



DONGFANG ELECTRIC CORPORATION LIMITED

(H Share Stock Code : 1072)

(A Share Stock Code : 600875)

INTERIM REPORT 2014



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I. DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

Definitions of Frequently Used Terms

Company or Dongfang Electric	means	Dongfang Electric Corporation Limited
Controlling Shareholder	means	Dongfang Electric Corporation
Reporting Period or Period	means	the period from 1 January 2014 to 30 June 2014
Articles of Association	means	the Articles of Association of Dongfang Electric Corporation Limited
SSE	means	the Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
RMB, RMB0,000, RMB in 100 million	means	Renminbi, Renminbi in 10 thousand, Renminbi in 100 million

II. COMPANY PROFILE

I. Company information

Chinese name of the Company	東方電氣股份有限公司
Abbreviation of Chinese name	東方電氣
English name of the Company	Dongfang Electric Corporation Limited
Abbreviation of English name	DEC
Legal representative of the Company	Si Zefu (斯澤夫)

II. Contact Persons and Information

	Secretary to the Board	Representative of securities affairs
Name	Gong Dan	Huang Yong
Address	No. 333, Shuhan Road, Jinniu Dirstrict, Chengdu City, Sichuan Province	No. 333, Shuhan Road, Jinniu Dirstrict, Chengdu City, Sichuan Province
Telephone	028-87583666	028-87583666
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II. COMPANY PROFILE (CONTINUED)

III. Basic Information

Registered address	18 Xixin Road, High-Tech District, (Western District), Chengdu City, Sichuan Province
Postal code	611731
Company business address	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Postal code	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 the CSRC for publication of the Company's interim report	www.sse.com.cn
Website of the Hong Kong Stock Exchange for publication of the interim report	www.hkexnews.hk
Place where the Company's interim report is available for inspection	Office of the Board of the Company

V. Information on Securities of the Company

Profile of the Company's securities

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	The Stock Exchange of Hong Kong Limited	Dongfang Elec	1072	Dongfang Electrical
A share convertible bonds	Shanghai Stock Exchange	東方轉債	110027	



III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators of the Company at the End of the Reporting Period

(I) Major Accounting Data

Unit: RMB

Major accounting data	Reporting Period (Jan-Jun)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Revenue from operations	18,984,168,298.81	20,467,106,740.89	-7.25
Net profit attributable to shareholders of the Company	839,294,368.43	1,186,154,894.33	-29.24
Net profit attributable to shareholders of the Company after extraordinary profit and loss	801,148,398.18	1,149,715,238.55	-30.32
Net cash flow from operating activities	131,877,492.15	886,961,511.14	-85.13

	At the end of the Reporting Period	At the end of the last year	Change at the end of the Reporting Period as compared with the end of the previous year (%)
Net assets attributable to shareholders of the Company	18,211,679,243.54	17,693,768,986.23	2.93
Total assets	78,832,301,304.33	77,836,703,054.12	1.28

Note: The “changes” will be “N/A” if it is a negative number for the same period last year.

III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

I. Major Accounting Data and Financial Indicators of the Company at the End of the Reporting Period (Continued)

(II) Major Financial Indicators

Major financial indicators	Reporting Period (Jan - Jun)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.42	0.59	-29.42
Diluted earnings per share (RMB/share)	0.42	0.59	-29.42
Basic earnings per share after extraordinary profit and loss (RMB/share)	0.40	0.57	-30.32
Weighted average return on net assets (%)	4.65	7.29	Decreased by 2.64 percentage points
Weighted average return on net assets after extraordinary profit and loss (%)	4.44	7.07	Decreased by 2.63 percentage points



III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

I. Major Accounting Data and Financial Indicators of the Company at the End of the Reporting Period (Continued)

(III) Extraordinary profit or loss items and amounts

Unit: RMB

Major financial indicators	Reporting Period (Jan - Jun)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Gain/loss from disposal of non-current assets	-513,103.50	4,259,744.52	-112.05
Government subsidiaries accounted for as current profit or loss (excluding those closely related to the Company's business and enjoyed according to the State's standard quota or quantity)	43,310,674.03	61,410,326.98	-29.47
Net profit or loss for the current period from the beginning of the period to consolidation date of subsidiaries acquired through business combinations under common control			
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	2,181,799.50	-2,840,616.12	-176.81
Reversal of impairment provision for receivables tested for impairment on individual basis			
Other non-operating income/expenses other than the above items	356,709.50	-17,307,948.94	-102.06
Effect of income tax	-6,566,719.55	-8,137,154.79	-19.30
Effect of minority interests(after tax)	-623,389.73	-944,695.87	-34.01
Total	38,145,970.25	36,439,655.78	4.68

IV. 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 during the Reporting Period

During the Reporting Period, the Company encountered severe condition of industry development. Accordingly, the Company adhered to the “three changes” (change from emphasizing scale expansion to efficiency and profit growth, change from emphasizing capacity improvement to technical upgrading, and change from emphasizing manufacturing-based operations to manufacturing and service-based operations). With the method of reform and innovation and centered around the economic results, the Company proactively implemented various production and operation activities in accordance with the principles of “scientific management, streamlined structure and high efficiency, highlighting effectiveness and stimulating vitality”. Therefore, the production target of completing half of the production volume within a half year was achieved. However, due to the slow growth of the domestic electricity market, the electricity demand decreased. In addition, the extremely intense market competition and continuous decrease in the sales prices of the products resulted in the obvious decrease in the Company’s profits.

Completion of Operation Indicators

During the Reporting Period, in accordance with the PRC Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB18,984 million, representing a decrease of 7.25% over the same period last year; net profit attributable to shareholders of the Company of RMB839 million, representing a decrease of 29.24% over the same period last year; earnings per share of RMB0.42; and gross profit margin for principal operations was 15.68%, representing a decrease of 2.37 percentage points over the same period last year.

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

Capacity of Power Generation Equipments

During the Reporting Period, the Company produced power generation equipments with total capacity of 17,873.5MW, up 1.0% year on year, fulfilling the production target of completing half of the production volume with a half year. These equipment included 17 hydro-electric turbine generator sets (2,344MW), down 44.0% year on year; 34 steam turbine generators (15,135MW), up 12.6% year on year; and 235 wind turbine generator sets (394.5MW), up 440.4% year on year; 28 power station boilers (10,640MW), down 0.3% year on year; and 46 power station steam turbines (15,885MW), up 5.0% year on year.

Market Orders

In the first half of this year, affected by the overseas and domestic macro-economy, the overall demand in the electricity equipment industry was low. Although the demand for wind power increased, the demand for thermal power and gas turbine decreased continuously with fiercer price competitions. In such difficult market situation, all of the staff of the Company endeavored to make some progress in an active manner through its unremitting efforts to ensure its share in hydroelectric and thermal power markets. In addition, the Company made some achievements in the aspects of wind power, nuclear power markets and others.

The Company's new orders amounted to RMB20.3 billion, of which export orders amounted to RMB908 million, accounting for 4.5%, while 59.3% of the new orders was attributable to high-efficiency clean energy, 24.1% to new energy, 6.1% to water energy and environmental protection, and 10.5% to engineering and services in the first half of this year.

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

Market Orders (Continued)

As at 30 June 2014, the Company had orders in hand of approximately RMB138 billion, among which high-efficiency clean energy accounted for 64.5%, new energy accounted for 16.1%, water energy and environmental protection accounted for 3.9%, and engineering and services accounted for 15.5%. Export orders accounted for 14.8% of all of the Company's orders in hand.

Production and Project Construction

In the first half of this year, Xiluodu and Nuozhadu large-scale hydroelectric projects were successfully completed and the Gerry units in Brazil completed the full capacity test. The relevant technical innovation of ultra-supercritical thermal projects of Liuheng, Jiaozuo, Wanzhou, Anyuan and others made breakthrough successively with the steady progress as planned. The performance testing of the world's first 600MW supercritical circulating fluidized bed generating unit of Baima Project passed smoothly with various excellent indicators. Yangjiang No.1, Ningde No.2 and Hongyanhe No.2 nuclear power units successfully put into commercial operation. The first F4 improved Zhongshan No.1 combined cycle steam turbine unit (F4改進型中山一號聯合循環燃汽輪機組) completed the 168-hour trial operation.

As at the end of June, there were 20 power station construction projects in progress (four of which were general contract projects) with the total capacity of 14,593MW. The important projects nodes basically reached the target. Four units of the Saudi Rabigh project and so on obtained PAC certificates, and the first gas turbine of Nandipu Project in Pakistan realized combined grid power generation in advance.



IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

Reform and Innovation Motivated Vitality and Promoted Development

Concentrating on the “three changes”, the Company steadily promoted comprehensive deep reform and consolidated rectification and special improvement for management weakness and bottleneck problems in order to motivate development of vitality and continuously improve core competitiveness. Through proactively improving capital operation, the Company conducted an innovative financing and fund raising projects to issue A share convertible corporate bonds with the aggregate carrying value of RMB4 billion to facilitate the stable development of the Company.

OUTLOOK FOR THE SECOND HALF

In the second half of 2014, under the impact of international and domestic macroeconomic environments, the domestic power generation equipment market will still maintain adjustment and steady progress. The hydropower market will usher in a high-tide period of development; the demand for thermal power will further decline; the construction of nuclear power projects will gradually resume; the demand for gas turbine will slightly decrease; the demand for wind power will grow; the power station service and energy-saving and environment protection industry will maintain sustainable development. The expansion of overseas markets will be a great challenge due to the impact of economy, policy, law, etc.

IV. REPORT OF THE BOARD (*CONTINUED*)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

OUTLOOK FOR THE SECOND HALF (*Continued*)

Confronted with the domestic and overseas market situation with challenges and opportunities, the Company will seize the strategic opportunity of energy reform and energy structure adjustment in the PRC and increase efforts for development of domestic and overseas markets with the acceleration of the “three changes” as the theme and deepening reform in a comprehensive way as the focus; boost independent innovation, vigorously promote the quality improvement, efficiency enhancement and performance optimization of leading products and continuously enhance the products’ competitiveness; solidly conduct quality management and promote stable improvement of product quality; constantly strengthen the costs management and control capacities and strive to increase revenue, reduce expenditure, decrease costs and increase benefits; elaborately organize production and increase project implementation efforts to ensure realization of annual goals, contain the decline of operating results, and achieve stable development of the Company.



IV. 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: RMB

Item	Amount for the Period	Amount for the same period last year	Change (%)
Operating revenue	18,984,168,298.81	20,467,106,740.89	-7.25
Operating cost	15,959,657,175.55	16,713,119,226.23	-4.51
Selling expenses	312,608,613.19	431,688,349.95	-27.58
Administrative expenses	1,450,255,930.65	1,558,124,480.21	-6.92
Finance costs	-105,785,546.50	-45,060,691.01	134.76
Net cash flows from operating activities	131,877,492.15	886,961,511.14	-85.13
Net cash flows from investing activities	-451,631,145.18	-379,658,649.70	18.96
Net cash flows from financing activities	-891,801,628.25	534,276,095.50	-266.92
Research and development expenses	378,657,576.57	370,730,462.00	2.14

IV. 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. Top five sales customers and suppliers

(1) Major sales customers

During the Reporting Period, the Company's revenue from operation derived from its top five customers amounted to RMB3,253 million, accounting for 17.14% of the Group's total revenue from operation.

(2) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB1,265 million, accounting for 9.45% of the Group's total procurement.

3. Cash flows

Unit: RMB

Item	Amount for the Period	Amount for the same period last year	Change (%)
Net cash flows from operating activities	131,877,492.15	886,961,511.14	-85.13
Cash received from disposal of investments	39,013,662.90		
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	443,198,750.89	358,866,905.54	23.50
Cash paid for investment	51,000,000.00	28,000,000.00	82.14

IV. 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. Cash flows *(Continued)*

- (1) Net cash out flows from operating activities decreased by 85.13% year-on-year, mainly due to the increase in the cash paid for procurement by the Company during the Period.
- (2) Cash received from disposal of investments increased by RMB39 million year-on-year, mainly due to the cash of RMB29 million received from disposal of treasury bond investment by Dongfang Boiler and the deposit of RMB10 million by Sichuan International Trust.
- (3) Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets increased by 23.50% year-on-year, mainly due to the increase in investments in fixed assets by the Company in the Period.
- (4) Cash paid for investment increased by 82.14% year-on-year, mainly due to the fact that the Company invested RMB15 million in Huadian Longkou Wind Power Company and made an addition investment of RMB36 million in Sichuan Wind Power Industry Investment Co., Ltd.

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

(II) Analysis of Operations by Industry, Product or Region

1. Principal operations by industry and product

Unit: RMB

Product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year	Year-on-year	Year-on-year
				increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Clean high efficiency power						
generation equipments	11,887,442,477.01	9,854,421,118.04	17.10	10.53	11.89	-1.01
New energy	2,160,256,146.00	1,888,471,320.58	12.58	-54.12	-51.87	-4.09
Water energy and						
environmental equipments	1,976,227,988.71	1,691,344,603.52	14.42	-5.99	0.52	-5.54
Engineering and services	2,813,830,780.94	2,449,727,980.24	12.94	1.75	9.02	-5.80
Total	18,837,757,392.66	15,883,965,022.38	15.68	-7.34	-4.66	-2.37

- (1) The Company maintained the momentum of steady development in the Period, with sales revenue for the Period from principal operations decreasing by 7.34% as compared with the same period last year.



IV. REPORT OF THE BOARD *(CONTINUED)*

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period *(Continued)*

(II) Analysis of Operations by Industry, Product or Region *(Continued)*

1. Principal operations by industry and product *(Continued)*
 - (2) During the Period, the operating revenue from clean high-efficiency power generation equipments increased by 10.53% as compared with the same period last year mainly due to an increase of 11.42% in revenue from thermal power and an increase of 87.51% in revenue from gas turbines. The gross profit margin of clean high-efficiency power generation equipments decreased by 1.01 percentage points as compared with the same period last year, mainly attributable to a decline in the gross profit margin of thermal power.
 - (3) During the Period, the revenue from the new energy decreased by 54.12% as compared with the same period last year, mainly due to the decrease of 62.65% in revenue from the wind power. Meanwhile, the gross profit margin of the new energy segment decreased by 4.09 percentage points, mainly due to the lower sales price of wind power in the Period.

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

(II) Analysis of Operations by Industry, Product or Region (Continued)

1. Principal operations by industry and product (Continued)
 - (4) During the Period, the revenue from water energy and environmental equipments decrease by 5.99% as compared with the same period last year, mainly due to the decrease of 18.73% in sales revenue of water energy. Meanwhile, the gross profit margin of water energy and environmental equipments declined by 5.54 percentage points, which mainly resulted from a decrease in the gross profit margin of hydropower in the Period.
 - (5) During the Period, the gross profit margin of engineering and services decreased by 5.80 percentage points as compared with the same period last year, mainly due to the decrease in gross profit margin of engineering and power station services in the Period.
2. Principal operations by region

Unit: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	14,527,657,179.83	-10.07
Overseas	4,310,100,212.83	3.20
Total	18,837,757,392.66	-7.34

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

(III) Analysis of assets and liabilities

1. Analysis of assets and liabilities

Unit: RMB

Item	Amount at the end of the Period	Amount at the end of the Period as a percentage of total assets (%)	Amount at the beginning of the year	Amount at the beginning of the year as a percentage of total assets (%)	Change in the Period (%)
Monetary fund	10,917,603,783.25	13.85	12,131,648,112.18	15.59	-10.01
Bills receivable	3,141,629,389.52	3.99	2,784,861,591.44	3.58	12.81
Trade receivables	17,767,984,751.63	22.54	17,032,484,330.47	21.88	4.32
Inventories	28,939,270,429.53	36.71	27,301,842,960.20	35.06	6.00
Available-for-sale financial assets	331,214,963.00	0.42	306,816,665.00	0.39	7.95
Long-term equity investment	828,039,822.15	1.05	784,129,880.78	1.01	5.60
Fixed assets	8,844,631,393.86	11.22	9,243,610,975.06	11.88	-4.32
Construction in progress	863,383,767.98	1.10	685,790,408.06	0.88	25.90
Short-term borrowings	2,912,744,119.28	3.69	3,453,072,066.14	4.44	-15.65
Long-term borrowings	56,200,000.00	0.07	39,400,000.00	0.05	42.64
Taxes payable	-448,596,803.53	-0.57	53,907,111.62	0.07	-932.17

- (1) As at the end of the Period, the Company's construction in progress increased by 25.90%, as compared with the beginning of the Period, mainly attributable to the increase in investments in fixed assets by the Company in the Period.
- (2) As at the end of the Period, the Company's long-term borrowings increased by 42.64% as compared with the beginning of the Period, mainly attributable to the increase in long-term borrowings in the Period.

IV. REPORT OF THE BOARD *(CONTINUED)*

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period *(Continued)*

(III) Analysis of assets and liabilities *(Continued)*

1. Analysis of assets and liabilities *(Continued)*

- (3) As at the end of the Period, the Company's taxes payable decreased by 932.17% as compared with the beginning of the Period, mainly attributable to the Company's tax filing by tax bureau for 2013 and the increase in retained amount of value-added tax in the Period.

(IV) Analysis of core competitiveness

During the Reporting Period, there's no change in core competitiveness of the Company.



IV. 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 of equity investment

No.	Investor	Type of investment	Name of investee	Principal business of the investee	Investment amount in 2014 (RMB0'000)	Equity interest in the investee upon completion of the investment (%)
1	Dongfang Electric Corporation Limited	Equity investment	Huadian Longkou Wind Power Co., Ltd. (華電龍口風電有限公司)	Investment in and construction and operation of wind power farms	1500	25
2	Dongfang Electric Corporation Limited	Equity investment	Sichuan Energy Industry Investment Wind Power Development Co., Ltd. (四川省能投風電開發有限公司)	Investment in and construction and operation of wind power farms	3600	20

IV. 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 of equity investment (Continued)

(1) Securities investment

Unit: RMB

No.	Type of securities	Code of securities	Abbreviation of securities	Initial	Number of	Book value	As a	Gain/loss for the Reporting Period
				investment cost	securities held	at the end of the Period	percentage of total investment in securities at the end of the Period	
				(RMB)	(shares)	(RMB)	(%)	(RMB)
1	Stock	601179	China XD Electric	48,120,052.71	7,272,665.00	25,963,414.05	100.00	2,181,799.50
						—		
			Other securities investment at the end of the Period			—		
			Gains from disposal of securities investment in the Reporting Period	—	—	—	—	—
			Total	48,120,052.71	—	25,963,414.05	100.00	2,181,799.50



IV. 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 of equity investment (*Continued*)

(1) Securities investment (*Continued*)

- Notes:*
1. The sequence of this table is based on the percentage of the book value as at the end of the Reporting Period attributed to the Company's total investment in securities as at the end of the Reporting Period, and this table only shows the top ten securities held by the Company as at the end of the Reporting Period;
 2. For the purpose of this table, securities investment refers to investment in stocks, warrants, convertible bonds, etc., and investment in stocks only represents the portion accounted for as held-for-trading financial assets of the Company;
 3. Other securities investment refers to investment in other securities, other than the top ten securities;
 4. Gain/loss for the Reporting Period includes the Company's investment income from holding such securities and gain or loss from change in fair value.

IV. 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 of equity investment (Continued)

(2) Equity interests held by the Company in other listed companies

Unit: RMB

Code of securities	Abbreviation of securities	Initial investment cost	Percentage of equity interest		Book value at the end of the Period	Gain/loss for the Reporting Period	Change to owner's equity during the Reporting period	Accounting item	Source of shares
			held at the beginning of the Period (%)	held at the end of the Period (%)					
600795	GD Power	46,107,941.00	0.09	0.09	31,364,963.00	-2,601,702.00		financial assets held for trading	Purchased
600863	NMHD	388,000,000.00	1.94	1.94	282,750,000.00	27,000,000.00		financial assets held for trading	Purchased
Total		434,107,941.00			314,114,963.00	24,398,298.00			

- Notes:*
- This table shows the equity interests held by the Company in other listed companies, which are accounted for as long-term equity investment or available-for-sale financial assets;
 - Gain/loss for the Reporting Period refers to the impact of relevant investment on the Company's consolidated profit for the Reporting Period.

IV. 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 derivatives investment with non-financial corporations

(1) Entrusted wealth management

During the Reporting Period, the Company did not have entrusted wealth management products.

(2) Entrusted loans

During the Reporting Period, the Company had no entrusted loans.

(3) Use of proceeds from fundraisings

During the Reporting Period, the Company had no proceeds from fundraisings, nor did any proceeds from fundraisings of previous period due within the period.

3. Non-fundraising projects

During the Reporting Period, the Company had no non-fundraising projects.

IV. 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: One hundred million RMB

Company name	Equity interest held by the Company	Main products or services	Registered			Operating revenue	Operating profit	Net profit
			capital	Total assets	Net assets			
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and sales of steam turbines, water 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 corresponding equipments; mechanical equipment and accessories as well as the related import and export business	18.46	376.48	39.56	75.60	1.63	1.27
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	134.61	40.76	30.25	1.33	1.37
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental protection equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	225.96	49.83	61.01	3.31	2.98
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%	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	36.50	15.10	5.27	0.36	0.32

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

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

1. Analysis of operating results

Unit: RMB

Item	Amount for the Period	Amount for the same period of last year	Year-on-year increase/decrease (%)
Operating revenue	18,984,168,298.81	20,467,106,740.89	-7.25
Selling expenses	312,608,613.19	431,688,349.95	-27.58
Administrative expenses	1,450,255,930.65	1,558,124,480.21	-6.92
Finance costs	-105,785,546.50	-45,060,691.01	134.76
Impairment loss of assets	339,002,040.89	356,335,343.11	-4.86
Total profit	1,003,224,238.76	1,435,779,683.73	-30.13
Income tax expenses	134,457,344.74	223,705,752.38	-39.90
Net profit	868,766,894.02	1,212,073,931.35	-28.32
Net profit attributable to shareholders of the Company	839,294,368.43	1,186,154,894.33	-29.24

- (1) The Group maintained the momentum of steady development in the Period, with sales revenue for the Period decreased by 7.25% as compared with the same period last year.
- (2) Selling expenses for the Period decreased by 27.58% as compared with the same period last year, mainly due to a year-on-year decrease of 38.48% in service fees and provisions made for product quality warranty in 2014 according to relevant accounting policies.

IV. REPORT OF THE BOARD (*CONTINUED*)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (*Continued*)

(VI) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (*Continued*)

1 Analysis of operating results (*Continued*)

- (3) Administrative expenses for the Period decreased by 6.92% as compared with the same period last year, mainly due to the employee's salaries and business entertainment expenses for the Period decreased by 6.41% and 52.12%, respectively. Meanwhile, the repair charge and legal costs also showed declines of varying extents.
- (4) Finance costs for the Period decreased by 134.76% as compared with the same period last year, mainly due to the decreased interest expenses on borrowings and increased interest income as the Company continually stepped up fund management efforts.
- (5) Total profit and net profit attributable to shareholders of the Company for the Period decreased by 30.13% and 29.24% as compared with the same period last year, respectively, mainly due to revenue of the Company declining as compared to the same period of last year and a year-on-year decrease of 2.37 percentage points in the sales gross profit margin of principal operations for the Period.



IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

(VI) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (Continued)

2. Financial position and analysis of assets, liabilities and shareholders' equity

At the end of the Period, the Company's total assets amounted to RMB78,832 million, up by 1.28% as compared with the beginning of the year, mainly attributable to a 6.00% increase in inventories and 4.32% increase in account receivables; total liabilities amounted to RMB59,700 million, up by 0.77% as compared with the beginning of the year; and shareholders' equity amounted to RMB19,132 million, up by 2.90% as compared with the beginning of the year, mainly attributable to a 4.71% increase in undistributed profit.

3. Gearing ratio

Gearing ratio = total liabilities/total assets × 100%

Item	As at the end of the Period	As at the beginning of the Period	Year-on-year increase/decrease (percentage point)
Gearing ratio (%)	75.73	76.11	-0.38

The Company's gearing ratio as at the end of the Period was 75.73%, representing a decrease of 0.38% as compared with the beginning of the year. The financial position of the Company was further optimized and improved.

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

(VI) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (Continued)

4. Bank borrowings

As at 30 June 2014, the Company had bank borrowings of RMB2,949 million due within one year and RMB56 million due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB2,949 million were fixed-rate borrowings. The Company has maintained favorable credit rating with banks and sound financing capacity.

5. Exchange risk management

With the increasing scale of the international operations of the Company, foreign exchange rate risk has become a more important element that affects the Company's operating results. With a view to effectively reduce the impact of fluctuations in foreign currency exchange rates on the Company's financial position and operating results, the Company prudently adopts exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

6. Pledge of assets

As at the end of the Period, the Company had pledged borrowings of RMB226 million, which were related to the borrowings granted by Dongfang Electric Finance Company Limited to the Group with pledge of fixed assets and intangible assets.

