



DONGFANG ELECTRIC CORPORATION LIMITED

(H Share Stock Code : 1072)
(A Share Stock Code : 600875)



2013
ANNUAL
REPORT

Contents



Chairman's Statement	2
I Definitions and Significant Risk Warning	3
II Company Profile	4-5
III Major Accounting Data and Financial Indices	6-9
IV Report of the Board	10-38
V Report of the Supervisory Committee	39-44
VI Significant Events	45-51
VII Changes in Shares Capital and Particulars of Shareholders	52-62
VIII Directors, Supervisors, Senior Management and Employees	63-77
IX Corporate Governance	78-96
X Internal Control	97
XI Financial Report	98-99
XII Documents available for inspection	100

IMPORTANT NOTICE

- I. The board of directors, the supervisory committee and the directors, supervisors and senior management of the Company have confirmed that this annual report contains no false representation, misleading information or material omission. They jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this annual report.
- II. All directors of the Company have attended the meeting of the board of directors, among which Mr Huang Wei (a director) authorized Mr. Si Zefu (a director) to attend the meeting.
- III. ShineWing Certified Public Accountants (Special General Partnership) has issued a standard unqualified auditor's report to the Company.
- IV. Mr. Si Zefu, the head of the Company, Mr. Gong Dan, the Chief Accountant, and Mr. Zeng Yi, the Finance Manager have declared that they confirm the truthfulness, accuracy and completeness of the financial statements in this annual report.
- V. Is there appropriation of the Company's funds for non-operational purpose by any controlling shareholders or its related parties?
No
- VI. Is there any violation of decision-making procedures by the Company in providing external guarantees?
No
- VII. This report has been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.



Chairman's Statement



Chairman: Si Zefu

To shareholders,

In 2013, the Company still faced the severe domestic and international market situations, adhered to the guideline of “three shifts” (shifting our focus from scale expansion to efficiency and profit growth, from production capacity increase to technology advances, and from manufacturing-based operations to manufacturing and service-based operations), worked tenaciously and hardly, and achieved stable growth in production, revenues and profits, returned sound operating results.

In 2013, with the concentration of delivery, more new products and short-rapid projects, contradictions between production resources and periodic requirements of construction projects were obvious, the gave full play of synergistic effect, balanced production resources and ensured the requirements of power station construction and smooth operation of generation units by strengthen the control on project process, enhanced resource facility and technology and services. The Company achieved power generation equipments production of 347.4 MW, representing a year-on-year increase of 6.5%.

During the reporting period, the Company fully expanded market, resulting orders in hand remained over RMB130 billion. The Company signed a batch of material contracts in home and abroad, including Shenzhen Pumped Storage Project and Vietnam Coastal Phase III project. The Company continued to maintain a leading position in the market share of 1000MW efficient parameters boiler. The market share for nuclear and F grade heavy gas turbine remained at domestic advanced level.

During the reporting period, the Company continued to increase efforts in development and research of new products, consistently optimize resource allocation, deepen the improvement of management and continuously promoted the transference of development way, leading the core competitive capability and anti-risk capability stronger.

The year of 2014 is a prominent year for deepening reformation and transference and upgrading. The Company will focus on economic efficiency, stimulate the development vigor and creation of the company through renovation and innovation, carry out the enhancement of management into each link of production and operation, accelerate the promotion of “three shifts”, improve developmental quality and push forward the stable development of the Company efficiently.

Lastly, I would like to express my gratitude to our investors for their trust and gracious support, to all members of the Board and the Supervisory Committee for their dedication and contribution and to all staff for their diligent work and devotion!

Chairman:

11 March 2014

DEFINITIONS AND SIGNIFICANT RISK WARNING

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
Reporting Period	2013
Articles of Association	Articles of Association of Dongfang Electric Corporation Limited
Shanghai Stock Exchange	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB, RMB'0000, RMB 100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million

II. SIGNIFICANT RISK WARNING

The Company has detailed represented the existent market risk, project execution risk and exchange rate fluctuation risk in this report, please refer to contents in relation to potential risk factors and countermeasures of discussion and analysis for the Company's future development in the report of the Board.

Company Profile



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	Si Zefu

II. CONTACT PERSONS AND METHODS

	Secretary to the Board of Directors	Representative of securities affairs
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	028-87583666	028-87583666
Fax	028-87583551	028-87583551
E-mail	dsb@dongfang.com	dsb@dongfang.com

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	http://www.dec-ltd.cn/
E-mail	dsb@dongfang.com


IV. PLACES FOR INFORMATION DISCLOSURE AND INSPECTION

Newspapers for disclosure of the Company's information	China Securities Journal, Shanghai Securities News
Website designated by CSRC for publication of the Company's annual report	www.sse.com.cn
Place where the Company's annual report is available for inspection	Board Office 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	1072	Dongfang Electrical



2 x 660 MW Fuel Power Plant Project in Rabigh of Saudi Arabia conducted by the Company

VI. CHANGE IN BUSINESS REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Basic information

There is no change in the registration of the Company during the reporting period.

(II) Inspection index to initial business registration of the Company

Date of initial business registration:	28 December 1993
Place of initial business registration:	Deyang City, Sichuan Province, PRC
Registration number of the Company's business license:	5106001800189
Tax registration number of the Company:	510602205115485
Organization code:	205115485

(III) Changes in principal business since the listing of the Company

There is no change in the principle businesses since the listing of the Company.

(IV) Changes in controlling shareholders since the listing of the Company

Since the listing of the Company in 1994, Dongfang Electrical Machinery Works, the former controlling shareholder of the Company, entered into 《國有法人股劃轉協議》(Transfer Agreement regarding State-owned Legal Person Shares) with Dongfang Electric Corporation on 10 November 2005, pursuant to which Dongfang Electrical Machinery Works transferred all its 220,000,000 State-owned legal person shares of the Company (representing 48.89% of the Company's total share capital) to Dongfang Electric Corporation at nil consideration. Upon completion of this equity transfer, Dongfang Electric Corporation would hold 220,000,000 State-owned legal person shares of the Company and become the largest shareholder of the Company while Dongfang Electrical Machinery Works would no longer hold any shares of the Company. As at the end of the reporting period, Dongfang Electric Corporation was still the Company's controlling shareholder.

VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	ShineWing Certified Public Accountants (Special General Partnership)
	Business address	9/F, Block A, Fu Hua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing
H Share Registrar in Hong Kong	Signature	Song Chaoxue
	accountant's name	Liao Jiping
	Hong Kong Registrars Limited	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

MAJOR ACCOUNTING DATA AND FINANCIAL INDICES



Operation of No. 1 Evaporator of No. 3 Unit in Fuqing

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES OF THE COMPANY FOR THE LAST 3 YEARS AT THE END OF REPORTING PERIOD

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2013	2012	Year-on-year increase/decrease (%)	2011
Operating income	42,390,796,682.51	38,079,202,510.13	11.32	42,916,618,329.18
Net profit attributable to shareholders of the Company	2,349,431,591.08	2,191,129,345.43	7.22	3,056,227,705.50
Net profit after non-recurring profit and loss attributable to shareholders of the Company	2,240,521,098.43	2,024,319,706.67	10.68	2,889,860,074.45
Net cash flow from operating activities	3,003,616,665.66	-178,523,654.30	N/A	-1,138,513,262.83

	At the end of 2013	At the end of 2012	Year-on-year increase/decrease (%)	At the end of 2011
Net assets attributable to shareholders of the Company	17,693,768,986.23	15,678,105,417.62	12.86	13,802,558,874.23
Total assets	77,836,703,054.12	78,327,056,597.82	-0.63	82,442,725,917.98



Steam Turbine Rotor of the Company

(II) Major financial data

Major financial index	2013	2012	Year-on-year increase/decrease (%)	2011
Basic earnings per share (RMB/share)	1.17	1.09	7.22	1.53
Diluted earnings per share (RMB/share)	1.17	1.09	7.22	1.53
Basic earnings per share after non-recurring profit and loss (RMB/share)	1.12	1.01	10.68	1.44
Weighted average return on net assets (%)	14.10	14.84	Decreased by 0.74 percentage point	24.65
Weighted average return on net assets after non-recurring profit and loss (%)	13.44	13.71	Decreased by 0.27 percentage point	23.31

MAJOR ACCOUNTING DATA AND FINANCIAL INDICES (CONTINUED)

II. EXTRAORDINARY PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Extraordinary profit or loss items	Amount for 2013	Amount for 2012	Amount for 2011
Profit and loss from disposal of non-current assets	4,041,175.11	3,380,937.80	-7,775,808.50
Government subsidiaries accounted for as current profit and loss(excluding those closely related to the Company's business and enjoyed according to the State's standard quota or quantity)	182,424,638.81	277,548,061.86	185,706,829.34
Gain or loss from the changes in fair value of held-for-trading financial assets, held-for-trading financial liabilities and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those from effective hedging activities relating to the Company's ordinary course of business	-1,293,125.06	-209,312.82	-3,168,433.16
Write-back of provision for receivables subject to individual impairment test	125,393,602.50		14,248,000.00
Other non-operating income/expenses other than the above items	-175,905,816.81	-83,799,828.16	9,790,496.76
Effect of minority interests	-4,062,572.57	-4,059,342.56	-8,174,546.27
Effect of income tax	-21,687,409.33	-26,050,877.36	-24,258,907.12
Total	108,910,492.65	166,809,638.76	166,367,631.05

MAJOR ACCOUNTING DATA AND FINANCIAL INDICES (CONTINUED)

III. ITEMS MEASURED BY FAIR VALUE

Unit: Yuan Currency: RMB

Items	Balance at the beginning of the period	Balance at the end of the period	Changes in the period	Effects on the profit for the period
Forward exchange settlement (held-for-trading financial assets)	4,687,420.24	2,826,747.59	-1,860,672.65	3,491,267.76
Forward exchange settlement (held-for-trading financial liabilities)	25,830,967.05	0.00	-25,830,967.05	50,735,377.64
Universal Holdings (held-for-trading financial assets)	315,029.52	0.00	-315,029.52	234,134.59
China XD Electric Co., Ltd. (held-for-trading financial assets)	25,308,874.20	23,781,614.55	-1,527,259.65	-1,527,259.65
GD Power Development Co., Ltd. (available-for-sale financial assets)	38,013,757.00	33,966,665.00	-4,047,092.00	
NMHD (available-for-sale financial assets)	375,000,000.00	255,750,000.00	-119,250,000.00	
Total	469,156,048.01	316,325,027.14	-152,831,020.87	52,933,520.34

Report of the Board



Director, president: Wen Shugang

REPORT OF THE BOARD

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD

Review of the overall operation of the Company during the reporting period

Both the domestic and international situations remained tough in 2013. Under this circumstance, the Company adhered to the “three changes” (change from emphasizing scale expansion to efficiency and profit growth, change from emphasizing capacity expansion to technical upgrading, and change from emphasizing manufacturing-based operations to manufacturing- and service-based operations) and accomplished the annual target of the Company through unwavering, tenacious hard work and pragmatic aggressiveness, thereby maintaining a sustainable development momentum for the enterprise.

Completion of operation indicators

During the Reporting Period, under the PRC Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB42,400 million, representing a year-on-year increase of 11.32%; net profit attributable to shareholders of the Company of RMB2,349 million, representing a year-on-year increase of 7.22%; earnings per share of RMB1.17; and gross profit margin for principal operations of 20.10%, basically on a par with the same period last year.

Capacity of Power Generation Equipment

During the Reporting Period, the Company produced power generation equipment with total capacity of 34,735.5MW, representing a year-on-year growth of 6.5%, including hydro-electric turbine generator sets with total capacity of 6,965MW, representing an increase of 4.2% as compared with the same period last year; steam turbine generators with total capacity of 27,041MW, representing an increase of 6.5% as compared with the same period last year; and wind turbine generator sets with total capacity of 729.5MW, representing an increase of 32.5% as compared with the same period last year. In addition, the Company produced power station boilers with total capacity of 21,084MW and power station steam turbines with total capacity of 30,693MW, representing an increase of 2.1% and 18.3% respectively as compared with the same period last year.



Hydroelectric Power Generating Products of the Company

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

Review of the overall operation of the Company during the reporting period (CONTINUED)

Comprehensive advancement in market expansion

In 2013, the Company went all out to grab market share through further enhancement in planning and coordination. The Company's new orders for the year amounted to RMB40.2 billion, of which exports accounted for 9% or RMB3.7 billion. Among the new orders, 71% was attributable to high-efficiency clean energy, 7% to new energy, 6% to water energy and environmental protection, and 16% to engineering and services.

By the end of 2013, the Company had orders in hand of RMB137 billion, among which high-efficiency clean energy accounted for 64%, new energy 13%, water energy and environmental protection 6%, engineering and services 17%. Exports accounted for 16% of the Company's orders in hand.

The Company explored domestic market in an active and effective manner by leveraging the recovery of thermal power and nuclear power markets to actively organise a variety of project introductions such as exchange events on new products and technologies, which harvested great results. It entered into a contract in respect of 660MW high coal capacity air-cooled units and 150MW high coal capacity circulating fluidized bed boiler, laying a foundation for the market expansion in Xinjiang; units with capacity under 600MW continued to occupy one-third of the market share while proportion taken by the high efficient 1000MW boilers still dominated the market; the Company obtained the majority of new orders of nuclear power project in the tender procedure with full participation in the supply of master equipment for the AP1000 project; the market shares of the F-class heavy gas turbines continued to lead the peers in the industry; the contract for the 4×300MW water turbine units of pumped-storage project in Shenzhen was engaged, marking the Company's entry into the market of pumped-storage power with high water head and capacity; the proportion of wind turbines with a capacity of 2MW or above were gradually increasing while the market of direct-drive wind turbines was expanding step by step; the project construction contract for the Tianyi flue gas denitrator of 600MW thermal power generating units in Nanyang was signed, which consolidated our existing share in the environmental protection market.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

Review of the overall operation of the Company during the reporting period (CONTINUED)

Comprehensive advancement in market expansion (CONTINUED)

The layout of our overseas network in the key markets was enhanced to strengthen and improve the competitiveness of overseas traditional market. The Company obtained main units supply contract for coastal phase III 2×622 MW project in Vietnam. Via Balkhash boiler island project, the 660 MW-class supercritical boiler was introduced into Kazakhstan for the first time. By entering into unit contract for Cilacap phase II 660 MW project in Indonesia, high-moisture supercritical lignite boiler achieved a breakthrough from zero.

Effective project management

Against the problems such as the concentration of delivery, new products and cost-reduced and efficiency-improved projects as well as severe conflict between production resources and demand for project construction at different phases, the Company intensified project process control, strengthened supporting resources and technology services, gave full play to synergy effects and balanced production resources to achieve bulk delivery of products such as gas turbine, environmental protection projects and so forth as well as smooth operation of key projects. The construction of engineering projects was orderly pushed forward, as 19 projects (including 4 EPC projects) were under construction with the total units capacity amounting to 14,518 MW and key project plans were basically achieved. Two units of the Saudi Rabigh project obtained certificates for primary delivery. The annual objective of the foundation works for the Company's first coal power EPC project in Europe, the Stanari project in Bosnia-Herzegovina, was fulfilled.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

Review of the overall operation of the Company during the reporting period (CONTINUED)

Remarkable innovation results principal products

The world's first 600MW supercritical circulating fluidized bed boilers with the largest individual capacity, Xiluodu 770 MW hydropower units and the world's first and largest bulb turbine units, Gerry 75MW hydropower units in Brazil, were all successfully put into commercial operation. The optimised ultra-supercritical 1000 MW generating units were developed successfully. 300 MW F4-class gas turbines were put into mass-production and successively came into service for power plants in Gaobeidian and Shaoxing. Currently, the first domestic EPR of the third generation nuclear power in China with the world's largest individuated capacity, Taishan 1,750 MW nuclear power turbine, generator, moisture separator reheater and steam generator were completed development and put into installation in power plants. The third generation nuclear power CAP1400 units and Fuqing ACP1000 units with independent technology as well as the introduction of Xudabao AP1000 units entered into the stage of development. 2.5 MW permanent-magnet direct drive wind generator units passed the GL certification test. The prototype of the first 5.5MW offshore wind generator units was put into operation in full load. The performance and reliability of wind power products were under gradual improvement and enhancement.

Consistent optimisation of resource allocation

The Company established wind power business department and primarily achieved integration of certain resources such as marketing, technology planning and so forth of wind power industry to lay a foundation for the increase in competitiveness in wind power industry. The Company adjusted management mode in India and Indonesia markets, gave play to market information sharing, resources sharing and previous and current business connection through centralised management, achieved integrated window and platform to build an external image as a whole and improve the efficiency for the use of resources.

Active improvement of management

Focused on the aim of "attach importance to executions, responsibilities and efficiencies" in terms of quality, the Company continuously carried out regulation on "common problems and frequent-occurring problems", improved quality with the emphasis on rectification of violation of rules and regulations, and further set a solid stage for quality management. The Company strengthened risk prevention in production and operation as well as technology introduction to make risk control system run efficiently. The Company accelerated comprehensive budget management, strengthened cost and expense management and improved financial management level of the Company.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of Principal Operations

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

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount for the same period of last year	Change (%)
Operating revenue	42,390,796,682.51	38,079,202,510.13	11.32
Operating cost	33,742,866,666.50	30,001,922,705.62	12.47
Selling expense	960,628,219.47	850,521,579.71	12.95
Administrative expenses	3,728,793,794.04	3,578,333,642.91	4.20
Financial expenses	-133,572,268.04	-84,629,161.74	57.83
Net cash flow form operating activities	3,003,616,665.66	-178,523,654.30	
Net cash flow form investing activities	-733,738,304.89	-1,246,033,098.43	-41.11
Net cash flow form financing activities	996,656,326.74	25,747,477.65	3,770.89
R&D expenditure	1,272,269,052.57	1,257,978,055.33	1.14

2. Revenues

(1) Analysis on factors for changes in revenues

During the period, the company made great efforts on production and operation management, and successfully completed various tasks. During this reporting period, the Company achieved revenue of RMB 42.4 billion, an increase of 11.32% over the same period of last year, and the increase in the sales of high-efficiency clean power generation equipments, water power and environment, engineering and services contributed the revenue growth for the Company.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of Principal Operations (CONTINUED)

2. Revenues (CONTINUED)

(2) *Analysis on the factors for revenues from sales of products in kind*

In 2013, the Company continued to win a relative high market share in China, and took a share of 40% in the large, medium-sized and small water power segment and around 30% in thermal plant segment, and also took a lead in terms of the market share in nuclear and gas turbine segments.

During the reporting period, the Company achieved a production output of power equipments with a total generation capacity of 34,735.5MW, a growth of 6.5% year on year. During this period, increase in the production output (sales) of thermal power equipments, gas turbines and environmental products contributed to the growth in revenue for the Company.

(3) *Major clients*

During the reporting period, revenue derived from its top five clients amounted to RMB7,766 million, accounting for 18.32% of the Company's total revenue, less than 30% of its gross revenue.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of Principal Operations (CONTINUED)

3. Cost

(1) Cost analysis form

Unit: RMB

By industry

By industry	Cost item	Amount for this period	Percentage of the total cost (%)	Amount for the same period of last year	Percentage over total cost for last year (%)	Change over the same period of last year (%)
Manufacturing of power equipments and services	Raw materials and outsourced elements	26,577,848,849.30	79.15	24,687,005,205.21	82.64	7.66
	Direct labor	1,910,056,988.64	5.69	2,016,113,552.54	6.75	-5.26
	Manufacturing overhead	5,091,208,844.30	15.16	3,170,788,752.34	10.61	60.57
	Total	33,579,114,682.24	100.00	29,873,907,510.09	100.00	12.40

(2) Major suppliers

During this period, purchase from top five suppliers amounted to RMB 2.572 billion, representing a percentage of 15.19% of the Company's total purchase, less than 30% over the gross purchase of the Company.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of Principal Operations (CONTINUED)

4. Expenses

Items	Amount for the Period	Amount for the Same Period of last year	Percentage of Change (%)
Selling expenses	960,628,219.47	850,521,579.71	12.95
Administrative expenses	3,728,793,794.04	3,578,333,642.91	4.20
Financial expenses	-133,572,268.04	-84,629,161.74	57.83
Income tax expenses	388,089,412.34	364,937,341.51	6.34

5. R&D expenditure

(1) R&D expenditure statement

Unit: RMB

Expensed R&D expenditure for this period	1,272,269,052.57
Capitalized R&D expenditure for this period	0.00
Total R&D expenditure	1,272,269,052.57
Percentage of total R&D expenditure over net assets (%)	6.84
Percentage of total R&D expenditure over revenue (%)	3.00

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of Principal Operations (CONTINUED)

5. R&D expenditure (CONTINUED)

(2) Note information

With objectives such as intensifying the principal operations, enhancing R&D, improving quality and efficiency, optimizing performances for a better competitiveness for leading products for 2013, the Company enhanced its R&D, successfully completed the scheme design for 1000MW Francis turbine unit and key technical and resolved major technological difficulties for large water power turbine units; the first 300MW pumped storage water power unit for Xianyou Station developed by the Company independently was put into operation this year. And the world's first 600MW supercritical circulating fluid bed boiler was also put into commercial operation in Baima Power Plant. Completed the R&D and design of 600MW double-reheat steam turbine for Anyuan project; completed the R&D of EPR1750MW nuclear power generator for Taishan Project and started installation in the Plant; the 2.5MW PMDD WTGS passed GL certification test this year; the first 5.5MW offshore wind turbine generator achieved operation at full load.

In 2013, the Company applied for a total of 155 patents, including 81 patents for invention and received licenses for 123 patents including 24 patents for invention.

6. Cash flows

Item	Amount for the Period	Amount for the Same Period of last year	Percentage of Change (%)
Tax refund received	395,886,613.23	298,058,101.96	32.82
Net cash flows from operating activities	3,003,616,665.66	-178,523,654.30	-1,782.48
Cash received from investment	44,263.24	279,708,656.58	-99.98
Cash received from gains in investment	67,197,821.59	46,649,053.83	44.05
Cash paid for purchase of fixed assets, intangible assets and other long term assets	774,395,805.13	1,194,534,944.31	-35.17
Cash paid for investment	33,000,000.00	404,000,000.00	-91.83
Other cash received from activities related to financing activities	0.00	85,940,000.00	-100.00

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of Principal Operations (CONTINUED)

6. Cash flows (CONTINUED)

- (1) Tax refund received increased by 32.82% as compared with last year, mainly due to the year-on-year increase in product imported tax refund received in the year.
- (2) Net cash flows from operating activities increased by RMB3.182 billion as compared with last year, mainly due to the increase in efforts in collection of amounts, resulting in a year-on-year increase of RMB2.713 billion in loans.
- (3) Cash received from investment decreased by 99.98% as compared with last year, mainly due to the Company sold A shares it held in Huaneng International in the same period last year.
- (4) Cash received from gains in investment increased by 44.05% as compared with last year, mainly due to the year-on-year increase in dividend received from associated companies by the Company in the year.
- (5) Cash paid for purchase of fixed assets, intangible assets and other long term assets decreased by 35.17% as compared with last year, mainly due to the year-on-year decrease of fixed assets investment in the year.
- (6) Cash paid for investment decreased by 91.83% as compared with last year, mainly due to the purchase of A shares issued by NMHD in non-public ways by the Company in last year.
- (7) Other cash received from activities related to financing activities decreased by 100% as compared with last year, mainly attributable to the technology innovation project funds received by the Company last year.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on operation by industry, products or regions

1. Principle businesses by industry and products

Unit: Yuan Currency: RMB

Principle businesses by industry

By industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease	Increase/decrease	Increase/decrease
				of operating revenue over last year (%)	of operating costs over last year (%)	of gross profit margin over last year (%)
Power generation equipment manufacture	42,026,282,530.50	33,579,114,682.24	20.10	11.36	12.40	Decreased by 0.74 percentage point

Principle businesses by products

By products	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease	Increase/decrease	Increase/decrease
				of operating revenue over last year (%)	of operating costs over last year (%)	of gross profit margin over last year (%)
Clean high-efficiency power generation equipments	23,331,142,988.95	18,698,952,018.02	19.85	15.50	18.72	Decreased by 2.18 percentage points
New energy	6,671,766,164.23	5,482,203,954.25	17.83	-12.96	-14.32	Increased by 1.31 percentage points
Water energy and environmental equipments	4,727,844,703.30	3,569,132,605.59	24.51	4.41	8.19	Decreased by 2.64 percentage points
Engineering and services	7,295,528,674.02	5,828,826,104.38	20.10	36.47	31.69	Increased by 2.90 percentage points

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on operation by industry, products or regions (CONTINUED)

1. Principle businesses by industry and products (CONTINUED)

- (1) During the reporting period, the Company emphasized management of production and operation, ensured the successful completion of each task, resulting in a year-on-year increase of 11.36% in operating revenue.
- (2) Operating revenue from Clean high-efficiency power generation equipments increased by 15.50% as compared with last year, mainly including the increase of 14.79% in revenues from thermal power product and 71.14% in revenues from engines. The gross profit margin of thermal power product decreased by 2.18 percentage points as compared with last year, mainly due to the decrease in selling price of thermal power product in the period.
- (3) Revenues from new energy products decreased by 12.96% in the year, mainly due to the year-on-year decrease of 10.94% in revenues from wind power products.
- (4) Revenues from water energy and environmental equipments increased by 4.41% as compared with last year, mainly attributable to the increase of 81.63% in environmental equipments. Gross profit margin of environmental equipments decreased by 14.31 percentage points as compared with last year, mainly due to the decrease on the price of environmental equipments sold in the period.
- (5) Revenues from engineering and services increased by 36.47% as compared with last year, mainly due to the accelerated progress reflected in construction contract in the period.

2. Principle businesses by regions

Unit: Yuan Currency: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	32,668,494,599.67	12.42
Overseas	9,357,787,930.83	7.81

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on assets and liabilities

1. Analysis on assets and liabilities

Unit: RMB

Item	Closing amount at the end of period	Percentage of closing amount at the end of period over total assets (%)	Closing amount at the end of last period (%)	Percentage of closing amount at the end of last period over total assets (%)	Increase/decrease of closing amount over that at the end of last period (%)
Cash and cash equivalents	12,131,648,112.18	15.59	8,960,708,524.63	11.44	35.39
Bills receivable	17,032,484,330.47	21.88	14,991,233,562.34	19.14	13.62
Prepayment	4,716,518,840.61	6.06	5,784,631,010.52	7.39	-18.46
Interest receivables	101,620,018.51	0.13	61,740,939.07	0.08	64.59
Inventories	27,301,842,960.20	35.08	31,901,091,912.16	40.73	-14.42
Available-for-sale financial assets	289,716,665.00	0.37	413,013,757.00	0.53	-29.85
Investment real estate	72,798,574.45	0.09	27,479,503.13	0.04	164.92
Long term equity investment	801,229,880.78	1.03	590,419,356.09	0.75	35.71
Fixed assets	9,243,610,975.06	11.88	9,873,036,157.62	12.60	-6.38
Construction in progress	685,790,408.06	0.88	723,924,491.91	0.92	-5.27
Short term borrowings	3,453,072,066.14	4.44	2,118,520,012.90	2.70	62.99
Long term borrowings	39,400,000.00	0.05	125,827,585.21	0.16	-68.69
Tax payables	53,907,111.62	0.07	251,202,094.65	0.32	-78.54

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis on assets and liabilities (CONTINUED)

1. Analysis on assets and liabilities (CONTINUED)

- (1) As at the end of the period, monetary fund of the Company increased by 35.39%, as compared with the beginning of the period, which was mainly due to the increase in cash received from sales of goods by RMB2,713 million as a result of increased efforts in collection of funds by the Company in the year.
- (2) As at the end of the period, interest receivable of the Company increased by 64.59%, as compared with the beginning of the period, which was mainly due to the increase in the provision made for the interest of outstanding fixed deposits.
- (3) As at the end of the period, available-for-sale financial assets of the Company decreased by 29.85% as compared with the beginning of the period, which was mainly due to the decrease in the fair value of the A shares of NMHD held by the Company at the end of the period as compared with the beginning of the period.
- (4) As at the end of the period, investment properties of the Company increased by 164.92%, as compared with the beginning of the period, which mainly due to the increase in new properties for lease.
- (5) As at the end of the period, long-term equity investment of the Company increased by 35.71%, as compared with the beginning of the period, which was mainly due to increase in the gains from investment in associate companies recognized by the Company for the period.
- (6) As at the end of the period, short-term loans of the Company increased by 62.99%, as compared with the beginning of the period, which was mainly due to increase in the credit scale of subsidiaries of the Company.
- (7) As at the end of the period, long-term borrowings of the Company decreased by 68.69%, as compared with the beginning of the period, which was mainly due to transfer of the Company's long term borrowings due within one year in the period.
- (8) Tax payable of the Company decreased by 78.54% as compared with the beginning of the period, which was mainly due to the year-on-year increase in remaining part of value-added taxes of the Company in the year.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis of core competitiveness

The Company possesses strong capabilities in respect of technological research and development, market expansion, design and manufacture of products, and EPC contracting for power station projects, and has formed a relatively complete industrial structure, with increasing anti-risk ability and a leading position in term of development of emerging energy sectors including hydropower and nuclear power as compared with its peers in the PRC. The core competitiveness of the Company is shown in the following aspects:

1. Excellent technologies and brand: The Company has the proprietary technologies for the design and manufacture of such equipment as 300-800MW hydropower units, 300-1,000MW thermal power units, 1,000MW nuclear power units, 1-5 MW wind power units, and heavy duty gas turbine units, as well as technologies in EPC contracting and full-package engineering for power stations. The Company enjoys top-class technological level in the PRC, and has outperformed its domestic peers and reached advanced international level in certain aspects.
2. 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 strength. The Company can mass-produce 300-800MW hydropower units, 300-1,000MW thermal power units, 1,000-1,750MW 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.
3. Complete industrial structure: The Company has preliminarily established a five-in-one product mix (i.e. hydropower, thermal power, nuclear power, gas and wind power), with reasonable structure of orders for each product category, and increasing anti-risk ability.
4. Effective market expansion: The Company owned strong and powerful team for market expansion and sound marketing nets. Through technological innovation and product mix adjustment, the Company has not only maintained considerable market expansion capability in the PRC, but also further explored overseas markets, shifting its target from the traditional Southeast Asian, South Asian, and Middle Eastern countries to African, South American and European markets.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(V) Analysis of investment

1. Overall analysis on external equity investment

No.	Investment subject	Investment types	Name of the invested Company	Principle businesses of invested Company	Amount for Investment in 2013 (RMB'000)	Interests held in invested companies upon the completion of investment (%)
1	Dongfang Electric Corporation Limited	Equity investment	Huadian Longkou Wind Power Co., Limited	Investment, construction and operation of wind power plant	500	25
2	Dongfang Electric Corporation Limited	Equity investment	Sichuan Wind Power Industry Investment Co.,Ltd.	Investment, construction and operation of wind power plant	2800	20

(1) Security investment

No.	Type of securities	Stock code	Stock name	Initial investment costs (RMB)	Numbers held (Share)	Carrying amount as at the end of the period (RMB)	Percentage in total security investment as at the end of the period (%)	Profit or loss in the reporting of period (RMB)
1	Shares	601179	China XD Electric Co., Ltd	48,120,052.71	7,272,665.00	23,781,614.55	100.00	-1,527,259.65
	Other security investment held at the end of the period					-		
	Security investment sold in the reporting period			-	-	-	-	234,134.59
	Total			48,120,052.71	-	23,781,614.55	100	-1,293,125.06

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(V) Analysis of investment (CONTINUED)

1. Overall analysis on external equity investment (CONTINUED)

(2) Interests held in other listed companies

Unit: RMB

Stock code	Stock name	Initial investment costs	Shareholding percentage in the company (%)	Carrying amount as at the end of the reporting period	Profit or loss in the reporting period	Reporting period		Sources of shares
						Changes in owner's equity	Accounting items	
600795	GD Power Development Co., Ltd.	46,107,941.00	0.09	33,966,665.00	1,879,007.00	-4,047,092.00	available-for-sale financial assets	Purchase
600863	NMHD	388,000,000.00	1.94	255,750,000.00	11,000,000.00	-119,250,000.00	available-for-sale financial assets	Purchase
Total		434,107,941.00	/	289,716,665.00	12,879,007.00	-123,297,092.00	/	/

(3) Dealings in the shares of other listed companies

Name of shares	Number of shares at the beginning of the period (share)	Number of shares purchased during the reporting period (share)	Capital amount used (RMB)	Number of Shares sold during the reporting period (share)	Number of shares at the end of the period (share)	Investment return derived (RMB)
Universal Holdings	46,602.00	0.00		46,602.00	0.00	504,900.87

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(V) Analysis of investment (CONTINUED)

2. Entrusted wealth management and derivative investment via non-financial entities

(1) Entrusted wealth management

There was no entrusted wealth management in the year.

(2) Entrusted loans

There was no entrusted loans in the year.

(3) Other entrusted wealth management and derivative investment via non-financial entities

There was no other entrusted wealth management and derivative investment via non-financial entities in the year.

3. Use of proceeds

During the reporting period, there was no proceed or previous proceed being used in this period.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(V) Analysis of investment (CONTINUED)

4. Analysis of Major Subsidiaries and Investees

Unit of Amount: RMB100 million

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and sales of steam turbines, turbine, gas turbines, compressors, fans, pumps and auxiliary equipments, wind generating sets , solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the equipments; mechanical equipment and accessories as well as the related import and export business	18.46	363.27	40.79	175.40	6.25	5.71
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors; the design manufacturing and sales of control equipments; the transformation of power stations, the installation of power station equipments	20.00	135.00	41.18	71.38	4.67	4.14
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	219.04	50.05	121.09	9.64	7.53
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.18%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	36.25	14.98	10.53	0.82	0.75

5. Projects not to be financed by the proceeds

There was no project to be financed by the proceeds in the reporting period.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(VI) Financial Position and Operating Results during the Reporting Period

1. Operating results

Unit of Amount: RMB

Item	Amount for the year	Amount for the last year	Year-on-year increase/decrease (%)
Operating revenue	42,390,796,682.51	38,079,202,510.13	11.32
Sales expenses	960,628,219.47	850,521,579.71	12.95
Administration costs	3,728,793,794.04	3,578,333,642.91	4.20
Financial costs	-133,572,268.04	-84,629,161.74	57.83
Impairment loss on assets	1,261,411,102.94	1,115,852,084.52	13.04
Total profits	2,787,492,093.47	2,618,658,623.02	6.45
Income tax expenses	388,089,412.34	364,937,341.51	6.34
Net profit	2,399,402,681.13	2,253,721,281.51	6.46
Net profit attributable to shareholders of the Parent Company	2,349,431,591.08	2,191,129,345.43	7.22

- (1) During the reporting period, the Company firmly controlled the production and operation management, ensuring the successful completion of each task, and resulting in a year-on-year increase of 11.32% in operating revenue.
- (2) The Company's sales expenses for the period recorded a year-on-year increase of 12.95%, mainly due to a year-on-year increase in guarantee deposit for product quality made by the Company according to accounting policies.
- (3) Administration expenses of the Company for the period recorded a year-on-year increase of 4.20%, mainly due to a year-on-year increase in employee's salaries and depreciation costs.
- (4) Financial costs of the Company for the period recorded a year-on-year decrease of 57.83%, mainly due to a year-on-year increase of interest income and a year-on-year decrease of interest expenses.
- (5) Impairment loss on assets of the Company for the period recorded a year-on-year increase of 13.04%, mainly due to the year-on-year increase in provision made for diminution in value of inventory in the period.
- (6) Total profits of the Company recorded a year-on-year increase of 6.45%, net profit attributable to shareholders of the Parent Company recorded a year-on-year increase of 7.22%, mainly due to the year-on-year increase of sales income achieved by the Company during the year.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(VI) Financial Position and Operating Results during the Reporting Period (CONTINUED)

2. Analysis of financial position on assets, liabilities and shareholders' equity

At the end of the reporting period, the Company's total assets amounted to RMB77,837 million, down by 0.63% as compared with the beginning of the year, mainly attributable to a 18.64% decrease in accounts payables and a 14.42% decrease in inventories; total liabilities amounted to RMB59,243 million, down by 4.11% as compared with the beginning of the year, mainly attributable to 14.12% and 78.54% decreases in receipts in advance and taxes payable, respectively; and shareholders' equity amounted to RMB18,593 million, up by 12.36% as compared with the beginning of the year, mainly attributable to a 24.56% increase in undistributed profit.

3. Gearing ratio

Item	As at the end of 2013	As at the end of 2012	Year-on-year increase/decrease (%)
Gearing ratio	76.11	78.87	-2.76

At the end of the period, the Company's gearing ratio was 76.11%, representing a decrease of 2.76% as compared with the beginning of the year because the financial position of the Company was further optimized and improved.

4. Bank borrowings

As at 31 December 2013, the Company had bank borrowings of RMB3,523 million due within one year and RMB39 million due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB3,523 million were fixed-rate loans. The Company has maintained a sound financing capacity due to its favorable credit rating with banks.

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

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(VI) Financial Position and Operating Results during the Reporting Period (CONTINUED)

6. Pledge of assets

At the end of the period, the Company had pledged borrowings of RMB115 million, which were related to the commercial acceptance bills that the Company applied to financial institutions for discounting. At the end of the reporting period, the Company has paid RMB55 million on due. At the end of the period, the Company had pledged borrowings of RMB206 million, which were the borrowings from financial institutions by pledging machinery equipments and buildings. At the end of the reporting period, such borrowings bills were not yet paid on due.

7. Contingent liabilities

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

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

After negotiations with the project owners from Saudi Arabia, the Company carried out rectification and improvement work after the end of the 2012 summer-peak season for power generation. On 14 June 2013, the 1# units and 2# units obtained preliminary acceptance certificate, the owner confirmed that the 1# units and 2# units had been put into operation on 14 December 2012 and 28 January 2013, respectively, and entered into the corresponding guarantee period.

At present, the Company is negotiating with relevant parties in respect of issues including claim for project delay and settlement.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(VI) Financial Position and Operating Results during the Reporting Period (CONTINUED)

7. Contingent liabilities (CONTINUED)

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

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

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

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in respect of the four claims filed by US-based Foster Wheeler, requiring Dongfang Boiler to pay to US-based Foster Wheeler nominal royalties of US\$4,815,000 and unpaid royalties of US\$1,520,000 and the interest accrued thereon, and the US-based Foster Wheeler has to return the technology licensing fees of US\$1,117,000 to Dongfang Boiler. Dongfang Boiler and Dongfang Electric Corporation disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. In 2012, according to the ruling of the arbitration court of the Chamber of Commerce of Stockholm, Sweden, made on 20 October 2011. Dongfang Boiler confirmed expected liabilities for the year of RMB53,197,144.96 (including interest expenses of RMB20,399,405.96) based on the PRC Accounting Standards for Business Enterprises. On 20 June 2013, the Svea Court of Appeal, Sweden rejected the appeal of revoking the ruling made by Dongfang Boiler and Dongfang Electric Corporation.

On 18 February 2013, US-based Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. The arbitration court of the Chamber of Commerce of Stockholm, Sweden rendered a verdict for the second stage on 12 July 2013, pursuant to which, Dongfang Boiler and Dongfang Electric Corporation undertook joint and several responsibilities for the payment of nominal royalties of US\$16.50 million and the interest accrued thereon to US-based Foster Wheeler. Dongfang Boiler and Dongfang Electric Corporation disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden to revoke the ruling on 15 October 2013.

As at the date of the financial report, the Svea Court of Appeal, Sweden has not yet rendered a verdict. Dongfang Boiler recognised estimated liabilities for the year of RMB172,484,022.13 based on the Accounting Standards for Business Enterprises.

REPORT OF THE BOARD (CONTINUED)

I. DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(VII) Main Sources and Uses of Funds

1. Cash flows from operating activities

During the Reporting Period, the Company's cash inflows from operating activities amounted to RMB37,432 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB34,428 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB3,004 million. The net cash inflows from operating activities increased by RMB3,182 million as compared with the same period last year, mainly due to the increase in cash received from sales of goods by RMB2,713 million as a result of increased efforts in collection of funds by the Company in the year.

2. Cash flows from investing activities

During the Reporting Period, the Company's cash inflows from investing activities amounted to RMB74 million, mainly attributable to the dividends received from joint ventures by the Company; cash outflows from investing activities amounted to RMB807 million, mainly attributable to investment expenditures for purchase and construction of fixed assets and investment in shares of other enterprises by the Company; net cash flows from investing activities amounted to RMB-734 million. The net cash outflows from investing activities decreased by 41.11% as compared with the same period last year, mainly due to a year-on-year decrease in investment in fixed assets in the year.

3. Cash flows from financing activities

During the Reporting Period, the Company's cash inflows from financing activities amounted to RMB3,779 million, mainly attributable to short-term borrowings from financial institutions; cash outflows from financing activities amounted to RMB2,782 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 2012 cash dividends of RMB220 million to the shareholders of the Company; net cash flows from financing activities amounted to RMB997 million. The net cash flows from financing activities increased by RMB971 million as compared with the same period last year, mainly attributable to the increase in the Company's borrowings from financial institutions in the year.

REPORT OF THE BOARD (CONTINUED)

II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD

(I) Competition pattern and development trend of the industry

In 2014, the world economy will maintain sluggish recovery and the Chinese economy will experience progress and improvement accompanied with worries and risks while stabilizing. The domestic power generation equipment market is still in correction and steady progress. The demand for hydropower will see a climax of development as the construction of a batch of major hydropower projects has successively commenced; the demand for thermal power will still decline; the construction of nuclear power projects will gradually resume, and the nuclear power industry is likely to maintain stable and sustained development; some projects in the gas turbine industry will slow down due to the impact of gas price, etc. while the industry will still maintain sound development; the demand for wind power will grow orderly on the premise of effectively solving the problem of “abandoning wind power” and grid curtailment; the power station service and energy-saving and environment protection industry will maintain sustainable development. The expansion of overseas markets still remains a great challenge due to the impact of economy, policy, law, etc..

(II) Development strategy of the Company

By taking up the mission of reinvigorating the major technical equipment industry of China, and centering on the “three shifts”, the Company, always driven by market demands, will particularly develop and enhance its principal business of power generation equipment, continuously raise its independent innovation capability, effectively allocate internal resources, and boost development quality. The Company will fully utilize its leading advantages in nuclear power, hydropower and other industries, vigorously develop clean energy and renewable energy, and continue to enhance its business of power generation equipment manufacturing; endeavor to develop engineering services and power station service industry and improve corporate profitability; and stably increase the market share of energy-saving and environment protection industry, so as to build the Company into a world-leading manufacturer of major energy and power equipment with international competitiveness.

(III) Business plan

As there are uncertainty in both domestic and overseas environment, the Company has prudently formulated the business plan for 2014, with focus placed on transformation, risk control and sustainable development. The Company expects the total capacity of power generation equipment upon completion of construction to reach 33,000MW. Major measures to be taken to achieve the target for the year include:

Strengthen confidence in deepening reform

In accordance with the principles of “scientific management, streamlined structure and high efficiency, highlighting effectiveness and stimulating vitality”, centering on the basic goal of “establishing scientific management and control system and achieving optimization of resources allocation, improvement of efficiency and effectiveness and constantly innovation of development”, we will emancipate our minds to set out plan for reform, transform inefficient production capacity, deepen mechanism innovation, motivate development activity, so as to promote the Company’s development into a new stage.

REPORT OF THE BOARD (CONTINUED)

II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD (CONTINUED)

(III) Business plan (CONTINUED)

Overcome all difficulties to expand the market

We will spare no effort to focus on market, keeping the leading position in the markets of nuclear power and gas turbine; seize the opportunity for development of hydropower to increase market share, pay close attention to the key markets, customers and projects of thermal power and wind power, actively promote applications of new products and new technologies in the market, and constantly increase the market share of large-capacity thermal power units; and steadily expand the market share of power station service and energy-saving and environmental protection.

Constantly improve international operation

We will innovate the mode of international operation and accelerate the implementation of market resources integration plan in markets such as India and Indonesia. We will strengthen our cooperation with international renowned companies to reinforce the local operations and global sourcing and effectively reduce the costs and improve the competitiveness of projects, expand overseas business model to promote overseas markets and strengthen the training of international professionals to promote the Company's internationalization capacity.

Call forth all energy to guarantee delivery

In 2014, as its products manufacturing tasks still remains at a high level, the Company will keep to enhance project management, do well in project planning and in key periodic assessment, strengthen the control of project process and call forth all energy to meet the market demand, reasonably deploy powers, carry out a good job in on-site installation and commissioning services of finished products and safeguard the smooth delivery and operation of key projects.

Constantly improve management

We will build our brand by high quality, upholding the idea of "safety first, quality first", and adhering to the quality policy of "focus on execution, perform due responsibilities, achieve sound success" to enhance quality control and further improve the quality of products; further improve the management and control system and strengthen risk prevention, optimize resources allocation and improve the internal management efficiency and promote sustainable development of the Company.

(iv) Capital demand for maintaining the existing business and completing the construction of the investment project company

In 2014, the Company will resolve the issue of capital sources by way of internal resources, bank financing, bond financing and other means, based on its actual business needs.

REPORT OF THE BOARD (CONTINUED)

II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT BY THE BOARD (CONTINUED)

(V) Potential risks

1. Market risk:

The investment demand in the industry of manufacturing power generating equipments is closely linked to the national macro economic cycle and macro-policy. In the future, the Company may face the challenge of weakened power demand due to the slow-down macro-economy. At the same time, the continuous decline in products sales price as well as the intensified market competition will result in more difficulties and risks for the market expansion of the Company.

The Company will step up marketing efforts based on the demand of target markets, continuously improve a fast and effective market response mechanism. Meanwhile, the Company will further optimize the allocation of internal resources, and push forward transformation and upgrade to satisfy market demands.

2. Risk associated with project implementation:

The secured domestic projects of the Company are more susceptible to economic conditions, and may pose certain risk associated with project implementation. The same is true with overseas projects, which are subject to the influence of politics, economy, safety and policies of host countries, as well as the construction period and quality of projects.

By pressing ahead with the construction of the internal control system, reinforcing inspection over project contracts, and accelerating the implementation of the resource consolidation plan in overseas markets, the Company will establish a unified platform with effective synergy, promote the expansion of international markets, and enhance its capability in preventing project risks.

3. Fluctuation risk of exchange rate:

With the continuous expansion of international operation scale of the Company, and given to the uncertainty of the two-way fluctuation of RMB against the US dollar, the exchange rate risk the Company faced may increase.

The Company proactively researched and paid close attention to the movements in foreign exchange market. The Company, on one hand, initiatively considered some exchange rate risks in tender offers, and on the other hand, appropriately took tools for avoiding exchange rate risk during the implementation process of the contract, so as to control the exchange rate risk.

