The Group, as a lessee, recognised the assets under finance lease at the inception of the leases at the lower of their fair value and the present value of minimum lease payments. The corresponding liability is recorded as “long-term payable” at the amount of minimum lease payments. Their difference is recorded as unrecognized finance lease charge and shall be amortized using the effective interest method over the lease term. The balance of the amount of minimum lease payments with deduction of unrecognized finance lease charge is disclosed as long-term liabilities and long-term liabilities due within one year.

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The assets should be depreciated over the useful life if it is reasonably certain that the lessee will obtain the ownership when the lease term finished. Otherwise, the assets should be depreciated over the shorter of the useful life and the lease term.

**(2) The Group as lessor under finance leases**

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income. Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term.

Estimated unguaranteed residual values used in computing the lessor's gross investment in a lease are reviewed regularly in the year end. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts already accrued is recognized immediately.

If the unguaranteed residual values whose loss already recognized recovered, it should be reversed within investment amount already recognized and recalculate the interest rate implicit in the lease. The revenue should be recognized in the future in accordance with revised leasing net investment and the recalculated interest rate implicit in the lease.

Contingent rents are credited to profit or loss in the period in which they are actually incurred.

**(3) The Group as lessee under operating leases**

The Group, as a lessee, recognized lease payments as a cost of an assets or an expense on a straight-line basis over the terms of the relevant lease. The initial direct costs shall be included in profit or loss. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

**(4) The Group as lessor under operating leases**

The Group, as a lessor, recognizes lease payments as rental income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred by a lessor shall be included in profit or loss. Those of a relatively large amount shall be capitalized and recognized as an expense over the lease term on the same basis as the lease income.

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Those of a relatively large amount shall be recognized in profit or loss. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

#### 4.29 Income tax accounting

Income tax is accounted by using the balance sheet liability method. Income tax expenses represent the sum of current income tax and deferred income tax. Current income tax and deferred income tax in connection with the transactions and matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred income tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current income tax and deferred income tax are recognized in the profit or loss for the period.

The current income tax payable is the amount of tax payable to taxation authority by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred income tax liabilities that should be recognized using the balance sheet liabilities method at the end of the period and their balances originally recognized.

#### 4.30 Segment information

The operations of the Group are classified based on internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on operations.

An operating segment is a component of the Group that satisfies all of the following conditions: it is able to earn revenue and incur expenses from ordinary business activities; its operating results are regularly reviewed by the Group's management, the Group makes decision on resources allocated to the segment and performance judgment; the Group can gain information of financial position, operating results and cash flow status of these components. Two or more operating segments can be aggregated into one single operating segment if they share similar economic characteristic and satisfy certain conditions.

#### 4.31 Assets held for sale and discontinued operations

The Group classifies assets held-for-sale when they meet following requirements: the Group has made a resolution on disposal of the non-current assets; the Group has already made an irrevocable transfer agreement with the acquiring party; the transfer agreement is likely to be completed within one year.



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The non-current assets meeting the held-for-sale conditions are represented as other current assets at the lower of book value and fair value deducted disposal expense. The amount of fair value deducted disposal expenses that lower than book value is recognized as impairment loss of assets.

Discontinued operation refers to a component which has been disposed of or held for sale and can be separately distinguished on operation and preparation of financial statements.

### 4.32 Hedging accounting

The hedging of the group are classified into fair value hedging, cash flowing hedging, and hedging of net investment in foreign operations.

(1) At the inception of a hedging, the group shall specify the relationship between the hedging instrument and hedged item formally and prepare a formal written document on the hedging relationship, risk management objective and the strategies of the hedging. The document shall at least specify the contents of hedging instrument, the hedged item, the nature of the hedged risk and the method for the effectiveness assessment of the hedging and so on. A hedging shall be relevant to the designated a specific identifiable risk and will ultimately affect the profits and losses of the group.

(2) The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the beginning.

(3) For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses.

(4) The effectiveness of hedging can be reliably measured.

(5) The Group shall continuously evaluate the effectiveness of hedging and ensure this hedging is highly effective in accounting period that specified in the hedging relationship.

The Group's hedging project is part of foreign exchange which will be collected from export project in the future, and the corresponding hedging instrument is a forward foreign exchange contract.

The Group prospectively evaluates the hedging effectiveness as per comparison of main terms of the contract (agreement) and retrospectively evaluates the hedging effectiveness at the end of report period as per the ratio analysis method.

### 4.33 Changes in significant accounting policies and accounting estimates

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### 4.33.1 Significant change in accounting policies

No significant change in accounting policies in the Group for the current year.

### 4.33.2 Significant change in accounting estimates

#### (1) Contents and reasons of changing in accounting estimate

With the development of wind power industry in recent years, the price of wind power products has declining, especially since the warranty period has increased from 2 years to 3 years or 5 years. The production quality assurance fee is not enough to pay the wind power project warranty expenses incurred during the period in accordance with the proportion of 3%. On December 28, 2016, the Group approved the 'Proposal on the change of accounting estimation of the Company' at the 13<sup>th</sup> meeting of the 8<sup>th</sup> board of directors of the Company. From the beginning of October 1, 2016, the Group has improved the production assurance fee from 3% to 6% based on the sales revenue.

#### (2) Amounts influenced by the changing of accounting estimates

Change of accounting estimates have result in the increase of the sales expenses of RMB 78.0857 million from October to December of 2016, and total decrease in profit of RMB 78.0857 million.

### 4.34 Significant accounting estimates and accounting judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that might require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are considered to be reasonable.

Accounting estimates and critical judgments below represent the risk of significant adjustment of the carrying value of the assets and liabilities in the next fiscal year.

#### (1) Provision for receivables

As described in 4.10 of the notes of financial statement, at the end of each reporting period, the Group reviews whether impairment loss evidence on accounts receivable which are stated at amortized cost exists. If there is impairment loss evidence, the Group assesses the amount of impairment loss to be recognized. Impairment

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evidence includes information shown the expected future cash flow of individual or a group of accounts receivable decreases significantly, negative credit information of individual or a group of accounts receivable and etc. Impairment loss will be written back is there is evidence shown that the impairment on accounts receivable could be recovered subsequently.

**(2) Provision for inventories**

As described in 4.11 of the notes of financial statement, the Group assesses the net realizable value of inventories periodically and makes allowance for inventories which the cost is higher than the net realizable value. Net realizable value is determined by the Group using the selling price of same product less its estimated future completion cost, selling expenses and related taxes. When the estimated actual selling price or cost is different with prior period, the management of the Group will make relevant adjustment on the net realizable value. The carrying amount of inventories on the statement of financial position may be adjusted as there may be a difference between the actual future outcomes and the estimation based on the experience. Therefore, the provision for inventories might be different due to the actual outcomes is not same as estimation. The adjustment on provision for inventories will affect the profit or loss of current period.

**(3) Provision for fixed assets**

The Group will perform impairment test for the buildings, equipment and machinery and other fixed assets when there are impairment indicators. The recoverable amount of the fixed assets is the discounted estimated future cash flow or the fair value of the assets minus the disposal expenses, the calculation of the recoverable involves accounting estimation.

If the management of the company revised the profit margin used in calculating the future cash flow from the assets or group of assets, and the revised profit margin were lower than the current profit margin, then the Group has to increase the impairment provision for the fixed assets.

If the management of the company revised the pre-tax discount rate used in discounting the future cash flow and the revised pre-tax discount rate were higher than the prevail pre-tax discount rate, then the Group has to increase the impairment provision.

If the actual profit margin or the pre-tax discount rate were higher or lower than management's estimation, the Group should not reverse any impairment provision that have already been accrued.

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**(4) Recognition of deferred tax assets**

The determination of the deferred tax assets need the estimation of the taxable income and applicable income tax rate in the future, the realization of the deferred tax assets depends on whether the Group has the ability to generate enough future taxable income. Change of the future income tax rate and time of the reversal of temporary differences would impact income tax expenses (gain) and balance of the deferred tax assets too. The aforementioned change of estimation may result material adjustment of deferred tax assets.

**(5) Useful lives of fixed assets and intangible assets**

The Group reviewed the estimated useful lives for its fixed assets and intangible assets annually. The estimated useful lives are determined by management by reference to the historical experience of similar assets; the estimation generally used by other companies in the same industry and anticipated renovation in technologies. When there are significant changes in previous estimates, the Group should adjust the depreciation and amortization expense in future periods.

**5. Taxation****5.1 Major categories of taxes and taxes rates**

<b>Category of tax</b>	<b>Basis of tax computation</b>	<b>Tax rate</b>
VAT(Note 1)	Sale of goods ,rendering of taxable services	2%, 6%, 10%, 11%, 14.5%, 17%
Business tax(Note 2)	Rendering of taxable services, transfer of intangible assets or the sale of immovable properties	3%, 5%
City construction and maintenance tax	Turnover taxes	5%, 7%
Education surcharge	Turnover taxes	3%
Local education surcharge	Turnover taxes	2%
Housing property tax	The rental income of 70%of building	1.2%/12%
Land use tax	Taxable area of land	RMB 1.50-15/m <sup>2</sup>
Enterprise income tax		
Including: the Company, Dongfang Turbine Co., Ltd., Dongfang Boiler Group Co., Ltd., Dongfang Electric Co., Ltd., Dongfang Heavy Machinery Co., Ltd., Dongfang (Shenzhen) Boiler Control Co., Ltd., Chengdu Dongfang KWH Environmental Protection Catalysts Co.,	Taxable income	15%

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Category of tax	Basis of tax computation	Tax rate
Ltd.. (Hereinafter referred to Chengdu KWH Company), Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd., (hereinafter referred to "Tianjin Wind Blade Company"), Sichuan Dongshu New Material Co., Ltd.(hereinafter referred to "Sichuan Dongshu Company")		
India Company	Taxable income	33.0630%
Indonesia Company	Taxable income and interest incomes on deposits	25%/20%
Dongfang Electric Venezuela Co., Ltd (hereinafter referred to "Venezuela Company")	Net profit	15%/22%/34%
Other subordinate companies	Taxable income	25%

Note 1: Merchandise sales of India Company are applicable to Indian Mongolian VAT. Among them, value-added tax rate for the sales within the state is 14.5% and for the overseas sales is 2%; value-added tax rate of merchandise sales of Indonesia Company is 10%.

Note 2: Before May 2016, business tax is applied if the Group provides taxable services, transfer of intangible assets and sales of real estate business. After that, value-added tax is adopted.

## 5.2 Tax incentives

(1) Dongfang Turbine Co., Ltd. had obtained the high and new technology enterprises certificates which was jointly issued by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan province, The State Taxation Bureau of Sichuan Province and Sichuan Local Taxation Bureau, No.GF201551000755, on October 9, 2015. Dongfang Boiler Group Co., Ltd. had obtained the high and new technology enterprises certificates which was jointly issued by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, No.GR201451000399, on October 11, 2014. Dongfang Electric Co., Ltd. had obtained the high and new technology enterprises certificates which was jointly reviewed by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, No.GR201551000745, on October 9, 2015. Dongfang Heavy Machinery Co., Ltd. had gained new technology enterprises certificate, No.GR201644000010, on November 30, 2016, which is jointly issued by Science & Technology Department of Guangdong,

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Department of Finance of Guangdong, The State of taxation Bureau of Guangdong province and Guangdong Local Taxation Bureau. Tianjin Wind Blade Company had got high and new technology enterprises certificate, No.GR201612000990, on December 9, 2016, which is jointly issued by Science &Technology Department of Tianjin, Department of Finance of Tianjin, The State Taxation Bureau of Tianjin Province and Tianjin Local Taxation Bureau. Dongfang Boiler Control Co., Ltd. had got high and new technology enterprises certificate No.GR201544200589 on June 19, 2015, which is jointly issued by Science &Technology Innovation Commission of Shenzhen Municipality, Finance Commission of Shenzhen Municipality, The State of taxation Bureau of Shenzhen province and Shenzhen Local Taxation Bureau. DFEM Control Equipment Co., Ltd. gained new technology enterprises certificate, No.GR201651000491, on December 8, 2016, which is jointly issued by Science &Technology Department of Sichuan Province, Department of Finance of Sichuan, The State of taxation Bureau of Sichuan province and Sichuan Local Taxation Bureau. According to the provision of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the enterprises above shall pay their enterprise income taxes according to the present Law at the preferential rate of 15%.The managements of the above companies expect those companies would continue enjoying the high-tech enterprises' preferential income tax rate of 15% for the year 2016.

(2) According to the provision of Article 2 of the Circular on Tax Reductions and Exemptions in Western Development (Caishui [2011] NO.58), the enterprises of the encouraging type in Western China could enjoy the enterprise income taxes at the preferential rate of 15% from Jan 1st, 2011 to Dec 31st, 2020. And the enterprises of the encourage type mentioned above indicates those companies with main business satisfying "Catalogue of encouraged industries in Western Countries" having not issued yet and operating revenue accounting for 70% of total operating revenue. According to Catalogue of Encouraged Industries in Western Regions of China which launched by The people's Republic of China National Development and Reform Commission of The people's Republic of China on 20th August 2014, the Company, DFEM Control Equipment Co., Ltd. and Chengdu KWH Company, belong to foregoing category of encouraged industries in Western Regions, and obtained the approval by the related tax authorities, the Company, Chengdu KWH Company and Sichuan Dongshu Company are entitled to preferential income tax rate of 15% for the year 2014. The management of the Company, Chengdu KWH Company and Sichuan Dongshu Company consider they are still in the scope of encouraged industries regulated by Catalogue of Encouraged Industries in Western Regions of China, thus

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those companies used income tax rate of 15% when calculating income tax expense for the year 2016.

**6. Notes to the Consolidated Financial Statements**

Among the data of financial statements disclosed below, except specifically indicated, "beginning of the year" refers to January 1, 2016, "end of the year" refers to December 31, 2016, "the year" refers to January 1, 2015 to December 31, 2015, "previous year" refers to January 1, 2015 to December 31, 2015, and the currency unit is RMB.

**6.1 Cash and cash equivalents**

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Cash on hand	2,718,102.76	2,258,601.50
Cash at bank	28,373,012,406.14	21,023,958,546.40
Other cash and cash equivalents	33,047,827.24	61,321,977.59
<b>Total</b>	<b>28,408,778,336.14</b>	<b>21,087,539,125.49</b>
Including: The total amount kept in foreign country	128,787,520.21	122,416,010.50

6.1.1 The reason for the increase of RMB 7,321,239,210.65 in cash and cash equivalents (increase of 34.72%) compared to the amount as of the beginning of the year is due to the increase of money recovery and net cash flow from operating activities.

6.1.2 Other cash and cash equivalents mainly include: the investment security deposits of RMB 18,546,795.42, security deposits of infrastructure of RMB 789,545.49 and security deposits of letter of credit, bank acceptance note and performance bond guarantee of RMB 13,711,486.33.

6.1.3 On December 31, 2016, total amounts of RMB 14,501,031.82 is under restriction, including the security deposits of infrastructure at RMB 789,545.49, bank notes, guarantee and letter of credit security deposits of RMB 13,711,486.33. At the beginning of 2016, the total amounts restricted are RMB 21,003,013.68, including the security deposits of infrastructure at RMB 784,418.01, bank notes, guarantee and letter of credit security deposits of RMB 20,221,595.67.

**6.2 Financial asset at fair value through profit or loss****6.2.1 Classification**

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
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<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Financial assets held for trading	59,661,930.59	36,079,098.10
Including : Equity instrument investments	56,504,273.00	36,068,759.00
Derivative financial assets	3,157,657.59	10,339.10
<b>Total</b>	<b>59,661,930.59</b>	<b>36,079,098.10</b>

(1) The reason for the increase of RMB 23,582,832.49 in Financial assets held for trading (increase of 65.36%) compared to the amount as of the beginning of the year is due to the increase of purchasing of domestic listed shares (A-shares).

(2) The Equity instrument investments as at the yearend are the investments in the unrestricted domestic listed shares(A-shares), including 1,447,000 shares of China XD Electricity Co., Ltd. (accounting for 0.028% of share capital of the invested company) , 2,802,100 shares of Huaneng Power Intentional, Inc.( accounting for 0.0184% of share capital of the invested company), 285,400 shares of Hubei Energy Group Co., Ltd.( accounting for 0.0044% of share capital of the invested company). 1,131,400 shares of NARI Technology Co., Ltd.(accounting for 0.0466% of share capital of the invested company). 200,000 shares of China Yangtze Power Co., Ltd. (accounting for 0.0009% of share capital of the invested company) and 374,900 shares of CITIC Securities Co., Ltd.(accounting for 0.0031% of share capital of the invested company). The fair value of those equity instruments are measured using their closing stock price at the securities exchange market

(3)Derivative financial assets as at the year end is the 25,814,400.00 Euros forward foreign exchange sale agreement signed between the Company and the bank, the fair value is calculated based on the price provided by the bank.

## 6.2.2 Financial assets held for trading analysis:

<b>Item</b>	<b>Fair value As of the end of the year</b>	<b>Fair value As of the beginning of the year</b>
<b>Listed</b>		
Listed in PRC(Hong Kong excluded)	56,504,273.00	36,068,759.00
Subtotal	56,504,273.00	36,068,759.00
<b>Unlisted</b>	3,157,657.59	10,339.10
<b>Total</b>	<b>59,661,930.59</b>	<b>36,079,098.10</b>

## 6.3 Notes receivable



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## 6.3.1 Classification of notes receivable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Bank acceptances	4,586,249,920.69	4,094,703,393.53
Commercial acceptances	331,542,101.43	246,252,038.39
<b>Total</b>	<b>4,917,792,022.12</b>	<b>4,340,955,431.92</b>

6.3.2 Notes endorsed by the Company to other parties which are not yet due at the balance sheet date:

Item	Stop recognizing amount	Non-stop recognizing amount
Bank acceptances	2,392,130,013.22	
Commercial acceptances	324,164,034.00	
<b>Total</b>	<b>2,716,294,047.22</b>	

6.3.3 Notes had conversed to accounts receivables due to failing to honour the agreements.

Item	Amount of conversed notes receivables
Bank acceptances	31,500,000.00
Commercial acceptances	20,525,363.13
<b>Total</b>	<b>52,025,363.13</b>

## 6.4 Accounts receivable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Account receivables	21,621,594,717.31	22,651,799,981.91
Less: Provision for bad debts	5,667,113,328.52	5,361,607,265.99
<b>Balance b/d</b>	<b>15,954,481,388.79</b>	<b>17,290,192,715.92</b>

## 6.4.1 Aged receivables analysis:

Age of the receivable	Amount as of the end of the year	Amount as of the beginning of the year
Within 1 year	7,793,619,803.77	8,618,798,739.75
1-2 years	4,273,983,361.46	4,652,766,404.57
2-3 years	2,309,986,085.52	2,305,625,401.90

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3-4 years	1,008,046,862.66	924,611,128.94
4-5 years	568,845,275.38	788,391,040.76
<b>Total</b>	<b>15,954,481,388.79</b>	<b>17,290,192,715.92</b>

Analysis of the company is basis on the time of related invoice, settlement notes and etc.

## 6.4.2 Receivables Classification

Category	Amount as of the end of the year				Book value
	Book Balance		Provision for bad debts		
	Amount	Prop ortion (%)	Amount	Propor tion (%)	
Significant individual receivables with bad debt provision made on individual basis	566,575,326.60	2.62	566,575,326.60	100	
Receivables with bad debts on portfolio basis on credit risk characteristics	21,026,006,290.71	97.25	5,071,524,901.92	24.12	15,954,481,388.79
Insignificant individual receivables but with bad debt provision made on individual basis	29,013,100.00	0.13	29,013,100.00	100	
<b>Total</b>	<b>21,621,594,717.31</b>	<b>100</b>	<b>5,667,113,328.52</b>	<b>26.21</b>	<b>15,954,481,388.79</b>

(Continued)

Category	Amount as of the beginning of the year				Book value
	Book Balance		Provision for bad debts		
	Amount	Prop ortion (%)	Amount	Propor tion (%)	

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Significant individual receivables with bad debt provision made on individual basis	451,606,684.94	1.99	451,606,684.94	100	
Receivables with bad debts on portfolio basis on credit risk characteristics	22,156,800,156.97	97.82	4,866,607,441.05	21.96	17,290,192,715.92
Insignificant individual receivables but with bad debt provision made on individual basis	43,393,140.00	0.19	43,393,140.00	100	
<b>Total</b>	<b>22,651,799,981.91</b>	<b>100</b>	<b>5,361,607,265.99</b>	<b>23.67</b>	<b>17,290,192,715.92</b>

6.4.2.1 Significant individual receivables with bad debt provision made on individual basis at the end of year

Name	Book Balance	Provision for bad debts	Proportion (%)	Reason for of basis of provision
First	143,373,546.24	143,373,546.24	100	Difficulty in operating, long term and expectation of unable to recover
Second	120,760,000.00	120,760,000.00	100	The client has trouble in funding and expectation of unable to recover
Third	107,446,230.36	107,446,230.36	100	The client has trouble in funding and expectation of unable to recover
Fourth	73,045,550.00	73,045,550.00	100	Has dispute over this guarantee deposits and expectation of unable to recover.
Fifth	61,500,000.00	61,500,000.00	100	The client has trouble in funding and expectation of unable to recover
Sixth	60,450,000.00	60,450,000.00	100	The client has trouble in funding and expectation of unable to recover
<b>Total</b>	<b>566,575,326.60</b>	<b>566,575,326.60</b>	<b>100</b>	

6.4.2.2 Receivables with bad debt provision made on aged combinations basis

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Aging	Amount as of the end of the year		
	Amount	Provision for bad debts	Proportion (%)
Within 1 year	8,203,810,319.83	410,190,516.06	5
1-2 years	4,748,870,401.69	474,887,040.23	10
2-3 years	2,887,482,606.88	577,496,521.36	20
3-4 years	1,680,078,104.41	672,031,241.75	40
4-5 years	1,137,690,550.85	568,845,275.47	50
Over 5 years	2,368,074,307.05	2,368,074,307.05	100
<b>Total</b>	<b>21,026,006,290.71</b>	<b>5,071,524,901.92</b>	<b>24.12</b>

(Continued)

Aging	Amount as of the beginning of the year		
	Amount	Provision for bad debts	Proportion (%)
Within 1 year	9,072,419,726.09	453,620,986.34	5
1-2 years	5,169,740,449.52	516,974,044.95	10
2-3 years	2,882,031,752.35	576,406,350.45	20
3-4 years	1,541,018,548.15	616,407,419.21	40
4-5 years	1,576,782,081.58	788,391,040.82	50
Over 5 years	1,914,807,599.28	1,914,807,599.28	100
<b>Total</b>	<b>22,156,800,156.97</b>	<b>4,866,607,441.05</b>	<b>21.96</b>

6.4.2.3 Insignificant major individual receivables as of the end of the year but with bad debt provision made on individual basis

Name of entity	Book Balance	Provision for bad debts	Proportion (%)	Reason
First	13,481,900.00	13,481,900.00	100	The client has trouble in funding and expectation of unable to recover
Second	7,700,000.00	7,700,000.00	100	The client has trouble in funding and expectation of unable to recover
Third	7,000,000.00	7,000,000.00	100	The client has trouble in funding and expectation of unable to recover
Fourth	831,200.00	831,200.00	100	The contract price cannot be recover
<b>Total</b>	<b>29,013,100.00</b>	<b>29,013,100.00</b>	<b>100</b>	

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**6.4.3 Reversals and collections during the current period**

The provision for bad debts of the year is RMB 472,835,416.52. The reversals and collections of bad debt provision of receivables which is made on individual base during the current period is RMB 164,469,400.00:

Name of entity	Amount	Proportion (%)	Provision for bad debts	Amount Recovered	Basis of original provision	Reason for reversals or collections
First	121,949,000.00	100	121,949,000.00	121,949,000.00	Operating problem	Partly of the dispute were settled by negotiations
Second	60,450,000.00	100	60,450,000.00	23,000,000.00	Funding problem	The funding situation turned better for the client
Third	13,481,900.00	100	13,481,900.00	19,520,400.00	Funding problem	The funding situation turned better for the client
<b>Total</b>	<b>195,880,900.00</b>		<b>195,880,900.00</b>	<b>164,469,400.00</b>	--	--

**6.4.4 Accounts receivable written off in the year**

Accounts receivable of the Company written off within this year including: due to the wind-up of 7 non-related debtors, the board of directors of Dongfang Electric Co., Ltd. approved to write off receivables of RMB 2,348,917.04 in the form of loans and quality guarantee deposits; due to the stop of project, the board of directors of the India Company approved to write off 2 non-related debtors' receivables of RMB 535,521.98.

**6.4.5 Top five entities with the largest balances of accounts receivable**

Name of entity	Amount as of the end of the year	Aging	Proportion of the amount to the total accounts receivable (%)	Provision for bad debts
First	496,641,345.33	Within 3 year	2.30	33,892,301.23
Second	407,685,446.14	1-2 years	1.89	40,768,544.61
Third	353,033,864.00	Within 1 year	1.63	17,651,693.20
Forth	331,429,997.89	1-2 years, 3-5 years	1.53	306,488,330.08
Fifth	287,823,153.12	1-5 years	1.33	274,714,089.87
<b>Total</b>	<b>1,876,613,806.48</b>		<b>8.68</b>	<b>673,514,958.99</b>

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6.4.6 In terms of the revenue from construction contract, it is settled based on relative provisions of contract. If the customers have a large scale, long history and good credit, the Group can grant a longer credit time, such as 2-3 years terms.

The sales revenue is settled according to the relative agreements of contract. In general, the customers with large scale or long history and good repayment records can get one-year credit period. For small, new or short-term customers, the Group shall settle the amount within 180 days after rendering service or delivering products.

**6.5 Prepayments****6.5.1 Aged prepayments analysis**

Items	Amount as of the end of the year		Amount as of the beginning of the year	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	1,319,565,179.42	52.49	2,373,738,994.83	71.93
1-2 years	838,665,268.20	33.36	442,040,509.01	13.40
2-3 years	98,829,712.75	3.93	175,929,399.33	5.33
Over 3 years	256,877,394.54	10.22	308,252,635.68	9.34
<b>Total</b>	<b>2,513,937,554.91</b>	<b>100</b>	<b>3,299,961,538.85</b>	<b>100</b>

(1) The prepayments with an age over 1 year are RMB 1,194,372,375.49, mainly resulted from purchasing of large forging material and consignment processing of material. Because the material and part suites have long manufacturing cycle, the Group has not received any goods and thus no settlements are dealt.

**6.5.2 Top five entities with the largest balances of prepayments:**

Items	Amount as of the end of the year	Aging	Proportion to book value of prepayments (%)
First	164,144,636.21	Within 3 years	6.53
Second	80,765,275.56	Within 1 year	3.21
Third	56,647,781.53	1-5 years	2.25
Forth	50,943,230.82	Within 2 year	2.03
Fifth	50,514,526.71	Within 1 year	2.01
<b>Total</b>	<b>403,015,450.83</b>		<b>16.03</b>

**6.6 Interest receivable**

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Item	Amount as of the end of the year	Amount as of the beginning of the year
Interest of fixed deposit	373,159,473.91	297,206,934.58
<b>Total</b>	<b>373,159,473.91</b>	<b>297,206,934.58</b>

There are no overdue interests this year in interest receivables.

## 6.7 Other receivable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Other receivables	587,690,918.36	720,525,487.80
Less: Provision for bad debts	342,550,505.51	354,229,208.39
<b>Net book value</b>	<b>245,140,412.85</b>	<b>366,296,279.41</b>

## 6.7.1 Aged other receivables analysis:

Aging	Amount as of the end of the year	Amount as of the beginning of the year
Within 1 year	117,429,225.02	247,651,666.48
1-2 years	52,314,654.84	25,145,941.90
2-3 years	18,666,695.77	46,261,858.03
3-4 years	23,603,592.61	37,244,610.04
4-5 years	30,287,878.61	5,330,986.96
Over 5 years	2,838,366.00	4,661,216.00
<b>Total</b>	<b>245,140,412.85</b>	<b>366,296,279.41</b>

## 6.7.2 Classification of other receivable

Items	Amount as of the end of the year				Book value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other Receivables that are individually significant and provided for bad debts on individual basis.	210,342,615.56	35.79	210,342,615.56	100	
Other Receivables that are provided for bad debts on portfolio basis	371,338,696.80	63.19	129,036,649.95	34.75	242,302,046.85

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Items	Amount as of the end of the year				Book value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other Receivables that are not individually significant but provided for bad debts on individual basis	6,009,606.00	1.02	3,171,240.00	52.77	2,838,366.00
<b>Total</b>	<b>587,690,918.36</b>	<b>100</b>	<b>342,550,505.51</b>	<b>58.29</b>	<b>245,140,412.85</b>

(Continued)

Items	Amount as of the beginning of the year				Book value
	Book Balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other Receivables that are individually significant and provided for bad debts on individual basis	221,728,744.90	30.76	221,728,744.90	100	
Other Receivables that are provided for bad debts on portfolio basis	490,865,886.90	68.14	129,329,223.49	26.35	361,536,663.41
Other Receivables that are not individually significant but provided for bad debts on individual basis	7,930,856.00	1.01	3,171,240.00	39.99	4,759,616.00
<b>Total</b>	<b>720,525,487.00</b>	<b>100</b>	<b>354,229,208.39</b>	<b>49.16</b>	<b>366,296,279.41</b>

1) Other Receivables that are individually significant and provided for bad debts on individual basis at the end of the year

Name of entity	Amount as of the end of the year			
	Book Balance	Provision for bad debts	Proportion (%)	Reason
First	146,064,314.06	146,064,314.06	100	Note.
Second	64,278,301.50	64,278,301.50	100	Expectation of unable to recover
<b>Total</b>	<b>210,342,615.56</b>	<b>210,342,615.56</b>	<b>100</b>	<b>—</b>

Note: Other receivables of Dongfang Boiler Group Co., Ltd. from China Sci-Tech Securities Co., Ltd. are unexpected to be recovered since China Sci-tech Securities



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Co., Ltd. is in a liquidation process. The interpretation refers to notes to financial statements at Note16.4

## 2) Other receivables with bad debt provision made on aged combination

Aging	Amount as of the end of the year		
	Amount	Provision for bad debts	Proportion (%)
Within 1 year	123,609,710.55	6,180,485.53	5
1-2 years	58,127,394.27	5,812,739.43	10
2-3 years	23,333,369.71	4,666,673.94	20
3-4 years	39,339,321.00	15,735,728.39	40
4-5 years	60,575,757.24	30,287,878.63	50
Over 5 years	66,353,144.03	66,353,144.03	100
<b>Total</b>	<b>371,338,696.80</b>	<b>129,036,649.95</b>	<b>34.75</b>

(Continued)

Aging	Amount as of the beginning of the year		
	Amount	Provision for bad debts	Proportion (%)
Within 1 year	260,685,964.73	13,034,298.25	5
1-2 years	27,939,935.45	2,793,993.55	10
2-3 years	57,827,322.56	11,565,464.53	20
3-4 years	62,074,350.07	24,829,740.03	40
4-5 years	10,465,173.96	5,232,587.00	50
Over 5 years	71,873,140.13	71,873,140.13	100
<b>Total</b>	<b>490,865,886.90</b>	<b>129,329,223.49</b>	<b>26.35</b>

## 3) Other Receivables that are not individually significant but provided for bad debts on individual basis

Name of entity	Amount as of the end of the year			
	Book Balance	Provision for bad debts	Proportion (%)	Reason
First	2,838,366.00			Note
Second	2,750,000.00	2,750,000.00	100	Expectation of unable to recover
Third	421,240.00	421,240.00	100	Expectation of unable to recover

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Name of entity	Amount as of the end of the year			
	Book Balance	Provision for bad debts	Proportion (%)	Reason
<b>Total</b>	<b>6,009,606.00</b>	<b>3,171,240.00</b>	<b>52.77</b>	<b>—</b>

Note: The housing turnover fund temporarily lend to the talent by Dongfang Heavy Machinery Co., Ltd. The fund will be deducted from staff's salary monthly, no provision recognised.

## 6.7.3 Reversals and collections during the current period

The provision for bad debts prior to the end of the year is RMB -173,426.05. The reversals and collections during the current period which was provided for bad debts on individual basis is RMB 11,386,129.34:

Name of entity	Amount	Proportion (%)	Provision for bad debts	Amount Recovered	Basis of original provision	Reason for reversals or collections
First	146,064,314.06	100	146,064,314.06	11,386,129.34	Note	Note
<b>Total</b>	<b>146,064,314.06</b>		<b>146,064,314.06</b>	<b>11,386,129.34</b>	<b>--</b>	<b>--</b>

Note: Dongfang Boiler Group Co., Ltd. received the liquidation distribution amount from China Sci-Tech Securities Co., Ltd. The interpretation refers to notes to financial statements at Note16.4

## 6.7.4 Other receivable written off in the year

Other receivables of Dongfang Boiler Group Co., Ltd. from a employee as petty cash, it is unexpected to recover because of the long time. Dongfang Boiler Group Co., Ltd. has approved to write off the whole amount of RMB 3,000.00. Dongfang (Guangzhou) Heavy Machinery Co., Ltd. from four un-related parties (RMB 118,293.10) was written off for cancellation of registration of the debtors.