IV. REPORT OF THE BOARD (CONTINUED)

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period (Continued)

(VI) Analysis of Financial Position and Operating Results of the Company during the Reporting Period (Continued)

7. Contingent events

- (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 two major equipments and provision of relevant technical services. Due to problems of certain equipments and so on, 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, both of No. 1 and No. 2 generating units had obtained the preliminary receiving certificates. The project owners confirmed that No. 1 and No. 2 generating units were put into commercial operation on 14 December 2012 and 28 January 2013, respectively, and accordingly entered into quality guarantee periods.

IV. REPORT OF THE BOARD *(CONTINUED)*

I. Discussion and Analysis of the Board on Operations of the Company during the Reporting Period *(Continued)*

(VI) Analysis of Financial Position and Operating Results of the Company during the Reporting Period *(Continued)*

7. Contingent events *(Continued)*

- (1) Possible commercial risks in relation to the Saudi Rabigh project: *(Continued)*

Currently, the Company is in the process of negotiation with related parties in respect of the compensation for prolongation and settlement of the project.

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

A memorandum of understanding has been reached by both parties. For details, please refer to the section of "Significant Events".

(VII) Material acquisition and disposal of subsidiaries and associates

For the six months ended 30 June 2014, there was no material acquisition and disposal of subsidiaries and associates.



IV. REPORT OF THE BOARD (CONTINUED)

II. Plan for Profit Distribution or Capitalization of Capital Reserve

(I) Implementation of profit distribution plan or adjustment thereto during the Reporting Period

The Company's profit distribution plan for 2013 was determined on the basis of 2,003,860,000 shares in the total share capital of the Company. A cash dividend of RMB1.80 per 10 shares (tax inclusive) was declared, totaling RMB360,694,800.00. The Company's profit distribution plan for 2013, which was considered and approved at the 2013 annual general meeting of the Company on 29 April 2014 and in compliance with the Articles of Association and relevant approving procedures, was fully implemented.

(II) Plans for profit distribution and capitalization of capital reserve for the first half year

Nil.

III. Other Discloseable Issues

(I) Explanation of the Board and Supervisory Committee on the "Non-standard Auditor's Report" issued by Accounting Firm

✓ N/A

V. SIGNIFICANT EVENTS

I. Material Litigation, Arbitration and Matters Commonly Questioned by the Media

- (I) The Company was not involved in any material litigation, arbitration or matters commonly questioned by the media during the Reporting Period.
- (II) Other events

The Company disclosed arbitration over technology contract disputes with US-based Foster Wheeler in contingent events of every annual and interim reports from 2010 to 2013. On 21 May 2014, Dongfang Boiler Group Co. Ltd., Dongfang Electric Corporation and US-based Foster Wheeler reached a consensus and entered into a memorandum of understanding in relation to the matter. Both parties agreed on the mutual recognition of the integrity of each other's circulating fluidized-bed boilers technology, and each party can participate in market competition worldwide without restrictions, and thus completely solved all disputes and disagreements under the license agreement. Resolution of the matter did not have an impact on the operating performance of the Company in the first half of 2014.



V. SIGNIFICANT EVENTS (CONTINUED)

II. Share Option Incentives Adopted by the Company and the Effects Thereof

✓ N/A

In December 2012, the Company adopted the share appreciation rights scheme, under which the backbone of management including 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). During the Reporting Period, the first tranche of H share appreciation rights incentives scheme was still within the lock-up period and thus not yet exercisable.

III. Material Connected Transactions

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation

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 DEC, 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.

V. SIGNIFICANT EVENTS *(CONTINUED)*

III. Material Connected Transactions *(Continued)*

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation *(Continued)*

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



V. SIGNIFICANT EVENTS *(CONTINUED)*

III. Material Connected Transactions *(Continued)*

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation *(Continued)*

The basic contents of such agreements are as follows:

- (1) 2012-2014 Purchase and Production Services Framework Agreement

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

V. SIGNIFICANT EVENTS *(CONTINUED)*

III. Material Connected Transactions *(Continued)*

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation *(Continued)*
- (2) 2012-2014 Sales and Production Services Framework Agreement

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



V. SIGNIFICANT EVENTS *(CONTINUED)*

III. Material Connected Transactions *(Continued)*

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation *(Continued)*

(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 DEC and its affiliated enterprises; DEC 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 Properties and Equipment Framework Lessee Agreement

DEC and its affiliated enterprises would lease relevant properties to the Company and its subsidiaries.

V. SIGNIFICANT EVENTS (CONTINUED)

III. Material Connected Transactions (Continued)

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation (Continued)

(5) 2012-2014 Properties and Equipment Framework Lessor Agreement

The Company and its subsidiaries would lease relevant properties to DEC and its affiliated enterprises.

(6) 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.

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.

V. SIGNIFICANT EVENTS (CONTINUED)

III. Material Connected Transactions (Continued)

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation (Continued)

The aforesaid routine continuing connected transactions between the Company and DEC 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 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 30 June 2014, the specific amounts of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

V. SIGNIFICANT EVENTS (CONTINUED)

III. Material Connected Transactions (Continued)

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

1. Matters disclosed in provisional announcements with progress or change in the follow-up implementation (Continued)

The actual amounts of these connected transactions as at 30 June 2014 and the annual caps for 2014

Unit: RMB'000

Name of agreement	Total actual amount as at 30 June 2014	Proposed annual caps for 2014
Purchase and Production Services Framework Agreement	1,096,076	4,000,000
Sales and Production Services Framework Agreement	129,440	1,780,000
Combined Ancillary Services Framework Agreement (receipt of services)	2,168	200,000
Combined Ancillary Services Framework Agreement (provision of services)	193	2,000
Properties and Equipment Framework Lessee Agreement	8,908	100,000
Properties and Equipment Framework Lessor Agreement	0	3,000
		14,600,000
		(deposit plus interest income)
Financial Services Framework Agreement	10,428,339	15,000,000
		(loans plus interest expense)
	2,527,701	

V. SIGNIFICANT EVENTS (CONTINUED)

IV. Appointment or Dismissal of Auditors

Whether changed the auditor or not:	No
Domestic auditor	Current auditor ShineWing Certified Public Accountants (special general partnership)

V. Punishment of and Correction by the Company or its Directors, Supervisors, Senior Management, Shareholders with more than 5% Shareholding, De Facto Controller or acquirer

During the Reporting Period, none of the Company, its directors, supervisors, senior management, shareholders with more than 5% shareholding, de facto controller and acquirer was subject to any investigation, administrative punishment, or public reprimand from the CSRC or any public censure by SSE.

VI. Events After the Date of Balance Sheet

On 10 July 2014, the Company publicly issued A Share convertible corporate bonds with a total nominal value of RMB4,000 million for a term of 6 years (for details, please refer to 10.1 of VIII. Notes to the Financial Statement in the report). Proceeds raised will be mainly used in the overseas EPC and BTG projects as well as in the R&D ability enhancement project.

VII. Corporate Governance

The Company highlights the continuous improvement and enhancement of its corporate governance level to ensure compliant operation and sustained and healthy development. During the Reporting Period, the Company has complied with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, and the regulatory documents of the CSRC.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Employees

As at 30 June 2014, the Company had 26,856 employees. The Company carried out remuneration management in accordance with management rules for total remuneration, employee salary and labour employees and other relevant systems.

IX. Purchase, Sales or Redemption of Listed Securities of the Company

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

X. Corporate Governance Code

The Company was in full compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Reporting Period.

XI. Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that 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.



V. SIGNIFICANT EVENTS (CONTINUED)**XII. Asset transaction and business combinations**

√ N/A

XIII. Material Contracts and Performance thereof**(I) Trusteeship, contracting and leasing**

√ N/A

(II) Guarantee

√ N/A

(III) Other material contracts or transactions

The Company did not enter into any other material contracts or transactions in the Reporting Period.

XIV. Performance of Undertakings

√ N/A

XV. Audit Committee

The Board has set up an audit committee comprising three independent non-executive Directors, namely, Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing. The audit committee has reviewed the 2014 interim report of the Company for the Reporting Period, and agreed to the accounting treatments method adopted by the Company.

V. SIGNIFICANT EVENTS (CONTINUED)

XVI. Information Disclosure

The interim report of the Company for the six months ended 30 June 2014, which contains all information as proposed in the Disclosure of Financial Information set out in the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company (<http://dfem.wsfg.hk>) in due course.

VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

I. Changes in Share Capital

(I) Changes in Share Capital (As at 30 June 2014)

1. Total number of shares and structure of share capital

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



VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. Particulars of Shareholders (As at 30 June 2014)

(I) Number of shareholders and shareholdings

Unit: Share

Total number of shareholders at the end of the Reporting Period 127,569

Shareholdings of the top ten shareholders

Name of shareholder	Capacity	Percentage (%)	Total number of shares held	Increase (decrease) in 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	0	0	Nil
HKSCC Nominees Limited	Overseas legal person	16.87	338,093,895	18,200	0	Unknown
PICC Life Insurance Company Limited - Dividend - Individual Dividend (中國人民人壽保險股份有限公司一分紅一箇險分紅)	Others	0.72	14,506,989	0	0	Unknown
China Huarong Asset Management Co., Ltd.	Others	0.38	7,546,864	0	0	Unknown
Bank of China Limited - Securities Investments Funds with the theme of Changsheng Urbanization (中國銀行股份有限公司一長盛城镇化主題股票型證券投資基金)	Others	0.21	4,138,113	—	0	Unknown
Bank of China Limited - Active Growth and Mixed Securities Investments Funds of Hua Tai Bai Rui (中國銀行股份有限公司一華泰柏瑞積極成長混合型證券投資基金)	Others	0.18	3,599,950	—	0	Unknown

VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. Particulars of Shareholders (As at 30 June 2014) (Continued)

(I) Number of shareholders and shareholdings (Continued)

Unit: Share

Total number of shareholders at the end of the Reporting Period 127,569

Shareholdings of the top ten shareholders (Continued)

Name of shareholder	Capacity	Percentage (%)	Total number of shares held	Increase (decrease) in the Reporting period	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Bank of China Limited – Securities Investments Funds of Jia Shi Hu Shen 300 Trading and Open Index (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)	Others	0.18	3,521,383	-59,158	0	Unknown
Bank of China Limited –Stock Securities Investments Funds of Changsheng Electronic Information Industry (中國銀行股份有限公司—長盛電子信息產業股票型證券投資基金)	Others	0.15	3,079,501	—	0	Unknown
Industrial and Commercial Bank of China Limited - Securities Investments Funds of Hua Xia Hu Shen 300 Trading and Open Index (中國工商銀行股份有限公司—華夏滬深300交易型開放式指數證券投資基金)	Others	0.14	2,719,900	220,900	0	Unknown
Industrial and Commercial Bank of China Limited – Tian Yuan Securities Investments Funds (中國工商銀行—天元證券投資基金)	Others	0.13	2,521,432	-4,015,424	0	Unknown

VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS *(CONTINUED)*

II. Particulars of Shareholders (As at 30 June 2014) *(Continued)*

(II) Change in Controlling Shareholder or De facto Controller

During the Reporting Period, there was no change in the Controlling Shareholder or de facto controller of the Company.

(III) Shareholding Disclosed under the H Share Supervisory Rules

Major shareholder's equity

So far as known to the directors, supervisors and the chief executive of the Company, as at 30 June 2014, 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 have been notified to the Company and the Stock Exchange, were as follows:

VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. Particulars of Shareholders (As at 30 June 2014) (Continued)

(III) Shareholding Disclosed under the H Share Supervisory Rules (Continued)

Major shareholder's equity (Continued)

Name	Class of shares	Capacity	Number of shares held	Percentage of total share capital (%)	Percentage in the respective class of share capital (%)
Templeton Global Advisors Limited	H shares	Investment manager	54,520,383 (L)	2.72(L)	16.04(L)
JPMorgan Chase & Co.	H shares	Beneficial owner and custodian	50,959,012(L)	2.54(L)	14.98(L)
			1,065,000(S)	0.05(S)	0.31(S)
			48,953,136(P)	2.44(P)	14.39(P)
BlackRock, Inc.	H Shares	Interests of corporation controlled by substantial shareholder	17,389,749(L)	0.87(L)	5.11(L)
			17,600(S)	0.001(S)	0.00(S)
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

VI. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS *(CONTINUED)*

II. Particulars of Shareholders (As at 30 June 2014) *(Continued)*

(III) Shareholding Disclosed under the H Share Supervisory Rules *(Continued)*

Major shareholder's equity *(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 5 May 2014) on 7 May 2014, these shares were held through certain subsidiaries of JPMorgan Chase & Co. The 50,959,012 H shares (long position) were held as to 2,005,876 H shares in the capacity of beneficial owner and 48,953,136 shares (lending pool) in the capacity of custodian. The 1,065,000 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 30 June 2014, 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 of 30 June 2014 the Company is not aware of any other person (not being a director, or a supervisor or chief executive of the Company) who 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 have been notified to the Company and the Stock Exchange.

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in Shareholdings

(I) **Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period**

As at 30 June 2014, 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 which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company, were as follows:



VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. Changes in Shareholdings (Continued)

(I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period (Continued)

Unit: share

Name	Position	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/decrease in the number of shares during the Reporting Period	Reason for increase/decrease
Si Zefu	Chairman	0	0	0	
Zhang Xiaolun	Director	0	0	0	
Wen Shugang	Director	0	0	0	
Huang Wei	Director	0	0	0	
Zhu Yuanchao	Director	0	0	0	
Zhang Jilie	Director	0	0	0	
Li Yanmeng	Independent director	0	0	0	
Zhao Chunjun	Independent director	0	0	0	
Peng Shaobing	Independent director	0	0	0	
Wen Limin	Chairman of the supervisory committee	0	0	0	

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. Changes in Shareholdings (Continued)

(I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period (Continued)

Unit: Share

Name	Position	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/decrease in the number of shares during the Reporting Period	Reason for increase/decrease
Wang Congyuan	Supervisor	0	0	0	
Wang Zaiqiu	Supervisor	0	0	0	
Zhang Zhiying	Vice president	0	0	0	
Han Zhiqiao	Vice president	2,540	2,540	0	
Gong Dan	Chief accountant, Secretary of the Board of Directors:	2,540	2,540	0	
Chen Huan	Vice president	0	0	0	
Gao Feng	Vice president	0	0	0	
Wen Bingyou	Chairman of the supervisory committee (resigned)	8,238	8,238	0	

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



VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (*CONTINUED*)

I. Changes in Shareholdings (*Continued*)

(I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period (*Continued*)

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

None of the directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the directors, supervisors or chief executive of the Company, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associate corporations (within the meaning under Part XV of the 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 which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

II. Changes in Directors, Supervisors and Senior Management of the Company

Name	Position	Changes	Reason for changes
Wen Bingyou	Chairman of supervisory committee, supervisor	Resign	Work requirement
Wen Limin	Chairman of supervisory committee	Election	Work requirement
Wang Zaiqiu	Supervisor	Appointment	Work requirement

III. Other Explanations

On 29 April 2014, Mr. Wen Bingyou resigned from the position of the supervisor and the chairman of supervisory committee of the Company due to work requirement. Dongfang Electric Corporation nominated Mr. Wang Zaiqiu as the candidate for the supervisor of the seventh supervisory committee of the Company. At the extraordinary general meeting held on 24 June 2014, Mr. Wang Zaiqiu was elected as the supervisor representing the shareholders. Term of office of the supervisor took effect on 24 June 2014 and expired on 27 June 2015. In the 2014 first extraordinary meeting of supervisory committee held on 24 June 2014, Mr. Wen Limin was elected as the chairman of the seventh supervisory committee, which took effect on 24 June 2014 and expired on 27 June 2015.



VIII. FINANCIAL REPORT (SEE APPENDIX)

IX. DOCUMENTS AVAILABLE FOR INSPECTION

- I. Copy of the 2014 Interim 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 of the Company
- IV. This report has been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

Dongfang Electric Corporation Limited

Si Zefu

Chairman

29 August 2014



Dongfang Electric Corporation Limited

2014 Interim Financial Report
(unaudited)

29 August 2014

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Consolidated Balance Sheet
Prepared by: Dongfang Electric Corporation Limited 30 June 2014 Unit: RMB

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Current assets:			
Monetary fund	V 1	10,917,603,783.25	12,131,648,112.18
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets	V 2	26,026,652.51	26,608,362.14
Bills receivable	V 3	3,141,629,389.52	2,784,861,591.44
Trade receivables	V 4	17,767,984,751.63	17,032,484,330.47
Prepayments	V 5	4,318,214,620.34	4,716,518,840.61
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable	V 6	119,629,922.17	101,620,018.51
Dividends receivable	V 7	39,087.80	39,087.80
Other receivables	V 8	386,345,917.31	352,960,215.57
Purchases of resold financial assets			
Inventories	V 9	28,939,270,429.53	27,301,842,960.20
Non-current assets due within one year			
Other current assets		1,253,624.66	
Total current assets		65,617,998,178.72	64,448,583,518.92
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	V 10	331,214,963.00	306,816,665.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V 11	828,039,822.15	784,129,880.78
Investment properties	V 12	71,038,910.13	72,798,574.45
Fixed assets	V 13	8,844,631,393.86	9,243,610,975.06
Construction in progress	V 14	863,383,767.98	685,790,408.06
Construction materials	V 15	113,464.96	113,464.96
Disposal of fixed assets			11,958.08
Productive biological assets			
Oil and gas assets			
Intangible Assets	V 16	988,913,463.27	1,013,339,900.46
Development expenses			
Goodwill			
Long-term deferred expenditures	V 17	632,843.13	509,000.14
Deferred income tax assets	V 18	1,286,334,497.13	1,280,998,708.21
Other non-current assets			
Total non-current assets		13,214,303,125.61	13,388,119,535.20

Total assets		78,832,301,304.33	77,836,703,054.12
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Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Consolidated Balance Sheet (Continued)
Prepared by: Dongfang Electric Corporation Limited 30 June 2014 Unit: RMB

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Current liabilities:			
Short-term borrowings	V 20	2,912,744,119.28	3,453,072,066.14
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Bills payable	V 21	4,958,089,387.15	4,865,094,372.76
Trade payables	V 22	15,005,648,722.49	14,224,698,923.21
Receipts in advance	V 23	32,910,949,860.32	32,284,212,140.25
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable	V 24	386,326,054.12	394,611,720.83
Taxes payable	V 25	-448,596,803.53	53,907,111.62
Interests payable			
Dividends payable	V 26	3,346,316.82	3,389,732.02
Other payables	V 27	1,957,279,644.21	1,805,192,953.82
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year	V 28	36,320,000.00	86,320,000.00
Other current liabilities	V 29	61,035,992.07	79,943,075.58
Total current liabilities:		57,783,143,292.93	57,250,442,096.23
Non-current liabilities:			
Long-term borrowings	V 30	56,200,000.00	39,400,000.00
Debentures payable			
Long-term payables	V 31	685,252.84	685,252.84
Special payables	V 32	58,062,614.63	58,042,614.63
Estimated liabilities	V 33	1,259,485,765.34	1,392,616,607.65
Deferred income tax liabilities	V 18	1,426,136.65	1,838,036.52
Other non-current liabilities	V 34	540,849,852.40	500,287,825.52
Total non-current liabilities		1,916,709,621.86	1,992,870,337.16
Total liabilities		59,699,852,914.79	59,243,312,433.39
Shareholders' equity:			
Share capital	V 35	2,003,860,000.00	2,003,860,000.00
Capital reserve	V 36	4,990,032,601.35	4,969,294,048.05
Less: Treasury shares			
Special reserve	V 37	30,083,143.19	15,684,408.62
Surplus reserve	V 38	578,473,906.12	578,473,906.12
General risk provision			
Undistributed profit	V 39	10,640,908,570.41	10,162,309,001.98
Difference arising from translation of foreign currency financial statements		-31,678,977.53	-35,852,378.54
Total equity attributable to shareholders of the Company		18,211,679,243.54	17,693,768,986.23

Minority interests	V 40	920,769,146.00	899,621,634.50
Total shareholders' equity		19,132,448,389.54	18,593,390,620.73
Total liabilities and shareholders' equity		78,832,301,304.33	77,836,703,054.12

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Consolidated Income Statement

Prepared by: Dongfang Electric Corporation Limited Jan-June 2014 Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
I. Total revenue from operations		18,984,168,298.81	20,467,106,740.89
Including: Revenue from operations	V 41	18,984,168,298.81	20,467,106,740.89
Interest income			
Insurance premiums earned			
Income from fees and commissions			
II. Total cost of operations		18,069,976,218.98	19,168,798,771.16
Including: Cost of operations	V 41	15,959,657,175.55	16,713,119,226.23
Interest expenses			
Fee and commission expenses			
Surrender payment			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business tax and surcharges	V 42	114,238,005.20	154,592,062.67
Selling expenses	V 43	312,608,613.19	431,688,349.95
Administrative expenses	V 44	1,450,255,930.65	1,558,124,480.21
Finance costs	V 45	-105,785,546.50	-45,060,691.01
Impairments loss of assets	V 46	339,002,040.89	356,335,343.11
Add: Gains from change in fair value (loss is represented by "-")	V 47	-581,709.63	21,784,388.52
Gain from investment (loss is represented by "-")	V 48	46,468,285.97	67,325,202.92
Including: Gains from investment in associates and joint ventures		44,007,465.77	65,446,195.92
Exchange gain (loss is represented by "-")			
III. Operating profit (loss is represented by "-")		960,078,656.17	1,387,417,561.17
Add: Non-operating income	V 49	46,048,632.81	72,347,038.76
Less: Non-operating expense	V 50	2,903,050.22	23,984,916.20
Including: Loss from disposal of non-current assets		1,488,576.57	1,326,673.02
IV. Total profit (total loss is represented by "-")		1,003,224,238.76	1,435,779,683.73
Less: Income tax expense	V 51	134,457,344.74	223,705,752.38
V. Net profit (net loss is represented by "-")		868,766,894.02	1,212,073,931.35
Net profit attributable to the shareholders of the Company		839,294,368.43	1,186,154,894.33
Minority interests		29,472,525.59	25,919,037.02
VI. Earnings per share:			
(I) Basic earnings per share	V 52	0.42	0.59
(II) Diluted earnings per share	V 52	0.42	0.59
VII. Other comprehensive income		24,911,954.31	-93,967,565.17
Including: Items that may not be reclassified subsequently to profit or loss			
Items that would be reclassified to profit or loss in the future if certain conditions are met	V 53	24,911,954.31	-93,967,565.17
VIII. Total comprehensive income		893,678,848.33	1,118,106,366.18

Total comprehensive income attributable to the shareholders of the Company		864,206,322.74	1,092,187,329.16
Total comprehensive income attributable to minority interests		29,472,525.59	25,919,037.02

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Consolidated Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2014

Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
I. Cash flow generated from operating activities:			
Cash received from sale of goods and of rendering services		17,263,868,193.84	16,273,295,781.01
ΔNet increase in customer and interbank deposits			
ΔNet increase in borrowings from central bank			
ΔNet increase in placements from banks and other financial institutions			
ΔCash received from premiums under original insurance contract			
ΔNet cash received from reinsurance business			
ΔNet increase in deposits of policy holders and investment			
Net increase in disposal of held-for-trading financial assets			
ΔCash received from interest, fees and commissions			
ΔNet increase in borrowings			
ΔNet increase in repurchase business capital			
Tax rebates		153,055,762.96	165,326,083.74
Other cash received from operating activities	V 54	372,136,275.50	344,071,552.08
Sub-total of cash inflows from operating activities		17,789,060,232.30	16,782,693,416.83
Cash paid for goods and services		13,115,335,350.88	11,994,844,708.58
ΔNet increase in customer loans and advances			
ΔNet increase in deposits with PBOC and interbank deposits			
ΔCash paid for compensation payments under original insurance contract			
ΔCash paid for interest, fees and commissions			
ΔCash paid for insurance policy dividend			
Cash paid to and on behalf of employees		1,686,349,674.91	1,547,058,062.69
Taxes paid		1,727,183,985.65	1,621,857,193.18
Other cash payments relating to operating activities	V 54	1,128,313,728.71	731,971,941.24
Sub-total of cash outflows from operating activities		17,657,182,740.15	15,895,731,905.69
Net cash flow from operating activities		131,877,492.15	886,961,511.14
II. Cash flow generated from investing activities:			
Cash received from disposal of investments		39,013,662.90	
Cash received from gains in investment		2,461,648.31	1,879,007.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,092,294.50	5,329,248.84
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		42,567,605.71	7,208,255.84
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		443,198,750.89	358,866,905.54
Cash paid for investment		51,000,000.00	28,000,000.00
ΔNet increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		494,198,750.89	386,866,905.54
Net cash flow generated from investing activities		-451,631,145.18	-379,658,649.70
III. Net cash flow generated from financing activities:			
Proceeds received from financing activities			
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		1,111,100,000.00	1,335,746,899.98