REPORT OF THE BOARD (CONTINUED)

III. EXPLANATION OF THE BOARD ON THE NON-STANDARD AUDIT REPORT ISSUED BY THE AUDITOR

(I) Explanation of the Board and the Supervisory Committee on the non-standard audit report issued by the auditor

N/A

(II) Analysis and explanation of the Board on the reasons and impacts of the changes in accounting policies, accounting estimates and auditing methods

N/A

(III) Analysis and explanation of the Board on the reasons and impacts of correcting material mistakes of the previous periods

N/A

IV. PLAN FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Formulation, implementation of or adjustment to the profit distribution plan

The Company has specified its cash dividend policy in the Articles of Association, which reads as: where net profit attributable to shareholders 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 2013, the profit distribution plan for 2012 was considered and approved at the 2012 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 have expressed their opinions concerning the plan which has 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.

Profit distribution plan for 2013

As audited by ShineWing Certified Public Accountants, the Company achieved RMB2,349,431,591.08 of net profit attributable to shareholders of the Company in 2013 and a net profit of RMB1,249,817,853.57. The Company proposes to pay a final cash dividend of RMB1.80 (tax inclusive) for every ten shares, totalling RMB360,694,800.00. No capital reserve will be transferred to share capital, nor distribute any bonus share. The plan is subject to consideration and approval at the 2013 annual general meeting.

REPORT OF THE BOARD (CONTINUED)

IV. PLAN FOR PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(II) Where the undistributed profit of the Company is positive for the reporting period without a cash dividend proposal, the Company shall disclose in details such reasons and use and use plans of the undistributed profit

N/A

(III) Scheme or plan for profit distribution, transfer of capital reserve to share capital of the Company for the latest three years (including the reporting period)

Unit: Yuan Currency: RMB

Year of cash dividend	Bonus shares for every 10 shares <i>(share)</i>	Cash dividend for every 10 shares <i>(RMB) (Tax inclusive)</i>	Number of shares transferred into share capital for every 10 shares <i>(share)</i>	The amount of cash dividends <i>(Tax inclusive)</i>	Net profit attributable to shareholders of the Company in the consolidated statements	The percentage in net profit attributable to shareholders of the Company in the consolidated statements <i>(%)</i>
2013				360,694,800.00	2,349,431,591.08	15.35
2012				220,424,600.00	2,191,129,345.43	10.06
2011				320,617,600.00	3,056,227,705.50	10.49

V. 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 2013.

REPORT OF THE SUPERVISORY COMMITTEE

To the Shareholders

In 2013, in the face of grim domestic and foreign situation, the Company firmly adhered to the guideline of “three shifts”, namely shifting from scale expansion to efficiency and profit growth, shifting from capacity expansion to technical upgrading, and shifting from manufacturing-based operations to manufacturing- and service-based operations, and forged ahead with indomitable revolutionary spirit and pragmatic efforts. As such, the Company has sustained a steady growth momentum. The Supervisory Committee of the Company earnestly performed its duties and effectively supervised the legal compliance of the Company’s operations and the duty performance of the directors, managers and other senior management members of the Company in accordance with the Company Law, the Securities Law, the Articles of Association, the Rules of Procedure of the Supervisory Committee and other relevant laws and regulations. The work of the Supervisory Committee in 2013 is set out as follows:

I. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

(I) Convene of meetings of the Supervisory Committee

In light of the Company’s decision-making on operation and the exercise of its regulatory rights and obligations, the Supervisory Committee held five meetings in 2013:

1. The first extraordinary meeting of the Supervisory Committee for 2013 was convened in Chengdu on 25 March 2013. All of the three Supervisors were present at the meeting to consider and approve the proposals in relation to the name list of H Share Appreciation Rights Plan.
2. The fourth meeting of the seventh Supervisory Committee was convened in Chengdu on 26 March 2013. All of the three Supervisors were present at the meeting to consider and approve the following matters:
 - (1) The proposals relation to the Company’s annual report for 2012 and social responsibility report for 2012 and audit opinion of connected transactions of the Company during 2012 were considered and approved;
 - (2) The proposal in relation to the audit opinions of the 2012 self-appraisal report of internal control of the Company was considered and approved;
 - (3) The proposal in relation to the audit opinions of the 2012 audited financial report of the Company;
 - (4) The proposal in relation to profit distribution plan for 2012;
 - (5) The proposal relation to the work report of the Supervisory Committee of the Company for 2012 and the amended rules of procedure for the Supervisory Committee were considered and approved. .
3. The fifth meeting of the seventh Supervisory Committee was convened in Chengdu on 24 April 2013. All of the three Supervisors were present at the meeting to consider and approve the proposal in relation to the audit opinions on the 2013 first quarterly financial report.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(I) Convene of meetings of the Supervisory Committee

4. The sixth meeting of the seventh Supervisory Committee was convened in Chengdu on 27 August 2013. All of the three Supervisors were present at the meeting to consider and approve the following matters:
 - (1) The proposal in relation to the audit opinions on the unaudited financial report for the first half of 2013 was considered and approved;
 - (2) The proposal in relation to the audit opinions on the report for the first half of 2013 was considered and approved;
5. The seventh meeting of the seventh Supervisory Committee was convened in Chengdu on 29 October 2013. All of the three Supervisors were present at the meeting to consider and approve the proposal in relation to the audit opinions on the 2013 third quarterly report.

(II) Attendance at relevant meetings

The Supervisory Committee sat in on all the Board meetings, the general meeting and extraordinary general meetings and other important business meetings of the Company held in 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, and certain supervisors even participated in the work meetings of the President of the Company, management improvement activities, internal control building activities and the inspection on the centralized management of capital of the Company. As such, the Supervisory Committee earnestly supervised and examined the legal compliance of the Company's operations and the financial position and investments of the Company, made recommendations on the establishment of internal control related to the authorization and disposal of equity investments and other important aspects and advised the Company to pay high attention to its cash flows, enhance market exploration, production arrangement and the collection of receivables and the budget implementation of its subsidiaries. These recommendations and requirements were taken seriously by the Board, the management and the senior executives of the Company and were implemented earnestly, which effectively promoted the construction of the Company's internal control.

(III) Cooperation with other institutes in launching supervision activities

While duly performing their supervisory duties, the Supervisory Committee also actively participated in and supported the supervision and inspection and exchange activities launched 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. In the year, the Supervisory Committee had participated in the questionnaire survey in respect of the corporate governance of listed companies, the best practices of the supervisory committees of listed companies, corporate governance forums for listed companies and the consultations on the Work Guidelines for Supervisory Committees of Listed Companies in Sichuan, which created favorable conditions for the Supervisory Committee to better perform its supervisory functions.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

II. PERFORMANCE OF DUTIES BY SUPERVISORS

Detailed breakdown of the Supervisors' attendance at the meetings of the Supervisory Committee held in the year (five meetings were held in the year) was set out below.

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

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

Through carrying out the above activities, the Supervisory Committee effectively discharged its supervisory duties, reviewed its independent opinions on the activities supervised during the performance of its duties, which are set out as follows:

(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 during the reporting period, the Supervisory Committee is of the opinion that the Company had a relatively complete internal control system in place and operated in accordance with the laws and regulations. The resolutions of the general meetings were strictly implemented by the Board; all special members of the Board have performed their duties independently and effectively in accordance with the laws; all significant decisions of the Company were made in compliance with legal and valid procedures and information disclosure was made in a timely and accurate basis. The directors and senior management of the Company have performed their duties with due diligence, and no act by directors and senior management in violation of laws and regulations and the Articles of Association or being detrimental to the interests of the Company and its shareholders was found during the reporting period.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(II) The Supervisory Committee's independent opinion on inspection 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 2013 by way of hearing the special reports made by the financial controller of the Company, carefully considering the financial report of the Company, reviewing auditors' report and keeping close eyes on and investigating major events. ShineWing Certified Public Accountants has audited the 2013 financial report of the Company and issued a standard unqualified auditor's report. In the opinion of the Supervisory Committee, the Company has further improved the financial system and other relevant management systems and the financial accounting and various financial management systems have been effectively executed. The preparation and review procedures of the Company's 2013 financial report are in compliance with all requirements of the laws, regulations, the Articles of Association and internal administrative systems of the Company, and the audited financial report truly and objectively reflects the financial position and the operating results of the Company.

(III) The Supervisory Committee's Independent Opinion on the actual use of the Company's last raised proceeds

During the reporting period, the Company did not have any project funded by proceeds raised from fundraising activities.

(IV) The Supervisory Committee's independent opinion on acquisition and disposal of assets of the Company

The Company did not carry out any major acquisition and disposal of assets or merger through absorption in the reporting period.

(V) 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 closed attention to the regular reports and management in respect of connected transactions reported by the Board. The Supervisory Committee was of the opinion that the continuing connected transactions of the Company were carried out under the principle of fairness, justice, openness 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.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(VI) The Supervisory Committee's independent opinion on the internal control assessment report

In the reporting period, the Company carried out an 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 and carefully reviewed the 2013 internal control assessment report of the Board and the relevant auditors' report presented by ShineWing Certified Public Accountants. The Supervisory Committee was of the opinion that the Company had established a relatively complete internal control system, which met the current production and operation needs of the Company and can be effectively executed, thus guaranteeing the standardized operation of the Company and improving the management and control of the Company. No material weakness was found in the internal control of the Company during the reporting period. The Company's internal control self-assessment report gives a true and objective view of the construction and operation of the Company's internal control system.

(VII) The Supervisory Committee's independent opinion on the Corporate Social Responsibility Report

The Supervisory Committee is of the opinion that the Social Responsibility Report of the Company for 2013 gives an objective and true view of the performance of social responsibilities by the Company.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

IV. THE SUPERVISORY COMMITTEE'S SUPERVISION OPINION

Pursuant to the requirements of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by China Securities Regulatory Commission and the Guidance for Cash Dividend Distribution of SSE-listed Companies (《上海證券交易所上市公司現金分紅指引》), the Supervisory Committee carefully examined the plans for implementation of the cash dividend policy and relevant special explanations submitted by the Board, listened to the special reports delivered by the Board and other relevant departments and reviewed relevant documents concerning the profit distribution in the past three years. Based on these efforts, the Supervisory Committee has formed the opinion that the development of the Company's profit distribution plan and cash dividend policy are in line with the Articles of Association. The explanations on dividend distribution were objective and true; the decision-making on cash dividend was in compliance with the Articles of Association and the cash dividend management measures. The profit distribution plan has taken into account all the shareholders of the Company and the retained undistributed profit meets the needs of the production and management of the Company. Nothing was found in the Company's decision-making on cash dividends to be detrimental to legitimate rights and interests of minority shareholders. In 2013, the Supervisory Committee carried out special supervision over issues in relation to the name list of H Share appreciation rights following its duties and power entitled by the H Share Appreciation Rights Plan and the Management Methods of Share Appreciation Rights and was of the opinion that the name list of the subjects who were entitled with share appreciation right as incentives by the Company for the first time was in comply with the the subject determining principles under the provisions of the H Share Appreciation Rights Plan, and the subjects' qualification for the incentives were legal and valid. The Company also formulated the Management Methods of Share Appreciation Rights, in compliance with which relevant departments have conducted management over the share appreciation rights.

The Supervisory Committee found no material risk of the Company in its regular supervision and special examination.

In 2014, the Supervisory Committee will continue to faithfully perform its duties and further promote the standardized operation of the Company in accordance with the Company Law, the Articles of Association, and other relevant laws and regulations in the PRC.

SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND EVENTS PREVAILINGLY QUESTIONED BY THE MEDIA

During the year, the Company was not involved in any material litigation or arbitration or events prevailingly questioned by the media.

II. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS AND LIABILITIES DURING THE REPORTING PERIOD

N/A

III. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

During the year, the Company did not have any insolvency or restructuring related matters.

IV. ASSETS TRANSACTION AND CORPORATION MERGER

N/A

V. SHARE OPTION INCENTIVES ADOPTED BY THE COMPANY AND INFLUENCE THEREOF

In order to further improve the Company's overall remuneration structure system, and enable the interests of the shareholders to be connected with the benefits of the directors, senior management and key personnel, the Company adopted the share appreciation rights scheme in December 2012, under which the senior management and key technical personnel of the Company were granted the H share appreciation rights. The H share appreciation rights representing a total of 16,260,000 shares were granted to 175 qualified recipients for the first time, accounting for 0.8114% of the total share capital of the Company (being 2,003,860,000 shares).

VI. MATERIAL CONNECTED TRANSACTIONS

Routine continuing connected transactions

On 21 October 2011, the Company entered into the 2012–2014 Purchase and Production Services Framework Agreement, 2012–2014 Sales and Production Services Framework Agreement, 2012–2014 Combined Ancillary Services Framework Agreement, 2012–2014 Properties and Equipment Framework Lessee Agreement and 2012–2014 Properties and Equipment Framework Lessor Agreement with Dongfang Electric Corporation, and entered into the 2012–2014 Financial Services Framework Agreement with the DEC Finance in Chengdu, Sichuan Province. Such continuing connected transactions are effective from 1 January 2012 to 31 December 2014.

Dongfang Electric Corporation is the controlling shareholder of the Company, and the DEC Finance is the wholly-owned subsidiary of Dongfang Electric Corporation, therefore, the agreements entered into by the Company and Dongfang Electric Corporation and the DEC Finance and the routine 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.

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

Routine continuing connected transactions (Continued)

The basic contents of such agreements are as follows:

1. 2012–2014 Purchase and Production Services Framework Agreement

Dongfang Electric Corporation and its affiliated enterprises would supply the 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 service, 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. 2012–2014 Sales and Production Services Framework Agreement

The Company and its subsidiaries would supply the 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 service, technical services, transportation services, import agency services, and other related production services) to Dongfang Electric Corporation and its affiliated enterprises.

3. 2012–2014 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. 2012–2014 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 held: deposit-taking service, loans service, fund settlement services and other investment and financial services approved by the China Banking Regulatory Commission.

5. 2012–2014 Properties and Equipment Framework Lessee Agreement

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

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

Routine continuing connected transactions (Continued)

6. 2012–2014 Properties and Equipment Framework Lessor Agreement

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

For the 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 Shanghai Stock Exchange and Hong Kong Stock Exchange on 21 October 2011 and 4 November 2011.

The aforesaid routine 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, relevant specific 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 by the independent directors of the Board and/or independent shareholders at the general meetings of the Company. As at 31 December 2013, the specific amount of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

As at 31 December 2013, the actual amount of the continuing connected transactions and their annual caps for 2013

Unit: RMB'000

Name of agreement	Total actual Amount in 2013	Proposed annual caps for 2013
Purchase and Production Services Framework Agreement	2,739,962	3,500,000
Sales and Production Services Framework Agreement	906,074	1,780,000
Combined Ancillary Services Framework Agreement (receipt of services)	30,103	180,000
Combined Ancillary Services Framework Agreement (provision of services)	532	2,000
Properties and Equipment Leasor Framework Agreement	1,594	3,000
Financial Services Framework Agreement	10,918,856	13,500,000 (deposit plus interest income)
Properties and Equipment Framework Lessee Agreement	2,910,514	13,900,000 (loans plus interest expense)
	53,460	90,000

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

Routine continuing connected transactions (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.38 of the Listing Rules, the auditor engaged by the Company confirmed that, in 2013, these continuing connected transactions:

- (1) had been approved by the Board of the Company;
- (2) was 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.

VII. OTHER MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

(I) Custody, contracting and leasing matters

N/A

(II) Guarantee

N/A

SIGNIFICANT EVENTS (CONTINUED)

VII. OTHER MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(III) 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.

VIII. FULFILLMENT OF UNDERTAKINGS

N/A

SIGNIFICANT EVENTS (CONTINUED)

IX. APPOINTMENT OR TERMINATION OF THE AUDITORS

Unit: RMB'0,000

Whether changed the auditor or not: No

	Former auditor	Current auditor
Domestic auditor	ShineWing Certified Public Accountants (special general partnership)	ShineWing Certified Public Accountants (special general partnership)
Remuneration of the domestic auditor	230	240
Term of audit of the domestic auditor	4	5

	Name	Remuneration
Internal control auditor	ShineWing Certified Public Accountants (special general partnership)	60

ShineWing Certified Public Accountants (special general partnership) has provided audit services for the Company for a consecutive five years.

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTEREST, DE FACTO CONTROLLER AND PURCHASER AND RELEVANT RECTIFICATIONS

During the year, none of the Company, its directors, supervisors, senior management members, shareholders holding over 5% of equity interest, De Facto Controller or purchaser were subject to investigation by authorities, administrative penalties, imposed with mandatory measures by judiciary or disciplinary authorities, public criticism or reprimand by PRC securities exchanges.

XI. 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.

XII. PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SIGNIFICANT EVENTS (CONTINUED)

XIII. AUDIT COMMITTEE

The Board has established an audit committee, which consists of three independent non-executive directors, namely Mr. Peng Shaobing, Mr. Li Yanmeng and Mr. Zhao Chunjun. 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.

XIV. FIVE YEAR'S FINANCIAL SUMMARY

Prepared by: Dongfang Electric Corporation Limited

Unit: Yuan Currency: RMB

Item	2013 (31 December 2013)	2012 (31 December 2012)	2011 (31 December 2011)	2010 (31 December 2010)	2009 (31 December 2009) Restated
Total assets	77,836,703,054.12	78,327,056,597.82	82,442,725,917.98	82,252,888,512.58	73,361,045,756.48
Total liabilities	59,243,312,433.39	61,779,541,443.39	67,835,972,139.68	70,468,505,994.63	64,309,496,315.79
Total shareholders' equity	18,593,390,620.73	16,547,515,154.43	14,606,753,778.30	11,784,382,517.95	9,051,549,440.69
Including: Equity attributable to shareholders of the Company	17,693,768,986.23	15,678,105,417.62	13,802,558,874.23	11,038,754,290.22	8,673,769,591.72
Minority interests	899,621,634.50	869,409,736.81	804,194,904.07	745,628,227.73	377,779,848.97
Revenue from operations	42,390,796,682.51	38,079,202,510.13	42,916,618,329.18	38,080,112,185.86	33,224,613,487.11
Total profit	2,787,492,093.47	2,618,658,623.02	3,544,056,803.56	2,845,178,701.11	1,547,219,037.92
Income tax expenses	388,089,412.34	364,937,341.51	425,839,071.57	169,164,306.04	-20,104,997.23
Net profit	2,399,402,681.13	2,253,721,281.51	3,118,217,731.99	2,676,014,395.07	1,567,324,035.15
Including: Net profit attributable to the Company	2,349,431,591.08	2,191,129,345.43	3,056,227,705.50	2,576,974,795.23	1,538,668,156.97
Minority interests	49,971,090.05	62,591,936.08	61,990,026.49	99,039,599.84	28,655,878.18

Note: Prepared in accordance with the PRC Accounting Standards

XV. OTHER SIGNIFICANT EVENTS

During the reporting period, there was no other significant event.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

Unit: RMB

	Prior to the change		Changes (+,-)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to trading moratorium	0	0	0	0	0	0	0	0	0
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. State-owned legal person shares	0	0	0	0	0	0	0	0	0
3. Other domestic shares	0	0	0	0	0	0	0	0	0
Including: Domestic non-state-owned									
Legal person shares	0	0	0	0	0	0	0	0	0
Domestic natural person shares	0	0	0	0	0	0	0	0	0
4. Foreign shares	0	0	0	0	0	0	0	0	0
Including: Foreign legal person shares	0	0	0	0	0	0	0	0	0
Foreign natural person shares	0	0	0	0	0	0	0	0	0
II. Tradable shares not subject to trading moratorium	2,003,860,000	100	0	0	0	0	0	2,003,860,000	100
1. RMB-denominated ordinary shares	1,663,860,000	83.03	0	0	0	0	0	1,663,860,000	83.03
2. domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	340,000,000	16.97	0	0	0	0	0	340,000,000	16.97
4. Others	0	0	0	0	0	0	0	0	0
III. Shares in total	2,003,860,000	100	0	0	0	0	0	2,003,860,000	100

(II) Changes in shares subject to trading moratorium

During the reporting period, there was no change in shares subject to trading moratorium of the Company.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the last three years as at the end of the reporting period

The Company did not issue of list securities in the last three years as at the end of the reporting period.

(II) Total number of shares and structure of shareholders of the Company

Share Class	Number (shares)	Percentage
1. A share		
1. Dongfang Electric Corporation	1,002,457,252	50.03%
2. Others	661,402,748	33.00%
2. H share	340,000,000	16.97%
Total	2,003,860,000	100%

(III) Existing internal employee shares

As at the end of the reporting period, there were no internal employee shares of the Company.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

III. SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Number of shareholders and shareholdings

Unit: share

Total number of shareholders at the end of the reporting period	129,362	Total number of shareholders at the end of the fifth trading day before disclosure of the annual report	128,389
---	---------	---	---------

Shareholdings of the top 10 shareholders

Name of shareholder	Type of shareholder	Percentage of shareholdings (%)	Total number of shares held	Increase (decrease) during the reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Dongfang Electric Corporation	State-owned legal person	50.03	1,002,457,252	-17,340	0	Nil
HKSCC Nominees Limited	Overseas legal person	16.87	338,075,695	-70,002	0	Unknown
PICC Life Insurance Company Limited – Dividends – Individual Insurance Dividends (中國人民人壽保險股份有限公司 – 分紅 – 個險分紅)	Unknown	0.72	14,506,989	11,213,870	0	Unknown
PICC Property and Casualty Company Limited – Traditional – Ordinary insurance product – 008C – CT001 Shanghai (中國人民財產保險股份有限公司 – 傳統 – 普通保險產品 – 008C – CT001滬)	Unknown	0.64	12,910,443	8,457,238	0	unknown
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)	Unknown	0.38	7,546,864	0	0	unknown

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(I) Number of shareholders and shareholdings (CONTINUED)

Name of shareholder	Type of shareholder	Percentage of shareholdings (%)	Total number of shares held	Increase (decrease) during the reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Industrial and Commercial Bank of China – Tianyuan Securities Investment Fund (中國工商銀行 – 天元證券投資基金)	Unknown	0.33	6,536,856	6,536,856	0	unknown
China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai (中國人壽保險股份有限公司 – 分紅 – 個人分紅 – 005L – FH002滬)	Unknown	0.18	3,599,922	-8,259,221	0	unknown
Bank of China Limited – Harvest Shanghai Shenzhen 300 Trading Index Securities Investment Open-ended Fund (中國銀行股份有限公司 – 嘉實滬深300交易型開放式指數證券投資基金)	Unknown Domestic	0.18	3,580,541	-1,694,321	0	unknown
Liang Yongchang (梁永長)	natural person	0.17	3,418,571	3,418,571	0	unknown
TEMASEK FULLERTON ALPHA PTE LTD	Overseas legal person	0.17	3,314,294	3,314,294	0	unknown

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(I) Number of shareholders and shareholdings (CONTINUED)

Shareholdings of the top 10 shareholders of tradable shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium	Type of shares
Dongfang Electric Corporation	1,002,457,252	Ordinary shares denominated in RMB
HKSCC Nominees Limited	338,075,695	Overseas listed foreign shares
PICC Life Insurance Company Limited — Dividends — Individual Insurance Dividends (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	14,506,989	Ordinary shares denominated in RMB
PICC Property and Casualty Company Limited — Traditional — Ordinary insurance product — 008C — CT001 Shanghai (中國人民財產保險股份有限公司 — 傳統 — 普通保險產品 — 008C — CT001滬)	12,910,443	Ordinary shares denominated in RMB
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)	7,546,864	Ordinary shares denominated in RMB
Industrial and Commercial Bank of China — Tianyuan Securities Investment Fund (中國工商銀行 — 天元證券投資基金)	6,536,856	Ordinary shares denominated in RMB
China Life Insurance Company Limited — Bonus — Personal Bonus — 005L — FH002 Shanghai (中國人壽保險股份有限公司 — 分紅 — 個人分紅 — 005L — FH002滬)	3,599,922	Ordinary shares denominated in RMB
Bank of China Limited — Harvest Shanghai Shenzhen 300 Trading Index Securities Investment Open-ended Fund (中國銀行股份有限公司 — 嘉實滬深300交易型開放式指數證券投資基金)	3,580,541	Ordinary shares denominated in RMB
Liang Yongchang (梁永長)	3,418,571	Ordinary shares denominated in RMB
TEMASEK FULLERTON ALPHA PTE LTD	3,314,294	Ordinary shares denominated in RMB

Statements on the connected relationship or concerted actions among the aforesaid shareholders

The Company is not aware of any connected relationship or concerted actions among the top ten shareholders and top ten holders of shares not subject to trading moratorium.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

IV. INFORMATION OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Information of controlling shareholder

1. Legal person

Unit: Yuan Currency: RMB

Name	Dongfang Electric Corporation
Person in charge of the company or legal representative	Si Zefu
Date of establishment	6 November 1984
Organization code	62160427X
Registered capital	4,791,675,000
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 equipments and technology consultation; sales of machinery and electrical ancillaries; general contracting and subcontracting of related projects.
Operating result	The Group has been a ultra-large conglomerate company with power equipment manufacturing and project contracting as its core business since its establishment in 1984. It is now a backbone of the state-owned enterprises engaging in businesses involving state security and national economic artery, one of the 55 enterprises directly managed by the State Council and one of the largest ultra-large conglomerate companies that is committed to the manufacture of major and key technological equipments and international project contracting. The Group has strong operation and capital operation capacity and the first-class manufacturing ability in the world and the first-class technological level in the PRC, competitiveness of some of the Group's technology hold the leading position in the PRC and even reach the world's advanced level.
Financial position	(According to the unaudited financial data for 2013) Operating revenue: RMB45,881 million; Revenue from principal operation: RMB45,206 million; Total profit: RMB2,034 million; Net profit: RMB1,525 million; Total assets: RMB94,823 million; Net assets: RMB22,479 million.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

IV. INFORMATION OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(I) Information of controlling shareholder (CONTINUED)

1. Legal person (CONTINUED)

Cash flow and future
development strategy

In 2013, the world's economy suffered from the weakness of recovery, while the domestic economy witnessed steady progress. However, there still remained great downward pressure on the economy. Capital situation of the Group for the reporting period was stable in a whole, but individual enterprises under the Group were confronted with great financial pressure. Therefore, the Group greatly saved costs raising from capital expenditures by further developing the role of its centralized treasury management platform and strengthening internal capital transfer and reallocation while reinforce the management of amount receivables and recollection of cash from sales of goods; invested more in wealth management products like bonds and funds and improved the capital efficiency on the basis of ensuring capital safety and satisfying the capital demand from its subsidiaries in respect of production and operation. We will uphold the spirit of the Eighteenth National Congress of the Communist Party of China, adhere to the core values heralding "Harmony and unity among the society, the Company and the employees" and shoulder the revitalization of Chinese key and major technological equipment industry as our task, centering on the "Three Transformation", targeting at global market and driven by self-innovation to achieve the sustainable development of high quality and high efficiency through resource integration, focusing on team building and under the guidance of scientific management, sparing no effort to build Dongfang Electric Corporation the internationally first-ranked key and major technological equipment group with international competitiveness.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

IV. INFORMATION OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(I) Information of controlling shareholder (CONTINUED)

1. Legal person (CONTINUED)

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the Reporting Period	Name of stock	Number of shares held (0'000 shares)	Percentage of the share capital of the listed company
	Datang Power (601991)	23,996	1.80
	China XD Group (601179)	2,537.9	0.50

2. References of changes and date of changes in controlling shareholder during the reporting period

During the Reporting Period, there is no change in the controlling shareholder and de facto controller of the Company.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

IV. INFORMATION OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

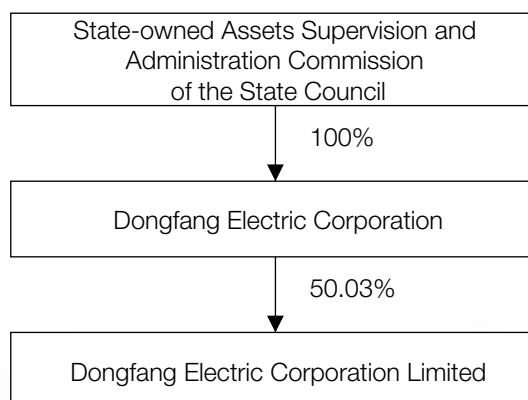
(II) Information of de facto controller

1. Dongfang Electric Corporation is the controlling shareholder and de facto controller of the Company.

2. References of changes and date of changes in de facto controller during the reporting period

During the Reporting Period, there is no change in the controlling shareholder and de facto controller of the Company.

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



CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

V. SHARES HELD BY HKSCC NOMINEES LIMITED ARE SHARES HELD ON BEHALF OF ITS CUSTOMERS

So far as known to the directors, supervisors and the chief executive of the Company, as at 31 December 2013, shareholders (shareholders entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting) or other persons (other than the directors, supervisors or chief executive of the Company) who hold interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong), or to be recorded in the register required to be kept pursuant to Section 336 of the SFO, or to be notified to the Company and the Stock Exchange, were as follows:

Name	Share class	Capacity	Number of shares held	Percentage of total issued share capital (%)	Percentage in the respective class of share capital (%)
JPMorgan Chase & Co.	H Shares	Beneficial owner and Custodian	54,438,050(L)	2.72(L)	16.01(L)
			176,000(S)	0.01(S)	0.05(S)
Templeton Global Advisors Limited	H Shares	Investment manager	54,032,313(P)	2.70(P)	15.89(P)
			48,349,403(L)	2.41(L)	14.22(L)
Franklin Templeton Investment Management Limited	H Shares	Investment manager	17,262,242(L)	0.86(L)	5.08(L)

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

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

IV. SHARES HELD BY HKSCC NOMINEES LIMITED ARE SHARES HELD ON BEHALF OF ITS CUSTOMERS (CONTINUED)

- (a) According to the disclosure of interests form submitted by JPMorgan Chase & Co. (the date of relevant event set out in the form was 31 October 2013) on 5 November 2013, these shares were held through certain subsidiaries of JP Morgan Chase & Co. The 54,438,050 H Shares (long position) were held as to 405,737 H shares in the capacity of beneficial owner; and 54,032,313 shares (securities in lending pool) in the capacity of custodian. The 176,000 H Shares (short position) were held in the capacity of beneficial owner.
- (b) The Company is not aware of any H shareholders holding more than 10% of the total issued share capital of the Company.
- (c) There is no provision for pre-emptive rights under the relevant PRC laws and the Company's Articles of Association.
- (d) As at 31 December 2013, the Company or its subsidiaries had not issued any convertible securities, options, warrants or any other similar rights or redeemable securities.

Save as disclosed above, as at 31 December 2013, no other persons (other than the directors, supervisors or chief executive of the Company) held interest or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept pursuant to Section 336 of the SFO, or to be notified to the Company and the Stock Exchange.

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	Gender	Age	Commencement of term of office	Expiry of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in number of shares during the year	Reasons for the increase/decrease	Total emolument received from the Company in reporting period (RMB) (before tax)	Total amount of remuneration received from shareholders in reporting period (RMB)
										790,000	0
Si Zefu	Chairman	Male	55	28 June 2012	27 June 2015	0	0	0		790,000	0
Zhang Xiaolun	Director	Male	49	28 June 2012	27 June 2015	0	0	0		711,000	0
Wen Shugang	Director, President	Male	51	28 June 2012	27 June 2015	0	0	0		711,000	0
Huang Wei	Director	Male	48	28 June 2012	27 June 2015	0	0	0		695,200	0
Zhu Yuanchao	Director	Male	57	28 June 2012	27 June 2015	0	0	0		695,200	0
Zhang Jilie	Director	Male	50	28 June 2012	27 June 2015	0	0	0		671,500	0
Li Yanmeng	Independent Non-executive Director	Male	69	28 June 2012	27 June 2015	0	0	0		80,000	0
Zhao Chunjun	Independent Non-executive Director	Male	72	28 June 2012	27 June 2015	0	0	0		80,000	0
Peng Shaobing	Independent Non-executive Director	Male	49	28 June 2012	27 June 2015	0	0	0		80,000	0
Wen Bingyou	Chairman of Supervisory Committee	Male	59	28 June 2012	27 June 2015	8,238	8,238	0		695,200	0
Wen Limin	Supervisor	Male	48	28 June 2012	27 June 2015	0	0	0		695,200	0
Wang Congyuan	Supervisor	Male	49	28 June 2012	27 June 2015	0	0	0		406,952	0
Zhang Zhiying	Executive Vice President	Male	53	28 June 2012	27 June 2015	0	0	0		676,100	0
Han Zhiqiao	Vice President	Male	55	28 June 2012	27 June 2015	2,540	2,540	0		675,400	0
Gong Dan	Chief Accountant and Secretary to the Board	Male	51	28 June 2012	27 June 2015	2,540	2,540	0		675,900	0
Chen Huan	Vice President	Male	52	28 June 2012	27 June 2015	0	0	0		675,700	0
Gao Feng	Vice President	Male	50	28 June 2012	27 June 2015	0	0	0		644,000	0
Total	/	/	/	/	/	13,318	13,318	0	/	9,658,352	0

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

As at 31 December 2013, 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 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 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 above shares and interests disclosed represent A Shares of the Company.

There was no change in shareholdings of directors, supervisors and senior management during the reporting period.

None of the directors, supervisors and senior management 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 2013.

Save as disclosed above, as at 31 December 2013, none of the directors, supervisors or chief executive of the Company had interests and short positions 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 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 Stock Exchange pursuant to the Model Code adopted by the Company.

Mr. Si Zefu, born in May 1958, is currently the Chairman of the Company, director, general manager and deputy secretary of the Party Committee of Dongfang Electric Corporation. Mr. Si graduated from Xi’an University of Technology with a bachelor’s degree in engineering materials and heat treatment and completed his postgraduate study in management science and engineering (MBA) at Tsinghua University. In 1983, he joined DongFang Electrical Machinery Works (“DFEW”) and has since held various positions including technician, deputy secretary and secretary of the Committee of Communist Youth League, deputy factory manager, factory manager and secretary of the General Party Branch of the foundry branch, secretary of the Party Branch and deputy head of the production department. From September 1995 to February 1998, Mr. Si had served as deputy factory manager of DFEW, director and deputy general manager of Dongfang Electric Machinery Co., Ltd. From February 1998 to June 1999, he was the deputy mayor of Deyang city, Sichuan province. From June 1999 to February 2003, he was the vice chairman, chairman and general manager of Dongfang Electric Machinery Co., Ltd., factory manager and secretary of the Party Committee of DFEW. From February 2003 to April 2008, he had served as vice chairman, general manager and vice secretary of the Party Committee of Dongfang Electric Corporation. He has been director, general manager and vice secretary of the Party Committee of Dongfang Electric Corporation since April 2008, chairman of Dongfang Electric Finance Company Limited from June 2004 to June 2008 and chairman of Dongfang Electric Corporation Limited since October 2007. He holds the title of senior engineer.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Zhang Xiaolun, born in August 1964, is currently a director of the Company, executive deputy general manager, deputy secretary of the Party Committee and president of the Party School of Dongfang Electric Corporation. He graduated from Huazhong Engineering College with a bachelor degree of engineering, majoring in electrical engineering. Mr. Zhang completed his post-graduate study in South Western University of Finance and Economics with an MBA Degree, majoring in Business and Management. He joined Dongfang Electric Corporation in 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 July 2000, he had 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 Manger of the Engineering Branch of Dongfang Electric Corporation. From July 2000 to April 2008, he had been a Director, Vice General Manager and member of the Party Committee of Dongfang Electric Corporation. He has been the Vice Executive General Manager and Deputy Secretary to the Party Committee of Dongfang Electric Corporation since April 2008. He holds the title of senior engineer.

Mr. Wen Shugang, born in February 1963, is currently a director and President of the Company, a member of Party Committee of Dongfang Electric Corporation, and concurrently Chairman of Dongfang Electric Machinery Company Limited, Dongfang Steam Turbine Co. Ltd., Dongfang Boiler Group Co. Ltd., Dongfang Electric (Guangzhou) Heavy Machinery Co. Ltd. and Dongfang Electric (India) Private Limited of Dongfang Electric Corporation. Mr. Wen graduated from Xi'an Jiaotong University majoring in turbo machinery with a bachelor degree of engineering and a master's degree of engineering, graduated from Renmin University of China majoring in national economy with a doctor's degree. He joined Dongfang Electric Corporation in 1986 and had been technical head of computing center, Assistant Engineer and Assistant to the General Manager of Sichuan Dongfang Power Equipment Union Company Limited. From July 1992 to August 1996, he had been Deputy General Manager and General Manager of the Sichuan Dongfang Power Equipment Union Company Limited, and Deputy Chief Economist, assistant to General Manager of Dongfang Electric Corporation. From August 1996 to July 2000, he had been Deputy General Manager and a member of Party Committee of Dongfang Electric Corporation. From July 2000 to March 2008, he had been Deputy General Manager of Dongfang Electric Corporation. From August 2001 to January 2005, he also served as Chief Engineer of Dongfang Electric Corporation. From January 2002 to March 2003, he also served as general manager of Engineering Branch of Dongfang Electric Corporation. He has been a member of the Party Committee of Dongfang Electric Corporation since September 2007. He holds the title of senior engineer of a professor level of qualification.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. 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 July 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. He holds the title of senior engineer.

Mr. Zhu Yuanchao, born in November 1956, is currently a director of the Company, a member of the Party Committee and the deputy general manager 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 economics (economic management) of Central Party School. He joined DFEW in 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 December 1999. He also acted as Executive Director, Deputy General Manager, Chief Engineer, Vice Chairman, General Manager and Chairman of the 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 December 1999 to December 2006. He was appointed as Deputy General Manager of Dongfang Electric Corporation from December 2006 to September 2008. He was 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 June 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Zhang Jilie, born in August 1963, is currently a director of the Company, chief law consultant and the Head of legal affairs department of Dongfang Electric Corporation, the Chairman of DEC Emei Semiconductor Material Co., Ltd., the Chairman of Jiangsu Huachuang Photoelectricity Technology Company Limited (江蘇華創光電科技有限公司) and the Chairman and the general manager of DEC (Yixing) MAGI Solar Energy Technology Co., Ltd. (東方電氣集團(宜興)邁吉太陽能科技有限公司), the executive director and the general manager of DEC (Jiuquan) Solar Energy Power Co., Ltd. (東方電氣集團(酒泉)太陽能發電有限公司). 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 Chairman, 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, 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 the 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 since December 2010. Mr. Zhang holds the title of senior economist and the practicing qualification of corporate law consultant.

Mr. Li Yanmeng, born in January 1945, has been an independent non-executive director of the Company and concurrently served as an external director of China National Coal Group Corporation, an independent non-executive director of China Coal Energy Company Limited and an independent non-executive director of Datang International Power Generation Co., Ltd. since 28 June 2009. He graduated from the Department of Electric Power of Wuhan University of Hydraulic and Electrical Engineering majoring in thermal power stations and power engineering. He has been working in Shangdong electric department for a long time. In 1994, he took the position as deputy director of Infrastructure Coordination Department of the Ministry of Power Industry. In 1997, he was transferred to other posts as deputy director-general and director general in State Departments of the Bureau of Key Construction, Investment and Basic Industry, in charge of programming and verifying important Chinese infrastructure facilities in fields of energy, transportation, aviation and railway. From January 2003 to December 2004, he acted as vice general-manager responsible for planning, financing and investment, structural reforms and supervising in State Grid Corporation of China. From December 2004 to March 2008, he held the position as Senior Consultant of State Grid Corporation of China.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Zhao Chunjun, born in September 1941, has been an independent non-executive director of the Company since 28 June 2009. He has acted as a professor of Tsinghua University, and member of Tsinghua University Administrative Affair Committee and Tsinghua University Academic Board. He is also an independent non-executive director of China Unicom and China Communications Services Co.,Ltd. Mr. Zhao graduated from Tsinghua University and specialized in industry enterprises automatization of Electrical Engineering Department. From 1986 to 2009, he has served as an assistant for the President of College of Economy and Management of Tsinghua University, First Vice-President, President and Vice Associate Supervisor of the University Academic Council of Tsinghua University. He has acted as Vice Associate Supervisor of China National MBA Education Supervisory Committee, convenor of the Managing Department of Scientific Committee of Education Ministry, senior Vice Chairman of China Federation of Industrial Economics, Honorary Professor of the School of Business Administration of the Chinese University of Hong Kong, and the Master of China Institute of Industrial Economics and Management Training since 1994.

Mr. Peng Shaobing, born in June 1964, has been an independent non-executive director of the Company since 18 June 2010. He has held offices at the Southwestern University of Finance and Economics, inter alia, the professor of the School of Accounting, doctor in economics, and instructor for doctorate students in accounting courses. Mr. Peng had been the Standing Director of the Accounting Society of China, Education Sub-council, a member of the Steering Committee of MPAcc and the Standing Director of the Accounting Society of Sichuan. Currently, Mr. Peng serves as an independent non-executive director of China Railway No.2 Engineering Group, Wuliangye and Changan Automobile. Mr. Peng attained his bachelor degree from Hunan College of Finance & Economics, majoring in Accounting with an emphasis in the areas of industrial accounting and was awarded a bachelor degree in economics. During his postgraduate career at the College of Accounting of Southwestern University of Finance and Economics, Mr. Peng was a research student majoring in accounting and was thereafter, awarded a master degree in economics. Mr. Peng also attained from the Southwestern University of Finance and Economics, his master degree of economics and graduated with a PhD degree in economics. Since his doctorate graduation in July 1987, Mr. Peng has stayed in the Southwestern University of Finance and Economics in a continuing pursuit of his teaching career until now.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Wen Bingyou, born in June 1954, is currently chairman of the Supervisory Committee of the Company, director, a member of the Party Committee, Leader of Party Group Disciplinary Team, Secretary to the Party Committee of the headquarters of Dongfang Electric Corporation and the Chairman of DEC Investment Management Company Limited. He graduated and obtained his bachelor's degree in engineering from Xi'an Jiaotong University majoring in boiler design and manufacturing. He joined Dongfang Boiler Factory in 1982 and had been Deputy Officer of Water-cooled Wall Workshop of Dongfang Boiler Factory, Deputy General Manager of Dongfang Boiler Industrial Company, Manufacturing Head and Secretary to Party Branch Committee of Manufacturing Section of Dongfang Boiler (Group) Company Limited from August 1991 to August 1997. From August 1997 to February 2006, he had been vice chairman of the board of directors and general manager of Dongfang Boiler (Group) Company Limited, Chief Economist of Dongfang Electric Corporation. He has been a member of Party Group and Leader of Party Group Disciplinary Team since February 2006, and a director of Dongfang Electric Corporation since April 2008. From December 2006 to January 2008, he had also been chairman of the supervisory committee of Dongfang Steam Turbine Co. Ltd. He has been secretary to the Party Committee of the headquarters of Dongfang Electric Corporation since May 2006. He has been the Chairman of DEC Investment Management Company Limited since September 2011. He holds the title of senior engineer.

Mr. Wen Limin, born in March 1966, is currently a supervisor of the Company. He is also the Chief Accountant 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 China Gezhouba (Group) Corporation. He has been transferred to Finance Department of Dongfang Electric Corporation as Chief Accountant up to present since September 2005. He has been Chairman of China Dongfang Electric Corporation Finance Company Limited since June 2008. He holds the title of senior accountant and holds the Certified Public Accountant Certificate.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Wang Congyuan, 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. He holds the title of senior accountant.

Mr. Zhang Zhiying, 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 turbomachinery. 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 Service Division, 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. He holds the title of senior engineer.

Mr. Han Zhiqiao, born in October 1958, is currently a vice president of the Company. He is also the General Manager and secretary of the Party committee of the International Engineering Branch Company of Dongfang Electric Corporation Limited. He graduated from the faculty of Hydroworks of Xi'an University 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 1983 and has long been engaged in product sales and technological service. 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 December 1999, and had been executive director and Deputy General Manager, Vice Chairman and General Manager, director and General Manager of Dongfang Electric Machinery Company Limited from December 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 since June 2011. He holds the title of senior engineer.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Gong Dan, born in January 1963, currently acts as chief accountant, chief law consultant and secretary to the Board of the Company 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 obtained a bachelor's degree of engineering. He attended the postgraduate program in the Department of Economic Management of Sichuan University where he majored in economic management. He joined DFEW in 1983 and mainly involved in production technology, corporate management, management of young workers and the running of the organisation 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 December 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. He holds the title of senior engineer and senior accountant.

Mr. Chen Huan, 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 acted as the General Manager of Power Station Service Division in Dongfang Electric Corporation Limited from December 2009 to March 2011. He has been the vice president of Dongfang Electric Corporation Limited since June 2009.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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)

Mr. Gao Feng, born in January 1964, is currently the vice president of the Company and the chairman of DEC (Wuhan) Nuclear Equipment Company Limited. 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 1984, and held various positions in DFEW such as technician, engineer, Deputy Station Head of Quality Inspection Office from July 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 Vice President of Dongfang Electric Corporation Limited since December 2010. He holds the title of senior engineer.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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	Position
Si Zefu	Dongfang Electric Corporation	Director, general manager and deputy secretary of the Party Committee
Zhang Xiaolun	Dongfang Electric Corporation	Executive deputy general manager and deputy secretary of the Party Committee
Wen Shugang	Dongfang Electric Corporation	A member of the Party Committee
Huang Wei	Dongfang Electric Corporation	Deputy general manager and a member of the Party Committee
Zhu Yuanchao	Dongfang Electric Corporation	Deputy general manager and a member of the Party Committee
Zhang Jilie	Dongfang Electric Corporation	Chief law consultant and the Head of legal affairs department
Wen Bingyou	Dongfang Electric Corporation	Director, Leader of Disciplinary Team of the Party Committee and a member of the Party Committee
Wen Limin	Dongfang Electric Corporation	Chief Accountant
Wang Congyuan	Dongfang Electric Corporation	Deputy head of Audit Department

For the commencing dates of the above people's positions in shareholder's entities, please refer to their detailed biographies as set out in "Particulars about changes in the shareholding and remuneration of existing directors, supervisors and senior management and those retired during the Reporting Period" above.

(II) Positions held in other entities

As at the end of the reporting period, the directors, supervisors and senior management did not hold any positions in other entities.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of directors, supervisors and senior management

The annual remuneration is determined in accordance with the requirements of relevant policies in the PRC and with reference to the assessment on Company's assets scale, business results and individual duties and contributions in line with the principle that remuneration shall be linked with profit and assessment of work targets, subject to the required review and approval procedures.

Basis of determination for the remuneration of directors, supervisors and senior management

The annual remuneration is determined in accordance with the requirements of relevant policies in the PRC and with reference to the assessment on Company's assets scale, business results and individual duties and contributions in line with the principle that remuneration shall be linked with profit and assessment of work targets, subject to the required review and approval procedures.

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 17 members of directors, supervisors and senior management, and the total remuneration actually paid to them amounted to RMB9,658,352 for the year 2013.

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

There was no change in the directors, supervisors and senior management members of the Company during the reporting period.