## 6.7.5 Other receivable classification according to the nature

Nature of other receivables	Amount as of the end of the year	Amount as of the beginning of the year
Advance payment for another	270,023,876.85	367,882,713.06
Investments	154,164,314.06	165,550,443.40
Cash deposit and guarantee deposit	66,300,497.43	74,980,475.96
Reserve	33,044,958.99	48,717,708.17
Other business receivables	51,677,474.63	46,220,288.60

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<b>Nature of other receivables</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Others	12,479,796,40	17,173,858.61
<b>Total</b>	<b>587,690,918.36</b>	<b>720,525,487.80</b>

6.7.6 Top five entities with the largest balances of other receivables

<b>Name of entity</b>	<b>Nature</b>	<b>Amount as of the end of the year</b>	<b>Aging</b>	<b>Proportion to total balance of other receivables at the end of year (%)</b>	<b>Balance of bad-debt reserve at the end of year</b>
First	Treasury bond investment	146,064,314.06	Over 5 years	24.85	146,064,314.06
Second	Payment on behalf of others	66,800,000.00	Within 5 years	11.37	21,930,000.00
Third	Receivables related to other operations and others	38,218,240.07	Within 2 years,3-5 years	6.50	12,762,758.67
Forth	Deposit for house purchase	19,500,000.00	Over 5 years	3.32	19,500,000.00
Fifth	Cash deposit and guarantee deposit	19,103,440.00	Within 2 years	3.25	995,673.05
<b>Total</b>		<b>289,685,994.13</b>		<b>49.29</b>	<b>201,252,745.78</b>

6.8 Inventories

6.8.1 Classification of inventories

<b>Item</b>	<b>Amount as of the end of the year</b>		
	<b>Book Balance</b>	<b>Provision for decline in value</b>	<b>Carrying amount</b>
Raw material	3,604,710,166.15	633,863,779.42	2,970,846,386.73
Self-made semi-finished products and products in process	15,348,701,638.59	970,806,187.10	14,377,895,451.49
Finished goods	816,440,353.53	76,017,206.83	740,423,146.70
Reusable materials (packing materials, low value consumables)	56,472,773.32	5,477,954.99	50,994,818.33
Construction contracts (completed but not yet settled)	3,114,951,484.79	1,384,064,757.43	1,730,886,727.36
<b>Total</b>	<b>22,941,276,416.38</b>	<b>3,070,229,885.77</b>	<b>19,871,046,530.61</b>

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(Continued)

Item	Amount as of the beginning of the year		
	Book Balance	Provision for decline in value	Carrying amount
Raw material	3,562,915,973.58	334,665,468.00	3,228,250,505.58
Self-made semi-finished products and products in process	19,339,246,044.28	765,884,732.40	18,573,361,311.88
Finished goods	1,346,982,909.68	93,673,380.68	1,253,309,529.00
Reusable materials (packing materials, low value consumables)	52,708,123.79	2,804,577.18	49,903,546.61
Construction contracts (completed but not yet settled)	5,099,385,763.29	1,304,620,268.54	3,794,765,494.75
<b>Total</b>	<b>29,401,238,814.62</b>	<b>2,501,648,426.80</b>	<b>26,899,590,387.82</b>

6.8.2 Provision for decline in value of inventories

Item	Amount as of the beginning of the year	Increase in the current period		Decrease in the current period		Amount as of the end of the year
		Current year additions	Others	Reversals	Others transferred out	
Raw material	334,665,468.00	367,513,394.66		68,306,941.74	8,141.50	633,863,779.42
Self-made semi-finished products and products in process	765,884,732.40	625,471,083.17		420,213,374.82	336,253.65	970,806,187.10
Finished goods	93,673,380.68	10,558,483.53		27,591,137.48	623,519.90	76,017,206.83
Reusable materials (packing materials, low value consumables)	2,804,577.18	2,789,424.64		116,046.83		5,477,954.99
Construction contracts	1,304,620,268.54	483,303,201.65		133,713,431.19	270,145,281.57	1,384,064,757.43
<b>Total</b>	<b>2,501,648,426.80</b>	<b>1,489,635,587.65</b>		<b>649,940,932.06</b>	<b>271,113,196.62</b>	<b>3,070,229,885.77</b>

6.8.2.1 Provision for decline in value of raw materials withdrawn in the current year are due to the change of product process, the formerly purchased materials are warehoused for a long time and during which the fair value in the market reduces. The Group has withdrawn the provision for decline in value between the net realizable value and the cost.

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6.8.2.2 Provision for decline in value of self-made, semi-finished products, products in process and finished goods in the current year, are due to the fierce market competition, the sales prices went lower than the cost. The provisions are drawn in accordance with net realisable value lower than cost.

6.8.2.3 Provision for decline in value of construction contracts that completed but not settled are made by the amount of the estimated cost that exceeding contract income.

6.8.2.4 Others transferred out from provision for decline in value are the written off of the estimated contract loss based on the method of percentage of completion method.

**6.8.3 Provision for inventories**

<b>Items</b>	<b>Principle</b>	<b>Reasons for reversal</b>
Raw material	Net realisable value lower than book value	The adjustment of product manufacture process makes some of aged raw materials available for use.
Self-made semi-finished products and products in process	Net realisable value lower than book value	Complete the production and realize sales
Finished goods	Net realisable value lower than book value	Net realisable value increased
Reusable materials (packing materials, low value consumables)	Net realisable value lower than book value	Reusable materials being used again in the production
Construction contracts	Total contract income lower than expected total cost	

6.8.4 Completed but not yet settled assets at the end of year as per the construction contract

<b>Item</b>	<b>Amount</b>
Accumulated cost	41,370,273,240.47
Accumulated confirmed gross profits	2,145,884,276.94
Less: anticipated loss	1,384,064,757.43
Settled amount	40,401,206,032.62
Completed but not yet settled assets at the end of year as per the construction contract	<b>1,730,886,727.36</b>

**6.9 Other current assets**

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Item	Closing balance	Opening balance
Pending deduct VAT	252,586,538.95	302,668,916.77
Advanced payment of income tax	39,968,243.53	31,887,777.92
Advanced payment of housing property tax	480,222.45	480,222.45
Advanced payment of business taxes		300,076.56
Others	42,791.16	36,690.22
<b>Total</b>	<b>293,077,796.09</b>	<b>335,373,683.92</b>

## 6.10 Available-for-sale financial assets

## 6.10.1 Available-for-sale financial assets

Items	Amount as of the end of the year		
	Book Balance	Allowance for decrease	Book value
Available-for-sale equity instruments	33,476,314.66	30,376,314.66	3,100,000.00
Including: Cost method	33,476,314.66	30,376,314.66	3,100,000.00
<b>Total</b>	<b>33,476,314.66</b>	<b>30,376,314.66</b>	<b>3,100,000.00</b>

(Continued)

Items	Amount as of the beginning of the year		
	Book Balance	Impairment reserves	Book value
Available-for-sale equity instruments	33,476,314.66	30,376,314.66	3,100,000.00
Including: Cost method	33,476,314.66	30,376,314.66	3,100,000.00
<b>Total</b>	<b>33,476,314.66</b>	<b>30,376,314.66</b>	<b>3,100,000.00</b>

## 6.10.2 Available-for-sale financial assets analysis:

Item	Amount as of the end of the year	Amount as of the beginning of the year
<b>Listed</b>		
<b>Unlisted</b>	33,476,314.66	33,476,314.66
<b>Total</b>	<b>33,476,314.66</b>	<b>33,476,314.66</b>

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**6.10.3 Available-for-sale financial assets measured based on cost method**

Invested enterprise	Book Balance			
	Beginning of the year	Increase in current year	Decrease in current year	End of the year
Southwest Production Means Center	60,000.00			60,000.00
Deyang Mechanical and Electrical Equipment Co., Ltd.	100,941.25			100,941.25
Wuxi Electronic Guesthouse	150,000.00			150,000.00
Chengdu Sandian Stock Co., Ltd.	455,373.41			455,373.41
Sichuan Dongdian Real Estate Development Co., Ltd.	1,000,000.00			1,000,000.00
Guangdong Dongfang Power Station Complete Equipment Co., Ltd.(Guangdong Company)	1,100,000.00			1,100,000.00
Sichuan Huadian Yibin Power Generation Co., Ltd.	23,800,000.00			23,800,000.00
Chengdu Southwest Spherical Tank Engineering Co. Ltd.	50,000.00			50,000.00
Sichuan Mechanical and Electrical Equipment Import & Export Co., Ltd.	50,000.00			50,000.00
Southwest Mechanical Industry Affiliated Group Co., Ltd.	210,000.00			210,000.00
Southern Sichuan Expressway Co., Ltd.	1,000,000.00			1,000,000.00
Beijing Huatsing Gas Turbine & IGCC Technology Co., Ltd.	5,500,000.00			5,500,000.00
<b>Total</b>	<b>33,476,314.66</b>			<b>33,476,314.66</b>

(Continued)

Invested enterprise	Impairment reserves				Proportion of shareholding in the invested enterprise (%)	Cash bonuses in current year
	Beginning of the year	Increase in current year	Decrease in current year	End of the year		
Southwest Production Means Center	60,000.00			60,000.00	Not in detail	
Deyang Mechanical and	100,941.25			100,941.25	Not in detail	

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Invested enterprise	Impairment reserves				Proportion of shareholding in the invested enterprise (%)	Cash bonuses in current year
	Beginning of the year	Increase in current year	Decrease in current year	End of the year		
Electrical Equipment Co., Ltd.						
Wuxi Electronic Guesthouse	150,000.00			150,000.00	Not in detail	
Chengdu Sandian Stock Co., Ltd.	455,373.41			455,373.41	Not in detail	
Sichuan Dongdian Real Estate Development Co., Ltd.					12.50	
Guangdong Company					11.11	
Sichuan Huadian Yibin Power Generation Co., Ltd.	23,800,000.00			23,800,000.00	10.00	
Chengdu Southwest Spherical Tank Engineering Co. Ltd.	50,000.00			50,000.00	16.13	
Sichuan Mechanical and Electrical Equipment Import & Export Co., Ltd.	50,000.00			50,000.00	5.00	
Southwest Mechanical Industry Affiliated Group Co., Ltd.	210,000.00			210,000.00	2.37	
Southern Sichuan Expressway Co., Ltd.					0.05	
Beijing Huatsing Gas Turbine & IGCC Technology Co., Ltd.	5,500,000.00			5,500,000.00	15.49	
<b>Total</b>	<b>30,376,314.66</b>			<b>30,376,314.66</b>		

6.10.4 Impairment reserve of available-for-sale financial assets

Classification of financial assets available for sale	Equity instruments available for sale	Total
Impairment reserve withdrawn at the beginning of the year	30,376,314.66	30,376,314.66



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<b>Classification of financial assets available for sale</b>	<b>Equity instruments available for sale</b>	<b>Total</b>
Withdrawal of current year		
Including: transferred from other comprehensive income		
Decrease in current year		
<b>Impairment reserve withdrawn at the end of the year</b>	<b>30,376,314.66</b>	<b>30,376,314.66</b>

6.11 Long-term equity investments

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### 6.11.1 Classification of Long-term equity investments

Name of investee	Beginning balance	Increase and decrease in current year								Ending Balance	Balance of Impairment reserve at the end of year
		Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends or profit announced to distribute	Withdrawn depreciation reserve	Others		
I. Joint ventures											
1. MHPS Dongfang Boiler Co., Ltd. (Note 1)	176,485,965.55			11,359,154.85		-255,349.16	4,410,351.80			183,179,419.44	
2. AREVA Dongfang Reactor Coolant Pumps Cp., Ltd. (Note 2)	230,762,552.59			49,515,651.03						280,278,203.62	
II. Associates											
1. Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. (Note 3)	469,965,845.43			171,343,455.51			11,634,957.31		-39,569,204.37	590,105,139.26	
2. Leshan Dongyue Heavy Piece Hoisting Co. Ltd. (Note 4)	25,263,601.38			761,953.60						26,025,554.98	
3. Sichuan Energy Investment Wind Power Co., Ltd. (Note 5)	111,004,468.10	126,000,000.00		11,439,472.05			6,000,000.00			242,443,940.15	
4. Huadian Longkou Wind Power Co., Ltd.	24,514,859.54	18,750,000.00		3,317,003.81						46,581,863.35	
5. Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd. (Note 6)	16,000,000.00			-165,848.47						15,834,151.53	
6. Zhongdian Unite Heavy Gas Turbine Technology Co., Ltd (Note 7)	12,016,431.25			-541,296.56						11,475,134.69	

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Name of investee	Beginning balance	Increase and decrease in current year								Ending Balance	Balance of Impairment reserve at the end of year
		Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends or profit announced to distribute	Withdrawn depreciation reserve	Others		
7. Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.(Note 8)		16,000,000.00								16,000,000.00	
8. Inner Mongolia Mengneng Wulan New Energy Co., Ltd.(Note 9)		36,000,000.00		-677,744.79						35,322,255.21	
<b>Total</b>	<b>1,066,013,723.84</b>	<b>196,750,000.00</b>		<b>246,351,801.03</b>		<b>-255,349.16</b>	<b>22,045,309.11</b>		<b>-39,569,204.37</b>	<b>1,447,245,662.23</b>	

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Note 1: hereinafter referred to as MHPS Dongfang Boiler Group Co., Ltd.; Note 2: hereinafter referred to as Dongfang AREVA Company; Note 3: hereinafter referred to as Dongfang Mitsubishi Gas Turbine Company; Note 4: hereinafter referred to as Dongle Heavy Piece Company; Note 5: hereinafter referred to as Sichuan Energy Investment Wind Power Company; Note 6: hereinafter referred to as Hongnijing Wind Power Company; Note 7: hereinafter referred to as Zhongdian Gas Technology Company; Note 8: hereinafter referred to as Sanshengtai Wind Power Company; Note 9: hereinafter referred to as Wulan New Energy Company.

1) On February 2, 2015, Zhongdian Gas Technology Company was established by the Company, China Power Investment Corporation, Harbin Electric Company Limited and Shanghai Electric (Group) Corporation. The registered share capital of Zhongdian Gas Technology Company is RMB 100 million, the Company injected RMB 12 million which is accounting for 12% of Zhongdian Gas Technology Company's share capital. Zhongdian Gas Technology Company mainly engages in the design, research and development of gas turbine. The Company has the right and actually appointed representatives as the directors and deputy general manager of Zhongdian Gas Technology Company. The Company believes that it can have a significant impact on the production and operation of Zhongdian Gas Technology Company. Therefore, The Company treats Zhongdian Gas Technology Company as a joint venture, and equity method is applied for accounting

2) Sanshengtai Wind Power Company was founded on November 3, 2015, is a limited liability company established under joint investment with Inner Mongolia Energy Investment Group New Energy Co. Ltd. The registered capital of Sanshengtai Wind Power Company is RMB 80 million, among which the Company injected RMB 16 million, accounting for 20% of the registered capital. Sanshengtai Wind Power Company mainly undertakes operation and management of wind power project. The Company has the right and actually appointed representatives as the directors and deputy general manager of Sanshengtai Wind Power Company. The Company believes that it can have a significant impact on the production and operation of Sanshengtai Wind Power Company. Therefore, The Company treats Sanshengtai Wind Power Company as a joint venture, and equity method is applied for accounting

3) Wulan New Energy Company was founded on October 22, 2015, is a limited liability company established under joint investment with Inner Mongolia Energy Investment Group New Energy Co., Ltd. The registered capital of Wulan New Energy Company is RMB 180 million, among which the Company injected RMB 36 million, accounting for 20% of the registered capital. Wulan New Energy Company mainly undertakes

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operation and management of wind power project. The Company has the right and actually appointed representatives as the directors and deputy general manager of Wulan New Energy Company. The Company believes that it can have a significant impact on the production and operation of Wulan New Energy Company. Therefore, The Company treats Wulan New Energy Company as a joint venture, and equity method is applied for accounting

4) The movements of others for the current year refer to the unrealized internal transactional profits and losses incurred during upstream transactions between Dongfang Turbine Co., Ltd. and Dongfang Mitsubishi Gas Turbine Company, its joint venture that attributable to Dongfang Turbine Co., Ltd. calculated as per the proportion of shareholding.

## 6.11.2 Analysis of long-term equity investment

Items	Amount as of the end of the year	Amount as of the beginning of the year
Listed		
<b>Unlisted</b>	1,447,245,662.23	1,066,013,723.84
<b>Total</b>	<b>1,447,245,662.23</b>	<b>1,066,013,723.84</b>

## 6.12 Investment properties

## 6.12.1 Investment properties measured by using cost model

Items	Buildings	Land use rights	Total
I. Original carrying amount			
1.Amount as of the beginning of the year	83,123,008.19	10,401,505.00	93,524,513.19
2.Increase of the year	44,984,440.41		44,984,440.41
Including: transferred from construction in process	44,984,440.41		44,984,440.41
3.Decrease of the year	22,283.00		22,283.00
Including: Disposal or scrapping	22,283.00		22,283.00
4.Amount as of the end of the year	128,085,165.00	10,401,505.00	138,486,670.60
II. Depreciation and amortization			
1.Amount as of the beginning of the year	21,207,345.60	1,756,219.60	22,963,565.20
2.Increase of the year	3,372,274.00	225,751.56	3,598,025.56
Including: depreciation and amortization amount	3,372,274.00	225,751.56	3,598,025.56

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<b>Items</b>	<b>Buildings</b>	<b>Land use rights</b>	<b>Total</b>
3. Decrease of the year	17,790.62		17,790.62
Including: Disposal or scrapping	17,790.62		17,790.62
4. Amount as of the end of the year	24,561,828.98	1,981,971.16	26,543,800.14
III. Impairment reserves			
VI. Book value			
<b>1. Amount as of the end of the year</b>	<b>103,523,336.62</b>	<b>8,419,533.84</b>	<b>111,942,870.46</b>
<b>2. Amount as of the beginning of the year</b>	<b>61,915,662.59</b>	<b>8,645,285.40</b>	<b>70,560,947.99</b>

6.12.1.1 Depreciation and amortization of investment properties recognized in profit or loss during this year is RMB 3,598,025.56. (last year: RMB 3,501,875.60)

## 6.12.2 Analysis of investment properties based on the ages and regions

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
China	66,958,430.05	70,560,947.99
Mid-term(10-50 years)	66,958,430.05	70,560,947.99
Others	44,984,440.41	
Mid-term(10-50 years)	44,984,440.41	
<b>Total</b>	<b>111,942,870.46</b>	<b>70,560,947.99</b>

## 6.13 Fixed assets

## 6.13.1 Fixed Assets

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Item	Land	Building	Machines and equipments	Vehicles	Instruments, electronic equipment and others	Total
I. Original carrying amount						
1.Amount as of the beginning of the year	22,474,549.10	7,169,865,014.45	8,202,776,448.17	352,947,091.47	1,025,927,451.41	16,773,990,554.60
2.Increase of the year	826,891.64	155,920,094.96	95,011,793.10	8,736,928.40	301,300,805.80	561,796,513.90
(1) Procurement		2,097,868.83	38,739,621.72	352,175.12	4,378,843.12	45,568,508.79
(2) Transferred from construction in process		153,576,887.20	54,889,403.45	8,367,478.17	292,899,949.43	509,733,718.25
(3) Increase from change of exchange rate	826,891.64			17,275.11	12,305.08	856,471.83
(4) Others		245,338.93	1,382,767.93		4,009,708.17	5,637,815.03
3.Decrease of the year		673,881.65	86,397,478.44	3,690,972.97	44,415,965.15	135,178,298.21
(1) Disposal or scrapping		673,881.65	86,397,478.44	3,690,972.97	44,411,965.15	135,174,298.21
(2) Others					4,000.00	4,000.00
4. Amount as of the end of the year	23,301,440.74	7,325,111,227.76	8,211,390,762.83	357,993,046.90	1,282,812,292.06	17,200,608,770.29
II. Depreciation						
1.Amount as of the beginning of the year		2,200,100,635.08	5,376,760,106.39	276,290,663.08	795,204,685.26	8,648,356,089.81
2.Increase of the year		322,272,336.16	450,342,561.06	24,896,574.74	224,182,378.76	1,021,693,850.72
(1) Withdrawal		322,272,336.16	450,342,561.06	24,881,538.64	224,173,399.56	1,021,669,835.42
(2) Other increases				15,036.10	8,979.20	24,015.30

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Item	Land	Building	Machines and equipments	Vehicles	Instruments, electronic equipment and others	Total
3. Decrease of the year		219,073.82	82,132,115.01	3,448,628.18	39,294,453.67	125,094,270.68
(1) Disposal or scrapping		219,073.82	82,132,115.01	3,448,628.18	39,292,363.67	125,092,180.68
(2) Others					2,090.00	2,090.00
4. Amount as of the end of the year		2,522,153,897.42	5,744,970,552.44	297,738,609.64	980,092,610.35	9,544,955,669.85
III. Impairment reserve						
1. Amount as of the beginning of the year		121,776.23	26,112,348.88	90,000.00	64,102.47	26,388,227.58
2. Increase of the year		2,988,089.29	8,069,251.69	24,644.98	906,851.65	11,988,857.61
Including: Withdrawal		2,988,089.29	8,069,251.69	24,644.98	906,851.65	11,988,857.61
3. Decrease of the year			3,150.00			3,150.00
Including: Disposal or scrapping			3,150.00			3,150.00
4. Amount as of the end of the year		3,109,865.52	34,178,450.57	114,664.98	970,954.12	38,373,935.19
IV. Book value						
<b>1. Amount as of the end of the year</b>	<b>23,301,440.74</b>	<b>4,799,847,464.82</b>	<b>2,432,241,759.82</b>	<b>60,139,772.28</b>	<b>310,748,727.59</b>	<b>7,617,279,165.25</b>
<b>2. Amount as of the beginning of the year</b>	<b>22,474,549.10</b>	<b>4,969,642,603.14</b>	<b>2,799,903,992.90</b>	<b>76,566,428.39</b>	<b>230,658,663.68</b>	<b>8,099,246,237.21</b>



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6.13.1.1 The land is that acquired by India Company within India.

6.13.1.2 By the end of 2016, accumulated depreciation drawn is RMB 1,021,669,835.42 (up to last year: RMB 1,081,421,502.51).

6.13.1.3 Net loss from disposal of the fixed assets are RMB 5,482,895.58..

6.13.1.4 The net book value of fixed assets pledged or guaranteed is RMB 186,901,471.48.

## 6.13.2 Analysis of fixed assets based on ages and regions

Item	Amount as of the end of the year	Amount as of the beginning of the year
China	4,747,377,014.36	4,969,642,603.14
Mid-term(10-50 years)	4,656,928,011.05	4,871,898,262.28
Short-term(0-10years)	90,449,003.31	97,744,340.86
Others	52,470,450.46	
Short-term(0-10years, including 50 years)		
Mid-term(10-50 years, including 10 years)	52,470,450.46	
<b>Total</b>	<b>4,799,847,464.82</b>	<b>4,969,642,603.14</b>

## 6.13.3 Temporary idled fixed assets

Item	Book balance	Accumulated depreciation	Depreciation reserve	Book value	Note
Building	19,694,298.81	3,385,842.67		16,308,456.14	
Machines and equipments	36,688,479.22	27,590,667.85	2,264,489.44	6,833,321.93	
Vehicles	1,981,466.50	1,900,643.15	1,043.34	79,780.01	
Instruments, electronic equipment and others	8,050,537.00	6,878,464.94	607,641.44	564,430.62	
<b>Total</b>	<b>66,414,781.53</b>	<b>39,755,618.61</b>	<b>2,873,174.22</b>	<b>23,785,988.70</b>	

## 6.13.4 Fixed assets leased in under finance leases

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Item	Book balance	Accumulated depreciation	Depreciation reserve	Book value
Machines and equipments	30,000,000.00	4,232,202.44		25,767,797.56
<b>Total</b>	<b>30,000,000.00</b>	<b>4,232,202.44</b>		<b>25,767,797.56</b>

The fixed assets leased under finance leases are formed by the agreement of sales and lease back, which was signed by Hangzhou New Energy Company and Dongfang Electric Finance Company about 16-meter vertical lathe, 10-meter vertical lathe, 5-meter gantry milling and etc.. For details, please refer to the notes to the financial statements 16, 1 (1).

## 6.13.5 Fixed assets leased out under operating leases

By the end of 2016, book value of the fixed assets of the Company which was leased out under operating leases is RMB 1,395,190.52(Original value of those fixed assets is RMB 14,305,952.07; Original value of the leased out fixed assets is RMB 20,257,843.34 and the book value at the beginning of the year is RMB 3,193,571.57).

Detailed analysis is as below:

Item	Book value
Machines and equipments	1,341,328.28
Vehicles	53,584.46
Instruments, electronic equipment and others	277.78
<b>Total</b>	<b>1,395,190.52</b>

## 6.13.6 Fixed assets of which certificates of title have not been obtained

Item	Book value	Reason
350T high-speed dynamic balance and nuclear power plant Lengthened of Dongfang Turbine Co., Ltd, Mianzhu Industrial Park(Abelai) II plant, nuclear power plant, construction of auxiliary Ir192 ray detection room, raw materials warehouse, office building of auxiliary manufacturing base, dormitory of structural parts factory, office building of structural parts factory, compressor test plant and pressurization station of Dongfang Turbine Co., Ltd, Deyang auxiliary production plant, Mianzhu structural plant A district II plant	200,477,663.60	Being processed
Dormitory of Dongfang Wind Power Co., Ltd., Wind power plant, accessories warehouse, office buildings, dining hall,	128,539,016.86	Being processed

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Item	Book value	Reason
Hulunbeier production base I		
New technology building of Dongfang Wind Power Co., Ltd., staff canteen, hydraulic laboratory, the second speeding laboratory, the second super laboratory tooling library, 110KV transformer control building, the second staff canteen, staff training centre (including college students apartment)	143,059,434.43	Being processed
Lianwu plants of Dongfang Boiler Group Co., Ltd., the second detection room of Deyang, Chengdu building 2, Lianliu plants	242,877,276.50	Being processed
The main plant of Wuhan Nuclear Equipment Co., Ltd., accessories and the second detection room, warehouse, safeguard of west plant, plant II	100,568,007.50	Being processed
Cold-state plants, cold-state auxiliary rooms, hot-state plants (3 in total) of Dongfang Boiler Group Co., Ltd.	9,565,836.71	As the land is not the property of Dongfang Boiler Group Co., Ltd., certificate of title cannot be obtained

## 6.14 Construction in progress

## 6.14.1 Details of construction in progress

Item	Amount as of the end of the year			Amount as of the beginning of the year		
	Book balance	Impairment	Book Value	Book balance	Impairment	Book Value
Construction in progress	107,836,112.31	237,690.00	107,598,422.31	449,232,439.31	1,430,697.20	447,801,742.11
<b>Total</b>	<b>107,836,112.31</b>	<b>237,690.00</b>	<b>107,598,422.31</b>	<b>449,232,439.31</b>	<b>1,430,697.20</b>	<b>447,801,742.11</b>

## 6.14.2 Changes in significant construction in progress

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year		Amount as of the end of the year
			Transfer to long term assets	Others	
Compressor rig construction of Dongfang Turbine Co., Ltd.	84,551,259.12	17,593,637.15	87,673,508.40	1,970.39	14,469,417.48
CNC single-column moving vertical composite milling machine of Wuhan Nuclear Equipment Co., Ltd	13,697,903.37		5,555.56		13,692,347.81
EPC project of phase-II of test station of Dongfang Electric	16,630,204.43	1,599,010.10	8,698,810.26		9,530,404.27

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Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year		Amount as of the end of the year
			Transfer to long term assets	Others	
Machinery Co., Ltd.					
Special project for improvement of capability in manufacturing 32t13002q container products and gasifier of Dongfang Boiler Group Co., Ltd.	14,726,577.54	24,868,164.26	31,492,716.80		8,102,025.00
CNC moving-beam gantry type milling machine of Dongfang Turbine Co., Ltd.	10,835,928.60	66,830.77	2,847,349.30	360,000.00	7,695,410.07
Ziji 2016-002 double planet mix machine of Dongfang Turbine Co., Ltd.		1,907,692.31			1,907,692.31
Design of 50MW natural gas turbine booster station of Dongfang Turbine Co., Ltd.		1,896,592.00			1,896,592.00
Heavy-duty type half-precision horizontal lathe for machining rotors with 4.2m diameter of Dongfang Turbine Co., Ltd.	9,213,265.53	3,867,005.30	12,631,005.30		449,265.53
Research and test base (phase I) of Dongfang Electric Machinery Co., Ltd.	11,158,952.01	4,366,397.24	14,858,169.76		667,179.49
Dong Fang Electric (India) Private Limited(Office building projects)	80,769,752.67	16,685,138.20	97,454,890.87		
Construction project of 350T high speed dynamic balance of Dongfang Turbine Co., Ltd.	77,835,354.86	298,135.90	78,117,490.76	16,000.00	
Construction of 6MW full power fan blower and LVRT base construction of Dongfang Turbine Co., Ltd.	33,085,652.29	8,730,832.39	41,816,484.68		
Other projects	96,727,588.89	152,945,991.97	183,663,704.20	16,584,098.31	49,425,778.35
<b>Total</b>	<b>449,232,439.31</b>	<b>234,825,427.59</b>	<b>559,259,685.89</b>	<b>16,962,068.70</b>	<b>107,836,112.31</b>

(continued)

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Items	Budget amount (0,000.00)	Amount injected as a proportion of budget amount (%)	Construction progresses (%)	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
Compressor rig construction of Dongfang Turbine Co., Ltd.	31,260.00	95.00	95.00				Other sources
CNC single-column moving vertical composite milling machine of Wuhan Nuclear Equipment Co., Ltd	2,240.00	61.13	61.13				Other sources
EPC project of phase-II of test station of Dongfang Electric Machinery Co., Ltd.	3,920.00	80.00	99.00				Other sources
Special project for improvement of capability in manufacturing 32t13002q container products and gasifier of Dongfang Boiler Group Co., Ltd.	19,220.00	93.39	98.00				Other sources
CNC moving-beam gantry type milling machine of Dongfang Turbine Co., Ltd.	11,500.00	93.00	93.00				Other sources
Ziji 2016-002 double planet mix	268.00	71.00	71.00				

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Items	Budget amount (0,000.00)	Amount injected as a proportion of budget amount (%)	Construction progresses (%)	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
machine of Dongfang Turbine Co., Ltd.							
Design of 50MW natural gas turbine booster station of Dongfang Turbine Co., Ltd.	1,500.00	60.00	60.00				
Heavy-duty type half-precision horizontal lathe for machining rotors with 4.2m diameter of Dongfang Turbine Co., Ltd.	2,600.00	100.00	95.00				Other sources
Research and test base (phase I) of Dongfang Electric Machinery Co., Ltd.	7,200.00	80.00	99.00				Other sources
Dong Fang Electric (India) Private Limited(Office building projects)	13,000.00	100.00	100.00				Other sources
Construction project of 350T high speed dynamic balance of Dongfang Turbine Co., Ltd.	18,500.00	100.00	100.00				Other sources
Construction of 6MW full	8,000.00	100.00	100.00				Other sources

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Items	Budget amount (0,000.00)	Amount injected as a proportion of budget amount (%)	Construction progresses (%)	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
power fan blower and LVRT base construction of Dongfang Turbine Co., Ltd.							
Other projects							Loan from financial institutions and other sources
<b>Total</b>							

6.15 Intangible assets

6.15.1 Intangible assets

Item	Land use right	Patents	Non-patent technology	Software	Total
I. Original book value					
1.Amount as of the beginning of the year	1,080,095,698.80	11,692,161.08	339,666,800.93	130,980,752.59	1,562,435,413.40
2. Increase of the year	49,848.00		9,549,621.33	17,616,526.78	27,215,996.11
(1) procurement	49,848.00		9,549,621.33	13,074,999.55	22,674,468.88
(2) Transferred from construction in process				4,541,527.23	4,541,527.23
3. Decrease of the year				10,800.03	10,800.03
(1) Disposals				10,800.00	10,800.00
(2) decrease of the change of exchange rate				0.03	0.03
4.Amount as of the end of the year	1,080,145,546.80	11,692,161.08	349,216,422.26	148,586,479.34	1,589,640,609.48
II. Amortization					
1.Amount as of the beginning of the year	174,565,856.82	8,115,070.64	260,552,390.61	74,786,191.41	518,019,509.48

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Item	Land use right	Patents	Non-patent technology	Software	Total
2.Increase of the year	19,803,430.05	1,727,115.80	21,294,402.94	18,919,223.50	61,744,172.29
(1) Withdrawal	19,803,430.05	1,727,115.80	21,294,402.94	18,919,223.50	61,744,172.29
3.Decrease of the year				10,800.00	10,800.00
(1) Disposal				10,800.00	10,800.00
4.Amount as of the end of the year	194,369,286.87	9,842,186.44	281,846,793.55	93,694,614.91	579,752,881.77
III. Depreciation reserve					
1.Amount as of the beginning of the year	90,428,509.50		7,758,115.57		98,186,625.07
2.Increase of the year					
3.Decrease of the year					
4.Amount as of the end of the year	90,428,509.50		7,758,115.57		98,186,625.07
IV. Book Value					
<b>Amount as of the end of the year</b>	<b>795,347,750.43</b>	<b>1,849,974.64</b>	<b>59,611,513.14</b>	<b>54,891,864.43</b>	<b>911,701,102.64</b>
<b>Amount as of the beginning of the year</b>	<b>815,101,332.48</b>	<b>3,577,090.44</b>	<b>71,356,294.75</b>	<b>56,194,561.18</b>	<b>946,229,278.85</b>

6.15.1.1 Analysis of land use right based on the ages and regions

Items	Amount as of the end of the year	Amount as of the beginning of the year
China	795,347,750.43	815,101,332.48
Mid-term(10-50 years)	795,347,750.43	815,101,332.48
<b>Total</b>	<b>795,347,750.43</b>	<b>815,101,332.48</b>

6.15.1.2 The accumulated amortization of intangible assets for the year is RMB 61,744,172.29 compared with RMB 56,003,807.55 of last year.