ΔCash received from issuing bonds			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		1,111,100,000.00	1,335,746,899.98
Cash repayments of borrowings		1,570,602,837.88	725,200,000.00
Dividends paid, profit distributed or interest paid		432,298,790.37	76,270,804.48
Including: Dividend and profit paid by subsidiaries to minority shareholders		7,421,441.43	16,185,002.97
Other cash paid for financing-related activities			
Sub-total of cash outflows from financing activities		2,002,901,628.25	801,470,804.48
Net cash flows from financing activities		-891,801,628.25	534,276,095.50
IV. Effects of exchange rate fluctuation on cash and cash equivalents		-4,989,804.03	-44,743,565.80
V. Net increase in cash and cash equivalents		-1,216,545,085.31	996,835,391.14
Add: Cash and cash equivalents at the beginning of the period		12,108,370,760.93	8,928,997,459.40
VI. Cash and cash equivalents at the end of the period	V 54	10,891,825,675.62	9,925,832,850.54

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Consolidated Statement of Changes in Shareholders' Equity
Prepared by: Dongfang Electric Corporation Limited Jan-June 2014 Unit: RMB

Item	Amount for the period									
	Shareholder's Equity Attributed to the Parent Company								Minority interest	Total owners' equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others		
I. Balance at the end of last year	2,003,860,000.0	4,969,294,048.0		15,684,408.6	578,473,906.1		10,162,309,001.9	-	899,621,634.5	18,593,390,620.7
Add: Effects of changes in accounting policies										
Effects of correction of prior errors										
Others										
II. Balance at the beginning of the year	2,003,860,000.0	4,969,294,048.0		15,684,408.6	578,473,906.1		10,162,309,001.9	-	899,621,634.5	18,593,390,620.7
III. Increase/decrease in the period (decrease is represented by “-”)		20,738,553.30		14,398,734.57		478,599,568.43	4,173,401.01	21,147,511.50	539,057,768.81	
(I) Net profit						839,294,368.4		29,472,525.5	868,766,894.0	
(II) Other comprehensive income		20,738,553.3					4,173,401.01		24,911,954.3	
Sub-total of above (I) and (II)		20,738,553.3				839,294,368.4	4,173,401.01	29,472,525.5	893,678,848.3	
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution						-		-8,496,857.43	-	
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders						-		-8,496,857.43	-	
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Making good of loss with surplus reserve										
4. Others										

Legal representative: Si Zefu Chief Accountant: Gong Dan Head of Finance Department: Zeng Yi

(VI) Special reserve				14,398,734.5					171,843.34	14,570,577.9
1. Amount withdrawn in the period				26,359,882.3					2,212,139.37	28,572,021.6
2. Amount utilized in the period				-					-2,040,296.03	-
(VII) Others										
IV. Balance at the end of the period	2,003,860,000.0	4,990,032,601.3		30,083,143.1	578,473,906.1		10,640,908,570.4	-	920,769,146.0	19,132,448,389.5

Legal representative: Si Zefu Chief Accountant: Gong Dan Head of Finance Department: Zeng Yi

Consolidated Statement of Changes in Shareholders' Equity (Continued)
 Prepared by: Dongfang Electric Corporation Limited Jan-June 2014 Unit: RMB

Item	Amount for the period									
	Shareholder's Equity Attributed to the Parent Company								Minority interest	Total owners' Share capital Capital reserve equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provision	Undistributed profit	Others		
I. Balance at the end of last year	2,003,860,000.0	5,074,096,576.2		8,196,251.24	453,492,120.7		8,158,283,796.2	-	869,409,736.8	16,547,515,154.4
Add: Changes in accounting policies										
Effects of correction of prior errors										
Others										
II. Balance at the beginning of the year	2,003,860,000.0	5,074,096,576.2		8,196,251.24	453,492,120.7		8,158,283,796.2	-	869,409,736.8	16,547,515,154.4
III. Increase/decrease in the period		-		12,374,057.7			965,730,294.3	-	7,319,555.97	891,456,342.8
(I) Net profit							1,186,154,894.3		25,919,037.0	1,212,073,931.3
(II) Other comprehensive income		-						-		-
Sub-total of above (I) and (II)		-					1,186,154,894.3	-	25,919,037.0	1,118,106,366.1
(III) Shareholders' contribution and decrease in capital										
1. Shareholders' capital contribution										
2. Share-based payments credited to shareholders' equity										
3. Others										
(IV) Profit distribution							-		-	-
1. Appropriation to surplus reserve										
2. Appropriation to general risk provision										
3. Distribution to shareholders							-		-	-
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Making good of loss with surplus reserve										
4. Others										

Legal representative: Si Zefu Chief Accountant: Gong Dan Head of Finance Department: Zeng Yi

(VI) Special reserve				12,374,057.7					895,529.96	13,269,587.7
1. Amount withdrawn in the period				29,563,718.7					2,232,703.05	31,796,421.7
2. Amount utilized in the period				-					-	-
(VII) Others										
IV. Balance at the end of the period	2,003,860,000.0	4,991,171,541.0		20,570,308.9	453,492,120.7		9,124,014,090.5	-	876,729,292.7	17,438,971,497.3

Legal representative: Si Zefu Chief Accountant: Gong Dan Head of Finance Department: Zeng Yi

Balance Sheet

Prepared by: Dongfang Electric Corporation Limited 30 June 2014 Unit: RMB

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Current assets:			
Monetary fund		2,985,832,960.61	3,859,089,929.82
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		25,963,414.05	23,781,614.55
Bills receivable		266,089,190.50	424,109,031.00
Trade receivables	XIV. 1	3,003,402,741.74	2,777,914,444.33
Prepayments		12,635,738,578.57	11,508,848,516.92
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable			
Dividends receivable		131,436,444.73	131,436,444.73
Other receivables	XIV. 2	4,917,420,004.57	4,877,576,489.03
Purchases of resold financial assets			
Inventories		1,735,741,309.97	1,277,475,517.12
Non-current assets due within one year			
Other current assets		1,570,000,000.00	510,000,000.00
Total current assets		27,271,624,644.74	25,390,231,987.50
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		314,114,963.00	289,716,665.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XIV. 3	10,121,101,505.40	10,065,044,529.27
Investment properties		16,035,267.22	16,549,767.77
Fixed assets		13,375,147.49	15,415,855.19
Construction in progress		10,425,599.19	10,425,599.19
Construction materials			
Disposal of fixed assets			11,958.08
Productive biological assets			
Oil and gas assets			
Intangible Assets		1,956,968.84	1,906,282.93
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		105,145,804.49	104,322,476.33
Other non-current assets			
Total non-current assets		10,582,155,255.63	10,503,393,133.76

Total assets		37,853,779,900.37	35,893,625,121.26
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Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Balance Sheet (Continued)

Prepared by: Dongfang Electric Corporation Limited 30 June 2014 Unit: RMB

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Current liabilities:			
Short-term borrowings		350,000,000.00	454,670,055.27
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Bills payable			
Trade payables		4,640,797,276.38	4,575,177,041.12
Receipts in advance		17,958,198,891.64	16,401,254,585.49
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		16,885,654.77	31,073,807.59
Taxes payable		-499,120,814.09	-362,699,833.88
Interests payable			
Dividends payable			
Other payables		1,605,488,196.92	1,630,251,783.82
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year			
Other current liabilities			27,520.00
Total current liabilities		24,072,249,205.62	22,729,754,959.41
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Long-term payables			
Special payables			
Estimated liabilities			
Deferred income tax liabilities			
Other non-current liabilities		87,927.71	324,407.71
Total non-current liabilities		87,927.71	324,407.71
Total liabilities		24,072,337,133.33	22,730,079,367.12
Shareholders' equity:			
Share capital		2,003,860,000.00	2,003,860,000.00
Capital reserve		5,053,887,873.00	5,033,149,319.70
Less: Treasury shares			
Special reserve			
Surplus reserve		866,837,022.55	866,837,022.55
General risk provision			
Undistributed profit		5,856,857,871.49	5,259,699,411.89
Difference arising from translation of foreign currency financial statements			
Total Shareholder's Equity Attributed to Parent Company		13,781,442,767.04	13,163,545,754.14
Minority interests			

Total Shareholder's Equity		13,781,442,767.04	13,163,545,754.14
Total Liabilities and Shareholder's Equity		37,853,779,900.37	35,893,625,121.26

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Income Statement

Prepared by: Dongfang Electric Corporation Limited Jan-June 2014 Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
I. Total revenue from operations		7,076,320,412.07	5,656,367,623.32
Including: Revenue from operations	XIV. 4	7,076,320,412.07	5,656,367,623.32
Interest income			
Insurance premiums earned			
Income from fees and commissions			
II. Total cost of operations		6,942,869,717.93	5,460,495,778.34
Including: Cost of operations	XIV. 4	6,862,087,153.49	5,303,711,911.68
Interest expenses			
Fee and commission expenses			
Surrender payment			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business tax and surcharges		1,716,701.17	3,261,337.41
Selling expenses		22,434,689.46	23,129,112.78
Administrative expenses		54,413,460.70	82,648,579.48
Finance costs		-39,375,907.88	12,911,459.15
Impairments loss of assets		41,593,620.99	34,833,377.84
Add: Gains from change in fair value (loss is represented by “-”)		2,181,799.50	21,093,977.91
Gain from investment (loss is represented by “-”)	XIV. 5	825,429,477.07	794,676,037.03
Including: Gains from investment in associates and joint ventures		31,633,437.19	28,852,362.57
Exchange gain (loss is represented by “-”)			
III. Operating profit (loss is represented by “-”)		961,061,970.71	1,011,641,859.92
Add: Non-operating income		3,742,650.08	1,610,029.06
Less: Non-operating expense		22,365.92	186,991.36
Including: Loss from disposal of non-current assets		15,097.67	23,171.38
IV. Total profit (total loss is represented by “-”)		964,782,254.87	1,013,064,897.62
Less: Income tax expense		6,928,995.27	15,102,324.90
V. Net profit (net loss is represented by “-”)		957,853,259.60	997,962,572.72
Net profit attributable to the shareholders of the parent Company		957,853,259.60	997,962,572.72
Minority interests			
VI. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			
VII. Other comprehensive income		20,738,553.30	-82,925,035.25
Including: 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		20,738,553.30	-82,925,035.25
VIII. Total comprehensive income		978,591,812.90	915,037,537.47

Total Comprehensive Income Attributed to Shareholders of parent Company		978,591,812.90	915,037,537.47
Total Comprehensive Income Attributed to Minority Shareholders			

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited Jan-June 2014 Unit: RMB

Item	Notes	Amount for the period	Amount for the same period last year
I. Cash flow generated from operating activities:			
Cash received from sale of goods and of rendering services		7,594,343,236.03	6,264,686,445.29
ΔNet increase in customer and interbank deposits			
ΔNet increase in borrowings from central bank			
ΔNet increase in placements from banks and other financial institutions			
ΔCash received from premiums under original insurance contract			
ΔNet cash received from reinsurance business			
ΔNet increase in deposits of policy holders and investment			
Net increase in disposal of held-for-trading financial assets			
ΔCash received from interest, fees and commissions			
ΔNet increase in borrowings			
ΔNet increase in repurchase business capital			
Tax rebates		145,491,480.01	160,515,883.10
Other cash received from operating activities		80,153,163.89	48,798,652.96
Sub-total of cash inflows from operating activities		7,819,987,879.93	6,474,000,981.35
Cash paid for goods and services		7,529,710,649.43	6,161,199,974.74
ΔNet increase in customer loans and advances			
ΔNet increase in deposits with PBOC and interbank deposits			
ΔCash paid for compensation payments under original insurance contract			
ΔCash paid for interest, fees and commissions			
ΔCash paid for insurance policy dividend			
Cash paid to and on behalf of employees		78,021,323.48	65,466,273.90
Taxes paid		145,402,543.97	82,553,902.08
Other cash payments relating to operating activities		227,689,830.19	126,236,524.00
Sub-total of cash outflows from operating activities		7,980,824,347.07	6,435,456,674.72
Net cash flow from operating activities		-160,836,467.14	38,544,306.63
II. Cash flow generated from investing activities:			
Cash received from disposal of investments		500,000,000.00	500,000,000.00
Cash received from gains in investment		793,796,867.99	765,823,674.46
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,378.00	654.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		1,293,799,245.99	1,265,824,328.46
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		891,241.68	4,293,494.44
Cash paid for investment		1,635,387,600.00	578,284,000.00
ΔNet increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		1,636,278,841.68	582,577,494.44
Net cash flow generated from investing activities		-342,479,595.69	683,246,834.02
III. Net cash flow generated from financing activities:			
Proceeds received from financing activities			
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Cash received from borrowings			
ΔCash received from issuing bonds			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities			
Cash repayments of borrowings			300,000,000.00
Dividends paid, profit distributed or interest paid		366,887,855.56	9,051,388.90
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities			

Sub-total of cash outflows from financing activities		366,887,855.56	309,051,388.90
Net cash flows from financing activities		-366,887,855.56	-309,051,388.90
IV. Effects of exchange rate fluctuation on cash and cash equivalents		-9,568,050.82	-37,497,526.10
V. Net increase in cash and cash equivalents		-879,771,969.21	375,242,225.65
Add: Cash and cash equivalents at the beginning of the period		3,859,089,929.82	2,203,547,671.62
VI. Cash and cash equivalents at the end of the period		2,979,317,960.61	2,578,789,897.27

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

Statement of Changes in Shareholders' Equity

Prepared by: Dongfang Electric Corporation Limited

Jan-June 2014

Unit: RMB

Item	Amount for the period										
	Equity attributable to shareholders of the parent Company									Minority interest	Total owners' Share capital Capital reserve equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provision	Undistributed profit	Others			
I. Balance at the end of last year	2,003,860,000.0	5,033,149,319.7			866,837,022.5		5,259,699,411.8				13,163,545,754.1
Add: Effects of changes in accounting policies											
Effects of correction of prior errors											
Others											
II. Balance at the beginning of the year	2,003,860,000.0	5,033,149,319.7			866,837,022.5		5,259,699,411.8				13,163,545,754.1
III. Increase/decrease in the period		20,738,553.3					597,158,459.6				617,897,012.9
(I) Net profit							957,853,259.6				957,853,259.6
(II) Other comprehensive income		20,738,553.3									20,738,553.3
Sub-total of above (I) and (II)		20,738,553.3					957,853,259.6				978,591,812.9
(III) Shareholders' contribution and decrease in capital											
1. Shareholders' capital contribution											
2. Share-based payments credited to shareholders' equity											
3. Others											
(IV) Profit distribution							-				-
1. Appropriation to surplus reserve											
2. Appropriation to general risk provision											
3. Distribution to shareholders							-				-
4. Others											
(V) Internal carry-forward of shareholders' equity											
1. Conversion of capital reserve into share capital											
2. Conversion of surplus reserve into share capital											
3. Making good of loss with surplus reserve											
4. Others											
(VI) Special reserve											
1. Amount withdrawn in the period											

2. Amount utilized in the period									
(VII) Others									
IV. Balance at the end of the period	2,003,860,000.0	5,053,887,873.0			866,837,022.5		5,856,857,871.4		13,781,442,767.0

Legal representative: Si Zefu Chief Accountant: Gong Dan Head of Finance Department: Zeng Yi

Statement of Changes in Shareholders' Equity (Continued)

Prepared by: Dongfang Electric Corporation Limited Jan-June 2014 Unit: RMB

Item	Amount for the period								
	Equity attributable to shareholders of the parent Company							Minority interest	Total owners' Share capital Capital reserve equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk Provision	Undistributed profit		
I. Balance at the end of last year	2,003,860,000.0	5,137,951,847.9			741,855,237.1		4,355,287,943.6		12,238,955,028.7
Add: Effects of changes in accounting									
Effects of correction of prior									
Others									
II. Balance at the beginning of the year	2,003,860,000.0	5,137,951,847.9			741,855,237.1		4,355,287,943.6		12,238,955,028.7
III. Increase/decrease in the period		-					777,537,972.7		694,612,937.4
(I) Net profit							997,962,572.7		997,962,572.7
(II) Other comprehensive income		-							-
Sub-total of above (I) and (II)		-					997,962,572.7		915,037,537.4
(III) Shareholders' contribution and decrease in capital									
1. Shareholders' capital contribution									
2. Share-based payments credited to shareholders' equity									
3. Others									
(IV) Profit distribution							-		-
1. Appropriation to surplus reserve									
2. Appropriation to general risk provision									
3. Distribution to shareholders							-		-
4. Others									
(V) Internal carry-forward of shareholders' equity									
1. Conversion of capital reserve into share capital									
2. Conversion of surplus reserve into share capital									
3. Making good of loss with surplus reserve									
4. Others									
(VI) Special reserve									

1. Amount withdrawn in the period									
2. Amount utilized in the period									
(VII) Others									
IV. Balance at the end of the period	2,003,860,000.0	5,055,026,812.6			741,855,237.1		5,132,825,916.4		12,933,567,966.2

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Zeng Yi

I. Background

Dongfang Electric Corporation Limited (the “Company” or “Group” when including subsidiaries), formerly known as Dongfang Electric Machinery Co., Ltd, was founded on 28 December 1993. Approved by the documents of Ti Gai Sheng (1992) No.67, Ti Gai Sheng (1993) No. 214 issued by National Economic System Reform Commission and the Guo Zi Qi Han Fa (1993) No.100 issued by the former State-owned assets Management Bureau, Dongfang Electric Machinery Co., Ltd acted as the exclusive initiator and established the corporation through converting the principal operational assets (and relevant liabilities) authorized by the state into 220 million shares of the Company.

On 31 May 1994, the Company placed and issued 170,000,000 overseas listed foreign investment shares (the “H Shares”) to the public in Hong Kong and the H Shares have been listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) since 6 June 1994, then 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 the Shanghai Stock Exchange since 10 October 1995 approved by the document (1994) No.42 from the State Commission for Restructuring the Economic Systems. After that, the share capital of the Company had increased 450,000,000 shares.

On 30 December 2005, the State-owned Assets Supervision and Administration Commission (“SASAC”) promulgated “Approval of certain issues in the transfer of state-owned shares of Dongfang Electrical Machinery Company Limited” (National asset rights [2005] No. 1604) (《關於東方電機股份有限公司國有股劃轉有關問題的批覆》(國資產權[2005]1604 號) to approve the transfer of 220,000,000 State-owned legal person shares, representing DFEW’s then 48.89% of the share capital of the Company, from DFEW to China Dongfang Electric Corporation (currently known as China Dongfang Electric Corporation Ltd, hereinafter referred to as “DEC”).

In November 2007, the Company had 273,165,244 domestic listed Renminbi ordinary shares of Dongfang Boiler Group Co., Ltd (68.05% equity) 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) issued by China Securities Regulatory Commission. On 26 October 2007, the Company was named Dongfang Electric Corporation with resolutions of the 2nd Provisional Shareholder Meeting.

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

On 6 November 2009, China Securities Regulatory Commission promulgated “Approval of certain issues in private placement of the Shares of Dongfang Electric Corporation” ([2009] No. 1151) to approve the Company transferred 119,930,000 domestic listed

private placement of the A Shares to eight special companies including China Dongfang Electric Corporation in November 2009. The Company had increased to 1,001,930,000.

According to the resolutions of 2009 annual general meeting of the shareholders on 18 June 2010, the 1st domestic shareholders class meeting in 2010 and 1st foreign shareholders class meeting in 2010, the Company decided to increase 10 shares per 10 shares to all shareholders based on the share capital of 1,001,930,000 shares on 31 December 2009.

As at 30 June 2014, 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 is 340,000,000, 16.97% of the share capital. The Company's serial number of business license of legal entity is 510109000059366, which is approved and issued by Chengdu Administration for Industry & Commence. The registered address is No.18 Xixin Avenue Western high-tech district, Chengdu City, Sichuan Province. The headquarters is No.333 Shuhan Avenue, Jinniu district, Chengdu City, Sichuan Province.

The parent and ultimate controller of the Company is China Dongfang Electric Corporation (hereinafter to as the DEC). 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 the following 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.

The Group is specialized in the power equipment manufacturing industry. The business ranges are as follows: 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 productions involve power generating equipments of hydro, thermal, nuclear, wind, and gas turbine generating.

II. Principal Accounting Policies and Accounting Estimates

1. Basis of Financial Statements

The Group's financial statements have been prepared on a going concern basis, in accordance with "Accounting Standards for Business Enterprises"; They were also prepared in accordance 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 Hong Kong 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 for the first half of 2014 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 at 30 June 2014 and their financial performance and cash flows and other related information for the first half of 2014.

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 The combining party gets the assets and liabilities measured pursuant to their book value. As for the balance between the books value of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional

paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

(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 recognized 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 recognized in profit or loss for the period after re-assessment.

(3) Purchase of minority interests in Subsidiaries

After gaining control of subsidiaries, minority shareholders become the owner of minority interests. 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 bore by minority shareholders exceeds 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. 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.

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 recognized 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 capitalized 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 recognized 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.

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 recognized 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 recognized as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognized 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 derecognized, 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or 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 recognized as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognized, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previous recognized 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 recognized, 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 derecognized 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 derecognized and the portion that continued to be recognized 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.

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 derecognized when the underlying present obligations (or part of it) are discharged.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized 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

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. Accounts receivable

Accounts receivable include trade receivables and other receivables. The trade receivables from goods sold by the Group and rendering of services are taken as the initial recognition amount for the fair value of contract or agreement price due from buyers or service receivers.

In addition, accounts receivable apply the individual style and portfolio for evaluation of impairment loss.

(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
1-2 years	10	10
2-3years	20	20
3-4years	40	40
4-5years	50	50

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Over 5 years	100	100
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(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 long-term equity investments in entity over which the Group has control, joint control or significant influence; and equity investments in entity over which the 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.

Subsidiary refers to the investment unit over that the Company has control; joint venture refers to what the Group shares the power to control with other parties; associated enterprise refers to what the Group has significant impact relating to the finance and operation strategy.

(1) The basis for recognising joint control or significant influence over the invested entity

"Control" refers to the power to determine the financial and operating policies of an enterprise and obtains benefits from its operating activities of the enterprise. When ascertaining whether or not it is able to control or have significant influences on an invested entity, an enterprise shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights.

The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. Where an investing enterprise and other parties do joint control over an invested entity, the invested entity shall be their joint enterprise.

"Significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies. The determining basis of significant impact is to own 20% (inclusive) or more but less 50% of the voting shares directly owned by the Group or owned through subsidiaries.

(2) Initial Measurement

For the merger of enterprises under the same control, it shall on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

For the merger of enterprises under different control, it shall regard the fair value of assets, liabilities or the equity securities as the initial cost of the long-term equity investment on the date of merger. The initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets as goodwill. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be ascertained in accordance with Accounting Standards for Enterprises.

(3) Subsequent Measurement

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. When the Group adopts the equity method, it shall in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. Besides, any change is made to the owner's equity other than the net profits and losses of the invested entity, under the condition of unchanged shareholding proportion, the book value of the long-term equity investment shall be adjusted and the capital reserve (other capital reserve) shall be established. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. The investing enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. The investing enterprise shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the investing enterprise has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the investing enterprise shall, after the amount of its attributable share of profits offsetting against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For a long-term equity investment for which there is no offer in the active market and of which the fair value cannot be reliably measured, if the investing enterprise has not joint control or significant influence over the invested entity any more as a result of the decrease of investment or other reasons, the cost method shall be employed in the measurement, and the book value of the long-term equity investment employing the equity method shall be regarded as the initial investment cost to be measured by employing the cost

method. If an enterprise is able to do significant influence, the cost method shall be employed in the measurement. If an enterprise is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional or disposing investment, the equity method shall be employed in the measurement, and the book value of the long-term equity investment measured by employing the cost method or the book value of investment ascertained shall be regarded as initial investment cost measured by employing the cost method.

(4) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. If any change other than the net profits and losses of the invested entity occurs and is included in the owner's equity, the portion previously included in the owner's equity shall, when disposing of a long-term equity investment measured by employing the equity method, be transferred to the current profits and losses according to a certain proportion.