V. 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, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Information on employees

The number of employees on register of the Company	753
The number of employees on register of principal subsidiaries	20,448
Total	21,201
The number of retired employees whose expenses shall be assumed by the Company and principal subsidiaries	13,077

Professional Composition

Category of professional structure	Headcount
Production	11,284
Sales	633
Technical	5,143
Financial	401
Administrative	3,740
Total	21,201

Education Background

Category of education background	Headcount
Master degree and above	1,268
Bachelor degree	6,171
Tertiary degree	5,067
Technical middle school and below	8,695
Total	21,201

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

(II) Remuneration policy

- (1) Total labour cost management. In 2013, the Company combined the labour cost management and control with the comprehensive budget in accordance with the overall requirements of “adjusting structure, controlling the total amount and strictly controlling labour cost”, promptly adjusted the income distribution management and control system, developed, issued and implemented the Measures for Administration of Labour Cost Budget of Enterprise (Trial), and established the full caliber labour cost budget management and control mechanism oriented at total profit and profit per capita.
- (2) Employee salary management. The Company formulated and promulgated Management Rules for Employee Salary (Trial) and Associated Management Rules, and provided guidance to member enterprises to improve income distribution management, enhance management rules for employee salary, rationally adjust and control composition of salary package, and improve performance assessment mechanism for employees, so as to create a reasonable salary distribution system and assessment mechanism and a normal and competitive promotion mechanism.

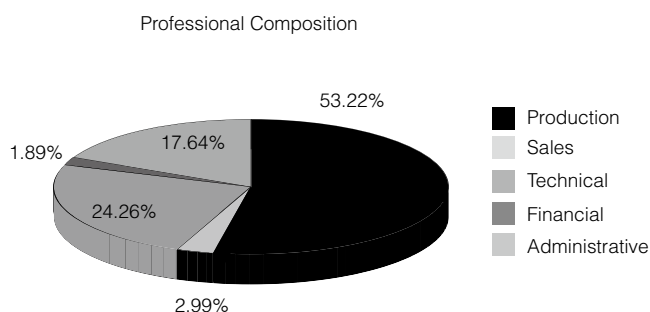
(III) Training plan

The Company and its subsidiaries have always highly valued the training of staff, further improved the staff training management system covering all staff and formulated training program for different levels and categories of employees. In 2013, the Company’s training covered 169,922 persons/times in total, including 252 persons/times of management team, 8,022 persons/times of middle-class cadres, 36,044 persons/times of engineering technicians, 34,404 persons/times of managerial personnel and 91,628 persons/times of skilled talents. Through such specific trainings, the professional level and comprehensive quality of staff were enhanced, thus providing talents guarantee for the sustainable development of the Company.

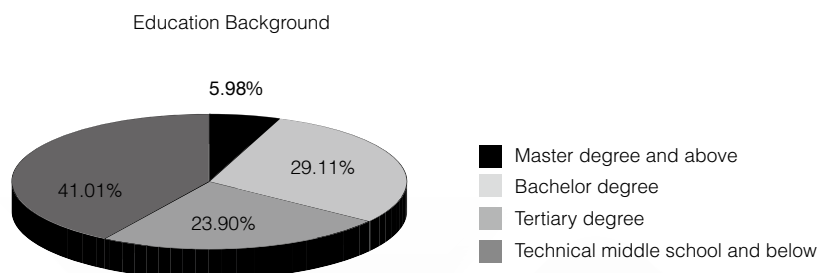
DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

(IV) Statistical diagram of professional composition



(V) Statistical diagram of education background



(VI) DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")), in which a director or supervisor of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the reporting period.

None of directors or supervisors of the Company, either directly or indirectly, in any forms, entered into or proposed to enter into any contracts, in which they have material interests which are crucial.

(VII) 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).

CORPORATE GOVERNANCE

(I) CORPORATE GOVERNANCE AND EXPLANATION ON MATTERS SUCH AS INSIDERS REGISTRATION MANAGEMENT

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 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 new requirements of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, 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, and Management Measures for Cash Dividends. 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:

1. 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 meetings which were witnessed by lawyers with their legal opinions issued in such respect.

2. In relation to Directors and the Board of Directors

The Board of Directors of the Company comprises 9 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 were 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 6 Board meetings were convened.

CORPORATE GOVERNANCE (CONTINUED)

(I) CORPORATE GOVERNANCE AND EXPLANATION ON MATTERS SUCH AS INSIDERS REGISTRATION MANAGEMENT (CONTINUED)

3. In relation to supervisors and the Supervisory Committee

The 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 its shareholders in accordance with the Company Law, the Securities Law and other laws and regulations 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 5 meetings.

4. 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.

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

(IV) APPRAISAL MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM

In order to standardize evaluation and management of remuneration for the Company's senior management members and improve the Company's incentive mechanism, the Company formulated the Management Measures for Remuneration of Senior Management, stipulating that the senior management shall receive their remunerations on an annual basis, which shall be determined by the Remuneration and Assessment Committee with reference to annual comprehensive assessment results based on the Company's annual operation targets and the operation targets allocated to each position in accordance with the Management Measures for Remuneration of Senior Management. Meanwhile, in order to further improve the overall remuneration structure and align the interests of Shareholders with those of the Directors and senior management, the Company granted H Share Appreciation Rights to the Directors and senior management of the Company and key technical and managerial personnel, which further optimized the assessment and incentive mechanism for senior management.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT

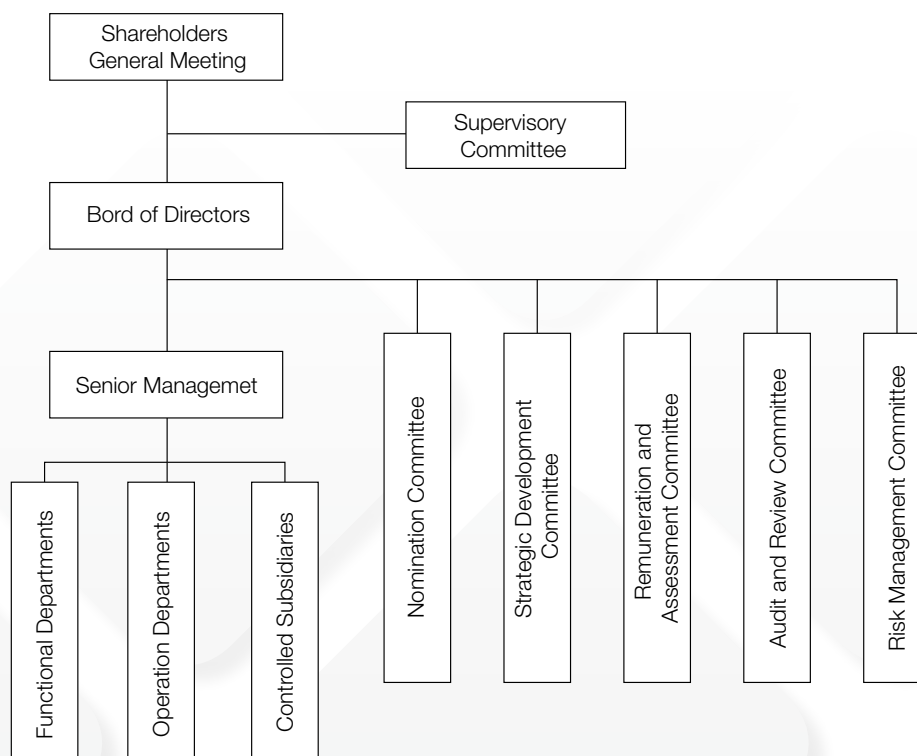
Corporate governance practices

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, Work Rules for the Special Committees under the Board and Work Rules for 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, except for the deviations from code provision A.5.6 as explained below.

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



CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

1. 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 meeting is delivered 45 days in advance. All directors and members of senior management are requested to attend. 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 in 2013 are as follows:

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2012 annual general meeting	24 May 2013	The following ordinary resolutions were considered at the meeting: 1. the report of the Board of the Company for the year 2012; 2. the report of the Supervisory Committee of the Company for the year 2012; 3. the proposal for the distribution of profits after tax for the year 2012; 4. the audited financial statements of the Company for the year 2012; 5. the appointment of the auditors of the Company for the year 2013;	passed	www.sse.com.cn	24 May 2013
2013 first extraordinary general meeting	19 December 2013	The following resolutions were considered at the meeting by way of open ballot: To consider and approve the resolution in relation to public issue of A share convertible bonds (To consider 20 sub-resolutions one by one)	passed	www.sse.com.cn	19 December 2013

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors

(1) Division of Responsibilities

The main responsibility of the Board is to exercise the management decisions in 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 review 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.

(2) Composition

The Board is composed of 9 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. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing, and the remaining directors of the Company are Mr. Si Zefu, Mr. Zhang Xiaolun, Mr. Wen Shugang, Mr. Huang Wei, Mr. Zhu Yuanchao and Mr. Zhang Jilie; the Chairman of the Company is Mr. Si Zefu and the President of the Company is Mr. Wen Shugang. This session of Board is the seventh Board since the foundation of the Company, the term of which is expected to end on 27 June 2015.

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 headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

Unless those 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 public shareholders. The three independent non-executive directors of the Company also served in the Board's special committees.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors (Continued)

(3) 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 new 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 will adopt the policy concerning diversity of Board members at the Board meeting to be convened recently.

(4) 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.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors (Continued)

(5) 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 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 from it 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, for the year ended 31 December 2013, 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 seventh session of the Board.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors (Continued)

(6) Meeting of the Board of Directors

During the reporting period, 6 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, and public issue of A share convertible bonds of the Company. 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			Absence	Absence from two consecutive meetings or not	Attendance at general meetings
			Attendance in person	Attendance by communication equipment	Attendance by proxy			
Si Zefu	No	6	6	0	0	0	No	2
Zhang Xiaolun	No	6	3	0	3	0	No	2
Wen Shugang	No	6	5	0	1	0	No	2
Huang Wei	No	6	4	0	2	0	No	1
Zhu Yuanchao	No	6	4	0	2	0	No	1
Zhang Jilie	No	6	5	0	1	0	No	2
Li Yanmeng	Yes	6	4	0	2	0	No	0
Zhao Chunjun	Yes	6	5	0	1	0	No	1
Peng Shaobing	Yes	6	6	0	0	0	No	0

Number of board meetings convened during the year	6
Among which: number of meetings convened on-site	6
Number of meetings convened by communication equipment	0
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.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. 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.

(1) Audit and Review Committee

The main duties of the Audit and Review Committee are:

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external accountants (i.e. external auditing agencies), and to approve the remuneration and terms of engagement of the external accountants, and deal with any questions of its resignation or dismissal;
- (ii) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting opinions contained in them;
- (iii) to oversee the Company's financial reporting system and internal control procedures;
- (iv) to review the material connected transactions, and monitor their fairness, compliance and disclosure.

The members of Audit and Review Committee of the Seventh Board of the Company comprise of independent non-executive Directors, Mr. Peng Shaobing (Chairman), Mr. Zhao Chunjun and Mr. Li Yanmeng.

During 2013, the Audit and Review Committee convened 5 meetings mainly to consider and approve the Company's audited financial statements for 2012, the unaudited financial report for the first quarter of 2013 and the unaudited interim financial report for the first half of 2013, etc.

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

Name	Position	Required attendance in 2013	Actual Attendance
Peng Shaobing (Independent non-executive Director)	Chairman of the committee	5	5
Li Yanmeng (Independent non-executive Director)	Member	5	4
Zhao Chunjun (Independent non-executive Director)	Member	5	5

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(2) 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 of the Seventh Board comprise of Directors Mr. Si Zefu (Chairman), Mr. Wen Shugang, Mr. Zhu Yuanchao and independent non-executive Director Mr. Li Yanmeng.

In 2013, the Strategic Development Committee convened 2 meetings mainly to consider and approve the Development Strategy and Plan of the Company for 2013-2015 and the Scheme in relation to Public Issue of A Share Convertible Bonds.

Members of the Strategic Development Committee and attendance at its meetings

Name	Position	Required attendance in 2013	Actual Attendance
Si Zefu (Director)	Chairman of the committee	2	2
Wen Shugang (Director)	Member	2	2
Zhu Yuanchao (Director)	Member	2	2
Li Yanmeng (Independent non-executive Director)	Member	2	0

(3) Remuneration and Assessment Committee

The main duties of the Remuneration and Assessment Committee are:

- (i) to formulate remuneration plan or scheme for directors, supervisors and senior managers based on their work scope, duties and importance with reference to the compensation levels of similar positions in comparable companies;
- (ii) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior managers and on the establishment of a formal and transparent procedure for developing such remuneration policy;
- (iii) to review and approve the management's remuneration proposals by reference to the corporate goals and objectives set by the Board;
- (iv) to make recommendations to the Board on the remuneration of independent non-executive directors;
- (v) to review the performance of duties by directors, supervisors and senior managers and conduct annual performance assessment on them;
- (vi) to monitor the implementation of the Company's remuneration system;

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(3) Remuneration and Assessment Committee (Continued)

The Remuneration and Assessment Committee of the seventh Board comprises independent nonexecutive Directors Mr. Li Yanmeng (Chairman), Mr. Zhao Chunjun and Mr. Peng Shaobing and Director Mr. Zhang Xiaolun.

During 2013, the Remuneration and Assessment Committee convened 1 meeting to mainly consider and pass the proposals in respect of the Report on Remuneration of the Directors, the Supervisors and Senior Management for 2012.

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

Name	Position	Required attendance in 2013	Actual Attendance
Li Yanmeng (Independent non-executive Director)	Chairman of the committee	1	1
Zhao Chunjun (Independent non-executive Director)	Member	1	1
Peng Shaobing (Independent non-executive Director)	Member	1	1
Zhang Xiaolun (Director)	Member	1	1

(4) Risk Management Committee

The main duties of the Risk Management Committee are:

- (i) to submit the Annual Report on Overall Risk Management to the Board of Directors;
- (ii) to consider the Company's risk management strategies and the solutions for major risk management;
- (iii) 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;
- (iv) to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department;
- (v) to consider the establishment of the risk management organizations, and their proposed responsibilities.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(4) Risk Management Committee (Continued)

The Risk Management Committee of the seventh Board comprises Directors Mr. Wen Shugang (Chairman), Mr. Huang Wei and Mr. Zhang Jilie and independent non-executive Director Mr. Peng Shaobing.

During 2013, the Risk Management Committee convened 1 meeting to debrief the Report on the Assessment of Internal Control of Dongfang Electric Corporation Limited for 2012 from the financial department, and agreed to submit the same to the Board for consideration.

Members of the Risk Management Committee and attendance at its meetings

Name	Position	Required attendance in 2013	Actual Attendance
Wen Shugang (Director)	Chairman of the committee	1	1
Huang Wei (Director)	Member	1	1
Zhang Jilie (Director)	Member	1	1
Peng Shaobing (Independent non-executive Director)	Member	1	1

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(5) Nomination Committee

The main duties of the Nomination Committee are:

- (i) to review the structure and size of the Board as well as the compositions (including skills, knowledge and experience) of the Board and the senior management at least once a year based on the Company's business activities, the size of assets and the shareholding structure and make recommendations to the Board regarding any proposed changes pursuant to the Company's strategies;
- (ii) to consider the standards and procedure for selection of directors and senior managers, and make recommendations to the Board;
- (iii) to review the qualifications of candidates for directors and senior managers and make recommendations thereon;
- (iv) to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (v) to assess the independence of independent non-executive directors;
- (vi) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors (in particular the Chairman and the President).

The Nomination Committee of the seventh Board comprises independent non-executive Directors Mr. Zhao Chunjun (Chairman), Mr. Li Yanmeng and Mr. Peng Shaobing and Directors Mr. Si Zefu and Mr. Wen Shugang.

During 2013, the Nomination Committee convened 1 meeting to consider the composition of the members of the Board and their background and experience, examined directors and ensured the diversity of Board members. The directors were examined in aspects of gender, age, cultural and educational background, professional experience, skills, knowledge and term of office to ensure the diversity of Board members and compliance with the regulatory requirements and Articles of Association of the listed company to the greatest extent. No suggestion on changes in personnel was made to the Board.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(5) Nomination Committee (Continued)

Members of the Nomination Committee and attendance at its meetings

Name	Position	Required attendance in 2013	Actual Attendance
Zhao Chunjun (Independent non-executive Director)	Chairman of the committee	1	1
Li Yanmeng (Independent non-executive Director)	Member	1	1
Peng Shaobing (Independent non-executive Director)	Member	1	1
Si Zefu (Director)	Member	1	1
Wen Shugang (Director)	Member	1	1

4. Duties of the management team

Pursuant to the duties and powers assigned to them under the Articles of Association, the management team mainly discharge 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 officers of the Company;
- (8) to represent the Company externally in handling important business matters within the scope of authorization by the board of directors;

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

5. 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.

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

During the reporting period, the Company provided the information in relation to the Group's business and the latest compliance information of the listed company for all directors (including Mr. Si Zefu, Mr. Zhang Xiaolun, Mr. Wen Shugang, Mr. Huang Wei, Mr. Zhu Yuanchao, Mr. Zhang Jilie, Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing), supervisors (including Mr. Wen Bingyou, Mr. Wen Limin and Mr. Wang Congyuan) and senior management from time to time. During the year, the Company arranged Mr. Wen Limin and Mr. Gao Feng, a senior management member, to participate in the training for senior management of listed companies in Sichuan Province in 2013 offered by the Association of Listed Companies of Sichuan Province to update their knowledge and skills, to help ensure that they make contributions to the board on an informed and relevant basis.

7. 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 2013, the Company has made information disclosure for approximately 95 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 the Company, 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 standard and professional. The Company's communication methods with investors 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.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

8. 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 2013 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 5 years. Set out below are the audit services and non-audit services provided by it:

Unit: RMB0'000

Whether changed the accounting firm: No

	Former	Existing
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	240
Service length of the domestic accounting firm (year)	4	5

	Name	Remuneration
Accounting firm in respect internal control	ShineWing Certified Public Accountants (Special General Partnership)	60

9. Acknowledgement of the directors and auditor

All directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2013.

ShineWing Certified Public Accountants, 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 2013.

10. Material changes in the constitutional documents of the Company

None.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

11. Internal controls

The Board is responsible for implementing the 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 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.

The Board reviews the efficiency of the internal control system of the Company and its subsidiaries. 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 2013, based on the assessment made by the Audit and Review Committee, the senior management and the internal audit team, the Board reviewed the internal control systems of the Company and its subsidiaries.

CORPORATE GOVERNANCE (CONTINUED)

(V) CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

12. 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.

CORPORATE GOVERNANCE (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 written form 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.

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, the PRC

Postal code: 610036

Email: dsb@dongfang.com

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

INTERNAL CONTROL

I. RESPONSIBILITY STATEMENT ON INTERNAL CONTROL AND ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

For details, please refer to the 2013 Assessment Report on the Internal Control of Dongfang Electric Corporation Limited disclosed at the same time.

II. AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING


ShineWing Certified Public Accountants issued the 2013 Auditors' Report on Internal Control of Dongfang Electric Corporation Limited.

III. EXPLANATION OF THE ANNUAL REPORT ON THE SYSTEM OF ACCOUNTABILITY OF MATERIAL ERRORS AND RELEVANT IMPLEMENTATION

The Company has issued and strictly complied with and executed the Explanation of the Annual Report on the System of Accountability of Material Errors and Relevant Implementation. During the reporting period, the Company had no annual significant information disclosure error.

FINANCIAL REPORT

(I) AUDITOR'S REPORT

	信永中和会计师事务所	北京市东城区朝阳门北大街 8号富华大厦A座9层	联系电话：+86(010)6554 2288 telephone: +86(010)6554 2288
	ShineWing certified public accountants	9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China	传真：+86(010)6554 7190 facsimile: +86(010)6554 7190

XYZH/2013CDA6012-1

To The Shareholders of Dongfang Electric Corporation Limited

We have audited the accompanying financial statements of Dongfang Electric Corporation Limited (hereinafter referred to as "Dongfang Electric"), which comprise the consolidated and parent's financial position as at 31 December 2013, the consolidated and parent's income statement, consolidated and parent's cash flow statement of and consolidated and parent's statement of the changes in equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing for the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the Regulations for Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in China. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves implementing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to frauds or errors. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting assessments made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

FINANCIAL REPORT

(I) AUDITOR'S REPORT (CONTINUED)

III. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of parent and Dongfang Electric as of 31 December 2013 and the consolidated operating results of the Company and parent and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises.

ShineWing Certified Public Accountants LLP.

Chinese Certified Public Accountant: **Song Chaoxue**

Chinese Certified Public Accountant: **Liao Jiping**

Beijing, the PRC

11 March, 2014

(II) FINANCIAL REPORT (CD ROM IS ENCLOSED)

Dongfang Electric Corporation Limited
FINANCIAL STATEMENTS
AND THE AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

[English Translation for Reference Only
Should there be any inconsistency between the Chinese and English version,
the Chinese version shall prevail.]

Index	Pages
Auditors' Report	
Financial Statements	
Consolidated Statement of Financial Position	1-2
Statement of Financial Position	3-4
Consolidated Income Statement	5
Income Statement of Parent Company	6
Consolidated Statement of Cash Flows	7
Cash Flow Statement of Parent Company	8
Consolidated Statement of Changes in Equity	9-10
Statement of Changes in Equity of Parent Company	11-12
Notes to the Financial Statements	13-146



信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街
8号富华大厦A座9层

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

联系电话: +86(010)6554 2288
telephone: +86(010)6554 2288

传真: +86(010)6554 7190
facsimile: +86(010)6554 7190

AUDITOR'S REPORT

XYZH/2013CDA6012-1

To The Shareholders of Dongfang Electric Corporation Limited

We have audited the accompanying financial statements of Dongfang Electric Corporation Limited (hereinafter referred to as "the Company"), which comprise the consolidated and parent's financial position as at 31 December 2013, the consolidated and parent's income statement, consolidated and parent's cash flow statement of and consolidated and parent's statement of the changes in equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing for the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the Regulations for Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in China. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves implementing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to frauds or errors. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting assessments made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dongfang Electric Corporation Limited as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises.

ShineWing Certified Public Accountants LLP.

Registered in Beijing, People's Republic of China

Chinese Certified Public Accountant

Chinese Certified Public Accountant

11 March, 2014

Consolidated Statement of Financial Position

December 31, 2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Assets	Notes	The Ending Balance	The Beginning Balance
Current Assets:			
Cash and cash equivalents	V. 1	12, 131, 648, 112. 18	8, 960, 708, 524. 63
Clearing Provision			
Funds for Lending			
Financial assets held for trading	V. 2	26, 608, 362. 14	30, 311, 323. 96
Notes Receivable	V. 3	2, 784, 861, 591. 44	2, 568, 756, 924. 94
Accounts Receivable	V. 4	17, 032, 484, 330. 47	14, 991, 233, 562. 34
Prepayments	V. 5	4, 716, 518, 840. 61	5, 784, 631, 010. 52
Premium Receivable			
Cession Accounts Receivable			
Provision for Cession Contract Receivable			
Interests Receivable	V. 6	101, 620, 018. 51	61, 740, 939. 07
Dividends Receivable	V. 7	39, 087. 80	136, 612. 20
Other Receivables	V. 8	352, 960, 215. 57	325, 693, 411. 09
Purchase Redeemable Financial Assets			
Inventory	V. 9	27, 301, 842, 960. 20	31, 901, 091, 912. 16
Non-current Assets Maturing Within One Year			
Other Current Assets			
Total Current Assets		64, 448, 583, 518. 92	64, 624, 304, 220. 91
Non-current Assets:			
Issued loans and Advances			
Available-for-sale Financial Assets	V. 10	289, 716, 665. 00	413, 013, 757. 00
Investments to be held until maturity			
Long-term Accounts Receivable			
Long-term Equity Investment	V. 11	801, 229, 880. 78	590, 419, 356. 09
Investment Property	V. 12	72, 798, 574. 45	27, 479, 503. 13
Fixed Assets	V. 13	9, 243, 610, 975. 06	9, 873, 036, 157. 62
Construction in Progress	V. 14	685, 790, 408. 06	723, 924, 491. 91
Construction materials	V. 15	113, 464. 96	113, 464. 96
Liquidation of Fixed Assets		11, 958. 08	
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	V. 16	1, 013, 339, 900. 46	997, 185, 846. 76
Research and Development Expenditure			
Goodwill			
Long-term Deferred Expenses	V. 17	509, 000. 14	615, 000. 10
Deferred Tax Assets	V. 18	1, 280, 998, 708. 21	1, 076, 964, 799. 34
Other Non-current Assets			
Total Non-current Assets		13, 388, 119, 535. 20	13, 702, 752, 376. 91
Total Assets		77, 836, 703, 054. 12	78, 327, 056, 597. 82

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Statement of Financial Position (Continued)

December 31, 2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Liabilities and Shareholder's Equity	Notes	The Ending Balance	The Beginning Balance
Current Liabilities :			
Short-term Loans	V. 20	3, 453, 072, 066. 14	2, 118, 520, 012. 90
Borrowings from Central Bank			
Absorbed Deposits and Interbank Deposits			
Borrowing funds			
Financial Liabilities at fair value through profit or loss	V. 21		25, 830, 967. 05
Notes Payable	V. 22	4, 865, 094, 372. 76	4, 107, 094, 766. 78
Accounts Payable	V. 23	14, 224, 698, 923. 21	13, 385, 150, 089. 62
Advances From Customers	V. 24	32, 284, 212, 140. 25	37, 594, 148, 516. 54
Funds arising from selling Repo Financial Assets			
Commission Payable			
Employee benefits payable	V. 25	394, 611, 720. 83	398, 694, 229. 45
Taxes & Fees Payable	V. 26	53, 907, 111. 62	251, 202, 094. 65
Interests Payable			
Dividends Payable	V. 27	3, 389, 732. 02	2, 008, 723. 98
Other Payables	V. 28	1, 805, 192, 953. 82	2, 027, 341, 175. 03
Cession Accounts Payable			
Provision for Insurance Contract			
Funds arising from acting trading of securities			
Funds arising from acting underwriting of securities			
Non-current Liabilities Maturing Within One Year	V. 29	86, 320, 000. 00	54, 320, 000. 00
Other Current Liabilities	V. 30	79, 943, 075. 58	80, 844, 288. 14
Total Current Liabilities		57, 250, 442, 096. 23	60, 045, 154, 864. 14
Non-Current Liabilities:			
Long-term borrowings	V. 31	39, 400, 000. 00	125, 827, 585. 21
Bonds Payable			
Long-term Accounts Payable	V. 32	685, 252. 84	685, 252. 84
Specified Accounts Payable	V. 33	58, 042, 614. 63	
Estimated Liabilities	V. 34	1, 392, 616, 607. 65	1, 064, 299, 498. 92
Deferred Tax Liabilities	V. 18	1, 838, 036. 52	3, 932, 355. 83
Other Non-current Liabilities	V. 35	500, 287, 825. 52	539, 641, 886. 45
Total Non-current Liabilities		1, 992, 870, 337. 16	1, 734, 386, 579. 25
Total Liabilities		59, 243, 312, 433. 39	61, 779, 541, 443. 39
Shareholder's Equity:			
Share capital	V. 36	2, 003, 860, 000. 00	2, 003, 860, 000. 00
Capital Reserves	V. 37	4, 969, 294, 048. 05	5, 074, 096, 576. 25
Less: Treasury Stock			
Special Reserves	V. 38	15, 684, 408. 62	8, 196, 251. 24
Surplus Reserves	V. 39	578, 473, 906. 12	453, 492, 120. 76
Provision for General Risk			
Undistributed Profit	V. 40	10, 162, 309, 001. 98	8, 158, 283, 796. 26
Difference from Translated Statements in Foreign Currency		-35, 852, 378. 54	-19, 823, 326. 89
Total Shareholder's Equity Attributed to Parent Company		17, 693, 768, 986. 23	15, 678, 105, 417. 62
Non-controlling interests	V. 41	899, 621, 634. 50	869, 409, 736. 81
Total Shareholder's Equity		18, 593, 390, 620. 73	16, 547, 515, 154. 43
Total Liabilities and Shareholder's Equity		77, 836, 703, 054. 12	78, 327, 056, 597. 82

Legal Representative :

Accounting Director :

Accounting Manager :

Statement of Financial Position

December 31, 2013

Preparating Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Assets	Notes	The Ending Balance	The Beginning Balance
Current Assets:			
Cash and cash equivalents		3,859,089,929.82	2,203,547,671.62
Financial assets held for trading		23,781,614.55	27,485,157.46
Notes Receivable		424,109,031.00	266,372,194.03
Accounts Receivable	XIV. 1	2,777,914,444.33	1,377,064,861.07
Prepayments		11,508,848,516.92	10,100,985,516.35
Interests Receivable			
Dividends Receivable		131,436,444.73	131,436,444.73
Other Receivables	XIV. 2	4,877,576,489.03	4,847,306,312.72
Inventory		1,277,475,517.12	1,752,735,050.46
Non-current Assets Maturing Within One Year			
Other Current Assets		510,000,000.00	500,000,000.00
Total Current Assets		25,390,231,987.50	21,206,933,208.44
Non-current Assets:			
Tradable Financial Assets			
Available-for-sale Financial Assets		289,716,665.00	413,013,757.00
Long-term Accounts Receivable			
Long-term Equity Investment	XIV. 3	10,065,044,529.27	9,912,836,546.65
Investment Property		16,549,767.77	17,578,768.87
Fixed Assets		15,415,855.19	16,218,046.15
Construction in Progress		10,425,599.19	8,268,357.69
Construction materials			
Liquidation of Fixed Assets		11,958.08	
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		1,906,282.93	31,456.51
Research and Development Expenditure			
Goodwill			
Long-term Deferred Expenses			
Deferred Tax Assets		104,322,476.33	38,324,514.58
Other Non-current Assets			
Total Non-current Assets		10,503,393,133.76	10,406,271,447.45
Total Assets		35,893,625,121.26	31,613,204,655.89

Legal Representative :

Accounting Director :

Accounting Manager :

Statement of Financial Position (Continued)

December 31, 2013

Preparating Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Liabilities and Shareholder's Equity	Notes	The Ending Balance	The Beginning Balance
Current Liabilities :			
Short-term Loans		454,670,055.27	789,404,374.03
Financial Liabilities at fair value through profit or loss			24,806,984.26
Notes Payable			
Accounts Payable		4,575,177,041.12	2,202,784,201.56
Advances From Customers		16,401,254,585.49	14,825,352,928.26
Employee benefits payable		31,073,807.59	17,428,338.16
Taxes & Fees Payable		-362,699,833.88	-92,051,672.41
Interests Payable			
Dividends Payable			
Other Payables		1,630,251,783.82	1,605,846,103.06
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities		27,520.00	
Total Current Liabilities		22,729,754,959.41	19,373,571,256.92
Non-Current Liabilities:			
Long-term borrowings			
Bonds Payable			
Long-term Accounts Payable			
Specified Accounts Payable			
Estimated Liabilities			
Deferred Tax Liabilities			326,442.49
Other Non-current Liabilities		324,407.71	351,927.71
Total Non-current Liabilities		324,407.71	678,370.20
Total Liabilities		22,730,079,367.12	19,374,249,627.12
Shareholder's Equity:			
Share capital		2,003,860,000.00	2,003,860,000.00
Capital Reserves		5,033,149,319.70	5,137,951,847.90
Less:Treasury Stock			
Special Reserves			
Surplus Reserves		866,837,022.55	741,855,237.19
Provision for General Risk			
Undistributed Profit		5,259,699,411.89	4,355,287,943.68
Total Shareholder's Equity Attributed to Parent Company		13,163,545,754.14	12,238,955,028.77
Total Shareholder's Equity		13,163,545,754.14	12,238,955,028.77
Total Liabilities and Shareholder's Equity		35,893,625,121.26	31,613,204,655.89

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Income Statement

Jan.-Dec.,2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec.,2013	Jan.-Dec.,2012
1-Total Operating Income		42,390,796,682.51	38,079,202,510.13
Therein: Operating Income	V. 45	42,390,796,682.51	38,079,202,510.13
Interest Income			
Premium Earned			
Commission Income			
2-Total Operating cost		39,862,595,263.78	35,746,806,430.03
Therein: Operating Cost	V. 45	33,742,866,666.50	30,001,922,705.62
Interest Expenditure			
Commission Expenditure			
Surrender Expenditure			
Net Amount of Compensation			
Net Amount of Provision for Insurance Contract			
Policy Bonus Expenditure			
Cession Expenditure			
Business taxes and surtaxs	V. 46	302,467,748.87	284,805,579.01
Sales expenses	V. 47	960,628,219.47	850,521,579.71
General and administrative expense	V. 48	3,728,793,794.04	3,578,333,642.91
Financial expenses	V. 49	-133,572,268.04	-84,629,161.74
Asset Impairment losses	V. 50	1,261,411,102.94	1,115,852,084.52
Add: Profit and Loss from Fair Value Changes	V. 51	22,172,268.47	-29,846,034.79
Investment Income	V. 52	226,558,409.16	179,665,206.21
Therein: Income from investment to subsidiaries and joint ventures		213,174,501.29	170,903,239.91
Foreign Exchange Gain			
3-Operating Profit		2,776,932,096.36	2,482,215,251.52
Add: Non-operating Income	V. 53	206,483,785.28	233,888,232.18
Less: Non-operating Expense	V. 54	195,923,788.17	97,444,860.68
Therein: Net losses on disposal of non-current assets		2,484,243.37	2,925,418.52
4-Total Profit		2,787,492,093.47	2,618,658,623.02
Less: Income Tax Expense	V. 55	388,089,412.34	364,937,341.51
5-Net Profit		2,399,402,681.13	2,253,721,281.51
Net Profit Attributed to Shareholders of parent Company		2,349,431,591.08	2,191,129,345.43
Gains/Losses on Minority Shareholder's Equity		49,971,090.05	62,591,936.08
6-Earnings Per Share :			
(1) Primary earning per share	V. 56	1.17	1.09
(2) Dilutive earning per share	V. 56	1.17	1.09
7-Other Comprehensive Income	V. 57	-120,831,579.85	-5,702,488.72
Items that may be reclassified subsequently to profit or loss			
Items that would be reclassified to profit or loss in the future if certain conditions are met		-120,831,579.85	-5,702,488.72
8-Total Comprehensive Income		2,278,571,101.28	2,248,018,792.79
Total Comprehensive Income Attributed to Shareholders of parent Company		2,228,600,011.23	2,185,426,856.71
Total Comprehensive Income Attributed to Minority Shareholders		49,971,090.05	62,591,936.08

Legal Representative :

Accounting Director :

Accounting Manager :

Income Statement of Parent Company

Jan.-Dec.,2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec., 2013	Jan.-Dec., 2012
1-Total Operating Income		15,660,486,213.27	12,489,390,389.55
Therein: Operating Income	XIV. 4	15,660,486,213.27	12,489,390,389.55
Interest Income			
Premium Earned			
Commission Income			
2-Total Operating cost		15,293,844,884.83	12,165,816,961.83
Therein: Operating Cost	XIV. 4	14,647,547,323.14	11,814,804,227.95
Interest Expenditure			
Commission Expenditure			
Surrender Expenditure			
Net Amount of Compensation			
Net Amount of Provision for Insurance Contract			
Policy Bonus Expenditure			
Cession Expenditure			
Business taxes and surtaxs		10,310,423.55	15,384,374.37
Sales expenses		56,132,025.35	41,856,449.35
General and administrative expense		222,689,196.02	207,996,979.36
Financial expenses		37,112,083.28	24,260,140.10
Asset Impairment losses		320,053,833.49	61,514,790.70
Add: Profit and Loss from Fair Value Changes		21,103,441.35	-23,408,815.60
Investment Income	XIV. 5	898,499,493.02	1,059,919,227.66
Therein: Income from investment to subsidiaries and joint ventures		112,741,096.34	87,220,385.28
Foreign Exchange Gain			
3-Operating Profit		1,286,244,262.81	1,360,083,839.78
Add: Non-operating Income		34,918,919.08	31,686,588.40
Less: Non-operating Expense		350,567.87	44,472.63
Therein: Net losses on disposal of non-current assets		54,698.28	32,032.11
4-Total Profit		1,320,812,614.02	1,391,725,955.55
Less: Income Tax Expense		70,994,760.45	53,149,900.98
5-Net Profit		1,249,817,853.57	1,338,576,054.57
6-Other Comprehensive Income		-104,802,528.20	-3,625,152.53
Items that may be reclassified subsequently to profit or loss			
Items that would be reclassified to profit or loss in the future if certain conditions are met		-104,802,528.20	-3,625,152.53
7-Total Comprehensive Income		1,145,015,325.37	1,334,950,902.04

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Statement of Cash Flows
Jan.-Dec.,2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec.,2013	Jan.-Dec.,2012
1-CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash received from sales of goods or rendering of services		36,553,676,042.89	33,841,054,173.63
Net increase of Clients' Deposits and Interbank Deposits			
Net increase of Borrowings from the Central Bank			
Net increase of Borrowing funds from other financial institution			
Cash received from original Insurance Contract			
Cash received from Reinsurance Contract			
Net increase of Insurers' Deposits and Investment Funds			
Net increase of disposal of Trading Financial Assets			
Cash received from Interest and Commission			
Net increase of Borrowing Funds			
Net increase of Repurchase Business			
Tax Refund		395,886,613.23	298,058,101.96
Cash received from other operating related activities	V. 58	482,229,740.61	495,012,696.88
SUB-TOTAL OF CASH INFLOWS		37,431,792,396.73	34,634,124,972.47
Cash paid for goods and services		26,412,277,026.43	26,569,050,816.64
Net increase of Issued Loans and Advances			
Net increase of funds in the Central Bank and Interbank			
Cash paid for compensation of Original Insurance Contract			
Cash paid for Interest and Commission			
Cash paid for Policy Bonus			
Cash paid to/for employees		3,773,441,739.67	3,478,203,746.76
Tax payments		2,904,028,265.00	3,424,384,773.77
Cash paid for other operating related activities	V. 58	1,338,428,699.97	1,341,009,289.60
SUB-TOTAL OF CASH OUTFLOWS		34,428,175,731.07	34,812,648,626.77
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,003,616,665.66	-178,523,654.30
2-CASH FLOWS FROM INVESTING ACATIVITIES :			
Cash received from disposal of investments		44,263.24	279,708,656.58
Cash received from returns on investments		67,197,821.59	46,649,053.83
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		6,415,415.41	26,144,135.47
Net cash received from disposal of subsidiaries or other operating units			
Cash received from other investing related activities			
SUB-TOTAL OF CASH INFLOWS		73,657,500.24	352,501,845.88
Cash paid to acquire fixed assets,intangible assets and other long-term assets		774,395,805.13	1,194,534,944.31
Cash paid to acquire investments		33,000,000.00	404,000,000.00
Net increase of pledge loan			
Net Cash paid for acquiring subsidiaries or other operating units			
Cash paid for other investing related activities			
SUB-TOTAL OF CASH OUTFLOWS		807,395,805.13	1,598,534,944.31
NET CASH FLOWS FROM INVESTING ACTIVITIES		-733,738,304.89	-1,246,033,098.43
3-CASH FLOWS FROM FINANCING ACTIVITIES :			
Cash received from absorbing investment			
Therein: The Investment absorbed by Subsidiaries from Minority Shareholders			
Cash received from borrowings		3,778,983,395.27	3,499,417,510.08
Cash received from issuing bonds			
Cash received from other financing related activities	V. 58		85,940,000.00
SUB-TOTAL OF CASH INFLOWS		3,778,983,395.27	3,585,357,510.08
Repayments of borrowings		2,415,090,758.19	3,069,086,554.85
Cash payments for distribution of dividends, profits or interest expenses		367,236,310.34	490,523,477.58
Therein: Devidents paid to Minority Shareholders by Subsidiaries		18,035,502.97	16,790,505.11
Cash payments for other financing related activities			
SUB-TOTAL OF CASH OUTFLOWS		2,782,327,068.53	3,559,610,032.43
NET CASH FLOWS FROM FINANCING ACTIVITIES		996,656,326.74	25,747,477.65
4-EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		-87,161,385.98	43,582,095.64
5-NET INCREASE IN CASH AND CASH EQUIVALENTS		3,179,373,301.53	-1,355,227,179.44
Add: Cash and cash equivalents balance at the beginning of the period		8,928,997,459.40	10,284,224,638.84
6- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		12,108,370,760.93	8,928,997,459.40

Legal Representative :

Accounting Director :

Accounting Manager :

Cash Flow Statement of Parent Company

Jan.-Dec., 2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	Notes	Jan.-Dec., 2013	Jan.-Dec., 2012
1-CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash received from sales of goods or rendering of services		16,690,066,011.97	11,904,497,346.42
Net increase of Clients' Deposits and Interbank Deposits			
Net increase of Borrowings from the Central Bank			
Net increase of Borrowing funds from other financial institution			
Cash received from original Insurance Contract			
Cash received from Reinsurance Contract			
Net increase of Insurers' Deposits and Investment Funds			
Net increase of disposal of Trading Financial Assets			
Cash received from Interest and Commission			
Net increase of Borrowing Funds			
Net increase of Repurchase Business			
Tax Refund		325,434,774.66	293,382,303.89
Cash received from other operating related activities	XIV. 6	163,134,674.17	98,237,995.66
SUB-TOTAL OF CASH INFLOWS		17,178,635,460.80	12,296,117,645.97
Cash paid for goods and services		15,098,817,323.06	10,318,520,959.29
Net increase of Issued Loans and Advances			
Net increase of funds in the Central Bank and Interbank			
Cash paid for compensation of Original Insurance Contract			
Cash paid for Interest and Commission			
Cash paid for Policy Bonus			
Cash paid to/for employees		193,654,687.43	178,984,530.89
Tax payments		149,859,079.11	165,587,713.87
Cash paid for other operating related activities	XIV. 6	175,137,837.94	481,360,931.16
SUB-TOTAL OF CASH OUTFLOWS		15,617,468,927.54	11,144,454,135.21
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,561,166,533.26	1,151,663,510.76
2-CASH FLOWS FROM INVESTING ACATIVITIES:			
Cash received from disposal of investments		500,000,000.00	279,708,656.58
Cash received from returns on investments		839,572,310.40	1,002,295,802.08
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		654.00	2,120.50
Net cash received from disposal of subsidiaries or other operating units			
Cash received from other investing related activities			
SUB-TOTAL OF CASH INFLOWS		1,339,572,964.40	1,282,006,579.16
Cash paid to acquire fixed assets,intangible assets and other long-term assets		8,307,592.08	5,944,156.74
Cash paid to acquire investments		593,284,000.00	1,031,940,000.00
Net increase of pledge loan			
Net Cash paid for acquiring subsidiaries or other operating units			
Cash paid for other investing related activities			
SUB-TOTAL OF CASH OUTFLOWS		601,591,592.08	1,037,884,156.74
NET CASH FLOWS FROM INVESTING ACTIVITIES		737,981,372.32	244,122,422.42
3-CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from absorbing investment			
Therein: The Investment absorbed by Subsidiaries from Minority Shareholders			
Cash received from borrowings		350,000,000.00	1,489,404,374.03
Cash received from issuing bonds			
Cash received from other financing related activities	XIV. 6		85,940,000.00
SUB-TOTAL OF CASH INFLOWS		350,000,000.00	1,575,344,374.03
Repayments of borrowings		684,734,318.76	1,400,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		235,669,044.46	344,855,100.00
Therein: Dividends paid to Minority Shareholders by Subsidiaries			
Cash payments for other financing related activities			
SUB-TOTAL OF CASH OUTFLOWS		920,403,363.22	1,744,855,100.00
NET CASH FLOWS FROM FINANCING ACTIVITIES		-570,403,363.22	-169,510,725.97
4-EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		-73,202,284.16	20,152,703.12
5-NET INCREASE IN CASH AND CASH EQUIVALENTS		1,655,542,258.20	1,246,427,910.33
Add: Cash and cash equivalents balance at the beginning of the period		2,203,547,671.62	957,119,761.29
6- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3,859,089,929.82	2,203,547,671.62

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Statement of Changes in Equity
Jan.-Dec., 2013

Preparating Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of this period									
	Shareholder's Equity Attributed to the Parent Company							Non-controlling Interests	Total Shareholder's Equity	
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit			Others
1-The ending balance for last year	2,003,860,000.00	5,074,096,576.25		8,196,251.24	453,492,120.76		8,158,283,796.26	-19,823,326.89	869,409,736.81	16,547,515,154.43
Add: Amounts from Accounting Policy Changes										
Corrections on last period's accounting errors										
Others										
2-The beginning balance of this year	2,003,860,000.00	5,074,096,576.25		8,196,251.24	453,492,120.76		8,158,283,796.26	-19,823,326.89	869,409,736.81	16,547,515,154.43
3-Increase and decrease for this period (decrease represents as '-')		-104,802,528.20		7,488,157.38	124,981,785.36		2,004,025,205.72	-16,029,051.65	30,211,897.69	2,045,875,466.30
(1) Net profit							2,349,431,591.08		49,971,090.05	2,399,402,681.13
(2) Other Comprehensive Income		-104,802,528.20						-16,029,051.65		-120,831,579.85
Subtotal of (1) and (2)		-104,802,528.20					2,349,431,591.08	-16,029,051.65	49,971,090.05	2,278,571,101.28
(3) Shareholders' Investment and Capital Reduction										
I.Capital investment										
II.Share-based Payment recorded in shareholder's equity										
III.Others										
(4) Profit Distribution										
I.Provision for Surplus Reserves										
II.Provision for General Risk										
III.Distribution to Shareholders							-220,424,600.00		-19,495,011.01	-239,919,611.01
IV.Others										
(5) Internal transfer of Shareholders' Equity										
I.Capital Reserves transfer to Capital (or Share Capital)										
II.Surplus Reserve transfer to Capital (or Share Capital)										
III.Surplus Reserve offset losses										
IV.Others										
(6) Special Reserves				7,488,157.38					-264,181.35	7,223,976.03
I.Accrued in this period				49,167,834.38					3,867,322.23	53,035,156.61
II.Used in this period				-41,679,677.00					-4,131,503.58	-45,811,180.58
(7) Others										
4-The ending balance for this period	2,003,860,000.00	4,969,294,048.05		15,684,408.62	578,473,906.12		10,162,309,001.98	-35,852,378.54	899,621,634.50	18,593,390,620.73

Legal Representative :

Accounting Director :

Accounting Manager :

Consolidated Statement of Changes in Equity(Continued)

Jan.-Dec., 2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of last period									
	Shareholder's Equity Attributed to the Parent Company								Non-controlling Interests	Total Shareholder's Equity
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Others		
1-The ending balance for last year	2,003,860,000.00	5,075,180,693.34			319,634,515.30		6,421,629,656.29	-17,745,990.70	804,194,904.07	14,606,753,778.30
Add:Amounts from Accounting Policy Changes										
Corrections on last period's accounting errors										
Others										
2-The beginning balance of this year	2,003,860,000.00	5,075,180,693.34			319,634,515.30		6,421,629,656.29	-17,745,990.70	804,194,904.07	14,606,753,778.30
3-Increase and decrease for this period (decrease represents as '-')		-1,084,117.09		8,196,251.24	133,857,605.46		1,736,654,139.97	-2,077,336.19	65,214,832.74	1,940,761,376.13
(1) Net profit							2,191,129,345.43		62,591,936.08	2,253,721,281.51
(2) Other Comprehensive Income		-3,625,152.53						-2,077,336.19		-5,702,488.72
Subtotal of (1) and (2)		-3,625,152.53					2,191,129,345.43	-2,077,336.19	62,591,936.08	2,248,018,792.79
(3) Shareholders' Investment and Capital Reduction		2,541,035.44							20,203,380.57	22,744,416.01
I.Capital investment										
II.Share-based Payment recorded in shareholder's equity										
III.Others		2,541,035.44							20,203,380.57	22,744,416.01
(4) Profit Distribution					133,857,605.46		-454,475,205.46		-18,156,759.51	-338,774,359.51
I.Provision for Surplus Reserves					133,857,605.46		-133,857,605.46			
II.Provision for General Risk										
III.Distribution to Shareholders							-320,617,600.00		-18,156,759.51	-338,774,359.51
IV.Others										
(5) Internal transfer of Shareholders' Equity										
I.Capital Reserves transfer to Capital (or Share Capital)										
II.Surplus Reserve transfer to Capital (or Share Capital)										
III.Surplus Reserve offset losses										
IV.Others										
(6) Special Reserves				8,196,251.24					576,275.60	8,772,526.84
I.Accrued in this period				48,805,326.70					2,626,014.33	51,431,341.03
II.Used in this period				-40,609,075.46					-2,049,738.73	-42,658,814.19
(7) Others										
4-The ending balance for this period	2,003,860,000.00	5,074,096,576.25		8,196,251.24	453,492,120.76		8,158,283,796.26	-19,823,326.89	869,409,736.81	16,547,515,154.43

Legal Representative :

Accounting Director :

Accounting Manager :

Statement of Changes in Equity of Parent Company

Jan.-Dec., 2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of this period							
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Total Shareholder's Equity
1-The ending balance for last year	2,003,860,000.00	5,137,951,847.90			741,855,237.19		4,355,287,943.68	12,238,955,028.77
Add:Amounts from Accounting Policy Changes								
Corrections on last period's accounting errors								
Others								
2-The beginning balance of this year	2,003,860,000.00	5,137,951,847.90			741,855,237.19		4,355,287,943.68	12,238,955,028.77
3-Increase and decrease for this period (decrease represents as '-')		-104,802,528.20			124,981,785.36		904,411,468.21	924,590,725.37
(1) Net profit							1,249,817,853.57	1,249,817,853.57
(2) Other Comprehensive Income		-104,802,528.20						-104,802,528.20
Subtotal of (1) and (2)		-104,802,528.20					1,249,817,853.57	1,145,015,325.37
(3) Shareholders' Investment and Capital Reduction								
I.Capital investment								
II.Share-based Payment recorded in shareholder's equity								
III.Others								
(4) Profit Distribution					124,981,785.36		-345,406,385.36	-220,424,600.00
I.Provision for Surplus Reserves					124,981,785.36		-124,981,785.36	
II.Provision for General Risk								
III.Distribution to Shareholders							-220,424,600.00	-220,424,600.00
IV.Others								
(5) Internal transfer of Shareholders' Equity								
I.Capital Reserves transfer to Capital (or Share Capital)								
II.Surplus Reserve transfer to Capital (or Share Capital)								
III.Surplus Reserve offset losses								
IV.Others								
(6) Special Reserves								
I.Accrued in this period								
II.Used in this period								
(7) Others								
4-The ending balance for this period	2,003,860,000.00	5,033,149,319.70			866,837,022.55		5,259,699,411.89	13,163,545,754.14

Legal Representative :

Accounting Director :

Accounting Manager :

Statement of Changes in Equity of Parent Company(Continued)

Jan.-Dec., 2013

Preparing Unit: Dongfang Electric Corporation Limited

Unit: RMB Yuan

Items	The amount of last period							
	Stock Capital	Capital Reserves	Less: Treasury Stock	Special Reserves	Surplus Reserves	Provision for General Risk	Undistributed Profit	Total Shareholder's Equity
1-The ending balance for last year	2,003,860,000.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57	11,224,621,726.73
Add:Amounts from Accounting Policy Changes								
Corrections on last period's accounting errors								
Others								
2-The beginning balance of this year	2,003,860,000.00	5,141,577,000.43			607,997,631.73		3,471,187,094.57	11,224,621,726.73
3-Increase and decrease for this period (decrease represents as '-')		-3,625,152.53			133,857,605.46		884,100,849.11	1,014,333,302.04
(1) Net profit							1,338,576,054.57	1,338,576,054.57
(2) Other Comprehensive Income		-3,625,152.53						-3,625,152.53
Subtotal of (1) and (2)		-3,625,152.53					1,338,576,054.57	1,334,950,902.04
(3) Shareholders' Investment and Capital Reduction								
I.Capital investment								
II.Share-based Payment recorded in shareholder's equity								
III.Others								
(4) Profit Distribution					133,857,605.46		-454,475,205.46	-320,617,600.00
I.Provision for Surplus Reserves					133,857,605.46		-133,857,605.46	
II.Provision for General Risk								
III.Distribution to Shareholders							-320,617,600.00	-320,617,600.00
IV.Others								
(5) Internal transfer of Shareholders' Equity								
I.Capital Reserves transfer to Capital (or Share Capital)								
II.Surplus Reserve transfer to Capital (or Share Capital)								
III.Surplus Reserve offset losses								
IV.Others								
(6) Special Reserves								
I.Accrued in this period								
II.Used in this period								
(7) Others								
4-The ending balance for this period	2,003,860,000.00	5,137,951,847.90			741,855,237.19		4,355,287,943.68	12,238,955,028.77

Legal Representative :

Accounting Director :

Accounting Manager :

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

I. General information

Dongfang Electric Corporation Limited (“The precursor is Dongfang Electric Machinery Co., Ltd, hereinafter referred to as the Company, but called as group including subsidiaries”) was founded on 28 December 1993 in Deyang, Sichuan, the People’s Republic of China (the “PRC”), ratified by the National Development and Reform Commission, according to the related documents. As the exclusive promoter of the Company, Dongfang Electric Machinery Co., Ltd became the shareholder through converting its operation assets into shares of the Company.