6.15.2 Land use right of which certificates of title have not been obtained

Land use right of which certificates of title have not been obtained is RMB 9,454,816.99 (Original book value RMB 9,883,083.96), compared with RMB 47,752,326.40 (Original book value RMB 52,936,676.42) last year. Detailed analysis is as below:



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Items	Book value	Reason
Combined Land VI at west side of Huashan Road of Dongfang Boiler	9,454,816.99	The government has not completed the occupation of part of the land yet, thus subsequent procedures cannot be processed.
<b>Total</b>	<b>9,454,816.99</b>	

As the above land use rights are all acquired in accordance with related laws, the management of the Company expect no substantial obstacles in obtaining the certificates of title of those land use rights, and there is no material impact on the group's operation, thus no impairment reserve being accrued and no material additional cost will occur.

6.15.3 The net book value of intangible assets pledged or guaranteed is RMB 20,891,833.33.

6.15.4 Impairment reserve of intangible assets

1) With the approval of The impairment reserve of land as at the year-end is due to the impairment reserve of the land of Han-wang production base, which was destroyed in the earthquake on May 12, 2008. According to the 'report on the planning and feasible study of the project of the rebuilt project of the abandoned land in Hanwang production base of Dongfang Turbine Co., Ltd' which was approved by State-Owned Assets Supervision and Administration Commission, the company withdrawn full impairment provision regarding the deserted and destroyed land of Hanwang production base of RMB 90,428,509.5.

2) The impairment reserve of non-patent technology as at the year-end is due to the 3MW blower fan non-patent technology Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.(Hereinafter referred to Hangzhou New Energy Co., Ltd.) holds, the technology is no longer can meet the need from the market. So, full impairment of RMB 7,758,115.57 was made.

6.16 Long-term deferred expenses

Item	Amount as of the beginning of the year	Increase of the year	Amortization in current year	Other decrease of the year	Amount as of the end of the year
Maintenance cost for power distribution equipment	315,000.22		69,999.96		245,000.26
Fees for test modification	29,000.00		29,000.00		
Fees for ASME		1,245,913.02	415,304.34		830,608.68

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Item	Amount as of the beginning of the year	Increase of the year	Amortization in current year	Other decrease of the year	Amount as of the end of the year
<b>Total</b>	<b>344,000.22</b>	<b>1,245,913.02</b>	<b>514,304.30</b>		<b>1,075,608.94</b>

6.17 Deferred tax assets and deferred tax liabilities

6.17.1 Non-offset deferred income tax assets

Item	Amount as of the end of the year		Amount as of the beginning of the year	
	deductible temporary differences	Deferred tax assets	deductible temporary differences	Deferred tax assets
Provision for asset impairment	8,595,898,389.08	1,321,586,911.59	7,995,100,534.47	1,204,275,105.04
Provisions	1,523,456,753.70	229,029,154.88	1,313,830,846.59	197,566,459.95
Payroll payables	770,793,407.08	115,619,011.07	459,330,347.51	69,212,297.88
Deductible loss carried forward to the next year	653,689,045.57	98,053,356.83	1,289,969.97	322,492.49
Unrealized profit of internal transactions	202,070,530.22	42,441,440.08	184,645,857.64	33,111,098.74
Government grant	243,122,348.49	38,553,501.54	162,273,036.53	26,527,230.25
Account payables	48,682,515.22	7,302,377.28	64,098,604.06	9,614,790.61
Fixed assets depreciation	29,335,437.84	4,401,315.81	26,224,406.43	3,933,660.96
Enterprise income tax deducted from overseas for tax credit	16,071,515.20	4,017,878.80	3,310,404.66	827,601.17
Fair value change	20,565,262.08	3,084,789.32	12,522,616.14	1,878,392.42
Amortisation of intangible assets	6,029,036.07	904,355.41		
<b>Total</b>	<b>12,109,714,240.55</b>	<b>1,864,994,092.61</b>	<b>10,222,626,624.00</b>	<b>1,547,269,129.51</b>

6.17.2 Non-offset deferred income tax liabilities

Item	Amount as of the end of the year		Amount as of the beginning of the year	
	taxable temporary differences	deferred tax liabilities	taxable temporary differences	deferred tax liabilities
Fixed assets depreciation	45,461,633.89	6,819,245.09	41,982,779.62	6,296,681.18
Fair value changes	3,157,657.59	473,648.64	10,339.13	1,550.87
Value added after evaluation			36,570,915.55	8,515,044.11

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Item	Amount as of the end of the year		Amount as of the beginning of the year	
	taxable temporary differences	deferred tax liabilities	taxable temporary differences	deferred tax liabilities
<b>Total</b>	<b>48,619,291.48</b>	<b>7,292,893.73</b>	<b>78,564,034.30</b>	<b>14,813,276.16</b>

## 6.17.3 Details of unrecognised deferred tax assets and deferred tax liabilities

Item	Amount as of the end of the year	Amount as of the beginning of the year
Deductible loss carried forward to the next year	1,560,412,473.62	680,393,315.65
Provision for inventories	395,899,030.36	313,786,375.02
Provisions	248,496,009.44	16,362,165.67
Provision for bad debts	243,032,587.51	54,542,861.48
Value added after evaluation	43,982,029.80	47,700,295.75
Payroll payables	33,204,030.19	15,333,311.26
Government grant	10,692,714.15	9,134,849.33
Impairment reserve of intangible assets	7,758,115.57	10,436,994.84
Impairment reserve of fixed assets	4,159,710.31	
Unrealized profit of internal transactions	1,560,082.33	22,479,717.12
<b>Total</b>	<b>2,549,196,783.28</b>	<b>1,170,169,886.12</b>

The Group didn't recognize the deductible temporary differences of deferred tax assets. This is mainly because there is seriously uncertainty that some companies could gain enough taxable income. Moreover, neither deductible loss nor deductible temporary differences is recognized as deferred tax asset.

6.17.4 Deductible losses, for which no deferred tax assets are recognised, will expire in the following years

Year	Amount as of the end of the year	Amount as of the beginning of the year	Note
2016		16,570,892.12	
2017	47,419,122.33	47,419,122.33	
2018	106,902,110.36	106,902,110.36	

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Year	Amount as of the end of the year	Amount as of the beginning of the year	Note
2019	118,367,330.21	118,367,330.21	
2020	401,414,575.84	391,133,860.63	
2021	886,309,334.88		
<b>Total</b>	<b>1,560,412,473.62</b>	<b>680,393,315.65</b>	

## 6.18 Other non-current assets

Item	Amount as of the end of the year	Amount as of the beginning of the year
Unrealised profit or loss from sales and release backed finance release	426,208.77	524,564.64
<b>Total</b>	<b>426,208.77</b>	<b>524,564.64</b>

At the end of the year, other non-current assets were unrealized profit or loss raised from the finance lease business about sale and leaseback of the equipment and equipment between Hangzhou New Energy Company and Dongfang Electric Finance Company.

## 6.19 Short term borrowings

## 6.19.1 Classification of short term borrowings

Categories	Amount as of the end of the year	Amount as of the beginning of the year
Pledged loan		10,000,000.00
Mortgage loan	142,000,000.00	142,000,000.00
Guaranteed loan	22,500,000.00	
Credit loan	120,000,000.00	1,490,000,000.00
<b>Total</b>	<b>284,500,000.00</b>	<b>1,642,000,000.00</b>

1) The short term loan decreased by RMB 1,357.50 million at a rate of 82.67% compared with last year, for the repayment of matured loans of Dongfang Turbine Co., Ltd..

2) Mortgage loan of the group is RMB 142 million at the end of the year. It is the loan that Wuhan Nuclear Equipment Co., Ltd. obtained from Dongfang Electric Finance Co., Ltd, the loan is collateralized by the machinery and equipment, land and real estate (the maximum loan amount is RMB 200million).

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3) Guaranteed loan of the Group as at the end of the year is RMB 22.50 million. It is the borrowing Dongfang Wind Power Co., Ltd. obtained from Dongfang Electric Finance Co., Ltd. It is specifically used for the payment of Shanghai Intercity Kurt Rotary Bearing Co., Ltd. In the meantime, Shanghai Intercity Kurt Rotary Bearing Co., Ltd. is responsible for the joint liability guarantee and bear for the corresponding interest.

4) On December 31, 2016, the weighted average annual interest rate of short term loan is 4.02 % ( 3.50% on December 31, 2015)

6.19.2 No short-term borrowings had overdue but not yet repaid.

## 6.20 Financial liability at fair value through profit or loss

Item	Amount as of the end of the year	Amount as of the beginning of the year
Derivative financial liabilities	10,372,195.96	5,853,124.58
合计	<b>10,372,195.96</b>	<b>5,853,124.58</b>

The derivative financial liabilities as at the end of the year is the 2,438.40 thousand Europe forward exchange sale contract between the Company and the bank. The fair value is calculated based on the price provided by the bank.

## 6.21 Notes Payable

Category	Amount as of the end of the year	Amount as of the beginning of the year
Bank acceptance	187,503,899.76	316,539,408.51
Commercial acceptance	5,088,828,020.26	4,341,232,920.30
<b>Total</b>	<b>5,276,331,920.02</b>	<b>4,657,772,328.81</b>

## 6.22 Accounts payables

## 6.22.1 Accounts payables ageing analysis

Item	Amount as of the end of the year	Amount as of the beginning of the year
Within one year	9,246,484,205.53	11,461,962,902.40
1-2 years	2,992,948,671.28	2,080,214,592.88
2-3 years	1,033,600,357.97	644,858,826.54
Over 3 years	1,107,279,350.58	992,497,060.90
<b>Total</b>	<b>14,380,312,585.36</b>	<b>15,179,533,382.72</b>

Ageing analysis about accounts payable of the Group is based on the related invoice, settlement note and etc.

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## 6.22.2 Significant accounts payable aged more than one year

<b>Name</b>	<b>Amount as of the end of the year</b>	<b>Reason</b>
First	166,963,000.00	In warranty period
Second	113,117,147.47	In warranty period
Third	84,358,981.78	In warranty period
Forth	67,888,916.31	In warranty period
Fifth	50,692,139.55	In warranty period
<b>Total</b>	<b>483,020,239.11</b>	

## 6.23 Receipts in advance

## 6.23.1 Receipts in advance

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Within 1 year (inclusive)	23,075,461,200.06	22,479,988,495.16
over 1 year	12,490,978,482.55	12,366,479,197.22
<b>Total</b>	<b>35,566,439,682.61</b>	<b>34,846,467,692.38</b>

## 6.23.2 Significant receipts in advance aged more than one year

<b>Name of entity</b>	<b>Amount as of the end of the year</b>	<b>Reason</b>
First	1,601,921,732.30	Long cycle of equipment manufacturing, settlement is pending
Second	536,668,327.24	Long cycle of equipment manufacturing, settlement is pending
Third	515,228,922.00	Long cycle of equipment manufacturing, settlement is pending
Forth	479,455,977.98	Long cycle of equipment manufacturing, settlement is pending
Fifth	477,606,806.95	Long cycle of equipment manufacturing, settlement is pending
<b>Total</b>	<b>3,610,881,766.47</b>	

## 6.23.3 Completed but not yet settled assets at the end of year as per the construction contract

<b>Item</b>	<b>Amount</b>
Settled amount	91,940,543,344.09
Less: Accumulated cost	67,161,302,026.26
Accumulated confirmed gross profits	3,681,032,561.50
Provision	204,335,351.73

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Completed but unsettled assets at the end of year as per the construction contract	21,302,544,108.06
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## 6.24 Employee benefits payable

## 6.24.1 Classification of employee benefits payable

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Short-term remuneration	239,563,661.71	2,876,947,275.79	2,882,249,917.44	234,261,020.06
Post-employment benefit -DCP	70,546,361.09	409,177,913.18	461,272,209.65	18,452,064.62
Termination benefits	85,964,181.66	323,242,644.67	234,050,361.56	175,156,464.77
<b>Total</b>	<b>396,074,204.46</b>	<b>3,609,367,833.64</b>	<b>3,577,572,488.65</b>	<b>427,869,549.45</b>

## 6.24.2 Short-term employee benefits payable

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Salaries, bonuses, allowances and subsidies	160,267,842.53	2,080,218,449.57	2,100,758,614.36	139,727,677.74
Staff welfare		263,307,651.90	263,307,651.90	
Social security contributions	1,762,152.66	203,580,076.73	204,317,982.21	1,024,247.18
Including: medical insurance premiums	1,562,459.09	178,149,851.25	178,736,562.09	975,748.25
Labour injury insurance	130,680.72	15,009,135.34	15,115,795.31	24,020.75
Maternity insurance	69,012.85	10,421,090.14	10,465,624.81	24,478.18
Housing fund	6,204,783.30	197,541,161.17	198,120,448.17	5,625,496.30
Union fund and staff education fund	70,149,518.71	68,658,733.69	51,301,863.26	87,506,389.14
Labour protection expenses		57,075,231.09	57,075,231.09	
Others	1,179,364.51	6,565,971.64	7,368,126.45	377,209.70
<b>Total</b>	<b>239,563,661.71</b>	<b>2,876,947,275.79</b>	<b>2,882,249,917.44</b>	<b>234,261,020.06</b>

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## 6.24.3 DCP

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
primary endowment insurance	2,266,674.13	359,731,704.60	361,321,556.62	676,822.11
unemployment insurance	180,080.97	27,620,449.59	27,774,081.64	26,448.92
supplementary pension	68,099,605.99	21,825,758.99	72,176,571.39	17,748,793.59
<b>Total</b>	<b>70,546,361.09</b>	<b>409,177,913.18</b>	<b>461,272,209.65</b>	<b>18,452,064.62</b>

## 6.25 Taxes payable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Value-added tax(VAT)	387,468,658.91	250,932,243.52
Business tax	137,719.99	1,397,969.50
Enterprise income tax(EIT)	88,092,611.23	193,730,783.85
City construction and maintenance tax	24,797,200.90	17,010,646.83
Individual income tax	29,332,059.05	22,639,238.08
Education surcharge	11,261,920.75	7,318,783.01
Local education surcharge	6,353,603.86	4,776,325.10
Housing property tax	4,915,424.18	4,650,036.43
Land use tax	1,066,025.58	220,025.58
Stamp duty	3,901,195.44	2,705,414.21
Embankment protection charges	94,836.99	170,849.57
Price regulation fund	7,730,636.39	7,936,286.93
Water conservancy and construction special funds	170,849.57	162,516.28
Others	885,191.64	4,571,752.30
<b>Total</b>	<b>566,207,934.48</b>	<b>518,222,871.19</b>

There is no enterprise income tax payable balance of Hong Kong.

## 6.26 Interest payable

Items	Amount as of the end of the year	Amount as of the beginning of the year
Interest payable on short-term borrowings		1,437,499.99



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<b>Items</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	736,111.11	338,611.11
<b>Total</b>	<b>736,111.11</b>	<b>1,776,111.10</b>

There is no overdue interest in the interest payable at the end of the year.

## 6.27 Dividends payable

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Other shareholders of Dongfang Boiler Group Co., Ltd.	2,787,911.77	2,664,122.09
Huaxi Energy Industry Co., Ltd.		480,000.00
<b>Total</b>	<b>2,787,911.77</b>	<b>3,144,122.09</b>

6.27.1 The dividends payable aged more than one year is cash dividends unpaid when Dongfang Boiler Group Co., Ltd. de-listed from the securities exchange market, the reason for the unpaid is due to the reason that some shareholders have not come to Dongfang Boiler Group Co., Ltd to perform the cash dividends claim procedures.

## 6.28 Other payables

## 6.28.1 Classification of other payables base on nature

<b>Nature</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
payables of stock purchase	942,336,415.78	942,336,415.78
State allocations in budge	413,710,000.00	413,710,000.00
Security deposit and earnest money	261,176,326.04	168,559,847.21
Lease, labour and sporadic procurement	86,192,941.48	69,460,355.73
Collection on behalf of others	119,571,434.14	64,157,239.77
Payables on behalf of others	79,110,192.06	42,834,856.24
Fundamental medical insurance and housing fund by individual	16,814,467.07	39,410,631.80
Others	46,997,596.32	34,296,400.51
<b>Total</b>	<b>1,965,909,372.89</b>	<b>1,774,765,747.04</b>

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## 6.28.2 Significant other payables aged more than one year:

Name entity	Amount as of the end of the year	Reason
First	1,356,046,415.78	Note
Second	17,774,218.78	Reimbursement, Rental fee
Third	10,000,000.00	Unqualified performance bond
<b>Total</b>	<b>1,383,820,634.56</b>	

Note: The balance amount is the state allocations on infrastructure within budget and the net profit that belongs to Dongfang Electric Corporation between evaluation date and the acquisition completed date, which was based on the agreement when the Company acquired Dongfang Turbine Co., Ltd and Dongfang Boiler Group Co., Ltd. with the private equity placement of A shares in 2007.

## 6.29 Non-current liabilities due within one year

Item	Amount as of the end of the year	Amount as of the beginning of the year
Long-term borrowings due within one year	723,140,000.00	354,320,000.00
Convertible bond due within one year	8,239,338.40	
<b>Total</b>	<b>731,378,338.40</b>	<b>354,320,000.00</b>

## Overdue borrowings:

Name of creditor	Amount	Overdue period	Interest rate(%)	Use of borrowing	Reason for overdue	Expected repayment date
Finance Bureau of Deyang	16,320,000.00	73-121 months	2.55	Implementation of technical transformation and construction of gas-steam combined cycle.	Not been collected	
<b>Total</b>	<b>16,320,000.00</b>					

Overdue loans at year ended are bond funds which have been borrowed from Deyang Finance Bureau since 2001, based on the agreement between Dongfang Turbine Co., Ltd and Deyang Finance Bureau. The loans are used for the reconstruction project of gas and steam technology and due from Nov, 2006 to Nov, 2010 gradually. For the creditor has not asked the debtor to repay the loans, thus Dongfang Turbine Co., Ltd has not repaid the loan yet.

## 6.30 Other current liabilities

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## 6.30.1 Other current liabilities

Items	Amount as of the end of the year	Amount as of the beginning of the year
Deferred income- Government grants	77,113,715.51	103,512,042.66
<b>Total</b>	<b>77,113,715.51</b>	<b>103,512,042.66</b>

## 6.30.2 Government grants

Item	Amount as of the beginning of the year	Increase of the year	Other changes	Amount recognised in non-operating revenue	Amount as of the end of the year	Assets or income related
VAT refund for the third line enterprises	42,749,529.16		33,519,746.88	42,719,529.16	33,519,746.88	Assets related
Government funding for infrastructure	4,303,741.99		1,303,741.99	1,303,741.99	4,303,741.99	Assets related
Government funding for scientific research	2,035,595.41		1,136,592.23	1,206,595.40	1,965,592.24	Assets related
Government funding for scientific research	46,548,892.13		30,258,246.63	43,556,392.13	33,250,746.63	Income related
Government funding for technology	1,200,000.00		1,399,080.00	1,200,000.00	1,399,080.00	Assets related
Government subsidies	948,550.00		948,550.00	948,550.00	948,550.00	Assets related
Government subsidies			400,000.00		400,000.00	Income related
Others	5,725,733.97		1,326,257.77	5,725,733.97	1,326,257.77	Income related
<b>Total</b>	<b>103,512,042.66</b>		<b>70,292,215.50</b>	<b>96,690,542.65</b>	<b>77,113,715.51</b>	

Other changes in the other current liabilities of RMB 70,292,215.51 is the government grants in deferred income which will be recognised as non-operating revenue in 2017, please refer to notes of financial statements, Note 6.36.2 for detail.

## 6.31 Long-term borrowings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Credit borrowings	1,260,080,000.00	1,073,140,000.00
Less: long-term borrowings due within one year	723,140,000.00	354,320,000.00

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Item	Amount as of the end of the year	Amount as of the beginning of the year
<b>Total</b>	<b>536,940,000.00</b>	<b>718,820,000.00</b>

6.31.1 On December 31, 2016, the weighted average annual interest rate for long-term borrowings is 2.68% (that on December 31, 2015 was 3.48%).

## 6.31.2 Due date analysis of long-term borrowings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Within 1-2 years	512,000,000.00	706,820,000.00
Within 2-5 years	24,940,000.00	12,000,000.00
<b>Total</b>	<b>536,940,000.00</b>	<b>718,820,000.00</b>

## 6.32 Long-term accounts payables

## 6.32.1 Classification based on nature

Nature	Amount as of the end of the year	Amount as of the beginning of the year
Original value of long-term accounts payable of finance lease	19,138,511.33	
Less: unrecognized finance lease fees	2,600,518.63	
<b>Net</b>	<b>16,537,992.70</b>	

The long-term payables of the Group at the end of the year are the long-term payables formed by the Hangzhou New Energy Company and Dongfang Electric Finance Company for the sale and lease back. Among them, the payable amount due within one year is RMB 8,239,338.40 (principal amount of RMB 10,000,000.00, unrecognized finance lease fee is RMB 1,760,661.60) listed in the "one year due to non-current liabilities".

## 6.32.2 Analysis based on repayable period

Nature	Amount as of the end of the year	Amount as of the beginning of the year
Original value of long-term accounts payable of finance lease	16,537,992.70	
Original value which will be expired within one year	8,239,338.40	
<b>Total</b>	<b>24,777,331.10</b>	
<b>Book value stated above should be paid back within the period below:</b>		

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<b>Nature</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Within one year	8,239,338.40	
More than one year after the balance sheet date, but not more than two years	8,239,338.40	
More than two years after the balance sheet date, but not more than five years	8,298,654.30	
More than five years after the balance sheet date		
<b>Deduct: Payables due within one year due under current liabilities</b>	<b>8,239,338.40</b>	
<b>Amount listed in NCL</b>	<b>16,537,992.70</b>	

## 6.33 Long-term employee benefits payable

<b>Items</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Resignation benefit	560,420,497.06	168,482,931.24
Less: unrealized finance lease fees	98,313,393.56	25,614,010.73
<b>Total</b>	<b>462,107,103.50</b>	<b>142,868,920.51</b>

6.33.1 Long-term payroll payable increased RMB 391,937,565.82, at a rate of 233.00%. It is mainly caused by increase of the number of personnel who have early retirement.

6.33.2 Resignation benefit is the cost for personnel who have early retirement. The Company discounts the cost of early retirement according to banker's call rate in the corresponding period.

## 6.34 Specified payables

<b>Items</b>	<b>Amount as of the end of the year</b>	<b>Increase of the year</b>	<b>Decrease of the year</b>	<b>Amount as of the beginning of the year</b>	<b>Reason</b>
Refund of Tariffs and VAT on imported goods	58,062,614.63			58,062,614.63	Note
<b>Total</b>	<b>58,062,614.63</b>			<b>58,062,614.63</b>	

Note: Refund of Tariffs and VAT on imported goods are the money refunded in accordance with the Notice 11[2007] "The implementation of the State Council to accelerate the revitalization of equipment manufacturing and notice of import tax policy" issued by Ministry of Finance, National Development and Reform Commission, General

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Administration of Customs of the People's Republic of China and State Administration of Taxation. All amounts shall be recognized as state capital. At the date of this financial report, the Company hasn't transferred tax refunds to state capital.

**6.35 Provisions**

Items	Amount as of the end of the year	Amount as of the beginning of the year	Reason
Products quality warranty	1,672,503,907.91	1,306,058,546.48	(2)
Pending litigation	2,620,800.00	2,620,800.00	(3)
Onerous contracts to be performed	96,828,055.23	21,513,665.82	Estimated total contract cost is higher than total contract revenue
<b>Total</b>	<b>1,771,952,763.14</b>	<b>1,330,193,012.30</b>	

(1) Compare with the amount as of the beginning of the year, the provision increased by RMB 441,759,750.84(increase 33.21%). It is mainly due to the review of the book value of the estimated liabilities about the adjustment of realized sales and undue warranty at the end of the year, according to the Accounting Standard for Business Enterprises No. 13 - contingencies.

(2) According to the sales agreements between the Company and its clients, during the warranty period stipulated in the agreements, the Company has to undertake the fix, change and other costs which are caused by the quality defect. The estimate has been made on the basis of historical warranty trends and production nature with a specific rate of the revenue.

(3) The estimated pending litigation liability of the Group at the end of the year is mainly the estimated supplier compensation loss for Hangzhou New Energy Co., Ltd. has shutdown Indian project.

**6.36 Deferred income****6.36.1 Category of deferred income**

Items	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year	Reason
Government grants	408,634,664.10	171,788,327.03	106,431,294.94	473,991,696.19	
<b>Total</b>	<b>408,634,664.10</b>	<b>171,788,327.03</b>	<b>106,431,294.94</b>	<b>473,991,696.19</b>	—

**6.36.2 Government grants**

Item	Amount as of the beginning of the year	Increase of the year	Other changes	Amount recognised in non-operating revenue	Amount as of the end of the year	Assets or income related

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Item	Amount as of the beginning of the year	Increase of the year	Other changes	Amount recognised in non-operating revenue	Amount as of the end of the year	Assets or income related
VAT refund for the third-line enterprises	293,996,791.60		2,258,942.54	33,519,746.88	258,218,102.18	Assets related
Government funding for infrastructure	56,567,357.95	101,750,000.00		1,303,741.99	157,013,615.96	Assets related
Government funding for scientific research	15,810,636.76		70,000.00	1,136,592.23	14,604,044.53	Assets related
Government funding for scientific research	24,207,563.24	58,263,027.03	27,771,484.34	34,987,068.22	19,712,037.71	Income related
Government funding for technology	2,850,000.00	3,000,000.00	309,057.50	1,399,080.00	4,141,862.50	Assets related
Government subsidies	6,780,866.67			948,550.00	5,832,316.67	Assets related
Government subsidies	1,000,000.00	2,000,000.00	1,000,000.00		2,000,000.00	Income related
Others	5,408,130.88	6,770,000.00	400,773.47	1,326,257.77	10,451,099.64	Income related
Others	2,013,317.00	5,300.00			2,018,617.00	Assets related
<b>Total</b>	<b>408,634,664.10</b>	<b>171,788,327.03</b>	<b>31,810,257.85</b>	<b>74,621,037.09</b>	<b>473,991,696.19</b>	

6.36.2.1 According to Notice of Tax Policies in Third-tier Enterprises during the Tenth Five Year Plan” (the fiscal and taxation No.[2001]133) issued by Treasury Department and State Administration of Taxation and Notice of Value-added Tax Related to Taxation before Refund in Third-tier Enterprises (the fiscal and taxation No. [2006]166), t Dongfang Turbine Co., Dongfang Boiler Group Co., Ltd. and Dongfang Electronic Company classifies third-tier companies’ VAT refund received during Jan 1st 2006 and Dec 31th 2008 into 2 categories according to the actual use of the VAT refund received, government subsidies either related to assets or revenue, and make accounting treatments respectively.

The group receives infrastructure subsidies from government for its ongoing projects, such as production base of Dongfang Electric New Energy Co., Ltd. (Hulun Buir New Energy Co., Ltd.), infrastructure of Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.(Tongliao Wind Power Co., Ltd.), soft foundation of

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Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd.( Tianjin Wind Power Technology Co., Ltd.). The group classified those subsidies as government grants related to assets, and amortizes the government grants into non-operating revenue during the useful life of related assets.

Other research & financial appropriation include subsidies, financial allocation and fund, specialized for research & development projects such as wind power, nuclear facilities and scientific innovation. The group divides government subsidies into two parts as asset-related and revenue-related, followed by different accounting treatments respectively. The part of scientific compensation that difficult to separate will be treated as revenue-related subsidies, followed by periodical carry-forward of non-operating revenue during implementation period of projects.

6.36.2.2 Others mainly involve two parts: one is the government grants of RMB 70,292,215.50 which would be carried over in year 2017 as non-current liability; the other is the fund RMB 4,328,821.59 for co-operation fee transferred to co-operate entities.

**6.37 Share capital**

The changes in share capital are as follows. All shares of the Company are the common stocks with book value of RMB 1 per share.

**6.37.1 Share capital of 2016**

Types	Amount as of the beginning of the year		Changes for the period					Amount as of the end of the year	
	Amount	Proportion (%)	New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Sub total	Amount	Proportion (%)
Tradable shares									
A-shares	1,996,900,368	85.45						1,996,900,368	85.45
H-shares	340,000,000	14.55						340,000,000	14.55
<b>Total tradable shares</b>	<b>2,336,900,368</b>	<b>100</b>						<b>2,336,900,368</b>	<b>100</b>
<b>Total shares</b>	<b>2,336,900,368</b>	<b>100</b>						<b>2,336,900,368</b>	<b>100</b>

**6.37.2 Share capital of 2015**

Types	Amount as of the beginning of the year		Changes for the period					Amount as of the end of the year	
	Amount	Proportion (%)	New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Subtotal	Amount	Proportion (%)



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Types	Amount as of the beginning of the year		Changes for the period					Amount as of the end of the year	
	Amount	Proportion (%)	New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Subtotal	Amount	Proportion (%)
Tradable shares									
A-shares	1,663,860,000	83.03				333,040,368	333,040,368	1,996,900,368	85.45
H-shares	340,000,000	16.97						340,000,000	14.55
<b>Total tradable shares</b>	<b>2,003,860,000</b>	<b>100</b>				<b>333,040,368</b>	<b>333,040,368</b>	<b>2,336,900,368</b>	<b>100</b>
<b>Total shares</b>	<b>2,003,860,000</b>	<b>100</b>				<b>333,040,368</b>	<b>333,040,368</b>	<b>2,336,900,368</b>	<b>100</b>

### 6.38 Capital reserve

#### 6.38.1 Capital reserve of 2016

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
Share premium	8,819,217,989.98			8,819,217,989.98
Including: Capital contributed by investors	8,826,930,189.98			8,826,930,189.98
Differences arising from business combination involving enterprises under common control	-7,712,200.00			-7,712,200.00
Others capital reserve	9,298,993.87		254,494.04	9,044,499.83
Including: equity movements of investee company	9,298,993.87		254,494.04	9,044,499.83
<b>Total</b>	<b>8,828,516,983.85</b>		<b>254,494.04</b>	<b>8,828,262,489.81</b>

6.38.1.1 The decrease of capital reserve is due to the Specified Reserve movement of MHPS Dongfang Boiler Company during the year multiplied by the shareholding percentage by Dongfang Boiler Group Co., Ltd.