(5) Impairment of long-term equity investment

On the balance sheet day, when any evidence shows that there is possible assets impairment in the investment of subsidiary, associated company, joint ventures, the recoverable amount of the assets shall be estimated. If the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, a provision for the asset impairment shall be made accordingly. If assets impairment of other long-term equity investment occurred, the gap between the carrying amount and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period. Once any loss of impairment of long-term equity investment is recognized, it shall not be reversed in the future accounting periods.

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. The subsequent expenditure of investment property shall be included into the total cost while the Group is beneficial from the relevant financial interest and it can be measured reliably. Otherwise, the subsequent expenditure shall be included into the current surplus.

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	Estimated residual percentage	Annual depreciation rate
Land use right	50 years	—	2%
Buildings			
Including: productive building	20 years	5%	4.75%
Non-productive building	25 years	5%	3.80%

The Group reviews the estimated useful life, estimated net residual value and depreciation (amortization) rate 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, electronic equipment, office equipment and others.

The cost of an item of fixed assets shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets of the Company are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, value-added tax, import custom duties and other related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use. The cost of a fixed asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair. A fixed asset that is obtained under a finance lease is measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

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.

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. 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	Expected net salvage value	Annual depreciation
1. Building			
Including: productive building	20 years	5%	4.75% or double decline balance method
Non-productive building	25 years	5%	3.80%
2. Equipments	10 years	5%	9.50% or double decline balance method
3. Vehicles	6 years	5%	15.83%
4. Instruments	6 years	5%	15.83% or double decline balance method
5. Computers	5 years	5%	19.00% or double decline balance method
6. Others	6 years	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.

The depreciation policy for fixed assets held under financing leasing based is consistent with that for owned assets, there is certainty that the lease will obtain ownership at the end of the lease, the asset should be depreciated within the life of the asset. The depreciation policy for assets held under finance bases is consistent with that for owned assets, if there is no reasonable certainty that the lease will obtain ownership at the end of lease, the asset should be depreciated over the shorter of the lease term and the life of the asset.

Fixed assets will be derecognized on disposal or when the fixed assets are permanently withdrawn from use and no future economic benefits are expected from its disposal. When fixed assets is sold, transferred, retired or damaged, the Company will recognise the amount of any proceeds on disposal deduct the carrying amount and related taxes in profit or loss for the current period.

If the recoverable amounts of fixed assets are less than the original carrying amount, then reduces fixed assets are charged to its recoverable amount (see Note II 22 to the financial statement). Once impairment of fixed assets is recognized, it cannot be reversed in later accounting period.

16. Construction in progress

The cost of construction in progress is measured based on actual construction expenditures incurred, including the construction cost payable in progress, capitalized borrowing costs and other necessary expenses for the construction in progress ready for intended use.

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.

If the recoverable amounts of construction in progress are less than the original carrying amount, then reduces fixed assets are charged to its recoverable amount (see Note II 22 to the financial statement). Once impairment of fixed assets is recognized, it cannot be reversed in later accounting period.

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.

During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization.

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, etc.

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 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.

The Group recognises an impairment loss on intangible assets when evidence indicates that realizable value falls lower than book value. For an intangible asset with an indefinite useful life, the Company shall reassess the useful life of the asset in each accounting period.

If the recoverable amount of an asset is less than its carrying amount, the Group reduces the carrying amount to its recoverable

amount (See Note II. 20 to the financial statements). The difference is recognized as an impairment loss and charged to profit or loss for the current period and should not be reversed subsequently after it is recognized.

19. Research and development expenditure

Expenditure on an internal research and development project shall be classified into expenditure on the research phase and expenditure on the development phase according to its nature and whether there's significant uncertainty that intangible assets will come into being.

Expenditure on the research phase shall be recognized in profit or loss for the period in which it is incurred.

Expenditure on the development phase shall be recognized as an intangible asset only when the Group can demonstrate all of the following:

- (1) the technically feasible of completing the intangible asset so that it will be available for use or sale;
- (2) the intention to complete the intangible asset and use or sell it from management;
- (3) the proof to be useful for the financial interests producing methods of intangible asset including there is existence of a market for the output of the intangible asset, the intangible asset itself or for internal use;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditure failed to meet the criteria mentioned above shall be recognized in profit or loss for the period in which it is incurred. Expenditure that was previously recognized as an expense shall not be recognized as an asset at a later date. Expenditure on the development phase that was capitalized is presented as development expenditure in the balance sheet, and transferred to intangible assets when such projects are 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 or over one year (excluding one year) 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 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, nonmonetary welfare and others.

(3) Employee welfare

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

The employees working in subsidiaries overseas only participate in the Defined Contribution

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

24. Share-based payments

Share-based payment refers to a transaction in which the Group grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.

(1) Equity-settled share-based payment:

The equity-settled share-based payment made in return for the rendering of employee services shall be measured at the fair value of the equity instruments granted to the employees. For equity instruments that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses with the increase in the capital reserve accordingly. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the capital reserves at the fair value of such instruments on the date of the grant.

For the shares granted to the employees, its fair value is measured at the market price of the share of the company and adjusted according to the terms and conditions of the shares (excluding the vesting conditions other than market conditions).

For the share options granted to the employees, if there are no trading options with similar terms and conditions, the fair value of the option granted shall be estimated using the option pricing model.

(2) Cash-settled share-based payment:

The cash-settled share-based payment shall be measured at the fair value of liability incurred, which is calculated and determined based on the shares or other equity instruments. For the cash settled share-based payment that may be exercised immediately after the grant, the fair value of the liability incurred by the Group shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Group.

(3) Basis for determining the best estimates of exercisable equity instruments:

On each balance sheet date within the vesting period, the Company shall determine the best estimates based on the latest number of employees able to exercise their options and revise the estimated number of exercisable equity instruments to make the best estimates of the exercisable equity instruments.

(4) Accounting treatment for revision and termination of share-based payment plans:

If the revision results in an increase in the fair value of the equity instruments granted, the Company shall recognize the increase in the services rendered accordingly at the increased fair value of the equity instruments. If the revision results in an increase in the number of equity instruments granted, the Company will recognize the increase in the services rendered accordingly at the fair value of the increased number of equity instruments. If the Company revises the vesting conditions on terms favorable to the employees, the Company will take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the revision results in a decrease in the fair value of the equity instruments granted, the Company shall continue recognize the amount of services rendered accordingly at the fair value of the equity instruments on the date of grant without considering the decrease in the fair value of the equity instruments. If the revision results in a decrease in the number of equity instruments granted, the Company will account for such decrease by reducing part of the cancellation of equity instruments granted. If the Company revises the vesting conditions on terms not favorable to the employees, the Company will not take into consideration of the revised vesting conditions when dealing with the vesting conditions.

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 recognized 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 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 relevant account management of joint venture investment including initial recognition, subsequent measurement and derecognition should be dealt with under CAS 2 - Long-term equity investments,

26. Provision

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

Provision is measured at the best estimate of the consideration required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation and the time value of money. Where the effect of time value of money is material, the best estimate is determined using the discounted future cash outflows. The increase in the discounted amount of the provision arising from the passing of time will be recognized as interest expense.

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 recognized as current profit or 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 recognized 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 or loss.

28. Recognition of revenue

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

(1) Revenue from sales of goods

Sales of goods are recognized when the major risks and rewards relating to the ownership of commodities are transferred to the customer; when the Group no longer exercises continuing management generally related to the ownership and no longer has actual control over the commodities sold; when the amount of revenue can be reliably measured; when it is very likely that the economic benefits will be flowed to the Group; and when the related costs has incurred or will be incurred can be reliably measured. Specifically, for the products needing to be installed, tested, checked and accepted, revenue is recognized 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 recognized at the time when they are checked and accepted.

(2) Revenue from rendering of services

Revenue from rendering of services is recognized when total revenue and total costs of the services can be measured reliably, the associated economic benefits are probably flow to the Group and the completion progress of the services can be measured reliably.,

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue is recognized using the percentage of completion method as determined by the proportion of the costs incurred to date over the estimated total costs. Where the results of the service rendering transaction cannot be reliably estimated and the costs incurred are expected to be recoverable, revenue will be recognized to the extent of the costs incurred and recoverable and the costs incurred will be carried forward. Where the results of the service rendering transaction cannot be reliably estimated and the costs incurred are not expected to be recoverable, the costs incurred will be included in current profit or loss and no revenue will be recognized.

(3) Revenue from transferring assets use rights

Royalty revenue from transferring asset use rights is determined according to the payment dates and calculations of the charges as prescribed in relevant contract or agreement, and 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 estimated.

29. Construction contracts

If the total contract revenue can be measured in a reliable way, the economic benefits pertinent to the contract flowing into the enterprise, and actual contract costs incurred clearly distinguished and measured in a reliable way and both the schedule of the contracted project and the contract costs to complete the contract measured in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of- completion method on the date of the balance sheet.

If the outcome of a construction contract cannot be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively: Where the outcome of a construction contract cannot be reliably estimated and the contract costs incurred are expected to be recoverable, revenue from the construction contract is recognized to the extent of the actual contract costs incurred and such costs are recognized are expensed in the period as incurred. Where the contract costs are not expected to be recoverable, such costs will be expensed in the period as incurred and no revenue will be recognized.

In accordance with the conditions of construction contract including hydraulic power unit, nuclear power unit, steam turbine and electric generator which are more than 1000MW, the Group confirms cost and income of contract based on criterion of construction contract. Due to the nature of power station boiler, the income starts to be confirmed when the rate of completion reaches a certain degree.

Items	Percentage of completion	Notes
1000MW power station boiler, Environment protection product	≥10%	

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

600MW power station boiler, Environment protection product	≥20%	
300MW-600MW power station boiler, Environment protection product	≥30%	Excluding 600MW
200MW-300MW power station boiler, Environment protection product	≥40%	Excluding 300MW
100MW-200MW power station boiler, Environment protection product		Excluding 200MW
Including: CFB power station boiler	≥40%	
Items	Percentage of completion	Notes
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 recognized 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 recognized when the Group complies with the conditions attaching to the grant and when the Group is able to receive the grant.

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 recognized as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and carried in profit or loss over the periods in which the related costs are recognized. For income related government grants that is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

For repayment of a government grant already recognized, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

31. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are recognized based on the differences between tax bases of assets and liabilities and respective book value (temporary differences). For 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, it is deemed as temporary differences and the related deferred income tax assets are recognized. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). 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 realised or the liability is settled.

The Group shall recognize the deferred income tax asset arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. For the recognized deferred income tax asset, if it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the carrying amount of the deferred income tax assets shall be written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are presented in net amount after offsetting when all the following conditions are satisfied:

(1) The deferred tax assets and liabilities are related to the income taxes levied by the same taxation authority on either the same taxable entity within the Group; and

(2) The taxation authority within the Group has a legal right to settle current tax assets and liabilities on a net basis.

32. Leases

The Group classifies the leases into finance lease and operating lease on the lease beginning date. Finance lease is a lease that substantially transfers all the risks and rewards incident to ownership of an assets. 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 (Lessor)

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 recognized 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 and no adjustment is made without any increase of unguaranteed residual values. If there has been a reduction in it, the income allocation over the lease term is revised and any reduction in leasing net investment caused should be included into the current profit or loss. The revenue should be recognized in the future in accordance with revised leasing net investment and the recalculated interest rate implicit in the lease. The different between unearned finance income and minimum lease payment combining unguaranteed residual values is recognized as the leasing net investment.

If the unguaranteed residual values whose loss already recognized recovered, it should be reversed within investment amount already recognized and recalculate the interest rate implicit in the lease. The revenue should be recognized in the future in accordance with revised leasing net investment and the recalculated interest rate implicit in the lease.

Contingent 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 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 capitalized and recognized 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. Accounting calculation of the income tax

The accounting calculation of the income tax adopts the balance sheet liabilities approach. The income taxes include the current and deferred income tax. The current income tax and deferred income tax expenses and earnings are recorded into the current profit and loss, except those related to the transactions and events are recorded directly into the shareholder's equity and the deferred income tax is adjusted into the carrying amount of goodwill arising from the business combination.

The current income tax is the income tax payable, that is, the amount of the current transactions and events calculated according to the taxation regulations paid to the taxation authorities by the enterprises. The deferred income tax is the difference between the due amounts of the deferred income tax assets and liabilities to be recognized according to the balance sheet liabilities approach in the period end and the amount recognized originally.

34. Segment reporting

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and determines reportable segments on the basis of operating segments for disclosure purposes.

An operating segment is a component of the Group that satisfies all of the following conditions: the component is able to earn revenues and incur expenses from its ordinary activities; whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

35. Held-for sale assets and discontinued operations

A component is classified as held-for-sale when all the following conditions are satisfied: the Group has made resolutions for the disposal of the component; the Group has entered into an irrevocable transfer agreement with the transferee and the transfer will be

completed within a year.

Unless non-current assets are classified into assets held for sale, it shall listed based on the lower of the book value and the fair value deducting cost in the balance sheet. The difference between the book value and the fair value deducting cost is recognized assets impairment losses.

Discontinued operations refer to the components of the Group which have been disposed or classified as held-for-sale, and distinguished separately during the operation or preparation of the financial statements.

36. Handling method of hedging

Hedging of the Group comprises of fair value hedging, cash flow hedging and net overseas investment hedging. When hedging meets the following conditions, the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item will be recognized in the same accounting period.

(1) At the inception of a hedge relationship, the Company formally designates the hedge relationship (i.e. the relationship between the hedging instrument and the hedged item) and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The document shall at least include the hedging instrument, the hedged item, the nature of the risk being hedged and the effective method for assessing the effectiveness of hedging. Hedging must be related to the identifiable and designated risks and ultimately affect the gain or loss of enterprise;

(2) Such hedges are expected to be highly effective and comply with the risk management strategy set by the Company for the hedge relationship at the inception;

(3) For cash flow hedges for expected transactions, such expected transactions will probably take place and must expose the Company to risks of movement in cash flows that will eventually affect the profit or loss;

(4) The hedge effectiveness can be reliably measured;

(5) The hedge effectiveness is evaluated on an ongoing basis, ensuring the hedge is highly effective in the period in which the hedge relationship is designated.

The hedged item of the Group is the part of foreign exchange to be collected from the export items to be executed in the future and the corresponding hedging instrument is forward exchange settlement contract.

The Group uses the comparative method of the principle terms of the contract (agreement) to do the expected evaluation on the effectiveness of hedging, and uses ratio analysis method to do the retrospective evaluation on the effectiveness of hedging at the end of the reporting period.

37. Accounting policies, changes in accounting estimates and errors

No accounting policies, accounting estimates changing and errors within this accounting period.

38. Explanations on the correction of errors

No correction of errors within this accounting period

39. Significant accounting estimation and judgment

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, 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.

(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%、11%、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	RMB 3-15/m ²
Enterprise income tax		

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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, Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd, Dongfang Electric Auto control Engineering Co., Ltd, Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd, Dongfang(Jiuquan) New Energy Co., Ltd	Taxable income	15%
Dong Fang Electric (India) Private Limited	Taxable income	32.445%
Other subordinate companies consolidated into the Group	Taxable income	25%

2. Tax preference and approval

(1) Dongfang Steam Turbine Co., Ltd., Dongfang Electric Machinery Co., Ltd., Dongfang boiler group Co., Ltd. and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. had obtained the high and new technology enterprises certificates separately on November 28, 2012, December 28, 2012, October 12, 2011 and November 28, 2012. 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, GF201251000140, GF201151000188 and GF201251000183. East pot AG had obtained high and new technology enterprises certificate No.GF201244200361 on September 12, 2012 which is jointly issued by Shenzhen Municipal Commission of Science and Technology Innovation (深圳市科技創新委員會), Commission of Finance of Shenzhen (深圳市財政委員會), Shenzhen Provincial Office, SAT (深圳市國家稅務局) and Shenzhen Local Taxation Bureau (深圳市地方稅務局). Tianjin Wind Turbine Blade Co., Ltd. has got high and new technology enterprises certificate No. GR201012000046 on December 16, 2010 and 9 September 2013, which is jointly issued by Science & Technology Department of Tianjin, Department of Finance of Tianjin, Tianjin Provincial Office, SAT and Tianjin Local Taxation Bureau. The certificate reviewed has then changed to No. GF201312000036. Dongfang (Guangzhou) Heavy Machinery Co., Ltd has got high and new technology enterprises certificate (No.GR201044000150) on September 26, 2010 and October 16, 2013, which is jointly issued by Science & Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office and Guangdong Local Taxation Bureau, SAT. The certificate reviewed has then changed to No. GF201344000237. 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% in 2014.

(2) The enterprise income tax at the rate of 15% still applies to the Company and DFEM Control Equipment Company Limited in 2014 according to the tax preferential policy for the Western development program under the approval from the competent taxation authorities.

IV. Business Combination and Consolidated Financial Statements

1. Subsidiaries

(1) Subsidiaries acquired through establishment, investment or other ways

Unit: RMB'000

Name of subsidiary	Type	Place of registration	Nature of Business	Registered capital	Business scope	Actual investment amount at end of period	Others	Percentage of shareholding (%)	Percentage of voting rights (%)	Included in consolidated financial statements (Y/N)	Minority interests
DEC Dongfang Electric Machinery Co., Ltd.	Wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	200,000.00	Design, manufacture and sale of complete sets of power generation equipment, steam turbine generators, and AC and DC motors	200,000.00	91,750.00	100	100	Y	
Dongfang Electric (India) Private Limited	Wholly-owned subsidiary	Kolkata, India	Services	INR 99,922	Overhauling of generating units, operation and maintenance of power plants, sale of spare parts and training services for operational staff of power plants	12,950.47		100	100	Y	
Chengdu Dongfang KWH Catalysts Co., Ltd.	Controlled subsidiary of a controlled subsidiary	Chengdu, Sichuan	Manufacturing	EUR 2,386.09	Design, production, manufacture and sale of selective catalytic reduction denitration catalysts	14,323.23		61.42	61.42	Y	14,603.08

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Shenzhen Dongfang Boiler Control Co., Ltd.	Controlled subsidiary of a controlled subsidiary	Shenzhen, Guangdong	Manufacturing	1,000.00	Research, development and manufacture of power station boiler equipment and control systems	510		51	51	Y	7,619.30
DFEM Control Equipment Co., Ltd.	Wholly-owned subsidiary of	Deyang, Sichuan	Manufacturing	10,050.00	Design, manufacture and sale of control equipment in relation to generators and AC and DC motors	10,940.28		99.5	99.5	Y	80.62
DFEM Power System Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	4,275.43	Design, manufacture and sale of large and medium AC and DC motors and special motors	4,321.91		98.83	98.83	Y	55.06
DFEM Tooling and Moulding Co., Ltd.	Wholly-owned subsidiary of a wholly-	Deyang, Sichuan	Manufacturing	1,460.00	Design, manufacture and sale of industrial molds and knife tools, as well as processing and sale of ordinary machinery and machinery	1,782.23		99.315	99.315	Y	15.60
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Wholly-owned subsidiary of a wholly-owned	Hangzhou, Zhejiang	Manufacturing	40,936.30	Direct-drive permanent magnet wind power generating units and tidal generating units, as well as redevelopment and installation of power stations	40,936.30		100	100	Y	
Dongfang Electric(Tianjin) Wind Power Technology Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Tianjin	Manufacturing	20,000.00	Design, manufacture installation and sale of wind power generation equipment	20,000.00		100	100	Y	

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Dongfang Electric (Tongliao) Wind Power Engineering Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Tongliao, Inner Mongolia	Services	3,000.00	Installation, testing, maintenance and after-sale services of wind power generation equipment	3,000.00		100	100	Y	
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Jiuquan, Gansu	Manufacturing	3,000.00	Development of new energy technologies, and installation, testing, maintenance and after-sale services of equipment	3,000.00		100	100	Y	
Dongfang Electric (Hulun Buir) New Energy Co., Ltd.	Wholly-owned subsidiary of a wholly-owned subsidiary	Hulun Buir, Inner Mongolia	Services	3,000.00	Development and introduction of wind power technologies; design, construction, installation, testing, maintenance and after-sale services of wind power equipment; purchase, processing and sale of spare parts and materials; as well as technical upgrade, consulting and services	3,000.00		100	100	Y	

(2) Subsidiaries acquired through business combinations under common control

Unit: RMB'000

Name of subsidiary	Type	Place of registration	Nature of Business	Registered capital	Business scope	Actual investment amount at end of period	Others	Percentage of shareholding (%)	Percentage of voting rights (%)	Included in consolidated financial statements (Y/N)	Minority interests
DEC Dongfang Turbine Co., Ltd.	Wholly-owned subsidiary	Deyang, Sichuan	Manufacturing	184,600.00	Manufacture, processing and sale of steam turbines, hydroturbines, gas turbines and wind generating units	254,200.40	290,150.00	100	100	Y	
DEC Dongfang Boiler Group Co., Ltd.	Controlled subsidiary	Zigong, Sichuan	Manufacturing	160,566.10	Development, design, manufacture and sale of power station boilers, auxiliary devices and industrial boilers	439,139.54	62,100.00	99.67	99.67	Y	1,594.37
Dongfang Electric (Guangzhou) Machinery Co., Ltd.	Controlled subsidiary	Guangzhou, Guangdong	Manufacturing	115,109.57	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	69,946.66		65.1813	65.1813	Y	52,571.33
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Controlled subsidiary of a wholly-owned subsidiary	Tianjin	Manufacturing	15,986.96	Manufacture and sale of MW wind turbine blades and turbine enclosures and provision of related services	9,418.98		50.36	50.36	Y	9,515.82

(3) Subsidiaries acquired through business combinations not under common control

Unit: RMB'000

Name of subsidiary	Type	Place of registration	Nature of Business	Registered capital	Business scope	Actual investment amount at end of period	Others	Percentage of shareholding (%)	Percentage of voting rights (%)	Included in consolidated financial statements (Y/N)	Minority interests
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DEC (Wuhan) Nuclear Equipment Company Limited	Controlled subsidiary	Wuhan, Hubei	Manufacturing	19,636.00	Design and manufacture of inner reactor pressure equipment for civil nuclear facilities, and design and manufacture of special products	13,156.00		67	67	Y	6,021.75
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2. There were no entities newly included in and eliminated from the scope of consolidation for the period.

3. Exchange rates for translation of major financial statement items of overseas operating entities 1 : 0.1024 ° The measurement currency for the Company's Indian subsidiary is INR. The main exchange rates adopted in translation into RMB of the financial statements during the reporting period include: INR1=RMB0.1024 for the income statement and cash flow statement; INR1=RMB0.1024 for the balance sheets.

V. Notes to the Consolidated Financial Statements

For the purposes of the financial statement data as disclosed below, unless specified otherwise, “opening” means 1 January 2014, “closing” means 30 June 2014, the “year”/“period” means the period from 1 January to 30 June 2014, and the previous “year”/“period” means the period from 1 January to 30 June 2013.