On 31st May 1994, with the approval of the National Development and Reform Commission (NDRC) (Tigaisheng [1994] No.42) on 12th April 1994, the company issued 170,000,000 overseas listed foreign shares(the H shares) and they have been listed on The Stock Exchange of Hong Kong Limited (SEHK) since 6 June 1994, while on 4 July 1995, the Company issued 60,000,000 domestic listed Renminbi ordinary shares (the ‘A Shares’) in the PRC and have been listed on Shanghai Stock Exchange(SSE) since 10 October 1995 . As a result of the rights issues mentioned above, the issued sharesof the Company has increased to 450,000,000.

On 30 December 2005, with the approval of “Approval of certain issues on the transfer of state-owned shares of Dongfang Electrical Machinery Company Limited” (Guozichanquan [2005] No. 1604) by SASAC, the Dongfang Electric Machinery Co., Ltd (hereinafter referred to as DFEM) had transferred its 220,000,000 non-circulating State-owned domestic shares, representing 48.89% of its original share capital, to Dongfang Electric Corporation (“DEC”), a stated-owned enterprise established in the PRC which is directly supervised by SASAC. DEC is also the parent of DFEM.

In November 2007, the Company obtained 273,165,244 domestic listed Renminbi ordinary shares of Dongfang Boiler Group Co., Ltd representing 68.05% of its ordinary share capital and 100% capital shares of Dongfang Angturbine Co.,Ltd by issuing to China Dongfang Electric Corporation 367, 000, 000 domestic listed private placement of the A Shares based on “Approval of the Dongfang Electrical Machinery Company Limited issuing directly to China Dongfang Electric Corporation to purchase the assets ” ([2007] No.172) by China Securities Regulatory Commission issued. On 26 October 2007, the Company was renamed Dongfang Electric Corporation in accordance with the Resolution of the 2007 Second Extraordinary General Meeting.

In November 2008, the Company issued 65,000,000 domestic listed Renminbi ordinary shares in the PRC in accordance with the approval of “Approval of certain issues in the additional shares of Dongfang Electric Corporation” ([2008] No.1100) by the China Securities Regulatory Commission on 5 September 2008. The share capital had changed to 882, 000, 000 yuan since then.

On 6 November 2009, with the approval of “Approval of certain issues in private placement of the Shares of Dongfang Electric Corporation” ([2009] No. 1151), the Company issued 119,930,000 domestic listed private placement of the A Shares to eight specified companies

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

including China Dongfang Electric Corporation in November 2009. After that, the shares of the Company increased to 1,001,930,000.

According to the resolutions of annual general meeting of the shareholders on 18 June 2010, the 1st domestic shareholders class meeting in 2010 and foreign shareholders class meeting, the Company decided to increase 10 shares per 10 shares to all shareholders.

By the end of 2013, the capital shares of the corporation is 2,003,860,000: domestic shares without selling restrictions domestically-listed are 1,663,860,000, representing 83.03% of the share capital; shares without selling restrictions held by foreign investors listed overseas(H shares) is 340,000,000, 16.97% of the share capital. The Corporate Business Licence Serial Number approved by Chengdu Administration for Industry & Commerce is 510109000059366. The registered address is No.18 Xixin Avenue Western, high-tech district, Chengdu City, Sichuan Province. The head quarter is No.333 Shuhan Avenue, Jinniu district, Chengdu City, Sichuan Province.

The parent and ultimate controller of the Company is Dongfang Electric Corporation. DEC is a state-owned company registered in China. The shareholders' general meeting is authority of the Company, deciding management policies, funding, investing and distribution of the profit in accordance with the law. The Board of Directors is responsible for the shareholders' general meeting, enjoying the decision-making power in production and operation according to law. The Management executes resolutions of the Board and the shareholders' general meeting, organizes production and management. The Company establishes nine functional departments including 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 and Technology Quality, Marketing, Accounting and Auditing. Moreover, there are four business units, Combustion Engine Division, Nuclear Power Division, Wind Power Division and Power Services Division. The Company is composed of six subsidiaries: Dongfang Angturbine Co., Ltd, Dongfang Boiler Group Co., Ltd, Dongfang Electric Machinery Co., Ltd, Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd, and Dong Fang Electric (India) Private Limited, Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.

The Group is specialized 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 equipments, materials and labors, import and export, the professional service with high effectiveness and high quality, technological exchange and popularization. The key

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

productions involve power generating equipments of hydro, thermal, nuclear, wind, and gas turbine generating unit.

II. Principal accounting policies and accounting estimates

1. Basis of preparation of financial statements

The Group's financial statements have been prepared on a going concern basis, in accordance with "Accounting Standards for Business Enterprises" (including the Accounting Standards for Business Enterprises and amendments in 2014 promulgated by Ministry of Finance of the PRC, with Reference to 37. II) from Ministry of Finance of the People's Republic of China. In addition, the financial statements comply with Rules No.15 for Information Disclosure by Companies Offering Securities to the Public--the Provisions on Financial Statements by the China Securities Regulatory Commission, the Rules governing the listing of securities on Hongkong Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Statement of compliance of Accounting Standards for Business Enterprises(CAS)

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and related accounting requirements, and present truly and completely the consolidated and Company's financial position and their financial performance and cash flows and other related information.

3. Accounting period

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

4. Recording currency

The company and its domestic subsidiaries should take RMB as their recording currency, while foreign transactions should be recorded with local currency.

The preparation of the financial statement considers Renminbi ("RMB") as the recording currency

5. Basis of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for financial assets held for trading, available-for-sale financial assets which are measured at fair value, the financial statements are prepared under the historical cost convention.

6. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. The Group recognises assets and liabilities obtained through a business combination at the combination date or acquisition date. The combination date or acquisition date is the date on which the absorbing party or acquirer obtains effectively control over the party being absorbed or acquired.

(1) Business Combination under Common Control

Under a business combination involving entities under common control, assets and liabilities obtained are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

and the carrying amount of the consideration paid is adjusted against capital reserve. Any excess over capital reserve is adjusted against undistributed profits.

(2) Business Combination not under Common Control

Under a business combination involving entities not under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the period after re-assessment.

(3) Purchase of non-controlling interest in Subsidiaries

After gaining control of subsidiaries, minority shareholders become the owner of minority interest. When preparing consolidated financial statements, the number of whole accounts within asset and liability should be adjusted to fair value either on their purchase date or merge date. The value of capital reserve (also named 'share premium') should be adjusted proportionally based on ongoing difference of net assets either since purchase date or merge date of subsidiaries, which come into existence due to newly added long-term equity investments arising from acquisition of minority interest. In situation where capital reserve falls short of expectation, retained earnings need to be readjusted.

7. Preparation of consolidated financial statements

The scope of consolidation decided is based on the control.

Control refers to the power, namely the enterprise has the right to participate in operation of other companies obtaining benefits from their business activities and impacting the variable amounts

All significant current balance, transactions and unrealized gain & loss within the scope of consolidation will be offset when preparing consolidated financial statements. The part of shareholders' interest in subsidiaries and current gain & loss that do not belong to parent company, should be treated respectively as minority interest under section of owners' equity and net profit in consolidated statements. When current loss beared by minority shareholders exceed their share in beginning balance of owners' equity of subsidiaries, the difference will be recorded as reduction of minority interest.

Discussing issues such as difference between parent company and subsidiaries in terms of accounting policy or accounting period, it is subsidiaries' responsibility to adjust financial reports based on parent company's policy when preparing consolidated statements.

When dealing with subsidiaries under business merger of different control, individual statement needs to be adjusted according to fair value of identifiable net assets gained on acquisition date. Whereas for subsidiaries of same control, one should make necessary adjustments on beginning balance of consolidated statements and preliminary comparative financial statements from the day when subsidiaries controlled by the same company.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

8. Basis of recognition of cash and cash equivalents

Cash and cash equivalents in the Group's cash flows statement represents cash on hand , deposits that can be readily draw on demand, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

9. Foreign currency transactions and translation of financial statements denominated in foreign currency

(1) Foreign currency transactions

Foreign currency transactions are translated into RMB at the spot exchange rate (or actual situation) of the transaction dates. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items in foreign currencies carried at fair value are translated at the spot exchange rates of the date when the fair value was determined. Non-monetary items in foreign currency measured at historical cost shall continue to be translated into the reporting currency at the spot exchange rate at the date of transactions

(2) Translation of financial statements denominated in foreign currency

Asset and liability items in the balance sheet of foreign operations are translated at the spot exchange rates at the balance sheet date; equity items other than undistributed profits are translated at the spot exchange rates at the date of the transactions. Income and expense items in the income statements are translated at the spot exchange rate (or actual situation) at the date of the transactions. All resulting translation differences are recognised as a separate component of equity. The cash flows in foreign currencies are translated at the spot exchange rate (or actual situation) at the date when the cash flows incurred. The impact of the foreign currency translation on the cash is presented in the cash flow statement separately.

10. Financial assets and financial liabilities

(1) Financial assets

1) Classification of financial assets

Financial assets are classified into four categories according to the purposes of investments and their economic substance: "Financial assets at fair value through profit or loss", "Held-to-maturity investments", "Loan and receivables" and "Available-for-sale financial assets".

Financial assets at fair value through profit or loss are those financial assets that have been acquired principally for the purpose of selling in the short terms. They are presented in the balance sheets as "Financial assets held for trading".

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has positive intention and ability to hold to maturity.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Loan and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition.

2) Recognition and measurement of financial assets

A financial asset is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loan and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss are recorded as 'Gain or loss from changes in fair value'. Interest or cash dividends received during the period in which such financial assets are held, are recognised as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognised as 'Gain or loss on Investment' and adjust the gain or loss from changes in fair value accordingly.

Exchange for impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets is derecognised, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in equity are charged to profit or loss for the period as 'Investment income'. Interests for the period in which the assets are held is calculated using the effective interest method is charge to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'.

3) Impairment of financial assets

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When an impairment of financial assets carried at amortised 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

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit and loss for the period.

When there is a significant or prolonged decline in the fair value of available-for-sale financial assets, the accumulated losses in fair value that was previously directly recorded in shareholder's equity are transferred out and recognised as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognised, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previous recognised impairment loss is reversed into profit or loss for the period. For an investment in an equity instrument classified as available-for-sale equity on which impairment loss has been recognised, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

4) Transfer of financial assets

A financial asset is derecognised when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognises such financial asset to the extent of its continuous involvement and recognises the corresponding liabilities. The extent of the continuous involvement represents the extent to which the entity exposes to changes in the value of such financial asset.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

(2) Financial liabilities

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

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

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

A financial liability is derecognised when the underlying present obligations (or part of it) are discharged. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss for the period.

(3) Determination of financial assets and financial liabilities

1) Where there is active trading market, the fair value of the financial instruments is determined by reference to the quoted price in the active trading market. In the active trading market, the fair value of financial assets already held by the Group or the financial liabilities that the group is proposed to assume is determined by the current bid price of the corresponding assets or liabilities. The fair value of financial assets that the Group is propose to acquired or the liabilities already assumed by the Group is determined by the ask price of the corresponding assets and liabilities. Where the financial assets and financial liabilities do not have bid price or ask price, and there are no significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by reference to the quoted prices of recent transactions. Where there are significant changes in operating environment after the recent transaction date, the fair value of such financial assets or financial liabilities are determined by the quoted price of the most recent transactions as adjusted by reference to the current prices or interest rate. Where there is sufficient evidence to show that the market quoted price of the recent transactions is the fair value of such financial assets or financial liabilities is determined by the quoted price of the recent transaction after making appropriate adjustments.

2) Where there is no active trading market for the financial instruments, the fair value of such financial instruments is determined by valuation techniques. Valuation techniques include making reference to the price of recent market transactions by knowledgeable and willing parties; making reference to the current fair value of another financial assets that are the substantially identical to such financial assets; discounting method of cash flows, share option valuation model, etc.

(4) Offset between Financial Assets and Financial Liability

To make financial assets and financial liability offset with each other and listed on balance sheet as net value, either two parties are willing and legally entitled to do so, or they are capable of settling assets and liabilities simultaneously (exclude net agreements). Apart from this, financial assets and financial liabilities are mostly listed respectively on balance sheet and not offset with each other.

(5) Equity Instruments

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Equity instruments refer to contracts that can prove company's residual interest after deducting all liabilities from its assets.

Company's owner equity will increase after deducting transaction costs from consideration gained by issuing equity instruments, whereas equity will decrease after company pays for consideration and transaction cost during repurchase.

All earnings (exclude stock dividend) distributed to holders of equity instruments will decrease company's owners equity. Company does not recognize change of fair value for equity instruments.

11. Provision for bad debts on receivables

Account receivables involve account receivables and other receivables. The account receivables from selling goods and providing services are initially measured at fair value according to relevant contract or agreement signed with goods purchasers or service receivers.

Guideline: In making provision for bad debts, consideration should be given in the following sequence: (1) consider whether provision should be made for the accounts receivable that are individually significant. If provision is needed, it should be made by the method as stated in (1) below; (2) consider whether provision for bad debts by portfolio can reflect the risk characteristics for accounts receivable other than those individually significant. If it can, provision for bad debts should be made by the method as stated in (2) below. Otherwise, the reason and provision for bad debts should be made by the method as stated in (3) below.

(1) Receivables that are individually significant and provided for bad debts on individual basis

Recognition criteria of individually significant receivables	Receivables of more than RMB 30,000,000 and other receivables of more than RMB 10,000,000 are regarded as individually significant receivable.
Recognition method of provision for bad debts for individually significant receivables on individual basis	Provision for bad debts is made as the excess of the carrying amount over the present value of the estimated future cash flows

(2) Receivables that are provided for bad debts on portfolio basis

Basis for determination of portfolio		
Aged group	The group of credit risk characteristics is determined by the aging of the receivables	
Method of provision of bad debts on portfolio basis		
Aged group	Aging analysis	
Proportion of provision for bad debts for receivables by aging analysis		
Aged	Proportion to accounts receivable	Proportion to other receivable
Within one year	5%	5%

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Aged	Proportion to accounts receivable	Proportion to other receivable
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%

(3) Receivables that is individually insignificant but not providing for bad debts individually

Reason for provision for bad debts individually	Receivables with individually insignificant amount and provision for bad debts made on portfolio basis cannot reflect its credit risk characteristics
Method of provision	Provision for bad debts is made as the excess of its carrying amount over the present value of the estimated future cash flows

12. Inventories

Inventories of the Group include raw materials, packaging material, low-value consumables, work in progress and finished goods etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase. Cost is calculated using first-in-first-out/ weighted average method/ specific identification method when the inventories are issued or consumed. Low value consumables and packaging material are amortized by one-time write off or 50/50 basis.

At the balance sheet date, inventories are stated at the lower of costs or net realizable value. Where the inventories become damaged, partially or wholly obsolete or whose selling price is lower than its cost, provision for inventory impairment is made for amount of cost that are expected irrecoverable. For finished goods and bulk raw material, inventory impairment provision is provided at the difference of cost of single item of inventory exceeding its net realizable value. For inventories with tremendous number and relatively low unit price, provision is determined according to the type of inventory.

Net realizable value of finished goods, work in progress or held-for-sale raw materials are determined by their estimated selling price less estimated selling expenses and related taxes. Net realizable value for raw material held for production are determined by the estimated selling price of finished goods less the estimated cost to completion, selling expenses and taxes.

The Group maintains a perpetual inventory system.

13. Long-term equity investments

Long-term equity investments include equity investments in entity over which the Group has control, joint control or significant influence; and equity investments in entity over which the

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Group does not have control, joint control or significant influence and it has no quoted price in an active market and the fair value cannot be reliably measured.

Joint control is the contractual agreement sharing of control over an economic activity. Joint control exists only when any investor does not have power to control operating activities unilaterally and decisions relating to the basis operating activity of the entity require the unanimous consent of the parties sharing the control.

Significant influence exists when the investor has the power to participate in the in-vestee's financial and operating policy decision-making, but not able to control or jointly control, together with other parties, the formulation of these policies. Significant influence exists when the Group directly or indirectly owned 20% or more but less than 50% shares with voting rights in the in-vestee 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 fair value at the date of combination (acquisition) of the assets given up, liabilities incurred or committed and equity instruments issued.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the Group by the investor, the investment cost is the consideration as specified in the relevant contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring, exchange of non-monetary assets, the cost of investment is determined according to the relevant accounting standards.

Investments in subsidiaries are accounted for by the Group using cost method and adjusted for by equity method when preparing consolidated financial statements. Investments in equities that the Group does not have control, joint control or significant influence and do not have quoted market price in active markets and its fair value cannot be reliably measured are accounted for using cost method. Investments in entities over which the Group does not have control, joint control or significant influence but have quoted prices in active market and their fair value can be measured reliably are accounted for under available-for-sale financial assets.

Under the cost method, long-term equity investments are measured initially at its investment cost, and adjusted by the amount of additional investment and the amount recovered. Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group will recognize its share of the in-vestee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the date of acquisition, after making appropriate adjustments thereto in

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

conformity with the accounting policies and accounting periods of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated companies and joint ventures is offset according to the shareholding attributable to the Group and accounted for as investment income and loss based on such basis. If there are debit difference for the long-term equity investments debit difference for joint ventures and associates that have been already existed at the first implementation date of the Standards, the investment income should be recognized after deducting the amortization of such difference on a straight-line basis over the original remaining period.

Where the Group has no longer joint control or significant influence in the in-vestee company as a result of reduction of the investment and there are no quoted prices for the investment in active market and its fair value cannot be measured reliably, it will be changed to be accounted for using cost method. Where the Group obtains control over the in-vestee company as results from such as making additional investment, the long-term equity investments will also be changed to be accounted for using cost method. Where the Group obtain joint control or significant influence over the in-vestee company as results from such as making additional investment or where Group has no longer control but remain joint control or significant influence over the in-vestee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the in-vestee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

14. Investment properties

The investment properties of the Group include land use rights leased out, land use rights held for after appreciation and leased buildings.

Investment property is initially recorded at cost. The cost for investment properties purchased from outsiders includes purchase prices, related taxes and directly attributable expenditure. The cost of self-constructed investment properties includes construction expenses incurred for bringing the assets to the conditions ready for use.

Investment properties of the Group are subsequently measured using cost model. Depreciation or amortization is provided for over their estimated useful lives and estimated residual percentage. The estimated useful life, residual percentage and annual depreciation (amortization) rate of investment properties are as follows:

Classes	Estimated useful life (Year)	Estimated residual percentage (%)	Annual depreciation rate
Land use right	50		2%
Buildings			

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Classes	Estimated useful life (Year)	Estimated residual percentage (%)	Annual depreciation rate
Including: productive building	20	5%	4.75%
non-productive building	25	5%	3.80%

The Group reviews the estimated useful life and estimated net residual value of an investment property and the depreciation method at the end of each financial year and makes adjustment for any changes

Where the usage of an investment property is changed into owner-occupied, it shall be reclassified as fixed asset or intangible asset at the date of change. Where the usage of an owner-occupied is changed to earning rental income or capital appreciation, it will be transferred from fixed asset or intangible asset into investment property as from the date of change. On conversion, the carrying amount immediate before conversion is taken as the cost of the assets.

An investment property is de-recognized when it is disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from disposal, transfer, retirement or damaged of the investment property after the carrying amount and related taxes is recognized in profit or loss for the current period.

15. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

Fixed assets consist of buildings, plant and machinery, motor vehicles, office equipment and others.

The fixed assets are initially measured at cost. The cost of fixed assets purchased from outsiders includes purchase prices, related import taxes and necessary expenses incurred for bringing the assets to the working condition for its intended use. The cost of self-constructed fixed assets includes construction expenses incurred for bringing the assets to the working condition for its intended use. The cost of fixed assets injected by investors to the Group is measured at the considerations as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets will be recorded at their fair value. The cost of fixed assets acquired under finance lease arrangement is measures at the lower of their fair value and the present value of the minimum lease payment at the inception of the leases.

Subsequent expenditure relating to fixed assets, such as repairing expenditures, renovation and improvements are recognized as the cost of fixed assets when they meet the recognition criteria. The carrying amount of the replaced parts is de-recognized. All other subsequent expenditures not meeting the recognition criteria are charged in the profit or loss for the current period.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Except for those fixed assets that are fully depreciated but still in use and lands that are separately recorded, depreciation is provided for fixed assets over their estimated useful life using the average life method (or other method). Depreciation charge is included in the cost of fixed assets or expenses for the period according to the usage of the assets. The useful life, estimated residual value and annual depreciation rate of each classification of the Group's fixed assets are as follows:

Items	Estimated useful lives (Year)	Expected net salvage value	Annual depreciation
Building			
Including: productive building	20	5%	4.75% or double decline balance method
non-productive building	25	5%	3.80%
Equipments	10	5%	9.50% or double decline balance method
Vehicles	6	5%	15.83%
Instruments	6	5%	15.83% or double decline balance method
Computers	5	5%	19.00% or double decline balance method
Others	6	5%	15.83% or double decline balance method

The Group reviews 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 are accounted for as a change in an accounting estimate.

A fixed asset is de-recognized when it is disposed or expected not bringing economic benefit from its use or disposal. The net amount of proceeds from disposal, transfer, retirement or damage of the asset after the carrying amount and related taxes is recognized in profit or loss for the current period.

If the recoverable amount of fixed asset is lower than its carrying amount, the difference between those two amounts is recognized as provision for impairment loss on fixed asset on an individual item basis and cannot be reversed

16. Construction in progress

The cost of construction in progress is measured based on actual construction expenditures incurred. Cost of self-operating construction is measured at such cost as direct materials, direct wages, and direct construction expenditures. Cost of sub-contracting construction is measured at such cost as construction cost payable. Cost of equipment installation work is measured at such cost as cost of equipment being installed, installation cost, and test running cost. Cost of construction in progress also includes capitalized borrowing costs and exchange difference.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed.

Once the recoverable amount of construction in progress is lower than its carrying amount, the difference between those two amounts is recognized as provision for impairment loss on construction in progress and cannot be reversed

17. Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset commence capitalized as part of the cost of assets when expenditures for the asset have been incurred; the borrowing costs have been incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying assets under acquisition, construction or production become ready for their intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Qualifying assets are assets (fixed assets, investment property, inventories) that necessarily take a substantial period of time (usually more than 1 year) for acquisition, construction or production to become ready for their intended use or sale.

For specific borrowings obtained for the acquisition of qualifying assets, the amount of borrowing costs to be capitalized is the interest expenses actually incurred during the period of capitalization deducting any interest income earned from depositing the unused borrowings in the banks or any investment income arising from temporary investment of those borrowings. For general borrowings obtained for the acquisition of qualifying assets, the amount of borrowing to be capitalized is determined by applying the weighted average effective interest rate of general borrowings, to weighted average of the excess amount of cumulative expenditures on the assets over the amount of specific borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities is resumed.

18. Intangible assets

Intangible assets of the Group include land use right, patents, technologies.

Intangible assets are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

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)

With regard to intangible assets with limited service life, its amortization amount shall be amortized within its service life systematically and reasonably. Land-use rights are amortized evenly over the lease terms as from the date of purchase. Patents, technologies and other intangible assets are amortized over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Amortization charge 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.

The estimated useful life of intangible assets with indefinite useful life is reviewed in each accounting period. Where there are objective evidences that the useful life of the intangible assets become definite, then the useful life of the assets is estimated and amortization is provided over its estimated useful life.

Once the recoverable amount of intangible assets is lower than its carrying amount, the difference between those two amounts is recognized as provision for impairment loss on intangible assets and cannot be reversed

19. Research and development

Research and development expenditures of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. Expenditure on the research phase is recognized in profit or loss for the period as incurred. Expenditure on the development phase is recognised as an intangible asset only if all of the following conditions are satisfied:

- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
- (2) There is intention to complete the intangible asset for use or sale;
- (3) There is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period. Capitalized expenditure on the development phase are stated in the balance sheet as 'Development Expenditure' and transfer to as 'Intangible assets' when they become ready for their intended use.

20. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group's share of the net identifiable assets of the invested company or acquiree at the date of acquisition or combination.

Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates or jointly controlled entities is included in the carrying amount of the long-term equity investment.

21. Long-term prepayments

Long-term prepaid expenses are recorded on actual expense, amortized on the straight-line basis over the expected beneficial period and are presented at cost net of accumulated amortization. Long-term expenses item which would not bring any benefits over expected beneficial period are transferred into expenses current period based on cost net of accumulated amortization.

All expenses incurred during the Company's pre-operating period are recorded as long-term prepaid expenses and will be expensed in the first month of commercial operations.

22. Impairment of long-term non-financial assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful life may be impaired. If there is any indication that an asset may be impaired, the asset will be tested for impairment. Once the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss and charged to profit or loss for the period. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined on the basis of the asset groups or asset portfolio to which the asset belongs.

Goodwill arising in a business combination and intangible asset with infinite useful life are tested for impairment annually no matter there is any indication of impairment or not. When making an impairment test, the book value of goodwill should be spread over the asset groups or asset portfolio to which the asset belongs. If there is any indication that the asset groups may be impaired, goodwill will be tested for impairment. The amount of the impairment loss shall first charge against the carrying value of the headquarter' assets and business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the carrying value of other assets in proportion to the weight

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

of other assets in the asset group or combination of asset groups with the business reputation excluded.

Once an impairment loss on the assets is recognized, it is not reversed in a subsequent period.

23. Employee benefits

(1) Employee benefits of the Group covers Short-term compensation, compensation for termination of labor contracts and other long-term employee benefits.

(2) Short-term compensation mainly covers wages, bonuses, allowance and subsidies, welfare expense for the employees, social insurances including medical insurance, work injure insurance and maternity insurance, housing provident fund, labor union expenses cost and employee education expenses, a short absence with salaries, a profit-sharing plan, non-monetary welfare and others

(3) 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 accumulated 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.

If the group decides to cancel the labor relationship with employees prior to the expiration of the relevant labor contracts or bring forward any compensations proposal for the purpose of encouraging the employees to accept a layoff, and the following conditions are met, the group should confirm the estimated debts and record into the current profits or loss :

(1) The group has formulated a formal plan on the cancellation of labor relationship or brought forward a proposal on voluntary layoff and will execute it soon.

(2) The enterprise is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal.

24. Share-based payments

Share-based payment represents transactions in which the Company receives services from employee or other suppliers by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. Share-based

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment.

(1) Equity-settled share-based payment in exchange for services rendered by employees

An equity-settled share-based payment in exchange for the employee's services is measured at the fair value at the date when the equity instruments are granted to the employee.

If the equity instruments granted vest immediately, at the grant date, services received shall be recognised in the costs of relevant assets or as expenses for the current period at an amount equal to the fair value of the equity instruments, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the counterparty completes a specified period of service or certain conditions are satisfied, no accounting treatment is required at the grant date and at each balance sheet date during the vesting period, based on the best estimate of the number of equity instruments expected to vest and in accordance with the fair value of the equity instruments at the grant date, the amounts of the cumulative costs or expenses should be calculated and recognised using straight line method, with a corresponding increase in capital reserve.

For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the *measurement date*, based on market prices if available, taking into account the terms and conditions (excluding the vesting conditions under non market conditions) upon which those equity instruments were granted.

If no similar term and condition exists, the *Black-Scholes Option Pricing Model* is used to estimate the fair value of options granted.

(2) Cash-settled share-based payment transactions

A cash-settled share-based payment is measured at the fair value at the date at which the Group incurred liabilities that are determined based on the price of the shares or other equity instruments. If it is immediately vested, the fair value of the liabilities at the date of grant is recognized as relevant cost or expense, and corresponding liabilities. If it is exercisable only when the vesting period of service is expired or the prescribed conditions are achieved, the fair value of liabilities undertaken by the Group are re-measured at each balance sheet date based on the best estimate of exercisable situation.

(3) Basis for best estimate of the number of equity instruments expected to vest

The entity shall recognise an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

(4) Modifications to the terms and conditions on which equity instruments were granted, including cancellations and settlements

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

If the modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. Similarly, if the modification increases the number of equity instruments granted, the entity shall include the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognised for services received as consideration for the equity instruments granted. If the entity modifies the vesting conditions in a manner that is beneficial to the employee, the entity shall take the modified vesting conditions into account when dealing with vesting condition.

If the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the entity shall continue to measure the amount recognized for services received based on the fair value of the equity instruments granted on the grant date and shall not take into account that decrease in fair value. If the modification reduces the number of equity instruments granted to an employee, that reduction shall be accounted for as a cancellation of that portion of the grant. If the entity modifies the vesting conditions in a manner that is not beneficial to the employee, the entity shall not take the modified vesting conditions into account when dealing with vesting condition.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the entity shall account for the cancellation or settlement as an acceleration of vesting, and shall recognise immediately the amount which should have been received over the remainder of the vesting period in costs or expenses, with a corresponding increase in capital reserve. Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, while the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date, should be recognised as an expense. If the new equity instruments are granted to the employee and, on the date when those new equity instruments are granted, the entity identifies the new equity instruments granted as replacement equity instruments for the cancelled equity instruments, the entity shall account for the granting of replacement equity instruments in the same way as a modification of the original grant of equity instruments.

25. Joint Arrangements

The joint arrangement is an arrangement of which two or more parties have joint control. The joint arrangements can be divided into joint operations and joint ventures by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement.

Joint operation is the arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

relating to its interest in a joint operation or in accordance with the CASs applicable to the particular assets, liabilities, revenues and expenses.

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint venture should be dealt with under CAS 2 - Long-term equity investments

26. Provisions

Provision is recognised for an obligation related to a contingency, such as guarantee given to external parties, discounted commercial notes, pending litigation or arbitration, product quality warranty, as a liability when all of the following conditions are satisfied: 1) the obligation is a present obligation to the Group; 2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; 3) the amount of the obligation can be measured reliably.

Provision is measured at the best estimate of the expenditures required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation. Where the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions are reviewed at each balance sheet date. If there are any changes, the carrying amount of provisions will be adjusted to reflect the current best estimate.

27. Safety production expenditures

For machinery manufacturing subsidiaries, to improve the condition of safe production, the group makes safety production expenditures monthly based on the real revenue of last year by taking the excess regressive method. The safety production expenditures are drawn as below:

- (1) For the revenues below 10,000,000, drawn at 2%
- (2) For the revenues above 10,000,000 and up to 100,000,000, drawn at 1%
- (3) For revenues above 100,000,000 and up to 1,000,000,000, drawn at 0.2%
- (4) For revenues above 1,000,000,000 and up to 5,000,000,000, drawn at 0.1%
- (5) For revenues above 5,000,000,000, drawn at 0.05%

For manufacturing subsidiaries newly established and taken into operation less than 1 year, drawn monthly based real revenues that year.

The safety production expenditure withdrawn should be recognised as current profit and loss, with a corresponding increase in special reserve and be disclosed separately under equity. If the safety production expenditures belong to expenses, they shall directly offset special reserve. If the safety production expenditures are recognised as fixed 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 special reserve, and accumulated depreciation shall be recognized in an equal amount. If the drawn special reserve is not enough for be offset, it should be recorded in current profit and loss.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

28. Recognition of revenue

Guideline: Where there are special industries (such as property development) in the consolidation scope, the disclosures of revenue recognition and measurement should be made according to the relevant requirements of Accounting Standards for Business Enterprises combining with the actual circumstances of the enterprise. The disclosures should be able to demonstrate the characteristics of the operations generating the revenue and the details of judgment. The disclosures should be avoided from directly copying from the standards.

The operating revenues of the Group mainly included revenue from sales of goods, rendering of services and transferring of assets use rights and construction contracts. The principles of revenue recognition are as follows:

(1) Sales of goods

Sales of goods are recognized when 1) the significant risks and rewards of the ownership of commodities are transferred to customers; 2) the Group has no longer retained continuous management rights generally associated with the ownerships; 3) the Group has no longer effective control over the commodities sold; 4) the amount of revenue can be reliably measured; 5) it is very likely that the economic benefits will be flowed to the Company; and 6) when the related costs that has incurred or will be incurred can be reliably measured. Specifically, for the products needing to be installed, tested, checked and accepted, revenue is recognised at the time when goods are delivered, installed, checked and received; for those do not need to be installed, tested, checked and accepted, revenue is recognised at the time when they are checked and accepted.

(2) Revenue from rendering of services

Revenue from rendering of services is recognized when 1) total revenue and total costs of the services can be measure reliably; 2) the associated economic benefits are probably flow to the Group; 3) the stage of completion of the services can be estimated reliably. At the balance sheet date, revenue is recognized using the percentage of completion method when the outcome of the services rendered are estimated reliably. The percentage of completion method is determined as the proportion of completed work measured/ services rendered to date over the total contracted services/ (the proportion of costs incurred to date over the total estimated cost). Where the outcome of the service rendering transaction cannot be reliably estimated or the costs incurred are not expected to be recoverable, no revenue will be recognized. The costs incurred are charged to profit or loss for the period.

(3) Revenue from transfer of asset use rights

Revenue from transfer of asset use rights is recognized when the economic benefits in connection with the transaction are probably flow to the Group and the amount of revenue can be reliably measured.

29. Construction contracts

Revenue from and costs of construction contract are recognised at the balance sheet date using the percentage of completion method when 1) the total revenue from the contracts can be

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

measured reliably; 2) the associated economic benefits are probably flow to the Group; 3) contract costs actually incurred can be clearly identified and measured reliably; and 4) the progress of the contract and the future costs to be incurred for the completion of the contract can be estimated reliably. In applying the percentage of completion method, the stage of completion is determined according to the proportion of contract costs actually incurred to date to the estimated total contracts costs.

Where the outcome of the construction contract cannot be reliably estimated and the cost incurred are expected to be recoverable, revenue from construction contract is recognised to the extent of the cost incurred. Such cost is recognised as cost of contract for the period. Where the outcome of the construction contract cannot be reliably estimated and the cost is not expected to be recoverable, no revenue is recognised. Such cost is recognised as an expense for the period

The hydraulic power unit, nuclear power unit, steam turbine, electric generator (more than 1000MW) and project contracts which fulfil the conditions of construction contract, the Group confirms cost and income of contract in accordance with CAS 15. Due to the nature of power station boiler, the income is confirmed when the rate of completion reaches a certain degree.

Items	Percentage of completion	Notes
1000MW power station boiler, Environment protection production	≥10%	
600MW power station boiler, Environment protection production	≥20%	
300MW-600MW power station boiler, Environment protection production	≥30%	Excluding 600MW
200MW-300MW power station boiler, Environment protection production	≥40%	Excluding 300MW
100MW-200MW power station boiler, Environment protection production		Excluding 200MW
Including: CFB power station boiler	≥40%	
Others	≥50%	

Construction contracts are reviewed at the end of period. Where it is probable that the total contract costs is going to exceed total contract revenue, provision for loss will be made and recognised as an expense for the period.

30. Government grants

Government grants are transfers of monetary or non-monetary assets from the government to an enterprise at nil consideration; government grants are non-remunerative but conditions relating to compliance with certain policies or usage of the grants shall be satisfied. Capital contributions from the government in its capacity as an owner of the enterprise are not government grants. Investment subsidies from the government for specific purposes which are designated as capital reserve in accordance with the related documents from the State are also not government grants.

A government grant is recognised when the Group complies with the conditions attaching to the grant and when the Group is able to receive the grant.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount, it is measured at the amount receivable.

Where a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of 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.

Assets-related government grants should be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognised as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period.

31. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred liabilities are recognized based on the differences between tax bases of assets and liabilities and respective carrying amount (temporary differences). Deductible tax losses or tax credit that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years are deemed as temporary differences. These temporary differences are recognised as deferred tax assets. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference. At the balance sheet date, the carrying value of the recognized deferred tax assets is reviewed. If it is very likely that no future taxable profits will be available to offset the deferred tax assets, the carrying value of the deferred tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount previously reduced will be reversed.

For the taxable temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit(or deductible loss), the resulting deferred tax liabilities shall not be recognised. For the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit(or deductible loss), the resulting deferred tax assets shall not be recognised.

Deferred tax assets and deferred tax liabilities meeting the following conditions should be represented after off-setting in net balance:

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

(1)Deferred tax assets and deferred tax liabilities are related to income tax which is collect from the same taxpayer of the Group by the same tax collection administration department

(2)The tax payer of the Group has the legal rights to settle the current deferred tax assets and the current deferred tax liabilities in net balance.

32. Leases

Leases are classified as finance leases and operating leases at the date of inception. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

(1)Finance leases (Lessee)

The Group, as a lessee, recognizes the assets under finance lease at the lower of their fair value at the inception of the leases 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 which should be amortised using the effective interest method over the lease term. The balance of the present value of minimum lease payments with deduction of unrecognized finance lease is represented as long-term liabilities and long-term liabilities within one year.

Provided that it is reasonably certain at the outset that the lessee will obtain the ownership of the assets when the lease term finished, the assets should be depreciated over the useful life. Otherwise, the assets should be depreciated over the shorter of the useful life of the asset and the lease term.

(2)Finance leases (Lessors)

At the commencement of the lease term, a lessor shall recognise the minimum lease payments at the inception of the lease as a finance lease receivable, and record the unguaranteed residual value at the same time. The difference between the aggregate of the finance lease receivable and the unguaranteed residual value and the aggregate of the fair value of the leased asset and the initial direct costs shall be recognised as unearned finance income which shall be amortised 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 recognised 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 recognised in the future in accordance with revised leasing net investment and the recalculated interest rate implicit in the lease.

Contingent rental is charged to current profit or loss.

(3) Operating leases(Lessee)

The Group, as a lessee, recognizes lease payment on a straight-line basis over the terms of the relevant lease and allocated to as a cost of an assets or an expense for the period. The

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

initial direct costs shall be included in profit or loss. Contingent rental is charged to current profit or loss.

(4) Operating leases(Lessor)

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; however, those of a relatively large amount shall be capitalised and recognised as an expense over the lease term on the same basis as the lease income. Initial direct costs incurred by a lessee shall be included in profit or loss. Contingent rental is charged to current profit or loss.

33. Income tax accounting

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are deal with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying amount of goodwill. All other current tax and deferred tax are recognised in the profit or loss for the period.

The tax currently payable is the amount of tax payable to taxation bureau by the enterprise 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 tax assets and deferred tax liabilities at the end of period that should be recognised using the balance sheet liabilities approach and their balances originally recognised.

34. Segment information

The Group determines the operating segments on the basis of internal structure, management requirements and internal reporting system and adopts these operating segments as the basis for reporting segments for disclosure purposes. An operating segment is a component of the Group that satisfies all of the following conditions: 1) it is able to earn revenue and incur expenses from ordinary business activities; 2) its operating results are regularly reviewed by the Group's management for making decision about resources to be allocated to the segment and to assess its performance; and 3) for which the financial information on the financial position, operating results and cash flow of these components is available to the Group. Two or more operating segments can be aggregated into one single operating segment if they have similar economic characteristic and satisfy certain conditions.

Transfer price between segments is determined with reference to the market price. Common expenses, except for those cannot not be allocated reasonably, are allocated to each segment based on revenue.

35. Assets held for sale and termination of business operation

A component is classified as held-for-sale when all of the following conditions are satisfied: 1) the Group has made a resolution on disposal of the component; 2) an irrevocable contract with the transferee has been signed; and 3) the transfer will be completed within one year.

The non-current assets satisfying the held-for-sale conditions are represented as other current assets in a lower amount of book value and fair value deducting disposal expense. The amount of book value lower than fair value deducting disposal expense is recognized as impairment loss of assets.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Discontinued operation is a component of the Group that either has been disposed of or is classified as held-for-sale, and can be distinguished from other components within the Group in the business operations and in the preparation of financial statements.

36. Hedging

The hedging of the group includes fair value hedging, cash flowing hedging, and net investment hedging in an overseas operation

(1) At the commencement of the hedging, the group shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) 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. The hedging shall be relevant to the designated 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) An enterprise shall continuously evaluate the effectiveness of hedging and ensure that this hedging is highly effective in accounting period in which the hedging relationship is specified.

37. Changes in accounting Estimates and accounting Policies

(1) According to notice from Ministry of Finance, the group has adopted the following accounting standards when preparing financial statements: "CAS 9 Employee Benefits (Revised 2014)", "CAS 30 Presentation of Financial Statements(Revised 2014)", "CAS 39 Fair Value Measurement(Revised 2014)", "CAS 40 Joint Arrangements(Revised 2014)", "CAS 33 Consolidated Financial Statements(Revised 2014)".

"CAS 9 Employee Benefits (Revised 2014)"

According to <CAS 9 Employee Benefits (Revised 2014) >, the group has classified employees' benefits program of resignation into Defined Contribution Plans (DCP) and Defined Benefit Plans (DBP). DCP refers to benefits program of resignation that the group doesn't have to take responsibility of further payment after paying fixed costs to independent fund, whereas DBP represents the rest of program which excludes DCP. During the accounting period of employees' in-house service, the group recognizes its deposited amount as liability based on DCP, followed by record of current gain & loss and asset. For DBP, the group calculates its obligation arisen from DCP with Expected Cumulative Welfare Unit method and appropriate actuarial assumptions. In addition, the group attributes its benefit obligation to accounting period of employees' in-house service based on equation that

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

confirmed by DBP, followed by record of current gain & loss. Change caused by remeasurement of net asset and net liability that related to DCP would be recorded into other comprehensive income. The adoption of revised accounting standards does not have significant impact on group's 2013 financial report.

"CAS 30 Presentation of Financial Statements(Revised 2014)"

The group has updated its specification on presentation of financial reports to ensure it complies with < CAS 30 Presentation of Financial Statements(Revised 2014)>. For instance, the other comprehensive income section within income statement would be divided into two parts, follow-up that will not be reclassified to profit or loss and the other that will be reclassified to profit or loss when predetermined condition has been satisfied.