#### 6.38.2 Capital reserve of 2015

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
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**Dongfang Electric Corporation Limited**

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Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
Share premium	5,083,399,637.75	3,735,818,352.23		8,819,217,989.98
Including: Capital contributed by investors	5,091,111,837.75	3,735,818,352.23		8,826,930,189.98
Differences arising from business combination involving enterprises under common control	-7,712,200.00			-7,712,200.00
Others capital reserve	812,108,154.57		802,809,160.70	9,298,993.87
Including: equity movements of investee company	9,321,337.95		22,344.08	9,298,993.87
Equity component split from convertible corporate bonds	802,786,816.62		802,786,816.62	
<b>Total</b>	<b>5,895,507,792.32</b>	<b>3,735,818,352.23</b>	<b>802,809,160.70</b>	<b>8,828,516,983.85</b>

**6.39 Other Comprehensive Income**

Item	Beginning balance	Changes for the period					Ending balance
		Incurred amount in current year before income tax	Less: currently transferred profit and loss of other comprehensive income in early stage	Less: income tax expenses	Attributable to parent company after tax	Incurred amount in current year before income tax	
I. Other comprehensive income which cannot be classified to profits and losses in the future							
II. Other comprehensive income which will be classified to profits and losses in the future							
Translation differences of foreign currency financial statements	-34,093,733.04	5,330,838.03					-28,762,895.01

## Dongfang Electric Corporation Limited

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(Amount in RMB unless otherwise stated)

Item	Beginning balance	Changes for the period					Ending balance
		Incurred amount in current year before income tax	Less: currently transferred profit and loss of other comprehensive income in early stage	Less: income tax expenses	Attributable to parent company after tax	Incurred amount in current year before income tax	
<b>Total of other comprehensive income</b>	<b>-34,093,733.04</b>	<b>5,330,838.03</b>					<b>-28,762,895.01</b>

### 6.40 Special reserve

#### 6.40.1 Special reserve of 2016

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Production safety fee	33,167,401.60	55,471,046.44	43,323,516.63	45,314,931.41
<b>Total</b>	<b>33,167,401.60</b>	<b>55,471,046.44</b>	<b>43,323,516.63</b>	<b>45,314,931.41</b>

The group has drawn special reserve for production safety, according to The Notice on the Management and Drawing of Special Reserve for Production Safety (Cai qi [2012]No.16) issued by Ministry of Finance of the People's Republic of China and State Administration of Work Safety.

#### 6.40.2 Special reserve of 2015

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
Production safety fee	22,258,212.85	48,530,244.57	37,621,055.82	33,167,401.60
<b>Total</b>	<b>22,258,212.85</b>	<b>48,530,244.57</b>	<b>37,621,055.82</b>	<b>33,167,401.60</b>

### 6.41 Surplus reserve

#### 6.41.1 Surplus reserve of 2016

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
Statutory surplus reserve	730,751,423.51	38,341,574.05		769,092,997.56
<b>Total</b>	<b>730,751,423.51</b>	<b>38,341,574.05</b>		<b>769,092,997.56</b>

In accordance with the articles of associates, statutory surplus reserve is reserved as 10% of net profit

#### 6.41.2 Surplus reserve of 2015

Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
Statutory surplus reserve	674,102,684.70	56,648,738.81		730,751,423.51

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Item	Amount as of the beginning of the year	Increase of the year	Decrease of the year	Amount as of the end of the year
<b>Total</b>	<b>674,102,684.70</b>	<b>56,648,738.81</b>		<b>730,751,423.51</b>

## 6.42 Undistributed profits

## 6.42.1 Undistributed profits for 2016

Item	Amount	The proportion of allocation
Amount As of the end of the previous year	<b>11,156,346,701.91</b>	
Amount as of the beginning of the year	<b>11,156,346,701.91</b>	
Add: net profits belonging to parent company owner during the year	-1,784,306,804.76	
Less: Surplus reserves provided for the year	38,341,574.05	10%
Declaration of dividends on ordinary shares	140,214,022.08	
Amount as of the end of the year	<b>9,193,484,301.02</b>	

Note: According to the Plan of Net Profit Distribution for the Year 2015 which was approved at the annual shareholders' meeting held on May 24, 2016, the Company used the total number of 2,336,900,368 shares as at the year end of 2015 as the distribution basis, the Company distributed RMB 0.6 to every 10 shares and the total cash dividends distributed was up to RMB 140,214,022.08(pre-tax).

## 6.42.2 Undistributed profits of 2015

Item	Amount	The proportion of allocation
<b>Amount as of the end of the previous year</b>	<b>10,984,243,829.02</b>	
<b>Amount as of the beginning of the year</b>	<b>10,984,243,829.02</b>	
Add: net profits belonging to parent company owner during the year	439,072,644.82	
Less: Surplus reserves provided for the year	56,648,738.81	10%
Declaration of dividends on ordinary shares	210,321,033.12	
<b>Amount as of the end of the year</b>	<b>11,156,346,701.91</b>	

## 6.43 Minority shareholder's equity

Name of subsidiaries	Minority share (%)	Amount as of the end of the year	Amount as of the beginning of the year
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	34.8187	576,539,565.13	566,326,878.70
Chengdu KWH Company	38.58	116,610,977.02	133,861,845.76

**Dongfang Electric Corporation Limited**

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(Amount in RMB unless otherwise stated)

Name of subsidiaries	Minority share (%)	Amount as of the end of the year	Amount as of the beginning of the year
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	49.64	123,481,171.62	83,008,376.53
Dongfang Boiler Control Co., Ltd.	49	76,973,231.48	77,921,515.08
Wuhan Nuclear Equipment Co., Ltd	33	29,979,772.85	46,238,627.07
Dongfang Boiler Group Co., Ltd	0.335	16,874,026.67	16,974,442.80
Dongfang Electric Autocontrol Engineering Co., Ltd,	0.50	983,157.85	932,779.32
Dongfang Electric Power Equipment Co., Ltd	1.17		573,980.36
Dongfang Electrical Machinery Mould Co., Ltd(note)	0.685	83,726.27	161,290.53
Dongfang Electric Venezuela Co., Ltd.	1	98.29	267.96
<b>Total</b>		<b>941,462,727.18</b>	<b>926,000,004.11</b>

Note: refer as Dongfang Electrical Machinery Mould Company.

## 6.44 Net current assets

Item	Amount as of the end of the year	Amount as of the beginning of the year
Current assets	72,637,075,446.01	73,953,195,196.01
Less: current liabilities	59,289,960,317.56	59,483,441,627.03
<b>Net current assets</b>	<b>13,347,115,128.45</b>	<b>14,469,753,568.98</b>

## 6.45 Differences between total assets and current liabilities

Item	Amount as of the end of the year	Amount as of the beginning of the year
Total assets	84,702,600,301.42	86,134,423,264.67
Less: current liabilities	59,289,960,317.56	59,483,441,627.03
<b>Differences</b>	<b>25,412,639,983.86</b>	<b>26,650,981,637.64</b>

## 6.46 Borrowings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Short term borrowings	284,500,000.00	1,642,000,000.00
Non-current liabilities due within one year	731,379,338.40	354,320,000.00
Long term borrowings	536,940,000.00	718,820,000.00

**Dongfang Electric Corporation Limited**

Notes to the financial statements

For the year of 2016

(Amount in RMB unless otherwise stated)

Item	Amount as of the end of the year	Amount as of the beginning of the year
Long-term payables	16,537,992.70	
<b>Total</b>	<b>1,569,357,331.10</b>	<b>2,715,140,000.00</b>

## 6.46.1 The analysis of the borrowings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Borrowings from bank	1,544,580,000.00	2,715,140,000.00
-Within 5 years	1,544,580,000.00	2,715,140,000.00
Subtotal	1,544,580,000.00	2,715,140,000.00
Others	24,777,331.10	
<b>Total</b>	<b>1,569,357,331.10</b>	<b>2,715,140,000.00</b>

## 6.46.2 Maturity date analysis of borrowings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Within 1 year	1,015,879,338.40	1,996,320,000.00
1-2 years	520,239,338.40	706,820,000.00
2-5 years	33,238,654.30	12,000,000.00
Over 5 years		
<b>Total</b>	<b>1,569,357,331.10</b>	<b>2,715,140,000.00</b>

## 6.47 Operating income and operating cost

Item	Amount for the year		Amount for previous year	
	Income	Cost	Income	Cost
Principal operating revenue	33,108,359,821.73	29,164,503,964.42	35,769,640,560.14	29,793,106,793.86
Others	177,363,986.61	113,262,106.24	248,303,140.18	166,654,598.04
<b>Total</b>	<b>33,285,723,808.34</b>	<b>29,277,766,070.66</b>	<b>36,017,943,700.32</b>	<b>29,959,761,391.90</b>

The total revenue of the Company's top five clients is RMB 4,229,237,899.18, account for 12.70% of its annual revenue, while it was RMB 7,245,526,013.46, accounting for 20.12% for the last year.

Operating income from the Company's top five clients

**Dongfang Electric Corporation Limited**

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<b>Name of client</b>	<b>Operating income</b>	<b>Proportion to total operating income of the Company (%)</b>
First	985,436,292.03	2.96
Second	946,429,798.06	2.84
Third	779,788,854.71	2.34
Fourth	760,722,222.22	2.29
Fifth	756,860,732.16	2.27
<b>Total</b>	<b>4,229,237,899.18</b>	<b>12.70</b>

## 6.48 Taxes and levies

<b>Item</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
City construction and maintenance tax	144,562,763.87	180,593,134.26
Education surcharge	62,447,972.40	77,581,005.87
Property tax	61,720,348.54	
Local education surcharge	41,188,674.17	51,702,719.89
Stamp duty	32,733,514.68	
Land use tax	31,834,232.87	
Security for the disable	860,606.97	
Specific funds for the water conservancy construction	780,413.38	
Business tax	750,127.26	6,648,245.63
Embankment protection charges	456,593.62	195,752.66
Vehicle usage tax	362,199.30	
Fund of deputy price	14,303.52	12,641,136.56
Other		714,843.40
<b>Total</b>	<b>377,711,750.58</b>	<b>330,076,838.27</b>

According to the Provisions on Accounting Treatment for Value Added Tax (Cai kuai [2016] No. 22), the Group's consumption tax, city construction and maintenance tax, resource tax, education surcharge, property tax, land use tax, vehicle usage tax, stamp duty and other related taxes and fees, occurred after May 1, 2016, should be listed in the column of "Taxes and levies".

## 6.49 Sales expenses

**Dongfang Electric Corporation Limited**

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(Amount in RMB unless otherwise stated)

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Quality warranty	1,126,545,656.11	625,024,692.54
Employee benefit	218,627,127.08	235,750,935.62
Travel expense	49,855,077.24	50,545,739.53
Others	51,930,087.66	53,562,164.64
<b>Total</b>	<b>1,446,957,948.09</b>	<b>964,883,532.33</b>

The Group's sales expenses increased by RMB 482,074,415.76 or 49.96% over the previous year, mainly due to the review of the book value of the estimated liabilities at the end of the year in accordance with the Accounting Standard for Business Enterprises No. 13 - contingencies. Sales, warranty period under the project to increase the quality of products caused by charges.

## 6.50 Administrative expense

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Employee benefit	1,392,532,425.23	1,105,538,580.14
Research and development expenditures	1,285,959,003.86	1,241,449,697.26
Maintenance	231,542,718.41	215,538,003.19
Depreciation	187,689,899.84	170,868,271.70
Production safety fee	60,859,979.68	56,441,845.24
Lease	57,050,515.89	54,924,905.65
Travel expense	56,932,958.38	55,652,762.42
Property management fee	50,196,234.72	50,170,126.28
Water and electrical charges	38,758,458.30	27,676,845.98
Amortization of intangible assets	38,033,793.91	29,163,385.79
Business entertainment	17,390,729.84	23,058,518.18
Tele-communication charges	8,229,119.06	11,029,512.78
Tax	5,531,754.76	131,857,078.77
Others	131,972,591.57	188,393,197.08



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Items	Amount for the year	Amount for previous year
<b>Total</b>	<b>3,562,680,183.45</b>	<b>3,361,762,730.46</b>

## 6.51 Financial expenses

## 6.51.1 Details of financial expenses

Items	Amount for the year	Amount for previous year
Interest expenses	61,173,051.70	130,008,292.11
Less: Interest income	494,928,928.64	424,855,947.30
Add: Exchange losses	-209,304,776.25	-179,096,003.87
Add: Other expenses	1,603,476.24	-3,057,756.14
<b>Total</b>	<b>-641,457,176.95</b>	<b>-477,001,415.20</b>

## 6.51.2 Details of interest expenses

Items	Amount for the year	Amount for previous year
Interest on borrowings:	59,585,573.09	109,092,541.02
Bond interest withdrawn as per effective interest rate (Note)		19,523,581.56
Discount interest on bills	480,643.71	1,392,169.53
Finance lease expense	1,106,834.90	
<b>Subtotal</b>	<b>61,173,051.70</b>	<b>130,008,292.11</b>
Less: Capitalized interest		
<b>Total</b>	<b>61,173,051.70</b>	<b>130,008,292.11</b>

## 6.51.3 Details of interest income

Items	Amount for the year	Amount for previous year
Interests on deposits	494,928,928.64	424,855,947.30
<b>Total</b>	<b>494,928,928.64</b>	<b>424,855,947.30</b>

## 6.52 Impairment losses on assets

Item	Amount for the year	Amount for previous year
Bad debt losses	296,806,461.13	399,253,162.64
Impairment loss of inventories	1,188,842,215.54	1,257,404,803.51

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Item	Amount for the year	Amount for previous year
Impairment on available-for-sale financial assets		235,232.75
Impairment on fixed assets	11,988,857.61	723,593.57
Impairment on intangible assets		7,758,115.57
<b>Total</b>	<b>1,497,637,534.28</b>	<b>1,665,374,908.04</b>

## 6.53 Gains from changes in fair values

Item	Amount for the year	Amount for previous year
Financial asset at fair value through profit or loss	-365,916.99	-20,939,890.13
Including: Gains from changes in fair values arising from derivatives	3,157,657.59	-5,881,844.25
Financial liabilities at fair value through profit or loss	-4,529,410.48	
Including: Gains from changes in fair values arising from derivatives	-4,529,410.48	
<b>Total</b>	<b>-4,895,327.47</b>	<b>-20,939,890.13</b>

## 6.54 Investment income

Items	Amount for the year	Amount for previous year
Income from long-term equity investments under equity method	246,351,801.03	165,611,516.59
Investment income of financial asset at fair value through profit or loss during holding period	-1,827,105.42	130,433.24
Investment income from holding available-for-sale financial assets	10,000.00	
Investment income from disposal of available-for-sale financial assets		13,906,505.14
Investment income from disposal of financial asset at fair value through profit or loss		12,188,065.25
<b>Total</b>	<b>244,534,695.61</b>	<b>191,836,520.22</b>

The investment incomes from investment in listed and unlisted entities are RMB 2,110,799.32 and RMB 242,423,896.29 respectively.

## 6.55 Non-operating revenue

## 6.55.1 Details of non-operating revenue

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Item	Amount for the year	Amount for previous year	Amount included in non-recurring profit or loss for the period
Gain on disposal of non-current assets	3,406,076.57	17,450,857.66	3,406,076.57
Including : Gains on disposal of fixed assets	3,360,087.95	17,450,857.66	3,360,087.95
Debt restructuring income	20,622,378.52		20,622,378.52
Government grants	180,374,099.82	186,406,476.94	180,374,099.82
Compensation income	2,619,148.86	4,641,199.80	2,619,148.86
Penalty income	4,053,242.45	1,562,813.50	4,053,242.45
Others	8,347,599.58	17,851,301.33	8,347,599.58
<b>Total</b>	<b>219,422,545.80</b>	<b>227,912,649.23</b>	<b>219,422,545.80</b>

The amount included in non-recurring profit or loss for the period is RMB 219,422,545.80, compared with RMB 226,994,599.74 for previous year.

6.55.2 Details of government grants

Item	Amount for the year	Amount for previous year	Source and basis	Assets related/ income related
Subsidy for the maintenance of staff	13,868,199.20	9,483,233.22	DRS (2015) Doc #74	Income related
Energy-saving emission reduction incentives	12,000,000.00		DJX(2015)Doc #374	
Tax refund on software	5,749,144.62	8,339,019.81	CS (2011)Doc #100,SGSNTDS(2015) Doc #7180	Income related
Foreign trade and related subsidies	4,665,100.00		CCW(2011)Doc#100	
Refund of housing tax, land use tax and income tax	2,474,942.50	2,621,928.70	YPDS(2015) Doc #178 of Local Taxation Bureau of Dajiangdu, Hangzhou	Income related
High -end equipment-related subsidies	3,722,000.00		CCJ(2015)#165	
Public rental housing renovation of Deyang	1,331,000.00		Finance Bureau of Deyang	
Investment incentives	1,080,000.00		LCY(2016)#47	

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Patent funding	968,557.00		CZF(2016)#49,DFF(2016)#8	
Financial subsidies of "San Gong Yi Ye"	690,000.00		CZ2016#72	
Subsidy on skilled training	645,800.00	1,674,400.00	Deyang Employment Bureau, DSCS(2014) Doc #59,DW(2015) Doc #36	Income related
R&D funds	620,000.00		JBCJ(2015)#35	
50MW turbine project subsidies	500,000.00		CCJ(2016)#190	
Special fund of Nansha District		5,501,500.00	Department of Finance of Nansha District, Chengdu	Assets related
Reward of the first research and application of 2015		4,000,000.00	Department of Finance of Deyang	Income related
Fund of cooperation and development in foreign Trade Zone		2,448,500.00	DSCJW(2015) Doc #5,CCJ(2015)Doc #67	Income related
Special fund of nuclear project		1,524,680.55	Department of Finance of Wuahan (2015) Doc #734	Income related
Subsidy on applicable technology and R&D		550,000.00	CCJ(2014) Doc #132,CWJK(2015) Doc #30, CKXF(2014) Doc #30	Income related
Supporting fund of service outsourcing development project of Chengdu		500,000.00	GF(2014) Doc #67,CFF(2013) Doc #25	Income related
Special fund for demonstration enterprise on energy-saving and emission-reduction in cit-level		500,000.00	DSCJ(2015) Doc #71	Income related
Others	3,558,556.00	2,669,328.19	DSZJH(2015) Doc #6,DSCJ(2015) Doc #14	Income related
<b>Subtotal</b>	<b>51,873,299.32</b>	<b>39,812,590.47</b>		
Transferred from deferred income	50,046,416.59	56,506,628.16		Assets related
Transferred from deferred income	78,454,383.91	90,087,258.31		Income related
<b>Total</b>	<b>180,374,099.82</b>	<b>186,406,476.94</b>		

6.56 Non-operating expenses

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Item	Amount for the year	Amount for previous year	Amount included in non-recurring profit or loss for the period
Total losses on disposal of non-current assets	8,842,983.53	4,044,719.71	8,842,983.53
Including: Losses on disposal of fixed assets	8,842,983.53	4,044,719.71	8,842,983.53
Compensation, liquidated damages and fine expenses	79,342,196.60	49,900,565.04	79,342,196.60
Estimated contract losses	74,541,863.37	21,513,665.82	74,541,863.37
Inventory shortage	30,226.04	89,134.71	30,226.04
Donation		1,500,000.00	
Others	4,796,150.28	1,947,471.74	4,796,150.28
<b>Total</b>	<b>167,553,419.82</b>	<b>78,995,557.02</b>	<b>167,553,419.82</b>

6.56.1 Comparing with the previous year, the amount of non-operating expenses increased by RMB 88,557,862.80, at a rate of 112.00%, which is the expense arisen from contract disputes, compensation and fine.

6.56.2 The amount recognized as non-recurring profit or loss for the period is RMB 167,553,419.82, compared with RMB 78,995,557.02 of last year.

## 6.57 Income Tax Expense

## 6.57.1 Income Tax Expense

Item	Amount for the year	Amount for previous year
Income tax for the year	140,616,398.23	277,481,212.67
Including: China	131,712,555.83	265,683,870.51
India	163,923.17	1,982,297.75
Others	8,739,919.23	9,815,044.41
Deferred tax	-325,242,005.61	-204,079,387.35
<b>Total</b>	<b>-184,625,607.38</b>	<b>73,401,825.32</b>

## 6.57.2 Reconciliation of income tax expenses to the total profit

Reconcile the income tax calculated at the applicable income tax rate based on the total consolidated income to income tax expense.

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<b>Item</b>	<b>Amount for the year</b>
Total profit	-1,944,064,007.65
Income tax by the statutory rate	-486,016,001.91
Effect of tax-free income	-115,606,808.23
Non-deductible items	54,269,640.01
Tax preferences	95,527,258.21
Including: R&D expense additional deduction	-75,915,862.26
Tax exemption	174,580,936.09
Unrecognized deductible losses and deductible temporary differences	279,204,792.07
Effect of different tax rates	-12,670,579.48
Deductible losses and deductible temporary differences not previously recognized	544,572.81
Under/over provided in prior periods	-997,129.97
Change of deferred income tax assets/ liability result from tax rate at the beginning of the year	1,118,649.11
<b>Total</b>	<b>-184,625,607.38</b>

**6.58 Auditor's remuneration**

Auditor's remuneration for this year is RMB 1,800,000.00, compared with RMB 2,300,000.00 last year.

**6.59 Depreciation and Amortization**

Depreciation and amortization recognized for the current year is RMB 1,087,337.51 (that of the previous year was RMB 1,141,058,685.62).

**6.60 Operating Rental Expense**

The operating rental expense of the current year is RMB 74,810,442.32 (that of the previous year was RMB 54,938,204.36), including the rental expense of industrial equipment and machinery at RMB 1,202,330.10 (that of the previous year was RMB 1,641,507.42).

**6.61 Rental income**

**Dongfang Electric Corporation Limited**

Notes to the financial statements

For the year of 2016

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The rental income from land and buildings renting is RMB 15,346,515.14(last year was RMB 3,456,935.67).

## 6.62 Earnings per share

## 6.62.1 Basic earnings per share

Item	Amount for the year	Amount for previous year
Net consolidated profit attributable to shareholders of the Company	-1,784,306,804.76	439,072,644.82
Net consolidated profit attributable to shareholders of the Company(deducting non-recurring profit or loss)	-1,982,592,343.89	316,317,054.25
Weighted average number of ordinary share issued by the Company	2,336,900,368.00	2,281,393,640.00
<b>Basic earnings per share (Yuan /share)</b>	-0.76	0.19
<b>Basic earnings per share (Yuan /share ) ( deducting non-recurring profit or loss</b>	-0.85	0.14

Calculation process of the weighted average number of ordinary shares:

Item	No.	Current year	Previous year
Number of ordinary shares outstanding at the beginning of year	1	2,336,900,368.00	2,003,860,000.00
Issuance of new shares or conversion of convertible notes(II)	2		333,040,368.00
Number of months in respect of new shares	3		10
Number of months in respect of reporting period	4	12	12
Number of ordinary shares outstanding at the end of year	<b>5=1+2*3/12</b>	<b>2,336,900,368.00</b>	<b>2,281,393,640.00</b>

## 6.62.2 Diluted earnings per share

Item	Amount for the year	Amount for previous year
Consolidated net profit attributable to ordinary shareholders of the parent company after adjustment	-1,784,306,804.76	439,072,644.82
Consolidated net profit attributable to ordinary shareholders of the parent company after adjustment (after deducting non-recurring profits or losses)	-1,982,592,343.89	316,317,054.25

**Dongfang Electric Corporation Limited**

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Number of ordinary shares outstanding at the end of year after adjustment	2,336,900,368.00	2,281,393,640.00
Diluted earnings per share (Yuan/share)	-0.76	0.19
Diluted earnings per share (Yuan/share) (after deducting non-recurring profits or losses)	-0.85	0.14

## 6.63 Other comprehensive income

Items	Amount for the year	Amount for previous year
Foreign currency translation adjustments	5,330,615.51	1,786,267.55
Less: net amount currently transferred into profit and loss from disposal of overseas business		
<b>Subtotal</b>	<b>5,330,615.51</b>	<b>1,786,267.55</b>
<b>Total</b>	<b>5,330,615.51</b>	<b>1,786,267.55</b>

## 6.64 Notes to items in the cash flow statement

## 6.64.1 Cash received/paid relating to others of operating /financing activities

## 6.64.1.1 Other cash receipts relating to operating activities

Items	Amount for the year	Amount for previous year
Interest income	418,940,622.25	281,613,358.99
Government grants	223,661,626.35	98,072,118.11
Collect payment on behalf of others	8,220,798.39	18,969,413.81
Security deposit	83,290,934.43	21,743,721.53
Receive on behalf of others	45,353,538.99	17,063,629.51
Others	25,178,068.79	27,265,997.11
<b>Total</b>	<b>804,645,589.20</b>	<b>464,728,239.06</b>

## 6.64.1.2 Other cash payments relating to operating activities

Items	Amount for the year	Amount for previous year
Operating expenses	1,117,610,178.98	1,217,093,423.15
Payment on behalf of others	56,909,172.83	57,992,393.67



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Security deposit	68,882,887.91	53,777,000.80
Employee advances	10,187,663.51	8,374,324.00
Others	4,579,748.80	2,916,276.59
<b>Total</b>	<b>1,258,169,652.03</b>	<b>1,340,153,418.21</b>

## 6.64.1.3 Other cash receipts relating to investing activities

Items	Amount for the year	Amount for previous year
Cash from finance lease		30,000,000.00
<b>Total</b>		<b>30,000,000.00</b>

## 6.64.1.4 Other cash payment relating to investing activities

Items	Amount for the year	Amount for previous year
Finance lease expense, commission charge	2,209,834.60	
<b>Total</b>	<b>2,209,834.60</b>	

## 6.64.2 Supplementary information to consolidated cash flow statement

Items	Amount for the year	Amount for previous year
1.Reconciliation of net profit to cash flow from operating activities		
Net profit	-1,759,438,400.27	459,497,611.50
Add: Provision for impairment losses of assets	1,414,980,480.42	1,324,567,569.62
Depreciation of fixed assets, depreciation of investment properties	1,025,042,109.42	1,084,688,007.14
Amortization of intangible assets, amortization of investment properties	61,969,923.85	56,239,178.52
Amortization of long-term prepaid expense	514,304.30	131,499.96
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	5,398,820.43	-13,851,303.76
Losses on write-off of fixed assets (gains are indicated by "-")	38,086.53	445,165.81
Losses on changes in fair values (gains are indicated by "-")	4,895,327.47	20,939,890.13
Financial expenses (income is indicated by "-")	-118,370,386.23	57,758,459.71
Losses arising from investments (gains are indicated by "-")	-244,534,695.61	-191,836,520.22

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For the year of 2016

(Amount in RMB unless otherwise stated)

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Decrease in deferred tax assets (increase is indicated by "-")	-317,724,963.10	-216,225,976.44
Increase in deferred tax liabilities (decrease is indicated by "-")	-7,520,382.43	12,145,695.82
Decrease in inventories (increase is indicated by "-")	6,459,958,809.35	1,806,920,693.43
Decrease in receivables from operating activities (increase is indicated by "-")	2,531,364,161.56	-741,535,459.91
Increase in payables from operating activities (decrease is indicated by "-")	-91,483,001.64	495,983,068.17
Others		
Net cash flows from operating activities	8,965,090,194.05	4,155,867,579.48
<b>2.Significant investing and financing activities that do not involve cash receipts and payments</b>		
Conversion of debt into capital		3,266,071,903.61
Convertible bonds due within one year		
<b>3.Net changes in cash and cash equivalents</b>		
Closing balance of cash	28,394,277,304.32	21,066,533,111.81
Less: Opening balance of cash	21,066,533,111.81	17,802,441,129.06
<b>Net increase in cash and cash equivalents</b>	<b>7,327,744,192.51</b>	<b>3,264,091,982.75</b>

## 6.64.3 Cash and cash equivalents

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Cash	28,394,277,304.32	21,066,533,111.81
Include: cash on hand	2,718,102.75	2,258,601.50
Bank deposits	28,373,012,406.15	21,023,958,546.40
Other monetary funds	18,546,795.42	40,315,963.91
<b>Cash equivalents</b>		
<b>Closing balance of cash and cash equivalents</b>	<b>28,394,277,304.32</b>	<b>21,066,533,111.81</b>
Including: restricted cash and cash equivalents used by parent company or subsidiaries within the Group		

**Dongfang Electric Corporation Limited**

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**6.64.4 Significant investment and financial activities not related to cash payments**

No significant investment activities that are not related to cash payments.

**6.65 Assets with restricted ownership**

<b>Item</b>	<b>Book value</b>	<b>Reason</b>
Cash and Cash equivalents	14,501,031.82	Performance security, bank acceptance and other securities
Fixed assets	186,901,471.48	For mortgage loan
Intangible assets	20,891,833.33	For mortgage loan
<b>Total</b>	<b>222,294,336.63</b>	

**6.66 Foreign currency monetary items**

<b>Item</b>	<b>Amount as of the end of the year in local currency</b>	<b>Exchange rate</b>	<b>Amount as of the end of the year in RMB</b>
<b>Cash and Cash equivalents</b>			<b>1,731,156,276.97</b>
Including: US Dollar	211,858,743.95	6.937	1,469,664,106.77
Euro	24,418,588.71	7.3068	178,421,743.96
Hong Kong Dollar	58,638.61	0.8945	52,452.24
Japanese Yen	90,212,962.70	0.059591	5,375,880.66
Indian Rupee	190,871,564.85	0.10201	19,470,808.33
Britain Pound	1.41	8.5094	12.00
Pakistani Rupee	253,563,361.42	0.06801	17,244,844.21
Vietnamese Dong	20,314,341,601.31	0.000306	6,216,188.53
Convertible Mark	6,321,652.01	3.70963	23,450,989.95
Indonesia Rupiahs	6,363,503,558.99	0.000517	3,289,931.34
Poland Zloty	195,450.39	0.01030000 5	2,013.14
Canada Dollar	9.66	5.1406	49.66
South African Rand	1,036,545.59	0.53362	553,121.46

**Dongfang Electric Corporation Limited**

Notes to the financial statements

For the year of 2016

(Amount in RMB unless otherwise stated)

<b>Item</b>	<b>Amount as of the end of the year in local currency</b>	<b>Exchange rate</b>	<b>Amount as of the end of the year in RMB</b>
Swedish Krona	396,032.14	0.7624	301,934.90
Russian Ruble	61,791,484.10	0.1151	7,112,199.82
<b>Accounts receivable</b>			<b>793,533,401.89</b>
Including: US Dollar	102,140,801.86	6.937	708,550,742.53
Euro	10,949,228.70	7.3068	80,003,824.28
Indian Rupee	2,865,343.01	0.10201	292,293.64
Convertible Mark	1,263,344.71	3.70963	4,686,541.44
<b>Other receivables</b>			<b>64,214,901.09</b>
Including: US Dollar	790,746.15	6.937	5,485,406.05
Euro	529,574.80	7.3068	3,869,497.15
Indian Rupee	3,264,895.11	0.10201	333,051.95
Pakistani Rupee	270,956,874.58	0.06801	18,427,777.04
Vietnamese Dong	103,659,690,522.88	0.000306	31,719,865.30
Convertible mark	244,736.21	3.70963	907,880.79
Indonesia Rupiahs	292,009,342.36	0.000517	150,968.83
Swedish Krona	4,355,264.93	0.7624	3,320,453.98
<b>Accounts payable</b>			<b>206,340,039.52</b>
Including: US Dollar	12,530,559.36	6.937	86,924,490.31
Euro	11,869,948.52	7.3068	86,731,339.81
Hong Kong Dollar	92,392.25	0.8945	82,644.87
Japanese Yen	359,112,599.89	0.059591	21,399,878.94
Britain Pound	128,920.00	8.5094	1,097,031.85
Pakistani Rupee	6,063,557.12	0.06801	412,382.52

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Item	Amount as of the end of the year in local currency	Exchange rate	Amount as of the end of the year in RMB
Vietnamese dong	12,306,188,496.73	0.000306	3,765,693.68
Canadian Dollar	914,006.00	5.1406	4,698,539.24
Convertible mark	22,591.33	3.70963	83,805.47
Indian Rupee	11,216,869.23	0.10201	1,144,232.83
<b>Other payables</b>			<b>62,976,388.46</b>
Including: US Dollar	1,866,269.01	6.937	12,946,308.11
Euro	130,801.66	7.3068	955,741.60
Hong Kong Dollar	17,867.20	0.8945	15,982.21
Indian Rupee	62,517,318.01	0.10201	6,377,391.61
Pakistani Rupee	141,912,241.58	0.06801	9,651,451.55
Vietnamese dong	107,864,817,810.46	0.000306	33,006,634.25
Indonesia Rupiahs	44,253,636.36	0.000517	22,879.13

**7. Changes in the scope of consolidation**

Entities which will not be included in the scope of consolidation:

Name of enterprise	Registered address	Nature	Percentage of Shareholding (%)	Percentage of Voting right (%)	Reason for exclusive
Dongfeng Electric Power Equipment Co., Ltd.	Deyang	Manufacturing	98.83	98.83	Removal

Continued 1

Name	March 23, 2016(disposal day)			December 31, 2015		
	Assets	Liability	Equity	Assets	Liability	Equity
Dongfang Electric Power Equipment Co., Ltd.	49,058,150.76		49,058,150.76	49,243,819.69	185,668.93	49,058,150.76

Continued 2

Name	2016.1.1-2016.3.23(disposal day)	2015.1-2015.12
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## Dongfang Electric Corporation Limited

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	Income	Expense	Total Profit	Income	Expense	Total Profit
Dongfang Electric Power Equipment Co., Ltd.					-820,800.25	1,252,713.05