1. Cash funds

Item	Closing balance			Opening balance		
	Local currency	Exchange	Amount (RMB)	Local currency	Exchange	Amount (RMB)
Cash:			2,344,828.87			2,847,607.00
RMB	414,603.50	1.00	414,603.50	438,154.23	1.00	438,154.23
USD	76,169.00	6.1528	466,799.86	141,057.18	6.0969	860,011.52
HKD	22,482.12	0.7938	17,845.18	22,482.12	0.7862	17,676.12
INR	12,055,594.34	0.1024	1,206,807.34	12,112,865.34	0.09834	1,191,179.18
PKR				1,432,261.49	0.05752	82,383.70
VND	489,343,288.00	0.0003	143,372.69	696,430,896.00	0.00029	202,194.78
BAM	22,156.90	4.3057	95,400.30	13,127.11	4.26655	56,007.47
Bank deposits:			10,886,390,907.56			12,064,894,863.07
RMB	10,111,651,950.66	1.00	10,111,651,950.66	10,477,991,300.05	1.00	10,477,991,300.05
USD	97,281,871.03	6.1528	598,555,896.06	224,990,583.99	6.0969	1,371,745,091.53
HKD	177,711.99	0.7938	141,059.86	177,703.48	0.7862	139,715.23
INR	2,627,666.00	0.0608	159,801.51	2,785,456.00	0.05777	160,918.58
PKR	5,401,253.88	8.3946	45,341,365.82	3,415,513.83	8.4189	28,754,869.39
VND	484,128,858.42	0.1024	49,574,795.10	345,832,089.10	0.09834	34,009,127.63
BAM	543,128,318.42	0.0581	31,528,598.88	1,114,028,193.43	0.05752	64,078,918.56
RMB	79,434,893,226.00	0.0003	23,273,629.37	170,008,044,749.00	0.00029	49,358,435.63
USD	6,076,594.42	4.3057	26,163,810.30	9,060,361.76	4.26655	38,656,486.47
Other monetary:			28,868,046.82			63,905,642.11
RMB	28,126,760.89	1.00	28,126,760.89	63,226,881.34	1.00	63,226,881.34
INR	7,239,120.20	0.1024	741,285.93	6,902,184.00	0.09834	678,760.77
Total			10,917,603,783.25			12,131,648,112.18

2. Held-for-trading financial assets

Item	Fair value at the end of the	Fair value at the beginning of the
Tradable equity instrument investment	25,963,414.05	23,781,614.55
Derivative financial assets	63,238.46	2,826,747.59
Total	26,026,652.51	26,608,362.14

3. Bills receivable

(1) Classification of bills receivable

Category	Closing balance	Opening balance
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Category	Closing balance	Opening balance
Bank acceptance bills	2,862,756,069.82	2,743,894,570.50
Commercial acceptance bills	278,873,319.70	40,967,020.94
Total	3,141,629,389.52	2,784,861,591.44

(2) The total of bills receivables which has been endorsed but not yet due at the end of the period is RMB 1,713,027,560.15, and the top 5 of bills receivables are as follows:

Type of bills	Issuer	Issue date	Due date	Amount	Note
Bank acceptance	First	2013/12/19	2014/12/18	36,750,000.00	
Bank acceptance	Second	2014/04/28	2014/10/28	33,463,520.00	
Bank acceptance	Third	2014/4/9	2014/10/9	20,000,000.00	
Bank acceptance	Fourth	2014/2/25	2014/8/25	10,000,000.00	
Bank acceptance	Fifth	2014/2/25	2014/8/25	10,000,000.00	
Total				110,213,520.00	

(3) The change from bills to bills receivable because the issuer was not able to perform its duties in the agreement during the period:

Type of bills	Issuer	Issue date	Due date	Amount	Note
Commercial acceptance	Deyang Lida Base Components Company Limited (德陽立達基礎件有限公司)	2013/10/15	2014/04/15	46,200.00	
Total				46,200.00	

4. Trade receivables

(1) Ageing analysis of trade receivables:

Age	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
With 1 year	9,519,821,952.72	41.51	475,991,097.63	8,956,385,206.51	40.87	447,819,260.36
1-2 years	4,841,393,997.33	21.11	547,882,140.72	4,542,315,379.84	20.73	537,973,919.05
2-3 years	2,718,809,295.87	11.86	543,761,859.16	3,293,957,814.77	15.03	658,791,562.94
3-4 years	2,614,832,024.51	11.40	1,045,932,809.81	2,117,849,215.78	9.66	847,139,686.33
4-5 years	1,373,390,777.13	5.99	686,695,388.61	1,254,772,284.55	5.73	641,071,142.30
Over 5 years	1,864,861,308.20	8.13	1,864,861,308.20	1,748,190,087.87	7.98	1,748,190,087.87
Total	22,933,109,355.76	100	5,165,124,604.13	21,913,469,989.32	100	4,880,985,658.85

(2) Trade receivables by category:

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)

Trade receivables which are individually significant and for which individual bad debt provisions are made	175,003,190.00	0.76	155,003,190.00	88.57	175,002,790.00	0.80	175,002,790.00	100.00
Trade receivables for which impairment provisions are collectively made based on similar aging condition	22,737,136,165.76	99.15	4,989,151,414.13	21.85	21,716,497,199.32	99.10	4,684,012,868.85	21.57
Trade receivables which are individually significant and for which individual bad debts provisions are made	20,970,000.00	0.09	20,970,000.00	100.00	21,970,000.00	0.10	21,970,000.00	100.00
Total	22,933,109,355.76	100.00	5,165,124,604.13		21,913,469,989.32	100.00	4,880,985,658.85	—

1) Trade receivables for which impairment provisions are collectively made based on similar aging condition

Item	Closing balance			Opening balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage	Provision for bad debts
With 1 year	9,519,821,952.72	41.51	475,991,097.63	8,956,385,206.51	40.87	447,819,260.36
1-2 years	4,748,346,507.33	20.71	474,834,650.72	4,449,268,289.84	20.30	444,926,829.05
2-3 years	2,718,809,295.87	11.86	543,761,859.16	3,293,957,814.77	15.03	658,791,562.94
3-4 years	2,614,832,024.51	11.40	1,045,932,809.81	2,117,849,215.78	9.66	847,139,686.33
4-5 years	1,373,390,777.13	5.99	686,695,388.61	1,227,402,284.55	5.60	613,701,142.30
Over 5	1,761,935,608.20	7.68	1,761,935,608.20	1,671,634,387.87	7.64	1,671,634,387.87
Total	22,737,136,165.76	99.15	4,989,151,414.13	21,716,497,199.32	99.10	4,684,012,868.85

2) Trade receivables which are individually insignificant but provided for bad debts at the end of the period

Name	Book balance	Provision for bad	Rate(%)	Reason
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First	20,970,000.00	20,970,000.00	100	Expected to be irrecoverable
Total	20,970,000.00	20,970,000.00	—	—

3) Trade receivables which are individually significant and tested for impairment at the end of the period

Name	Book balance	Provision for bad debts	Rate (%)	Reason
First	93,045,550.00	73,045,550.00	78.51	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	175,003,190.00	155,003,190.00	—	—

(3) Trade receivables due from shareholders holding 5% or more of the voting rights of the Company

Name	Closing balance		Opening balance	
	Amount	Provision for bad	Amount	Provision for bad
DEC	19,012,661.00	9,025,983.05	36,575,630.55	20,081,699.57

Name	Closing balance		Opening balance	
	Amount	Provision for bad	Amount	Provision for bad
Total	19,012,661.00	9,025,983.05	36,575,630.55	20,081,699.57

(4) Trade receivables due from the top five debtors at the end of the period

Item	Relationship with the Company	Amount	Age	Percentage of total trade
First	Client	1,105,345,116.61	Within 1	4.82
Second	Fellow subsidiary	880,654,306.77	0-5 years	3.84
Third	Client	488,392,074.65	1-5 years	2.13
Fourth	Client	402,378,094.02	Within 1	1.75
Fifth	Client	336,421,245.43	1-2 years	1.47
Total		3,213,190,837.48		14.01

(5) Portion of the Group's revenue is generated through construction projects. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions, and the Group offers credit terms of two to three years to large or long-established customers with good repayment history.

For sales of products, settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. A credit period normally at one year may be granted to large or long-established customers with good repayment history. Revenue from small, new or short-term customers is normally expected to be settled 180 days after provision of services or delivery of goods.

5. Prepayment

(1) Prepayment by ageing

Item	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	3,167,625,158.68	73.35	3,501,268,219.64	74.23
1-2 years	607,334,505.96	14.06	511,531,760.91	10.85

2-3 years	13,562,606.77	0.31	389,133,813.65	8.25
Over 3 years	529,692,348.93	12.28	314,585,046.41	6.67
Total	4,318,214,620.34	100.00	4,716,518,840.61	100.00

(2) Prepayments to the top five vendors at the end of the period

Name	Relationship with the Company	Amount	Age	Reasons for non-settlement
First	Supplier	583,413,927.64	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
Second	Supplier	517,929,624.21	Over 0 year	It takes time for processing of components, and delivery is yet to be made.
Third	Supplier	88,208,963.63	Over 2 years	It takes time for processing of components, and delivery is yet to be made.
Fourth	Connected parties	362,201,493.59	0-3 years	It takes time for processing of components, and delivery is yet to be made.
Fifth	Supplier	80,365,793.91	Within 1 year	It takes time for processing of components, and delivery is yet to be made.
Total		1,632,119,802.98		

6. Interests receivable

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Interests on time deposits	101,620,018.51	129,625,068.12	111,615,164.46	119,629,922.17
Total	101,620,018.51	129,625,068.12	111,615,164.46	119,629,922.17

7. Dividends receivable

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Dividends receivable aged for more than 1 year	39,087.80			39,087.80
Including: Babcock-Hitachi Dongfang Boiler	39,087.80			39,087.80
Total	39,087.80			39,087.80

8. Other receivables

(1) Other receivables by category

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)

Other receivables which are %) individually significant and for which individual bad debt provisions are made	165,946,321.40	25.69	157,450,443.40	94.88	196,173,490.58	30.30	186,464,106.30	95.05
Other receivables for which impairment provisions are collectively made based on similar aging condition	480,094,552.27	74.31	102,244,512.96	21.30	448,612,276.07	69.28	105,361,444.78	23.49
Other receivables which are %) individually significant and for which individual bad debt provisions are made					2,750,000.00	0.42	2,750,000.00	100.00
Total	646,040,873.67	100.00	259,694,956.36		647,535,766.65	100.00	294,575,551.08	

1) Other receivables which are individually significant and tested for impairment at the end of the period

Name	Book balance	Provision for bad debts	Rate (%)	Reason
China Science and Technology Securities	157,450,443.40	157,450,443.40	100	Note1
Loans to staff for home purchases	8,495,878.00			Note2
Total	165,946,321.40	157,450,443.40		

Note 1: Please refer to Note 13.1 to the financial statements for details.

Note 2: The loan for staff is the turnover fund of purchasing house provided by Dongfang Electric (Guangzhou) heavy-duty machine Co., Ltd. And there is no risk regarding the repayment of the loan by deducting from the wages of the staff.

2) Other receivables for which impairment provisions are collectively made based on similar aging condition

Item	Closing			Opening balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
With 1 year	260,618,106.15	40.34	13,134,993.92	245,184,621.45	37.87	12,259,231.12
1-2 years	101,365,353.38	15.69	10,136,535.35	80,501,147.13	12.43	8,050,114.72
2-3 years	25,881,787.57	4.01	5,176,357.51	23,391,729.92	3.61	4,678,345.98
3-4 years	18,123,147.33	2.81	7,249,258.97	26,879,813.58	4.15	10,751,925.46

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

4-5 years	15,117,581.28	2.34	7,558,790.65	6,066,270.54	0.94	3,033,134.05
Over 5 years	58,988,576.56	9.13	58,988,576.56	66,588,693.45	10.28	66,588,693.45
Total	480,094,552.27	74.32	102,244,512.96	448,612,276.07	69.28	105,361,444.78

(2) Other receivables due from shareholders holding 5% or more of the voting rights of the Company

Name	Closing balance		Opening balance	
	Amount	Provision for	Amount	Provision for
DEC	10,078,381.00	10,075,568.05	27,442,228.91	10,944,895.37
Total	10,078,381.00	10,075,568.05	27,442,228.91	10,944,895.37

(3) Other receivables due from the top five debtors at the end of the period

Item	Relationship with the Company	Amount	Age	Percentage of total other receivables (%)
First	Cooperated factory	157,450,443.40	Over 5 years	24.37
Second	Client	86,715,758.67	1-5 years	13.42
Third	Cooperated factory	47,000,000.00	1-2 years	7.28
Fourth	Client	34,286,965.83	1-2 years	5.31
Fifth	Cooperated factory	19,500,000.00	Over 5 years	3.02
Total		344,953,167.90		53.40

9. Inventories

(1) Inventories by categories

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials (including procurement of materials)	5,021,381,169.49	73,048,002.22	4,948,333,167.27	6,162,162,335.45	73,145,686.80	6,089,016,648.65
Self-produced semi-finished products and work in process	18,013,181,450.19	220,076,341.96	17,793,105,108.23	17,100,797,276.18	243,142,969.38	16,857,654,306.80
Stock goods (finished goods)	999,574,037.26	145,834,196.50	853,739,840.76	951,752,299.57	143,867,630.59	807,884,668.98
Reusable materials (packaging materials, low-value consumables, etc.)	56,610,295.91	348,031.08	56,262,264.83	58,622,041.05	348,631.08	58,273,409.97

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Assets formed by construction contracts	5,824,155,767.63	666,880,737.19	5,157,275,030.44	4,035,060,407.61	630,179,817.45	3,404,880,590.16
Others	130,555,018.00		130,555,018.00	84,133,335.64		84,133,335.64
Total	30,045,457,738.48	1,106,187,308.95	28,939,270,429.53	28,392,527,695.50	1,090,684,735.30	27,301,842,960.20

(2) Provision for impairment of inventories

Item	Opening balance	Increase in the year	Decrease in the year		Closing balance
			Reversal	Other outgoing	
Raw materials (including procurement of materials)	73,145,686.80			97,684.58	73,048,002.22
Self-produced semi-finished products and work in process	243,142,969.38	11,493,763.74		34,560,391.16	220,076,341.96
Stock goods (finished goods)	143,867,630.59	2,984,364.72		1,017,798.81	145,834,196.50
Reusable materials	348,631.08			600.00	348,031.08
Assets formed by construction contracts	630,179,817.45	153,821,814.30		117,120,894.56	666,880,737.19
Total	1,090,684,735.30	168,299,942.76		152,797,369.11	1,106,187,308.95

(3) Provision made for impairment of inventories

Item	Basis for provision	Reason for reversal in the year	Percentage of reversed amount in the closing
Raw materials (including procurement of materials)	The net realizable value is expected to be lower than the book value		
Self-produced semi-finished products and work in process	The net realizable value is expected to be lower than the book value		
Stock goods (finished goods)	The net realizable value is expected to be lower than the book value		
Reusable materials	The net realizable value is expected to be lower than the book value		
Assets formed by construction contracts	The total cost is expected to be higher than the total contractual income		

10. Available-for-sale financial assets

Item	Fair value as at the end of the period	Fair value as at the beginning of the year
Sellable equity instrument investments	314,114,963.00	289,716,665.00
Others	17,100,000.00	17,100,000.00
Total	331,214,963.00	306,816,665.00

Sellable equity instruments as at the end of the period include 75 million shares of NMHD and 14,453,900 shares of GD Power held by the Group. The fair value of these circulating shares as at the end of the reporting period is determined on basis of the closing price of the securities market.

11. Long-term equity invest

(1) Classification of long-term equity investment

Item	Amount at the end of the period	Amount at the beginning of the year
Long-term equity investment audited under the cost method		
Long-term equity investment audited under the equity method	828,039,822.15	784,129,880.78
Total long-term equity investment	828,039,822.15	784,129,880.78
Less: impairment of long-term equity investment		
Value of long-term equity investment	828,039,822.15	784,129,880.78

(2) Long-term equity investment measured by the equity method

Name of investees	Shareholding (%)	Voting rights (%)	Initial investment costs	Amount at the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period	Cash dividend for the year
1. Dongfang Hitachi Boiler Co.,Ltd.	50	50	34,137,830.00	151,171,142.17	10,372,997.34		161,544,139.51	
2. Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou)	49	49	99,306,720.24	304,552,794.51	256,536.25		304,809,330.76	
3. Dongfang AREVA	50	50	75,000,000.00	256,259,237.03	32,126,611.42		288,385,848.45	
4. Leshan East Lok Bulky Co.,Ltd (Note 2)	49	49	490,000.00	22,861,398.02	1,646,970.59		24,508,368.61	
5. Sichuan Wind Power Industry Investment Co., Ltd	20	20	48,000,000.00	44,285,309.05		493,174.23	43,792,134.82	
6. Huadian Longkou Wind Power Co.Ltd.	25	25	5,000,000.00	5,000,000.00			5,000,000.00	
Total			261,934,550.24	784,129,880.78	44,403,115.60	493,174.23	828,039,822.15	

Note 1: hereafter as Mitsubishi Heavy Industries Dongfang Gas Turbine; Note 2: hereafter as East Lok Bulky.

(3) Investment in joint ventures and associated enterprises (Unit: RMB0'000)

Name of investees	Shareholding (%)	Voting rights (%)	Total assets by the end of the period	Total liabilities by the end of the period	Total net assets by the end of the period	Total operating revenue for the year	Net profit for the year
Joint ventures							
1. Dongfang Hitachi Boiler Co.,Ltd	50	50	102,332.88	70,024.06	32,308.82	39,446.81	2,074.60

Name of investees	Shareholding (%)	Voting right (%)	Total assets by the end of the period	Total liabilities by the end of the period	Total net assets by the end of the period	Total operating revenue for the year	Net profit for the year
2. Dongfang AREVA	50	50	165,587.26	107,910.09	57,677.17	21,136.02	6,579.68
Associated enterprises							
1. Mitsubishi Heavy Industries Dongfang Gas turbine	49	49	133,944.57	78,264.38	55,680.19	17,164.19	-1,002.21
2. East Lok Bulky	49	49	6,002.98	601.90	5,401.08	828.58	374.54
3. Sichuan Wind Power Industry Investment Co.,Ltd	20	20	89,176.63	53,090.58	36,086.05	0.32	-269.09
4. Huadian Longkou Wind Power Co.Ltd.	25	25	3,000.39	0.39	3,000.00		
Total			500,044.71	309,891.40	190,153.31	78,575.92	7,757.52

12. Investment real estate

(1) Investment real estate measured under cost pattern

Items	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
Original value	88,711,558.04			88,711,558.04
Buildings	81,854,338.04			81,854,338.04
Land use rights	6,857,220.00			6,857,220.00
Depreciation and amortization	15,912,983.59	1,759,664.32		17,672,647.91
Buildings	14,541,539.59	1,691,092.12		16,232,631.71
Land use rights	1,371,444.00	68,572.20		1,440,016.20
Net book value	72,798,574.45	—	—	71,038,910.13
Buildings	67,312,798.45	—	—	65,621,706.33
Land use rights	5,485,776.00	—	—	5,417,203.80
Provisions for impairment				
Carrying Value	72,798,574.45	—	—	71,038,910.13
Buildings	67,312,798.45	—	—	65,621,706.33
Land use rights	5,485,776.00	—	—	5,417,203.80

The amount of depreciation and amortization for the period amounted to RMB1,759,664.32.

13. Fixed Assets

(1) Breakdown of fixed assets

Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period of the year
Original value	15,803,965,534.61	208,112,423.62	64,501,232.79	15,947,576,725.44
Among which: land assets	22,463,127.95	939,432.69		23,402,560.64
Buildings	6,711,950,259.50	84,822,988.07	3,145,408.02	6,793,627,839.55
Machines and equipments	7,916,649,208.31	77,601,216.85	30,277,155.15	7,963,973,270.01

Item	Amount at the beginning of the year	Current year additions		Current year reductions	Amount for the end of the period of the year
Motors and vehicles	350,241,694.68	2,778,263.73		2,922,774.77	350,097,183.64
Instruments, electronic equipment and others	802,661,244.17	41,970,522.28		28,155,894.85	816,475,871.60
Total depreciation	6,541,577,666.35	Current year	Provisions made for the year	16,347,816.86	7,084,177,322.83
			558,947,473.34		
Among which: land assets					
Buildings	1,561,930,691.88	143,645,102.63		62,877.53	1,705,512,916.98
Machines and equipments	4,193,595,787.10	348,916,633.94		5,109,059.77	4,537,403,361.27
Motors and vehicles	234,829,223.48	16,552,634.28		2,910,000.34	248,471,857.42
Instruments, electronic equipment and others	551,221,963.89	49,833,102.49		8,265,879.22	592,789,187.16
Carrying value	9,262,387,868.26	—		—	8,863,399,402.61
Among which: land assets	22,463,127.95	—		—	23,402,560.64
Buildings	5,150,019,567.62	—		—	5,088,114,922.57
Machines and equipments	3,723,053,421.21	—		—	3,426,569,908.74
Motors and vehicles	115,412,471.20	—		—	101,625,326.22
Instruments, electronic equipment and others	251,439,280.28	—		—	223,686,684.44
Provisions for impairment	18,776,893.20				18,768,008.75
Among which: machines and equipments	18,613,906.28				18,613,906.28
Motors and vehicles	90,000.00				90,000.00
Instruments, electronic equipment and others	72,986.92			8,884.45	64,102.47
Carrying value	9,243,610,975.06	—		—	8,844,631,393.86
Among which: land assets	22,463,127.95	—		—	23,402,560.64
Buildings	5,150,019,567.62	—		—	5,088,114,922.57
Machines and equipments	3,704,439,514.93	—		—	3,407,956,002.46
Motors and vehicles	115,322,471.20	—		—	101,535,326.22
Instruments, electronic equipment and others	251,366,293.36	—		—	223,622,581.97

The amount of depreciation for the period: RMB558,947,473.34. The original cost of transferring construction under progress to fixed assets for the period: RMB200,322,758.56.

(2) Fixed Assets for operating lease

Item	Book value
Buildings	1,552,163.97
Machines and equipments	4,931,387.09
Transport vehicles	10,000.00

Item	Book value
Buildings	1,552,163.97
Instrument and meters, electronic equipment and others	1,141.36
Total	6,494,692.42

(3) Fixed assets for which property rights certificates had not been obtained for the end of the period

Item	Reasons for which property rights certificates are not yet obtained	Estimated time for completion of procedures for property rights certificates
10 fixed assets including staff gymnasium, staff dining centre, Deyang staff rooms, apartment for singles and factories of Dongfang Boiler	Relevant procedure being gone through	2014
6 properties including the plant of Wuhan Nuclear Equipment Company	Relevant procedure being gone through	2015
Compressor plant and booster station of Dong Fang Turbine Co., Ltd. (東汽有限公司)	Relevant procedure being gone through	2014
Four properties involving factory, warehouse, office building and dining room of Dongfang (Jiuquan) New Energy Co., Ltd.	Relevant procedure being gone through	2014
Joint factory building of Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Relevant procedure being gone through	2014
5 properties including office building, extension of canteen, shift dormitories No.1 and 2 of Dongfang Electric heavy-duty machine Co.,	Relevant procedure being gone through	2014
5 properties of the DEC including hydro-power laboratory, new industrial art building, second hypervelocity laboratory, staff canteen and second staff canteen	Relevant procedure being gone through	2014
9 properties involving factories and scientific research and technology complex buildings of Dongfang Electric Autocontrol Engineering Co.,	Relevant procedure being gone through	2014
Hangzhou transfer area of new energy	Relevant procedure being gone through	2014

14. Construction in progress

(1) Breakdown of construction in progress

Item	Amount for the end of the period			Amount for the beginning of the period		
	Balance of carrying value	Provisions for impairment	Carrying value	Balance of carrying value	Provisions for impairment	Carrying value
Construction in progress	864,814,465.18	1,430,697.20	863,383,767.98	687,221,105.26	1,430,697.20	685,790,408.06

(2) Changes in major construction in progress

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Name of construction	Amount for the beginning of the year	Current year additions	Decrease for the year		Amount for the end of the period
			Transfer to fixed assets	Other reductions	
DEC(construction project of 350T high speed) dynamic balance	104,894,417.57	49,605,043.50	25,213.68		154,474,247.39
DEC(compressor rig construction)	80,825,760.41	19,070,936.22	9,093,247.85		90,803,448.78
Capability enhancement projects of container products and production	2,081,874.53	74,743,654.98	120,184.46		76,705,345.05
Data control Lianglongmen boring machine by Dongzhong Co., Ltd.	16,691,702.73	57,089,009.94			73,780,712.67
Dong Fang Electric (India) Private Limited (Office building projects)	36,899,779.92	14,901,888.58			51,801,668.50
DEC(construction of 6MW full power fan blower and LVRT base construction)	31,447,318.96	15,351,040.26			46,798,359.22
Dongfang Boiler (Shenzhen) Control Co., Ltd (Building 2, Construction project of Chengdu R&D	19,674,075.89	22,311,548.72			41,985,624.61
DEC Employee Training Center (including undergraduates	36,153,431.81	5,112,115.00			41,265,546.81
DEC(Phase 2 undertaking projects of laboratory)	8,677,606.38	9,958,290.78			18,635,897.16
DEC(weight 2.5 and accuracy of 4.2 meter wheels of cars)	4,998,913.22	12,190,602.18			17,189,515.40
Total	342,344,881.42	280,334,130.16	9,238,645.99		613,440,365.59

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Name of construction	Budget amount	Proportion of injection to budget (%)	Progress (%)	Accumulated amount of interest capitalize	Including: Interest capitalized for the year	Capitalisation (%)	Source of funds
DEC(construction project of 350T high speed dynamic balance)	185,000,000.00	83.51	Note 1				Self-financing
DEC(compressor rig construction)	312,600,000.00	40.99	Note 2				Self-financing
Capability enhancement projects of container products and production gasification furnace	233,350,000.00	34.54	33				Self-financing
Data control Lianglongmen boring machine by Dongzhong Co., Ltd.	92,000,000.00	86.11	86.11				Self-financing
Dong Fang Electric (India) Private Limited (Office building projects)	153,641,880.00	48.02	Note 3				Self-financing
DEC(construction of 6MW full power fan blower and LVRT base construction)	80,000,000.00	67.67	Note 4				Self-financing
Dongfang Boiler (Shenzhen) Control Co., Ltd (Building 2, Construction project of Chengdu R&D base)	168,820,000.00	26.42	26.42				Self-financing
DEC Employee Training Center (including undergraduates apartment)	86,250,000.00	47.84	47.84				Self-financing
DEC(Phase 2 undertaking projects of	21,804,000.00	85.47	85.47				Self-financing
DEC(weight 2.5 and accuracy of 4.2 meter wheels of cars)	26,000,000.00	66.11	Note 5				Self-financing
Total	1,359,465,880.00						

Note 1: building project has been completed and high powered equipment is being installed;
Note 2: building project has been completed and channel system and compressor plant are being connected; Note 3: building project has been completed and equipment is being installed and decorated; Note 4: building project has basically reached the using

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

(3) Provision for impairment of construction in progress

Item	Amount for the beginning of the	Current year additions	Current year reduction	Amount for the end of the period	Reasons for provision
Dual power engineering	237,690.00			237,690.00	The amount of recoverable amount is less than the carrying value, in liquidation
Ventilating slot painting system upgrading	1,193,007.20			1,193,007.20	
Total	1,430,697.20			1,430,697.20	

15. Construction materials

Project	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period
Special equipment	113,464.96	13,399,290.38	13,399,290.38	113,464.96
Total	113,464.96	13,399,290.38	13,399,290.38	113,464.96

16. Intangible assets

Item	Amount for the beginning of the year	Current year additions	Current year reductions	Amount for the end of the period
Original value	1,524,289,410.70	14,702,139.89		1,538,991,550.59
Software	107,770,423.07	3,342,444.41		111,112,867.48
Land use rights	1,062,214,854.31	11,359,695.48		1,073,574,549.79
Patent	11,792,161.08			11,792,161.08
Non-patented technology	342,511,972.24			342,511,972.24
Accumulated amortization	420,521,000.74	39,128,577.08		459,649,577.82
Software	38,560,999.25	12,103,318.08		50,664,317.33
Land use right	135,390,170.02	10,346,418.96		145,736,588.98
Patent	6,181,403.17	13,731.62		6,195,134.79
Non-patented technology	240,388,428.30	16,665,108.42		257,053,536.72
Net Book Value	1,103,768,409.96	—	—	1,079,341,972.77
Software	69,209,423.82	—	—	60,448,550.15
Land use right	926,824,684.29	—	—	927,837,960.81
Patent	5,610,757.91	—	—	5,597,026.29
Non-patented technology	102,123,543.94	—	—	85,458,435.52
Provision for impairment	90,428,509.50			90,428,509.50
Land use right	90,428,509.50			90,428,509.50
Book Value	1,013,339,900.46	—	—	988,913,463.27
Software	69,209,423.82	—	—	60,448,550.15
Land use right	836,396,174.79	—	—	837,409,451.31
Patent	5,610,757.91	—	—	5,597,026.29
Non-patented technology	102,123,543.94	—	—	85,458,435.52

The amount of amortization for the period: RMB39,128,577.08.