"CAS 39 Fair Value Measurement(Revised 2014)"

According to < CAS 39 Fair Value Measurement(Revised 2014)>, fair value, which has been adopted by the group, represents transaction price that market participants have to pay when they sell assets or transfer liabilities. Based on this standard, the group has made necessary disclosure on fair value appeared on financial report. The adoption of revised accounting standards does not have significant impact on recognition and calculation of related items within group's 2013 financial report.

"CAS 40 Joint Arrangements(Revised 2014)"

According to < CAS 40 Joint Arrangements(Revised 2014)>, the group classifies joint venture arrangements that controlled by more than two participants into different parts, followed by appropriate accounting treatment. The adoption of revised accounting standards does not have significant impact on group's 2013 financial report.

"CAS 33 Consolidated Financial Statements(Revised 2014)"

According to < CAS 33 Consolidated Financial Statements(Revised 2014)>, the scope of consolidation is still determined by concept of control. The related criteria for justifying whether control exist could be defined as: the group has power over its investee; the group has exposure to, or rights to, variable returns from its involvement with the investee; the group has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of revised accounting standards does not have significant impact on group's 2013 financial report.

The Ministry of Finance issued <CAS explanation 6> which will became effective from Jan 1st, 2014. Board of directors do not consider the correlation between No.6 explanation and group's current financial situation in addition to its operation results.

(2) Besides that, there is no change on group's current accounting policies and estimates.

38. Explanations on the correction of errors

No correction of errors within this accounting period

39. Principal accounting policies and accounting estimates

The management team of group should apply estimates and assumption when prepare financial statements. As a result, group's choice towards accounting policies will be affected,

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

as well as currency amount of assets, liabilities, revenue and costs. Considering difference between estimates and real amount, the management team within group undertakes continuous assessment on related key assumptions and uncertainties. The impact for change of accounting estimates would be confirmed in current or future periods.

The following accounting estimates and key assumptions contain risk that might require significant adjustments on balance sheet in next accounting period.

(1) Impairment of Accounts Receivable

As stated in Notes II .11, the group reviews its accounts receivable that measured at amortized cost on balance sheet date in order to determine whether impairment exists, followed by evaluation of impairment loss if such indicator becomes real. The objective evidence of impairment contains data that could be used to prove significant decrease in future cash flow of individual receivable item or the portfolio, as well as issues that make debtors' financial situation worse. If evidence suggests that accounts receivable has been recovered due to transactions that take place after recognition of impairment, then the previously recognized loss should be reversed.

(2) Provision of Inventories

As stated in Notes II .12, the group estimates the net realized value of inventories periodically, followed by recognition of loss on inventories according to difference between inventory cost and net realized value (NRV). The amount of NRV is calculated as the number which deducts potential cost, selling & distribution expense and related tax from estimated selling price. When actual price and cost of inventories differ from previous estimates, the management team of group will make necessary adjustments on NRV. Since the previously estimated results might be different from actual outcomes that come later, the inventory account on balance sheet may need to be adjusted. In conclusion, the provision of inventories might change with the above factors, and its adjustment will affect current profit & loss of the period that estimates have been changed.

(3) Accounting Estimates toward Provision of Fixed Assets

The group implements impairment test on fixed assets (real estate, machine etc.) that might suffer impairment on balance sheet date. The recoverable amount of fixed assets is calculated as the higher of discounted future cash flow or residual value after deducting disposal expense from fair value, which requires accounting estimates.

In situation that management team revises gross profit margin when calculating future cash flow of asset group and asset portfolio, the group should increase its provision of fixed assets if the revised profit margin is lower than the current one.

In situation that management team revises pre-tax discount rate when calculating future cash flow, the group should increase its provision of fixed assets if the revised discount rate higher than the current one.

In case that actual gross profit margin or pre-tax discount rate differs from estimates of management team, the group should not revise its previously recognized provision of fixed assets.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

(4) The recognition and accounting estimates of Deferred Tax Asset (DTA)

The estimates of DTA require judgment on taxable income and applicable tax rate each year. In addition, its realization is determined by evidence if abundant taxable income could be achieved. In addition to DTA, income tax expense might also be affected when temporary difference has been reversed, or due to change of tax rate in future. The revision of above estimates would lead to significant adjustment on DTA.

(5) The usable Life of Fixed and Intangible Assets

An enterprise shall, at least at the end of each year, check the service life of fixed and intangible assets excepted. The service life is decided in accordance with historical experiences of similar assets, the estimates used generally by industry and technical renovation. When the service life is different from those before, the depreciation and amortization expense shall be changed

III. Taxation

1. Categories of Taxes and Tax Rate

Type of tax	Tax basis	Tax rate
VAT	The sales of goods and provision of taxable services	6%、17%
Business tax	Provision of taxable services, transfer of intangible assets or the sale of immovable properties	3%、5%
Urban maintenance and construction tax	Turnover taxes	5%、7%
Additional education fees	Turnover taxes	3%
Urban real estate tax	The rental income of 70%of building	1.2%/12%
Land use tax	Taxable land	3-15 yuan/m ²
Enterprise income tax		
Including: DEC、 Dongfang Steam Turbine Co., Ltd、 Dongfang boiler group Co., Ltd、 Dongfang Electric Machinery Co., Ltd, Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd, Shenzhen Dongfang Boiler Control Co., Ltd, and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd	Taxable income	15%
Dong Fang Electric (India) Private Limited	Taxable income	32.445%
Other subordinate companies	Taxable income	25%

2. Tax preference and approval

(1) Dongfang Turbine Co., Ltd, Dongfang Electric Machinery Co., Ltd, Dongfang Boiler

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Group Co., Ltd and Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd have obtained the high and new technology enterprises certificates on November 28th 2012, November 28th 2012, October 12th 2012 and November 28th 2012 separately. The certificates are jointly issued by Science &Technology Department of Sichuan Province, Department of Finance of Sichuan province, Sichuan Local Taxation Bureau and Sichuan provincial Office, SAT with No.GF201251000089, No.GF201251000140, No.GF201151000188、GF201251000183. Dongfang Boiler (Shenzhen) Control Co., Ltd has got high and new technology enterprises certificate No. GF201244200361 on September 12th, 2012, which is jointly issued by Science &Technology Department of Shenzhen, Department of Finance of Shenzhen, Shenzhen Local Taxation Bureau and Shenzhen provincial Office, SAT. Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd has got high and new technology enterprises certificate No. GR201012000046 on December 16th, 2010, which is jointly issued by Science &Technology Department of Tianjin, Department of Finance of Tianjin, Tianjin Local Taxation Bureau and Tianjin provincial Office, SAT. On September 9th 2013, the certificate reviewed has changed to No. GF201312000036. 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%.

(2) Dongfang (Guangzhou) Heavy Machinery Co., Ltd has got high and new technology enterprises certificate (No.GR201044000150) on September 26th, 2010 which is jointly issued by Science &Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Local Taxation Bureau and Guangdong provincial Office, SAT. Therefore the enterprise should pay its enterprise income taxes at the preferential rate of 15% approved by taxation bureau in 2012.

Considering that the high and new technology enterprises certificates expired in 2013, Dongfang (Guangzhou) Heavy Machinery Co., Ltd has got the certificate No. GF201344000237 of high and new technology enterprises jointly issued by Science &Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Local Taxation Bureau and Guangdong provincial Office, SAT since 16 October 2013. Although the new certificate has not be filed and confirmed by the supervisor tax office, those charged with governance of the Company believe the enterprise can got the confirmation and continue to pay their enterprise income taxes at the preferential rate of 15%.

(3) 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 encourage 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 income accounting for 70% of total operating income.

According to “Announcement on Enterprise Income Tax Reductions and Exemptions of Western Development Strategy(2012 No 12 announcement of the State Administration of

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Taxation)” by State Administration of Taxation, as well as “Circular on the Enterprise Income Tax implemented in Western Development in Gansu(Gansuguoshuihan[2012]No.92)” issued by State Administration of Taxation of Gansu, and confirmed by Jiuquan Municipal Office SAT, Dongfang (Jiuquan) New Energy Co., Ltd is admitted to pay their enterprise income taxes at a preferential rate of 15% from Jan 1st 2012 to Dec 31st 2013. In accordance with “The Catalogue for the Guidance of Industrial Structure Adjustment(2011)” released by the National Development and Reform Commission on 21 March 2011, although the Company and Dongfang Electric Autocontrol Engineering Co., Ltd(DEAE) has not been approved by the Supervisor Tax Office to continue enjoying the preferential tax policies of Western Development Strategy, their main business still belongs to the encouraged type by the State and confirms with the document of (caishui [2011] No.58) and it is expected that the business is probably still in the “Catalogue of encouraged industries in Western Countries” and the DEAE can continue to pay their enterprise income taxes at the preferential rate of 15%.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

IV. Corporation Consolidation and Consolidation Financial statement

1. Subsidiaries

Name of company	Type	Registered Address	Business Nature	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2013 (RMB 10,000.00)	Others (RMB 10,000.00)
Subsidiaries acquired under the same control							
Secondary subsidiaries							
Dongfang Turbine Co., Ltd	Limited Company	Deyang	manufacture	184,600.00	The production, processing and sales of steam turbine, hydraulic turbine, gas turbine and Wind Turbine-Generator & Plants	254,200.40	290,150.00
Dongfang Boiler Group., Ltd	Holding Company	Zigong	manufacture	160,566.10	The P&D, design and sales of power boiler, auxiliary equipment and industrial boiler	439,139.54	62,100.00
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	Limited Company	Guangzhou	manufacture	115,109.57	The business scope shall not cover the projects prohibited or limited by laws and regulations; projects needing approval should not be run before approval; others are allowed to operate freely.	69,946.66	
Third subsidiaries							
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	Limited Company	Tianjin	manufacture	15,986.96	The production and sales of MW level wind turbines and covers and also provide relevant service.	9,418.98	
Subsidiaries acquired not under the same control							
Secondary subsidiaries							

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of company	Type	Registered Address	Business Nature	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2013 (RMB 10,000.00)	Others (RMB 10,000.00)
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Limited Company	Wuhan	manufacture	19,636.00	The design and production of Nuclear Power Equipment of reactor internals and special product	13,156.00	
Subsidiaries acquired by investment or establishment							
Secondary subsidiaries							
Dongfang Electric Machinery Co., Ltd	Limited Company	Deyang	manufacture	200,000.00	The design, production and sales of harbor、turbo generator and AC and DC motor	200,000.00	91,750.00
Dongfang Electric (India) Private Limited	Limited Company	Calcutta	service	75,040.00 (Indian Rupee)	Operation & Maintenance, supply of spare parts, training, overhauling/rehabilitation of the power equipment, and renovation and modernization. for power plants	10,508.12	
Third subsidiaries							
Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd	Limited Company	Chengdu	manufacture	2,386.09 (EURO)	The design, production, manufacturing and sales of catalysts for selective catalytic reduction of Nitrogen	14,323.23	
Dongfang Boiler (Shenzhen) Control Co., Ltd	Limited Company	Shenzhen	manufacture	1,000.00	The R&D and production of power station boiler and control system	510.00	
Dongfang Electric Autocontrol Engineering Co., Ltd,	Limited Company	Deyang	manufacture	10,050.00	The design, production and sales of harbor、turbo generator and AC and DC motor	10,940.28	

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of company	Type	Registered Address	Business Nature	Registered Capital (RMB 10,000.00)	Principal activities	Investment amount by the end of 2013 (RMB 10,000.00)	Others (RMB 10,000.00)
Dongfang Electric Power Equipment Co., Ltd	Limited Company	Deyang	manufacture	4,275.43	The production and sales of AC and DC motor, micro hydropower and special motor	4,321.91	
Dongfang Electrical machinery Tools & Moulds Co., Ltd	Limited Company	Deyang	manufacture	1,460.00	The processing and design, sales of industrial mold and cutter, the processing and sales of conventional machinery and spare parts	1,782.23	
Dongfang Electric New Energy Equipment(Hangzhou) Co.,Ltd	Limited Company	Hangzhou	manufacture	40,936.30	The R&D, design, manufacturing, sales of complete sets of wind and tidal power generation equipment, as well as after-sales service	40,936.30	
Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd	Limited Company	Tianjin	manufacture	20,000.00	The design, production, installation and sales of wind turbine generators	20,000.00	
Dongfang Turbine Dongfang Electric (Tongliao) Wind power Technology Co., Ltd	Limited Company	Tongliao	service	3,000.00	The installation, maintaining, testing and after-sales services of wind turbine generators	3,000.00	
Dongfang (Jiuquan) New Energy Co., Ltd	Limited Company	Jiuquan	manufacture	3,000.00	The R&D of new energy and the installation, maintaining, testing and after-sales services of equipments	3,000.00	
Dongfang Electric (Hu lun Buir) new energy Co., Ltd	Limited Company	Hulun Buir	manufacture	3,000.00	The R&D of wind power generation, introduction of new technology and the design, construction, installation, testing, maintaining and after-sales services of equipments	3,000.00	

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

(Continued)

Name	Shares holding (%)	Voting rights (%)	Whether include in consolidation	Minority equity	The Amount for offsetting the gain and loss of minor shareholders in the minor shareholders' equity
Subsidiaries acquired under the same control					
Secondary subsidiaries					
Dongfang Turbine Co., Ltd	100	100	Yes		—
Dongfang Boiler Group., Ltd	99.67	99.67	Yes	16,086,546.58	—
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	65.1813	65.1813	Yes	521,575,884.95	—
Third subsidiaries					
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	50.36	50.36	Yes	95,535,151.45	
Subsidiaries acquired not under the same control					
Secondary subsidiaries					
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	67	67	Yes	63,717,370.19	—
Subsidiaries acquired by investment					
Secondary subsidiaries					
Dongfang Electric Machinery Co., Ltd	100	100	Yes		—

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name	Shares holding (%)	Voting rights (%)	Whether include in consolidation	Minority equity	The Amount for offsetting the gain and loss of minor shareholders in the minor shareholders' equity
Dong Fang Electric (India) Private Limited (Note.1)	100	100	Yes		—
Third subsidiaries					
Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd	61.42	61.42	Yes	126,036,681.40	—
Dongfang Boiler (Shenzhen) Control Co., Ltd	51	51	Yes	75,194,598.58	—
Dongfang Electric Autocontrol Engineering Co., Ltd,	99.50	99.50	Yes	772,267.60	—
Dongfang Electric Power Equipment Co., Ltd	98.83	98.83	Yes	550,488.01	—
Dongfang Electrical machinery mould Co., Ltd	99.315	99.315	Yes	152,645.74	—
Dongfang Electric New Energy Equipment(Hangzhou) Co.,Ltd	100	100	Yes		—
Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd.	100	100	Yes		—
Dongfang Turbine Dongfang Electric (Tongliao) Wind power Technology Co., Ltd	100	100	Yes		—
Dongfang (Jiuquan) New Energy Co., Ltd	100	100	Yes		—
Dongfang Electric (Hulun Buir) new energy Co., Ltd	100	100	Yes		—

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Note:

1. To meet the Indian law for the majority of shareholders and composition, Chen Weiming and Liang Jian hold 0.005% shares of Dong Fang Electric (India) Private Limited consigned by DEC

By the end of 2013, the subsidiaries have no issued bonds

2. The interpretation on the changing scope of consolidation

The scope of consolidation during the reporting period has not changed and agrees with last year.

3. Translation of foreign currency of the main items in financial statements of foreign entities

Dongfang Electric (India) Private Limited is using Indian Rupee as the recording currency. On the balance sheet date, the Yuan- Indian Rupee exchange rate of the asset and liability items in the balance sheets is 1 to 0.09834 and the income and cash flows sheets is 1 to 0.09834 compared with the exchange rate of 1:0.11428 and 1:0.11428 in 2012 respectively.

V. Notes to the Consolidated Financial Statements

1. Cash and cash equivalents

Item	Dec-31-2013			Dec-31-2012		
	Local currency	Exchange rate	Amount (RMB)	Local currency	Exchange rate	Amount (RMB)
Cash on hand			2,847,607.00			2,612,684.28
RMB	438,154.23	1.00	438,154.23	412,707.46	1.00	412,707.46
USD	141,057.18	6.0969	860,011.52	61,598.13	6.2855	387,175.04
Hong Kong Dollar	22,482.12	0.7862	17,676.12	22,482.12	0.8109	18,229.63
Indian Rupee	12,112,865.34	0.09834	1,191,179.18	12,119,552.38	0.1143	1,385,022.43
Pakistan Rupee	1,432,261.49	0.05752	82,383.70	3,710,823.49	0.06286	233,262.36
Vietnamese Dong	696,430,896.00	0.00029	202,194.78	588,979,185.46	0.00029	176,287.36
Convertible mark	13,127.11	4.26655	56,007.47			
Cash at Bank			12,064,894,863.07			8,898,755,678.57
RMB	10,477,991,300.05	1.00	10,477,991,300.05	7,257,829,682.32	1.00	7,257,829,682.32
USD	224,990,583.99	6.0969	1,371,745,091.53	232,351,536.24	6.2855	1,460,445,581.09
Hong Kong Dollar	177,703.48	0.7862	139,715.23	177,684.95	0.8109	144,074.87
Japanese Yen	2,785,456.00	0.05777	160,918.58	1,379,010.00	0.07304	100,667.73
EURO	3,415,513.83	8.4189	28,754,869.39	5,362,748.01	8.3176	44,605,192.85
Indian Rupee	345,832,089.10	0.09834	34,009,127.63	225,892,623.38	0.1143	25,815,009.00
Pakistan Rupee	1,114,028,193.43	0.05752	64,078,918.56	1,293,428,438.33	0.06286	81,304,911.63
Vietnamese Dong	170,008,044,749.00	0.00029	49,358,435.63	22,660,441,262.00	0.00029	6,782,496.68

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	Dec-31-2013			Dec-31-2012		
	Local currency	Exchange rate	Amount (RMB)	Local currency	Exchange rate	Amount (RMB)
Convertible mark	9,060,361.76	4.26655	38,656,486.47	5,116,144.82	4.2470	21,728,062.40
Other monetary assets			63,905,642.11			59,340,161.78
RMB	63,226,881.34	1.00	63,226,881.34	58,546,685.51	1.00	58,546,685.51
Indian Rupee	6,902,184.00	0.09834	678,760.77	6,943,264.53	0.1143	793,476.27
Total			12,131,648,112.18			8,960,708,524.63

1.1 The balance of cash and cash equivalents increased 3,170,939,587.55 yuan, up 35.39% compared with last year's. It is because that the group has received progress payment of turbine contract in advance.

1.2 By the end of 2013, the total amount of the cash and cash equivalents the DEC deposited in Dongfang Electric Finance Co., LTD are RMB10,373,038,053.44, including currency deposit RMB2,368,442,287.53, fixed deposit RMB6,218,690,000.00, call-deposit RMB560,000,000.00, Dollar currency deposit USD184,934,832.45(equivalent to RMB1,127,529,179.97), Dollar fixed deposit USD11,520,000.00(equivalent to RMB70,236,288.00), Euro currency deposit EUR3,342,514.81(equivalent to RMB28,140,297.94). At the beginning of 2013, the total amount of the cash and cash equivalents the DEC deposited in Dongfang Electric Finance Co., LTD are RMB6,419,827,493.67, including currency deposit RMB1,246,934,815.25, fixed deposit RMB3,895,000,000.00, call-deposit RMB490,000,000.00, Dollar currency deposit USD20,896,955.56(equivalent to RMB131,347,814.17), Dollar fixed deposit USD100,900,000.00(equivalent to RMB634,206,950.00), Euro currency deposit EUR2,685,620.16(equivalent to RMB22,337,914.25).

1.3 Other monetary assets involve the refundable deposits RMB40,628,290.86, the infrastructure deposits RMB781,640.57 and the deposits of letter of credit, bank acceptance note and performance bond guarantee RMB22,495,710.68.

1.4 On 31 Dec 2013, there are RMB 23,277,351.25 restricted, including the infrastructure deposit RMB 781,640.57, deposit of the performance guarantee and letter of credit RMB 22,495,710.68. At the beginning of 2013, the total amounts restricted are RMB 31,711,065.23 including infrastructure deposit RMB1,000,000.00, the deposit of performance guarantee and letter of credit RMB30,711,065.23)

2. Financial assets held for trading

2.1 Classification

Item	Dec-31-2013	Dec-31-2012
Equity investments	23,781,614.55	25,623,903.72
Including: listed in PRC(Hong Kong excluded)	23,781,614.55	25,623,903.72

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	Dec-31-2013	Dec-31-2012
Derivative financial assets	2,826,747.59	4,687,420.24
Total	26,608,362.14	30,311,323.96

2.2 The equity investments involve 7,272,665 ordinary shares (A shares) of China XD Electricity Co., Ltd held by the Group, accounting for 0.1419% of its registered capital. The fair value of the equity investments above are measured by the closing price of the stock market.

2.3 The Derivative financial asset is the contract of 12.3 million US Dollar forward settlement and sales exchange between the Group and bank signed. The fair value at the year end should be decided according to banks quotes.

2.4 There are no restricted financial assests held for trading by the end of 2013

3. Notes receivable

3.1 Classification of notes receivable

Item	Dec-31-2013	Dec-31-2012
Bank acceptance notes	2,743,894,570.50	2,457,222,173.63
Trade acceptance notes	40,967,020.94	111,534,751.31
Total	2,784,861,591.44	2,568,756,924.94

3.2 The total of undue discount trade acceptance notes with recourse is RMB 114,670,055.27, which is regarded as short - term borrowings

3.3 The total of undue notes receivables which has endorsed is RMB 1,388,996,631.62, and the top 5 of notes receivables are as follows:

Type of notes receivables	Company of insurance	Issue date	Due date	Amount	Note
Bank acceptance	First	2013-7-10	2014-7-10	60,000,000.00	
Bank acceptance	Second	2013-9-1	2014-3-11	15,000,000.00	
Bank acceptance	Third	2013-7-30	2014-1-30	10,000,000.00	
Bank acceptance	Fourth	2013-8-27	2014-2-28	10,000,000.00	
Bank acceptance	Fifth	2013-11-7	2014-5-7	10,000,000.00	
Total	--			105,000,000.00	

4. Accounts receivable

Item	Dec-31-2013	Dec-31-2012
Account receivables	21,913,469,989.32	19,025,831,908.38
Less: Provision for bad debts	4,880,985,658.85	4,034,598,346.04
Balance b/d	17,032,484,330.47	14,991,233,562.34

4.1 Aged receivables analysis:

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Age of the receivable	Dec-31-2013	Dec-31-2012
Within 1 year	8,508,565,946.15	7,236,756,539.25
1-2 years	4,004,341,460.79	4,027,312,887.90
2-3 years	2,635,166,251.83	2,234,117,651.98
3-4 years	1,270,709,529.45	990,630,771.02
4-5 years	613,701,142.25	502,415,712.19
Total	17,032,484,330.47	14,991,233,562.34

4.2 Receivables Classification

Category	Dec-31-2013			
	Book Balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are individually significant and provided for bad debts on individual basis.	175,002,790.00	0.80	175,002,790.00	100.00
Receivables that are provided for bad debts on portfolio basis	21,716,497,199.32	99.10	4,684,012,868.85	21.57
Receivables that are not individually significant but provided for bad debts on individual basis	21,970,000.00	0.10	21,970,000.00	100.00
Total	21,913,469,989.32	100.00	4,880,985,658.85	—

(Continued)

Category	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are individually significant and provided for bad debts on individual basis.	778,434,595.00	4.09	484,713,492.50	62.27
Receivables that are provided for bad debts on portfolio basis	18,219,027,313.38	95.76	3,521,514,853.54	19.33
Receivables that are not individually significant but provided for bad debts on individual basis	28,370,000.00	0.15	28,370,000.00	100.00
Total	19,025,831,908.38	100.00	4,034,598,346.04	—

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

4.2.1 Accounts receivable that are individually significant and provided for bad debts on individual basis by the end of 2013

Name	Book Balance	Provision for bad debts	Proportion (%)	Reasons
First	93,045,150.00	93,045,150.00	100.00	Warranty in dispute
Second	48,825,700.00	48,825,700.00	100.00	Warranty in dispute
Third	33,131,940.00	33,131,940.00	100.00	Warranty in dispute
Total	175,002,790.00	175,002,790.00	—	—

4.2.2 Receivables that are provided for bad debts on portfolio basis

Aging	Dec-31-2013			Dec-31-2012		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	8,956,385,206.51	40.87	447,819,260.36	7,617,188,486.07	40.03	380,859,424.32
1-2 years	4,449,268,289.84	20.30	444,926,829.05	4,436,842,097.68	23.32	443,684,209.78
2-3 years	3,293,957,814.77	15.03	658,791,562.94	2,581,055,422.09	13.57	516,211,084.42
3-4 years	2,117,849,215.78	9.66	847,139,686.33	1,596,497,433.86	8.39	638,598,973.53
4-5 years	1,227,402,284.55	5.60	613,701,142.30	890,565,424.41	4.68	445,282,712.22
Over 5 years	1,671,634,387.87	7.64	1,671,634,387.87	1,096,878,449.27	5.77	1,096,878,449.27
Total	21,716,497,199.32	99.10	4,684,012,868.85	18,219,027,313.38	95.76	3,521,514,853.54

4.2.3 Receivables that are not individually significant but provided for bad debts on individual basis

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
First	21,970,000.00	21,970,000.00	100%	unrecoverable
Total	21,970,000.00	21,970,000.00	—	—

4.3 Reversal (recovery) of provision for bad debts during the year

Name	Amount	Rate (%)	Provision for bad debts prior to	Amount Recovered	Basis of original provision	Reason for recovery
Guangdong Yudean Jinghai Power Generation Co., Ltd.	334,165,955.00	50	167,082,977.50	100,397,227.50	uncollectible	Financial condition improved
Huaneng Power(Guangdong) Intl INC	253,276,250.00	50	126,638,125.00	24,996,375.00	uncollectible	Financial condition improved
Total	587,442,205.00		293,721,102.50	125,393,602.50	-	-

4.4 Receivables Actually Written-off during the reporting year

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name	Nature of Accounts receivable	Amount Written-off	Reasons for written-off	Whether result from related party transaction
SDIC Yunnan Dachaoshan Hydropower Co., Ltd.	Payment for goods	15,547.01	Overdue and litigation cost higher than recoverable amount	No
Guizhou Dafang Power Co. Ltd	Warranty	15,000.00	Overdue and litigation cost higher than recoverable amount	No
Inner Mongolia Jinshan energy power plant	Payment for goods	14,750.00	Overdue and litigation cost higher than recoverable amount	No
Inner Mongolia Huaida energy power plant	Payment for goods	8,800.00	Overdue and litigation cost higher than recoverable amount	No
Chongqing Iron & Steel (Group) Co. Ltd	Warranty	7,500.00	Overdue and litigation cost higher than recoverable amount	No
Luoyang Long Yu Electric Co., Ltd	Payment for goods	6,150.00	Overdue and litigation cost higher than recoverable amount	No
Chongqing Qianjin Chemical Co., Ltd	Warranty	3,300.00	Overdue and litigation cost higher than recoverable amount	No
Luoyang Huarun Thermal Power Co. Ltd	Payment for goods	3,200.00	Overdue and litigation cost higher than recoverable amount	No
North United Power Co. Ltd	Warranty	2,668.00	Overdue and litigation cost higher than recoverable amount	No
Datang Anyang Power Generation Co. Ltd	Payment for goods	2,188.00	Overdue and litigation cost higher than recoverable amount	No
Hebei Thermal Power Co. Ltd	Freight	692.50	Overdue and litigation cost higher than recoverable amount	No
Total		79,795.51		

4.5 Debtors being shareholders of the Company with 5% or more voting rights:

Name	Dec-31-2013		Dec-31-2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	36,575,630.55	20,081,699.57	56,752,334.00	21,741,472.55
Total	36,575,630.55	20,081,699.57	56,752,334.00	21,741,472.55

4.6 The top 5 of accounts receivables are as follows:

Name	Relationship	Amount	Age	Rate
First	Related party	904,852,412.43	More than 5 years	4.13%
Second	Non-related party	553,291,855.08	0-4 years	2.52%
Third	Non-related party	453,384,161.25	Within 1 year	2.07%

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name	Relationship	Amount	Age	Rate
Fourth	Non-related party	452,378,094.02	Within 1 year	2.06%
Fifth	Non-related party	350,017,203.83	0-3 years	1.60%
Total		2,713,923,726.61		12.38%

4.7 The total amount of the debtors who are related parties is RMB 1,069,787,500.71, accounting for 4.88% of accounts receivable. Reference to notes of the financial statements VI.3.

4.8 The foreign currency of accounts receivable

Items	Dec-31-2013			Dec-31-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	310,669,920.87	6.0969	1,894,123,440.55	133,775,314.50	6.2855	840,844,739.30
EURO	4,977,594.40	8.4189	41,905,869.49	5,312,941.06	8.3176	44,190,918.56
Indian Rupee	122,423,139.00	0.09834	12,039,091.49	150,608,973.92	0.11428	17,211,593.54
Total			1,948,068,401.53			902,247,251.40

4.9 In terms of the revenue of the construction contract, it is settled based on relative provisions of contract. If the customers have a long history and good credit, the group can grant a longer credit time, such as 2-3 year 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 revenues from small, new or short-term customers, generally, the group shall settle the amount within 180 days after rendering service or delivering products.

5. Prepayments

5.1 Aging analysis for Prepayments

Items	Dec-31-2013		Dec-31-2012	
	Amount	Rate (%)	Amount	Rate (%)
Within 1 year	3,501,268,219.64	74.23	3,755,378,345.93	64.92
1-2 years	511,531,760.91	10.85	1,284,742,117.29	22.21
2-3 years	389,133,813.65	8.25	535,242,318.54	9.25
Over 3 years	314,585,046.41	6.67	209,268,228.76	3.62
Total	4,716,518,840.61	100.00	5,784,631,010.52	100.00

The prepayments with age over 1 year are RMB1,215,250,620.97 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 with.

5.2 The top 5 of prepayments:

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Relationship	Amount	Age	Reason
FIRST	Non related party	786,631,804.96	0-3 years	long manufacturing cycle of part suites and shipments having not been received and settled.
SECOND	Non related party	472,480,795.49	0-3 years	long manufacturing cycle of part suites and shipments having not been received and settled.
THIRD	Non related party	240,001,820.87	0-3 years	long manufacturing cycle of part suites and shipments having not been received and settled.
FOURTH	Non related party	88,524,276.23	0-3 years	long manufacturing cycle of part suites and shipments having not been received and settled.
FIFTH	Non related party	77,186,889.40	0-3 years	long manufacturing cycle of part suites and shipments having not been received and settled.
Total		1,664,825,586.95		

5.3 The debtors who are a shareholder of the Company with 5% or more voting rights:

Name	Dec-31-2013	Dec-31-2012
DEC		729,495.33
Total		729,495.33

5.4 The foreign currency of prepayments

Item	Dec-31-2013			Dec-31-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	97,364,916.47	6.0969	593,624,159.23	142,316,070.53	6.2855	894,527,661.29
Japanese yen	5,213,344,656.00	0.05777	301,180,134.12	3,576,934,565.00	0.073049	261,291,493.04
EURO	138,419,721.55	8.4189	1,165,341,793.76	181,077,134.57	8.3176	1,506,127,174.47
Pound	612,930.00	10.0556	6,163,378.91	509,056.00	10.1611	5,172,568.92
Swiss franc	448,210.49	6.8336	3,062,891.20	2,475,579.01	6.8219	16,888,152.45
Pakistan Rupee	4,216,500.00	0.05752	242,533.08	3,500,000.00	0.0629	220,010.00
HKD	14,585,299.00	0.7862	11,466,962.07	14,530,113.00	0.8109	11,781,742.13
Indian Rupee	14,746,992.00	0.09834	1,450,219.19	398,878.00	0.1143	45,583.78
Vietnamese Dong	1,753,591,260.00	0.00029	509,120.15	55,619,857,989.00	0.00029931	16,647,579.69

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	Dec-31-2013			Dec-31-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
Convertible mark	248,068.19	4.26655	1,058,395.34			
Total			2,084,099,587.05			2,712,701,965.77

6. Interests receivable

6.1 Interests receivable

Item	Dec-31-2012	Increase	Decrease	Dec-3-2013
Interest of time deposit	61,740,939.07	184,376,834.25	144,497,754.81	101,620,018.51
Total	61,740,939.07	184,376,834.25	144,497,754.81	101,620,018.51

Compared with 2012, interest receivables increase by RMB 39,879,079.44(up 64.59%), which is resulted from interests of the increased fixed deposits.

6.2 There are no overdue interests this year in interest receivables.

7. Dividends receivable

Item	Dec-31-2012	Increase	Decrease	Dec-3-2013	Reason	Impairment
Within 1 year	136,612.20	2,268,350.28	2,365,874.68	39,087.80	—	—
Including: Babcock-Hitachi Dongfang Boiler Co. Ltd	136,612.20	2,268,350.28	2,365,874.68	39,087.80	In payment application	No
Total	136,612.20	2,268,350.28	2,365,874.68	39,087.80		

8. Other receivables

Item	Dec-31-2013	Dec-31-2012
Other receivables	647,535,766.65	633,559,541.11
Less: Provision for bad debts	294,575,551.08	307,866,130.02
Net book value	352,960,215.57	325,693,411.09

8.1 The aging of other receivables is analyzed below:

Aging	Dec-31-2013	Dec-31-2012
Within 1 year	232,925,390.33	198,582,793.48
1-2 years	72,451,032.41	36,895,554.93
2-3 years	18,821,383.94	25,895,545.97
3-4 years	17,157,088.12	51,352,540.08
4-5 years	7,234,334.49	7,525,204.63
Over 5 years	4,370,986.28	5,441,772.00
Total	352,960,215.57	325,693,411.09

8.2 Classification of other receivable

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Dec-31-2013			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Other Receivables that are individually significant and provided for bad debts on individual basis.	196,173,490.58	30.30	186,464,106.30	95.05
Other Receivables that are provided for bad debts on portfolio basis	448,612,276.07	69.28	105,361,444.78	23.49
Other Receivables that are not individually significant but provided for bad debts on individual basis	2,750,000.00	0.42	2,750,000.00	100.00
Total	647,535,766.65	100.00	294,575,551.08	—

(Continued)

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Other Receivables that are individually significant and provided for bad debts on individual basis.	198,472,170.30	31.33	186,464,106.30	93.95
Other Receivables that are provided for bad debts on portfolio basis	422,337,370.81	66.66	118,652,023.72	28.09
Other Receivables that are not individually significant but provided for bad debts on individual basis	12,750,000.00	2.01	2,750,000.00	21.57
Total	633,559,541.11	100.00	307,866,130.02	—

8.2.1 Single significant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Zhongke Securities Co., Ltd	186,464,106.30	186,464,106.30	100	Note 1
Housing turnover fund	9,709,384.28	0.00	0	Note 2
Total	196,173,490.58	186,464,106.30		

Note 1: The interpretation refers to note of financial statements 1. XIII

Note 2: The housing turnover fund is temporarily lend to the talent by Dongfang (Guangzhou) Heavy Machinery Co., Ltd. Because of nil risk, the fund which will be deducted from staff's salary monthly in the future has not drawn any provisions

8.2.2 Other Receivables that are provided for bad debts on portfolio basis

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Aging	Dec-31-2013			Dec-31-2012		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	245,184,621.45	37.87%	12,259,231.12	198,508,203.67	31.33	9,925,410.19
1-2 years	80,501,147.13	12.43	8,050,114.72	40,869,727.68	6.45	4,086,972.75
2-3 years	23,391,729.92	3.61	4,678,345.98	31,025,432.46	4.90	6,205,086.49
3-4 years	26,879,813.58	4.15	10,751,925.46	78,244,250.14	12.35	31,297,700.06
4-5 years	6,066,270.54	0.94	3,033,134.05	13,105,805.27	2.07	6,552,902.64
Over 5 years	66,588,693.45	10.28	66,588,693.45	60,583,951.59	9.56	60,583,951.59
Total	448,612,276.07	69.28	105,361,444.78	422,337,370.81	66.66	118,652,023.72

8.2.3 Single insignificant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Hanwang town government	2,750,000.00	2,750,000.00	100	Land compensation fund paid before 2008 earthquake with remote recoverability.
Total	2,750,000.00	2,750,000.00	—	

8.3 There is no reversal of bad debts that is provided for all or part of other receivables.

8.4 Reversal of bad debt provision during the year

Name	Accounts receivable nature	Reversal Amount	Reason for reversal	Whether arising from related party transactions
Sichuan Ruixin Industrial Co., Ltd	Temporary loans	4,645,580.00	The company was bankrupt	No
Total		4,645,580.00		

8.5 The debtors who are shareholders of the Company with 5% or more voting rights:

Name	Dec-31-2013		Dec-31-2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
DEC	27,442,228.91	10,944,895.37	20,219,602.29	5,511,142.24
Total	27,442,228.91	10,944,895.37	20,219,602.29	5,511,142.24

8.6 The top 5 of other receivables in the year end:

Items	Relationship	Amount	Age	Rate (%)
FIRST	Non related party	186,464,106.30	More than 5 years	28.80
SECOND	Related party	33,189,508.96	1-4 years	5.13
THIRD	Related party	27,442,228.91	0-5 years	4.24
FOURTH	Non related party	19,500,000.00	More than 5 years	3.01
FIFTH	Non related party	18,100,000.00	More than 5 years	2.80
Total	—	284,695,844.17		43.98

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

8.7 Among the year-end other receivables of the Group, the balance of related-party receivables amounts to RMB 63,307,395.49, accounting for 9.78% of other receivable. Reference to note of the financial statements VI, 3

8.8 The foreign currency of other receivables

Items	Dec-31-2013			Dec-31-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
USD	79,038.98	6.0969	481,892.76	103,143.00	6.2855	648,305.33
Euro				235.90	8.3176	1,962.12
India Rupee	3,354,971.85	0.09834	329,927.93	7,677,718.30	0.1143	877,409.65
Pakistan Rupee	384,728,511.94	0.05752	22,129,584.01	294,773,143.94	0.06286	8,529,439.83
Vietnamese Dong	101,281,426,366.00	0.00029	29,405,036.52	1,728,638,408.00	0.00029	3,510,498.76
Convertible mark	43,174.01	4.26655	184,204.07			
Total			52,530,645.29			23,567,615.69

9. Inventories

9.1 Classification of inventories

Items	Dec-31-2013		
	Book Balance	Provision for inventories	Carrying Book value
Raw material	6,162,162,335.45	73,145,686.80	6,089,016,648.65
Work in progress	17,100,797,276.18	243,142,969.38	16,857,654,306.80
Finished goods	951,752,299.57	143,867,630.59	807,884,668.98
Reusable materials (packing materials, low value consumables)	58,622,041.05	348,631.08	58,273,409.97
Construction contracts (completed but not yet settled)	4,035,060,407.61	630,179,817.45	3,404,880,590.16
Others	84,133,335.64		84,133,335.64
Total	28,392,527,695.50	1,090,684,735.30	27,301,842,960.20

(Continued)

Items	Dec-31-2012		
	Book Balance	Provision for inventories	Carrying Book value
Raw material	6,789,389,731.70	76,240,999.78	6,713,148,731.92
Work in progress	19,697,548,759.42	223,563,346.37	19,473,985,413.05

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Dec-31-2012		
	Book Balance	Provision for inventories	Carrying Book value
Finished goods	1,207,972,236.45	130,231,200.63	1,077,741,035.82
Reusable materials (packing materials, low value consumables)	57,955,428.06	295,584.25	57,659,843.81
Construction contracts (completed but not yet settled)	4,842,204,295.85	534,346,657.00	4,307,857,638.85
Others	270,699,248.71		270,699,248.71
Total	32,865,769,700.19	964,677,788.03	31,901,091,912.16

9.2 Provision for inventories

Item	Dec-31-2012	Current year additions	Current year reductions		Dec-31-2013
			Reversal	Others transferred out	
Raw material	76,240,999.78	13,655,418.70	2,156,725.38	14,594,006.30	73,145,686.80
Work in progress	223,563,346.37	165,988,619.80		146,408,996.79	243,142,969.38
Finished goods	130,231,200.63	70,225,399.61		56,588,969.65	143,867,630.59
Reusable materials (packing material, low value consumables)	295,584.25	53,837.37	790.54		348,631.08
Construction contracts (completed but not yet settled)	534,346,657.00	399,721,158.88	4,645,009.16	299,242,989.27	630,179,817.45
Total	964,677,788.03	649,644,434.36	6,802,525.08	516,834,962.01	1,090,684,735.30

9.2.1 Because of fierce market competition, the sales prices of the small thermal power units and the wind power products fall, which results in provision for work-in-progress and finished goods of the Group. The provisions are drawn in accordance with net realisable value lower than cost.

9.2.2 For those construction contracts completed but not settled, provisions for inventory are made and the expected loss are drawn from the part of total expected costs exceeding contract income.

9.2.3 Others transferred out are mainly the expected contract losses resulted from the percentage of completion method in accordance with construction contract, as well as the inventories already drawn provisions been used or sold.

9.3 Drawn methods of provision for inventories

Items	Principle	Reasons for reversal	Rate(%)
Raw material	Net realisable value lower than book value	Net realisable value increased	0.03

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Principle	Reasons for reversal	Rate(%)
Work in progress	Net realisable value lower than book value		
Finished goods	Net realisable value lower than book value		
Reusable materials (packing material, low value consumables)	Net realisable value lower than book value	Net realisable value increased	0.01
Construction contracts (completed but not yet settled)	Total contract income lower than expected total cost	Expected total cost decreased with material price	0.12

9.4 There are no inventories pledged or frozen in the year end.

10. Available-for-sale financial assets

Items	Dec-31-2013	Dec-31-2012
Available-for-sale equity instrument investments	289,716,665.00	413,013,757.00
Including: listed in PRC(excluding Hong Kong)	289,716,665.00	413,013,757.00
Total	289,716,665.00	413,013,757.00

The available-for-sale equity instrument investments involve 14,453,900 ordinary shares of Power Development Co., Ltd held by the Groups as well as 75,000,000 ordinary shares of HuaNeng Power International INC. The fair value of the equity investment instruments above are measured by the closing price of the securities market.

11. Long-term equity investment

11.1 Category of Long-term equity investment

Item	Dec-31-2013	Dec-31-2012
The cost method	56,976,314.66	56,976,314.66
The equity method	784,129,880.78	573,319,356.09
Total	841,106,195.44	630,295,670.75
Less: Impairment of long-term equity investment	39,876,314.66	39,876,314.66
Book value of long-term equity investment	801,229,880.78	590,419,356.09

11.2 Analysis of Long-term equity investment

Item	Dec-31-2013	Dec-31-2012
Listed company		
Unlisted company	801,229,880.78	590,419,356.09
Total	801,229,880.78	590,419,356.09

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

11.3 Long-term equity investment measured by the cost method and the equity method

Name	Share holding %	Voting rights %	Amount	Dec-31-2012	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2013	Provision for impairment	Provision for impairment Increased
The cost method										
Sichuan Huadian Yibin power generation Co., Ltd	10.00	10.00	23,800,000.00	23,800,000.00				23,800,000.00	23,800,000.00	
Guangdong oil shale power generation Co., Ltd	10.00	10.00	23,500,000.00	23,500,000.00				23,500,000.00	15,000,000.00	
Beijing Huaqing gas turbines and gas combined cycle technology Engineering Co., Ltd	15.49	15.49	5,500,000.00	5,500,000.00				5,500,000.00		
Sichuan East Electricity Real Estate Development Co., Ltd	12.50	12.50	1,000,000.00	1,000,000.00				1,000,000.00		
Guangdong East Station Equipment Co.,Ltd	11.11	11.11	1,100,000.00	1,100,000.00				1,100,000.00		
Sichuan Nangao Highway Development Co., Ltd	0.05	0.05	1,000,000.00	1,000,000.00				1,000,000.00		
Chengdu Electric Co., Ltd			455,373.41	455,373.41				455,373.41	455,373.41	
Southwest of machinery industry (Group) Corporation joint venture	2.37	2.37	210,000.00	210,000.00				210,000.00	210,000.00	
Wuxi Hostel			150,000.00	150,000.00				150,000.00	150,000.00	
Deyang City Mechanical and electrical equipment import and Export Co., Ltd			100,941.25	100,941.25				100,941.25	100,941.25	

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Name	Share holding %	Voting rights %	Amount	Dec-31-2012	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2013	Provision for impairment	Provision for impairment Increased
Southwest of the means of production center			60,000.00	60,000.00				60,000.00	60,000.00	
Chengdu Southwest tank engineering Co., Ltd	16.13	16.13	50,000.00	50,000.00				50,000.00	50,000.00	
Sichuan electrical import and Export Co.,Ltd	5.00	5.00	50,000.00	50,000.00				50,000.00	50,000.00	
Subtotal			56,976,314.66	56,976,314.66				56,976,314.66	39,876,314.66	
The equity method										
Dongfang Hitachi Boiler Co., Ltd	50	50	34,137,830.00	136,537,423.87		16,902,068.58	2,268,350.28	151,171,142.17		
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	49	49	99,306,720.24	214,325,400.63		100,689,343.88	10,461,950.00	304,552,794.51		
Dongfang AREVA	50	50	75,000,000.00	195,409,680.18		114,663,470.57	53,813,913.72	256,259,237.03		
Leshan East Lok bulky Co., Ltd	49	49	490,000.00	18,839,168.13		4,022,229.89		22,861,398.02		
Sichuan Wind Power Industry Investment Co., Ltd	20	20	48,000,000.00	8,207,683.28	38,000,000.00	-1,922,374.23		44,285,309.05		
Huadian Longkou Wind Power Co. Ltd	25	25	5,000,000.00		5,000,000.00			5,000,000.00		
Subtotal			261,934,550.24	573,319,356.09	43,000,000.00	234,354,738.69	66,544,214.00	784,129,880.78		
Total			318,910,864.90	630,295,670.75	43,000,000.00	234,354,738.69	66,544,214.00	841,106,195.44	39,876,314.66	

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Huadian Longkou Wind Power Co. Ltd, established on 2 Sep 2013, is invested and established by the Group, Huadian Power International Corporation Limited and Yantai Shengneng Investment Co. Ltd jointly. The registered capital of Huadian Longkou Wind Power Co. Ltd is RMB 84,000,000 (year-end paid-up capital RMB 20,000,000), including RMB 21,000,000 of subscribed capital (RMB 5,000,000 of paid-up capital) contributed by the group, accounting for 25% of registered capital. The main business of Huadian Longkou Wind Power Co. Ltd is to develop, construct, operate as well as maintain windmill-powered plants. Until 31 December 2013, the company is in preparation.