### 8. Interest in other entities

#### 8.1 Interest in Subsidiaries

##### 8.1.1 Composition of the Group

Name of subsidiary	Main business location	Registration place	Natures of business	Percentage of Shareholding (%)		Gaining method
				Direct	Indirect	
Dongfang Turbine Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Manufacturing	100.00		Note 1
Dongfang Boiler Group Co., Ltd.	Zigong, Sichuan	Zigong, Sichuan	Manufacturing	99.665		Note 1
Dongfang Heavy Machinery Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Manufacturing	51.0452	14.1361	Note 1
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Tianjin	Tianjin	Manufacturing		50.36	Note 1
Wuhan Nuclear Equipment Co., Ltd	Wuhan, Hubei	Wuhan, Hubei	Manufacturing	67.00		Note 2
Dongfang Electric Machinery Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Manufacturing	100.00		Note 3
Indian Company	Calcutta, India	Calcutta, India	Service	100.00		Note 3
Chengdu KWH Company.	Chengdu, Sichuan	Chengdu, Sichuan	Manufacturing		61.42	Note 3
Dongfang Boiler Control Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing		51.00	Note 3
DFEM Control Equipment Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Manufacturing		99.50	Note 3
Dongfang Electric Machinery	Deyang, Sichuan	Deyang, Sichuan	Manufacturing		99.315	Note 3

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Name of subsidiary	Main business location	Registration place	Natures of business	Percentage of Shareholding (%)		Gaining method
				Direct	Indirect	
Tools & Moulds Co., Ltd.						
Hangzhou New Energy Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Manufacturing		100.00	Note 3
Tianjin Wind Power Technology Co., Ltd.	Tianjin	Tianjin	Manufacturing		100.00	Note 3
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	Tongliao, Inner Mongolia	Tongliao, Inner Mongolia	Service		100.00	Note 3
Dongfang Electric (Jiuquan) New Energy Co., Ltd. (Note 4)	Jiuquan, Gansu	Jiuquan, Gansu	Manufacturing		100.00	Note 3
Hulun Buir New Energy Co., Ltd.	Hulun Buir, Inner Mongolia	Hulun Buir, Inner Mongolia	Manufacturing		100.00	Note 3
Dongfeng Wind Power Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Manufacturing	45.12	54.88	Note 3
Indonesia Company	Jakarta Indonesia	Jakarta Indonesia	Service	95		Note 3
Dongfang Electric Venezuela Co., Ltd.	Venezuela	Venezuela	Project service		99	Note 3
Sichuan Dongshu Company	Deyang, Sichuan	Deyang, Sichuan	Manufacturing		100	Note 3
Liangshan Wind Power Company	Liangshan Sichuan	Liangshan Sichuan	Manufacturing		100	Note 3

Note 1: Subsidiaries acquired under common control; Note 2: Subsidiaries acquired not under common control; Note 3: Subsidiaries acquired by establishment or investment; Note 4: Jiuquan New Energy Company

(Continued)

Name of subsidiary	Type of enterprise	Legal representative	Organization code
Dongfang Turbine Co., Ltd.	Limited company	Zhuang Wenfeng	91510600205250521B

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<b>Name of subsidiary</b>	<b>Type of enterprise</b>	<b>Legal representative</b>	<b>Organization code</b>
Dongfang Boiler Group Co., Ltd.	Limited-liability company	Xu Peng	915103006207291851
Dongfang Heavy Machinery Co., Ltd.	Limited company	Zeng Xianmao	91440101753473857D
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Limited company	Huang Yingshu	91120116797265363K
Wuhan Nuclear Equipment Co., Ltd	Limited company	Wang Weidong	91420100682306313B
Dongfang Electric Machinery Co., Ltd.	Limited company	He Jianhua	91510600671415848H
Indian Company	Limited company	Liang Jian	N/A
Chengdu KWH Company.	Limited company	Liao Xin	91510100765385029Y
Dongfang Boiler Control Co., Ltd.	Limited company	Hu Dingkun	91440300761984323Y
DFEM Control Equipment Co., Ltd.	Limited company	Duo Lin	91510600717544056M
Dongfang Electric Machinery Tools & Moulds Co., Ltd.	Limited company	Guo Yubo	91510600725512871M
Hangzhou New Energy Co., Ltd.	Limited company	Hou Wei	913301006739869782
Tianjin Wind Power Technology Co., Ltd.	Limited company	Yang Xuehui	911201166737307885
Tongliao Wind Power Co., Ltd.	Limited company	Xiao Tongjian	91150591692866373M
Jiuquan New Energy Co., Ltd.	Limited company	Pang Dong	91620900695633778C
Hulun Buir New Energy Co., Ltd.	Limited company	Xiao Tongjian	911507005669152426
Dongfeng Wind Power Co., Ltd.	Limited company	Liu Xinggui	91510600337702040G
Indonesia Company	Limited company	Chen Weiming	N/A
Dongfang Electric Venezuela Co., Ltd.	Limited company	Yu Kun	N/A
Sichuan Dongshu Company	Limited company	Xiao Yi	91510600345800054P
Liangshan Wind Power Company	Limited company	Zhou Rulin	91513424356234836R

The authorized share capital of Indonesia Company is USD 2 million, including capital contribution from the Company of USD 1.9 million and USD 0.1 million from PT Dally Energy, accounting for 95% and 5% of the authorized share capital of Indonesia Company respectively. As at December 2016, the Indonesia Company has only received the capital injection of USD 1.9 million from the Company. According to the Constitutions of the Indonesia Company, shareholders can only enjoy their



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shareholders' right after they have paid their share of the authorized share capital, thus the Company enjoys 100% of the shareholders' right at this stage.

## 8.1.2 Significant Non-wholly-owned Subsidiaries

Name of subsidiary	Percentage of shareholding of minority stockholders	Profits and losses attributable to minority stockholders in the current year	Dividend allotted to minority stockholders in the current year	Balance of minority stockholder equity at the end of the year
Dongfang Heavy Machinery Co., Ltd.	34.8187%	18,482,881.83	8,311,143.46	576,539,565.13
Chengdu KWH Company.	38.58%	-17,018,027.53	578,700.00	116,610,977.02
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	49.64%	39,263,289.20		123,418,171.62
Dongfang Boiler Control Co., Ltd.	49%	227,716.40	1,176,000.00	76,973,231.48
Wuhan Nuclear Equipment Co., Ltd	33%	-16,376,079.96		29,979,772.85
Dongfang Boiler Group Co., Ltd.	0.335%	274,746.24	376,395.60	16,874,026.67
Indonesia Company	5%			

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### 8.1.3 Main Financial Information of Significant Non-wholly-owned Subsidiaries (Monetary unit: RMB 10,000)

Name of subsidiary	Amount as of the end of the year						Amount as of the beginning of the year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongfang Heavy Machinery Co., Ltd.	231,235.12	130,860.42	362,095.54	173,564.53	22,947.69	196,512.22	214,598.48	145,254.65	359,853.13	173,607.45	23,595.48	197,202.93
Chengdu KWH Company.	36,837.22	13,620.66	50,457.88	15,559.18	4,434.72	19,993.90	54,899.66	15,055.54	69,955.20	33,244.28	1,376.80	34,621.08
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	63,816.05	15,742.02	79,558.07	50,972.60	3,121.09	54,093.69	74,196.59	15,911.43	90,108.02	64,993.68	2,940.86	67,934.54
Dongfang Boiler Control Co., Ltd.	30,932.40	3,603.89	34,536.29	18,521.95	200.00	18,721.95	34,941.93	3,668.56	38,610.49	22,523.12	100.00	22,623.12
Wuhan Nuclear Equipment Co., Ltd	13,904.86	23,968.76	37,873.62	23,550.99	5,237.84	28,788.83	15,896.65	26,506.65	42,403.30	23,170.51	5,221.08	28,391.59
Dongfang Boiler Group Co., Ltd.	2,073,811.62	260,689.53	2,334,501.15	1,738,484.55	72,779.37	1,811,263.92	2,018,642.05	261,152.77	2,279,794.82	1,661,102.32	90,636.81	1,751,739.13
Indonesia Company	1,067.65	1.29	1,068.94	16.36		16.36	1,116.59	1.30	1,117.89	3.94		3.94

**Dongfang Electric Corporation Limited**

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(Amount in RMB unless otherwise stated)

Name of subsidiary	Amount for the year				Amount for previous year			
	Operating income	Net profit	Total comprehensive income	Cash flow generated in operating activities	Operating income	Net profit	Total comprehensive income	Cash flow generated in operating activities
Dongfang Heavy Machinery Co., Ltd.	105,369.33	5,308.32	5,308.32	-7,511.97	140,246.44	8,840.66	8,840.66	46,981.93
Chengdu KWH Company.	28,789.43	-4,809.79	-4,809.79	1,407.23	39,592.45	464.70	464.70	6,824.46
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	69,119.56	3,059.95	3,059.95	7,691.89	80,925.93	1,775.15	1,775.15	-676.55
Dongfang Boiler Control Co., Ltd.	23,532.13	66.97	66.97	3,609.50	25,663.70	477.78	477.78	-2,413.77
Wuhan Nuclear Equipment Co., Ltd	3,847.99	-4,962.45	-4,962.45	-3.09	5,761.64	-3,886.27	-3,886.27	1,108.38
Dongfang Boiler Group Co., Ltd.	1,129,925.03	6,525.22	6,525.22	196,087.00	1,260,151.26	26,468.78	26,468.78	115,176.41
Indonesia Company	22.90	-158.73	-61.37	-191.57	5.90	-89.55	-48.22	-115.92

**Dongfang Electric Corporation Limited**

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## 8.2 Changes of shareholding percentage but still within control

None

## 8.3 Equity in joint ventures or associates

## 8.3.1 Significant joint ventures or associates

Name	Main business location	Registration place	Natures of business	Percentage of shareholding (%)		Accounting methods for investment to joint venture or associates
				Direct	Indirect	
MHPS Dongfang Boiler Company	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Manufacturing		50.00	Equity method
Dongfang AREVA Company	Deyang, Sichuan	Deyang, Sichuan	Manufacturing	50.00		Equity method
Dongfang Mitsubishi Gas Turbine Company	Nansha, Guangzhou	Nansha, Guangzhou	Manufacturing		49.00	Equity method
Dongyue Heavy Piece Company	Leshan, Sichuan	Leshan	Cargo transportation		49.00	Equity method
Sichuan Energy Investment Wind Power Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Power plant development	20.00		Equity method
Huadian Longkou Wind Power Co., Ltd.	Longkou, Shandong	Longkou, Shandong	Power plant development	25.00		Equity method
Hongnijing Wind Power Company	Baotou, Inner Mongolia	Baotou, Inner Mongolia	Project management	20.00		Equity method
Zhongdian Gas Technology Company	Baoshan, Shanghai	Baoshan, Shanghai	Design and R&D	12.00		Equity method
Sanshengtai Wind Power Company	Wuchuan, Inner Mongolia	Wuchuan, Inner Mongolia	Project management	20.00		Equity method
Wulan New Energy Company	Wulate Middle Banner, Bayannur City, Inner Mongolia	Wulate Middle Banner, Bayannur City, Inner Mongolia	Project management	20.00		Equity method

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**8.3.2 Main financial information of significant joint venture**

Item	Amount as of the end of the year / Amount for the year		Amount as of the beginning of the year / Amount for previous year	
	MHPS Dongfang Boiler Company	Dongfang AREVA Company	MHPS Dongfang Boiler Company	Dongfang AREVA Company
Current assets:	1,016,054,073.80	1,124,908,270.84	809,449,308.87	910,196,118.87
Including: cash and cash equivalents	216,356,686.27	695,664,210.83	171,233,603.61	445,138,533.24
Non-current assets	219,442,269.99	155,962,452.93	202,110,315.40	175,871,359.48
Total assets	1,235,496,343.79	1,280,870,723.77	1,011,559,624.27	1,086,067,478.35
Current liabilities:	774,445,842.13	580,519,392.15	585,992,130.61	494,603,995.40
Non-current liabilities	94,691,663.14	139,794,924.40	72,665,562.93	129,938,377.78
Total liabilities	869,137,505.27	720,314,316.55	658,657,693.54	624,542,373.18
Minority shareholder's equity				
Equity attributable to shareholders of parent company	366,358,838.52	560,556,407.22	352,971,930.73	461,525,105.17
Net asset calculated by shareholding ratio	183,179,419.44	280,278,203.62	176,485,965.55	230,762,552.59
Book value of equity invested to joint venture	183,179,419.44	280,278,203.62	176,485,965.55	230,762,552.59
Operating revenues	702,676,417.29	233,207,915.88	653,261,027.81	341,613,777.27
Financial expenses	8,921,315.07	-7,423,281.26	8,779,792.20	-8,255,276.38
Income tax expense	4,005,722.73	-20,393,534.39	3,270,660.93	26,107,726.32
Net profit	23,914,010.21	74,089,848.96	31,502,512.83	125,437,245.37
Other comprehensive income				
Total comprehensive income	23,914,010.21	74,089,848.96	31,502,512.83	125,437,245.37
Dividend from joint venture in current year	4,410,351.80		5,226,852.72	76,925,274.15

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**8.3.3 Main financial information of significant associates**

Item	Amount as of the end of the year / Amount for the year							
	Dongfang Mitsubishi Gas Turbine	Dongyue Heavy Piece Company	Sichuan Energy Investment Wind	Huadian Longkou Wind Power Co.,	Hongnijing Wind Power Company	Zhongdian Gas Technology Company	Wulan New Energy Company	Sanshengtai Wind Power Company
Current assets:	1,746,364,569.62	58,931,653.70	1,066,580,618.52	52,659,763.49	129,484,399.59	94,863,417.14	9,599,010.65	55,581,898.24
Including: cash and cash equivalents	1,017,165,366.49	46,165,205.57	722,818,485.60	2,643,607.09	215,600.03	92,327,877.64	1,840,468.21	1,979,196.13
Non-current assets	303,246,747.42	3,152,668.61	1,981,965,329.42	576,631,740.19	370,493,376.00	1,421,042.12	226,306,800.58	358,800,174.96
Total assets	2,049,611,317.04	62,084,322.31	3,048,545,947.94	629,291,503.68	499,977,775.59	96,284,459.26	235,905,811.27	414,382,073.2
Current liabilities:	845,315,114.48	4,977,231.14	480,491,118.54	206,714,050.32	53,736,173.12	658,336.84	-93,644,188.73	57,776,348.07
Non-current liabilities			1,275,137,344.92	240,000,000.00	359,685,136.00		149,550,000.00	276,605,725.13
Total liabilities	845,315,114.48	4,977,231.14	1,755,628,463.46	446,714,050.32	413,421,309.12	658,336.84	55,905,811.27	334,382,073.2
Minority shareholder's equity			80,697,783.73					
Equity attributable to shareholders of parent company	1,204,296,202.56	57,107,091.17	1,212,219,700.75	182,577,453.36	86,556,466.47	95,626,122.42	180,000,000.00	80,000,000.00
Net asset calculated by shareholding ratio	590,105,139.25	27,982,474.67	242,443,940.15	46,581,863.35	17,311,293.29	11,475,134.69	36,000,000.00	16,000,000.00
Adjustments								
--Unrealized profit of internal transactions					-1,477,141.76		-677,744.79	

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Item	Amount as of the end of the year / Amount for the year							
	Dongfang Mitsubishi Gas Turbine	Dongyue Heavy Piece Company	Sichuan Energy Investment Wind	Huadian Longkou Wind Power Co.,	Hongnijing Wind Power Company	Zhongdian Gas Technology Company	Wulan New Energy Company	Sanshengtai Wind Power Company
Book value of equity invested to associates	590,105,139.25	26,025,554.98	242,443,940.15	46,581,863.35	15,834,151.53	11,475,134.69	35,322,255.21	16,000,000.00
Operating revenues	1,185,570,902.37	5,882,914.94	198,099,729.00	46,449,113.82	27,999,734.69			
Financial expenses	3,488,356.57	-626,268.83	41,259,632.70	11,659,460.89	7,574,224.53	-862,387.78		
Income tax expense	86,141,011.90	71,623.58				102,160.21		
Net profit	268,927,043.13	1,816,333.57	64,982,344.79	13,268,015.22	6,556,466.47	-4,510,804.64		
Other comprehensive income								
Total comprehensive income	268,927,043.13	1,816,333.57	64,982,344.79	13,268,015.22	6,556,466.47	-4,510,804.64		
Dividend received from associates	11,634,957.31		6,000,000.00					

(continued)

Item	Amount as of the beginning of the year / Amount for previous year						
	Dongfang Mitsubishi Gas Turbine Company	Dongyue Heavy Piece Company	Sichuan Energy Investment Wind Power Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wind Power Company	Zhongdian Gas Technology Company	
Current assets:	1,067,337,152.52	61,162,004.13	316,439,240.83	33,118,446.10	20,229,530.06		99,209,657.26
Including: cash and cash equivalents	496,150,556.33	45,395,917.03	195,613,549.83	10,135,181.48	9,229,530.06		99,051,691.07
Non-current assets	275,370,800.38	3,202,174.03	1,373,675,781.53	377,808,876.80	89,385,849.11		929,212.91

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Item	Amount as of the beginning of the year / Amount for previous year					
	Dongfang Mitsubishi Gas Turbine Company	Dongyue Heavy Piece Company	Sichuan Energy Investment Wind Power Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wind Power Company	Zhongdian Gas Technology Company
Total assets	1,342,707,952.90	64,364,178.16	1,690,115,022.36	410,927,322.90	109,615,379.17	100,138,870.17
Current liabilities:	383,593,983.47	8,812,094.33	210,320,954.50	91,164,509.76	29,615,379.17	1,943.11
Non-current liabilities			886,234,453.38	221,703,375.00		
Total liabilities	383,593,983.47	8,812,094.33	1,096,555,407.88	312,867,884.76	29,615,379.17	1,943.11
Minority shareholder's equity			38,537,273.98			
Equity attributable to shareholders of parent company	959,113,969.43	55,552,083.83	555,022,340.50	98,059,438.14	80,000,000.00	100,136,927.06
Net asset calculated by shareholding ratio	469,965,845.02	27,220,521.07	111,004,468.10	24,514,859.54	16,000,000.00	12,016,431.25
Adjustments						
--Unrealized profit of internal transactions	36,727,689.26					
Book value of equity invested to associates	433,238,155.76	25,263,601.38	111,004,468.10	24,514,859.54	16,000,000.00	12,016,431.25
Operating revenues	909,023,909.04	11,481,419.19	161,182,702.53	53,581,130.79		
Financial expenses	6,848,306.22	-794,771.15	34,754,038.93	13,884,223.22		-351,696.21
Income tax expense	62,865,498.73	619,506.59				45,642.35
Net profit	175,887,484.50	3,369,363.31	63,583,597.51	18,059,438.14		136,927.06
Other comprehensive income						



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Item	Amount as of the beginning of the year / Amount for previous year					
	Dongfang Mitsubishi Gas Turbine Company	Dongyue Heavy Piece Company	Sichuan Energy Investment Wind Power Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wind Power Company	Zhongdian Gas Technology Company
Total comprehensive income	175,887,484.50	3,369,363.31	63,583,597.51	18,059,438.14		136,927.06
Dividend received from associates	34,347,289.00	1,225,000.00				

## 9. The risks associated with financial instruments

The Group's major financial instruments include borrowings, accounts receivables, accounts payables, financial assets held for trading and financial liabilities held for trading, details of these financial instruments are disclosed in Note6. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

### 9.1 Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operation performance, and maximise the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

#### 9.1.1 Market risk

##### 1) Currency risk

The Group's exposure to the currency risk is primarily associated with U.S. Dollar, Euro, Pakistan Rupee, and Indian Rupee etc. Several of the Group's subsidiaries have purchases and sales denominated in U.S. Dollar, Euro, Pakistan Rupee, and Indian Rupee etc while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2016, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in U.S. Dollar, Euro, Pakistan Rupee, Indian Rupee, Japanese Yen, and Hong Kong Dollar. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Cash-U.S. Dollar	1,469,664,106.77	1,561,432,478.70
Cash-Euro	178,421,743.96	44,645,800.80
Cash-Pakistan Rupee	17,244,844.21	4,907,910.15
Cash-Indian Rupee	19,470,808.33	23,581,517.30
Cash-Other currency	46,354,773.70	306,121,904.87

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<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Derivative financial assets	3,157,657.59	10,339.10
Accounts Receivable-Dollar	708,550,742.53	2,155,800,076.62
Accounts Receivable-Euro	80,003,824.28	38,453,799.25
Receivables-Indian Rupee	292,293.64	4,200,453.80
Accounts Receivable- Other currency	4,686,541.44	214,314.75
Other Receivable- U.S. Dollar	5,485,406.05	93,137,967.80
Other Receivable-Euro	3,869,497.15	2,852,277.36
Other Receivable-Pakistan Rupee	18,427,777.04	24,030,305.39
Other Receivable-Indian Rupee	333,051.95	173,502.74
Other Receivable-Other currency	36,099,168.90	25,328,033.87
Derivative financial liabilities	10,372,195.96	5,853,124.58
Accounts payable-U.S. Dollar	86,924,490.31	128,887,338.93
Accounts payable-Euro	86,731,339.81	36,381,563.70
Accounts payable-Pakistan Rupee	412,382.52	3,687,402.50
Accounts payable-Other currency	32,271,826.88	47,398,884.92
Other Payable- U.S. Dollar	12,946,308.11	3,973,818.26
Other Payable- Euro	955,741.60	3,275,665.11
Other Payable- Pakistan Rupee	9,651,451.55	16,108,415.41
Other Payable- Indian Rupee	6,377,391.61	5,707,098.04
Other Payable- Other currency	33,045,495.59	10,565,282.23

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently takes forward foreign exchange contract to hedge currency risk exposures.

**2)Interest rate risk**

The Group's interest rate risk arises from bank loans, bonds payable and other interest bearing debts. The Group faces cash flow interest rate risk for the financial liabilities with floating interest rate, fair value interest rate risk for the financial liabilities with fixed interest rate. The Group changes the relative proportion between the fixed interest rate and floating interest rates contract according to the market environment. On December 31, 2016, the Group's interest bearing debts are mainly fixed rate contract at RMB 1,284,500,000.00

The risks of changes in cash flows of financial instruments caused by the changes of interest rate mainly associate with floating rate bank borrowings. The Group maintain the loan floating interest rate to eliminate the risks of changes in fair value.

### 3) Price Risk

The Group sales the power generation equipment at market price, therefore, affected by the price fluctuation.

#### 9.1.2 Credit Risk

As at 31st December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

In order to minimize the credit risk, the Group has delegated a department responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

The Group has adopted a policy to ensure that all sales customers have good credit records. The Group has no other significant concentration of credit risk except for the top five accounts receivables

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The total amount of top five accounts receivable is RMB 1,876,613,806.48.

**9.1.3 Liquidity Risk**

The liquidity risk is the risks that the Group unable to meet its financial obligations on maturity dates. The Group controls the liquidity risk by ensuring that there is enough current capital to its due debts, without causing unacceptable loss or damage to the enterprise reputation. In order to ensure that there are sufficient funds, the Group regularly analyzes the structure and term of the debts. Management of the Group monitors the use of the loan and ensures the compliance with loan agreement. Meanwhile, the management negotiates the financing with financial institutions to maintain a certain level of credit line and reduce the liquidity risk.

Up to December 31, 2016, bank loan facilities are enough to satisfy the financing need for the Group has high credit ratings.

The analysis of maturity term of financial assets and financial liabilities according to undiscounted contractual obligations are listed below:

Figures on December 31, 2016:

<b>Item</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>					
Cash at cash equivalence	28,408,778,336.14				28,408,778,336.14
Financial assets held for sale	59,661,930.59				59,661,930.59
Notes receivable	4,917,792,022.12				4,917,792,022.12
Accounts receivable	15,954,481,388.79				15,954,481,388.79
Interest receivable	373,159,473.91				373,159,473.91
Other receivable	245,140,412.85				245,140,412.85
<b>Sum of financial asset</b>	<b>49,959,013,564.40</b>				<b>49,959,013,564.40</b>
<b>Financial Liabilities</b>					-
Short-term loan	284,500,000.00				284,500,000.00
Financial liabilities held for sale	10,372,195.96				10,372,195.96

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Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Notes payable	5,276,331,920.02				5,276,331,920.02
Accounts payable	14,380,312,585.36				14,380,312,585.36
Other payable	1,965,909,372.89				1,965,909,372.89
Dividends payable	2,787,911.77				2,787,911.77
Interest payable	736,111.11				736,111.11
Employee benefits payable	427,869,549.45				427,869,549.45
Non-current liabilities within one year	731,379,338.40				731,379,338.40
Long-term loan		512,000,000.00	24,940,000.00		536,940,000.00
Long-term employee benefits payable		129,898,696.52	210,724,389.32	121,484,017.66	462,107,103.50
<b>Sum of financial liabilities</b>	<b>23,080,198,984.96</b>	<b>641,898,696.52</b>	<b>235,664,389.32</b>	<b>121,484,017.66</b>	<b>24,079,246,088.46</b>

**9.2 Sensibility analysis**

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and [shareholders'/owners' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

**(1) Sensitivity analysis of Currency risk**

The assumption for the sensitivity analysis on currency risk is that all hedges of net investments in foreign operations and the cash flow hedges are highly effective.

On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and owners equity:

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Item	Change in exchange rate	2016		2015	
		Effect on the net profit	Effect on owners' equity	Effect on the net profit	Effect on owners' equity
All foreign currencies	5% increase against RMB	8,954,452.19	8,954,452.19	8,954,800.19	8,954,800.19
All foreign currencies	5% decrease against RMB	-8,954,452.19	-8,954,452.19	-8,954,800.19	-8,954,800.19

(2) Sensitivity analysis of interest rate risk

The sensitivity analysis on interest rate risk is based on the following assumptions:

Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;

For fixed rate financial instruments measured at fair value, changes in the market interest rate only influence their interest income or expense;

Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and owners' equity:

Item	Changes in interest rate	2016		2015	
		Effect on the net profit	Effect on owners' equity	Effect on the net profit	Effect on owners' equity
Floating rate loans	1% increase	-383,121.44	-383,121.44	834,701.36	834,701.36
Floating rate loans	1% decrease	-383,121.44	-383,121.44	-834,701.36	-834,701.36

**10. Disclosure of fair value**

1. The amount and fair value of assets and liabilities measured subsequent to initial recognition at fair value and the fair value measurement level

Items	Fair value at the end of the year			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
1. Continuous measurement of fair value				

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Items	Fair value at the end of the year			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
(1) Financial asset at fair value through profit or loss				
1.1 Financial assets held for sale				
1) Equity instruments	56,504,273.00			56,504,273.00
2) Derivative financial assets		3,157,657.59		3,157,657.59
<b>Total assets measured at fair value on a continuous basis</b>	<b>56,504,273.00</b>	<b>3,157,657.59</b>		<b>59,661,930.59</b>
1. Financial liabilities at fair value through profit or loss				
1.1 Financial liabilities held for sale		10,372,195.96		10,372,195.96
Including: Derivative financial liabilities		10,372,195.96		10,372,195.96
<b>Total liabilities measured at fair value on a continuous basis</b>		<b>10,372,195.96</b>		<b>10,372,195.96</b>
<b>2. Non continuous measurement of fair value</b>				

### 2. The basis of measuring fair value at first level

Please refer to 6.2 in these Notes for the basis of measuring fair value at first level.

3. The projects of measuring fair value at second level, recognised by valuation technique and information on qualitative and quantitative parameters.

Please refer to 6.2 in this Notes for the items which measured by valuation technique and information on qualitative and quantitative parameters.

## 11. Related party relationships and transactions

### 11.1 Related Parties

#### 11.1.1 Controlling shareholder and ultimate control party

1) Controlling shareholder and ultimate control party (Unit: 10000.00 Yuan)

Name	Registered address	Nature of business	Registered capital	Proportion of ownership(%)	Proportion of voting (%)
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Name	Registered address	Nature of business	Registered capital	Proportion of ownership(%)	Proportion of voting (%)
Dongfang Electric Corporation	China Chengdu	Hydro power, nuclear power project, sale and manufacture of equipments	479,167.50	41.68	41.68

## 3) Changes in registered capital of controlling shareholder(Unit:10000.00 Yuan)

Name	Amount as of the beginning of	Increased	Decreased	Amount as of the end of the year
Dongfang Electric Corporation	479,167.50			479,167.50

## 3)Changes in shares held by controlling shareholder (Unit:10000.00 Yuan)

Name	Amount		Proportion of ownership (%)	
	Amount as of the end of the year	Amount as of the beginning of the year	The end of the year	The beginning of the year
Dongfang Electric Corporation	97,401.68	97,401.68	41.68	41.68

## 11.1.2 Subsidiaries

See Note8.1.1

## 11.1.3 Associates

See Note8.3

## 11.1.4 Other related parties

Name of related parties	Type of relationship
Dongfang Electric Machinery Works	Enterprises under the control of same parent company and ultimate shareholder
Dongfang Boiler Works	
Dongfang Electric Finance Co., Ltd	
DEC Dongfeng Electric Machinery Co., Ltd	
Guangdong Company	
DEC International Corporation Co., Ltd	
DEC Project Cargo Logistics Co., Ltd	

**Dongfang Electric Corporation Limited**

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For the year of 2016

<b>Name of related parties</b>	<b>Type of relationship</b>
Deyang Dongfang Aberle System Co., Ltd	
Dongqi Investment and Development Co., Ltd	
Dongfang (Sichuan) Electric Corporation Materials Company(Dongfang Materials Company)	
DEC Henan Station Auxiliary Equipment Co., Ltd (Henan Auxiliary Company)	
DEM Real Estate Development Co., Ltd	
DEC (Yixing) Magi solar Co., Ltd	
Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd(Dongfang Autocontrol Company)	
DEC(Sichuan) Property Management Co., Ltd(Dongfang Property Company)	
Dongfang Hitachi (CD) Electrical Control Equipment Co., Ltd(Chengdu Dongfang Hitachi Company)	
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd(Leshan New Energy Company)	
Deyang Dongqi Science & Technology Industrial Company	
Zhonghe Seawater Desalination Engineering Co., Ltd(Zhonghe Seawater Desalination Company)	
Shizishan Photovoltaic Power Peneration Co. Ltd	
Dongfang (Jiuquan) Solar Energy Engineering Technology Co., Ltd(Jiuquan Solar Energy Company)	
Dongfang Electric Group Emei Semiconductor Materials Co., Ltd	Enterprises under the control of same parent company and ultimate shareholder
Dongfang Electric Group Donghua Investment Development Co., Ltd	
Huaxi Power Industrial Co., Ltd	Investors with significant influence
Envirotherm GmbH Essen, Germany	
Wuhan Boiler Group Co., Ltd	
Guangdong Yuedian Group Co., Ltd	
Directors and the management	Others

**11.1.5 Other notes to related parties**

China Western Power Industrial Co., Ltd, Envirotherm GmbH Essen, Germany, Wuhan Boiler Group Co., Ltd, Guangdong Yuedian Group Co., Ltd and the joint ventures and associates in Note 8. 3 are not considered as related parties in the Listing Rules of the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

**11.2 Related Party Transactions**

**Dongfang Electric Corporation Limited**

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For the year of 2016

## 11.2.1 Purchase and sales of goods/receipt and provision of services

## 1) Purchase of goods and receipt of services

<b>Name of related parties</b>	<b>Content</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>	<b>Connected transaction or not</b>
<b>Controlling shareholder and ultimate control party</b>		<b>19,466,981.13</b>	<b>19,917,485.62</b>	
Including: Dongfang Electric Corporation	Receipt of services	14,146,226.41	12,861,320.75	Yes
Dongfang Electric Corporation	Purchase of goods	5,320,754.72	7,056,164.87	Yes
<b>Joint venture and associates</b>		<b>849,907,988.02</b>	<b>608,793,048.59</b>	
Including: MHPS Dongfang Boiler Company	Purchase of goods	682,645,305.01	583,618,424.76	No
Dongfang Mitsubishi Gas Turbine Company	Purchase of goods	167,262,683.01	25,174,623.83	No
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>		<b>1,490,141,130.27</b>	<b>2,084,867,899.73</b>	
Including: Dongfang Materials Company	Purchase of goods	353,215,719.28	430,286,250.01	Yes
	Receipt of services	602,462.06	115,576.21	Yes
Dongfang Auto-control Company	Purchase of goods	619,078,708.09	803,359,706.82	Yes
Henan Auxiliary Company	Purchase of goods	62,104,278.89	75,972,955.32	Yes
DEC (Yixing) Magi solar Co., Ltd	Purchase of goods	3,037,054.74	172,971,704.87	Yes
Deyang Dongfang Aberle System Co., Ltd	Purchase of goods	70,336,750.43	114,176,729.67	Yes
Chengdu Dongfang Hitachi Company	Purchase of goods	18,556,510.32	23,420,538.45	Yes
Leshan New Energy Company	Purchase of goods	125,752,483.33	149,620,282.05	Yes
DEC Dongfeng Electric Machinery Co., Ltd	Purchase of goods	28,392,734.17	27,347,026.32	Yes
DEC Dongfeng Electric Machinery	Receipt of services	1,461,811.97		Yes