17. Long-term fees to be amortized

Item	Amount for the beginning of the year	Current year additions	Amortization for the year	Other current year reductions	Amount for the end of the period	Other reasons for reduction
Maintenance cost for power distribution equipment	54,000.00		18,000.00		36,000.00	
Cost for power cable management	455,000.14		34,999.98		420,000.16	
Cost for testing and transformation		112,375.00	18,125.00		94,250.00	
Renovation of office building		82,592.97			82,592.97	
Total	509,000.14	194,967.97	71,124.98		632,843.13	

18. Deferred income tax assets and deferred income tax liabilities

(1) Recognized deferred income tax assets and deferred income tax liabilities

Item	Amount for the end of the period	Amount for the beginning of the year
Deferred income tax asset		
Provision for impairment of assets	956,031,563.02	918,413,283.58
Accrued liabilities	184,792,324.08	211,342,873.20
Unrealized profit for internal transaction	48,350,360.94	49,104,209.50
Accrued payroll	38,245,987.77	40,139,097.25
Fixed assets depreciation	4,738,122.25	4,738,122.25
Government subsidies	18,810,278.81	18,625,474.63
Enterprise income tax deducted from overseas for tax credit	1,910,435.55	1,165,652.04
Accounts Payable	11,749,657.53	11,792,324.66
Deductible loss carried forward to the next year	383,324.66	368,213.96
Fair value changes of available-for-sale financial assets	17,998,946.70	21,658,691.40
Fair value changes of held-for-trading financial assets	3,323,495.82	3,650,765.74
Total	1,286,334,497.13	1,280,998,708.21
Deferred income tax liabilities		
Value added after evaluation	1,350,406.07	1,350,406.07

Item	Amount for the end of the period	Amount for the beginning of the year
Fair value changes in held-for-trading financial assets	9,485.77	424,012.14
Depreciation of fixed assets	66,244.81	63,618.31
Total	1,426,136.65	1,838,036.52

(2) Details of deductible temporary differences of unrecognized deferred income tax assets

Item	Amount for the end of the period	Amount for the beginning of the year
Deductible loss carried forward to the next year	238,975,797.78	246,161,208.69

Provision for inventory loss	272,843,180.02	258,365,051.56
Provision for bad debts	41,219,357.13	45,017,821.75
Estimated debts	10,121,059.42	11,315,463.13
Government grants	9,774,817.33	9,774,817.33
Total	572,934,211.68	570,634,362.46

(3) Due date of deductible loss of unrecognized deferred income tax assets

Item	Amount for the end of the period	Amount for the beginning of the year	Notes
2015	73,248,697.60	72,393,387.46	
2016	16,834,295.24	16,570,892.12	
2017	46,458,144.18	46,458,144.18	
2018	102,434,660.76	110,738,784.93	
Total	238,975,797.78	246,161,208.69	

(4) Breakdown of taxable differences and deductible differences by items

Item	Amount for the end of the period	Amount for the beginning of the year
Deductible differences		
Provision for impairment of assets	6,667,302,565.77	6,405,981,905.27
Estimated debts	1,214,188,519.79	1,392,616,607.65
Unrealized profit for internal transaction	322,335,739.54	327,361,396.69
Accrued payroll	254,973,251.77	266,544,721.60
Fixed assets depreciation	31,587,481.68	31,587,481.68
Deductible loss carried forward to the next year	240,158,019.44	247,296,095.30
Government grants	119,506,165.03	118,274,137.15
Fair value changes in held-for-trading financial liabilities		
Accounts Payable	78,331,050.24	78,615,497.69
Deductible loss carried forward to the next year	7,641,742.20	4,662,608.16
Fair value changes of available-for-sale financial assets	119,992,978.00	144,391,276.00
Fair value changes of held-for-trading financial assets	22,156,638.80	24,338,438.16
Subtotal	9,078,174,152.26	9,041,670,165.35
Taxable differences		
Value added after evaluation	9,002,707.07	9,002,707.07
Fair value changes in held-for-trading financial assets	63,238.46	2,826,747.59
Depreciation of fixed assets	204,258.80	196,080.47
Subtotal	9,270,204.33	12,025,535.13

19. Details of provision for impairment of assets

Item	Amount for the beginning of the year	Current year additions		Current year reductions		Amount for the end of the period
		Provisions	Other reasons	Reversal	Other reversal	
Provision for bad debts	5,175,561,209.93	249,230,964.19	27,386.37			5,424,819,560.49

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Provision for obsolete stock	1,090,684,735.30	168,299,942.76			152,797,369.11	1,106,187,308.95
Provision for impairment of available-for-sale financial assets	39,876,314.66					39,876,314.66
Provision for impairment of fixed assets	18,776,893.20				8,884.45	18,768,008.75
Provision for impairment of construction in progress	1,430,697.20					1,430,697.20
Provision for impairment of intangible assets	90,428,509.50					90,428,509.50
Total	6,416,758,359.79	417,530,906.95	27,386.37		152,806,253.56	6,681,510,399.55

20. Short term borrowings

Type of borrowings	Amount for the end of the period	Amount for the beginning of the year
Pledged loans		114,670,055.27
Credit loans	2,686,744,119.28	3,202,402,010.87
Mortgage loans	226,000,000.00	136,000,000.00
Total	2,912,744,119.28	3,453,072,066.14

The pledged borrowings of the Group for the end of the year were discounted commercial paper issued among subsidiaries within the scope of consolidation of the Group but not yet fall due.

Hangzhou new energy and Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd have made the mortgage of their fixed assets and intangible assets to get the loans from Dongfang Electric Finance Co., Ltd.

21. Notes Payable

Type of notes	Amount for the end of the period	Amount for the beginning of the year
Bank acceptance	388,976,985.99	528,581,068.80
Trade acceptance	4,569,112,401.16	4,336,513,303.96
Total	4,958,089,387.15	4,865,094,372.76

The amount that will expire in the next accounting period (the second half of the year) amounted to RMB 4,958,089,387.15.

22. Accounts payables

(1) Accounts payables

Ageing	Amount for the end of the period	Amount for the beginning of the year
Within one year	10,462,485,951.83	10,781,307,023.02
1-2 years	1,379,039,229.83	1,044,275,359.05
2-3 years	1,838,200,149.76	943,654,519.10
Over 3 years	1,325,923,391.07	1,455,462,022.04
Total	15,005,648,722.49	14,224,698,923.21

(2) The amount payable to shareholders holding 5% (inclusive of 5%) of shares with voting rights of the Company

Name of the entity	Amount for the end of the period	Amount for the beginning of the year
DEC	1,105,071.70	999,486.79
Total	1,105,071.70	999,486.79

(3) Large accounts payable of the Group ageing over 1 year as at the end of the year mainly represents retention money which have not been returned because the warranty period for materials such as large forgings purchased has not expired.

(4) The average credit period for purchase of commodity is 180 days. The Group has financial risk management policies to ensure that all payables are settled within the credit period.

23. Advances from customers

(1) Advances from customers

Item	Amount for the end of the period	Amount for the beginning of the year
Total	32,910,949,860.32	32,284,212,140.25
Among which: more than 1 year	11,139,136,929.36	10,210,101,546.28

(2) Advances from shareholders holding 5% (inclusive of 5%) of shares with voting rights of the Company

Name	Amount for the end of the period	Amount for the beginning of the year
DEC	13,619,644.90	4,133,467.27
Total	13,619,644.90	4,133,467.27

Advances from customers of the Group ageing over 1 year were not carried forward as at the end of the year mainly because the manufacturing cycle of power generation equipment provided by the Group was long and settlement was not yet made.

24. Employee's payment

Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount at the end of the period
(1) Short-term compensation	215,935,237.22	1,406,379,756.66	1,360,070,341.40	262,244,652.48
1.1 Salaries, bonuses, allowances and subsidies	166,950,896.67	982,707,860.84	960,346,877.70	189,311,879.81
1.2 Welfare expenses		113,498,346.48	106,443,909.78	7,054,436.70
1.3 Fundamental medical insurance	159,703.13	67,609,095.25	67,706,327.33	62,471.05
Item	Amount at the beginning of the year	Current year additions	Current year reductions	Amount at the end of the period

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

1.4 Supplementary medical insurance		31,760,529.41	31,760,529.41	
1.5 Injury insurance	13,958.14	8,848,301.50	7,787,262.92	1,074,996.72
1.6 Maternity insurance	15,970.31	5,146,524.52	4,755,804.76	406,690.07
1.7 Housing fund	6,880,284.30	117,176,898.74	116,005,900.98	8,051,282.06
1.8 Labor union expenses cost	12,610,034.87	17,001,996.80	10,986,483.25	18,625,548.42
1.9 Employee education expenses	29,304,389.80	19,824,178.81	11,471,453.66	37,657,114.95
1.10 Non-monetary welfare		1,621,473.64	1,621,473.64	
1.11 Share-based payment maturing within one year				
1.12 Other short-term compensation		41,184,550.67	41,184,317.97	232.70
(2) Benefits of resignation	100,109,608.80	231,371,066.84	289,915,887.00	41,564,788.64
2.1 Fundamental endowment insurance	191,643.75	185,956,627.57	186,357,810.93	-209,539.61
2.2 Supplementary endowment insurance	31,940.63	20,984,374.22	21,063,943.89	-47,629.04
2.3 Annuity of enterprises	99,886,024.42	24,430,065.05	82,494,132.18	41,821,957.29
(3) Compensation for termination	66,965,447.61	29,869,579.60	23,990,646.76	72,844,380.45
(4) Other long-term employee	11,601,427.20	-1,929,194.65		9,672,232.55
4.1 Share-based payment	11,601,427.20	-1,929,194.65		9,672,232.55
4.2 Others				
Total	394,611,720.83	1,665,691,208.45	1,673,976,875.16	386,326,054.12

Social insurance is used for retirement welfare in accordance with the government policy, and the Group retains housing fund for all staff.

25. Taxes payable

Item	Amount at the end the period	Amount at the beginning of the year
Value-added tax	-535,978,881.24	-285,160,815.70
Enterprises income tax	62,202,118.18	279,769,742.79
City maintenance and construction tax	2,205,432.09	5,237,684.39
Education surtax	3,082,752.61	4,927,630.27
Individual income tax	2,985,082.30	23,416,464.51
Local education tax	3,437,266.92	8,848,821.14
Stamp duty	1,108,277.35	4,996,947.85
Business tax	1,553,787.80	2,376,214.75
Land use tax	-131,478.45	858,518.70
House property tax	-324,313.06	2,957,449.49
Embankment protection charges	185,653.33	325,173.84
Regulation fund of non-staple food	11,001,127.89	5,211,322.91
Water conservancy and construction special funds	40,566.50	139,635.46
Others	35,804.25	2,321.22

Item	Amount at the end the period	Amount at the beginning of the year
Total	-448,596,803.53	53,907,111.62

26.Dividends payable

Name of institutions	Amount at the end of the period	Amount at the beginning of the year	Reason for unpaid dividends for over 1 year
China Western Power Industrial Co., Ltd	763,662.57	1,365,662.57	
Other outside shareholders	2,379,654.25	2,024,069.45	Note
Energy International Investments Holdings Limited	203,000.00		
Total	3,346,316.82	3,389,732.02	

Note: dividends payable aged over one year was due to the not yet completed procedures of dividend receiving by the remaining shareholders. After the delisting on 6 August 2008, Dongfang Boiler has signed with the SD&C Shanghai Branch the agreement of "Dongfang Boiler shares registered data transfer memo" on 3 September 2008, the remaining shares, including the unconfirmed shares in Dongfang Boiler's initial shares, which had not accepted the acquisition invitation of DEC were managed by Dongfang Boiler itself, and the shareholders of the remaining shares can receive the cash dividends only after certain procures at the Dongfang Boilers.

27.Other payables

(1) Other payables

Item	Amount at the end of the period	Amount at the beginning of the year
Total	1,957,279,644.21	1,805,192,953.82
Including: over 1 year	1,700,104,805.33	1,388,722,980.44

Other payables aged over 1 year at the end of this period was mainly due to the fact that, according to the acquisition agreement when the Company directly issued new A Shares to Dongfang Steam Turbine and Dongfang Boiler for share acquisition in 2007, these payables should be attributed to the net profit of DEC between the period of evaluation benchmark day and the day when the acquisition was completed.

(2) The balance of creditor who is a shareholder of the Company with 5% or more voting rights

Name of the institutions	Amount at the end of the period	Amount at the beginning of the year
DEC	1,367,148,105.56	1,389,852,015.70
Total	1,367,148,105.56	1,389,852,015.70

28.Non-current liabilities maturing within one year

(1) Non-current liabilities maturing within one year

Items	Amount as at the end of the period	Amount as at the beginning of the year
Long-term borrowings maturing within one year	36,320,000.00	86,320,000.00
Total	36,320,000.00	86,320,000.00

(2) Breakdown of long-term borrowings maturing within one year

Items	Amount as at the end of the period	Amount as at the beginning of the year
Credit loans	16,320,000.00	16,320,000.00
Mortgage loans	20,000,000.00	70,000,000.00
Total	36,320,000.00	86,320,000.00

(3) Details of long-term borrowings maturing within one year

Name of creditors	Start date	End date	Interest rate (%)	Amount as at the end of period	Amount as at the beginning of the
Dongfang Electric Finance Co., Ltd.	2011-07-06	2014-07-06	5.76	20,000,000.00	20,000,000.00
Dongfang Electric Finance Co., Ltd.	2011-06-28	2014-06-28	5.76		50,000,000.00
Deyang City Finance Bureau	2001-11	2010-11	2.55	16,320,000.00	16,320,000.00
Total				36,320,000.00	86,320,000.00

(4) Details of overdue borrowings as at the end of the period

Name of creditor	Amount	Overdue period	Interest rate (%)	Use of loans	Reason for overdue	Tentative repayment period
Deyang City Finance Bureau	16,320,000.00	43-91 months	2.55	combined gas and steam recycling technology innovation project	not been collected	—
Total	16,320,000.00					

The Group's long-term borrowings expired at the end of the period was the treasury bond capital of RMB16.32 million which were transferred into debts and borrowed from Deyang City Finance Bureau by Dongfang Steam Turbine Co., Ltd. in installments since 2001, based on the "Agreement of Loaning Treasury Bond Capital", in order to carry out the combined gas and steam recycling technology innovation project. The borrowings expired during the period from November 2006-November 2010, and were not repaid since the creditor had not required repayment. As at the end of this financial report, the Group did not repay these expired borrowings.

29. Other current liabilities

Items	Amount as at the end of the reporting period	Amount as at the beginning of the year
Deferred income	61,035,992.07	79,943,075.58
Total	61,035,992.07	79,943,075.58

30. Long-term borrowings

(1) Classification of long-term borrowings

Classification	Amount as at the end of the period	Amount as at the beginning of the year
Credit loans	56,200,000.00	39,400,000.00
Mortgage loans		
Total	56,200,000.00	39,400,000.00

(2) Top 5 of long-term borrowings as at the end of the period

Name of creditors	Start date	End date	Currency	Rates	Amount as at the end of the period	Amount as at the beginning of the period
CCB	2010/4/30	2016/4/29	RMB	5.35	39,100,000.00	39,400,000.00

Name of creditors	Start date	End date	Currency	Rates%	Amount as at the end of the period	Amount as at the beginning of the period
DEC	2014/3/27	2017/3/26	RMB	3.00	17,100,000.00	
Total					56,200,000.00	39,400,000.00

31. Long-term accounts payables

Items	Period	Amount as at the beginning of the year	Rate (%)	Rate	Amounts as at the end of the period	Borrow requirements
Total	—	685,252.84	—		685,252.84	—
Including: National special reserve fund		685,252.84			685,252.84	

32. Specified accounts payables

Items	Amount as at the beginning of the year	Current year additions	Current year reductions	Amounts as at the end of the period
Tariffs on imported equipment and VAT refunds	58,042,614.63	20,000.00		58,062,614.63
Total	58,042,614.63	20,000.00		58,062,614.63

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. Pursuant to the Notice 11[2007], the company has transferred tax refunds to state capital. As at the date of this financial report, Dongfang Turbine Co., Ltd. had not completed relevant procedures in relation to transfer of additional state capital.

33. Estimated liabilities

Items	Amounts as at the beginning of the year	Increase in the year	Carry forward this year	Amount as at the end of the period
Product quality assurance	1,118,130,731.82	157,721,845.46	50,400,715.89	1,225,451,861.39
Action pending	225,770,013.60		201,713,510.36	24,056,503.24
Loss of contracts to be executed	44,882,051.26		38,738,461.52	6,143,589.74
Others	3,833,810.97			3,833,810.97
Total	1,392,616,607.65	157,721,845.46	290,852,687.77	1,259,485,765.34

(1) As required in the products sales contracts signed by the Group and customers, within the quality guarantee period as set in the contract, the Group is responsible for the products' quality and relevant fix, change and compensation fee will be the shouldered by the Group. Based on the historical data and operating characteristics, the Group charged warranty fee in proportion to the products' revenue.

(2) Other estimated liabilities at the end of the period was the estimated payment for the upstream suppliers' claim on the contract termination by the Group, which was due to the end of project implementation for the property owners' reason.

34. Other non-current liabilities

Items	Amounts as at the end of the period	Amounts as at the beginning of the year
Deferred income	540,849,852.40	500,287,825.52
Including : The third tier enterprise with specialized government grants	377,940,181.46	389,032,399.88
Other research and financial differences	162,909,670.94	111,255,425.64
Total	540,849,852.40	500,287,825.52

35. Share capital

	Amount as at the beginning of the year	Changes (+, -)					Amount as at the end of the period
	Amount	New share issue	Bonus share issue	Reserves conversion	Others	Sub-total	Amount
Total share capital	2,003,860,000						2,003,860,000

36. Capital reserve

Item	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
Share premium	5,083,399,637.75			5,083,399,637.75
Including: amount from investors	5,091,111,837.75			5,091,111,837.75
Differences formed by business combination	-7,712,200.00			-7,712,200.00
Other capital reserve	-114,105,589.70	20,738,553.30		-93,367,036.40
Including: changes in other interests of investee	8,626,994.90			8,626,994.90
Fair value of financial assets available for sale	-122,732,584.60	20,738,553.30		-101,994,031.30
Total	4,969,294,048.05	20,738,553.30		4,990,032,601.35

37. Special reserve

Item	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
Special reserve for safety production	15,684,408.62	26,359,882.30	11,961,147.73	30,083,143.19
Total	15,684,408.62	26,359,882.30	11,961,147.73	30,083,143.19

38. Surplus reserve

Item	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
Statutory surplus reserve	578,473,906.12			578,473,906.12
Total	578,473,906.12			578,473,906.12

39. Undistributed profits

Item	Amount as at the end of the period	Amount as at the beginning of the period
Amount as at 31 December 2013	10,162,309,001.98	8,158,283,796.26
Add: adjustment to undistributed profit at 1 January 2014		
Including: change in scope of consolidation under common control		
Amount as at 1 January 2014	10,162,309,001.98	8,158,283,796.26
Add: net profit attributable to shareholders of the Company for the year	839,294,368.43	2,349,431,591.08
Less: Transfers to statutory surplus reserves		124,981,785.36

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Dividends payable on ordinary shares	360,694,800.00	220,424,600.00
Others		
Amount as at 30 June 2014	10,640,908,570.41	10,162,309,001.98

The distribution of dividends on ordinary share to shareholders of the Company was made according to the plan for distribution of profits after tax for 2013 approved at the 2013 annual general meeting held on 29 April 2014, namely, a cash dividend of RMB1.80 (tax inclusive) for every shares to each shareholder, totalling RMB360,694,800, as calculated based on the Company's total issued share capital of 2,003,860,000 shares as at 31 December 2013.