11.4 Investment in joint ventures and associates

Name	Type	Registered Address	Legal representative	Organization Code	Business Nature	Share holding	Voting right
Joint ventures							
Dongfang Hitachi Boiler Co., Ltd	Limited Company	Zhejiang	Ma Yi	60945797-5	manufacture	50%	50%
Dongfang AREVA	Limited Company	Deyang	He Yongcheng	77981616-8	manufacture	50%	50%
Associated enterprises							
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	Limited Company	Guangzhou	Zhang Wenfeng	76401165-8	manufacture	49%	49%
Leshan East Lok bulky Co., Ltd	Limited Company	Leshan	Shao Xiaobing	20696663-6	Transportation	49%	49%
Sichuan Wind Power Industry Investment Co., Ltd	Limited Company	Chengdu	Guo Yong	58496725-7	Development of Power Station	20%	20%
Huadian Longkou Wind Power Co. Ltd	Limited Company	Longkou	Sun Xuejun	07799389-9	Development of Power Station	25%	25%

(Continued)

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Joint ventures					
Dongfang Hitachi Boiler Co., Ltd	1,022,123,688.84	719,781,404.86	302,342,283.98	768,823,077.07	35,377,987.74
Dongfang AREVA	1,529,728,691.46	1,017,210,217.40	512,518,474.06	749,454,075.80	226,106,621.32
Associated enterprises					
Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	1,175,686,208.48	554,149,893.16	621,536,315.32	790,259,146.76	202,372,987.03
Leshan East Lok bulky Co., Ltd	61,529,079.12	10,846,664.75	50,682,414.37	20,684,418.16	8,241,418.81

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Sichuan Wind Power Industry Investment Co., Ltd	487,581,639.22	259,255,302.03	228,326,337.19	7,200.06	-9,164,571.10
Huadian Longkou Wind Power Co. Ltd	20,003,900.00	3,900.00	20,000,000.00		
Total	4,296,653,207.12	2,561,247,382.20	1,735,405,824.92	2,329,227,917.85	462,934,443.80

The principal accounting policies and accounting estimates of joint ventures and associates are in conformity with the DEC

11.5 Impairment of long-term equity investment

Name	Dec-31-2012	Current year additions	Current year reductions	Dec-31-2013	Reason
Sichuan Huadian Yibin power generation Co., Ltd	23,800,000.00			23,800,000.00	Deficit
Guangdong oil shale power generation Co., Ltd	15,000,000.00			15,000,000.00	Deficit
Chengdu Electric Co., Ltd	455,373.41			455,373.41	The company shall be written off
Southwest Machinery Joint Venture Corporation	210,000.00			210,000.00	Deficit
Wuxi Hostel	150,000.00			150,000.00	The Company can't contact the debtor
Deyang City Mechanical and electrical equipment import and export Co., Ltd	100,941.25			100,941.25	The Company can't contact the debtor
Southwest of the means of production center	60,000.00			60,000.00	The Company can't contact the debtor
Chengdu Southwest tank engineering Co., Ltd	50,000.00			50,000.00	The company is closed
Sichuan electrical import and Export Co., Ltd	50,000.00			50,000.00	Deficit
Total	39,876,314.66			39,876,314.66	

11.5.1 Guangdong oil shale power generation Co., Ltd is established based on investing the project of Maoming oil shale power generation from Shareholders. However, it cannot get the resource of oil shale mine; the DEC is considering the cancellation of Guangdong oil shale power generation Co., Ltd, approved by the shareholders of Guangdong oil shale power generation Co., Ltd in September 2012. Due to the project of Maoming oil shale power generation ended, the DEC has withdrawn RMB 15,000,000.00 the provision for impairment

11.5.2 The investment in Chengdu Electric Co., Ltd, Wuxi Hostel, Deyang City Mechanical and electrical equipment import and Export Co that the Group can't contact has been drawn

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

full provision for impairment

11.5.3 The investment of Sichuan Huadian Yibin power generation Co., Ltd has been drawn full provision for impairment. This is mainly because of Sichuan Huadian Yibin power generation Co., Ltd running in the deficit after snow-ice disaster in 2008 and 12 May earthquakes.

11.6 No capability of capital transferred is restricted in the year end

12. Investment properties**12.1 Investment properties measured by using cost model**

Items	Dec-31-2012	Increase	Decrease	Dec-31-2013
Original book value	41,751,558.04	46,960,000.00		88,711,558.04
Buildings	34,894,338.04	46,960,000.00		81,854,338.04
Land use rights	6,857,220.00			6,857,220.00
Depreciation and amortization	14,272,054.91	1,640,928.68		15,912,983.59
Buildings	13,037,755.31	1,503,784.28		14,541,539.59
Land use rights	1,234,299.60	137,144.40		1,371,444.00
Provision for the impairment				
Book value	27,479,503.13	—	—	72,798,574.45
Buildings	21,856,582.73	—	—	67,312,798.45
Land use rights	5,622,920.40	—	—	5,485,776.00

The new investment properties of the Group this year are the rental properties.

Until 31 December 2013, depreciation and amortization amount is RMB 1,640,928.68, the same as last year.

12.2 Analysis of investment properties based on the ages and regions

Item	Dec-31-2013	Dec-31-2012
China	72,798,574.45	27,479,503.13
Mid-term(10-50 years)	72,798,574.45	27,479,503.13
Total	72,798,574.45	27,479,503.13

12.3 Uncompleted certificate of investment properties

Chongqin Huiyuan mansion(book value RMB16,549,767.77) has not got the certificate of investment properties. Directors of the Company hold that as the risk and return of investment properties have been transferred, the assets value of the Group should not be impaired because of unreceived certificates. The board of directors is about to obtain the certificate at an appropriate time.

12.4 There is no investment properties pledged or guaranteed in the year end.

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

13. Fixed assets

13.1 Breakdown of Fixed Assets

Item	31-Dec-2012	Increase	Decrease	31-Dec-2013
Original book value	15,252,588,754.53	602,389,543.37	51,012,763.29	15,803,965,534.61
Land	26,104,192.21		3,641,064.26	22,463,127.95
Building	6,558,602,714.74	161,017,052.51	7,669,507.75	6,711,950,259.50
Machines and equipments	7,626,995,066.50	304,453,997.38	14,799,855.57	7,916,649,208.31
Motors and vehicles	347,402,156.62	12,354,980.34	9,515,442.28	350,241,694.68
Instruments, electronic equipment and others	693,484,624.46	124,563,513.14	15,386,893.43	802,661,244.17
Depreciation	5,362,385,527.29	1,217,290,965.28	38,098,826.22	6,541,577,666.35
Land				
Building	1,242,354,960.36	322,076,118.02	2,500,386.50	1,561,930,691.88
Machines and equipments	3,493,604,810.50	712,741,358.41	12,750,381.81	4,193,595,787.10
Motors and vehicles	205,304,740.44	37,998,750.17	8,474,267.13	234,829,223.48
Instruments, electronic equipment and others	421,121,015.99	144,474,738.68	14,373,790.78	551,221,963.89
Provision for impairment	17,167,069.62	1,705,552.45	95,728.87	18,776,893.20
Land				
Building				
Machines and equipments	16,958,572.74	1,655,333.54		18,613,906.28
Motors and vehicles	181,382.31		91,382.31	90,000.00
Instruments, electronic equipment and others	27,114.57	50,218.91	4,346.56	72,986.92
Book value	9,873,036,157.62	—	—	9,243,610,975.06
Land	26,104,192.21	—	—	22,463,127.95
Building	5,316,247,754.38	—	—	5,150,019,567.62
Machines and equipments	4,116,431,683.26	—	—	3,704,439,514.93
Motors and vehicles	141,916,033.87	—	—	115,322,471.20
Instruments, electronic equipment and others	272,336,493.90	—	—	251,366,293.36

13.1.1 The land is the land use right taken by Dong Fang Electric (India) Private Limited

13.1.2 In 2013, there are 566,730,653.40 yuan constructions in progress transferred into the fixed assets

13.1.3 By the end of 2013, accumulated depreciation drawn is RMB 1,217,290,965.28

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

compared with RMB 1,246,590,960.90 last year.

13.1.4 Net profits from the fixed assets sold are RMB 4,041,175.11

13.1.5 The original book value of fixed assets pledged or guaranteed is RMB 547,752,202.27 and net book value is RMB 461,016,548.16 in 2013

13.1.6 There are no fixed assets laid aside.

13.2 Analysis of fixed assets based on the ages and regions

Item	Dec-31-2013	Dec-31-2012
China	5,150,019,567.62	5,316,247,754.38
Mid-term(10-50 years)	5,150,019,567.62	5,316,247,754.38
Total	5,150,019,567.62	5,316,247,754.38

13.3 Fixed Assets for operating lease

Item	Dec-31-2013		Dec-31-2012	
	Original book value	Net book value	Original book value	Net book value
Machines and equipments	14,666,761.82	5,071,849.20	14,025,876.30	6,074,396.63
Vehicles	200,000.00	10,000.00	200,000.00	10,000.00
Electronic equipment	5,555.56	1,141.36	5,555.56	1,938.40
Total	14,872,317.38	5,082,990.56	14,231,431.86	6,086,335.03

13.4 The uncompleted ownership certificates of fixed assets

Items of uncompleted ownership certificates	Dec-31-2013	
	Original book value	Net book value
Compressor plant and booster station of Dongfang Turbine Co., Ltd	22,000,000.00	21,477,500.00
Four properties involving factory, warehouse, office building and dining room of Dongfang (Jiuquan) New Energy Co., Ltd	134,185,117.45	119,486,624.43
Two properties involving factory and office building of Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	98,382,105.82	92,617,059.28
Eight properties involving factory, warehouse, office building and dining room of Dongfang Electric Autocontrol Engineering Co., Ltd,	94,573,894.98	87,578,422.88
Seven properties involving office building, laboratory building of Dongfang Electric Machinery Co., Ltd	138,596,517.52	114,303,790.28
Eighteen properties involving employee gym, employee dining room, factory, laboratory building of Dongfang Boiler Group., Ltd	305,269,878.45	270,162,052.19

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items of uncompleted ownership certificates	Dec-31-2013	
	Original book value	Net book value
Four properties of Dongfang Electric heavy-duty machine Co., Ltd	83,011,714.00	64,514,443.42
Six properties of Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	135,657,536.77	116,501,585.53
Total	1,011,676,764.99	775,803,854.23

(Continued)

Items of uncompleted ownership certificates	Reasons	Time for the certificates
Compressor plant and booster station of Dongfang Turbine Co.,	In application	2014
Four properties involving factory, warehouse, office building and dining room of Dongfang (Jiuquan) New Energy Co., Ltd	In final accounting	2014
Two properties involving factory and office building of Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	In final accounting	2014
Eight properties involving factory, warehouse, office building and dining room of Dongfang Electric Autocontrol Engineering Co., Ltd,	In final accounting	2014
Seven properties involving office building, laboratory building of Dongfang Electric Machinery Co., Ltd	In application	2014
Eighteen properties involving employee gym, employee dining room, factory, laboratory building of Dongfang Boiler Group., Ltd	In application	2014
Four properties of Dongfang Electric heavy-duty machine Co., Ltd	In application	2014
Six properties of Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	In final accounting	2015

13.5 By the end of 2013, provision for impairment of fixed assets is RMB 1,705,552.45 compared with RMB 16,834,360.22 last year.

14. Construction in progress

14.1 Breakdown of construction in progress

Items	Dec-31-2013			Dec-31-2012		
	Amount	Impairment	Book Value	Amount	Impairment	Book Value
Construction in progress	687,221,105.26	1,430,697.20	685,790,408.06	724,162,181.91	237,690.00	723,924,491.91
Total	687,221,105.26	1,430,697.20	685,790,408.06	724,162,181.91	237,690.00	723,924,491.91

14.3 Changes of significant construction in progress

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	Dec-31-2012	Increase	Decrease		Dec-31-2013
			Transfer to long term assets	Others	
DEC(construction project of 350T high speed) dynamic balance	44,977,172.91	59,917,244.66			104,894,417.57
DEC(compressor rig construction)	81,606,317.06	27,447,426.25	28,227,982.90		80,825,760.41
DEC(Building projects in Tianyuan manufacturing base)	403,054.00	41,396,945.00			41,799,999.00
Dong Fang Electric (India) Private Limited(Office building projects)	10,529,002.79	27,839,383.22		1,468,606.09	36,899,779.92
DEC Employee Training Center (including undergraduates apartment)	17,926,537.15	18,226,894.66			36,153,431.81
DEC(construction of 6MW full power fan blower and LVRT base construction)	23,959,791.03	14,825,476.65	7,337,948.72		31,447,318.96
Hulunbair new energy company(Manufacturing Base)	15,730,177.04	6,362,607.62			22,092,784.66
DEC(260 boring machine)		20,654,746.69			20,654,746.69
Dongfang Boiler (Shenzhen) Control Co., Ltd (Building 2, Construction project of Chengdu R&D base)		19,674,075.89			19,674,075.89
DEC(Construction of Deyang Blade)		17,894,835.65			17,894,835.65
Other projects	529,030,129.93	395,799,906.99	579,849,337.21	70,096,745.01	274,883,954.70
Total	724,162,181.91	650,039,543.28	615,415,268.83	71,565,351.10	687,221,105.26

(Continued)

Items	Budget amount (0,000.00)	Proportion of injection to budget(%)	Progress (%)	Accumulated amount of interest capitalized	Including:Inter est capitalized for the year	Capitalisa- tion(%)	Source of funds
DEC(construction project of 350T high speed dynamic balance)	18,500.00	60.10	Note 1				Self-financing
DEC(compressor rig construction)	31,260.00	34.89	Note 2				Self-financing

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	Budget amount (0,000.00)	Proportion of injection to budget(%)	Progress (%)	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalisation(%)	Source of funds
DEC(Building projects in Tianyuan manufacturing base)	4,485.21	93.20	Note 3				Self-financing
Dong Fang Electric (India) Private	15,364.19	38.64	38.64				Self-financing
DEC Employee Training Center (including undergraduates)	8,625.00	41.92	41.92				Self-financing
DEC(construction of 6MW full power fan blower and LVRT base construction)	8,000.00	48.48	Note 4				Self-financing
Hulunbair new energy company(Manufacturing Base)	3,000.00	73.64	Note 5				Self-financing
DEC(260 boring machine)	3,200.00	64.55	64.55				Self-financing
Dongfang Boiler (Shenzhen) Control Co., Ltd	16,882.00	12.96	10.00				Self-financing
DEC(Construction of Deyang Blade)	3,600.00	49.71	Note 6				Self-financing
Other projects	279,210.30			22,454,049.59			Self-financing
Total				22,454,049.59			

Note 1: building project has been completed and high powered equipment is being installed.

Note 2: Zero-load test run of driving system is proceeding.

Note 3: building projects are carrying on.

Note 4: Installation test is in proceeding.

Note 5: building project has been completed and equipment is being installed and tested.

Note 6: The first phrase of the project has completed, while the second phrase has not completed yet.

14.3 Provisions for construction in progress

Items	Dec-31-2012	Increase	Decrease	Dec-31-2013	Reason
Dual power projects	237,690.00			237,690.00	

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Dec-31-2012	Increase	Decrease	Dec-31-2013	Reason
The transformation of ventilation slot board painting system			-1,193,007.20	1,193,007.20	Written-off recovery
Total	237,690.00		-1,193,007.20	1,430,697.20	

14.4 There is no ownership or use right restricted because of guaranteeing or other reasons in the year-end constructions in progress.

15. Construction materials

Items	Dec-31-2012	Increase	Decrease	Dec-31-2013
Special equipment	113,464.96	55,095,496.22	55,095,496.22	113,464.96
Total	113,464.96	55,095,496.22	55,095,496.22	113,464.96

There is no ownership or use right restricted because of guaranteeing or other reasons in the year-end construction materials.

16. Intangible assets

Items	Dec-31-2012	Increase	Decrease	Dec-31-2013
Original book value	1,479,720,168.22	76,516,021.53	31,946,779.05	1,524,289,410.70
Including: Software	83,565,030.48	24,272,294.14	66,901.55	107,770,423.07
Land use right	1,047,782,892.37	19,431,961.94	5,000,000.00	1,062,214,854.31
Patents	10,019,319.79	1,772,841.29		11,792,161.08
Non-patent technology	338,352,925.58	31,038,924.16	26,879,877.50	342,511,972.24
Amortization	392,105,811.96	55,295,066.28	26,879,877.50	420,521,000.74
Software	26,454,496.95	12,106,502.30		38,560,999.25
Land use right	115,973,173.25	19,416,996.77		135,390,170.02
Patents	2,448,945.13	3,732,458.04		6,181,403.17
Non-patent technology	247,229,196.63	20,039,109.17	26,879,877.50	240,388,428.30
Provision for impairment	90,428,509.50			90,428,509.50
Land use right	90,428,509.50			90,428,509.50
Book Value	997,185,846.76	—	—	1,013,339,900.46
Software	57,110,533.53	—	—	69,209,423.82
Land use right	841,381,209.62	—	—	836,396,174.79
Patents	7,570,374.66	—	—	5,610,757.91
Non-patent technology	91,123,728.95	—	—	102,123,543.94

16.1 Analysis of land use right based on the ages and regions

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Dec-31-2013	Dec-31-2012
China	836,396,174.79	841,381,209.62
Mid-term(10-50 years)	836,396,174.79	841,381,209.62
Total	836,396,174.79	841,381,209.62

16.2 In 2013, the amount of accumulated amortization is RMB 55,295,066.28 compared with 51,562,754.15 last year

16.3 In the year-end intangible assets, the net book value of land use right which have not had the ownership certificate is RMB 19,695,313.93 (Original book value RMB 21,558,993.00), compared with RMB 28,769,477.28 (Original book value RMB 30,820,924.00) last year

16.4 Hanwang production base was destroyed completely in 5.12 Wenchuan earthquakes. Dongfang turbine Co., Ltd has withdrawn full provision for impairment of intangible assets based on "Letter of Approval Opinions on 'project plan and feasibility study report on off-site reconstruction of DEC Hanwang production base' (Guoziting Guihua [2008] No. 417)" by SASAC.

16.5 There are no intangible assets frozen or pledged.

17. Long-term deferred expenses

Items	31-Dec-2012	Increase	Amortization	Decrease	31-Dec-2013	Reason for decreasing
Management cost for power cable	90,000.00		36,000.00		54,000.00	
Maintenance cost for power distribution equipment	525,000.10		69,999.96		455,000.14	
Total	615,000.10		105,999.96		509,000.14	

18. Deferred tax asset and deferred tax liabilities

18.1 Deferred tax asset and deferred tax liabilities already recognised

Items	31-Dec-2013	31-Dec-2012
Deferred tax asset		
Provision for impairment of Assets	918,413,283.58	789,611,745.50
Provisions	211,342,873.20	158,606,140.26
Unrealized profit of internal transactions	49,104,209.50	60,281,360.32
Payroll payables	40,139,097.25	37,558,493.82
Fair value change of available-for-sale financial assets	21,658,691.40	3,164,127.60
Government grant	18,625,474.63	9,478,812.31

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	31-Dec-2013	31-Dec-2012
Trade payables	11,792,324.66	7,781,572.52
Fixed assets depreciation	4,738,122.25	3,339,822.59
Fair value changes of financial assets held for trading	3,650,765.74	3,421,676.78
Enterprise income tax deducted from overseas for tax credit	1,165,652.04	
Deductible loss carried forward to the next year	368,213.96	
Fair value changes of financial liabilities held for trading		3,721,047.64
Total	1,280,998,708.21	1,076,964,799.34
Deferred tax liabilities		
Value added after evaluation	1,350,406.07	3,299,633.00
Fair value changes of financial assets held for trading	424,012.14	590,130.56
Fixed assets depreciation	63,618.31	42,592.27
Total	1,838,036.52	3,932,355.83

18.2 Breakdown of temporary differences of unrecognized deferred tax asset

Item	31-Dec-2013	31-Dec-2012
Provision for inventories	258,365,051.56	164,379,445.12
Deductible loss carried forward to the next year	246,161,208.69	144,958,012.61
Provision for bad debts	45,017,821.75	38,640,643.86
Provisions	11,315,463.13	12,594,492.56
Government grant	9,774,817.33	9,995,801.33
Total	570,634,362.46	370,568,395.48

The Group cannot recognize the deductible temporary differences of deferred tax asset by the end of 2013. This is mainly because of the uncertain of taxable income obtained by Hangzhou new energy company and Jiuquan new energy company, Tongliao Wind Power Company and Hulunbuir new energy company. Moreover, neither deductible loss nor deductible temporary differences is determined as deferred tax asset.

18.3 Due date of deductible loss of unrecognized deferred tax asset

Years	31-Dec-2013	31-Dec-2012	Note
2015	72,393,387.46	81,362,056.54	

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Years	31-Dec-2013	31-Dec-2012	Note
2016	16,570,892.12	16,120,623.83	
2017	46,458,144.18	47,475,332.24	
2018	110,738,784.93		
Total	246,161,208.69	144,958,012.61	

18.4 Deductible and Taxable temporary differences

Item	31-Dec-2013	31-Dec-2012
Deductible temporary differences		
Provision for Assets	6,405,981,905.27	5,445,949,559.30
Provisions	1,392,616,607.65	1,064,299,498.92
Payroll payables	266,544,721.60	249,348,447.48
Unrealized profit of internal transactions	327,361,396.69	363,732,206.33
Enterprise income tax deducted from overseas for tax credit	247,296,095.30	144,958,012.61
Fair value change of financial assets held for trading	144,391,276.00	21,094,184.00
Government grant	118,274,137.15	73,187,883.43
Trade payables	78,615,497.69	51,877,150.20
Fixed assets depreciation	31,587,481.68	22,265,483.93
Fair value change of financial assets available for sale	24,338,438.16	22,811,178.53
Deductible loss carried forward to the next year	4,662,608.16	
Fair value changes of financial liabilities held for trading		24,806,984.27
Total	9,041,670,165.35	7,484,330,589.00
Deferred tax liabilities		
Value added after evaluation	9,002,707.07	21,997,553.34
Fair value changes of financial assets available for sale	2,826,747.59	3,934,203.74
Fixed assets depreciation	196,080.47	131,275.30
Total	12,025,535.13	26,063,032.38

19. Breakdown of provisions for impairment of assets

19.1 Provisions for impairment of assets in 2013

Item	Dec-31-2012	Current year additions	Current year reductions		Dec-31-2013
			Reversal	Others	
Provision for bad debts	4,342,464,476.06	963,350,237.47	125,393,602.50	4,859,901.10	5,175,561,209.93
Provision for inventories	964,677,788.03	649,644,434.36	6,802,525.08	516,834,962.01	1,090,684,735.30

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Item	Dec-31-2012	Current year additions	Current year reductions		Dec-31-2013
			Reversal	Others	
Provision for Impairment of long-term equity investment	39,876,314.66				39,876,314.66
Provision for impairment of fixed assets	17,167,069.62	1,705,552.45		95,728.87	18,776,893.20
Provision for impairment of construction in progress	237,690.00			-1,193,007.20	1,430,697.20
Provision for impairment of intangible assets	90,428,509.50				90,428,509.50
Total	5,454,851,847.87	1,614,700,224.28	132,196,127.58	520,597,584.78	6,416,758,359.79

19.2 Provision for impairment of assets in 2012

Item	Dec-31-2011	Current year additions	Current year reductions		Dec-31-2012
			Reversal	Others	
Provision for bad debts	3,528,673,223.24	814,023,677.82		232,425.00	4,342,464,476.06
Provision for inventories	827,833,766.70	503,690,684.89	20,623,235.68	346,223,427.88	964,677,788.03
Provision for Impairment of long-term equity investment	24,876,314.66	15,000,000.00			39,876,314.66
Provision for impairment of fixed assets	276,204.18	16,949,910.22		59,044.78	17,167,069.62
Provision for impairment of construction in progress	1,734,275.28	112,590.00		1,609,175.28	237,690.00
Provision for impairment of intangible assets	90,428,509.50				90,428,509.50
Total	4,473,822,293.56	1,349,776,862.93	20,623,235.68	348,124,072.94	5,454,851,847.87

20. Short term borrowings

20.1 Classification of short term borrowings

Categories	Currency	31-Dec-2013			31-Dec-2012		
		Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
Pledged loans	CNY	114,670,055.27	1.00	114,670,055.27	193,955,625.44	1.00	193,955,625.44
Credit loans	CNY	2,781,820,000.00	1.00	2,781,820,000.00	1,924,564,387.46	1.00	1,924,564,387.46
Credit loans	JPY	3,848,672,105.00	0.05777	222,341,636.18			
Credit loans	USD	26,748,958.86	6.0969	163,085,727.27			

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Categories	Currency	31-Dec-2013			31-Dec-2012		
		Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
Credit loans	EUR	4,175,681.79	8.4189	35,154,647.42			
Mortgage loans	CNY	136,000,000.00	1.00	136,000,000.00			
Total				3,453,072,066.14			2,118,520,012.90

20.2 The short term borrowings have increased RMB 1,334,552,053.24, growing at 62.99%. It is mainly because that Dongfang Turbine Co., Ltd has got the loans to meet the demand of production operation

20.3 Dongfang Electric Finance Co., Ltd has discounted the trade acceptance notes with recourse of the DEC, Dongfang Boiler (Shenzhen) Control Co., Ltd, DFEM Control Equipment Co., Ltd and Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd. By the end of 2013, these notes have formed the pledged loans

20.4 The pledged loans involve two parts: Hangzhou new energy has made the mortgage on the buildings and machinery to get the loans RMB 50,000,000 from Dongfang Electric Finance Co., Ltd; Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd has borrowed money RMB 86,000,000, which the buildings are mortgagd

20.5 No overdue short-term borrowings are included in the balance amount in the year end.

20.6 As at the date of this financial report, the group has paid RMB 1,008,368,230.50

21. Financial liabilities at fair value through profit or loss

Items	31-Dec-2013	31-Dec-2012
Derivative Financial Instruments		25,830,967.05
Total		25,830,967.05

22. Notes Payable

Category	31-Dec-2013	31-Dec-2012
Bank acceptance notes	528,581,068.80	688,492,348.55
Commercial acceptance notes	4,336,513,303.96	3,418,602,418.23
Total	4,865,094,372.76	4,107,094,766.78

22.1 The notes payable have increased RMB 757,999,605.98, raising 18.46%. The main reason is that the group prefers to pay for products by the commercial drafts

22.2 Included in the balance amount it is notes payable amounting to approximately RMB 4,865,094,372.76 aged within one year

23. Accounts payables

23.1 Accounts payables

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Aging	31-Dec-2013	31-Dec-2012
Within one year	10,781,307,023.02	9,578,267,258.07
1-2 years	1,044,275,359.05	1,876,094,829.84
2-3 years	943,654,519.10	1,044,970,982.43
Over 3 years	1,455,462,022.04	885,817,019.28
Total	14,224,698,923.21	13,385,150,089.62

The balance amount at year ended of over one year is mainly warranty provision to purchase materials

23.2 Balance of creditors who are shareholders with 5% or more voting rights:

Name of creditors	31-Dec-2013	31-Dec-2012
DEC	999,486.79	711,600.00
Total	999,486.79	711,600.00

The total of the creditors who are related parties is RMB 763,331,573.15, accounting for 5.37% of accounts payables. Reference to note of the financial statements 3.VI

23.3 The balance at year ended of foreign currency

Foreign currency	31-Dec-2013			31-Dec-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	34,481,777.11	6.0969	210,231,946.86	4,762,946.07	6.2855	29,937,497.52
Japanese Yen	538,031,700.00	0.05777	31,082,629.34	553,480,600.00	0.073049	40,431,204.35
Euro	1,275,702.63	8.4189	10,740,012.87	262,510.63	8.3176	2,183,458.42
Canadian Dollar	927,206.00	5.7259	5,309,088.84	914,006.00	6.3184	5,775,055.51
Pound	128,920.00	10.0556	1,296,367.95	100,000.00	10.1611	1,016,110.00
Hong Kong dollar	92,392.25	0.7862	72,638.79	92,392.25	0.8109	74,916.26
Swiss Franc				135,334.41	6.8219	923,237.81
Convertible mark	27,007.02	4.26655	115,226.80	382,649.62	4.2470	1,625,097.63
Vietnamese dong	6,791,034,619.00	0.00029	1,971,641.08			
Total			260,819,552.53			81,966,577.50

23.4 All the accounts payables must be handled within an average credit period of 180 days. The Group makes policies on financial risk control to insure all the payables are settled within credit term.

24. Advances from customers

24.1 Advances from customers

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	31-Dec-2013	31-Dec-2012
Total	32,284,212,140.25	37,594,148,516.54
Including: over 1 year	10,210,101,546.28	12,042,434,521.50

24.1.1 The balance amount has declined 5,309,936,376.29 from 2012 to 2013, decreasing 14.12%. The reasons are orders decreased and projects paid less advances under the competitive market

24.1.2 The over-one-year advances from customers was mainly caused by unsettled power generators

24.2 Balance at year ended of creditors who are shareholders with 5% or more voting rights:

Name of creditors	31-Dec-2013	31-Dec-2012
DEC	4,133,467.27	59,790,104.50
Total	4,133,467.27	59,790,104.50

The total of the creditors who are related parties is RMB 164,289,889.066, accounting for 0.51% of advances from customers. Reference to note of the financial statements 3. VI.

24.3 The balance at year ended of foreign currency is as follows:

Foreign currency	31-Dec-2013			31-Dec-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	163,604,350.07	6.0969	997,479,361.94	419,788,490.49	6.2855	2,638,580,556.98
Euro	10,161,266.38	8.4189	85,546,685.53	11,209,616.38	8.3176	93,237,105.21
Indian Rupee	32,325,735.00	0.09834	3,178,912.78	61,395,556.97	0.11428	7,016,284.25
Pakistani Rupee	392,317,211.30	0.05752	22,566,085.99	406,223,625.30	0.06286	25,535,217.09
Convertible mark	16,550,589.05	4.26655	70,613,915.71			
Total			1,179,384,961.95			2,764,369,163.53

25. Employee benefits payable

Items	31-Dec-2012	Increase	Decrease	31-Dec-2013
Salaries, bonuses, allowances and subsidies	177,724,414.18	2,224,735,848.78	2,235,509,366.29	166,950,896.67
Welfare expenses		323,443,559.95	323,443,559.95	
Social insurance	119,689,766.45	694,786,733.67	714,177,259.74	100,299,240.38
Including: Fundamental medical insurance	150,542.01	119,166,319.42	119,157,158.30	159,703.13
Supplementary medical insurance		86,830,228.47	86,830,228.47	
Fundamental endowment insurance	180,702.15	329,998,847.56	329,987,905.96	191,643.75
Supplementary endowment insurance	119,293,280.26	96,496,681.50	115,903,937.34	99,886,024.42
Unemployment insurance	30,117.02	38,085,419.47	38,083,595.86	31,940.63

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	31-Dec-2012	Increase	Decrease	31-Dec-2013
Injury insurance	20,066.49	14,822,171.44	14,828,279.79	13,958.14
Maternity insurance	15,058.52	9,387,065.81	9,386,154.02	15,970.31
Housing fund	6,617,723.30	220,145,032.50	219,882,471.50	6,880,284.30
Labor union expenses cost and employee education expenses	32,534,223.63	93,740,207.79	84,360,006.75	41,914,424.67
Non-monetary welfare		2,768,033.06	2,768,033.06	
Compensation for termination and early-retirement	60,779,126.42	57,048,524.21	50,862,203.02	66,965,447.61
Including: Compensation for termination of labor contracts	1,107.92	193,699.96	193,699.96	1,107.92
Estimated expenditure for early retired employee	60,778,018.50	56,854,824.25	50,668,503.06	66,964,339.69
Others	1,348,975.47	120,496,647.48	110,244,195.75	11,601,427.20
Including: Cash-settled share-based payment	1,348,975.47	10,252,451.73		11,601,427.20
Labour propection expenses		109,853,722.78	109,853,722.78	
Total	398,694,229.45	3,737,164,587.44	3,741,247,096.06	394,611,720.83

25.1 The balance amount of Salaries, bonuses, allowances and subsidies involve unpaid performance wage formed before adopting new accounting standards, and the bonus of 2013 that are going to be paid in 2014

25.2 Compensation for termination of labor contracts of the Group this year is RMB 193,699.96, compared with RMB 440,967.72 last year.

25.3 The cash-settled share-based payment is the incentive plan of stock appreciation rights of H shares approved by the first extraordinary general meeting of shareholders. This plan is aimed at the directors, management executives and the core technical staffs. Reference to note to the financial statements VII.

26. Taxes & Fees Payable

Item	31-Dec-2013	31-Dec-2012
Value-added tax(VAT)	-285,160,815.70	14,853,151.24
Enterprise income tax(EIT)	279,769,742.79	166,323,198.89
Urban maintenance and construction tax	5,237,684.39	19,854,107.27
Education surcharge	4,927,630.27	9,051,637.35
Individual income tax	23,416,464.51	21,926,041.25
Local education surcharge	8,848,821.14	6,318,221.47

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	31-Dec-2013	31-Dec-2012
Stamp duty	4,996,947.85	5,334,125.29
Business tax	2,376,214.75	1,693,242.78
Land use tax	858,518.70	3,017,229.23
House property tax	2,957,449.49	2,577,471.31
Embankment protection charges	325,173.84	190,622.25
Fund of deputy food	5,211,322.91	143,871.86
Water conservancy and construction special funds	139,635.46	98,052.41
Others	2,321.22	-178,877.95
Total	53,907,111.62	251,202,094.65

26.1 The balance amount has decreased 197,294,983.03 yuan from the beginning of 2012, representing a decreasing of 78.54%. The main reason is the deduction of VAT input tax increased

26.2 There is no enterprise income tax payable from Hongkong

27. Dividends payable

Name of shareholders	31-Dec-2013	31-Dec-2013	Reason for unpaid dividends over 1 year
China Western Power Industrial Co., Ltd.	1,365,662.57	365,662.57	
Other outside shareholders of Dongfang Boiler Co., Ltd	2,024,069.45	1,643,061.41	Note
Total	3,389,732.02	2,008,723.98	

Note: Included in dividends payable aged over one year is dividends to be drawn by non-controlling shareholders of Dongfang Boiler Group., Ltd. After delisting in August 6, 2008, Dongfang Boiler Group., Ltd had signed the agreement with Shanghai branch of CSDCC on 3 September 2008. The two parties had agreed with non-controlling shares which can be handled by Dongfang Boiler Group., Ltd. Non-controlling shareholders can get cash bonus after relative procedures completed

28. Other payables

28.1 Other payables

Item	31-Dec-2013	31-Dec-2012
Total	1,805,192,953.82	2,027,341,175.03
Including: over 1 year	1,388,722,980.44	1,901,162,875.85

The balance amount at year ended aged over one year is A Shares issued to acquire

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Dongfang Turbine Co., Ltd and Dongfang Boiler Group., Ltd in 2007. In basis of the acquisition agreement, the balance is the profit of the DEC from the valuation date of acquiree to the acquisition completed date, as well as the capital construction appropriation of central budgetary funds.

28.2 Significant other payables in the year end

Name of creditors	Amount	Aging	Properties
FIRST	1,389,852,015.70	0-5 years	Net profit from the valuation date to the acquisition completed date, as well as the capital construction appropriation of central budgetary funds
SECOND	32,683,850.75	0-3 years	Rental expenses and integrated service expense
THIRD	16,986,710.41	0-2 years	Site service fees and progress billings
FOURTH	14,497,043.92	Within 1 year	Tax in advance for another
FIFTH	5,888,837.76	Within 1 year	Tax in advance for another
Total	1,459,908,458.54	—	

28.3 Balance at year ended of creditor who is a shareholder with 5% or more voting rights :

Name of creditors	31-Dec-2013	31-Dec-2012
DEC	1,389,852,015.70	1,391,974,400.76
Total	1,389,852,015.70	1,391,974,400.76

28.4 The total of other payables whose creditors are related parties is RMB 1,435,859,084.66, accounting for 79.54% of other payables. Reference to note of the financial statements 3. VI

28.5 The balance at year ended of foreign currency was as follows:

Foreign currency	31-Dec-2013			31-Dec-2012		
	Local Currency	Exchange rate	Renminbi	Local Currency	Exchange rate	Renminbi
US Dollar	6,502.31	6.0969	39,643.93	741,589.91	6.2855	4,661,263.38
Japanese Yen	18,000.00	0.05777	1,039.88	18,000.00	0.0730	1,314.88
Euro	365,673.94	8.4189	3,078,572.33	365,673.94	8.3176	3,041,529.56
Indian Rupee	61,584,092.65	0.09834	6,056,179.67	24,277,974.42	0.1143	2,774,486.92
Vietnamese dong	49,932,986,325.91	0.00029	14,497,043.92	30,889,232,811.00	0.00029	9,245,147.38
Convertible mark	1,402,606.60	4.26655	5,984,291.19			
Pakistani Rupee	595,699.84	0.05752	34,264.65	847,497.50	0.06286	53,273.69
Total			29,691,035.57			19,777,015.81

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

29. Non-current Liabilities maturing within one year

29.1 Non-current Liabilities maturing within one year

Item	31-Dec-2013	31-Dec-2012
Long-term borrowings maturing within one year	86,320,000.00	54,320,000.00
Total	86,320,000.00	54,320,000.00

29.2 Long-term borrowings maturing within one year

Items	31-Dec-2013	31-Dec-2012
Credit loans	16,320,000.00	54,320,000.00
Mortgage loans	70,000,000.00	
Total	86,320,000.00	54,320,000.00

The mortgage loans maturing within one year is the one that Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd has made the mortgage on the buildings to borrow RMB 70,000,000 from Dongfang Electric Finance Co., Ltd

29.3 Breakdown of long-term borrowings maturing within one year

Name of creditors	Start date	End date	Currency	Interest rate	31-Dec-2013	31-Dec-2012
					Amount	Amount
Dongfang Electric Finance Co., Ltd	2011-07-06	2014-07-06	CNY	5.76%	20,000,000.00	
Dongfang Electric Finance Co., Ltd	2011-06-28	2014-06-28	CNY	5.76%	50,000,000.00	
Dongfang Electric Finance Co., Ltd	2010-02-21	2013-02-21	CNY	4.86%		30,000,000.00
Deyang City Finance Bureau	2001-11	2010-11	CNY	2.55%	16,320,000.00	16,320,000.00
Sichuan Development Holding Co., Ltd	2010-08-04	2013-08-02	CNY			4,000,000.00
Sichuan Development Holding Co., Ltd	2010-08-24	2013-08-23	CNY			4,000,000.00
Total	-	-		-	86,320,000.00	54,320,000.00

29.4 Breakdown of overdue borrowings

Name of creditor	Amount	Overdue period	Interest rate	Reason for overdue	Tentative repayment period
Deyang City Finance Bureau	16,320,000.00	37-85 months	2.55%	Not been collected	—
Total	16,320,000.00				

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 the reconstruction project of gas and steam technology and due from Nov, 2006 to Nov, 2010 gradually. By the end of 2013, the group has not repay the loans

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

30. Other current liabilities

Items	31-Dec-2013	31-Dec-2012
Deferred income- Government grants	79,943,075.58	80,844,288.14
Total	79,943,075.58	80,844,288.14

Government grants

Item	31-Dec-2012	Current year additions	Others	Included non-recurring income	31-Dec-2013	Capital or revenue expenditure
VAT refund of the third company	61,921,207.19		52,696,994.88	61,921,207.19	52,696,994.88	Capital expenditure
Government funding for infrastructure	220,984.00			220,984.00		Capital expenditure
Government funding for scientific research			27,520.00		27,520.00	Capital expenditure
Government funding for scientific research	9,214,501.82		8,910,968.54	9,060,628.39	9,064,841.97	Revenue expenditure
Government funding for technology	152,000.00			152,000.00		Capital expenditure
Government funding for technology	1,533,333.34		1,200,000.00	1,533,333.34	1,200,000.00	Revenue expenditure
Government subsidies	5,369,485.26		4,090,469.26	5,369,485.26	4,090,469.26	Capital expenditure
Government subsidies	1,690,831.00		8,760,427.79	697,291.09	9,753,967.70	Revenue expenditure
Others	741,945.53		3,263,155.20	895,818.96	3,109,281.77	Revenue expenditure
Total	80,844,288.14		78,949,535.67	79,850,748.23	79,943,075.58	

The amount of government grants RMB 79,943,075.58 which belong to other current liability within group at the end of year and would be carried over as non-operating revenue in 2014, should refer to notes of financial statements, No. 35 V

31. Long-term borrowings

31.1 Long-term borrowings

Item	31-Dec-2013	31-Dec-2012
Guarantee borrowings		
Credit borrowings	55,720,000.00	180,147,585.21

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Item	31-Dec-2013	31-Dec-2012
Mortgage borrowings	70,000,000.00	
Less: long-term borrowings maturing within one year	86,320,000.00	54,320,000.00
Total	39,400,000.00	125,827,585.21

31.2 Due date analysis of long-term borrowings

Due date	31-Dec-2013	31-Dec-2012
Within 1-2 years		70,000,000.00
Within 2-5 years	39,400,000.00	55,827,585.21
Over 5 years		
Total	39,400,000.00	125,827,585.21

31.3 Significant of long-term borrowings

Name of creditors	Start date	End date	Currency	Rates (%)	31-Dec-2013	31-Dec-2012
					Amount	Amount
Dongfang Electric Finance Co., Ltd	2011-06-28	2014-06-28	CNY	5.76		50,000,000.00
CCB(China) Jiangxia Branch	2010-04-30	2016-04-29	CNY	5.35	39,400,000.00	39,800,000.00
Dongfang Electric Finance Co., Ltd	2011-07-06	2014-07-06	CNY	5.76		20,000,000.00
BOC(China) Hongshan Branch	2010-04-23	2015-04-23	CNY	5.18		16,027,585.21
Total					39,400,000.00	125,827,585.21

31.4 No extended borrowings are included in the long-term borrowings.

31.5 There is no foreign currency borrowings included in the long-term borrowings

32. Long-term accounts payables

Name of creditors	31-Dec-2013	31-Dec-2012
National special reserve fund	685,252.84	685,252.84
Total	685,252.84	685,252.84

Details on long-term accounts payables

Name of creditors	Date	31-Dec-2012	Interest rate (%)	Interest	31-Dec-2013	Condition for long-term accounts payables
Total	—	685,252.84	—		685,252.84	—
Including: National special reserve fund		685,252.84			685,252.84	

33. Specified accounts payables

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	31-Dec-2012	Current year additions	Current year reductions	31-Dec-2013
Tariffs on imported equipment and VAT refunds		58,042,614.63		58,042,614.63
Total		58,042,614.63		58,042,614.63

Pursuant to 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 Administration of Customs of the People's Republic of China and State Administration of Taxation, the amount of money which are the tariffs on import equipments and value-added tax refunds have been received by Dongfang Turbine Co., Ltd. As at the date of this financial report, the company has transferred tax refunds to state capital

34. Estimated Liabilities

Items	31-Dec-2012	Increase	Decrease	31-Dec-2013
Product warranties	968,039,579.93	570,230,005.01	420,138,853.12	1,118,130,731.8
Outstanding litigation	53,197,144.96	172,572,868.64		225,770,013.60
Onerous contracts pending for execution	36,278,632.48	25,647,863.24	17,044,444.46	44,882,051.26
Others	6,784,141.55		2,950,330.58	3,833,810.97
Total	1,064,299,498.92	768,450,736.89	440,133,628.16	1,392,616,607.65

34.1 The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Groups warranty program for power equipment. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials and altered manufacturing processes.

34.2 The loss of pending litigation amount is 172,572,868.64 yuan. It is the claim for compensation from Forster Wheeler Co., Ltd. Reference to note of the financial statements 1. VIII

34.3 The loss of onerous contracts pending for execution is recognized based on amounts of total contract costs exceeding total contract revenue. In 2013, the loss of contracts drawn is RMB 25,647,863.24

34.4 The balance at the year ended of others was estimated compensation to suppliers in 2011.

35. Other non-current liabilities**35.1 Details on other non-current liabilities**

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	31-Dec-2013	31-Dec-2012
Deferred income- Government grants	500,287,825.52	539,641,886.45
Total	500,287,825.52	539,641,886.45

35.2 Government grants

Item	31-Dec-2012	Current year additions	Included non-recurring income	Others	31-Dec-2013	Capital or revenue expenditure
VAT refund of Third-line Region Enterprises	444,260,011.34		2,530,616.58	52,696,994.88	389,032,399.88	Capital expenditure
Government funding for infrastructure	9,774,817.33				9,774,817.33	Capital expenditure
Government funding for scientific research	351,927.71			27,520.00	324,407.71	Capital expenditure
Government funding for scientific research	13,513,599.75	61,073,500.00	19,976,816.50	13,478,541.97	41,131,741.28	Revenue expenditure
Government funding for technology	1,448,000.00		1,448,000.00			Capital expenditure
Government funding for technology	6,520,000.00			1,200,000.00	5,320,000.00	Revenue expenditure
Government subsidies	33,179,221.16		0.33	4,090,469.26	29,088,751.57	Capital expenditure
Government subsidies	10,132,260.08	20,035,000.00	3,729,880.07	10,430,427.79	16,006,952.22	Revenue expenditure
Others	20,462,049.08	6,990,000.00	14,734,011.78	3,109,281.77	9,608,755.53	Revenue expenditure
Total	539,641,886.45	88,098,500.00	42,419,325.26	85,033,235.67	500,287,825.52	

35.2.1 According to “Notice of tax policies in third-line enterprises during the tenth Five Year Plan” (the fiscal and taxation No.[2001]133) issued by Treasury Department and State Administration of Taxation, as well as “Notice of Value-added Tax related to taxation before refund in third enterprises” (the fiscal and taxation No. [2006]166), the group (including Dongfang Turbine Co., Dongfang Boiler Company and Dongfang Electronic Company) classifies refund of Value-added tax in third enterprises between Jan 1st 2006 and Dec 31st 2008 into 2 categories, government subsidies either related to assets or revenue, and make accounting adjustments respectively.

The group receives subsidies from government for its ongoing projects, such as Hulunbeier production base. Non-operating revenue will be periodically recorded based on beneficial period when government compensation have been acquired and recognized as assets.

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Other research & financial appropriation contain 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.

