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東方電氣股份有限公司

Dongfang Electric Corporation Limited

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

(Stock Code: 1072)

**OVERSEAS REGULATORY ANNOUNCEMENT
ANNOUNCEMENT REGARDING REPLY TO LETTER
ON POST-VET OPINIONS ON THE 2013 ANNUAL REPORT**

This announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The following sets out the Announcement Regarding Reply to Letter on Post-Vet Opinions on the 2013 Annual Report published by Dongfang Electric Corporation Limited on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 17 April 2014.

By Order of the Board
Dongfang Electric Corporation Limited
Gong Dan
Company Secretary

Chengdu, Sichuan, the PRC
17 April 2014

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

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

Independent Non-executive Directors: Li Yanmeng, Zhao Chunjun
and Peng Shaobing

Dongfang Electric Corporation Limited
Announcement Regarding Reply to Letter on Post-Vet Opinions
on the 2013 Annual Report

The Company and all directors of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this announcement and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of this announcement.

Recently, Dongfang Electric Corporation Limited (the “Company”) received a Letter on Post-Vet Opinions on the 2013 Annual Report of Dongfang Electric Corporation Limited (Shang Zheng Gong Han [2014] No. 0215) (《關於對東方電氣股份有限公司2013年年報的事後審核意見函》(上證公函[2014]0215號)) issued by the Listed Companies Regulation Department I of the Shanghai Stock Exchange. Pursuant to the requirements of the Shanghai Stock Exchange, reply to the post-vet opinions are announced as follows:

1. The Company did not disclose the operation plan for the second half of the year, including plans for revenues, expenses and costs, or analyze and disclose the capital requirements, sources and costs in accordance with the relevant requirements of Article 22 of the Format Guidelines. Please elaborate the Company’s cost plan for 2014, including but not limited to capital expenditure and other investment items, based on its dividend distribution policy.

Reply:

In 2014, as there are still many uncertainties in both domestic and overseas environments, the Company’s production and operation are facing relatively big difficulties and pressure; there may be possible adjustment in the product mix during the year. Meanwhile, the costs of raw materials and purchased parts usually account for approximately 80% of the Company’s product costs. The fluctuation in the price of raw materials will have a direct significant impact on the product costs of the Company; causing a relatively bigger uncertainty in the Company’s operating revenue and costs for 2014. The Company expects that the total production capacity of completed power generation equipment will reach 33,000MW which is the same as that for 2013. The Company will endeavor to achieve operating revenue and relative stability of costs; focusing on efficiency, transformation and risk control, so as to facilitate the sustainable development of the Company.

In 2014, the Company expects that the cash flows from operation activities can basically breakeven, and there will be a relatively bigger cash outflows from investing activities. In order to alleviate the pressure from the shortage of funds, the Company will accumulate funds by maintaining an appropriate balance of working capital loan, accelerating the issuance of convertible bonds, etc.

2. Dongfang Electric Corporation, the controlling shareholder of the Company reduced shareholding of 17,340 shares held in the Company during the reporting period. Please specify the period of and reasons for the reduction by the controlling shareholder during the reporting period.

Reply:

In October 2007, Dongfang Electric Corporation achieved the listing of entire assets of principal operations through the acquisition of the shares of Dongfang Boiler Group Co., Ltd. (“Dongfang Boiler”) and Dongfang Steam Turbine Co., Ltd. by Dongfang Electric Machinery Co., Ltd. and the delisting of Dongfang Boiler. Since the termination of listed trading of Dongfang Boiler’s shares as from 18 March 2008, Dongfang Electric Corporation continued to purchase, by a share swap of the Company’s shares pursuant to the requirements of the Securities Law and relevant undertaking agreements, the remaining shares of Dongfang Boiler which still had not been acquired after its delisting. On 13 December 2013, Dongfang Electric Corporation carried out another share swap with the holders of the remaining shares of Dongfang Boiler and paid a total of 17,340 shares of Dongfang Electric Corporation Limited.

3. According to the annual report, the Company’s balance of accounts payable of more than three years was RMB1.422 billion. Please specify the formation periods and reasons for non-payment.

Reply:

The Company’s balance of accounts payable of more than three years at the end of 2013 amounted to RMB1.455 billion. The formation periods were mainly centralised in 2008, 2009 and 2010. From the perspective of products, it was mainly accounts payable for purchase of wind power ancillary products, representing 65% of the total amount of accounts payable of more than three years. The reason for non-payment is mainly due to the delay in payment for goods to suppliers as a result of the extension of wind power units’ warranty period.