40. Minority shareholders' equity

Name of subsidiaries	Percentage of minority equity (%)	Amount as at the end of the period	Amount as at the beginning of the year
Dongfang Electric Heavy Machinery Co., Ltd.	34.8187	525,713,263.38	521,575,884.95
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	38.58	146,030,774.53	126,036,681.40
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	49.64	95,158,159.34	95,535,151.45
Shenzhen Dongfang Boiler Control Co., Ltd.	49	76,192,985.00	75,194,598.58
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33	60,217,545.29	63,717,370.19
Dongfang Boiler Group Co., Ltd.	0.33	15,943,703.60	16,086,546.58
DFEM Control Equipment Co., Ltd.	0.50	806,204.00	772,267.60
Dongfang Eclectic Power Equipment Co., Ltd.	1.17	550,551.22	550,488.01
DFEM Tooling and Moulding Co., Ltd.	0.685	155,958.00	152,645.74
Total		920,769,146.00	899,621,634.50

41. Revenue and cost of sales

Item	Amount for the year	Amount for last year
Main operation income	18,837,757,392.66	20,330,627,515.53
Income from other operations	146,410,906.15	136,479,225.36
Cost of sales	15,959,657,175.55	16,713,119,226.23

(1) Revenue classification by industry

Industry	Amount for the year		Amount for last year	
	Revenue	Operating cost	Revenue	Operating cost
Manufacture of generator	18,837,757,392.66	15,883,965,022.38	20,330,627,515.53	16,660,229,791.20
Total	18,837,757,392.66	15,883,965,022.38	20,330,627,515.53	16,660,229,791.20

(2) Principal businesses by products

Product	Amounts in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Clean and efficient	11,887,442,477.01	9,854,421,118.04	10,754,580,223.18	8,806,871,264.85
Including: thermal power	10,181,676,904.61	8,445,787,897.26	9,138,136,916.29	7,316,102,704.91
Gas turbines	1,040,506,968.89	815,275,259.46	554,901,696.58	484,075,958.70
Conventional island of nuclear power	665,258,603.51	593,357,961.32	1,061,541,610.31	1,006,692,601.24
New energy	2,160,256,146.00	1,888,471,320.58	4,708,292,450.16	3,923,574,989.46
Including: Wind power	1,559,702,537.61	1,474,853,424.62	4,175,969,157.96	3,547,155,570.28
Nuclear power island	600,553,608.39	413,617,895.96	532,323,292.20	376,419,419.18

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Water energy and environmental equipments	1,976,227,988.71	1,691,344,603.52	2,102,242,667.93	1,682,658,907.92
Including: water energy	1,201,653,721.41	1,093,361,539.28	1,478,562,018.68	1,166,009,960.12
Environmental protection	774,574,267.30	597,983,064.24	623,680,649.25	516,648,947.80
Engineering and	2,813,830,780.94	2,449,727,980.24	2,765,512,174.26	2,247,124,628.97
Including: engineer	1,963,172,814.41	1,756,348,321.72	2,151,441,835.78	1,831,707,244.02
Power station service	506,984,138.03	355,273,046.94	477,776,060.85	286,850,670.90

Others	343,673,828.50	338,106,611.58	136,294,277.63	128,566,714.05
Total	18,837,757,392.66	15,883,965,022.38	20,330,627,515.53	16,660,229,791.20

(3) Principal businesses by regions

Name of region	Amount for the year		Amount for the previous year	
	Revenue	Operating cost	Revenue	Operating cost
PRC	14,527,657,179.83	12,198,335,898.18	16,154,291,846.41	13,230,164,012.77
Overseas	4,310,100,212.83	3,685,629,124.20	4,176,335,669.12	3,430,065,778.43
Total	18,837,757,392.66	15,883,965,022.38	20,330,627,515.53	16,660,229,791.20

(4) Revenue of top five customers

Name of customer	Revenue	Percentage to total revenue (%)
First	880,679,776.33	4.64
Second	677,246,636.74	3.57
Third	571,873,383.06	3.01
Fourth	561,932,380.00	2.96
Fifth	561,740,371.95	2.96
Total	3,253,472,548.08	17.14

42. Operating taxes and surcharges

Item	Amount for the year	Amount for last year	Calculation standard
Business tax	3,088,809.05	4,727,562.16	3%、5%
City maintenance and construction tax	64,185,005.45	83,238,972.31	5%、7%
Education surcharge (including local education surcharge)	40,139,015.53	58,957,075.88	3%、2%、1.5%
Others	6,825,175.17	7,668,452.32	
Total	114,238,005.20	154,592,062.67	

43. Cost of sales

Item	Amount for the year	Amount for last year
Quality deposit and customer service charges	173,382,288.39	281,831,082.22
Salaries and wages	84,896,892.65	87,005,150.48
Business trip expenses	22,618,211.47	23,136,762.32
Others	31,711,220.68	39,715,354.93
Total	312,608,613.19	431,688,349.95

44. Administrative expenses

Item	Amount for the year	Amount for last year
Salaries and wages	523,912,178.60	559,809,993.50
Research and development expenses	378,657,576.57	370,730,462.00
Repair expenses	112,578,702.91	124,569,880.17
Depreciation expenses	98,297,595.23	95,985,260.90
Others	336,809,877.34	407,028,883.64

Item	Amount for the year	Amount for last year	
Total	1,450,255,930.65	1,558,124,480.21	
45.Finance costs			
Item	Amount for the year	Amount for last year	
Interest expense	67,085,808.78	61,452,237.86	
Interest income	-131,336,820.64	-95,033,029.26	
Exchange loss or gain	-26,093,514.49	3,292,359.02	
Other expenses	-15,441,020.15	-14,772,258.63	
Total	-105,785,546.50	-45,060,691.01	
46.Assets impairment losses			
Item	Amount for the year	Amount for last year	
Bad debt losses	249,230,964.19	300,996,918.39	
Impairment loss on inventories	89,771,076.70	55,338,424.72	
Total	339,002,040.89	356,335,343.11	
47.Income from fair value changes			
Item	Amount for the year	Amount for last year	
Tradable financial assets	-581,709.63	-3,420,164.61	
Including: fair value changes in derivative financial instruments	-2,763,509.13	-365,645.31	
Tradable financial liabilities		25,204,553.13	
Total	-581,709.63	21,784,388.52	
48.Investment income			
(1) Sources of investment income			
Item	Amount for the year	Amount for last year	
Disposal of long-term equity investment income based under the equity method	44,007,465.77	65,446,195.92	
Investment income during holding tradable financial assets	581,813.20		
Investment income during holding available-for-sale financial assets	1,879,007.00	1,879,007.00	
Investment income from disposal of tradable financial assets			
Investment income from disposal of available-for-sale financial assets			
Others			
Total	46,468,285.97	67,325,202.92	
(2) Long-term equity investments under the equity method			
Item	Amount for the year	Amount for last year	Reason for changes
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	256,536.25	30,891,120.10	Decrease in operating profit
Dongfang Areva Nuclear Pump Co., Ltd.	32,126,611.42	29,410,350.88	Increase in operating profit

Dongfang Electric Corporation Limited
Notes to the financial statement

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Babcock-Hitachi Dongfang Boiler Co., Ltd.	10,470,521.74	4,487,010.10	Increase in operating revenue
Leshan City Dongle Large Lifting Co., Ltd.	1,646,970.59	1,215,703.15	Increase in operating profit

Item	Amount for the year	Amount for last year	Reason for changes
Sichuan Energy Industry Wind Power Development Co., Ltd.	-493,174.23	-557,988.31	No profit as still in the construction period
Total	44,007,465.77	65,446,195.92	

49. Non-operating income

(1) Non-operating income

Item	Amount for the year	Amount for last year	Amount included in non-recurring loss or profit for the year
Total profits from disposal of non-current assets	975,473.07	5,586,417.54	975,473.07
Including: profits from disposal of fixed assets	975,473.07	5,586,417.54	975,473.07
Receipt of donations	69,060.71	121,955.14	69,060.71
Government subsidies	43,310,674.03	61,410,326.98	43,310,674.03
Compensation for breaching of contracts	455,127.56	1,263,329.31	455,127.56
Others	1,238,297.44	3,965,009.79	1,238,297.44
Total	46,048,632.81	72,347,038.76	46,048,632.81

(2) A breakdown of government subsidies

Item	Amount for the year	Amount for last year	Explanation
VAT tax refund for the third-tier enterprises	27,057,051.80	36,399,480.61	
Scientific research appropriation	2,427,109.05	9,378,556.87	
Other appropriation	13,672,238.18	15,414,283.50	
Financial interest subsidy	154,275.00	218,006.00	
Total	43,310,674.03	61,410,326.98	

50. Non-operating expenses

Item	Amount for the year	Amount for last year	Amount included in non-recurring loss or profit for the year
Total losses from disposal of non-current assets	1,488,576.57	1,326,673.02	1,488,576.57
Including: loss from disposal of fixed assets	1,488,576.57	1,326,673.02	1,488,576.57
External donations	29,550.00	1,440,000.00	29,550.00
Compensation payments, penalty and fine payment	1,047,357.96	13,751,866.07	1,047,357.96
Others	337,565.69	7,466,377.11	337,565.69
Total	2,903,050.22	23,984,916.20	2,903,050.22

51. Income tax expenses

(1) Income tax expenses

Item	Amount for the year	Amount for the year
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Income tax for this year	110,043,846.58	228,638,363.54
Deferred income tax	24,413,498.16	-4,932,611.16
Total	134,457,344.74	223,705,752.38

52.The calculation of earnings per share and diluted earnings per share

Item	Amount for the year	Amount for the year
Net profit attributable to shareholder of the Company	839,294,368.43	1,186,154,894.33
Weighted average ordinary shares in issue of the Company	2,003,860,000.00	2,003,860,000.00
Basic earnings per share	0.42	0.59

Diluted earnings per share: Diluted earnings per share was the same as basic earnings per share for the Period as there were no diluting events (For the six months ended last year) during the Period.

53.Other comprehensive income

Item	Amount for the year	Amount for last year
1. Profit (loss) from available-for-sale financial assets	24,398,298.00	-97,558,865.00
Less: income tax effect from available-for-sale financial assets	3,659,744.70	-14,633,829.75
Transfer from other comprehensive income recorded in prior period to the income statements in the prior period, net		
Sub-total	20,738,553.30	-82,925,035.25
2. Other comprehensive income from subsidiaries under equity method		
Less: Income tax effect of Other comprehensive income from subsidiaries under equity method		
Transfer from other comprehensive income recorded to the income statements in the prior period, net		
Sub-total		
3. Amount of hedging instruments of cash flow hedge profit (or loss)		
Less: Income tax effect from cash flow hedging instruments		
Transfer to profit or loss of other comprehensive income recognized previously in the current period, net		
Adjustment on initial recognition of items transferred to hedged items		
Sub-total		
4. Foreign currency financial statement translation differences	4,173,401.01	-11,042,529.92
Less: Transfer to profit or loss on disposal of foreign operations in the period, net		
Sub-total	4,173,401.01	-11,042,529.92
5. Others		
Less: Income tax effect from others recognized in other comprehensive income		
Transfer to profit or loss of others recognized in other comprehensive income previously in the current period, net		
Sub-total		
Total	24,911,954.31	-93,967,565.17

54.Cash Flow Statement

(1) Other cash received/paid related to operating/investing/financing activities

1) Other cash received related to operating activities

Item	Amount for the year
Interest income	112,022,376.50
Current accounts	66,443,538.34
Deposit	54,384,002.51
Government subsidies	25,752,193.11
Others	113,534,165.04
Total	372,136,275.50

2) Other cash paid related to operating activities

Item	Amount for the year
Current accounts	182,234,306.71
Deposit	106,423,766.80
Business trip expenses	96,930,105.26
Sales service expenses	96,503,457.81
Repair expenses	61,276,090.39
Labor protection expenses	25,742,743.72
Handling fees	20,974,511.79
Transportation expenses	18,079,317.39
Others	520,149,428.84
Total	1,128,313,728.71

(2) Supplementary information of consolidated cash flow statement

Item	Amount for the year	Amount for last year
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	868,766,894.02	1,212,073,931.35
Add: Provision for asset impairment	339,002,040.89	356,335,343.11
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	560,707,137.66	602,536,428.63
Amortization of intangible assets	39,128,577.08	27,343,555.75
Amortization of long-term deferred expenditures	71,124.98	52,999.98
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	513,103.50	-4,259,744.52
Loss on retired fixed assets ("-" denotes gain)		
Loss on change in fair value ("-" denotes gain)	581,709.63	-21,784,388.52
Finance expenses ("-" denotes gain)	-105,785,546.50	-45,060,691.01
Investment loss ("-" denotes gain)	-46,468,285.97	-67,325,202.92
Decrease in deferred income tax assets ("-" denotes increase)	-5,335,788.92	-18,963,022.02
Increase in deferred income tax liabilities ("-" denotes decrease)	-411,899.87	-577,905.66
Decrease in inventories ("-" denotes increase)	-1,637,427,469.33	2,074,229,355.07
Decrease in operating receivables ("-" denotes increase)	-727,349,700.71	-110,620,926.66
Increase in operating payables ("-" denotes decrease)	845,885,595.69	-3,117,018,221.44

Others		
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Item	Amount for the year	Amount for last year
Net cash flows from operating activities	131,877,492.15	886,961,511.14
2. Major investing and financing activities not involving cash settlements:		
Capital converted from debts		
Convertible bonds of the Company due within 1 year		
Finance leases of fixed assets		
3. Net change in cash and cash equivalents:		
Cash balance at the end of the period	10,891,825,675.62	9,925,832,850.54
Less: cash balance at the beginning of the period	12,108,370,760.93	8,928,997,459.40
Add: balance of cash equivalents at the end of the period		
Less: balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-1,216,545,085.31	996,835,391.14

(3) Cash and cash equivalents

Item	Amount for the year	Amount for last year
Cash	10,891,825,675.62	9,925,832,850.54
Including: Treasury cash	2,344,828.87	3,525,219.00
Bank deposit that can be used for payment at any time	10,886,390,907.56	9,893,350,179.78
Other monetary funds that can be used for payment at any time	3,089,939.19	28,957,451.76
Balance of cash and cash equivalents as at the end of the period	10,891,825,675.62	9,925,832,850.54

55. Net current assets

Item	Amount as at the end of the period	Amount as at the beginning of the year
Current assets	65,617,998,178.72	64,448,583,518.92
Less: current liabilities	57,783,143,292.93	57,250,442,096.23
Net current assets	7,834,854,885.79	7,198,141,422.69

56. Total assets less current liabilities

Item	Amount as at the end of the period	Amount as at the beginning of the year
Total assets	78,832,301,304.33	77,836,703,054.12
Less: current liabilities	57,783,143,292.93	57,250,442,096.23
Total assets less current liabilities	21,049,158,011.40	20,586,260,957.89

VI. Related Parties and Related Party Transactions

(I) Related Parties

1. Parent company and the ultimate controller

(1) Parent company and the ultimate controller

Name of the parent company and the ultimate controller	Type of enterprise	Registered address	Nature of business	Legal representative	Organization code

Name of the parent company and the ultimate controller	Type of enterprise	Registered address	Nature of business	Legal representative	Organization code
China Dongfang Electric Corporation	Sole state-owned company	No. 333, Shuhan Road, Jinniu District, Chengdu	Hydro power, nuclear power project, sale and manufacture of equipments	Si Zefu	62160427-X

(2) Changes in registered capital of parent company (Unit: RMB'000)

Parent company	Amount as at the beginning of the year	Increase during the year	Decrease during the year	Amount as at the end of the period
China Dongfang Electric Corporation	479,167.50			479,167.50

(3) Changes in shares or equity held by parent company

Parent company	Amount		Shareholding (%)	
	As at the end of the year	As at the beginning of the year	Percentage as at the end of the period	Percentage as at the beginning of the year
China Dongfang Electric Corporation	1,002,474,592	1,002,474,592	50.03	50.03

2. Subsidiaries

For details of the relevant information of subsidiaries, please refer to note 4 to the financial statements.

3. Joint ventures and associated companies

For details of the basic and relevant information of joint ventures and associated companies, please refer to note 5 and 11 to the financial statements.

4. Other related parties

Type of related parties	Name of other related parties	Relationship between other related parties and the Company	Organization code
	Dongfang Electric Works	Wholly-owned subsidiary of the parent company	25010228-9
	Dongfang Boiler Works	Wholly-owned subsidiary of the parent	62071142-8
	Dongfang Electric Finance Co., Ltd.	Wholly-owned subsidiary of the parent	20180342-4
	DEC Dongfeng Electric Machinery Co., Ltd.	Wholly-owned subsidiary of the parent	20695104-7
	Guangdong Corporation	Wholly-owned subsidiary of the parent	190323512
	DEC International Corporation Co., Ltd.	Wholly-owned subsidiary of the parent	20183938-X

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	DEC Project Cargo Logistics Co., Ltd.	Wholly-owned subsidiary of the parent	660499803
	Deyang Dongfang Aberle System Corporation Limited	Others	7523158943
	Dongqi Investment and Development Co., Ltd.	Wholly-owned subsidiary of the parent	79396893-4
	Dongfang Electric Corporation Materials Co., Ltd.	Wholly-owned subsidiary of the parent	20182555-1
	DEC Henan Station Auxiliary Equipment Co., Ltd.	Wholly-owned subsidiary of the parent	17492080-0
	DEC Emei Semiconductor Materials Co., Ltd.	Wholly-owned subsidiary of the parent	20745435-X
	DEM Real Estate Development Co., Ltd.	Others	73834699-9
	DEC (Yixing) Magi Solar Co., Ltd.	Wholly-owned subsidiary of the parent	68050543-1
	DEM Metal Component Co., Ltd.	Others	21425869-9
	Sichuan Dongfang Electric Auto Ccontrol Engineering Co.,Ltd.	Wholly-owned subsidiary of the parent	735885911
	Dongqi Hospital	Others	74003577-8

Type of related parties	Name of other related parties	Relationship between other related parties and the Company	Organization code
	DEC(Sichuan) Property Management Co., Ltd.	Wholly-owned subsidiary	711888800
	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	Wholly-owned subsidiary of the parent	72031207-X
	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	Wholly-owned subsidiary of the parent	68613241-0
	Leshan Dongfeng Casting and Forging Co., Ltd.	Wholly-owned subsidiary	72089811-1
	Deyang Dongqi Science & Technology Industrial Company	Others	20510113-9
	Zhonghe Seawater Desalination Engineering Co., Ltd.	Others	660308377
	Shizishan photovoltaic power generation Co. Ltd.	Wholly-owned subsidiary of the parent	57489682X
	Dongfang (Jiuquan) Solar Energy Engineering Technology Co., Ltd.	Wholly-owned subsidiary of the parent	561141997
	China Western Power Industrial Co., Ltd.	Others	76230685-8
	Envirotherm GmbH Essen, Germany	Others	
	Alstom Power Turbo Machines	Others	17771651-4
	Guangdong Yudean Group Co., Ltd.	Others	73048602-2
	Directors and the management	Others	

(II) Related Party Transaction

1. Pricing Strategies and Approval Process of Transactions

Pricing policy of related party transaction of the Group is the adoption of market price, if market price is not available, cost-plus margin would be adopted; if neither the market price nor the cost-plus margin is suitable, pricing should be according to the agreement.

Transactions between the Company and its subsidiaries, and related natural persons in an amount of less than RMB300,000, or transactions between the Company and its subsidiaries, and related corporations in an amount of less than RMB 3,000,000 or 0.5% of latest audited net assets of the Company would be approved by the CEO office.

Transactions between the Company and its subsidiaries, and related natural persons in an amount of more than RMB300,000, or transactions between the Company and its subsidiaries, and related corporations in an amount of more than RMB3,000,000 or between 0.5% and 5% of latest audited net assets of the Company would be approved by the board of directors.

A single transaction between the Company or its subsidiaries, and related parties in an amount of more than RMB 30,000,000 and more than 5% of latest audited net assets of the Company would be approved by the general meeting of shareholders.

2. Purchase of goods/receipt of services

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2014		2013	
			Amount	Proportion (%)	Amount	Proportion (%)
Deyang Dongfang Aberle System Corporation Limited	Purchase of goods	Market price	48,987,976.56	0.37	17,526,140.00	0.17
Dongfang Electric Corporation Materials Co., Ltd.	Purchase of goods	Market price	222,731,107.63	1.66	210,131,614.92	2.03
DEC Henan Station Auxiliary Equipment Co., Ltd.	Purchase of goods	Market price	58,492,673.10	0.44	38,725,477.83	0.37
Sichuan Dongfang Electric Auto Control Engineering Co., Ltd.	Purchase of goods	Market price	399,548,862.32	2.98	154,996,912.30	1.5
DEC Dongfeng Electric Machinery Co., Ltd.	Purchase of goods	Market price	52,009,927.12	0.39	9,364,904.68	0.09
Babcock-Hitachi Dongfang Boiler Co., Ltd.	Purchase of goods	Market price	329,756,586.29	2.46	175,941,781.45	1.7
China Western Power Industrial Co., Ltd.	Purchase of goods	Market price	10,470,085.46	0.08	23,555,555.57	0.23
Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	Purchase of goods	Market price	33,911.11	0.00		
Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou) Co., Ltd.	Purchase of goods	Market price	68,880,207.12	0.51		
DEC (Yixing) Magi solar Co., Ltd.	Purchase of goods	Market price	172,950,766.41	1.29		
Dongfang Electric (Leshan) New	Purchase of goods	Market price	52,027,300.00	0.39		
Dongqi Hospital	Receipt of services and energy	Market price			8,741,480.00	0.08
DEC Project Cargo Logistics Co., Ltd.	Receipt of services and energy	Market price	99,431,396.87	0.74	22,372,902.84	0.22
Leshan East Lok bulky Co., Ltd.	Receipt of services and energy	Market price	2,957,603.72	0.02	1,132,280.00	0.01

Dongfang Electric Corporation Limited
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Dongfang Electric Corporation Materials Co., Ltd	Receipt of services and energy	Market price	195,818.67	0.00	307,954.13	
DEC International Corporation Co., Ltd	Receipt of services and energy	Market price			812,133.19	0.01
Babcock-Hitachi Dongfang Boiler Co., Ltd	Receipt of services and energy	Market price			376,068.38	
China Dongfang Electric Corporation	Receipt of services and energy	Market price	913,207.55	0.01	2,458,085.47	0.02
DEC(Sichuan) Property	Receipt of services and energy	Market price	216,071.20	0.00		
Guangdong Yudean Group Co., Ltd.	Receipt of services and energy	Market price	1,563,303.99	0.01		

3. Sales of goods/provision of services

Types and names of related parties	Contents of the connected transactions	Pricing mechanism and approval process of connected transactions	2014		2013	
			Amount	Proportion (%)	Amount	Proportion (%)
China Dongfang Electric Corporation	Purchase of goods	Market price	1,457,880.33	0.01		
DEC International Corporation Co., Ltd.	Purchase of goods	Market price	80,047,109.90	0.42	364,976,501.56	1.78
DEC Dongfeng Electric Machinery Co., Ltd.	Purchase of goods	Market price	2,448,157.41	0.01		
Dongfang Areva Nuclear Pump Co., Ltd.	Purchase of goods	Market price	116,538,971.47	0.61	40,448,351.26	0.20
Dongfang Electric Corporation Materials Co., Ltd.	Purchase of goods	Market price	6,262,487.20	0.03	680,037.60	
Guangdong Corporation	Purchase of goods	Market price	5,221,021.34	0.03	1,024,286.34	0.01
DEC Project Cargo Logistics Co., Ltd.	Purchase of goods	Market price			221,367.52	
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd.	Purchase of goods	Market price	10,615.38			
China Western Power Industrial Co., Ltd.	Purchase of goods	Market price	642,600.00		136,752.14	
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	Purchase of goods	Market price	555,276.62			
DEC (Yixing) Magi solar Co., Ltd.	Purchase of goods	Market price	300,000.00			
Babcock-Hitachi Dongfang Boiler Co., Ltd.	Receipt of services and energy	Market price	20,000.00		40,000.00	
China Western Power Industrial Co., Ltd.	Receipt of services and energy	Market price	2,439.00		1,102,917.39	0.01
DEC Dongfeng Electric Machinery Co., Ltd.	Receipt of services and energy	Market price	2,000.00		2,400.00	

Dongfang Electric Corporation Limited
Notes to the financial statement

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Dongfang Areva Nuclear Pump Co., Ltd.	Receipt of services and energy	Market price	470,027.58		44,958.99	
DEC Project Cargo Logistics Co., Ltd.	Receipt of services and energy	Market price	33,018.87		3,400.00	
DEC Henan Station Auxiliary Equipment Co., Ltd.	Receipt of services and energy	Market price			309,756.66	

4. As lessor

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Lease income recognized in 201
Dongfang Boiler Group Co., Ltd.	Babcock-Hitachi Dongfang Boiler Co., Ltd.	Land use right, buildings and equipments	2013/1/1	2016/3/26	Price agreement	1,824,721.00
Total						1,824,721.00

5. As lessee

Lessor	Lessee	Items	Start date	End date	Basis for pricing	Lease income recognized in 2014
Dongfang Electric Machinery Works	Dongfang Electric Machinery Co., Ltd.	Production plants, office buildings, land and special line in metro	2009/7/1	2014/6/30	Price agreement	9,608,338.48
Dongfang Boiler Works	Dongfang Boiler Group., Ltd.	Buildings, machine equipment and office equipment	2014/1/1	2014/12/31	Price agreement	2,671,817.28
Total						12,280,155.76

6. Assets transferred between related parties

Name of related parties	Type of related transaction	2014		2013	
		Amount	Proportion (%)	Amount	Proportion (%)
Dongfang Electric works	Land purchased by Dongfang Electric Machinery Co., Ltd.	3,643,195.76	100		

7. Details of guarantee between related parties

Name of guarantor	Name of guaranteed party	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	2012.10.31	2014.10.30	No

8. Borrowings from related parties

Debtor	Credit	Current additions	Current reductions	Note
Dongfang Boiler (Shenzhen)	Dongfang Electric Finance	10,950,000	10,950,000.00	Discounted bills
Sichuan Dongfang Electric Autocontrol Engineering Co., Ltd.	Dongfang Electric Finance Co., Ltd.		20,000,000.00	Short-term borrowings
Dongfang Boiler (Shenzhen) Control Co., Ltd.	Dongfang Electric Finance Co., Ltd.		15,000,000.00	Short-term borrowings
Dongfang Boiler (Shenzhen) Control Co., Ltd.	Dongfang Electric Finance Co., Ltd.		20,000,000.00	Short-term borrowings
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	Dongfang Electric Finance Co., Ltd.		10,000,000.00	Discounted bills