35.2.2 Others mainly involve two parts: one part is the government grants 78,949,535.67 yuan which would be carried over as non-operating revenue; another part is the fund RMB 6,083,700.00 for scientific research

36. Share capital

36.1 Share capital for 2013

Types	31-Dec-2012		Changs in 2013			31-Dec-2013	
	Amount	Proportion (%)	Reserves conversion	Others	Subtotal	Amount	Proportion (%)
Restricted circulating shares							
Including:							
State-owned domestic shares							
Subtotal							
Unrestricted circulating shares							
Including: A shares	1,663,860,000	83.03				1,663,860,000	83.03
H shares	340,000,000	16.97				340,000,000	16.97
Subtotal	2,003,860,000	100				2,003,860,000	100
Total	2,003,860,000	100				2,003,860,000	100

36.2 Share capital for 2012

Types of share capital	31-Dec-2011		Changs in 2013			31-Dec-2012	
	Amount	Proportion (%)	Reserves conversion	Others	Subtotal	Amount	Proportion (%)
Restricted circulating shares	119,930,000	5.98		-119,930,000	-119,930,000		
Including:							
State-owned domestic shares	119,930,000	5.98		-119,930,000	-119,930,000		
Subtotal	119,930,000	5.98		-119,930,000	-119,930,000		
Unrestricted circulating shares							

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Types of share capital	31-Dec-2011		Changes in 2013			31-Dec-2012	
	Amount	Proportion (%)	Reserves conversion	Others	Subtotal	Amount	Proportion (%)
Including: A shares	1,543,930,000	77.05		119,930,000	119,930,000	1,663,860,000	83.03
H shares	340,000,000	16.97				340,000,000	16.97
Subtotal	1,883,930,000	94.02		119,930,000	119,930,000	2,003,860,000	100
Total	2,003,860,000	100				2,003,860,000	100

37. Capital reserve

37.1 Capital reserve for 2013

Items	31-Dec-2012	Increase	Decrease	31-Dec-2013
Share premium	5,083,399,637.75			5,083,399,637.75
Including: Investment by shareholders	5,091,111,837.75			5,091,111,837.75
Differences of business combination under common control	-7,712,200.00			-7,712,200.00
Others capital reserves	-9,303,061.50	29,660,705.35	134,463,233.55	-114,105,589.70
Including: equity movements of investee company	8,626,994.90			8,626,994.90
Fair value changes of available-for-sale financial assets	-17,930,056.40	29,660,705.35	134,463,233.55	-122,732,584.60
Total	5,074,096,576.25	29,660,705.35	134,463,233.55	4,969,294,048.05

37.2 Capital reserve for 2012

Items	31-Dec-2011	Increase	Decrease	31-Dec-2012
Share premium	5,083,399,637.75			5,083,399,637.75
Including: Investment by shareholders	5,091,111,837.75			5,091,111,837.75
Differences of business combination under common control	-7,712,200.00			-7,712,200.00
Others capital reserves	-8,218,944.41	82,948,589.14	84,032,706.23	-9,303,061.50
Including: equity movements of investee company	6,085,959.46	2,541,035.44		8,626,994.90
Fair value changes of available-for-sale financial assets	-14,304,903.87	80,407,553.70	84,032,706.23	-17,930,056.40
Total	5,075,180,693.34	82,948,589.14	84,032,706.23	5,074,096,576.25

38. Special reserve

38.1 Special reserve for 2013

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	31-Dec-2012	Increase	Decrease	31-Dec-2013
Special reserve for safety production	8,196,251.24	49,167,834.38	41,679,677.00	15,684,408.62
Total	8,196,251.24	49,167,834.38	41,679,677.00	15,684,408.62

The group has drawn special reserve for safety production, in basis of the document “The notice on the management and drawing of special reserve for safety production (Caiqi [2012]No.16)” issued by Ministry of Finance of the People’s Republic of China and State Administration of Work Safety.

38.2 Special reserve for 2012

Items	31-Dec-2011	Increase	Decrease	31-Dec-2012
Special reserve for safety production		48,805,326.70	40,609,075.46	8,196,251.24
Total		48,805,326.70	40,609,075.46	8,196,251.24

39. Surplus reserve

39.1 Surplus reserve for 2013

Items	31-Dec-2012	Current year additions	Current year reductions	31-Dec-2013
Statutory surplus reserve	453,492,120.76	124,981,785.36		578,473,906.12
Total	453,492,120.76	124,981,785.36		578,473,906.12

In accordance with the articles of association, statutory surplus reserve is reserved as 10% of net profit

39.2 Surplus reserve for 2012

Items	31-Dec-2011	Current year additions	Current year reductions	31-Dec-2012
Statutory surplus reserve	319,634,515.30	133,857,605.46		453,492,120.76
Total	319,634,515.30	133,857,605.46		453,492,120.76

40. Undistributed profits

40.1 Undistributed profits for 2013

Items	Amount	The proportion of allocation
Undistributed profits at beginning of the year	8,158,283,796.26	
Beginning balacne	8,158,283,796.26	
Add: Net profits attributable to shareholders of the Company	2,349,431,591.08	
Less: Surplus reserves provided for the year	124,981,785.36	10%

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Amount	The proportion of allocation
Cash dividend distributed during the year	220,424,600.00	
Ending balance	10,162,309,001.98	

Approval by the distribution of after tax scheme passed in the 2012 annual general meeting in 24 May 2013, the cash dividend of RMB 1.10 (tax inclusive) per every 10 shares has been proposed by the directors, totaling of RMB 220,424,600.00 (tax inclusive)

40.2 Undistributed profits for 2012

Item	Amount	The proportion of allocation
Undistributed profits at beginning of year	6,421,629,656.29	
Beginning balacne	6,421,629,656.29	
Add: Net profits attributable to shareholders of the Company	2,191,129,345.43	
Less: Surplus reserves provided for the year	133,857,605.46	10%
Cash dividend distributed during the year	320,617,600.00	
Ending balance	8,158,283,796.26	

41. Non-controlling interests

Name of subsidiaries	Share	31-Dec-2013	31-Dec-2012
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	34.8187%	521,575,884.95	509,351,184.36
Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd	38.58%	126,036,681.40	102,786,574.30
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	49.64%	95,535,151.45	95,245,531.95
Dongfang Boiler (Shenzhen) Control Co., Ltd	49%	75,194,598.58	77,157,900.24
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	33%	63,717,370.19	68,686,173.13
Dongfang Boiler Group Co., Ltd	0.33%	16,086,546.58	14,777,339.49
Dongfang Electric Autocontrol Engineering Co., Ltd,	0.50%	772,267.60	718,064.74
Dongfang Electric Power Equipment Co., Ltd	1.17%	550,488.01	537,383.19
Dongfang Electrical machinery mould Co., Ltd	0.685%	152,645.74	149,585.41
Total		899,621,634.50	869,409,736.81

42. Net current assets

Item	31-Dec-2013	31-Dec-2012
Current assets	64,448,583,518.92	64,624,304,220.91

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Item	31-Dec-2013	31-Dec-2012
Less: current liabilities	57,250,442,096.23	60,045,154,864.14
Net current assets	7,198,141,422.69	4,579,149,356.77

43. Differences between total assets and current liabilities

Item	31-Dec-2013	31-Dec-2012
Total assets	77,836,703,054.12	78,327,056,597.82
Less: current liabilities	57,250,442,096.23	60,045,154,864.14
Differences	20,586,260,957.89	18,281,901,733.68

44. Borrowings

Details on the borrowings:

Item	31-Dec-2013	31-Dec-2012
Short term borrowings from bank	3,453,072,066.14	2,118,520,012.90
Long term borrowings	125,720,000.00	180,147,585.21
Long-term accounts payables	685,252.84	685,252.84
Total	3,579,477,318.98	2,299,352,850.95

44.1 The analysis of the borrowings

Item	31-Dec-2013	31-Dec-2012
Borrowings from bank		
-Within 5 years	3,578,792,066.14	2,298,667,598.11
Subtotal	3,578,792,066.14	2,298,667,598.11
Others	685,252.84	685,252.84
Total	3,579,477,318.98	2,299,352,850.95

44.2 Due date analysis of borrowings

Item	31-Dec-2013	31-Dec-2012
Within 1 year	3,539,392,066.14	2,172,840,012.90
1-2 years		70,000,000.00
2-5 years	39,400,000.00	55,827,585.21
Over 5 years	685,252.84	685,252.84
Total	3,579,477,318.98	2,299,352,850.95

45. Operating Income and Operating Cost

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Item	2013	2012
Main operation	42,026,282,530.50	37,739,345,699.73
Other sales	364,514,152.01	339,856,810.40
Total	42,390,796,682.51	38,079,202,510.13
Cost of main operation	33,579,114,682.24	29,873,907,510.09
Cost of sales-others	163,751,984.26	128,015,195.53
Total	33,742,866,666.50	30,001,922,705.62
Gross profit of main operation	8,447,167,848.26	7,865,438,189.64
Gross profit of sales-others	200,762,167.75	211,841,614.87
Total	8,647,930,016.01	8,077,279,804.51

45.1 Revenue classification by industry

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Manufacture of generator	42,026,282,530.50	33,579,114,682.24	37,739,345,699.73	29,873,907,510.09
Total	42,026,282,530.50	33,579,114,682.24	37,739,345,699.73	29,873,907,510.09

45.2 Revenue and cost of sales from major product and services

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Clean and efficient power generation equipment	23,331,142,988.95	18,698,952,018.02	20,200,166,742.82	15,749,998,160.13
Thermal power equipment	18,939,326,749.15	14,752,808,196.93	16,499,820,371.34	12,423,206,652.39
Turbine	2,137,243,846.28	1,955,259,222.96	1,248,802,295.52	1,157,355,376.12
Nuclear island equipment	2,254,572,393.52	1,990,884,598.13	2,451,544,075.96	2,169,436,131.62
New energy	6,671,766,164.23	5,482,203,954.25	7,664,847,200.75	6,398,558,706.19
Wind power equipment	5,647,078,502.39	4,820,890,032.59	6,340,781,883.12	5,473,427,071.62
Nuclear power equipment	1,024,687,661.84	661,313,921.66	1,324,065,317.63	925,131,634.57
Hydro power and environmental protection equipment	4,727,844,703.30	3,569,132,605.59	4,528,310,383.48	3,299,084,666.02
Hydro power	3,248,032,655.07	2,395,249,212.36	3,713,572,955.95	2,769,323,298.34
Environmental protection equipment	1,479,812,048.23	1,173,883,393.23	814,737,427.53	529,761,367.68

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Construction services for power stations.	7,295,528,674.02	5,828,826,104.38	5,346,021,372.68	4,426,265,977.75
Construction services	5,667,340,828.09	4,681,037,464.17	4,311,599,260.64	3,668,728,981.46
Power services	1,130,332,498.25	668,590,816.10	759,117,666.93	497,270,854.68
Others	497,855,347.68	479,197,824.11	275,304,445.11	260,266,141.61
Total	42,026,282,530.50	33,579,114,682.24	37,739,345,699.73	29,873,907,510.09

45.3 The Group's revenue from continuing operations from external customers by geographical location is detailed as below

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Domestics	32,668,494,599.67	26,139,705,274.88	29,059,784,443.80	22,969,621,528.45
Overseas	9,357,787,930.83	7,439,409,407.36	8,679,561,255.93	6,904,285,981.64
Total	42,026,282,530.50	33,579,114,682.24	37,739,345,699.73	29,873,907,510.09

45.4 Top 5 construction contracts for revenue

Items		Aamount	Accumulative	Accumulative	Settlement amount	loss
		(Excluding Tax)	cost	gross profit	(Excluding Tax)	
Construction contract	First	7,425,910,267.26	2,908,437,852.72	39,931,056.85	3,463,468,094.26	
	Second	3,430,726,260.03	2,783,347,578.62	576,225,164.16	3,410,094,626.06	
	Third	2,518,010,585.73	1,065,114,941.20	311,108,412.53	1,216,420,176.13	
	Fourth	1,762,461,247.86	1,306,351,100.74	72,091,526.09	1,363,875,897.45	
	Fifth	1,956,556,666.67	1,092,789,629.56	125,024,409.23	1,890,590,372.06	
	Total	17,093,665,027.55	9,156,041,102.84	1,124,380,568.86	11,344,449,165.96	

45.5 Top 5 clients for revenue

Items	Revenue	Proportion to total revenue
FIRST	2,709,250,212.77	6.39%
SECOND	1,509,550,909.73	3.56%
THIRD	1,256,438,541.09	2.96%
FOURTH	1,219,863,446.30	2.88%
FIFTH	1,070,649,999.94	2.53%
Total	7,765,753,109.83	18.32%

The total revenue of top 5 clients is RMB 7,765,753,109.83, making up 18.32% of its annual

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

revenue, while it is RMB 6,868,230,109.09, accounting for 18.04% last year

46. Business taxes and surtaxs

Item	Tax rate	2013	2012
Business tax	3%、5%	8,312,604.57	16,646,630.15
City maintenance and construction tax	5%、7%	162,484,267.78	154,537,103.15
Education tax	3%	70,148,482.61	66,660,151.54
Local education tax	1%、2%	46,793,066.08	44,439,652.83
Embankment protection charges	0.1%-1%	1,770,051.68	1,415,848.35
Fund of deputy food	0.1%	12,182,618.10	370,604.59
Other		776,658.05	735,588.40
Total		302,467,748.87	284,805,579.01

47. Sales expenses

Items	2013	2012
Quality deposit and customer service charges	597,103,078.62	548,518,993.08
Salaries and wages	218,966,365.49	180,033,892.59
Business trip	49,159,978.48	45,681,715.50
Others	95,398,796.88	76,286,978.54
Total	960,628,219.47	850,521,579.71

48. General and administrative expense

Items	2013	2012
Research and development	1,272,269,052.57	1,257,978,055.33
Salaries and wages	1,147,037,407.64	1,011,505,465.87
Including: Salaries and wages	643,626,257.15	584,369,548.20
Stuff welfare	121,715,053.15	108,406,426.44
Repairing	285,832,872.14	314,657,920.35
Depreciation	167,398,994.20	101,676,331.55
Tax	120,432,220.33	113,632,966.94
Business trip	74,351,349.87	76,906,856.39
Marketing	57,349,730.40	71,635,481.28
In charge of production safety	56,700,671.58	60,022,651.36
Lease	55,564,896.92	57,349,994.89
Amortization of intangible assets	47,221,315.63	43,413,432.60

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	2013	2012
Water and electrical charges	30,202,779.73	38,484,399.62
Tele-communication charges	14,174,597.30	13,477,955.47
Green fee	13,225,413.54	28,722,403.31
Others	387,032,492.19	388,869,727.95
Total	3,728,793,794.04	3,578,333,642.91

49. Financial expenses

Items	2013	2012
Interest expense	130,506,360.75	174,446,942.73
Less: interest received	218,299,066.26	180,081,361.00
Add: Exchange losses	-24,161,584.04	-35,607,710.32
Add: Other expenses	-21,617,978.49	-43,387,033.15
Total	-133,572,268.04	-84,629,161.74

49.1 Details of interest expense

Items	2013	2012
Interest on borrowings:		
Maturity of loans within 5 years	130,506,360.75	174,446,942.72
Maturity of loans over 5 years		
Subtotal	130,506,360.75	174,446,942.72
Less: interests capitalized		
Total	130,506,360.75	174,446,942.72

49.2 Details of interest received

Items	2013	2012
Interests of deposits	218,299,066.26	180,081,361.00
Total	218,299,066.26	180,081,361.00

50. Asset Impairment losses

Item	2013	2012
Bad debts	837,956,634.97	814,023,677.82
Impairment loss on inventories	421,748,915.52	269,881,456.48
Impairment loss on fixed assets	1,705,552.45	16,834,360.22
Impairment loss on long-term equity investment		15,000,000.00
Impairment loss on construction in progress		112,590.00
Total	1,261,411,102.94	1,115,852,084.52

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

51. Net income/loss of fair value changes

Item	2013	2012
Transactional financial assets	-3,658,698.58	-34,658,208.38
Including: fair value changes in derivative financial	-1,860,672.65	-33,132,319.26
Transactional financial liabilities	25,830,967.05	4,812,173.59
Including: fair value changes in derivative financial	25,830,967.05	4,812,173.59
Total	22,172,268.47	-29,846,034.79

52. Investment income

52.1 Investment income

Items	2013	2012
Investment income in associate under equity method	213,174,501.29	170,903,239.91
Investment income during holding available-for-sale assets	12,879,007.00	7,445,390.00
Disposal of financial assets held for trading	504,900.87	
Disposal of available-for-sale financial assets		1,316,576.30
Total	226,558,409.16	179,665,206.21

There are no restrictions in investment income

52.2 Long-term equity investment income under the equity method

Item	2013	2012	Reasons for increase or decrease
Total	213,174,501.29	170,903,239.91	
Including: Dongfang AREVA	114,663,470.57	88,762,366.66	Increase in sales revenue and net profit
Mitsubishi Heavy Industries Dongfang gas Turbine Co., Ltd	79,704,155.28	64,996,054.38	Increase in sales revenue and net profit
Dongfang Hitachi Boiler Co., Ltd	16,707,019.78	13,468,329.80	Increase in sales revenue and net profit
East Lok bulky Co., Ltd	4,022,229.89	5,218,470.45	Decrease in sales revenue and net profit
Sichuan Wind Power Industry Investment Co., Ltd	-1,922,374.23	-1,541,981.38	Expenses spent before establishment

53. Non-operating Income

Items	2013	2012
Net profit for non - current assets disposal	6,525,418.48	6,306,356.32
Include: profit for fixed assets disposal	6,525,418.48	6,306,356.32

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	2013	2012
Donations	250,342.00	
Government grants	182,424,638.81	216,862,261.86
Compensation for breaching of contracts	2,161,798.96	1,740,521.86
Penalty income	197,880.59	119,766.90
Others	14,923,706.44	8,859,325.24
Total	206,483,785.28	233,888,232.18

The nonrecurring items this year is RMB 206,483,785.28, compared with RMB 233,888,232.18 in 2012

54. Non-operating expenses

Item	2013	2012
Losses for non-current assets disposal	2,484,243.37	2,925,418.52
Include: Losses for fixed assets disposal	2,484,243.37	2,925,418.52
Compensation and penalty	162,027,747.18	59,422,717.76
Estimated contract losses	25,647,836.24	32,524,786.32
Inventory shortage	431,745.37	1,855,697.68
Donation	2,377,100.00	55,000.00
Other losses	2,955,116.01	661,240.40
Total	195,923,788.17	97,444,860.68

54.1 The pending amount is 141,512,075.01 yuan. It is the claim for compensation from Forster Wheeler Co., Ltd. Referencing to note of the financial statements VIII.1.

54.2 The contract losses this year was loss of onerous contract.

54.3 The nonrecurring items this year is RMB 195,923,788.17, compared with RMB 97,444,860.68 in 2012

55. Income Tax Expense

55.1 Income Tax Expense

Item	2013	2012
Tax expense	575,760,802.32	497,032,102.95
Including: tax expense in China	570,143,069.15	495,166,410.67
tax expense in India	1,767,733.17	1,865,692.28
tax expense in Hongkong		
tax expense in other areas	3,850,000.00	
Deferred tax	-187,671,389.98	-132,094,761.44
Total	388,089,412.34	364,937,341.51

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

55.2 The reconciliation sheet between expenses of income tax and total profit

Item	2013	2012
Total profit	2,787,492,093.47	2,618,658,623.02
Income tax by the statutory rate	696,873,023.38	654,664,655.75
Influenced by tax-free income	-76,845,230.73	-53,983,064.78
Influenced by expenses not deducted	72,090,079.78	46,475,905.21
Tax preferences	-131,037,007.22	-104,471,126.11
Including: R&D costs deducted	-130,904,585.44	-104,378,786.61
Unconfirmed deductible temporary differences	50,016,491.75	17,175,186.67
Special taxation exempted		
Different tax rates	-239,916,498.21	-206,186,824.99
Deductible temporary differences from the previous year	-3,346,146.02	-3,412,752.49
Income tax payable from 2012	20,254,699.61	12,013,791.90
Deferred tax asset and deferred tax liabilities of 2012 changed		2,661,570.35
Total	388,089,412.34	364,937,341.51

56. Earnings per share

Items	Numbering	2013	2012
Profit for the year attribute to owners of the Company	1	2,349,431,591.08	2,191,129,345.43
Non-operating profit (losses) attribute to owners of the Company	2	108,910,492.65	166,809,638.76
Total comprehensive income attribute to owners of the Company	3=1-2	2,240,521,098.43	2,024,319,706.67
Shares at 1 January 2013	4	2,003,860,000.00	2,003,860,000.00
ordinary shares issued on the voluntary reinvestment of dividends (I)	5		
Ordinary share issued as a result of the conversion of a debt instrument (II)	6		
Accumulated month after increasing in shares	7		
Decrease in shares	8		
Accumulated month after decreasing in shares	9		
Reverse share split	10		
Months in reporting period	11	12	12

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	Numbering	2013	2012
Weighted average share outstanding	12=4+5+6×7÷ 11-8×9÷11-10	2,003,860,000.00	2,003,860,000.00
Basic earnings per share (I)	13=1÷12	1.17	1.09
Basic earnings per share (II)	14=3÷12	1.12	1.01

57. Other comprehensive income

Items	2013	2012
1. Available-for-sale financial instrument gains and losses	-123,297,092.00	-4,264,885.32
Less: Tax effect of available-for-sale financial instrument	-18,494,563.80	-639,732.79
Other comprehensive income from income of the previous year transferred		
Subtotal	-104,802,528.20	-3,625,152.53
2. Foreign currency translation adjustments	-16,029,051.65	-2,077,336.19
Total	-120,831,579.85	-5,702,488.72

Other comprehensive income shall be under special circumstances, regarded as the profit and loss account

58. Cash Flow Statement

58.1 Cash received/paid related to others of operating/investment/financing activities

58.1.1 Cash received related to others of operating activities

Items	2013
Interest	178,377,485.23
Government grants	136,504,387.23
Deposit	35,339,065.33
Imprest	6,429,234.22
Net agency fee	34,440,971.73
Others	91,138,596.87
Total	482,229,740.61

58.1.2 Cash paid related to others of operating activities

Items	2013
Operating expenses	1,222,237,719.86
Deposit	77,687,122.58
Reimbursement	22,726,900.76

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	2013
Imprest	9,350,083.05
Others	6,426,873.72
Total	1,338,428,699.97

58.2 Supplementary of consolidated cash flow statement

Items	2013	2012
Reconciliation of net profit / (loss) to cash flows from operating activities		
Net profit / (loss)	2,399,402,681.13	2,253,721,281.51
Add: Provision for / (Reversal of) asset impairment	961,906,511.92	1,115,852,084.52
Depreciation of fixed assets	1,218,794,749.56	1,248,094,745.17
Amortization of intangible assets	55,432,210.68	51,699,898.55
Amortization of other assets	105,999.96	168,565.76
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	-4,100,387.71	-3,441,166.90
Losses (Gains) on scrapping of fixed assets	59,212.60	60,229.10
Losses (Gains) on change in fair value	-22,172,268.47	29,846,034.79
Finance expenses (income)	131,544,797.55	73,925,566.51
Investment losses (income)	-226,558,409.16	-179,665,206.21
Decrease(Increase) in Deferred tax asset	-185,539,345.07	-124,383,993.96
Increase(decrease) in Deferred tax liability	-2,094,319.31	-7,708,023.16
Decrease (Increase) in inventories	4,473,242,004.69	3,955,020,222.28
Decrease (Increase) in operating receivables	-2,274,047,122.84	-2,198,444,005.14
Increase (Decrease) in operating payables	-3,522,359,649.87	-6,393,269,887.12
Net cash flows from operating activities	3,003,616,665.66	-178,523,654.30
Investing and financing activities that do not involve cash receipts and payments		
Net increase in cash and cash equivalents		
Cash at end of year	12,108,370,760.93	8,928,997,459.40
Less: cash at beginning of year	8,928,997,459.40	10,284,224,638.84
Net increase in cash and cash equivalents	3,179,373,301.53	-1,355,227,179.44

58.3 Cash and cash equivalents

Item	2013	2012
Cash	12,108,370,760.93	8,928,997,459.40

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	2013	2012
Include: cash in hand	2,847,607.00	2,612,684.28
Cash in bank can be payable immediately	12,064,894,863.07	8,898,755,678.57
Other monetary assets can be payable immediately	40,628,290.86	27,629,096.55
Cash and cash equivalents at the year ended	12,108,370,760.93	8,928,997,459.40

VI. Related Parties and Related Party Transactions**(I) Related Parties**

1. Parent company and ultimate parent company

1.1 Parent company and ultimate parent company

Name	Type of enterprise	Registered address	Nature of business	Legal representative	Organization code
DEC	Holding company	China Chengdu	Hydro power, nuclear power project, sale and manufacture of equipments	Si Zefu	62160427-X

1.2 Changes in registered capital of parent company

All the amount shows below is presented as 10K as a unit.

Name	2012	Increased	Decreased	2013
DEC	479,167.50			479,167.50

1.3 Changes are shares held by parent company

Name	Amount		Proportion (%)	
	2013	2012	2013	2012
DEC	1,002,457,252	1,002,474,592	50.03	50.03

2. Subsidiaries

See notes IV.

3. Associates

See notes 11.V

4. Other related parties

Items	Name of related parties	Principal activities	Organization code
(1) Enterprises under the same immediate and ultimate parent company			
	Dongfang Electric Machinery Works	Lease	25010228-9
	Dongfang Boiler Works	Manufacture and sales of products	62071142-8

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Name of related parties	Principal activities	Organization code
	Dongfang Electric Finance Co., Ltd	Finance services	20180342-4
	DEC Dongfeng Electric Machinery Co., Ltd	Manufacture and sales of products	20695104-7
	Guangdong Dongfang Power Station Equipment Co., Ltd)	Manufacture and sales of products	190323512
	DEC International Corporation Co., Ltd	Manufacture and sales of products	20183938-X
	DEC Project Cargo Logistics Co., Ltd	Logistics	660499803
	Deyang Dongfang Aberle System Corporation Limited	Manufacture and sales of products	7523158943
	Dongqi Investment and Development Co., Ltd	Rendering of services	79396893-4
	Dongfang (Sichuan) Electric Corporation Materials Co., Ltd	Manufacture and sales of products	20182555-1
	DEC Henan Station Auxiliary Equipment Co., Ltd	Manufacture and sales of products	17492080-0
	DEC Emei Semiconductor Materials Co., Ltd	Manufacture and sales of products	20745435-X
	DEM Real Estate Development Co., Ltd	Rendering of services	73834699-9
	DEC (Yixing) Magi solar Co., Ltd	sales of products and service	68050543-1
	DEM Metal Component Co., Ltd	Manufacture and sales of products	21425869-9
	Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	Manufacture and sales of products	735885911
	Dongqi Hospital	Medical and health services	74003577-8
	DEC(Sichuan) Property Management Co., Ltd	Property management	711888800
	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	Procurement	72031207-X
	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	Procurement	68613241-0
	Leshan Dongfeng Casting and Forging Co., Ltd	Procurement	72089811-1
	Deyang Dongqi Science & Technology Industrial Company	Procurement	20510113-9

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Items	Name of related parties	Principal activities	Organization code
	Zhonghe Seawater Desalination Engineering Co., Ltd	Procurement	660308377
	Shizishan photovoltaic power generation Co. Ltd	Rendering of services	57489682X
	Dongfang (Jiuquan) Solar Energy Engineering Technology Co., Ltd	Procurement	561141997
(2) Investors with significant influence			
	China Western Power Industrial Co., Ltd	Procurement	76230685-8
	Envirotherm GmbH Essen, Germany	Procurement	
	Alstom Power Turbo Machines	Manufacture and sales of products	17771651-4
	Guangdong Yudean Group Co., Ltd	Procurement	73048602-2
(3) Others			
	Directors and the management		

(II) Related Party Transactions**1. Pricing Strategies and Approval Process of Transactions**

Pricing policy of related party transaction is the adoption of market price, if market price is not available, cost-plus pricing would be adopted; Neither the market price is suitable; pricing should be according to the agreement.

Transactions between related persons less than RMB 300,000.00, or transactions between related party less than RMB 3,000,000.00 or 0.5% of audited net assets would be approved by the CEO office.

Transactions between related person higher than RMB 300,000.00, or transactions between related party higher than RMB 3,000,000.00 or between 0.5% - 5% of audited net assets would be approved by the board of directors.

Transactions between related parties higher than RMB 3,000,000.00 and more than 5% of audited net assets would be approved by the general meeting of shareholders.

2. Purchase of goods

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent			960,000.00	0.01
Including: China Dongfang Electric Corporation			960,000.00	0.01
Associates:	1,233,451,191.57	7.28	426,567,733.40	2.83

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	674,645,140.49	3.98	426,567,733.40	2.83
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co., Ltd	558,806,051.08	3.30		
Other enterprises under the control of the same parent company and ultimate parent	1,033,630,644.45	6.10	1,250,128,580.05	8.34
Including: Dongfang (Sichuan) Electric Corporation Materials Co., Ltd	412,245,454.16	2.43	351,834,090.33	2.34
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	258,397,462.47	1.53	633,220,233.84	4.20
Dongfang (Jiuquan) Solar Energy Engineering Technology Co., Ltd	119,574,487.23	0.71		
DEC Henan Station Auxiliary Equipment Co., Ltd	91,845,007.55	0.54	68,585,323.07	0.46
DEC (Yixing) Magi solar Co., Ltd	80,380,634.91	0.47	49,338,568.22	0.33
Deyang Dongfang Aberle System Corporation Limited	28,766,140.26	0.17	64,069,458.01	0.43
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	21,925,591.34	0.13	1,125,358.97	0.01
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	10,901,175.00	0.06	56,944,796.00	0.38
DEC Dongfeng Electric Machinery Co., Ltd	9,594,691.53	0.06	2,303,733.84	0.02
DEC Project Cargo Logistics Co., Ltd			22,420,301.60	0.15
DEC International Corporation Co., Ltd			232,876.86	0.01
Leshan Dongfeng Casting and Forging Co., Ltd			53,839.31	0.01
Investors with significant influence	39,403,258.29	0.23	65,098,764.38	0.43
Including: China Western Power Industrial Co., Ltd	35,811,965.87	0.21	63,635,911.16	0.42
Guangdong Yudean Group Co., Ltd	3,591,292.42	0.02	1,462,853.22	0.01
Total	2,306,485,094.31	13.61	1,742,755,077.83	11.61

3. Receiving of services

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	12,841,594.91	6.03	10,766,000.00	5.64

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Including: China Dongfang Electric Corporation	12,841,594.91	6.03	10,766,000.00	5.64
Associates:	2,313,777.98	1.09	5,924,447.71	3.11
Including: Leshan East Lok bulky Co., Ltd	1,937,709.60	0.91	4,232,140.00	2.22
Babcock-Hitachi Dongfang Boiler Co., Ltd	376,068.38	0.18	1,692,307.71	0.89
Other enterprises under the control of the same parent company and ultimate parent	188,249,758.83	88.40	112,002,027.47	58.72
Including: DEC Project Cargo Logistics Co., Ltd	157,202,523.62	73.82	61,186,539.65	32.07
Dongqi Hospital	13,112,220.00	6.16	18,887,432.60	9.90
DEC(Sichuan) Property Management Co., Ltd	11,513,880.56	5.41	6,330,737.00	3.32
Dongfang Boiler Works	5,476,800.00	2.57	5,486,320.00	2.88
DEC International Corporation Co., Ltd	944,334.65	0.44	670,745.36	0.35
DEC Dongfeng Electric Machinery Co., Ltd			10,275,213.68	5.39
Dongqi Investment and Development Co., Ltd			5,000,000.00	2.62
Dongfang (Sichuan) Electric Corporation Materials Co., Ltd			2,494,779.27	1.31
Dongfang Electric Machinery Works			1,670,259.91	0.88
Investors with significant influence			812,944.20	0.43
Including: Alstom Power Turbo Machines			812,944.20	0.43
Total	203,405,131.72	95.52	129,505,419.38	67.47

4. Interest expenses

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	1,295,706.71	0.99		
Including: China Dongfang Electric Corporation	1,295,706.71	0.99		
Other enterprises under the control of the same parent company and ultimate parent	113,708,787.48	87.13	145,123,632.38	83.19
Including: Dongfang Electric Finance Co., Ltd	113,708,787.48	87.13	145,123,632.38	83.19
Total	115,004,494.19	88.12	145,123,632.38	83.19

5. Sales of goods

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent	2,981,623.93	0.01	5,627,083.77	0.02
Including: China Dongfang Electric Corporation	2,981,623.93	0.01	5,627,083.77	0.02
Associates:	16,866,060.35	0.06	36,016,776.98	0.14
Including: Dongfang Areva Nuclear Pump Co., Ltd			30,030,244.75	0.12
Babcock-Hitachi Dongfang Boiler Co., Ltd	9,401,709.41	0.03	3,145,299.16	0.01
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co., Ltd	7,464,350.94	0.03	2,841,233.07	0.01
Other enterprises under the control of the same parent company and ultimate parent	866,319,878.73	3.013	997,509,021.54	3.87
Including:				
DEC International Corporation Co., Ltd	809,584,021.66	2.80	914,776,366.65	3.52
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	20,339,738.03	0.07		
DEC Dongfeng Electric Machinery Co., Ltd	10,916,697.03	0.04	13,982,766.81	0.05
Deyang Dongfang Aberle System Corporation Limited	8,314,021.69	0.03	4,757,232.13	0.02
Guangdong Corporation	7,445,230.79	0.03	10,697,519.52	0.04
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	4,681,484.32	0.02	1,102,634.10	0.01
DEC (Yixing) Magi solar Co., Ltd	2,216,111.47	0.01		
Dongfang (Sichuan) Electric Corporation Materials Co., Ltd	2,215,075.20	0.01	20,548,714.39	0.08
DEC Project Cargo Logistics Co., Ltd	486,324.78	0.002	589,743.59	0.01
DEC Henan Station Auxiliary Equipment Co., Ltd			1,043,276.92	0.01
Dongqi Investment and Development Co., Ltd	121,173.76	0.001		
DEM Metal Component Co., Ltd			29,925,297.34	0.12
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd			85,470.09	0.01
Investors with significant influence	3,757,158.90	0.02	6,232,756.23	0.02
Including: China Western Power Industrial Co., Ltd	3,682,358.90	0.01	3,403,697.27	0.01
Envirotherm GmbH Essen, Germany			2,829,058.96	0.01

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Guangdong Yudean Group Co., Ltd	74,800.00	0.01		
Total	889,924,721.91	3.103	1,045,385,638.52	4.05

6. Rendering of services

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Immediate parent and ultimate parent			300,000.00	0.29
Including: China Dongfang Electric Corporation			300,000.00	0.29
Associates			64,824.19	0.06
Including: Dongfang Areva Nuclear Pump Co., Ltd			64,824.19	0.06
Other enterprises under the control of the same parent company and ultimate parent	16,675,455.71	14.96	32,948,629.19	31.70
Including: Dongqi Investment and Development Co., Ltd	14,880,000.00	13.35	29,760,000.00	28.64
DEC Dongfeng Electric Machinery Co., Ltd	963,909.45	0.86	511,669.70	0.49
Deyang Dongfang Aberle System Corporation Limited			892,811.55	0.86
DEC Project Cargo Logistics Co., Ltd	291,789.60	0.26		
Shizishan photovoltaic power generation Co. Ltd	230,000.00	0.21		
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd			832,074.99	0.80
DEC International Corporation Co., Ltd			773,666.67	0.74
DEC Henan Station Auxiliary Equipment Co., Ltd	309,756.66	0.28	114,400.00	0.11
DEC (Yixing) Magi solar Co., Ltd			50,854.70	0.05
DEC Emei Semiconductor Materials Co., Ltd			13,151.58	0.01
Investors with significant influence	5,737.00	0.01	2,233.00	0.01
China Western Power Industrial Co., Ltd	5,737.00	0.01	2,233.00	0.01
Total	16,681,192.71	14.97	33,315,686.38	32.06

7. Interesting income

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Other enterprises under the control of the same parent company and ultimate parent	195,381,782.11	89.48	146,658,766.83	81.44

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Types and Names of Related parties	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Including: Dongfang Electric Finance Co., Ltd	195,381,782.11	89.48	146,658,766.83	81.44
Total	195,381,782.11	89.48	146,658,766.83	81.44

8. Lease

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Recognized lease income in 2013
Dongfang Boiler Group Co., Ltd	Babcock-Hitachi Dongfang Boiler Co., Ltd	Land use right, buildings and equipments	1-Jan-2009	31-Dec-2013	Price agreement	1,594,222.52
Total						1,594,222.52

9. Rental

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Recognized lease expenses in 2013
Dongfang Boiler Works	Dongfang Boiler Group Co., Ltd	Buildings and equipments	1-Jan-2013	31-Dec-2013	Price agreement	5,343,634.46
China Dongfang Electric Corporation	Dongfang Boiler Group Co., Ltd	Buildings	1-Jan-2013	31-Dec-2013	Price agreement	4,372,560.00
Dongfang Electric works	Dongfang Electric Machinery Co., Ltd	Plants, land and equipments	1-Jul-2009	31-Dec-2014	Price agreement	19,203,600.04
China Dongfang Electric Corporation	The Company	Buildings	1-Jan-2013	31-Dec-2013	Price agreement	24,540,000.00
Total						53,459,794.50

10. Assets transferred between related parties

Name of related parties	Type of related transaction	2013		2012	
		Amount	Proportion (%)	Amount	Proportion (%)
Dongfang Electric works	Land purchased by Dongfang Electric Machinery Co., Ltd			15,785,844.82	100%

11. Details of guarantee between related parties

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Guarantor	Guarantee	Amount (RMB 10k)	Start date	End date	Whether complete the guarantee
Dongqi Investment and Development Co., Ltd	Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	5,000.00	31-Oct-2012	30-Oct-2014	No

12. Borrowings between related parties

Debtor	Credit	Current Additions	Current Reductions	Note
China Dongfang Electric Corporation	Dongfang Electric Finance Co., Ltd	104,670,055.27	139,404,374.03	Commercial acceptance bills
Dongfang Electric Machinery Co., Ltd	Dongfang Electric Finance Co., Ltd	39,600,000.00		Short-term loans entrusted
Dongfang Turbine Co., Ltd	Dongfang Electric Finance Co., Ltd	2,413,085,727.27	1,400,000,000.00	Short-term borrowings
Dongfang Boiler Group., Ltd	Dongfang Electric Finance Co., Ltd	20,120,000.00		Short-term loans entrusted
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	Dongfang Electric Finance Co., Ltd	100,000,000.00	330,000,000.00	Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	Dongfang Electric Finance Co., Ltd	17,100,000.00		Short-term loans entrusted
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd	Dongfang Electric Finance Co., Ltd	90,000,000.00	90,000,000.00	Short-term borrowings
Electric (Wuhan) Nuclear Equipment Co., Ltd	Dongfang Electric Finance Co., Ltd	86,000,000.00	30,000,000.00	Short-term borrowings
Dongfang (Hangzhou) Energy Equipment	Dongfang Electric Finance Co., Ltd	50,000,000.00	50,000,000.00	Short-term borrowings
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	Dongfang Electric Finance Co., Ltd	30,000,000.00	10,000,000.00	Short-term borrowings
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	Dongfang Electric Finance Co., Ltd	8,000,000.00	18,000,000.00	Commercial acceptance bills
Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd	Dongfang Electric Finance Co., Ltd	20,000,000.00	65,000,000.00	Short-term borrowings
Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd	Dongfang Electric Finance Co., Ltd	94,846,680.42	106,397,931.83	Commercial acceptance bills discounted

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Debtor	Credit	Current Additions	Current Reductions	Note
Chengdu dongfang KWH Environmental Protection Catalysts Co., Ltd	Dongfang Electric Finance Co., Ltd		30,000,000.00	Long-term borrowings
Dongfang Boiler (Shenzhen) Control Co., Ltd	Dongfang Electric Finance Co., Ltd	35,000,000.00	30,000,000.00	Short-term borrowings
Dongfang Boiler (Shenzhen) Control Co.Ltd	Dongfang Electric Finance Co., Ltd	17,000,000.00	56,000,000.00	Commercial acceptance bills
Total		3,125,422,462.96	2,354,802,305.86	

13. Key management's emoluments

Items	2013	2012
Key management's emoluments	9,658,352.00	8,595,529.64

13.1 Directors' and supervisors' emoluments

The emoluments paid or payable to each of the directors and supervisors are as follows at the year ended 31 December 2013

Name	Director and Supervisor fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
Directors					
Si Zefu		295,148.00	447,754.00	47,098.00	790,000.00
Zhang xiaolun		269,148.00	398,784.00	43,068.00	711,000.00
Wen Shugang		269,148.00	398,773.00	43,079.00	711,000.00
Huang Wei		263,948.00	389,035.00	42,217.00	695,200.00
Zhu Yuanchao		263,948.00	387,148.00	44,104.00	695,200.00
Zhang jilie		256,148.00	374,370.00	40,982.00	671,500.00
Li Yanmeng	80,000.00				80,000.00
Zhao Chunjun	80,000.00				80,000.00
Peng Shaobing	80,000.00				80,000.00
Supervisors					
Wen Bingyou*		263,948.00	388,097.00	43,155.00	695,200.00
Wen Limin*		263,948.00	389,237.00	42,015.00	695,200.00
Wang		386,782.00		20,170.00	406,952.00
Total	240,000.00	2,532,166.00	3,173,198.00	365,888.00	6,311,252.00

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

At the year ended 31 December 2012

Name	Director and Supervisor fees	Salaries, allowance and benefits	Performance salary	Social insurance	Total
Directors					
Si Zefu		291,884.00	336,000.00	49,704.63	677,588.63
Zhang xiaolun		265,884.00	302,400.00	45,407.13	613,691.13
Wen Shugang		265,884.00	302,400.00	45,419.71	613,703.71
Huang Wei		260,684.00	295,680.00	44,463.47	600,827.47
Zhu Yuanchao		260,684.00	295,680.00	46,595.08	602,959.08
Zhang jilie		252,884.00	285,600.00	43,260.64	581,744.64
Li Yanmeng	63,235.29				63,235.29
Zhao Chunjun	63,235.29				63,235.29
Peng Shaobing	63,235.29				63,235.29
Supervisors					-
Wen Bingyou*		260,684.00	295,680.00	45,522.77	601,886.77
Wen Limin*		260,684.00	295,680.00	44,234.50	600,598.50
Wang		431,697.98		21,031.73	452,729.71
Total	189,705.87	2,550,969.98	2,409,120.00	385,639.66	5,535,435.51

The group has attributed the key management's emoluments to market and personal performance

13.2 Top 5 of key management's emoluments

Items	2013	2012
Salaries, allowance and benefits		927,536.00
Performance salary		1,470,600.00
Social insurance		129,728.78
Total		2,527,864.78

No director waived and agreed to waive any emoluments paid by the Group during the years ended 31 December 2013 and 2012, and none of director's emolument exceeds HKD 1 million

(III) **Cash between related parties**

1. Cash deposited in related parties

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of related parties	Currency	31-Dec-2013 (RMB)	31-Dec-2012 (RMB)
Enterprises under the same immediate and ultimate parent company		10,373,038,053.44	6,419,827,493.67
including: Dongfang Electric Finance Co., Ltd	CNY	9,147,132,287.53	5,631,934,815.25
Dongfang Electric Finance Co., Ltd	USD	1,197,765,467.97	765,554,764.17
Dongfang Electric Finance Co., Ltd	EUR	28,140,297.94	22,337,914.25
Total		10,373,038,053.44	6,419,827,493.67

2. Notes receivable between related parties

Name of related parties	Dec-31-2013	Dec-31-2012
Other enterprises under the control of the same parent company		150,000.00
Including: DEC Dongfeng Electric Machinery Co., Ltd		150,000.00
Total		150,000.00

3. Accounts receivable between related parties

Name of related parties	2013		2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Immediate parent and ultimate parent	36,575,630.55	20,081,699.57	56,752,334.00	21,741,472.55
Including: China Dongfang Electric Corporation	36,575,630.55	20,081,699.57	56,752,334.00	21,741,472.55
Associates	22,011,854.58	1,526,992.73	10,549,246.15	663,462.31
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	14,088,000.00	1,130,800.00	3,088,000.00	290,400.00
Dongfang Areva Nuclear Pump Co., Ltd	4,650.00	232.50	7,461,246.15	373,062.31
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co., Ltd	7,919,204.58	395,960.23		
Other enterprises under the control of the same parent company and ultimate parent	991,713,244.30	411,505,227.14	982,637,836.39	310,741,759.18
Including: DEC International Corporation Co., Ltd	904,852,412.43	386,263,065.90	900,260,801.20	281,375,693.09
Zhonghe Seawater Desalination Engineering Co., Ltd			22,284,100.00	9,902,050.00
Guangdong Corporation	23,408,586.12	13,569,543.27	18,669,764.12	12,450,308.17
DEC Emei Semiconductor Materials Co., Ltd	17,784,137.77	6,846,036.89	17,799,525.12	3,488,066.26

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of related parties	2013		2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Sichuan Dongfang Electric Auto control Engineering Co., Ltd	23,211,171.75	1,160,558.59	10,793,508.90	539,675.45
DEC Dongfeng Electric Machinery Co., Ltd	14,228,187.32	812,969.37	4,193,948.76	221,247.44
Dongfang Electric Corporation Materials Co., Ltd	1,421,840.40	130,497.09	3,344,889.39	614,894.47
Deyang Dongqi Science & Technology Industrial Company	2,480,400.00	2,480,400.00	2,480,400.00	1,240,200.00
Dongfang Electric works	413,346.33	33,265.25	1,334,975.46	835,828.12
Dongqi Investment and Development Co., Ltd	1,629,837.98	81,491.90	1,301,839.54	65,091.98
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd			108,613.90	5,430.70
DEC (Yixing) Magi solar Co., Ltd	2,150,324.20	120,748.88	59,500.00	2,975.00
Dongqi Hospital			5,970.00	298.50
DEC Project Cargo Logistics Co., Ltd	133,000.00	6,650.00		
Investors with significant influence	19,486,771.28	3,470,111.96	32,002,766.39	5,288,386.29
Including: Alstom Power Turbo Machines	15,299,145.57	3,082,744.24	28,528,600.00	5,111,859.72
Envirotherm GmbH Essen, Germany	3,445,625.68	350,267.72	3,404,166.36	173,026.57
China Western Power Industrial Co., Ltd	742,000.03	37,100.00	70,000.03	3,500.00
Total	1,069,787,500.71	436,584,031.40	1,081,942,182.93	338,435,080.33

4. Others receivable between related parties

Name of related parties	2013		2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Immediate parent and ultimate parent	27,442,228.91	10,944,895.37	20,219,602.29	5,511,142.24
Including: China Dongfang Electric Corporation	27,442,228.91	10,944,895.37	20,219,602.29	5,511,142.24
Other enterprises under the control of the same parent company and ultimate parent	35,865,166.58	3,111,523.36	36,734,934.68	2,095,926.32
Including: Dongqi Investment and Development Co., Ltd	33,189,508.96	2,704,715.45	32,928,810.32	1,714,390.52

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Name of related parties	2013		2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongfang Electric works			1,700,335.86	147,074.40
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd	2,105,780.62	182,178.36	1,537,786.50	122,193.50
DEM Real Estate Development Co., Ltd	558,777.00	223,510.80	558,777.00	111,755.40
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	11,100.00	1,118.75	9,225.00	512.50
Total	63,307,395.49	14,056,418.73	56,954,536.97	7,607,068.56

5. Prepayments between related parties

Name of related parties	2013		2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Immediate parent and ultimate parent			729,495.33	
including: China Dongfang Electric Corporation			729,495.33	
Associates	116,369,561.59		30,325,601.61	
Including: Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd	116,369,561.59		23,361,416.59	
Babcock-Hitachi Dongfang Boiler Co., Ltd			6,964,185.02	
Other enterprises under the control of the same parent company and ultimate parent	232,362,534.61		183,794,891.60	
Including: DEC Dongfeng Electric Machinery Co., Ltd	61,944,442.00		62,713,442.00	
DEC Project Cargo Logistics Co., Ltd	6,015,221.28		8,936,750.00	
DEC (Yixing) Magi solar Co., Ltd	59,301,294.00		12,300,000.00	
Dongfang (Sichuan) Electric Corporation Materials Co., Ltd	35,456,900.48		60,335,271.50	