**Dongfang Electric Corporation Limited**

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Name of related parties	Content	Amount for the year	Amount for previous year	Connected transaction or not
Co., Ltd				
DEC Project Cargo Logistics Co., Ltd	Receipt of services	190,496,070.74	254,052,291.46	Yes
Dongfang Property Company	Receipt of services	8,005,812.34	12,896,884.93	Yes
Dongfang Boiler Works	Receipt of services	8,352,500.00	7,445,700.00	Yes
DEC International Corporation Co., Ltd	Receipt of services		13,202,253.62	Yes
Guangdong Company	Receipt of services	748,233.91		Yes
<b>Investors with significant influence</b>		<b>3,476,216.94</b>	<b>10,071,668.89</b>	
Including: China Western Power Industrial Co., Ltd	Purchase of goods		6,305,606.85	No
Guangdong Yudean Group Co., Ltd	Purchase of goods	3,476,216.94	3,766,062.04	No
Total		<b>2,362,992,316.36</b>	<b>2,723,650,102.83</b>	

## 2) Sales of goods and provision of services

Name of related parties	Content	Amount for the year	Amount for previous year	Continuing connected transaction or not
<b>Joint venture and associates</b>		<b>40,615,647.47</b>	<b>35,365,148.24</b>	
Including: MHPS Dongfang Boiler Company	Provision of services		1,103,297.13	No
MHPS Dongfang Boiler Company	Sales of goods	112,259.29		No
Dongfang Mitsubishi Gas Turbine Company	Sales of goods	21,749,779.53	12,340,785.97	No
Dongfang Mitsubishi Gas Turbine Company	Provision of services		98,290.60	No
Dongfang AREVA Company	Sales of goods	18,700,000.00	21,822,774.54	No
Dongfang AREVA Company	Provision of services	53,608.65		No
<b>Other enterprises under the control of</b>		<b>104,168,209.69</b>	<b>133,253,561.63</b>	

**Dongfang Electric Corporation Limited**

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<b>Name of related parties</b>	<b>Content</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>	<b>Continuing connected transaction or not</b>
<b>same parent company and ultimate shareholder</b>				
DEC International Corporation Co., Ltd	Sales of goods	75,709,853.47	76,758,001.00	Yes
DEC International Corporation Co., Ltd	Provision of services		422,200.85	Yes
DEC Dongfeng Electric Machinery Co., Ltd	Sales of goods	2,146,597.94	2,197,310.72	Yes
DEC Dongfeng Electric Machinery Co., Ltd	Provision of services	551,039.55	1,858,412.95	Yes
Deyang Dongfang Aberle System Co., Ltd	Sales of goods	419,506.83	6,992,114.09	Yes
Guangdong Company	Provision of services	641,169.23	1,769,982.90	Yes
Guangdong Company	Sales of goods	14,184,961.27	15,448,980.54	Yes
Dongfang Autocontrol Company	Sales of goods	201,396.66	985,609.60	Yes
Dongfang Autocontrol Company	Provision of services	580,268.98		Yes
DEC (Yixing) Magi solar Co., Ltd	Sales of goods		1,195,350.42	Yes
Dongfang Materials Company	Sales of goods	6,197,722.21	9,746,842.21	Yes
DEC Project Cargo Logistics Co., Ltd	Sales of goods	291,880.34	863,247.86	Yes
DEC Project Cargo Logistics Co., Ltd	Provision of services	43,813.21	35,849.06	Yes
Dongqi Investment and Development Co., Ltd	Provision of services	3,200,000.00	4,987,768.54	Yes
Henan Auxiliary Company	Sales of goods		9,935,287.12	Yes
Chengdu Dongfang Hitachi Company	Sales of goods		56,603.77	Yes
<b>Investors with significant influence</b>		<b>2,915,746.91</b>	<b>7,539,039.48</b>	
Huaxi Power Industrial Co., Ltd	Sales of goods	2,912,550.93	7,532,851.48	No
Huaxi Power Industrial Co., Ltd	Provision of services	3,195.98	6,188.00	No

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Name of related parties	Content	Amount for the year	Amount for previous year	Continuing connected transaction or not
<b>Total</b>		<b>147,699,604.07</b>	<b>176,157,749.35</b>	

## 11.2.2 Leases with related parties

## 1) Lease

Lesser	Lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in previous year	Continuing connected transaction or not
Dongfang Turbine Co., Ltd.	Dongfang Autocontrol Company	buildings	40,750.00	37,375.00	Yes
Dongfang Boiler Group Co., Ltd	MHPS Dongfang Boiler Company	Land use right, buildings and equipments	1,859,315.89	1,824,721.00	No
Dongfang Heavy Machinery Co., Ltd	Guangdong Yuedian Group Co., Ltd	land	74,126.13	74,800.00	No
Tianjin Wind Power Technology Co., Ltd.	Zhonghe Seawater Desalination Company	buildings		111,000.00	Yes
<b>Total</b>			<b>1,974,192.02</b>	<b>2,047,896.00</b>	

## 2) Rental

Lesser	Lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in previous year	Continuing connected transaction or not
Dongfang Electric Corporation	The Company	Buildings	25,314,285.71	26,580,000.00	Yes
Dongfang Electric works	Dongfang Electric Machinery Co., Ltd	Plants , land and equipments	16,862,842.52	18,877,215.68	Yes
Dongfang Electric	Dongfang Boiler Group	Buildings		2,478,392.23	Yes

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Lesser	Lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in previous year	Continuing connected transaction or not
Corporation	Co., Ltd				
Dongfang Electric Corporation	Wuhan Nuclear Equipment Co. Ltd	Machines and equipments	410,256.41	410,256.41	Yes
Dongfang Boiler works	Dongfang Boiler Group Co., Ltd	Machines and equipments	2,406,901.53		Yes
<b>Total</b>			<b>44,994,286.17</b>	<b>48,345,864.32</b>	

**11.2.3 Guarantee with related parties**

Guarantor	Guaranteed company	Amount	Beginning date	Close date	Due or not
The Company	Hongnijin Wind Power Co., Ltd	Note	January 19, 2016	January 19, 2026	No
The Company	Sanshengtai Wind Power Co., Ltd.	Note	June 29, 2016	June 29, 2026	No
The Company	Wulan New Energy Company	Note	October 27, 2016	October 27, 2026	No
Dongfang Electric Corporation	Dongfang Mitsubishi Gas Turbine Company	2,450.00	September 22, 2016	April 30, 2025	No

Note: For details, refer to the financial note 13.2

**11.2.4 Borrowings with related parties**

Related Party	Borrowing/loan	Amount of borrowing/loan	Repaid	Note	Continuing connected transaction or not
Dongfang Electric Corporation	Borrowing	8,690,000.00	No	Long-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Corporation	Borrowing	30,910,000.00	No	Long-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Corporation	Borrowing	12,000,000.00	No	Long-term credit loans of Dongfang Electric Co.,	Yes

**Dongfang Electric Corporation Limited**

Notes to the financial statement

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Related Party	Borrowing/loan	Amount of borrowing/loan	Repaid	Note	Continuing connected transaction or not
				Ltd.	
Dongfang Electric Corporation	Borrowing	24,940,000.00	No	Long-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Corporation	Borrowing	20,120,000.00	No	Long-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Corporation	Borrowing	130,000,000.00	No	Long-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	Yes	Short term credit loan, Chengdu Boiler Group Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	Yes	Short term credit loan, Eastern Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	Yes	Short term credit loan, Eastern Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	15,000,000.00	Yes	Short term credit loan, Eastern Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	15,000,000.00	Yes	Short term credit loan, Eastern Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	15,000,000.00	No	Short term credit loan, Eastern Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd.	Yes
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes



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Related Party	Borrowing/loan	Amount of borrowing/loan	Repaid	Note	Continuing connected transaction or not
Dongfang Electric Finance Co.	Borrowing	1,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	5,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	5,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	2,000,000.00	Yes	Discounted commercial paper of Dongfang Boiler Control Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	30,000,000.00	Yes	Short term credit loan of Dongfang KWH Company	Yes
Dongfang Electric Finance Co.	Borrowing	300,000,000.00	Yes	Short-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Finance Co.	Borrowing	500,000,000.00	Yes	Short-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Finance Co.	Borrowing	500,000,000.00	Yes	Short-term credit loans of Dongfang Electric Co., Ltd.	Yes
Dongfang Electric Finance Co.	Borrowing	25,000,000.00	Yes	Short-term credit loans of Tianjin Wind Blade Company	Yes

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Related Party	Borrowing/loan	Amount of borrowing/loan	Repaid	Note	Continuing connected transaction or not
Dongfang Electric Finance Co.	Borrowing	30,000,000.00	Yes	Short-term credit loans of Tianjin Wind Blade Company	Yes
Dongfang Electric Finance Co.	Borrowing	30,000,000.00	Yes	Short-term credit loans of Tianjin Wind Blade Company	Yes
Dongfang Electric Finance Co.	Borrowing	30,000,000.00	Yes	Short-term credit loans of Tianjin Wind Blade Company	Yes
Dongfang Electric Finance Co.	Borrowing	25,000,000.00	No	Short-term credit loans of Dongfang Wind Power Co., Ltd.	Yes
Dongfang Electric Finance Co.	Borrowing	30,000,000.00	No	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	22,500,000.00	No	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	20,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	30,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	25,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	12,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	15,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	Yes	Short-term credit loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	40,000,000.00	No	Short-term mortgage loans of	Yes

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Related Party	Borrowing/loan	Amount of borrowing/loan	Repaid	Note	Continuing connected transaction or not
				Wuhan Nuclear Equipment Co. Ltd	
Dongfang Electric Finance Co.	Borrowing	25,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	12,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	15,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	10,000,000.00	No	Short-term mortgage loans of Wuhan Nuclear Equipment Co. Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	50,000,000.00	No	Short-term credit loans of Dongfang Heavy Machinery Co., Ltd	Yes
Dongfang Electric Finance Co.	Borrowing	17,100,000.00	No	Long-term credit loans of Dongfang Heavy Machinery Co., Ltd	Yes
<b>Total</b>		<b>2,211,260,000.00</b>			

## 11.3 Compensation for key management personnel

## 11.3.1 Director and supervisor compensation

Compensation for director and supervisor for the year:

Name	Director and Supervisor fees	Salaries, allowance and benefits	Bonus	Pension benefit	Total
<b>Directors</b>					
Chen Zhangwu	80,000				80,000

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For the year of 2016

Name	Director and Supervisor fees	Salaries, allowance and benefits	Bonus	Pension benefit	Total
Gu Dake	80,000				80,000
Xu haihe	80,000				80,000
<b>Supervisors</b>					
Wang Zaiqiu		254,033	122,203	32,089	408,325
Wang Congyuan		81,257	81,257	25,235	309,495
<b>Total</b>	<b>240,000</b>	<b>203,460</b>	<b>203,460</b>	<b>57,324</b>	<b>957,820</b>

## Compensation for director and supervisor for previous year

Name	Director and Supervisor fees	Salaries, allowance and benefits	Bonus	Pension benefit	Total
<b>Directors</b>					
Li Yanmeng	80,000				80,000
Zhao Chunjun	80,000				80,000
Peng Shaobing	80,000				80,000
<b>Supervisors</b>					
Wang Zaiqiu		417,591	20,625	33,047	471,263
Wang Congyuan		323,484	5,679	25,823	354,986
<b>Total</b>	<b>240,000</b>	<b>741,075</b>	<b>26,304</b>	<b>58,870</b>	<b>1,066,24</b>

The group has decided the compensation for directors and supervisors based on market trend and personal performance

## 11.3.2 Top five employees' compensation

Top five of employees' compensation exclude (2015: zero) Directors, the other five (2015: five) are as follows:

Item	Amount for the year	Amount for previous year
Salaries, allowance and benefits	3,489,947	3,431,936
Pension benefit	90,479	179,655
<b>合计</b>	<b>3,580,426</b>	<b>3,611,591</b>

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No compensation for key management has over one million Hong Kong Dollar in 2016 and 2015.

Number of people with highest compensation categorized by number is as follows;

Item	2016	2015
0~HKD 1 million	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

## 11.4 Related-party balance

## 11.4.1 Cash deposited in related parties

Name of related parties	Currency	Amount as of the end of the year (RMB)	Amount as of the beginning of the year (RMB)
Enterprises under the control of same parent company and ultimate shareholder		11,911,706,462.7 1	11,777,069,031.6 0
including: Dongfang Electric Finance Co., Ltd	CNY	11,463,198,047.8 5	11,201,824,765.2 5
Dongfang Electric Finance Co., Ltd	USD	446,379,579.86	538,089,365.83
Dongfang Electric Finance Co., Ltd	EUR	2,128,834.90	37,154,900.52
Dongfang Electric Finance Co., Ltd	JPY	0.10	
<b>Total</b>		<b>11,911,706,462.7 1</b>	<b>11,777,069,031.6 0</b>

## 11.4.2 Account receivable

Name of related parties	Amount as of the end of the year		Amount as of the beginning of the year	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Parent company and ultimate shareholder</b>	<b>17,940,824.00</b>	<b>13,743,098.05</b>	<b>17,940,824.00</b>	<b>11,157,694.58</b>
Including: Dongfang Electric Corporation	17,940,824.00	13,743,098.05	17,940,824.00	11,157,694.58
<b>Joint venture and associates</b>	<b>5,742,047.18</b>	<b>305,735.36</b>	<b>22,542,015.08</b>	<b>1,396,380.41</b>
Including: MHPS Dongfang Boiler Company	5,452,249.18	272,612.46		
Dongfang Areva Nuclear Pump Co., Ltd	289,798.00	33,122.90	2,262,815.00	126,512.25

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Name of related parties	Amount as of the end of the year		Amount as of the beginning of the year	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongfang Mitsubishi Gas Turbine Company			20,279,200.08	1,269,868.16
<b>Other enterprises under the control of the same parent company and ultimate shareholder</b>	<b>656,744,006.68</b>	<b>455,463,967.61</b>	<b>779,614,094.97</b>	<b>461,995,285.88</b>
Including: DEC International Corporation Co., Ltd	576,359,989.22	396,319,420.33	666,128,968.15	418,753,233.49
Zhonghe Seawater Desalination Company	23,043,100.00	22,322,050.00	22,284,100.00	22,284,100.00
Guangdong Company	14,324,410.40	12,418,295.03	24,008,733.62	13,833,361.72
DEC Emei Semiconductor Materials Co., Ltd	17,707,637.77	17,199,595.11	1,134,137.77	456,747.55
Sichuan Dongfang Electric Auto control Engineering Co., Ltd	1,388,544.49	75,398.24	11,780,329.91	631,820.67
Leshan New Energy Company	13,969,797.49	5,587,919.00	23,557,493.49	2,355,749.35
Deyang Dongfang Aberle System Corporation Limited	8,840.23	442.01		
DEC (Yixing) Magi solar Co., Ltd	2,851,046.65	285,104.67	1,827,554.20	91,377.71
DEC Project Cargo Logistics Co., Ltd	143,329.79	15,165.21	1,303,324.79	67,832.48
Dongqi Investment and Development Co., Ltd	1,758,429.18	705,852.39	1,758,429.18	352,926.19
Jiuquan Solar Energy Company	649,673.64	64,967.36	649,673.64	64,967.36
Dongfang Electric Corporation Materials Co., Ltd	4,465,674.50	440,344.93	4,485,689.50	233,910.38
DEC Dongfeng Electric Machinery Co., Ltd	73,533.32	29,413.33	20,695,660.72	2,869,258.98
<b>Investors with significant influence</b>	<b>8,050,110.01</b>	<b>621,449.16</b>	<b>11,303,123.07</b>	<b>1,636,790.28</b>
Including: Wuhan Boiler Group Co.,Ltd	1,689,280.00	84,464.00	1,898,873.25	94,943.66
Envirotherm GmbH Essen, Germany	401,971.55	80,394.31	3,913,291.36	1,267,298.70
Huaxi Power Industrial Co., Ltd	5,958,858.46	456,590.85	5,490,958.46	274,547.92
<b>Total</b>	<b>688,476,987.87</b>	<b>470,134,250.18</b>	<b>831,400,057.12</b>	<b>476,186,151.15</b>

## 11.4.3 Others payable

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2016

Name of related parties	Amount as of the end of the year		Amount as of the beginning of the year	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Immediate parent and ultimate parent</b>	<b>21,572,500.</b>	<b>11,225,128.</b>	<b>21,572,500.</b>	<b>10,650,274.</b>
	<b>35</b>	<b>04</b>	<b>35</b>	<b>02</b>
Including: Dongfang Electric Corporation	21,572,500.	11,225,128.	21,572,500.	10,650,274.
	35	04	35	02
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	<b>49,043,142.</b>	<b>14,334,000.</b>	<b>46,541,652.</b>	<b>9,299,453.6</b>
	<b>74</b>	<b>58</b>	<b>58</b>	<b>5</b>
Dongqi Investment and Development Co., Ltd	38,311,201.	12,799,943.	34,988,119.	8,054,706.1
	03	05	78	2
Jiuquan Solar Energy Company	2,805,863.4	1,129,413.6	2,805,863.4	795,374.79
	6	2	6	
DEM Real Estate Development Co., Ltd	6,672.87	333.64		
Dongfang Auto-control Company	34,128.40	6,746.42	12,155.20	4,193.02
Dongfang Property Company			3,537.00	176.85
DEC Project Cargo Logistics Co., Ltd	6,000.00	600.00	6,000.00	300.00
Chengdu Dongfang Hitachi Company	60,000.00	6,000.00	60,000.00	3,000.00
Dongfang Electric Machinery Works	7,819,276.9	390,963.85	8,665,977.1	441,702.87
	8		4	
<b>Joint venture and associates</b>	<b>4,777,511.8</b>	<b>525,371.52</b>	<b>2,949,019.8</b>	<b>224,645.42</b>
	<b>7</b>		<b>2</b>	
Including: MHPS Dongfang Boiler Company	4,777,511.8	525,371.52	2,949,019.8	224,645.42
	7		2	
<b>Total</b>	<b>75,393,154.</b>	<b>26,084,500.</b>	<b>71,063,172.</b>	<b>20,174,373.</b>
	<b>96</b>	<b>14</b>	<b>75</b>	<b>09</b>

## 11.4.4 Prepayments

Name of related parties	Amount as of the end of the year		Amount as of the beginning of the year	
	Amount	Provision for bad debts	Amount	Provision for bad debts

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For the year of 2016

Name of related parties	Amount as of the end of the year		Amount as of the beginning of the year	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Parent company and ultimate shareholder</b>	<b>1,731,200.00</b>		<b>1,680,000.00</b>	
including: Dongfang Electric Corporation	1,731,200.00		1,680,000.00	
<b>Joint venture and associates</b>	<b>10,889,271.04</b>		<b>146,580,815.70</b>	
Including Dongfang Mitsubishi Gas Turbine Company	10,889,271.04		146,580,815.70	
<b>Other enterprises under the control of the same parent company and ultimate shareholder</b>	<b>45,292,037.59</b>		<b>89,918,659.56</b>	
Including: DEC Project Cargo Logistics Co., Ltd	20,838,561.70		29,447,561.70	
DEC International Corporation Co., Ltd	4,397,576.52		12,514,474.09	
Dongfang Materials Company	15,439,986.70		18,000,840.43	
Dongfang Auto-control Company	4,478,000.00		9,327,000.00	
Chengdu Dongfang Hitachi Company	137,912.67		3,419,848.34	
DEC Dongfeng Electric Machinery Co., Ltd			17,208,935.00	
<b>Investors with significant influence</b>	<b>1,000.00</b>			
Guangdong Yuedian Group Co., Ltd	1,000.00			
<b>Total</b>	<b>57,913,508.63</b>		<b>238,179,475.26</b>	

11.4.5 Interests receivable

Name of related parties	Amount as of the end of the year	Amount as of the beginning of the year
<b>Other enterprises under the control of the same parent company and ultimate shareholder</b>	<b>306,940,540.58</b>	<b>283,871,973.47</b>
Including: Dongfang Electric Finance Co., Ltd	306,940,540.58	283,871,973.47
<b>Total</b>	<b>306,940,540.58</b>	<b>283,871,973.47</b>

11.4.6 Short borrowings

Name of related parties	Amount as of the end of the year	Amount as of the beginning of the year
<b>Other enterprises under the control of the same parent company and ultimate shareholder</b>	<b>284,500,000.00</b>	<b>1,442,000,000.00</b>



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Including: Dongfang Electric Finance Co., Ltd	284,500,000.00	1,442,000,000.00
<b>Total</b>	<b>284,500,000.00</b>	<b>1,442,000,000.00</b>

## 11.4.7 Notes payable

<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
<b>Parent company and ultimate shareholder</b>		<b>2,700,000.00</b>
Including: Dongfang Electric Corporation		2,700,000.00
<b>Joint venture and associates</b>	<b>64,141,997.17</b>	<b>121,100,000.00</b>
Including: MHPS Dongfang Boiler Company	36,200,000.00	44,200,000.00
Leshan Dongyue Heavy Piece Hoisting and Transport Co., Ltd.	1,800,000.00	1,900,000.00
Dongfang Mitsubishi Gas Turbine Company	26,141,997.17	75,000,000.00
<b>Other enterprises under the control of the same parent company and ultimate shareholder</b>	<b>451,471,321.51</b>	<b>346,693,964.47</b>
Including: Dongfang Autocontrol Company	201,847,669.64	131,651,293.54
Dongfang Materials Company	111,012,953.36	96,724,652.74
DEC Project Cargo Logistics Co., Ltd	38,127,938.74	35,022,281.20
Leshan New Energy Company	57,348,856.00	50,650,000.00
Henan Auxiliary Company	14,399,264.35	19,500,000.00
Dongfang Electric works	800,000.00	1,038,001.16
DEC Dongfeng Electric Machinery Co., Ltd	6,230,000.00	8,440,000.00
Deyang Dongfang Aberle System Corporation Limited	21,364,522.02	3,367,735.83
Chengdu Dongfang Hitachi Company	340,117.40	300,000.00
<b>Investors with significant influence</b>	<b>800,000.00</b>	<b>7,300,000.00</b>
Including: China Western Power Industrial Co., Ltd	800,000.00	4,500,000.00
Wuhan Boiler Group Co., Ltd		2,800,000.00
<b>Total</b>	<b>516,413,318.68</b>	<b>477,793,964.47</b>

## 11.4.8 Accounts payable

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<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
<b>Parent company and ultimate shareholder</b>	<b>2,103,875.47</b>	<b>2,580,881.13</b>
including: Dongfang Electric Corporation	2,103,875.47	2,580,881.13
<b>Joint venture and associates</b>	<b>421,431,350.66</b>	<b>238,816,154.89</b>
Including: MHPS Dongfang Boiler Company	420,685,664.39	238,816,154.89
Dongfang Mitsubishi Gas Turbine Company	745,686.27	
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	<b>1,022,251,316.61</b>	<b>1,202,886,571.65</b>
Including: Dongfang Autocontrol Company	506,825,956.74	614,663,930.66
Dongfang Materials Company	167,252,782.69	182,783,669.63
Leshan New Energy Company	146,105,635.13	152,813,511.20
DEC Project Cargo Logistics Co., Ltd	39,971,202.11	76,044,298.25
DEC International Corporation Co., Ltd		1,422,661.08
Deyang Dongfang Aberle System Corporation Limited	23,723,752.40	36,843,299.81
DEC Dongfeng Electric Machinery Co., Ltd	8,658,423.64	35,653,071.91
Henan Auxiliary Company	19,663,579.94	20,825,870.86
Chengdu Dongfang Hitachi Company	12,594,453.01	13,282,934.00
DEC (Yixing) Magi solar Co., Ltd	44,909,928.30	41,409,928.57
Jiuquan Solar Energy Company	7,041,180.00	7,041,180.00
Zhonghe Seawater Desalination Company	1,225,000.00	1,225,000.00
Dongfang Electric works	16,862,842.52	18,877,215.68
Dongqi Investment and Development Co., Ltd	27,416,580.13	
<b>Investors with significant influence</b>	<b>15,987,907.46</b>	<b>26,539,008.23</b>
Including: China Western Power Industrial Co., Ltd	15,987,907.46	25,857,138.23
Guangdong Yuedian Group Co., Ltd		681,870.00
<b>Total</b>	<b>1,461,774,450.20</b>	<b>1,470,822,615.90</b>

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## 11.4.9 Receipts in advance

<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
<b>Joint venture and associates</b>	<b>68,271,570.79</b>	<b>130,450,392.18</b>
Including: Dongfang Areva Nuclear Pump Co., Ltd	51,631,619.45	54,200,913.66
MHPS Dongfang Boiler Company	12,598,411.34	7,937,478.52
Hongnijing Wind Power Company	4,041,540.00	68,312,000.0
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	<b>121,353,540.56</b>	<b>191,597,041.66</b>
Including: DEC International Corporation Co., Ltd	113,046,022.87	183,692,232.35
Dongfang Materials Company	5,500,824.00	5,494,824.00
Guangdong Company	2,489,983.69	1,567,398.20
DEC Dongfeng Electric Machinery Co., Ltd		502,500.00
Deyang Dongfang Aberle System Corporation Limited	316,710.00	54,013.71
Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd.		137,055.00
DEC Emei Semiconductor Materials Co., Ltd		76,500.00
Dongfang Electric works		518.40
Zhonghe Seawater Desalination Company		72,000.00
<b>Total</b>	<b>189,625,111.35</b>	<b>322,047,433.84</b>

## 11.4.10 Other payable

<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
<b>Parent company and ultimate shareholder</b>	<b>1,372,921,878.06</b>	<b>1,374,112,350.26</b>
Including: Dongfang Electric Corporation	1,372,921,878.06	1,374,112,350.26
<b>Joint venture and associates</b>	<b>200,000.00</b>	<b>200,000.00</b>
Including : MHPS Dongfang Boiler Company	200,000.00	200,000.00
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	<b>39,820,028.69</b>	<b>33,920,057.68</b>
Including: Dongfang Boiler Works	31,840,028.69	30,925,954.89

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<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
DEC Project Cargo Logistics Co., Ltd	1,500,000.00	1,500,000.00
Dongfang Autocontrol Company		844,102.79
Guangdong Company	200,000.00	200,000.00
Dongfang Electric Corporation Materials Co., Ltd	6,080,000.00	250,000.00
Henan Auxiliary Company	200,000.00	200,000.00
<b>Investors with significant influence</b>	<b>4,269,152.62</b>	<b>4,207,114.33</b>
Including: Wuhan Boiler Group Co., Ltd	3,639,290.32	860,551.97
Envirotherm GmbH Essen, Germany	166,257.10	2,546,562.36
China Western Power Industrial Co., Ltd	463,605.20	800,000.00
<b>Total</b>	<b>1,417,211,059.37</b>	<b>1,412,439,522.27</b>

## 11.4.11 Dividends payable

<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
<b>Investors with significant influence</b>		<b>480,000.00</b>
Including: China Western Power Industrial Co., Ltd		480,000.00
<b>Total</b>		<b>480,000.00</b>

## 11.4.12 Long-term borrowings

<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the</b>
<b>Parent company and ultimate shareholder</b>	<b>243,760,000.00</b>	<b>218,820,000.00</b>
Including: Dongfang Electric Corporation	243,760,000.00	218,820,000.00
<b>Total</b>	<b>243,760,000.00</b>	<b>218,820,000.00</b>

## 11.4.13 Long-term borrowings

<b>Name of related parties</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the</b>
<b>Other enterprises under the control of the same parent company and ultimate parent</b>	<b>16,537,992.70</b>	
Including: Dongfang Electric Corporation	16,537,992.70	

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Name of related parties	Amount as of the end of the year	Amount as of the beginning of the
<b>Total</b>	<b>16,537,992.70</b>	

**12. Share-based payments**

## 12.1 Summary of share-based payments

On December 14, 2012, the Company approved its H-shares appreciation right plan at its First Extraordinary Shareholders' Meeting; the plan mainly concerns the following aspects:

12.1.1 The stock appreciation right incentive plan will valid for 5 years after being granted. The waiting period of stock appreciation right is two years, the stock appreciation rights holder could exercise his right in 3 times at a constant speed when the conditions of exercise are fulfilled.

12.1.2 The following performance targets for the previous financial year must be achieved so that stock appreciation right can be granted: 1) EVA should not lower than 2.2 billion; 2) the growth rate of revenue no less than 9.00%; 3) ROE no less than 13%;4) revenue and ROE growth rate shall not less than 50% that of the benchmarking company's growth rate.

12.1.3 The following performance targets for the previous financial year must be achieved to exercise stock appreciating right: 1) EVA should no less than 2.4 billion, 2.6billion,and 2.8billion respectively;2) the growth rate of revenue shall no less than 9.00%, 11% and 13% respectively , at the mean time no less than 75% that of benchmarking company3) ROE growth rate should be no less than13%, 15%,and 17% respectively and no less than 75% that of benchmarking company'.

Authorized by the shareholders' meeting and resolution, the Board confirmed the grant date of stock appreciation right was December 14, 2012; the granted price was HKD 15.14 per shares in basis of the closing price of H shares. The H-share appreciation right has granted 16.54 million H shares( accounting for 0.8254% of the Company's total shares) to 175 person who meet the criteria and granted at the first time, including 11 directors and senior managers with 2.14 million shares, 164 key managers and staffs with 14.4 million shares.

According to the resolution made at the first meeting of the Remuneration and Assessment Committee of 2014, the Company removed 3 person from the H-share appreciation right plan; after the adjustment, The H-share appreciation right has granted 16.32 million H shares( accounting for 0.8144% of the Company's total shares) to 172 person who meet the criteria and granted at the first time, including 11 directors and

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senior managers with 2.14 million shares, 161 key managers and staffs with 14.18 million shares.

According to the resolution made at the 16th meeting of the 7th Board Meeting of the Company in 2014, the Company approved the assessment results of the H-share stock appreciation right plan for the first assessment period (the year of 2013). Among the 16.32 million H-shares stock appreciation rights, 5.44 million H-shares meets the exercise conditions; after the waiting period for the H-share stock appreciation right, the incentive plan holder can choose to exercise the right during the exercise period between Dec. 14, 2014 and Dec. 14, 2017.

Up to Dec. 31, 2016, the above-mentioned 5.44 million H-shares stock appreciation rights have not exercised because the H-share price was continuously lower than the price (HKD 15.14) granted for the H-share stock appreciation right from the end of the waiting period (Dec. 14, 2014) to Dec. 31, 2016. Thus, the Company measures such share-based payment (settled in cash) as per fair value at zero and has it classified under the payroll payable in the financial statements.

Among the 10.88 million shares of equity instruments invalidated in 2014: 5.44 million shares were invalidated because the financial performance of 2014 cannot meet the exercise conditions of H-share stock appreciation right; the other 5.44 million shares were invalidated because the management of the Company expect that the performance of the 2015 financial statements will not meet the exercise conditions of H-share stock appreciation rights.

**12.2 Cash-settled share-based payments**

<b>Item</b>	<b>Condition</b>
The method of determining fair value of liabilities assumed by the Company and calculated based on shares or other equity instruments	Black-scholes-model
Accumulated amounts of the liabilities arising from cash-settled share-based payments	
Total expenses recognized arising from cash-settled share-based payments	

**13. Contingencies****13.1 Guaranty**

<b>Name</b>	<b>Nature</b>	<b>Amount</b>
Outside the scope of the Group		
Dongfang Mitsubishi Gas Turbine Company	Guaranty	24,500,000.00
<b>Total</b>		<b>24,500,000.00</b>

Dongfang Mitsubishi Gas Turbine Company, CNOOC Zhuhai Natural Gas Power Generation Co., Ltd., Zhongshan Jia Ming Electric Power Co., Ltd., Zhonghai Fujian Gas Power Generation Co., Ltd. and Guangdong Huizhou Natural Gas Power Generation Co., Ltd. (hereinafter referred the four companies to as "the owner") intends to sign "M701F gas turbine parts, parts maintenance and technique consultant service" (Hereinafter referred to as "long-term service agreement"), the "long-term service agreement" involves 12 units, the owner asked the parent company of Dongfang Mitsubishi Gas Turbine Company (Mitsubishi Hitachi Tool Engineering Co., Ltd. and Dongfang Turbine Co., Ltd.) to sign the "parent company guarantee agreement" on the implementation of the agreement. The long-term service agreement guarantees a total of RMB 50 million. Dongfang Turbine Co., Ltd. provide a guaranty of RMB 24.5 million based on the percentage of equity share holds, Dongfang Mitsubishi Gas Turbine Company provide counter-guarantee.