4. The trade receivables of the Company from international joint venture company during the reporting period amounted to RMB904 million, and bad debt provision amounted to RMB386 million. The Company should provide additional statement of the credit terms to the international joint venture companies, causes for the trade receivables, whether there is any unrecoverable risk and proposed follow up measures the Company intends to take.

Reply:

The credit terms granted by the Company to international joint venture companies are in line with the credit policy of the Company.

Trade receivables of the Company from international joint venture company are mainly attributable to the fact that after the principal assets of Dongfang Electric Corporation were listed in 2007, pursuant to the arrangement of the Acquisition Agreement, the new engineering general contract projects were undertaken by the Company while Dongfang Electric Corporation, the controlling shareholder of the Company and its other subsidiaries other than the Company were no longer engaged in relevant businesses, but the contracts already undertaken would continue to be performed by the original contractor until completion. At present, the engineering general contract previously undertaken by Dongfang Electric Corporation was carried out by international joint venture company, its subsidiary. As the execution period of the engineering general contract is long, the international joint venture company still needs to purchase the power generation equipments etc. needed by the engineering general contract project from the Company (including subsidiaries), thus generated trade receivables.

At the end of 2013, the Company's balance of account receivables from the international joint venture company amounting to RMB905 million mainly comprised of outstanding retention money. Pursuant to the contract, two conditions shall be satisfied before the repayment of retention money by the international joint venture company to the Company: (A) the international joint venture company obtains the Final Acceptance Certificate (the FAC) issued by owners in respect of generation sets upon the expiration of warranty period; (B) retention money is paid by owners to the international joint venture company. Pursuant to the requirements of the contract, retention money shall be paid to the Company by international joint venture company within 60 days upon the receipt of the same from owners. Under normal circumstance, it would be approximately three years from the delivery of the main equipment to the expiration of warranty period. In recent years, many overseas owners suffered from cash flow pressure due to the effect of financial crisis. Therefore, deferred payment from owners occurred frequently, hence the international joint venture company failed to recover payment for goods in respect of general contracting project on a timely basis, and thus could not make payment to the Company accordingly.

As no single provision for bad debts was required in respect of the account receivables mentioned above, the Company made provision for bad debts based on aging analysis method, which is in compliance with the requirements under the Accounting Standards for Business Enterprises as well as the accounting policy and estimation of the Company. The provision for bad debts was reasonable and reflected the recovery risk on the Company's account receivables from international joint venture company.

The Company will further enhance the follow-up and supervision procedures on relevant projects and facilitate the international joint venture company to recover the receivables as soon as practicable by providing active support and assistance, so as to reduce the account receivables of the Company due from the international joint venture company.

5. During the reporting period, the operating revenue of the Company was mainly generated from the high efficiency clean power generating equipments. Among which, revenue from thermal power equipments amounted to RMB18,939,326,749, representing nearly 60% of the revenue from high efficiency clean power generating equipments. Please refer to the recent national environmental policy, especially the treatment of haze, and explain the future impact on the thermal power equipments of the Company and the measures the Company proposes to adopt.

Reply:

During the reporting period, the operating revenue of the Company was RMB42,390,796,682.51, among which the revenue from thermal power equipments amounted to RMB18,939,326,749, representing 44.68% of the Company's operating revenue. According to historical data, the percentage of thermal power equipments over the operating revenue in 2010, 2011 and 2012 was 44%, 51.2% and 41.36%, respectively. The percentage of thermal power equipments in 2013 was within the normal range.

In recent years, the State enacted Remediation Regulations on Air Pollution and various provinces and cities also formulated prevention and control regulations for air pollution in succession in order to prevent and control air pollution, protect and improve living and ecological environment, and strengthen the prevention of haze. Therefore, the PRC continuously adjusted electrical power structure and carried out energy saving and emission reduction. For this purpose, the Company sets quality improvement and efficiency enhancement of thermal power products as a long-term technological development strategy, continuously increasing the market share of clean and efficient thermal power units with high-capacity, high-parameter and low-emission, and positively fitted in the policy direction of domestic thermal power structure adjustment. The Company continued to increase efforts in the expansion of overseas thermal power market to improve export share of traditional thermal power products. The Company actively promoted development of new energy business by making full use of its leading position in the manufacture of nuclear and electrical equipments.

Notice is hereby given.

Dongfang Electric Corporation Limited

17 April 2014