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of related parties	2013		2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	35,261,271.93		5,413,709.40	
DEC International Corporation Co., Ltd	28,544,891.62		32,962,515.20	
Dongfang Electric Machinery Works	3,467,559.00			
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	1,416,000.00			
DEC Henan Station Auxiliary Equipment Co., Ltd	787,290.00		1,012,000.00	
Deyang Dongfang Aberle System Corporation Limited	167,664.30		121,203.50	
Total	348,732,096.20		214,849,988.54	

6. Interests receivable between related parties

Name of related parties	Dec-31-2013	Dec-31-2012
Other enterprises under the control of the same parent company	101,620,018.51	61,740,939.07
Including: Dongfang Electric Finance Co., Ltd	101,620,018.51	61,740,939.07
Total	101,620,018.51	61,740,939.07

7. Short borrowings between related parties

Name of related parties	Dec-31-2013	Dec-31-2012
Immediate parent and ultimate parent	76,820,000.00	
China Dongfang Electric Corporation	76,820,000.00	
Other enterprises under the control of the same parent company and ultimate parent	2,818,755,782.54	2,078,955,625.44
Including: Dongfang Electric Finance Co., Ltd	2,818,755,782.54	2,078,955,625.44
Total	2,895,575,782.54	2,078,955,625.44

8. Notes payable between related parties

Name of related parties	2013	2012
Associates	69,200,000.00	79,500,000.00
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	68,500,000.00	77,000,000.00
Leshan East Lok bulky Co., Ltd	700,000.00	2,500,000.00

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of related parties	2013	2012
Other enterprises under the control of the same parent company and ultimate parent	292,296,627.78	284,243,943.17
Including: Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	90,401,370.00	126,345,028.48
Dongfang (Sichuan) Electric Corporation Materials Co., Ltd	105,080,146.77	57,287,279.27
DEC Project Cargo Logistics Co., Ltd	28,654,988.85	31,596,048.51
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	12,183,000.00	24,000,000.00
DEC Henan Station Auxiliary Equipment Co., Ltd	14,994,000.00	20,142,000.00
Dongfang Electric works	25,648,772.16	15,341,662.91
DEC Dongfeng Electric Machinery Co., Ltd	13,386,000.00	6,158,400.00
Deyang Dongfang Aberle System Corporation Limited	1,648,350.00	2,973,524.00
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	300,000.00	400,000.00
Investors with significant influence	4,000,000.00	6,000,000.00
Including: China Western Power Industrial Co., Ltd	4,000,000.00	6,000,000.00
Total	365,496,627.78	369,743,943.17

9. Accounts payable between related parties

Name of related parties	2013	2012
Immediate parent and ultimate parent	999,486.79	711,600.00
including: China Dongfang Electric Corporation	999,486.79	711,600.00
Associates	193,912,028.89	48,708,922.59
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	192,717,548.89	48,708,922.59
Mitsubishi Heavy Industries Dongfang Gas Turbine (guangzhou) Co., Ltd	1,194,480.00	
Other enterprises under the control of the same parent company and ultimate parent	522,411,644.97	511,115,817.12
Including: Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	155,472,755.31	245,864,048.71
Dongfang (Sichuan) Electric Corporation Materials Co., Ltd	180,239,739.53	105,889,931.08
Dongfang Electric(Leshan) New Energy Equipment Co., Ltd	43,352,187.10	65,613,167.75
Dongqi Investment and Development Co., Ltd	25,929,364.38	26,406,749.32
DEC Project Cargo Logistics Co., Ltd	14,366,853.95	16,208,509.77
DEC International Corporation Co., Ltd	5,903,942.28	10,790,822.20
Dongqi Hospital	4,868,047.98	10,267,115.48
Deyang Dongfang Aberle System Corporation Limited	2,368,792.32	9,966,964.68

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of related parties	2013	2012
DEC Dongfeng Electric Machinery Co., Ltd	4,297,100.65	8,250,762.70
DEC Henan Station Auxiliary Equipment Co., Ltd	29,477,019.87	8,116,145.42
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd	15,292,942.01	3,741,600.01
DEC (Yixing) Magi solar Co., Ltd	11,767,629.59	
Dongfang (Jiuquan) Solar Energy Engineering Technology Co., Ltd	29,075,270.00	
Investors with significant influence	46,008,412.50	66,199,710.92
Including: China Western Power Industrial Co., Ltd	44,959,183.50	64,736,857.70
Guangdong Yudean Group Co., Ltd	1,049,229.00	1,462,853.22
Total	763,331,573.15	626,736,050.63

10. Others payable between related parties

Name of related parties	2013	2012
Immediate parent and ultimate parent	1,389,852,015.70	1,391,974,400.76
Including: China Dongfang Electric Corporation	1,389,852,015.70	1,391,974,400.76
Associates	200,000.00	200,000.00
Including: Babcock-Hitachi Dongfang Boiler Co., Ltd	200,000.00	200,000.00
Other enterprises under the control of the same parent company and ultimate parent	41,682,623.16	42,961,734.87
Including: Dongfang Boiler Works	32,683,850.75	33,672,840.00
Dongqi Investment and Development Co., Ltd	5,200,000.00	5,237,100.00
DEC Project Cargo Logistics Co., Ltd	1,900,000.00	1,900,000.00
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	1,290,256.41	1,551,794.87
Guangdong Corporation	200,000.00	200,000.00
Dongfang Electric Corporation Materials Co., Ltd	200,000.00	200,000.00
DEC Henan Station Auxiliary Equipment Co., Ltd	200,000.00	200,000.00
Dongqi Hospital	8,516.00	
Investors with significant influence	4,124,445.80	9,150,723.13
Including: Alstom Power Turbo Machines	545,873.47	5,609,193.57
Envirotherm GmbH Essen, Germany	3,078,572.33	3,041,529.56
China Western Power Industrial Co., Ltd	500,000.00	500,000.00
Total	1,435,859,084.66	1,444,286,858.76

11. Advance from customers between related parties

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Name of related parties	2013	2012
Immediate parent and ultimate parent	4,133,467.27	59,790,104.50
Including: China Dongfang Electric Corporation	4,133,467.27	59,790,104.50
Other enterprises under the control of the same parent company and ultimate parent	159,956,421.79	669,013,956.39
Including: DEC International Corporation Co., Ltd	158,344,263.19	667,073,561.79
Guangdong Corporation	668,230.20	948,230.20
DEC Emei Semiconductor Materials Co., Ltd	76,500.00	375,900.00
Deyang Dongfang Aberle System Corporation Limited	316,710.00	313,346.00
DEC Dongfeng Electric Machinery Co., Ltd	531,000.00	302,400.00
Dongfang Electric works	518.40	518.40
Dongfang Electric Corporation Materials Co., Ltd	19,200.00	
Investors with significant influence	200,000.00	
Including: China Western Power Industrial Co., Ltd	200,000.00	
Total	164,289,889.06	728,804,060.89

12. Dividends payable between related parties

Name of related parties	2013	2012
Investors with significant influence	1,365,662.57	365,662.57
Including: China Western Power Industrial Co., Ltd	1,365,662.57	365,662.57
Total	1,365,662.57	365,662.57

13. Long-term borrowings maturing within one year between related parties

Name of related parties	2013	2012
Other enterprises under the control of the same parent company and ultimate parent	70,000,000.00	30,000,000.00
Including: Dongfang Electric Finance Co., Ltd	70,000,000.00	30,000,000.00
Total	70,000,000.00	30,000,000.00

14. Long-term borrowings

Name of related parties	2013	2012
Other enterprises under the control of the same parent company and ultimate parent		70,000,000.00
Including: Dongfang Electric Finance Co., Ltd		70,000,000.00
Total		70,000,000.00

VII. Plan of Dividend paid

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

1. The plan of stock appreciation right of H shares has approved in the 1st domestic shareholders class meeting on Dec 14, 2012. It is mainly involving three parts:

1.1 The plan of stock appreciation right is valid for 5 years starting the right first granted. If the group performs well, the stock appreciation right can be vested and the holders can receive the amount of the increase in cash or shares at three times.

1.2 The following performance targets for a financial year must be achieved so that share appreciating right can be granted: first, EVA should exceed 2.2 billion; second, the growth rate of revenue is not less than 9.00%; Third, ROE must be higher than 13%; Fourth, revenue and ROE growth rate shall exceed 50% benchmarking company's growth rate.

1.3 The following performance targets for a financial year must be achieved to exercise share appreciating right: First, EVA should exceed 2.4 billion, then 2.6billion, and then 2.8billion; Second, the growth rate of revenue is no less than 9.00%, then 11% and then 13% and no less than 75% benchmarking company' growth rate; Third, ROE growth rate should be no less than 13%, then 15%, and then 17% and no less than 75% benchmarking company' growth rate.

The board of the group has confirmed the day as the first grant date on Dec 14, 2012 according to shareholders class meeting, the value is HKD15.14 per shares in basis of the closing price of H shares. The amount is 16,260,000 shares received by 175 staffs. It is involving 11 directors and senior managers, 164 key managers and staffs.

2. Accounting method on stock appreciation right first granted

Item	Condition
Fair value of liabilities confirmed by shares	BS-model
Accumulated liabilities produced by cash payment	11,601,427.20
Cost confirmed by cash payment	10,252,451.73

VIII. Contingencies liabilities

(I) **By the end of 2013, the pending litigations, pending arbitrations and guarantees are shown below**

1. The controversy over technology contracts between Forster Wheeler and the group

In March 1994, China Dongfang Electric Corporation, Dongfang Boiler Works and Forster Wheeler signed the license agreement jointly. Dongfang Boiler Works and China Dongfang Electric Corporation got the technology of 50MW and 100MW non-reheat circulating fluidized bed boiler according to the agreement above. In Jan-1999, the rights and obligations of the license agreements was granted to Dongfang Boiler Co., Ltd.

Referring to this matter, Forster Wheeler sued DEC, Dongfang Boiler Works and Dongfang Boiler Co., Ltd. at the Arbitration Institute of Stockholm Chamber of Commerce for violating the said agreement, and claimed for a compensation of economic loss.

In October 20th, 2011 the Arbitration Institute of Stockholm Chamber of Commerce thought

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

that Dongfang Boiler Co., Ltd should compensate the loss USD 6,335,000 for Forster Wheeler. DEC and Dongfang Boiler Co., Ltd was disappointed at the results and appealed to the Arbitration Institute of Stockholm Chamber of Commerce on 30 December 2011. In term of the results, Dongfang Boiler Co., Ltd had confirmed RMB 53,197,144.96 for estimated liabilities based on related Standards. On 20 June 2013, the court had denied the appeal

On 18 February 2013, Forster Wheeler had submitted a plea to the Arbitration Institute of Stockholm Chamber of Commerce again and required the compensation of other 14 projects. The result is that DEC and Dongfang Boiler Co., Ltd should pay USD 16,500,000 for Forster Wheeler. DEC and Dongfang Boiler Co., Ltd had appealed to the Arbitration Institute of Stockholm Chamber of Commerce on 15 October 2013

From Until 31 December 2013 to the date of this financial report, the case is still pending for judgment. And Dongfang Boiler Co., Ltd had drawn RMB 172,484,022.13 for estimated liabilities in accordance with the related Standards

2. Power project of Saudi Arabia Rabigh is tender by the DEC as the union on July 2009.

The DEC is responsible for supplying the machine and technology. There was some problems with the equipments supplied and those equipments could not be put in use.

After the peak for the generation of electricity completed in 2012, the group had improved some units according to the agreement with customers. The 1#unit and 2#unit also was used in Dec, 2012 and Jan 2013 separately. By the year ended, the group is communicating and negotiating with the customer for settlement

(II) Apart from mentioned above, there are no other significant contingency

liabilities up till 31 December 2013

IX. Commitments

1. Significant commitments

1.1 Commitment on Capital Expenditure

The balance of investment expenditures of contracts already signed that have not fully fulfilled at the year ended is RMB 68,514.43 ten-thousand yuan, and the details are as below:

Items	Contract sum (RMB 10K)	Amount paid (RMB 10K)	Amount to be paid (RMB 10K)	Tentative investment period	Notes
Construction	119,561.38	81,878.44	37,682.94	2013-2014	
Equipments	74,567.40	52,107.83	22,459.57	2014-2015	
Techniques	8,766.98	1,995.06	6,771.92	2013-2014	
External	2,100.00	500.00	1,600.00	2013-2015	
Total	204,995.76	136,481.33	68,514.43		

1.2 Lease contracts already signed and the financial effect

The details of balance of irrevocable operating lease and finance lease at the year ended are as below:

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Period	Dec-31-2013	Dec-31-2012
Within 1 year	40,884,176.74	26,972,900.82
1-2 year	2,181,120.24	21,610,410.16
2-3 year	2,267,510.28	2,184,627.04
Over 3 years	1,161,407.70	3,428,917.98
Total	46,494,214.96	54,196,856.00

1.3 Other significant financial commitments

The balance at the year ended of irrevocable letter of credit is RMB 1,907,360,452.53:

Currency	Local currency	Equivalent to RMB
RMB	19,356,481.71	19,356,481.71
USD	86,785,370.23	529,121,723.75
EURO	121,413,843.74	1,022,171,009.06
Japanese Yen	5,613,637,008.1	324,305,423.60
Swiss Franc	176,807.57	1,208,232.21
Pound	97,000.00	975,393.20
Hong Kong dollar	13,001,525.00	10,222,189.00
Total		1,907,360,452.53

The balance at the year ended of letter of guarantee is RMB 23,750,462,992.18:

Currency	Local currency	Equivalent to RMB
RMB	17,421,245,263.93	17,421,245,263.93
USD	1,002,173,780.12	6,110,153,320.01
EURO	21,616,080.93	181,983,623.74
Japanese Yen	13,375,350.00	772,707.34
Indian Rupee	6,902,184.00	678,760.77
Pakistan Rupee	610,012,454.60	35,087,916.39
Malaysian Dollar	1,000,000.00	541,400.00
Total		23,750,462,992.18

2. Apart from mentioned above, there are no other significant events after balance sheet up till 31 December 2013

X. Events after balance sheet date

1. The convertible bond of A shares issued

The group will issue convertible bond of A shares in the financial market, not exceeding RMB 4,000,000,000. The plan has approved by the tenth meeting of the seventh board of directors, the first provisional shareholders meeting of the Japanese company on 19, December 2013,

the first provisional shareholders meeting of domestic shares in 2013 and the first provisional shareholders meeting of foreign shares , according to the related document(《关于东方电气股份有限公司发行 A 股可转换公司债券有关问题的批复》(国资产权 [2013] 1022 号)) issued by State-owned Assets Supervision and Administration Commission of the State Council on 11 December, 2013. By the end of 2013, the group is applying to China Securities Regulatory Commission.

2. Profit distribution plan

By the March 11th , 2014, the twelfth meeting of the seventh board of directors reviewed and agreed of the 2013 annual profit distribution plan, cash dividends per share of RMB 0.18 (including tax), totalling RMB of 360,694,800.00. This plan still needs to submit to the Company's annual general meeting for consideration.

XI. Information of segments

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Segments reporting in 2013

Items	High efficiency and clean energy generation products	New energy	Hydro power and environmental protection equipment	construction services for power stations	Others	Offset	Total
Operating income	32,387,547,331.22	7,716,879,769.73	4,770,573,934.54	8,367,410,303.61	371,356,725.45	11,222,971,382.04	42,390,796,682.51
Including:							
revenue derived from customers outside the enterprise	23,331,142,988.95	6,671,766,164.23	4,727,844,703.30	7,295,528,674.02	364,514,152.01		42,390,796,682.51
Revenue derived from other segments	9,056,404,342.27	1,045,113,605.50	42,729,231.24	1,071,881,629.59	6,842,573.44	11,222,971,382.04	
Operating cost	27,486,733,761.33	6,538,331,971.65	3,606,309,067.34	7,060,286,893.79	5,511,704,704.93	10,589,501,812.89	39,613,864,586.15
Operating profit (loss)	4,900,813,569.89	1,178,547,798.08	1,164,264,867.20	1,307,123,409.82	-5,140,347,979.48	633,469,569.15	2,776,932,096.36
Total assets					111,833,353,292.88	33,996,650,238.76	77,836,703,054.12
Total liabilities					83,688,334,026.59	24,445,021,593.20	59,243,312,433.39
Others							
Depreciation and amortization					1,274,332,960.20		1,274,332,960.20
Capitalized expenses							
Non-cash expenses other than depreciation and amortization							

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Segments reporting in 2012

Items	High efficiency and clean energy generation products	New energy	Hydro power and environmental protection equipment	construction services for power stations	Others	Offset	Total
Operating income	28,004,533,259.15	8,976,729,291.99	4,577,778,275.07	5,713,939,724.49	368,404,850.83	9,562,182,891.40	38,079,202,510.13
Including:							
revenue derived from customers outside the enterprise	20,200,166,742.82	7,664,847,200.75	4,528,310,383.48	5,346,021,372.68	339,856,810.40		38,079,202,510.13
Revenue derived from other segments	7,804,366,516.33	1,311,882,091.24	49,467,891.59	367,918,351.81	28,548,040.43	9,562,182,891.40	
Operating cost	23,319,370,885.11	7,708,074,838.08	3,333,968,739.63	4,907,160,632.99	4,967,372,915.54	8,638,960,752.74	35,596,987,258.61
Operating profit (loss)	4,685,162,374.04	1,268,654,453.91	1,243,809,535.44	806,779,091.50	-4,598,968,064.71	923,222,138.66	2,482,215,251.52
Total assets					108,548,772,886.39	30,221,716,288.57	78,327,056,597.82
Total liabilities					82,387,757,805.86	20,608,216,362.47	61,779,541,443.39
Others							
Depreciation and amortization					1,299,963,209.48		1,299,963,209.48
Capitalized expenses							
Non-cash expenses other than depreciation and amortization							

The total revenue derived from customers outside the enterprise is as followed:

Revenue derived from customers outside the enterprise	2013	2012
China (barring HK)	33,033,008,751.68	29,399,641,254.20
Overseas	9,357,787,930.83	8,679,561,255.93
Total	42,390,796,682.51	38,079,202,510.13

XII. Financial instruments and risk management

The Group's major financial instruments include borrowings, accounts receivables, accounts payables, financial assets available for sale and financial liabilities held for trading, details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1. Risk management objectives and policies

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi, US Dollar, ERUO, PKR and Indian Rupee in which the Group conducts business may affect its financial condition and results of operations. Certain bank balances, trade and other receivables, trade and other payables are denominated in currencies other than RMB. Foreign currencies are also used to settle expenses for overseas operations. Apart from foreign currency details as below, the assets and liabilities of the Group is denominated in RMB.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Items	31-Dec-2013 (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	1,372,605,103.05	64,161,302.26	35,879,067.58	28,754,869.39	88,591,434.28	1,589,991,776.56
Derivative financial assets	2,826,747.59					2,826,747.59
Accounts receivables	1,894,123,440.55		12,039,091.49	41,905,869.49		1,948,068,401.53
Other receivables	481,892.76	22,129,584.01	329,927.93		29,589,240.59	52,530,645.29
Total	3,270,037,183.95	86,290,886.27	48,248,087.00	70,660,738.88	118,180,674.87	3,593,417,570.97
Liabilities						

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	31-Dec-2013 (RMB)					
	USD	PKR	INR	EUR	Others	Total
Short-term borrowings	163,085,727.27			35,154,647.42	222,341,636.18	420,582,010.87
Derivative financial						
Accounts payables	210,231,946.86			10,740,012.87	39,847,592.80	260,819,552.53
Other payables	39,643.93	34,264.65	6,056,179.67	3,078,572.33	20,482,374.99	29,691,035.57
Total	373,357,318.06	34,264.65	6,056,179.67	48,973,232.62	282,671,603.97	711,092,598.97

(Continue)

Items	31-Dec-2012 (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	1,460,832,756.13	81,538,173.99	27,993,507.70	44,605,192.85	28,949,818.67	1,643,919,449.34
Derivative financial assets	4,687,420.24					4,687,420.24
Accounts receivables	840,844,739.30		17,211,593.54	44,190,918.56		902,247,251.40
Other receivables	648,305.33	18,529,439.83	877,409.65	1,962.12	35,104.99	20,092,221.92
Total	2,307,013,221.00	100,067,613.82	46,082,510.89	88,798,073.53	28,984,923.66	2,570,946,342.90
Liabilities						
Derivative financial liabilities	25,830,967.05					25,830,967.05
Accounts payables	29,937,497.52			2,183,458.42	49,845,621.56	81,966,577.50
Other payables	4,661,263.38	53,273.69	2,774,486.92	3,041,529.56	9,246,462.26	19,777,015.81
Total	60,429,727.95	53,273.69	2,774,486.92	5,224,987.98	59,092,083.82	127,574,560.36

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk including forward foreign exchange contracts to hedge the exchange rate risk arising in foreign currency sales.

1.1.2 Interest rate risk – cash flow interest risk

Interest rate risk is mainly related to variable rate borrowings with banks and a financial institution.

1.2 Credit risk

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

As at 31 December 2011, 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 counter-parties provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to reduce the credit risk, the management of the Group has delegated a team 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 and other receivables, amounts due from associates and amounts due from related parties at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings assigned by international credit-rating agencies.

4.13% and 12.38% of the balance at year ended of accounts receivable comes from the biggest customer and top 5 customers respectively, so no concentration of credit risk in the Group.

1.3 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management closely supervises the utilization of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

31-Dec-2013	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Cash	12,131,648,112.18				12,131,648,112.18
Transactional Financial Assets	26,608,362.14				26,608,362.14
Notes Receivable	2,784,861,591.44				2,784,861,591.44
Accounts Receivable	17,032,484,330.47				17,032,484,330.47
Interests Receivable	101,620,018.51				101,620,018.51
Dividends Receivable	39,087.80				39,087.80
Other Receivables	352,960,215.57				352,960,215.57
Total of financial assets	32,430,221,718.11				32,430,221,718.11
Short-term borrowings	3,453,072,066.14				3,453,072,066.14

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

31-Dec-2013	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Transactional Financial Liabilities					
Notes Payable	4,865,094,372.76				4,865,094,372.76
Accounts Payable	14,224,698,923.21				14,224,698,923.21
Other Payables	1,805,192,953.82				1,805,192,953.82
Dividends Payable	3,389,732.02				3,389,732.02
Accrued Payroll	394,611,720.83				394,611,720.83
Non-current Liabilities Maturing Within One Year	86,320,000.00				86,320,000.00
Long-term borrowings			39,400,000.00		39,400,000.00
Total of financial liabilities	24,832,379,768.78		39,400,000.00		24,871,779,768.78

2. Fair Value

The fair value of financial assets and financial liabilities are determined as follow

the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or market prices

The fair value of derivative financial instrument is determined with reference to quoted market prices.

3. Sensitivity Analysis

The group implements sensitivity analysis to analyze on impacts that change of risk variables would have on current profit & loss and owners equity. Since risk variables do not change by themselves very often, it is usually correlation between variables that have huge effect on their currency amount. The following arguments are established based on assumption that individual variable changes independently.

The theory about sensitivity analysis of interest risk is founded on following assumption:

Change of market rate will have impact on interest revenue or related expense of variable-rate financial instruments;

Calculation of fair value on financial derivative and other financial assets & liabilities is undertaken with methodology of cash flow discount on balance sheet date.

Assuming other variables remain constant while the above requirements satisfied, the after-tax impact that change of interest rate would have on current profit & loss and equity is

demonstrated as following:

Foreign Currency	Rate Changed	31-Dec-2013		31-Dec-2012	
		Net Profit Influenced	Share Capital Influenced	Net Profit Influenced	Share Capital Influenced
The loans by the floating rate	Increased 1%	877,927.06	877,927.06	56,344.18	56,344.18
The loans by the floating rate	Decreased 1%	-877,927.06	-877,927.06	-56,344.18	-56,344.18

XIII. Other significant events

1. Details of national debt investments of Dongfang Boiler Group Co., Ltd

In 2004, Dongfang Boiler Group Co., Ltd RMB 197,173,563.16 of national debts was illegally pledged by China Technology Securities Co., Ltd Chongqing branch. Bank accounts of China Technology Securities Co., Ltd were frozen after report.

Dongfang Boiler Group Co., Ltd received RMB 10,709,456.86 distributed by China Technology Securities bankruptcy liquidation commission on 4 August 2008.

As at the date of this financial report, the remaining compensation was deposited by insolvency administrator of this case.

At the end of the year, 100% of RMB 186,464,106.30 of remaining compensation is totally recognized as provision of bad debts.

2. Lease

2.1 Operating lease

At the end of the year, operating lease of the group are shown below:

Items	2013	2012
Building	67,312,798.45	21,856,582.73
Land use right	5,485,776.00	5,622,920.40
Machines and equipments	5,071,849.20	6,074,396.63
Vehicles	10,000.00	10,000.00
Office equipment and others	1,141.36	1,938.40
Total	77,881,565.01	33,565,838.16

2.2 Significant minimum operating lease payments

Remaining lease periods	2013	2012
Within 1 year	40,884,176.74	26,972,900.82
1-2 years	2,181,120.24	21,610,410.16
2-3 years	2,267,510.28	2,184,627.04

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Remaining lease periods	2013	2012
Over 3 years	1,161,407.70	3,428,917.98
Total	46,494,214.96	54,196,856.00

3. Financial assets and financial liabilities are initially measured at fair value

Items	31-Dec-2012	Changes in fair value through profit or loss	Changes in fair value through equity	Impairment	31-Dec-2013
Financial assets					
Financial assets as fair value through profit or loss	25,623,903.72	-1,798,025.93			23,781,614.55
Derivative financial assets	4,687,420.24	-1,860,672.65			2,826,747.59
Available-for-sale financial assets	413,013,757.00		-123,297,092.00		289,716,665.00
Subtotal	443,325,080.96	-3,658,698.58	-123,297,092.00		316,325,027.14
Financial liabilities					
Derivative financial liabilities	25,830,967.05	-25,830,967.05			
Subtotal	25,830,967.05	-25,830,967.05			

4. Foreign currency financial assets and liabilities

Items	31-Dec-2012	Changes in fair value through profit or loss	Changes in fair value through equity	Impairment	31-Dec-2013
Financial assets					
Cash	1,643,919,449.34				1,589,991,776.56
Derivative financial assets	4,687,420.24	-1,860,672.65			2,826,747.59
Accounts receivable	902,247,251.40				1,948,068,401.53
Other receivable	20,092,221.92				52,530,645.29
Subtotal	2,570,946,342.90	-1,860,672.65			3,593,417,570.97
Financial liabilities					
Short-term borrowings					420,582,010.87
Derivative financial liabilities	25,830,967.05	-25,830,967.05			
Accounts payable	81,966,577.50				260,819,552.53
Other payable	19,777,015.81				29,691,035.57
Subtotal	127,574,560.36	-25,830,967.05			711,092,598.97

5. Annuity plan

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Pursuant to Notice 1201[2007]"Reply to annuity system of China Dongfang Electric Corporation" issued by State-owned Assets Supervision and Administration Commission , annuity is listed out as employee benefit and expenses, and the specialised account is entrusted to China Life Pension Company Limited for operation.

XIV. Notes to the parent's financial statements

1. Accounts receivables

Item	31-Dec-2013	31-Dec-2012
Accounts receivable	3,215,413,089.64	1,522,935,622.50
Less: provision for bad debts	437,498,645.31	145,870,761.43
Net book value	2,777,914,444.33	1,377,064,861.07

1.1 Age of accounts receivable:

Aging	31-Dec-2013	31-Dec-2012
Within 1 year	1,722,368,992.28	710,651,944.73
Between 1-2 years	532,152,805.97	418,573,451.36
Between 2-3 years	370,209,658.96	247,839,464.98
Between 3-4 years	153,182,987.12	
Total	2,777,914,444.33	1,377,064,861.07

1.2 Risk of accounts receivable classified

Item	Dec-31-2013			
	Book balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	93,045,150.00	2.89	93,045,150.00	100.00
Account receivable withdrawal bad debt provision by age combination	3,122,367,939.64	97.11	344,453,495.31	11.03
Total	3,215,413,089.64	—	437,498,645.31	—

(Continue)

Item	Dec-31-2012			
	Book balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts				
Account receivable withdrawal bad debt provision by age combination	1,522,935,622.50	100.00	145,870,761.43	9.58
Total	1,522,935,622.50	—	145,870,761.43	—

The aging of accounts receivable and related provision for bad debts is analysed as below:

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Aging	31-Dec-2013			31-Dec-2012		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	1,813,019,991.87	56.39	90,650,999.59	748,054,678.66	49.12	37,402,733.93
Between 1-2 years	591,280,895.54	18.39	59,128,089.57	465,081,612.63	30.54	46,508,161.26
Between 2-3 years	462,762,073.69	14.39	92,552,414.73	309,799,331.21	20.34	61,959,866.24
Between 3-4 years	255,304,978.54	7.94	102,121,991.42			
Total	3,122,367,939.64	97.11	344,453,495.31	1,522,935,622.50	100.00	145,870,761.43

Single significant and provision for bad debts

Item	Amount	Provision for bad debts	Aging	Rate	Reasons
FIRST	93,045,150.00	93,045,150.00	1-2 years	100%	Warranty in dispute
Total	93,045,150.00	93,045,150.00			

1.3 The balance at year ended has no debtor who is a shareholder of the Company with 5% or more voting rights.

1.4 The top 5 of account receivable

Items	Relationship	Amount	Aging	Proportion to book value of account receivable
First	Non-related party	553,291,855.08	0-4years	17.21%
Second	Non-related party	453,384,161.25	Within 1 year	14.10%
Third	Non-related party	452,378,094.02	Within 1 year	14.07%
Forth	Non-related party	288,782,000.00	Within 1 year	8.98%
Fifth	Non-related party	280,799,240.99	0-2years	8.73%
Total		2,028,635,351.34		63.09%

1.5 Related parties in accounts receivable

Item	Relationship	31-Dec-2013			31-Dec-2012		
		Amount	Rate	Provision for bad debts	Amount	Rate	Provision for bad debts
Dong Fang Electric (India) Private Limited	Subsidiary	5,010,157.45	0.16%	878,697.39	4,620,393.11	0.30%	439,320.71
Total		5,010,157.45	0.16%	878,697.39	4,620,393.11	0.30%	439,320.71

1.6 Foreign currency in accounts receivable

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	31-Dec-2013			31-Dec-2012		
	Local currency	Exchange rate	Renminbi	Local currency	Exchange rate	Renminbi
US Dollar	269,302,625.57	6.0969	1,641,911,177.84	133,734,567.57	6.2855	840,588,624.47
Euro	3,494,227.10	8.4189	29,417,548.53	4,276,524.20	8.3176	35,570,417.69
Total			1,671,328,726.37			876,159,042.16

2. Other receivables

Item	31-Dec-2013	31-Dec-2012
Other receivable	4,934,784,863.89	4,876,088,737.97
Less: provision for bad debts	57,208,374.86	28,782,425.25
Net book value	4,877,576,489.03	4,847,306,312.72

2.1 Age of other receivable:

Aging	31-Dec-2013	31-Dec-2012
Within 1 year	102,900,992.08	169,873,064.85
Between 1-2 years	131,542,497.07	202,757,084.37
Between 2-3 years	193,353,427.20	829,369,994.59
Between 3-4 years	825,367,245.90	3,624,594,817.95
Between 4-5 years	3,624,412,326.78	20,711,350.96
Total	4,877,576,489.03	4,847,306,312.72

2.2 Risk of other receivable classified

Item	Dec-31-2013			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	4,748,710,000.00	96.23		
Account receivable withdrawal bad debt provision by age combination	186,074,863.89	3.77	57,208,374.86	30.74
Total	4,934,784,863.89	—	57,208,374.86	—

(Continued)

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Item	Dec-31-2012			
	Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)
Single significant and provision for bad debts	4,748,710,000.00	97.38		
Account receivable withdrawal bad debt provision by age combination	117,378,737.97	2.41	28,782,425.25	24.52
Single insignificant and provision for bad debts	10,000,000.00	0.21		
Total	4,876,088,737.97	—	28,782,425.25	—

2.2.1 Single significant and provision for bad debts

Name	Book Balance	Provision for bad debts	Rate (%)	Reason
Dongfang Turbine Co., Ltd	2,984,590,000.00			Budgets and A shares issuing
Dongfang Electric Machinery Co., Ltd	942,850,000.00			Budgets and A shares issuing
Dongfang Boiler Group., Ltd	663,000,000.00			The capital for infrastructure projects and share
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	113,970,000.00			The capital for innovation
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	44,300,000.00			The capital for innovation
Total	4,748,710,000.00			

2.2.2 The aging of other receivable and related provision for bad debts are as follows:

Aging	31-Dec-2013			31-Dec-2012		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Within 1 year	108,316,833.77	2.19	5,415,841.69	33,613,752.47	0.69	1,680,687.62
1-2 years	4,002,774.52	0.08	400,277.45	24,430,093.75	0.50	2,443,009.38
2-3 years	15,729,284.00	0.32	3,145,856.80	16,087,493.23	0.33	3,217,498.64
3-4 years	14,778,743.16	0.30	5,911,497.26	1,824,696.59	0.04	729,878.64
4-5 years	1,824,653.57	0.04	912,326.79	41,422,701.93	0.85	20,711,350.97

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

Aging	31-Dec-2013			31-Dec-2012		
	Amount	Rate (%)	Provision for bad debts	Amount	Rate (%)	Provision for bad debts
Over 5 years	41,422,574.87	0.84	41,422,574.87			
Total	186,074,863.89	3.77	57,208,374.86	117,378,737.97	2.41	28,782,425.25

2.3 The debtors who are shareholders of the Company with 5% or more voting rights are as follows:

Item	31-Dec-2013		31-Dec-2012	
	Book Balance	Provision for bad debts	Book Balance	Provision for bad debts
DEC	27,366,808.91	10,869,475.37	20,219,602.29	5,511,142.25
Total	27,366,808.91	10,869,475.37	20,219,602.29	5,511,142.25

2.4 The top 5 of other receivables

Items	Relationship	Amount	Aging	Proportion to book value of account receivable	Reason
Dongfang Turbine Co., Ltd	Subsidiary	2,988,429,654.83	0-5 years	60.56%	Budgets, A shares issuing and the capital for wind and power
Dongfang Electric Machinery Co., Ltd	Subsidiary	974,208,871.68	0-5 years	19.74%	Budgets and A shares issuing
Dongfang Boiler Group., Ltd	Subsidiary	663,064,630.00	1-5 years	13.44%	The capital for infrastructure projects and share
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,034,268.47	0-5 years	2.31%	The capital for innovation
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	2-3 years	0.90%	The capital for innovation
Total		4,784,037,424.98		96.95%	

2.5 Related parties in other receivable

Items	Relationship	Amount	Proportion to book value of account receivable
Dongfang Turbine Co., Ltd	Subsidiary	2,988,429,654.83	60.56%
Dongfang Electric Machinery Co., Ltd	Subsidiary	974,208,871.68	19.74%

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	Relationship	Amount	Proportion to book value of account receivable
Dongfang Boiler Group., Ltd	Subsidiary	663,064,630.00	13.44%
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,034,268.47	2.31%
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	0.90%
China Dongfang Electric Corporation	Parent	27,366,808.91	0.55%
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd	Under the control of the same parent company	10,300.00	0.01%
Dongfang Boiler (Shenzhen) Control Co., Ltd	Subsidiary	5,225.00	0.01%
Total		4,811,419,758.89	97.52%

2.6 Foreign currency in other receivable

Items	31-Dec-2013			31-Dec-2012		
	Local currency	Exchange rate	Renminbi	Local currency	Exchange rate	Renminbi
US Dollar	79,038.98	6.0969	481,892.76	103,143.00	6.2855	648,305.33
EURO				235.90	8.3176	1,962.12
Pakistan Rupee	384,728,511.94	0.05752	22,129,584.01	294,773,143.94	0.06286	18,529,439.83
Vietnamese Dong	101,281,426,366.00	0.00029	29,405,036.52	11,728,638,408.00	0.00029	3,510,498.76
Convertible mark	43,174.01	4.26655	184,204.07			
Total			52,200,717.36			22,690,206.04

3. Long-term Investments

3.1 Long-term equity investments

Item	31-Dec-2013	31-Dec-2012
Long-term equity Investments under cost method	9,759,499,983.19	9,709,219,183.19
Long-term equity Investments under equity method	305,544,546.08	203,617,363.46
Total	10,065,044,529.27	9,912,836,546.65
Less: Impairment of long-term equity investment		
Book value of long-term equity investment	10,065,044,529.27	9,912,836,546.65

3.2 Analyzing of long-term equity investments

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Item	31-Dec-2013	31-Dec-2012
Listed company		
Unlisted company	10,065,044,529.27	9,912,836,546.65
Total	10,065,044,529.27	9,912,836,546.65

3.3 Long-term equity Investments under cost method and equity method

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Name	Share holding	Voting rights	Amount	Dec-31-2012	Current year additions or reductions	Net income and loss based on the equity method	Dividends	Dec-31-2013	Provision for impairment	Provision for impairment increased
The cost method										
Dongfang Boiler Group., Ltd	99.67%	99.67%	4,391,395,417.83	4,391,395,417.83				4,391,395,417.83		
Dongfang Turbine Co., Ltd	100%	100%	2,542,003,999.71	2,542,003,999.71				2,542,003,999.71		
Dongfang Electric Machinery Co., Ltd	100%	100%	2,000,000,000.00	2,000,000,000.00				2,000,000,000.00		
Dong Fang Electric (India) Private Limited	100%	100%	105,081,173.28	54,800,373.28	50,280,800.00			105,081,173.28		
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	67.00%	67.00%	131,560,000.00	131,560,000.00				131,560,000.00		
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	51.0452%	51.0452%	589,459,392.37	589,459,392.37				589,459,392.37		
Subtotal			9,759,499,983.19	9,709,219,183.19	50,280,800.00			9,759,499,983.19		
The equity method										
Dongfang Areva Nuclear Pump Co., Ltd	50%	50%	75,000,000.00	195,409,680.18		114,663,470.57	53,813,913.72	256,259,237.03		
Sichuan Wind Power Industry Investment Co., Ltd	20%	20%	48,000,000.00	8,207,683.28	38,000,000.00	-1,922,374.23		44,285,309.05		
Huadian Longkou Wind Power Co. Ltd	25%	25%	5,000,000.00		5,000,000.00			5,000,000.00		
Subtotal			128,000,000.00	203,617,363.46	43,000,000.00	112,741,096.34	53,813,913.72	305,544,546.08		
Total			9,887,499,983.19	9,912,836,546.65	93,280,800.00	112,741,096.34	53,813,913.72	10,065,044,529.27		

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

3.4 Investment in joint ventures and associated enterprises

Name	Type	Registered Address	Legal representative	Organization Code	Business Character	Share holding (%)	Voting right (%)
Joint ventures							
Dongfang Areva Nuclear Pump Co., Ltd	Limited Company	Deyang	He Yongcheng	77981616-8	Manufacture	50	50
Associated enterprises							
Sichuan Wind Power Industry Investment Co., Ltd	Limited Company	Chengdu	Guo Yong	58496725-7	Development of power station	20	20
Huadian Longkou Wind Power Co. Ltd	Limited Company	Longkou	Sun Xuejun	07799389-9	Development of power station	25	25
Total							

(Continued)

Name	Total Assets	Total Liabilities	Total Net Assets	Revenue	Net profit
Joint ventures					
Dongfang AREVA	1,529,728,691.46	1,017,210,217.40	512,518,474.06	749,454,075.80	226,106,621.32
Associated enterprises					
Sichuan Wind Power Industry Investment Co., Ltd	487,581,639.22	259,255,302.03	228,326,337.19	7,200.06	-9,164,571.10
Huadian Longkou Wind Power Co. Ltd	20,003,900.00	3,900.00	20,000,000.00		
Total	2,037,314,230.68	1,276,469,419.43	760,844,811.25	749,461,275.86	216,942,050.22

The principal accounting policies and accounting estimates of joint ventures and associated enterprises are same as the DEC.

3.5 The balance at year ended has no significant restricted long-term investments.

4. Revenue and cost of sales

Item	2013	2012
Main operation	15,654,550,408.18	12,480,768,985.76
Other sales	5,935,805.09	8,621,403.79
Total	15,660,486,213.27	12,489,390,389.55
Cost of main operation	14,646,518,322.04	11,812,921,536.75
Cost of sales-others	1,029,001.10	1,882,691.20
Total	14,647,547,323.14	11,814,804,227.95
Gross profit of main operation	1,008,032,086.14	667,847,449.01

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Item	2013	2012
Gross profit of sales-others	4,906,803.99	6,738,712.59
Total	1,012,938,890.13	674,586,161.60

4.1 Revenue classification by industry

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Manufacture of generator	15,654,550,408.18	14,646,518,322.04	12,480,768,985.76	11,812,921,536.75
Total	15,654,550,408.18	14,646,518,322.04	12,480,768,985.76	11,812,921,536.75

4.2 Revenue and cost of sales from major product and services

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
Clean and efficient power generation equipment	7,768,802,223.53	7,595,992,625.81	6,495,133,837.17	6,375,922,364.90
New energy	1,044,994,370.40	1,031,125,618.69	1,354,774,526.65	1,329,582,014.37
Construction services for power stations.	6,840,753,814.25	6,019,400,077.54	4,630,860,621.94	4,107,417,157.48
Total	15,654,550,408.18	14,646,518,322.04	12,480,768,985.76	11,812,921,536.75

4.3 The Group's revenue from continuing operations from external customers by geographical location is detailed as below:

Items	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of sales
PRC	9,050,476,182.70	8,805,195,928.56	8,081,529,345.91	7,958,016,308.43
Overseas	6,604,074,225.48	5,841,322,393.48	4,399,239,639.85	3,854,905,228.32
Total	15,654,550,408.18	14,646,518,322.04	12,480,768,985.76	11,812,921,536.75

5. Investment income

5.1 Investment income

Items	2013	2012
Long-term equity Investments under cost method	756,264,111.90	963,936,876.08
Long-term equity Investments under equity method	112,741,096.34	87,220,385.28
Investment income during holding available-for-sale financial assets	12,879,007.00	7,445,390.00
Disposal of available-for-sale financial assets		1,316,576.30
Others	16,615,277.78	
Total	898,499,493.02	1,059,919,227.66

There are no restrictions on investment income

Dongfang Electric Corporation Limited

Notes to the financial statement

For the year of 2013

5.2 The investment income under cost method

Name	2013	2012	Reason for changes
Including:			
Dongfang Boiler Group Co., Ltd	336,059,618.16	320,056,779.20	Increase in sales revenue and net profit
Dongfang Electric Machinery Co., Ltd	202,218,390.00	237,565,975.00	Decrease in profit
Dongfang Turbine Co., Ltd	197,491,064.75	384,864,158.06	Decrease in profit
Dongfang (Guangzhou) Heavy Machinery Co., Ltd	20,495,038.99	21,449,963.82	Decrease in profit
Total	756,264,111.90	963,936,876.08	

5.3 The investment income under equity method

Name	2013	2012	Reason for changes
Dongfang Areva Nuclear Pump Co., Ltd	114,663,470.57	88,762,366.66	Increase in sales revenue and net profit
Sichuan Wind Power Industry Investment Co., Ltd	-1,922,374.23	-1,541,981.38	Expenses spent before establishment
Total	112,741,096.34	87,220,385.28	

6. Cash Flow Statement

6.1 Cash received/paid related to others of operating/investment/financing activities

6.1.1 Cash received related to others of operating activities

Items	2013
Net agency business	66,509,254.18
Reimbursement	34,392,996.69
Government grants	32,364,400.00
Interest	27,888,402.19
Imprest	1,354,782.10
Others	624,839.01
Total	163,134,674.17

6.1.2 Cash paid related to others of operating activities

Items	2013
Operating expenses	127,840,464.58
Deposit	37,637,629.51
Reimbursement	6,512,467.06
Imprest	3,147,276.79
Total	175,137,837.94

6.1.3 Supplementary of consolidated cash flow statement

Items	2013	2012
Reconciliation of net profit / (loss) to cash flows from operating activities		
Net profit / (loss)	1,249,817,853.57	1,338,576,054.57
Add: Provision for / (Reversal of) asset impairment	320,053,833.49	61,514,790.70
Depreciation of fixed assets	5,308,544.62	4,966,624.76
Amortization of intangible assets	67,481.15	23,007.69
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	54,698.28	32,032.11
Losses (Gains) on change in fair value	-21,103,441.35	23,408,815.60
Finance expenses (income)	88,446,728.62	-860,349.35
Investment losses (income)	-898,499,493.02	-1,059,919,227.66
Decrease(Increase) in Deferred tax asset	-47,503,397.95	-8,777,028.12
Increase(decrease) in Deferred tax liability	-326,442.49	-4,146,747.85
Decrease (Increase) in inventories	475,259,533.34	-432,215,006.16
Decrease (Increase) in operating receivables	-3,326,773,430.60	-285,233,992.93
Increase (Decrease) in operating payables	3,716,364,065.60	1,514,294,537.40
Net cash flows from operating activities	1,561,166,533.26	1,151,663,510.76
Investing and financing activities that do not involve cash receipts and payments		
Net increase in cash and cash equivalents		
Cash at end of year	3,859,089,929.82	2,203,547,671.62
Less: cash at beginning of year	2,203,547,671.62	957,119,761.29
Net increase in cash and cash equivalents	1,655,542,258.20	1,246,427,910.33

6.2 Cash and cash equivalents

Items	2013	2012
Cash	3,859,089,929.82	2,203,547,671.62
Include: cash in hand	1,914,757.80	1,593,850.75
Cash in bank can be payable immediately	3,816,546,881.16	2,174,324,724.32
Other monetary assets can be payable immediately	40,628,290.86	27,629,096.55
Cash and cash equivalents at the year ended	3,859,089,929.82	2,203,547,671.62

XV. Supplementary information

1. Summary of non-recurring profit or loss in 2013

Dongfang Electric Corporation Limited
Notes to the financial statement
For the year of 2013

Items	2013	Notes
Net profit for non-current assets disposal'	4,041,175.11	
Government grants recognised in profits or loss	182,424,638.81	
Gains or losses from changes in fair value of financial assets and liabilities held for trading except for hedging contracts and disposal of financial assets and liabilities held for trading and available-for-sale financial assets	-1,293,125.06	
Reversal of bad debt provision on account receivable	125,393,602.50	
Other non-operating income and expenses other than the aforementioned items	-175,905,816.81	
Subtotal	134,660,474.55	
Less: Impact on income tax	21,687,409.33	
Impact on monetary interests (post tax)	4,062,572.57	
Total	108,910,492.65	

2. Weighted average return on net assets and earnings per share

Year ended 31 December 2013	Weighted average return on net assets		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2013	2012	2013	2012	2013	2012
Net profit attributable to ordinary shareholders of the Company	14.10%	14.84%	1.17	1.09	1.17	1.09
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	13.44%	13.71%	1.12	1.01	1.12	1.01

XVI. Approval of the Financial Statements

The financial statements have been approved by the board of directors on 11 March 2014.

Dongfang Electric Corporation Limited

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

11 March 2014

DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Copy of the 2013 Annual Report signed by the Chairman of the Company
- (II) Original financial statements of the Company stamped and signed by the Legal Representative, General Accountant and Finance Manager
- (III) Articles of Association

Dongfang Electric Corporation Limited

Si Zefu

Chairman

11 March 2014