### 13.2 Equity pledge

(1) The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Hongnijing Wind Power Company, for the finance lease related equipment.

According to the fifth of the meeting of board of directors of the 8th session on January 8, 2016, The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Hongnijing Wind Power Company, for the finance lease related equipment. The total estimated rental payment of the leasing business is RMB 342,337,300.00.

(2) The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Sanshengtai Wind Power Company, for the finance lease related equipment.

According to the tenth of the meeting of board of directors of the 8th session on June 27, 2016, The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Sanshengtai Wind Power Company, for the finance lease related equipment.. The total estimated rental payment of the leasing business is RMB 292.04 million.

(3) The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Wulan New Energy Company, for the finance lease related equipment.

According to the eleventh of the meeting of board of directors of the 8th session on August 26, 2016, The Company provided pledged guarantee to Dao Sheng

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International Financial Leasing Co., Ltd., through a 20% equity interest of Wulan New Energy Company, for the finance lease related equipment.. The total estimated rental payment of the leasing business is RMB 544.00million.

**13.3 Contingent liabilities arising from letter of credits**

Up to December 31, 2016, the irrevocable letter of credit is RMB 1,299,161,519.65, details are as follow:

<b>Currency</b>	<b>Local currency</b>	<b>Equivalent to RMB</b>
Swiss Francs	897,430.00	6,101,536.83
EURO	74,837,915.23	546,825,679.01
Japanese Yen	3,532,123,891.07	210,482,794.79
US Dollar	76,831,966.29	532,983,350.14
Great British Pound	325,306.00	2,768,158.88
<b>Total</b>		<b>1,299,161,519.65</b>

**13.4 Letter of Guarantee**

The letter of guarantee by December 31, 2016 is of RMB 29,371,105,369.87.:

<b>Currency</b>	<b>Local currency</b>	<b>Equivalent to RMB</b>
Pakistan Rupee	786,474,505.50	53,488,131.12
Russian Rouble	1,100,300,000.00	126,644,530.00
USD	1,168,316,404.16	8,104,610,895.66
EURO	61,291,292.53	447,843,216.26
RMB	20,635,903,012.23	20,635,903,012.23
Bolivar	253,940,252.68	2,615,584.60
<b>Total</b>		<b>29,371,105,369.87</b>

13.5 Apart from the mentioned above, there are no other significant contingency liabilities as at December 31, 2016.

**14. Commitments****14.1 Significant commitments****14.1.1 Capital expenditure commitments**



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Capital expenditure commitments that have been entered into but have not been recognised in the financial statements :( Unite: RMB 10,000)

Item	Amount as of the end of the year	Amount as of the beginning of the year
Construction projects	18,041.34	23,414.44
Equipments	10,832.92	10,168.68
<b>Total</b>	<b>28,874.27</b>	<b>33,583.12</b>

Up to December 31, 2016, total amount of significant investment commitments that have been entered into but have not been paid yet is RMB 288,742,700.00: ( Unit: RMB 10,000)

Item	Contract sum	Amount paid	Amount to be paid	Tentative investment period	Note
Construction projects	104,565.33	86,523.98	18,041.34	2017	
Equipments	41,620.96	30,788.03	10,832.92	2017	
<b>Total</b>	<b>146,186.29</b>	<b>117,312.02</b>	<b>28,874.27</b>		

#### 14.1.2 Lease contracts signed or about to perform and the financial impact

The details of irrevocable operating lease and finance lease at the year-end are as below: The minimum irrevocable operating lease and finance lease expenditures as at December 31, 2016:

Period	Amount for the year	Amount for previous year
Within 1 year	39,054,164.40	37,660,893.35
1-2 year	24,989,231.77	21,144,725.96
2-3 year	21,013,017.52	18,877,215.68
Over 3 years		18,877,215.68
<b>Total</b>	<b>85,056,413.69</b>	<b>96,560,050.67</b>

14.2 Apart from the mentioned above, there are no other significant commitments as at December 31, 2016.

## 15. Events after the balance sheet date

### 1. Pledge of stock right

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On March 7, 2017, the 15th meeting of the 8th Board approved that the Proposal on Purchasing Assets and Related Transactions of A Shares about the Company. The Company intends to issue shares to purchase the eight subsidiaries of Dongfang Electric Group Company, including 100% stake in Dongfang Electric Finance Company, 100% stake in International Cooperative Company, 100% stake in Dongfang Materials Company, 100% equity interest in Bulk Logistics Company, 41.24% stake in Oriental Hitachi Company, Oriental Control Company 100% equity, Dongfang Electric Chengdu Qingneng Technology Co., Ltd. (hereinafter referred to as "Oriental Qingneng Technology Company") 100% stake in Dongfang Electric Chengdu Intelligent Technology Co., Ltd. (hereinafter referred to as "Oriental Intelligent Technology Company") 100% (Including 407 machines and equipment, 426 electronic equipment), 473 intangible assets (including 63 software, 14 computer software copyright, 396 patents) owned by Dongfang Electric Group.

The total valuation of the transaction target total of about 6,909,404,700, the initial calculation of the East China Electric Group to buy assets to be issued shares of about 766,859,600 shares, the final issue of the number of securities business qualification to the assets of the assessment agencies issued And the amount of the transaction determined by the appraisal result of the asset appraisal report filed by the State-owned Assets Supervision and Administration Commission of the State Council shall be determined and the results approved by the CSRC shall prevail.

As of the date of this financial report, the issuance of shares related to the purchase of assets is still in progress.

### 2. Profit appropriation

The Company's profit distribution plan for the year 2016 is not subject to profit distribution, nor does it transfer capital reserve and dividend distribution.

3. Apart from the mentioned above, there are no other events after balance sheet date.

## 16. Other significant events

### 16.1 Lease

#### 16.1.1 Fixed assets formed by finance lease

Category	Amount as of the end of the year	Amount as of the beginning of the year
Total original value	30,000,000.00	
Including: Machines and equipments	30,000,000.00	

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Total depreciation	4,232,202.44	
Including: Machines and equipments	4,232,202.44	
Total provision for impairment		
Total book value	25,767,797.56	
Including: Machines and equipments	25,767,797.56	

Dongfang Electric Finance Company and Hangzhou New Energy Company signed a 16-meter lift, 10 meters vertical lathe and 5 meters gantry milling and other machinery and equipment after-sales leaseback agreement, after the expiration of the lease, Hangzhou New Energy can obtain the ownership of the equipment mentioned above by paying RMB 1 and related handling fees as well as other costs agreed upon in the contract. The lease capital is RMB 30 million, the rate is 4.5125%, and handling fee is RMB 600,000. According to the contract agreement, the contract lease period is from November 30, 2015 to February 29, 2020, the two sides have agreed to treat March 1, 2016 as the beginning of rental day.

## 16.1.2 Lowest rental payment

Remaining lease period	Lowest rental payment
Within 1 year(including 1 year)	8,239,338.40
1-2 years (including 2 years)	8,239,338.40
2-3 years (including 3 years)	8,239,338.40
Over 3 years	2,659,834.53
<b>Total</b>	<b>27,377,849.73</b>

Note: The balance of unrecognized finance lease fees is RMB 2,600,518.53.

## 16.1.3 Operating lease

At the end of the year, operating lease of the group are shown below:

Category	Amount as of the end of the year	Amount as of the beginning of the year
Building	103,523,336.62	61,915,662.59
Land use right	8,419,533.84	8,645,285.40
Machines and equipments	1,341,328.28	3,103,864.09

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Vehicles	53,584.46	10,000.00
Instruments and electronic computers	277.78	79,707.48
<b>Total</b>	<b>113,338,060.98</b>	<b>73,754,519.56</b>

## 16.2 Debt reconstruction

<b>Method</b>	<b>Net income</b>	<b>Amount increased in share capital</b>	<b>Contingent payable</b>
To pay off debts at less than the book value of the debt	20,622,378.52		
<b>Total</b>	<b>20,622,378.52</b>		

Hangzhou New Energy Company owed Hangzhou Bangsheng Automation Technology Co., Ltd., Zhejiang Shuoshi Machinery Co., Ltd., Hangzhou Xiaoshan Huanyu Punch Co., Ltd., Yuandong Cable Co., Ltd., Jiangsu Kaidong Industrial Co., Ltd. Company, Hangzhou Ourun Lubrication Technology Co., Ltd. and Hangzhou Naifan Industrial Co., Ltd. a total amount of RMB 31,287,871.35. According to the repayment agreement signed among Hangzhou New Energy Company and the company above, all the debt had been paid off after the total payment of RMB 10,665,492.83.

## 16.3 Annuity plan

Pursuant to Notice1201[2007]"Reply to annuity system of Dongfang Electric Corporation" issued by State-owned Assets Supervision and Administration Commission , annuity is listed out as employee benefit and expenses, and the specialized account is entrusted to China Life Pension Company Limited for operation.

## 16.4 Other important transactions and events impact on investor's decision-making

In 2004, treasury bonds with face value of RMB 201,404,000.00 which is the property of Dongfang Boiler Group Co., Ltd. was illegally pledged by China Technology Securities Co., Ltd Chongqing branch. Bank accounts of China Technology Securities Co., Ltd were frozen after report. Approved by the board of directors, Dongfang Boiler Group Co., Ltd. accrued impairment provision RMB 150 million regarding the portion that has the risk of recovering in 2006.

On September 7, 2007, Beijing's Second Intermediate People's Court has accepted the case regarding the insolvency of China Technology Securities. Dongfang Boiler Group Co., Ltd received RMB 10,709,456.86 distributed by China Technology Securities bankruptcy liquidation commission on 4 August 2008. In March, 2014, all creditors agreed, through voting, to recover the property distribution of acknowledged creditor's

rights of Dongfang Boiler Group Co., Ltd. The allocable fund received by Dongfang Boiler Group Co., Ltd. with acknowledged creditor's rights in earlier stage is summed as RMB 29,013,662.90. The Group has already withdrawn impairment provision of RMB 146,064,314.06 in respect of the balance aged more than 5 years. By the end of the reporting date of this Financial Statement, bankruptcy liquidation of Zhongke Securities is still ongoing.

#### 16.5 Segment Information

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into five reporting segments. The reporting segments are determined based on internal organization structure, management requirements and internal reporting system. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products and services delivered or provided by each of the reporting segments are high-efficient cleaning power generation unit, new energy, hydro-energy and environmental protection equipment, engineering and service and others.

Segments information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

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## Segment information of 2016

Item	High-efficient cleaning power generation unit	New energy	Hydro-energy and environmental protection equipment	Engineering and service	Others	Inter-segment eliminations	Total
Operating income	29,755,334,517.78	13,832,530,472.23	1,741,807,436.70	4,619,462,844.64	442,136,894.53	17,105,548,357.54	
Including: External income	19,674,428,536.27	7,936,769,747.08	1,604,246,497.40	3,892,915,040.98	177,363,986.61		
Inter-segment income	10,080,905,981.51	5,895,760,725.15	137,560,939.30	726,547,803.66	264,772,907.92	17,105,548,357.54	
Operating costs	26,709,168,625.32	13,085,309,142.15	1,701,283,073.49	4,436,775,087.40	367,522,391.56	17,022,292,249.26	
Costs eliminations	10,151,733,087.12	5,906,076,107.15	28,591,219.20	681,631,550.47	254,260,285.32	17,022,292,249.26	
Period expenses					4,370,858,967.20	2,678,012.61	
Operating profit (loss)	3,046,165,892.46	747,221,330.08	40,524,363.21	182,687,757.24	-4,296,244,464.23	1,716,288,012.39	
Total assets					127,494,702,619.40	42,792,102,317.98	
Including: Amount of a single asset that has a significant impairment loss							
Total liabilities					96,589,242,187.92	33,972,396,806.47	
Supplementary information							
Capital expenditure							
Impairment losses recognised in the current period					2,323,845,985.41	826,208,451.13	

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<b>Item</b>	<b>High-efficient cleaning power generation unit</b>	<b>New energy</b>	<b>Hydro-energy and environmental protection equipment</b>	<b>Engineering and service</b>	<b>Others</b>	<b>Inter-segment eliminations</b>	<b>Total</b>
Including: Amortisation of good will							
Depreciation and amortisation					1,087,526,337.57		
Non-cash expense other than depreciation and amortisation							

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Item	High-efficient cleaning power generation unit	New energy	Hydro-energy and environmental protection	Engineering and service	Others	Inter-segment eliminations	Total
Operating income	36,747,792,392.77	8,343,765,495.20	2,637,076,415.89	5,456,573,022.52	633,486,210.09	17,800,749,836.15	36,017,943,700.32
Including: External income	23,032,374,907.06	4,585,390,915.67	2,629,283,402.23	5,522,591,335.18	248,303,140.18		36,017,943,700.32
Inter-segment income	13,715,417,485.71	3,758,374,579.53	7,793,013.66	-66,018,312.66	385,183,069.91	17,800,749,836.15	
Operating costs	32,642,695,966.15	7,953,587,813.05	2,045,667,926.36	4,598,600,586.07	487,079,307.09	17,767,870,206.82	29,959,761,391.90
Costs eliminations	13,323,799,146.68	3,945,551,856.28	9,729,685.75	168,364,809.06	320,424,709.05	17,767,870,206.82	
Period expenses					3,835,091,795.58	-14,553,052.01	3,849,644,847.59
Operating profit (loss)	4,105,096,426.62	390,177,682.15	591,408,489.53	857,972,436.45	-3,688,684,892.58	1,871,987,797.56	383,982,344.61
Total assets					125,221,798,242.11	39,087,374,977.44	86,134,423,264.67
Including: Amount of a single asset that has a significant impairment loss:							
Total liabilities					91,577,901,360.94	29,421,067,246.21	62,156,834,114.73
Supplementary information							
Capital expenditure							
Impairment losses recognised in the current period					1,713,583,836.80	48,208,928.76	1,665,374,908.04
Including: Amortisation of good will							



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Depreciation and amortisation					1,141,058,685.62		1,141,058,685.62
Non-cash expense other than depreciation and amortisation	36,747,792,392.77	8,343,765,495.20	2,637,076,415.89	5,456,573,022.52	633,486,210.09	17,800,749,836.15	36,017,943,700.32

Segment information of 2014

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External income arising from external transactions by domestic or other countries or regions:

<b>External income</b>	<b>Amount recognized in the current period</b>	<b>Amount recognized in the prior period</b>
Domestic(excluding Hong Kong)	29,626,928,327.23	31,126,464,821.26
Other countries or regions	3,658,795,481.11	4,891,478,879.06
<b>Total</b>	<b>33,285,723,808.34</b>	<b>36,017,943,700.32</b>

Amount of non-current assets excluding financial assets and deferred income tax assets by domestic or other countries or regions:

<b>Amount of non-current assets</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Domestic(excluding Hong Kong)	8,627,365,167.07	9,460,822,237.93
Other countries or regions	121,744,324.56	103,678,977.16
<b>Total</b>	<b>8,749,109,491.63</b>	<b>9,564,501,215.09</b>

**17. Notes to key items in the Company's financial statements**

## 17.1 Cash and cash equivalents

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
	<b>Amount (RMB)</b>	<b>Amount (RMB)</b>
Cash on hand	1,971,055.70	1,577,135.49
Bank deposit	11,354,535,140.18	7,465,226,739.22
Other cash and cash equivalents	25,061,795.42	47,806,963.90
<b>Total</b>	<b>11,381,567,991.30</b>	<b>7,514,610,838.61</b>
Including: Total amount deposited abroad	99,944,938.17	87,710,611.57

17.1.1 At the end of the year, cash and cash equivalents increased by RMB 3,866,957,152.69, represent 51.46%, compared with that of the beginning of the year. It is mainly due to the Company have reinforced the gathering processes, thus result the increase of net operating cash flow.

17.1.2 On December 31, 2016, the performance guarantee RMB 6,515,000.00 is under restriction.

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## 17.2 Financial asset at fair value through profit or loss

## 17.2.1 Classification

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Financial assets held for trading	59,661,930.59	36,068,759.00
Including: Equity instruments investments	56,504,273.00	36,068,759.00
Derivative financial assets	3,157,657.59	
<b>Total</b>	<b>59,661,930.59</b>	<b>36,068,759.00</b>

17.2.1.1 Financial asset at fair value through profit or loss at the end of the year increased RMB 23,593,171.59, at a rate of 65.41%, because the Company purchased the unrestricted domestic listed shares (A-shares).

17.2.1.2 Held for trading equity instruments investments is the unrestricted domestic listed shares (A-shares) hold: 1,447,000 shares of China XD Electricity Co., Ltd., which accounting for 0.028% of the investee; 2,802,100 shares of Huaneng Power Intentional, Inc., which accounting for 0.018% of the investee; 285,400 shares of Hubei Energy Group Co., Ltd., which accounting for 0.004% of the investee. 1,131,400 shares of State Power NARI Technology Co., Ltd., which accounting for 0.0466% of the investee; 200,000 shares of China Yangtze Power Co., Ltd., which accounting for 0.0009% of the investee and 374,900 shares of China Sci-Tech Securities Co., Ltd., which accounting for 0.0031% of the investee. The fair value of those equity instruments are measured using their closing stock price at the securities exchange market.

17.2.1.3 Derivative financial assets as at the year end is the Europe 25,814,400.00 forward foreign exchange sale agreement signed between the Company and the bank, the fair value is calculated based on the price provided by the bank.

## 17.2.2 Analysis:

<b>Item</b>	<b>Fair value at the end of the year</b>	<b>Fair value at the beginning of the year</b>
<b>Listed</b>		
Listed in PRC(Hong Kong excluded)	56,504,273.00	36,068,759.00
Subtotal	56,504,273.00	36,068,759.00
<b>Unlisted</b>	3,157,657.59	
<b>Total</b>	<b>59,661,930.59</b>	<b>36,068,759.00</b>

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## 17.3 Notes receivable

## 17.3.1 Classification of notes receivable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Bank acceptances	567,394,000.00	386,376,590.50
<b>Total</b>	<b>567,394,000.00</b>	<b>386,376,590.50</b>

The notes receivable increased RMB 181,017,409.50.18, at a rate of 46.85%, mainly due to the increase of settlement with bank acceptance notes.

## 17.3.2 No pledge of notes receivable exist at the end of the year

17.3.3 Notes endorsed by the Company to other parties which are not yet due at the balance sheet date

Item	Stop recognizing amount	Non-stop recognizing amount
Bank acceptances	1,222,894,619.88	
Business acceptances	20,000,000.00	
<b>Total</b>	<b>1,242,894,619.88</b>	

17.3.4 No notes receivable had conversed to accounts receivables due to failing to honour the agreements.

## 17.4 Accounts receivable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Account receivables	5,656,335,397.67	6,666,920,004.82
Less: Provision for bad debts	910,662,474.96	1,095,567,782.11
<b>Balance b/d</b>	<b>4,745,672,922.71</b>	<b>5,571,352,222.71</b>

## 17.4.1 Aged receivables analysis:

Age of the receivable	Amount as of the end of the year	Amount as of the beginning of the year
Within 1 year	2,468,006,799.90	3,086,123,650.94
1-2 years	1,509,359,367.05	1,837,913,255.18
2-3 years	628,304,567.08	377,370,475.82
3-4 years	81,049,191.12	98,619,758.28

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4-5 years	58,952,997.56	171,325,082.49
<b>Total</b>	<b>4,745,672,922.71</b>	<b>5,571,352,222.71</b>

17.4.2 Receivables Classification

Category	Amount as of the end of the year			
	Book Balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant individual receivables with bad debt provision made on individual basis	323,865,326.60	5.73	323,865,326.60	100
Receivables with bad debts on portfolio basis on credit risk characteristics	5,332,470,071.07	94.27	586,797,148.36	11.00
<b>Total</b>	<b>5,656,335,397.67</b>	<b>100</b>	<b>910,662,474.96</b>	<b>16.10</b>

(Continued)

Category	Amount as of the beginning of the year			
	Book Balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant individual receivables with bad debt provision made on individual basis	295,698,684.94	4.44	295,698,684.94	100
Receivables with bad debts on portfolio basis on credit risk characteristics	6,371,221,319.88	95.56	799,869,097.17	12.55
<b>Total</b>	<b>6,666,920,004.82</b>	<b>100</b>	<b>1,095,567,782.11</b>	<b>16.43</b>

1) Significant individual receivables with bad debt provision made on individual basis at the end of year

Name	Amount as of the end of the year			
	Book Balance	Provision for bad debts	Proportion (%)	Reasons
First	143,373,546.24	143,373,546.24	100	Difficulty in operating and expectation of

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Name	Amount as of the end of the year			Reasons
	Book Balance	Provision for bad debts	Proportion (%)	
				unable to recover
Second	107,446,230.36	107,446,230.36	100	Difficulty in operating and expectation of unable to recover
Third	73,045,550.00	73,045,550.00	100	Has dispute over this guarantee deposits and expectation of unable to recover.
<b>Total</b>	<b>323,865,326.60</b>	<b>323,865,326.60</b>	<b>—</b>	<b>—</b>

2) Receivables with bad debt provision made on aged combinations basis

Item	Amount as of the end of the year			Amount as of the beginning of the year		
	Amount	Provision for bad debts	Proportion (%)	Amount	Provision for bad debts	Proportion (%)
Within 1 year	2,597,901,894.66	129,895,094.76	5	3,248,551,211.51	162,427,560.57	5
1-2 years	1,677,065,963.38	167,706,596.33	10	2,042,125,839.09	204,212,583.91	10
2-3 years	785,380,708.84	157,076,141.76	20	471,713,094.78	94,342,618.96	20
3-4 years	135,081,985.19	54,032,794.07	40	164,366,263.80	65,746,505.52	40
4-5 years	117,905,995.13	58,952,997.57	50	342,650,164.99	171,325,082.50	50
More than 5 years	19,133,523.87	19,133,523.87	100	101,814,745.71	101,814,745.71	100
<b>Total</b>	<b>5,332,470,071.07</b>	<b>586,797,148.36</b>	<b>11.00</b>	<b>6,371,221,319.88</b>	<b>799,869,097.17</b>	<b>12.55</b>

17.4.3 Reversals and collections during the current period

The provision for bad debts of the year is RMB 184,905,307.15. Reversals and collections have been received during the current period is RMB 121,949,000.00.

Name	Amount as of the end of the year	Proportion (%)	Provision for bad debts	Reversal	Reason for provision	Reason for reversal
First	121,949,000.00	100	121,949,000.00	121,949,000.00	Dispute in quality	Settled after the arbitration
<b>Total</b>	<b>121,949,000.00</b>	<b>100</b>	<b>121,949,000.00</b>	<b>121,949,000.00</b>		

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## 17.4.4 No accounts receivable written off in the year

## 17.4.5 Top five entities with the largest balances of accounts receivable

Name	Amount as of the end of the year	Aging	Proportion to book value of account receivable	Provision for bad debts
First	407,685,446.14	1-2 years	7.21	40,768,544.61
Second	264,170,082.62	1-3 years	4.67	18,613,805.65
Third	237,459,515.00	1-3 years	4.20	17,454,496.75
Forth	218,125,000.00	Within 1 year	3.86	10,906,250.00
Fifth	205,099,253.93	Within 1 year	3.63	10,254,962.70
<b>Total</b>	<b>1,332,539,297.69</b>		<b>23.57</b>	<b>97,998,059.71</b>

## 17.5 Prepayments

## 17.5.1 Aged prepayments analysis

Items	Amount as of the end of the year		Amount as of the beginning of the year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,844,695,858.09	70.28	4,533,383,910.23	37.34
1-2 years	3,187,477,393.27	25.32	1,950,540,987.16	16.07
2-3 years	123,901,792.12	0.98	2,897,641,655.75	23.87
Over 3 years	430,307,534.92	3.42	2,758,624,785.55	22.72
<b>Total</b>	<b>12,586,382,578.40</b>	<b>100</b>	<b>12,140,191,338.69</b>	<b>100</b>

The prepayment of the Company at the end of the year is RMB 3,741,686,720.31, which is mainly for the purchase of large forgings, and the commissioned processing. Because of the long manufacturing processes, the Company has not received the goods and has not yet settled the settlement.

## 17.5.2 Top five entities with the largest balances of prepayments:

Items	Amount as of the end of the year	Aging	Proportion to book value of prepayments
First	6,121,177,297.67	0-5 years	48.63
Second	4,104,955,964.10	0-5 years	32.61

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Items	Amount as of the end of the year	Aging	Proportion to book value of prepayments
Third	1,653,279,040.01	0-5 years	13.14
Forth	281,489,195.06	0-2 years	2.24
Fifth	246,629,836.33	0-2 years	1.96
<b>Total</b>	<b>12,407,531,333.17</b>		<b>98.58</b>

## 17.6 Interests receivable

## 17.6.1 Classification

Item	Amount as of the end of the year	Amount as of the beginning of the year
Interest of time deposit	65,747,794.78	18,120,377.78
<b>Total</b>	<b>65,747,794.78</b>	<b>18,120,377.78</b>

17.6.2 There are no overdue interests this year in interest receivables.

## 17.7 Dividends receivable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Dongfang Electric Co., Ltd	131,436,444.73	131,436,444.73
<b>Total</b>	<b>131,436,444.73</b>	<b>131,436,444.73</b>

## 17.8 Other receivables

Item	Amount as of the end of the year	Amount as of the beginning of the year
Other receivable	6,278,187,236.66	6,347,958,357.40
Less: Provision for bad debts	134,171,512.49	132,645,404.01
<b>Net book value</b>	<b>6,144,015,724.17</b>	<b>6,215,312,953.39</b>

## 17.8.1 Aged other receivables analysis:

Aging	Amount as of the end of the year	Amount as of the beginning of the year
Within 1 year	51,768,802.96	262,507,053.51
1-2 years	146,813,470.12	1,191,922,544.89
2-3 years	1,188,860,350.55	9,873,746.27



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3-4 years	7,650,159.18	128,414,175.76
4-5 years	128,152,941.36	182,595,432.96
Over 5 years	4,620,770,000.00	4,440,000,000.00
<b>Total</b>	<b>6,144,015,724.17</b>	<b>6,215,312,953.39</b>

17.8.2 Classification of other receivable:

Items	Amount as of the end of the year				
	Book Balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other Receivables that are individually significant and provided for bad debts on individual basis.	5,992,988,301.50	95.46	64,278,301.50	1.07	5,928,710,000.00
Other Receivables that are provided for bad debts on portfolio basis	285,198,935.16	4.54	69,893,210.99	24.51	215,305,724.17
<b>Total</b>	<b>6,278,187,236.66</b>	<b>100</b>	<b>134,171,512.49</b>	<b>2.14</b>	<b>6,144,015,724.17</b>

(Continued)

Items	Amount as of the beginning of the year				
	Book Balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other Receivables that are individually significant and provided for bad debts on individual basis	5,992,988,301.50	94.41	64,278,301.50	1.07	5,928,710,000.00
Other Receivables that are provided for bad debts on portfolio basis	354,970,055.90	5.59	68,367,102.51	19.26	286,602,953.39
<b>Total</b>	<b>6,347,958,357.40</b>	<b>100</b>	<b>132,645,404.01</b>	<b>2.09</b>	<b>6,215,312,953.39</b>

- 1) Other receivables that are individually significant and provided for bad debts on individual basis at the end of the year

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Name	Amount as of the end of the year			
	Book Balance	Provision for bad debts	Rate (%)	Reason
First	3,738,090,000.00			The fund of the central budget, raise money of the issuance of A-share and the convertible bond, special fund, no counting and Drawing
Second	1,189,350,000.00			The fund of the central budget, raise money of the issuance of A-share and the convertible bond, no counting and Drawing
Third	843,000,000.00			The fund of the central budget, raise money of the issuance of A-share and the convertible bond, no counting and drawing
Forth	113,970,000.00			The project funds of self-reliant nuclear power equipment and energy independent innovation, no counting and drawing
Fifth	64,278,301.50	64,278,301.50	100	Expectation of unable to recover
<b>Total</b>	<b>5,948,688,301.50</b>	<b>64,278,301.50</b>		

2) Other receivables that are provided for bad debts on portfolio basis

Aging	Amount as of the end of the year		
	Amount	Provision for bad debts	Proportion (%)
Within 1 year	54,493,476.80	2,724,673.84	5.00
1-2 years	163,126,077.91	16,312,607.79	10.00
2-3 years	11,075,438.19	2,215,087.64	20.00
3-4 years	12,750,265.30	5,100,106.12	40.00
4-5 years	425,882.73	212,941.37	50.00
Over 5 years	43,327,794.23	43,327,794.23	100.00
<b>Total</b>	<b>285,198,935.16</b>	<b>69,893,210.99</b>	<b>24.51</b>

(Continued)

Aging	Amount as of the beginning of the year		
	Amount	Provision for bad debts	Proportion (%)
Within 1 year	276,323,214.23	13,816,160.72	5.00

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Aging	Amount as of the beginning of the year		
	Amount	Provision for bad debts	Proportion (%)
1-2 years	13,247,272.10	1,324,727.21	10.00
2-3 years	12,342,182.84	2,468,436.57	20.00
3-4 years	790,292.93	316,117.17	40.00
4-5 years	3,650,865.94	1,825,432.98	50.00
Over 5 years	48,616,227.86	48,616,227.86	100.00
<b>Total</b>	<b>354,970,055.90</b>	<b>68,367,102.51</b>	<b>19.26</b>

17.8.3 The provision for bad debts prior to is RMB 1,526,108.48. No reversals and collections during the current period.

17.8.4 No other receivable written off in the year.

17.8.5 Other receivables classification by nature

Nature of other receivables	Amount as of the end of the year	Amount as of the beginning of the year
Budget fund of central government, fund from additional issuance of A-share, specified fund, fund from issuance of convertible notes	5,928,710,000.00	5,928,710,000.00
Advance payment for another	328,551,184.54	378,062,502.45
Reserve	2,144,689.53	22,296,690.02
Cash deposit and guarantee deposit	18,781,362.59	18,889,164.93
<b>Total</b>	<b>6,278,187,236.66</b>	<b>6,347,958,357.40</b>

17.8.6 The top 5 of other receivable

Name	Nature	Amount as of the end of the year	Aging	Proportion to book value of other receivables (%)	Provision for bad debts
First	Budget fund of central government, fund from additional issuance of A-share, industrialised wind power specified fund and etc.	3,760,665,016.89	0 to more than 5 years	59.90	11,233,957.87
Second	Budget fund of central government, fund from	1,222,578,079.58	0 to more than 5 years	19.47	29,667,701.93

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Name	Nature	Amount as of the end of the year	Aging	Proportion to book value of other receivables (%)	Provision for bad debts
	additional issuance of A-share				
Third	Fund for infrastructure construction expenditure, fund from additional issuance of A-share	988,117,975.59	0 to more than 5 years	15.74	13,624,216.37
Forth	Fund for self-reliant nuclear power equipment and energy independent innovation	114,027,793.62	0 to more than 5 years	1.82	4,191.03
Fifth	The project funds of self-reliant nuclear power equipment and energy independent innovation	44,300,000.00	0 to more than 5 years	0.71	
<b>Total</b>		<b>6,129,688,865.68</b>		<b>97.64</b>	<b>54,530,067.20</b>

17.9 Inventories

17.9.1 Classification of inventories

Item	Amount as of the end of the year		
	Book Balance	Provision for inventories	Carrying amount
Self-made semi-finished products and products in process	591,430,794.28		591,430,794.28
Construction contracts	949,770,782.65		949,770,782.65
<b>Total</b>	<b>1,541,201,576.93</b>		<b>1,541,201,576.93</b>

(Continued)

Item	Amount as of the beginning of the year		
	Book Balance	Provision for inventories	Carrying amount
Self-made semi-finished products and products in process	642,356,906.44		642,356,906.44
Construction contracts	783,002,006.36	1,205,602.51	781,796,403.85
<b>Total</b>	<b>1,425,358,912.80</b>	<b>1,205,602.51</b>	<b>1,424,153,310.29</b>

17.9.2 Provision for decline in value of inventories

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Item	Amount as of the beginning of the year	Increase in the current period		Decrease in the current period		Amount as of the end of the year
		Current year additions	Others	Reversals	Others transferred out	
Construction contracts		1,205,602.51				1,205,602.51
<b>Total</b>		<b>1,205,602.51</b>				<b>1,205,602.51</b>

## 17.9.3 Drawn methods of provision for inventories

Items	Principle	Reasons for reversal
Construction contracts	Total contract income lower than expected total cost	

17.9.4 Completed but not yet settled assets at the end of year as per the construction contract

Item	Amount
Accumulated cost	18,268,668,988.81
Accumulated confirmed gross profits	140,991,082.60
Less: Settled amount	17,459,889,288.76
Completed but not yet settled assets at the end of year as per the construction contract	949,770,782.65

## 17.10 Other current assets

Item	Amount as of the end of the year	Amount as of the beginning of the year
Entrusted loans	315,000,000.00	<b>475,000,000.00</b>
Pending deduct VAT	152,699,816.70	<b>172,969,236.34</b>
Corporate tax prepayment	8,104,917.85	
<b>Total</b>	<b>475,804,734.55</b>	<b>647,969,236.34</b>

The other current assets are the entrusted loan that Dongfang Electric Finance Co., made for Dongfang Turbine Co., Ltd and Wuhan Nuclear Equipment Co. Ltd at 260 million and 55 million respectively.

## 17.11 Long-term equity investments

## 17.11.1 Classification of Long-term equity investments

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Item	Amount as of the end of the year			Amount as of the beginning of the year		
	Book Balance	Impairment reserves	Book Value	Book Balance	Impairment reserves	Book Value
Investments in subsidiaries	10,165,545,252.13		10,165,545,252.13	10,165,545,252.13		10,165,545,252.13
Investments in joint ventures and associates.	647,935,548.55		647,935,548.55	394,298,311.48		394,298,311.48
<b>Total</b>	<b>10,813,480,800.68</b>		<b>10,813,480,800.68</b>	<b>10,559,843,563.61</b>		<b>10,559,843,563.61</b>

17.11.2 Investments in subsidiaries

Invested Entity	Amount as of the beginning of the year	Increase in current year	Decrease in current year	Amount as of the end of the year	Set Aside Impairment reserves In this year	Year End Balance Of Impairment reserves
1.Dongfang Boiler Group Co., Ltd	4,391,395,417.83			4,391,395,417.83		
2.Dongfang Turbine Co., Ltd	2,542,003,999.71			2,542,003,999.71		
3.Dongfang ElectricCo., Ltd	2,000,000,000.00			2,000,000,000.00		
4.India Company	129,504,712.22			129,504,712.22		
5. Wuhan Nuclear Equipment Co. Ltd	131,560,000.00			131,560,000.00		
6.Dongfang Heavy Machinery Co., Ltd	589,459,392.37			589,459,392.37		
7.Indonesia Company	11,621,730.00			11,621,730.00		
8.Dongfeng Wind Power Company	370,000,000.00			370,000,000.00		

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<b>Invested Entity</b>	<b>Amount as of the beginning of the year</b>	<b>Increase in current year</b>	<b>Decrease in current year</b>	<b>Amount as of the end of the year</b>	<b>Set Aside Impairment reserves In this year</b>	<b>Year End Balance Of Impairment reserves</b>
<b>Total</b>	<b>10,165,545,252.13</b>			<b>10,165,545,252.13</b>		

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## 17.11.3 Investments in joint ventures and associates

Invested Entity	Amount as of the beginning of the year	Increase Or Decrease In This year								Ending Balance	Balance of Impairment reserve at the end of year
		Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends or profit announced to distribute	Withdrawn depreciation reserve	Others		
I. Joint ventures											
1. Dongfang Areva Nuclear Pump Co., Ltd	230,762,552.59			49,515,651.03						280,278,203.62	
II. Associates											
1. Sichuan Energy Industry Investment wind power Co., Ltd	111,004,468.10	126,000,000.00		11,439,472.05			6,000,000.00			242,443,940.15	
2. Huadian Longkou Wind Power Co., Ltd.	24,514,859.54	18,750,000.00		3,317,003.81						46,581,863.35	
3. Hongnijing Wind Power Company	16,000,000.00			-165,848.47						15,834,151.53	
4. Zhongdian Unite Heavy	12,016,431.25			-541,296.56						11,475,134.69	



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Invested Entity	Amount as of the beginning of the year	Increase Or Decrease In This year								Ending Balance	Balance of Impairment reserve at the end of year
		Additional investment	Negative investment	Profit and loss on investment recognized in the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends or profit announced to distribute	Withdrawn depreciation reserve	Others		
Gas Turbine Technology Co., Ltd.											
5. Sanshengtai Wind Power Company		16,000,000.00								16,000,000.00	
6. Wulan New Energy Company		36,000,000.00		-677,744.79						35,322,255.21	
<b>Total</b>	<b>394,298,311.48</b>	<b>196,750,000.00</b>		<b>62,887,237.07</b>				<b>6,000,000.00</b>		<b>647,935,548.55</b>	

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## 17.11.4 Analysis of long-term equity investment

Item	Amount as of the end of the year	Amount as of the beginning of the year
Listed		
<b>Unlisted</b>	10,813,480,800.68	10,559,843,563.61
<b>Total</b>	<b>10,813,480,800.68</b>	<b>10,559,843,563.61</b>

## 17.12 Investment properties

## 17.12.1 Investment properties measured by using cost model

Items	Buildings	Total
I. Original carrying amount		
1.Amount as of the beginning of the year	28,028,663.35	28,028,663.35
2.Increase of the year		
3.Decrease of the year		
4.Amount as of the end of the year	28,028,663.35	28,028,663.35
II. Depreciation and amortization		
1.Amount as of the beginning of the year	12,369,765.31	12,369,765.31
2.Increase of the year	1,113,360.26	1,113,360.26
Including: depreciation and amortization amount	1,113,360.26	1,113,360.26
3.Decrease of the year		
4.Amount as of the end of the year	13,483,125.57	13,483,125.57
III. Impairment reserves		
IV. Book value		
1.Amount as of the end of the year	<b>14,545,537.78</b>	<b>14,545,537.78</b>
2.Amount as of the beginning of the year	<b>15,658,898.04</b>	<b>15,658,898.04</b>

Depreciation and amortization of investment properties is recognized in profit or loss in this year is RMB 1,113,360.26. (last year: RMB 1,113,421.63).

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## 17.12.2 Analysis of investment properties based on the ages and regions

Item	Amount as of the end of the year	Amount as of the beginning of the year
China	14,545,537.78	15,658,898.04
Mid-term(10-50 years)	14,545,537.78	15,658,898.04
<b>Total</b>	<b>14,545,537.78</b>	<b>15,658,898.04</b>

## 17.13 Fixed assets

## 17.13.1 Details of Fixed Assets

Item	Building	Vehicles	Instruments, electronic equipment and others	Total
<b>I. Original carrying amount</b>				
<b>1.Amount as of the beginning of the year</b>	3,342,707.40	18,752,729.96	9,345,921.33	31,441,358.69
<b>2.Increase of the year</b>		95,935.81	599,116.05	695,051.86
(1) Procurement		95,935.81	599,116.05	695,051.86
<b>3.Decrease of the year</b>			598,042.99	598,042.99
(1) Disposal or scrapping			598,042.99	598,042.99
<b>4.Amount as of the end of the year</b>	3,342,707.40	18,848,665.77	9,346,994.39	31,538,367.56
<b>II. Depreciation</b>				
<b>1.Amount as of the beginning of the year</b>	2,913,239.25	13,871,349.36	6,094,237.11	22,878,825.72
<b>2.Increase of the year</b>	196,749.59	2,182,694.83	1,127,589.02	3,507,033.44
(1) Withdrawal	196,749.59	2,182,694.83	1,127,589.02	3,507,033.44
<b>3.Decrease of the year</b>			559,556.48	559,556.48
(1) Disposal or scrapping			559,556.48	559,556.48
<b>4.Amount as of the end of the year</b>	3,109,988.84	16,054,044.19	6,662,269.65	25,826,302.68
<b>III. Depreciation reserve</b>				
<b>IV. Book value</b>				

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Item	Building	Vehicles	Instruments, electronic equipment and others	Total
1.Amount as of the end of the year	232,718.56	2,794,621.58	2,684,724.74	5,712,064.88
2.Amount as of the beginning of the year	429,468.15	4,881,380.60	3,251,684.22	8,562,532.97

(1) Analysis of fixed assets based on the ages and regions:

Item	Amount as of the end of the year	Amount as of the beginning of the year
China	232,718.56	429,468.15
Mid-term(10-50 years)	232,718.56	429,468.15
<b>Total</b>	<b>232,718.56</b>	<b>429,468.15</b>

(2) By the end of 2016, accumulated depreciation drawn is RMB 3,507,033.44, compared with RMB 4,089,741.98 of last year.

(3) Net loss from the fixed assets sold is RMB 30,119.60.

(4) There are no fixed assets laid idle.

## 17.14 Intangible assets

Item	Non-patent technology	Software	Total
I.Original book value			
1.Amount as of the beginning of the year	10,945,806.80	4,635,944.26	15,581,751.06
2.Increase of the year		336,555.57	336,555.57
(1) Procurement		336,555.57	336,555.57
3.Decrease of the year		10,800.00	10,800.00
(1)Disposal or scrapping		10,800.00	10,800.00
4.Amount as of the end of the year	10,945,806.80	4,961,699.83	15,907,506.63
II. Amortization			
1.Amount as of the beginning of the year	1,482,244.67	1,532,513.47	3,014,758.14
2. Increase of the year	1,368,225.85	937,028.51	2,305,254.36
(1) Withdrawal	1,368,225.85	937,028.51	2,305,254.36

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Item	Non-patent technology	Software	Total
3. Decrease of the year		10,800.00	10,800.00
(1) Disposal or scrapping		10,800.00	10,800.00
4. Amount as of the end of the year	2,850,470.52	2,458,741.98	5,309,212.50
III. Depreciation reserve			
IV. Book Value			
<b>1. Amount as of the end of the year</b>	<b>8,095,336.28</b>	<b>2,502,957.85</b>	<b>10,598,294.13</b>
<b>2. Amount as of the beginning of the year</b>	<b>9,463,562.13</b>	<b>3,103,430.79</b>	<b>12,566,992.92</b>

The accumulated amortization of intangible assets is RMB 2,305,254.36, compared with RMB 2,265,749.14 of last year.

17.15 Deferred tax asset and deferred tax liabilities

17.15.1 Non-offset deferred income tax assets

Item	Amount as of the end of the year		Amount as of the beginning of the year	
	deductible temporary differences	Deferred tax assets		deductible temporary differences
Provision for asset impairment	1,044,833,987.45	156,725,098.11	1,229,418,788.63	184,412,818.30
Provisions	58,500,000.00	8,775,000.00	108,130,000.00	16,219,500.00
Payroll payables	158,359.30	23,753.90		
Government grant	5,401,371.33	810,205.70	3,886,578.28	582,986.74
Financial asset at fair value through profit or loss	10,233,655.44	1,535,048.32	6,669,491.54	1,000,423.73
Not deducted overseas taxes	16,071,515.20	4,017,878.80	3,310,404.66	827,601.17
Loss can be carried forward	77,271,526.61	11,590,728.99		
<b>Total</b>	<b>1,212,470,415.33</b>	<b>183,477,713.82</b>	<b>1,351,415,263.11</b>	<b>203,043,329.94</b>

17.15.2 Non-offset deferred income tax liabilities

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Item	Amount as of the end of the year		Amount as of the beginning of the year	
	taxable temporary differences	deferred tax liabilities		taxable temporary differences
Financial asset at fair value through profit or loss	3,157,657.59	473,648.64		
<b>Total</b>	<b>3,157,657.59</b>	<b>473,648.64</b>		

## 17.16 Account payables

## 17.16.1 Account payables aging analysis

Aging	Amount as of the end of the year	Amount as of the beginning of the year
Within one year	3,676,390,411.71	3,053,747,791.00
1-2 years	1,643,766,042.04	1,892,138,175.72
2-3 years	1,414,136,371.47	546,651,488.81
Over 3 years	1,384,318,204.86	1,044,291,572.74
<b>Total</b>	<b>8,118,611,030.08</b>	<b>6,536,829,028.27</b>

## 17.16.2 Significant accounts payable aged more than one year

Name	Amount as of the end of the year	Reason
First	1,871,576,251.64	In credit period
Second	1,373,426,544.25	In credit period
Third	420,619,156.96	In credit period
Forth	52,152,345.05	In credit period
Fifth	44,896,608.30	In credit period
<b>Total</b>	<b>3,762,670,906.20</b>	

## 17.17 Receipts in advance

## 17.17.1 Receipts in advance

Item	Amount as of the end of the year	Amount as of the beginning of the year
Within 1 year	13,955,973,587.13	13,100,353,145.51
over 1 year	6,458,148,457.21	5,311,595,961.43
<b>Total</b>	<b>20,414,122,044.34</b>	<b>18,411,949,106.94</b>

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## 17.17.2 Significant receipts in advance aged more than one year

<b>Name</b>	<b>Amount as of the end of the year</b>	<b>Reason</b>
First	1,601,921,732.30	Uncompleted of execution of contract
Second	536,668,327.24	Uncompleted of execution of contract
Third	515,228,922.00	Uncompleted of execution of contract
Forth	479,455,977.98	Uncompleted of execution of contract
Fifth	365,384,980.29	Uncompleted of execution of contract
<b>Total</b>	<b>3,498,659,939.81</b>	

## 17.17.3 Completed but not yet settled assets at the end of year as per the construction contract

<b>Items</b>	<b>Amount</b>
Settled amount	68,782,530,815.80
Less: Accumulated cost	50,435,010,406.94
Accumulated confirmed gross profits	3,112,889,252.19
Estimated loss	
Completed but unsettled assets at the end of year as per the construction contract	15,234,631,156.67

## 17.18 Employee benefits payable

## 17.18.1 Classification of employee benefits payable

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Increase of the year</b>	<b>Decrease of the year</b>	<b>Amount as of the beginning of the year</b>
Short-term remuneration	9,724,290.17	184,355,839.51	180,286,936.28	13,793,193.40
Post-employment benefit -DCP		22,950,718.41	22,950,718.41	
Termination benefits		179,505.68	61,475.00	118,030.68
<b>Total</b>	<b>9,724,290.17</b>	<b>207,486,063.60</b>	<b>203,299,129.69</b>	<b>13,911,224.08</b>

## 17.18.2 Short-term employee benefits payable

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Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Salaries, bonuses, allowances and subsidies		147,934,946.29	146,031,175.29	1,903,771.00
Staff welfare		9,399,901.90	9,399,901.90	
Social security contributions		10,330,641.51	10,330,641.51	
Including: Fundamental medical insurance		9,624,591.61	9,624,591.61	
Labour injury insurance		250,515.08	250,515.08	
Maternity insurance		455,534.82	455,534.82	
Housing fund		12,143,539.60	12,143,539.60	
Union fund and staff education fund	9,724,290.17	4,546,810.21	2,381,677.98	11,889,422.40
<b>Total</b>	<b>9,724,290.17</b>	<b>184,355,839.51</b>	<b>180,286,936.28</b>	<b>13,793,193.40</b>

17.18.3 DCP

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
primary endowment insurance		18,147,530.38	18,147,530.38	
unemployment insurance		807,588.03	807,588.03	
supplementary pension		3,995,600.00	3,995,600.00	
<b>Total</b>		<b>22,950,718.41</b>	<b>22,950,718.41</b>	

17.19 Taxes Payable

Item	Amount as of the end of the year	Amount as of the beginning of the year
Operating Tax		571,970.79
Enterprise income tax(EIT)		98,456,984.05
City construction and maintenance tax	15,303.72	28,598.56
Individual income tax	8,382,532.37	8,134,464.52
Education surcharge	8,867.96	17,159.14



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2016

Item	Amount as of the end of the year	Amount as of the beginning of the year
Local education surcharge	5,911.97	11,439.42
Property tax	66,000.00	
Others	77,093.22	45,672.84
<b>Total</b>	<b>8,555,709.24</b>	<b>107,266,289.32</b>

## 17.20 Other payables

## 17.20.1 Other payables

Nature	Amount as of the end of the year	Amount as of the beginning of the year
Payables of stock purchase	942,336,415.78	942,336,415.78
State allocations in budget	413,710,000.00	413,710,000.00
Collection on behalf of others	76,096,627.81	17,961,238.16
Security deposit and earnest money	29,075,640.72	10,000,000.00
Payables on behalf of others	60,285,205.93	8,409,908.81
Lease, labour and sporadic procurement	33,830,735.86	4,593,827.17
Fundamental medical insurance and housing fund by individual	2,318,367.80	3,668,208.48
Others	29,282.98	67,000.00
<b>Total</b>	<b>1,557,682,276.88</b>	<b>1,400,746,598.40</b>

## 17.20.2 Significant other payables aged more than one year

Item	Amount as of the end of the year	Reason
First	1,356,046,415.78	net profits belonged to the Group from valuation date to the completion date of the acquisition and infrastructure construction expenditure fund from the budget of central government
<b>Total</b>	<b>1,356,046,415.78</b>	

## 17.21 Long-term pay for employees

Item	Amount as of the end of the year	Amount as of the beginning of the year
Dismissed benefits	40,328.62	

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2016

Item	Amount as of the end of the year	Amount as of the beginning of the year
<b>Total</b>	<b>40,328.62</b>	

Dismissed benefits of the Company are expected to be paid for the retired staff.

## 17.22 Provisions

Items	Amount as of the end of the year	Amount as of the beginning of the year	Reason
Products quality warranty	58,500,000.00	108,130,000.00	Note
<b>Total</b>	<b>58,500,000.00</b>	<b>108,130,000.00</b>	

Note: The balance of provision at the year-end is due to some of the integrated supply projects have different level of defects during the operation, the Company accrued the warranty liability based on the estimated costs to eliminate those defects.

## 17.23 Share capital

In accordance with consolidated notes. See Note 6.37.

## 17.24 Capital reserve

## (1) Capital reserve for 2016

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Share premium	8,811,195,821.42			8,811,195,821.42
Including: Capital contributed by investors	9,368,769,821.29			9,368,769,821.29
Differences arising from business combination involving enterprises under common control	-557,573,999.87			-557,573,999.87
Others capital reserve	80,504,435.11			80,504,435.11
Including: equity movements of investee company	68,663.24			68,663.24
Transfer from earlier system	80,435,771.87			80,435,771.87
Equity component split from convertible corporate bonds				
<b>Total</b>	<b>8,891,700,256.53</b>			<b>8,891,700,256.53</b>

## (2) Capital reserve for 2015

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2016

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Increase of the year</b>	<b>Decrease of the year</b>	<b>Amount as of the beginning of the year</b>
Share premium	5,075,377,469.19	3,735,818,352.23		8,811,195,821.42
Including: Capital contributed by investors	5,632,951,469.06	3,735,818,352.23		9,368,769,821.29
Differences arising from business combination involving enterprises under common control	-557,573,999.87			-557,573,999.87
Others capital reserve	883,291,251.73		802,786,816.62	80,504,435.11
Including: equity movements of investee company	68,663.24			68,663.24
Transfer from earlier system	80,435,771.87			80,435,771.87
Equity component split from convertible corporate bonds	802,786,816.62		802,786,816.62	
<b>Total</b>	<b>5,958,668,720.92</b>	<b>3,735,818,352.23</b>	<b>802,786,816.62</b>	<b>8,891,700,256.53</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

## 17.25 Surplus reserve

## (1) Surplus reserve for 2016

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Statutory surplus reserve	1,019,114,539.94	38,341,574.05		1,057,456,113.99
<b>Total</b>	<b>1,019,114,539.94</b>	<b>38,341,574.05</b>		<b>1,057,456,113.99</b>

In accordance with the articles of associates, statutory surplus reserve is reserved as 10% of net profit.

## (2) Surplus reserve for 2015

Item	Amount as of the end of the year	Increase of the year	Decrease of the year	Amount as of the beginning of the year
Statutory surplus reserve	962,465,801.13	56,648,738.81		1,019,114,539.94
<b>Total</b>	<b>962,465,801.13</b>	<b>56,648,738.81</b>		<b>1,019,114,539.94</b>

## 17.26 Undistributed profits

## 17.26.1 Undistributed profits for 2016

Item	Amount	The proportion of allocation
<b>Amount As of the end of the previous year</b>	<b>6,059,181,235.33</b>	
<b>Amount as of the beginning of the year</b>	<b>6,059,181,235.33</b>	
Add: net profits belonging to parent company owner during the year	383,415,740.45	
Less: Surplus reserves provided for the year	38,341,574.05	10%
Declaration of dividends on ordinary shares	140,214,022.08	
<b>Amount As of the end of the year</b>	<b>6,264,041,379.65</b>	

According to the Plan of Net Profit Distribution for the Year 2015 which was approved at the annual shareholders' meeting held on May 24, 2016, the Company used the total number of 2,336,900,368 shares as at the year end of 2015 as the distribution basis, the Company distributed RMB 0.60 to every 10 shares and the total cash dividends distributed was up to RMB 140,214,022.08(pre-tax).

## 17.26.2 Undistributed profits for 2015

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

Item	Amount	The proportion of allocation
Amount As of the end of the previous year	<b>5,759,663,619.13</b>	
Amount as of the beginning of the year	<b>5,759,663,619.13</b>	
Add: net profits belonging to parent company owner during the year	566,487,388.13	
Less: Surplus reserves provided for the year	56,648,738.81	10%
Declaration of dividends on ordinary shares	210,321,033.12	
Amount As of the end of the year	<b>6,059,181,235.33</b>	

## 17.27 Net current assets

Item	Amount as of the end of the year	Amount as of the beginning of the year
Current assets	37,698,885,698.16	34,085,592,072.04
Less: current liabilities	30,112,946,395.30	26,466,663,834.47
<b>Net current assets</b>	<b>7,585,939,302.86</b>	<b>7,618,928,237.57</b>

## 17.28 Differences between total assets and current liabilities

Item	Amount as of the end of the year	Amount as of the beginning of the year
Total assets	48,727,436,340.70	44,885,428,291.18
Less: current liabilities	30,112,946,395.30	26,466,663,834.47
<b>Differences</b>	<b>18,614,489,945.40</b>	<b>18,418,764,456.71</b>

## 17.29 Operating income and operating Cost

Item	Amount for the year		Amount for previous year	
	Income	Cost	Income	Cost
Principal operating income	16,303,870,478.39	16,412,414,067.17	19,274,331,969.39	18,597,142,282.45
Others	6,872,804.27	1,447,698.68	9,939,623.56	2,659,847.08
<b>Total</b>	<b>16,310,743,282.66</b>	<b>16,413,861,765.85</b>	<b>19,284,271,592.95</b>	<b>18,599,802,129.53</b>

## 17.30 Sales expenses

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Quality warranty	-48,884,171.90	64,439,121.36
Employee benefit	28,327,457.53	30,445,614.35
Travel expense	3,976,748.07	4,728,390.63
Others	7,957,822.32	12,116,735.96
<b>Total</b>	<b>-8,622,143.98</b>	<b>111,729,862.30</b>

This year the company's quality warranty is negative, it is due to the company withdraw the quality expense in previous year, based on the varying degrees of integrated supply quality problems in the process of operating, and transferred the unused part after the solution.

## 17.31 Administrative expense

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Employee benefit	94,119,936.14	101,165,163.25
Research and development expenditures	24,359,926.83	20,776,030.41
Lease	24,256,857.63	26,580,000.00
Travel expense	5,856,205.29	6,985,107.24
Intermediary organs expense	3,668,090.08	6,286,313.10
Depreciation	2,361,938.49	2,664,003.60
Business entertainment	1,969,228.13	2,490,740.28
Property management fee	1,795,766.06	2,924,014.88
Water and electrical charges	1,112,957.74	958,995.53
Maintenance	641,220.24	945,701.70
Meeting expense	573,118.93	522,852.97
Tax	1,002,400.00	13,327,538.40
Others	8,226,093.11	10,684,152.02

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

Items	Amount for the year	Amount for previous year
<b>Total</b>	<b>169,943,738.67</b>	<b>196,310,613.38</b>

## 17.32 Financial expenses

## 17.32.1 Details of financial expenses

Items	Amount for the year	Amount for previous year
Interest expenses		19,523,581.56
Less: Interest income	137,473,795.47	108,136,514.23
Add: Exchange losses	-169,973,188.51	-191,825,188.86
Add: Other expenses	16,013,064.60	14,569,323.67
<b>Total</b>	<b>-291,433,919.38</b>	<b>-265,868,797.86</b>

## 17.32.2 Details of interest expenses

Items	Amount for the year	Amount for previous year
Bond interest withdrawn as per effective interest rate (Note)		19,523,581.56
<b>Subtotal</b>		<b>19,523,581.56</b>
Less: Capitalized interest		
<b>Total</b>		<b>19,523,581.56</b>

## 17.32.3 Details of interest income

Items	Amount for the year	Amount for previous year
Interests on deposits	137,473,795.47	108,136,514.23
<b>Total</b>	<b>137,473,795.47</b>	<b>108,136,514.23</b>

## 17.33 Impairment losses on assets

Item	Amount for the year	Amount for previous year
Bad debt losses	-183,379,198.67	545,180,226.19
Impairment loss of inventories	-1,205,602.51	1,205,602.51
<b>Total</b>	<b>-184,584,801.18</b>	<b>546,385,828.70</b>

## 17.34 Gains/loss from changes in fair values

Item	Amount for the year	Amount for previous year
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**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

<b>Item</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Financial asset at fair value through profit or loss	-406,506.31	-15,058,045.88
<b>Total</b>	<b>-406,506.31</b>	<b>-15,058,045.88</b>

## 17.35 Investment income

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Income from long-term equity investments under cost method	142,966,741.81	375,947,096.87
Income from long-term equity investments under equity method	62,887,237.07	78,032,439.09
Investment income from disposal of financial asset at fair value through profit or loss		12,053,515.25
Investment income of financial asset at fair value through profit or loss during holding period	2,110,799.32	130,433.24
Others	4,752,082.02	45,535,069.43
<b>Total</b>	<b>212,716,860.22</b>	<b>511,698,553.88</b>

(1) The investment income from public and private investments is RMB 2,110,799.32 and RMB 210,606,060.90 respectively.

(2) Other investment income is RMB 4,752,082.02, arising from the interest income of entrusted loan that the Company obtained from Dongfang Electric Finance Co., Ltd.

(3) There is no significant restrict on the return of investment income.

## 17.36 Income Tax Expense

## 17.36.1 Income Tax Expense

<b>Item</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Income tax for the year	14,325,141.62	123,116,358.67
Including: China	5,587,952.71	113,274,561.72
India		28,698.88
Others	8,737,188.91	9,813,098.07
Deferred tax	20,039,264.76	-93,793,291.28
<b>Total</b>	<b>34,364,406.38</b>	<b>29,323,067.39</b>

## 17.36.2 Reconciliation of income tax expenses to the total profit



**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

<b>Item</b>	<b>Amount for the year</b>
Total profit	417,780,146.83
Income tax by the statutory rate	104,445,036.71
Effect of tax-free income	-66,972,007.18
Non-deductible items	1,275,194.95
Tax preferences	2,019,257.22
Including: Tax exemption	2,051,577.72
Under/over provided in prior periods	-6,384,938.95
Difference arise from final settlement of last year	-18,136.37
<b>Total</b>	<b>34,364,406.38</b>

## 17.37 Depreciation and Amortization

Depreciation and amortization recognized for the current year is RMB 6,925,648.06 (that of the previous year was RMB 7,468,912.75).

## 17.38 Operating Rental Expense

The operating rental expense of the current year is RMB 25,314,300.00 (that of the previous year is RMB 26,580,000.00) where the rental expense of industrial equipment and machinery is RMB 0.00 (that of the previous year is RMB0.00).

## 17.39 Rental income

The rental income from buildings renting is RMB1, 597,600.00.(Last year was RMB1,100,000.00).

## 17.40 Notes to items in the cash flow statement

## 17.40.1 Cash received/paid relating to others of operating /financing activities

## 17.40.1.1 Other cash receipts relating to operating activities

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Net liability arisen from agent service		249,570,862.75
Interest income	89,846,378.47	105,657,830.90
Temporary receipts	51,281,277.69	45,711,527.06

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

Items	Amount for the year	Amount for previous year
Employee advances	111,116.24	15,552,665.52
Security deposit	4,124,005.42	6,683,591.24
Government grants	8,406,452.44	5,560,300.00
Refund of risk guarantee deposit from the customs		
Others	2,086,033.29	382,915.91
<b>Total</b>	<b>155,855,263.55</b>	<b>429,119,693.38</b>

## 17.40.1.2 Other cash payments relating to operating activities

Items	Amount for the year	Amount for previous year
Operating expenses	133,368,750.62	150,688,569.15
Security deposit	23,482,392.00	
Payment on behalf of others	21,529,221.58	214,862,359.75
Employee advances	308,450,143.90	
<b>Total</b>	<b>486,830,508.10</b>	<b>365,550,928.90</b>

## 17.40.2 Supplementary information to cash flow statement

Items	Amount for the year	Amount for previous year
1.Reconciliation of net profit to cash flow from operating activities		
Net profit	383,415,740.45	566,487,388.13
Add: Provision for impairment losses of assets	-184,584,801.18	546,385,828.70
Depreciation of fixed assets, depreciation of investment properties	4,620,393.70	5,203,163.61
Amortization of intangible assets	2,305,254.36	2,265,749.14
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	30,119.60	377.49
Losses on changes in fair values (gains are indicated by "-")	406,506.31	15,058,045.88
Financial expenses (income is indicated by "-")	-128,825,332.42	-28,994,424.70

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

<b>Items</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Losses arising from investments (gains are indicated by "-")	-212,716,860.22	-511,698,553.88
Decrease in deferred tax assets (increase is indicated by "-")	19,565,616.12	-92,535,008.13
Increase in deferred tax liabilities (decrease is indicated by "-")	473,648.64	-1,258,283.15
Decrease in inventories (increase is indicated by "-")	-115,842,664.13	735,459,655.34
Decrease in receivables from operating activities (increase is indicated by "-")	397,684,163.47	-2,966,974,588.53
Increase in payables from operating activities (decrease is indicated by "-")	3,599,258,561.99	1,594,611,095.77
Net cash flows from operating activities	3,765,790,346.69	-135,989,554.33
<b>2. Significant investing and financing activities that do not involve cash receipts and payments</b>		
Conversion of debt into capital		3,266,071,903.61
Convertible bonds due within one year		
<b>3. Net changes in cash and cash equivalents</b>		
Closing balance of cash	11,375,052,991.30	7,507,119,838.61
Less: Opening balance of cash	7,507,119,838.61	6,604,338,925.64
<b>Net increase in cash and cash equivalents</b>	<b>3,867,933,152.69</b>	<b>902,780,912.97</b>

## 17.40.3 Cash and cash equivalents

<b>Item</b>	<b>Amount as of the end of the year</b>	<b>Amount as of the beginning of the year</b>
Cash	11,375,052,991.30	7,507,119,838.61
Include: cash on hand	1,971,055.70	1,577,135.49
Bank deposits	11,354,535,140.18	7,465,226,739.22
Other monetary funds	18,546,795.42	40,315,963.90
<b>Cash and cash equivalents at the year ended</b>	<b>11,375,052,991.30</b>	<b>7,507,119,838.61</b>

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

**18. Supplementary Information of Financial Statement**

## 18.1 Non-operating profit or loss of 2016

Item	Amount as of the end of the year	Note
P/L on non-current assets disposal	-5,436,906.96	
Government grant which is recognised in current period	180,374,099.82	
In addition to the effective hedging business which is related to the normal business of the Company, the gains and losses of changes in fair value arising from trading financial assets and trading financial liabilities, investment income of the disposal of tradable financial assets, trading financial liabilities and available-for-sale financial assets	-12,000,395.74	
P/L of debt reconstruction	20,622,378.52	
Collection of the impairment provision which is separately tested	175,855,529.34	
Other non-operating income and loss except for the column mentioned above	-143,690,445.40	
subtotal	215,724,259.58	
Impact of income tax	-25,312,432.58	
Minority interests (after tax)	7,873,712.13	
<b>Total</b>	<b>198,285,539.13</b>	

## 18.2 Return on net assets and earnings per share

Profit of 2016	Weighted average return on net assets		EPS			
			Basic EPS		Diluted EPS	
	2016	2015	2016	2015	2016	2015
Net profit attributable to shareholders of the parent company	-8.07%	1.94%	-0.76	0.19	-0.76	0.19
Net profit after deduction of non-recurring profits or losses attributable to the shareholders of the parent	-8.97%	1.39%	-0.85	0.14	-0.85	0.14

**Dongfang Electric Corporation Limited**

Notes to the financial statement

For the year of 2014

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**19. Approval of financial report**

The Company's financial statements were approved by the board of directors and authorized for issue on March 24, 2017.

Dongfang Electric Corporation Limited

Legal representative: Zou Lei

Person in charge of accounting function: Gong Dan

Person in charge of accounting department: Chen Dong

March 24, 2017

## DOCUMENTS AVAILABLE FOR INSPECTION

Content of documents	Copy of the 2016 Annual Report signed by the Chairman of the Company.
Content of documents	Original accountant report of the Company stamped and signed by the Legal Representative, the person-in-charge of accounting and the head of the accounting department.
Content of documents	Articles of Association of the Company.

*Chairman:* **Zou Lei**

Date of approval and submission by Board of Directors: 24 March 2017