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Dongfang Electric Finance Co., Ltd.		100,000,000.00	Short-term borrowings
Dongfang Electric Nuclear Co., Ltd.	Dongfang Electric Finance Co., Ltd.		50,000,000.00	Long-term borrowings
Dongfang Electric Nuclear Co., Ltd.	Dongfang Electric Finance Co., Ltd.		20,000,000.00	Short-term borrowings
Dongfang Electric Nuclear Co., Ltd.	Dongfang Electric Finance Co., Ltd.		10,000,000.00	Short-term borrowings
Dongfang Electric Nuclear Co., Ltd.	Dongfang Electric Finance Co., Ltd.		10,000,000.00	Short-term borrowings
Dongfang Electric Nuclear Co., Ltd.	Dongfang Electric Finance Co., Ltd.		10,000,000.00	Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		100,000,000.00	Short-term borrowings

Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		100,000,000.00	Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		50,000,000.00	Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		158,922,337.14	Short-term borrowings
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Dongfang Electric Finance Co., Ltd.		30,000,000.00	Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		200,000,000.00	Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		200,000,000.00	Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.		200,000,000.00	Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	China Dongfang Electric Corporation		17,100,000.00	Short-term borrowings
Dongfang Electric Machinery Co., Ltd.	China Dongfang Electric Corporation		8,690,000.00	Short-term borrowings
The Company	Dongfang Electric Finance Co., Ltd.		104,670,055.27	Commercial acceptance bills
Dongfang Electric New Energy equipment(Hangzhou) Co.,Ltd.	Dongfang Electric Finance Co., Ltd.	50,000,000.00		Short-term borrowings
Dongfang Electric Autocontrol Engineering Co., Ltd.	Dongfang Electric Finance Co., Ltd.	10,000,000.00		Short-term borrowings
Dongfang Boiler (Shenzhen) Control Co., Ltd.	Dongfang Electric Finance Co., Ltd.	20,000,000.00		Short-term borrowings
Dongfang Boiler (Shenzhen) Control Co., Ltd.	Dongfang Electric Finance Co., Ltd.	19,000,000.00		Short-term borrowings
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	Dongfang Electric Finance Co., Ltd.	15,000,000.00		Short-term borrowings
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	Dongfang Electric Finance Co., Ltd.	10,000,000.00		Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Dongfang Electric Finance Co., Ltd.	50,000,000.00		Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Dongfang Electric Finance Co., Ltd.	50,000,000.00		Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Dongfang Electric Finance Co., Ltd.	100,000,000.00		Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Dongfang Electric Finance Co., Ltd.	100,000,000.00		Short-term borrowings

Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	Dongfang Electric Finance Co., Ltd.	20,000,000.00		Short-term borrowings
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	Dongfang Electric Finance Co., Ltd.	20,000,000.00		Short-term borrowings
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	Dongfang Electric Finance Co., Ltd.	25,000,000.00		Short-term borrowings
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	Dongfang Electric Finance Co., Ltd.	25,000,000.00		Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.	200,000,000.00		Short-term borrowings
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Dongfang Electric Finance Co., Ltd.	30,000,000.00		Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.	50,000,000.00		Short-term borrowings
Dongfang Turbine Co., Ltd.	Dongfang Electric Finance Co., Ltd.	200,000,000.00		Short-term borrowings
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Dongfang Electric Finance Co., Ltd.	17,100,000.00		Long-term borrowings
Total		1,022,050,000.00	1,445,332,392.41	

(III) Amounts due from/to related parties

1. Amounts due from related parties

Item	Name of related parties	Amount as at the end of the period		Amount as at the beginning of the year	
		Amount	Provisions for bad debts	Amount	Provisions for bad debts
Accounts receivable	China Dongfang Electric Corporation	19,012,661.00	9,025,983.05	36,575,630.55	20,081,699.57
Accounts receivable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	4,096,000.00	626,600.00	14,088,000.00	1,130,800.00
Accounts receivable	Dongfang Areva Nuclear Pump Co., Ltd.	19,244,920.01	988,474.33	4,650.00	232.50
Accounts receivable	Mitsubishi Heavy Industries Dongfang gas Turbine(Guangzhou) Co., Ltd.			7,919,204.58	395,960.23
Accounts receivable	DEC International Corporation Co., Ltd.	880,654,306.77	438,776,883.45	904,852,412.43	386,263,065.90
Accounts receivable	Zhonghe Seawater Desalination Engineering				
Accounts receivable	Guangdong Corporation	20,556,338.12	13,491,305.47	23,408,586.12	13,569,543.27

Dongfang Electric Corporation Limited
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Accounts receivable	DEC Emei Semiconductor Materials Co., Ltd.	1,134,137.77	186,036.89	17,784,137.77	6,846,036.89
Accounts receivable	Dongfang Electric Corporation Materials Co.,	3,635,773.00	187,294.85	1,421,840.40	130,497.09
Accounts receivable	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	17,689,665.76	885,336.34	23,211,171.75	1,160,558.59

Item	Name of related parties	Amount as at the end of the period		Amount as at the beginning of the year	
		Amount	Provisions for bad debts	Amount	Provisions for bad debts
Accounts receivable	DEC Dongfeng Electric Machinery Co., Ltd.	12,117,219.68	923,558.49	14,228,187.32	812,969.37
Accounts receivable	Dongfang Electric works	13,346.33	13,305.79	413,346.33	33,265.25
Accounts receivable	Deyang Dongfang Aberle System Corporation Limited	5,734,286.13	286,714.33		
Accounts receivable	Dongqi Investment and Development Co., Ltd.	1,766,698.18	168,136.79	1,629,837.98	81,491.90
Accounts receivable	DEC Project Cargo Logistics Co., Ltd.	168,000.00	15,050.00	133,000.00	6,650.00
Accounts receivable	DEC (Yixing) Magi solar Co., Ltd.	1,450,324.20	72,516.21	2,150,324.20	120,748.88
Accounts receivable	Deyang Dongqi Science & Technology Industrial Company			2,480,400.00	2,480,400.00
Accounts receivable	China Western Power Industrial Co., Ltd.			742,000.03	37,100.00
Accounts receivable	Wuhan Alstom Boiler Group Co., Ltd	15,299,145.57	3,082,744.24	15,299,145.57	3,082,744.24
Accounts receivable	Envirotherm GmbH Essen, Germany	4,629,963.31	745,966.18	3,445,625.68	350,267.72
Accounts receivable	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	649,673.64	32,483.68		
Accounts receivable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	23,797,493.49	1,189,874.67		
Accounts receivable	DEM Real Estate	2,828.63	141.43		
Other receivables	China Dongfang Electric Corporation	10,078,381.00	10,075,568.05	27,442,228.91	10,944,895.37
Other receivables	DEM Real Estate	560,229.81	223,583.44	558,777.00	223,510.80
Other receivables	Deyang Dongqi Science & Technology Industrial Company	33,096,548.00	3,301,377.40	33,189,508.96	2,704,715.45
Other receivables	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	2,136,408.87	163,124.43	2,105,780.62	182,178.36
Other receivables	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	104,060.96	13,409.70	11,100.00	1,118.75
Other receivables	DEC(Sichuan) Property Management Co., Ltd.	1,890.00	94.50		
Prepayments	Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou) Co., Ltd.	362,201,493.59		116,369,561.59	

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Prepayments	Babcock-Hitachi Dongfang Boiler Co., Ltd.			1,416,000.00	
Prepayments	DEC International Corporation Co., Ltd.	22,986,105.50		28,544,891.62	
Prepayments	Dongfang Electric Corporation Materials Co., Ltd.	22,897,441.11		35,456,900.48	
Prepayments	DEC Dongfeng Electric Machinery Co., Ltd.	29,981,647.00		61,944,442.00	
Prepayments	Deyang Dongfang Aberle System Corporation Limited	1,028,350.00		167,664.30	
Prepayments	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	8,854,364.00		35,261,271.93	
Prepayments	DEC Project Cargo Logistics Co., Ltd.	14,950,500.00		6,015,221.28	
Prepayments	DEC Henan Station Auxiliary Equipment Co., Ltd.	3,927,400.00		787,290.00	
Prepayments	DEC (Yixing) Magi solar Co., Ltd.			59,301,294.00	
Prepayments	Dongfang Electric Machinery Works			3,467,559.00	
Prepayments	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	1,416,000.00			
Interests receivable	Dongfang Electric Finance Co., Ltd.	119,299,956.81		101,620,018.51	
Bills receivable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	13,000,000.00			
Bills receivable	China Western Power Industrial Co., Ltd.	500,000.00			

2.Amounts due to related parties

Item	Name of related parties	Amount as at the end of the period	Amount as at the beginning of the year
Accounts payable	China Dongfang Electric Corporation	1,105,071.70	999,486.79
Accounts payable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	167,539,914.90	192,717,548.89
Accounts payable	Mitsubishi Heavy Industries Dongfang Gas Turbine(Guangzhou) Co., Ltd.	113,127,266.65	1,194,480.00
Accounts payable	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	305,744,718.68	155,472,755.31
Accounts payable	Dongqi Investment and Development Co., Ltd.	25,950,117.64	25,929,364.38
Accounts payable	Dongfang Electric Corporation Materials Co., Ltd.	197,382,721.53	180,239,739.53
Accounts payable	DEC International Corporation Co., Ltd.	5,785,859.88	5,903,942.28

Dongfang Electric Corporation Limited

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Accounts payable	DEC Henan Station Auxiliary Equipment Co., Ltd.	31,171,073.64	29,477,019.87
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Item	Name of related parties	Amount as at the end of the period	Amount as at the beginning of the year
Accounts payable	DEC Dongfeng Electric Machinery Co., Ltd.	17,819,460.65	4,297,100.65
Accounts payable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	81,543,941.53	43,352,187.10
Accounts payable	DEC Project Cargo Logistics Co., Ltd.	55,133,631.91	14,366,853.95
Accounts payable	Dongqi Hospital		4,868,047.98
Accounts payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.	13,070,654.00	15,292,942.01
Accounts payable	Deyang Dongfang Aberle System Corporation Limited	54,426,081.08	2,368,792.32
Accounts payable	China Western Power Industrial Co., Ltd.	56,082,687.58	44,959,183.50
Accounts payable	Guangdong Yudean Group Co., Ltd.	751,604.00	1,049,229.00
Accounts payable	Dongfang (Jiuquan) Solar Energy	7,041,180.00	29,075,270.00
Accounts payable	DEC (Yixing) Magi solar Co., Ltd.	82,706,472.45	11,767,629.59
Accounts payable	Dongfang Areva Nuclear Pump Co., Ltd.	15,630.50	
Other payables	China Dongfang Electric Corporation	1,367,148,105.56	1,389,852,015.70
Other payables	Babcock-Hitachi Dongfang Boiler Co., Ltd.	200,000.00	200,000.00
Other payables	Dongfang Boiler Works	26,720,400.85	32,683,850.75
Other payables	DEC Project Cargo Logistics Co., Ltd.	1,600,000.00	1,900,000.00
Other payables	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	868,888.89	1,290,256.41
Other payables	Guangdong Corporation	200,000.00	200,000.00
Other payables	Dongfang Electric Corporation Materials Co., Ltd.	250,000.00	200,000.00
Other payables	DEC Henan Station Auxiliary Equipment Co., Ltd.	200,000.00	200,000.00
Other payables	Dongqi Investment and Development Co., Ltd.	5,200,000.00	5,200,000.00
Other payables	Envirotherm GmbH Essen, Germany	3,012,934.43	3,078,572.33
Other payables	China Western Power Industrial Co., Ltd.	500,000.00	500,000.00
Other payables	Alstom Power Turbo Machines		545,873.47
Other payables	Dongqi Hospital		8,516.00
Advances from customers	China Dongfang Electric Corporation	13,619,644.90	4,133,467.27
Advances from customers	Dongfang Areva Nuclear Pump Co., Ltd.	57,485,067.50	
Advances from customers	DEC International Corporation Co., Ltd.	150,771,033.35	158,344,263.19

Dongfang Electric Corporation Limited
Notes to the financial statement

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Advances from customers	Guangdong Corporation	668,230.20	668,230.20
Advances from customers	DEC Dongfeng Electric Machinery Co., Ltd	765,500.00	531,000.00
Advances from customers	DEC Emei Semiconductor Materials Co., Ltd	76,500.00	76,500.00
Advances from customers	Deyang Dongfang Aberle System Corporation Limited		316,710.00
Advances from customers	Dongfang Electric works	518.40	518.40
Advances from customers	Dongfang Electric Corporation Materials Co., Ltd.		19,200.00
Advances from customers	China Western Power Industrial Co., Ltd.	200,000.00	200,000.00
Bills payable	Dongfang Electric works		25,648,772.16
Bills payable	Deyang Dongfang Aberle System Corporation Limited	793,161.00	1,648,350.00
Bills payable	DEC Dongfeng Electric Machinery Co., Ltd.	8,447,850.00	13,386,000.00
Bills payable	Babcock-Hitachi Dongfang Boiler Co., Ltd.	44,000,000.00	68,500,000.00
Bills payable	Leshan East Lok bulky Co., Ltd.		700,000.00
Bills payable	Dongfang Electric Corporation Materials Co., Ltd.	102,547,088.01	105,080,146.77
Bills payable	Dongfang Electric(Leshan) New Energy Equipment Co., Ltd.	51,213,727.50	12,183,000.00
Bills payable	DEC Henan Station Auxiliary Equipment Co., Ltd.	20,573,000.00	14,994,000.00
Bills payable	Sichuan Dongfang Electric Auto control Engineering Co., Ltd.	80,753,500.00	90,401,370.00
Bills payable	DEC Project Cargo Logistics Co., Ltd.	23,074,560.45	28,654,988.85
Bills payable	Dongfang Hitachi (Chengdu) Electrical Control Equipment Co., Ltd.		300,000.00
Bills payable	China Western Power Industrial Co.,Ltd.	3,700,000.00	4,000,000.00
Dividends payable	China Western Power Industrial Co.,Ltd.	365,662.57	1,365,662.57

VII. Plan of Dividend paid

Accounting method on H share appreciation rights granted

Item	Condition
Fair value of liabilities confirmed by shares	BS model
Accumulated liabilities produced by cash payment	9,672,232.55
Cost confirmed by cash payment	-1,929,194.65

VIII. Contingencies

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 two sets 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. No. 1 and No. 2 generating units were granted preliminary acceptance certificates on 14 June 2013. The project owner confirmed that No.1 generating unit was put into commercial operation on 14 December 2012, and No. 2 generating unit was put into commercial operation on 28 January 2013 and enter into warranty period.

Currently, the Company is in the process of negotiation with the project owners from Saudi Arabia in respect of the compensation for prolongation and settlement for the project.

2. Apart from the aforementioned contingencies, there were no other significant contingencies of the Group as at the end of 30 June 2014.

IX. Commitments

1. Significant financial commitments

As at the end of 30 June 2014, the balance of irrevocable letter of credit of the Group was RMB1,790,037,491.38. Details are as follows:

Currency	Local currency	Equivalent to RMB
RMB	19,356,481.71	19,356,481.71
USD	98,566,494.69	606,195,887.33
EURO	106,623,519.49	859,938,970.53
Japanese Yen	4,380,220,533.16	288,871,990.36
Swiss Franc	146,824.00	1,023,921.21
Hong Kong dollar	18,455,833.00	14,650,240.24
Total		1,790,037,491.38

As at the end of 30 June 2014, the balance at the year ended of letter of guarantee is RMB22,390,055,494.74. Details are as follows:

Currency	Local currency	Equivalent to RMB
RMB	17,887,463,934.64	16,074,567,204.74
USD	978,631,132.54	6,034,293,475.96
EURO	28,935,098.73	239,338,061.61
Indian Rupee	36,239,120.20	3,626,205.91

Dongfang Electric Corporation Limited
Notes to the financial statement

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Japanese Yen	13,375,350.00	813,421.91
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Currency	Local currency	Equivalent to RMB
Pakistan Rupee	610,012,454.60	35,490,524.61
Malaysian Dollar	1,000,000.00	1,926,600.00
Total		22,390,055,494.74

2. Capital commitment

The outstanding balance of contractual investments of the Group as at 30 June 2014 is as follows (unit: RMB'0,000):

Item	Amount as at the end of the period	Amount as at the beginning of the year
Construction in progress		
Contractual but not indicated in the financial statements	64,390.94	68,514.43

3. Operating lease commitments

As at 30 June 2014, details of the irrevocable operating lease contracts of the Group are as follows (Unit: RMB'0,000):

Item	Amount as at the end of the period	Amount as at the beginning of the year
Within one year	2,032.20	4,088.42
With two to five years	453.50	561.00

4. Save as disclosed above, the Company had no other significant commitment as at 30 June 2014.

X. Events after balance sheet date

1. Issue of convertible bonds

On 10 July, the Company successively issued A share convertible bonds of RMB 4,000,000,000. This time, the convertible bonds issued amounted to RMB4,000,000,000 with a total of 40,000,000 shares. The issue price was in accordance with the face value of each share, which was RMB100. The interests of the bonds for the first year, second year, third year, fourth year, fifth year and sixth year were 0.5%, 0.8%, 0.8%, 1.4%, 2.0% and 2.0% respectively. The initial price of transferred share was RMB12.00/share. Transfer period was from the first trading day after the six months of the issue of the convertible bonds to the expiry of the convertible bonds.

2. Save as disclosed above, there is no other significant post balance sheet events.

XI. Segment Information

1. Segment Information as at the period

Items	Clean high-efficiency power generating equipment	new energy	Hydro power and environmental protection equipment	Construction services for power stations	Undistributed items	Elimination	Total
Operating income	16,696,619,809.19	2,637,774,035.41	2,132,210,284.63	2,729,331,109.11	146,410,906.15	5,358,177,845.68	18,984,168,298.81
Including: revenue derived from customers outside the enterprise	11,887,442,477.01	2,160,256,146.00	1,976,227,988.71	2,813,830,780.94	146,410,906.15		18,984,168,298.81
Revenue derived from other segments	4,809,177,332.18	477,517,889.41	155,982,295.92	-84,499,671.83		5,358,177,845.68	
Operating expenses	14,577,216,285.97	2,366,044,765.55	1,832,223,066.30	2,466,356,503.30	1,485,284,541.79	4,703,035,520.27	18,024,089,642.64
Operating profit (loss)	2,119,403,523.22	271,729,269.86	299,987,218.33	262,974,605.81	-1,338,873,635.64	655,142,325.41	960,078,656.17
Total assets					115,824,547,089.29	36,992,245,784.96	78,832,301,304.33
Total liabilities					87,218,066,120.60	27,518,213,205.81	59,699,852,914.79
Others							
Depreciation and amortization					599,906,839.72		599,906,839.72
Capitalized expenses							
Non-cash expenses other than depreciation and amortization							

2. Segment Information of the same period last year

Items	Clean high-efficiency power generating equipments	New energy	Hydro power and environmental protection equipment	Construction services for power stations	Undistributed items	Elimination	Total
Operating income	14,008,357,063.36	5,318,930,907.91	2,117,370,766.27	2,783,627,964.85	136,479,225.36	3,897,659,186.86	20,467,106,740.89
Including: revenue derived from customers outside the enterprise	10,754,580,223.18	4,708,292,450.16	2,102,242,667.93	2,765,512,174.26	136,479,225.36		20,467,106,740.89
Revenue derived from other segments	3,253,776,840.18	610,638,457.75	15,128,098.34	18,115,790.59		3,897,659,186.86	
Operating expenses	12,028,778,625.95	4,533,611,847.15	1,695,452,726.89	2,295,155,715.88	1,746,937,726.24	3,220,247,462.39	19,079,689,179.72
Operating profit (loss)	1,979,578,437.41	785,319,060.76	421,918,039.38	488,472,248.97	-1,610,458,500.88	677,411,724.47	1,387,417,561.17
Total assets					108,239,586,991.53	31,368,457,423.12	76,871,129,568.41
Total liabilities					81,186,411,208.73	21,754,253,137.63	59,432,158,071.10
Others							
Depreciation and amortization					629,932,984.36		629,932,984.36
Capitalized expenses							
Non-cash expenses other than depreciation and amortization							

XII. Financial instruments and risk management

The Group's major financial instruments include borrowings, accounts receivables, accounts payables, tradable financial assets and transactional financial liabilities, 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

The objectives of carrying out risk management of the Group were to maintain an adequate balance between risk and revenue, and reduce the negative impacts of the risk to operating results of the Group to the lowest level in order to maximise the benefits of the shareholders and other interest investors. Based on the risk management target, the basic strategy of risk management of the Group was to ensure and analyze various risks that the Group encountered, established suitable bottom line for risk bearing to perform risk management, and promptly and reliably supervised various risks to make sure the risk was under control in a limited scope.

(1) Market risk

1) Currency risk

Currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The currency risk of the Group is mainly involved with US Dollar, EURO, PKR and Indian Rupee, except for the Company and major subsidiaries which conduct the procurement and sales in US Dollar, EURO, PKR and Indian Rupee, other major businesses are denominated in RMB. On 30 June 2014, except for the balances of assets and liabilities dominated in US Dollar, EURO, PKR and Indian Rupee and small portion of balances of Japanese Yen and HK Dollar stated in the chart below, the assets and liabilities of the Group are dominated in RMB. The currency risks generated from assets and liabilities dominated in foreign currency may impact on the operating results of the Group.

Items	At the end of period (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	599,022,695.92	31,528,598.88	51,522,888.37	45,341,365.82	49,994,919.21	777,410,468.20
Derivative financial assets	63,238.46					63,238.46
Accounts receivables	2,433,460,673.30		11,980,155.71	12,300,364.21		2,457,741,193.22
Other receivables	350,178.24	23,759,559.60	259,151.41		35,205,717.35	59,574,606.60
Total	3,032,896,785.92	55,288,158.48	63,762,195.49	57,641,730.03	85,200,636.56	3,294,789,506.48
Liabilities						
Short-term borrowings	4,163,390.13				7,550,729.15	11,714,119.28
Derivative financial liabilities						
Accounts payables	221,187,937.43			4,215,919.14	39,469,362.02	264,873,218.59
Other payables	6,039,572.38	20,082,845.83	6,218,404.81	3,875,563.53	2,966,036.46	39,182,423.01

Dongfang Electric Corporation Limited

Notes to the financial statement

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Total	231,390,899.94	20,082,845.83	6,218,404.81	8,091,482.67	49,986,127.63	315,769,760.88
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Continued

Items	At the end of period (RMB)					
	USD	PKR	INR	EUR	Others	Total
Assets						
Cash	1,372,605,103.05	64,161,302.26	35,879,067.5	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	329,927.9		29,589,240.59	52,530,645.29
Total	3,270,037,183.95	86,290,886.27	48,248,087.0	70,660,738.88	118,180,674.87	3,593,417,570.97
Liabilities						
Short-term borrowings	163,085,727.27			35,154,647.42	222,341,636.18	420,582,010.87
Derivative financial liabilities						
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

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.

2) Interest rate risk— cash flow interest risk

Interest rate risk of the Group of the cash flow variation of financial instruments arising from interest rate variation was mainly related to variable rate borrowings with banks (please refer to Appendix V. 20, Appendix V. 28 and Appendix V. 30 for details). The policy of the Group was to retain the variable rate borrowings so as to eliminate the risk of the fair value of interest rate variation.

(2) Credit risk

As at the end of reporting period, 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; for the financial instruments calculated in fair value, the carrying amount reflects its exposure to risk, but not the maximum exposure to risk. The maximum exposure to risk will be in line with the change of fair value in the future.

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. The exposure to risk of the Group is distributed into various parties and customers. Moreover, 4.83% (at the beginning of the period: 4.13%) and 14.05% (at the beginning of the period: 12.38%) of the balance at end of the period of accounts receivable comes from the biggest customer and top 5 customers respectively. Therefore, there is no concentration of credit risk in the Group.

(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.

At the end of period	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Cash	10,917,603,783.25				10,917,603,783.25
Transactional financial assets	26,026,652.51				26,026,652.51
Notes receivables	3,141,629,389.52				3,141,629,389.52
Accounts receivables	17,732,400,012.39				17,732,400,012.39
Interest receivable	119,629,922.17				119,629,922.17
Dividends receivable	39,087.80				39,087.80
Other receivable	421,930,656.55				421,930,656.55
Total of financial assets	32,359,259,504.19				32,359,259,504.19
Short-term borrowings	2,912,744,119.28				2,912,744,119.28
Transactional financial liabilities					
Notes payable	4,958,089,387.15				4,958,089,387.15
Accounts payable	15,005,648,722.49				15,005,648,722.49
Other payables	1,957,279,644.21				1,957,279,644.21
Dividends payable	3,346,316.82				3,346,316.82
Accrued payroll	386,326,054.12				386,326,054.12
Non-current liabilities maturing within one year	36,320,000.00				36,320,000.00
Long-term borrowings		19,400,000.00	36,800,000.00		56,200,000.00
Total of financial liabilities	25,259,754,244.07	19,400,000.00	36,800,000.00		25,315,954,244.07

2 · Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

—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; and

—The fair value of derivative financial instrument is determined with reference to quoted market prices.

XIII. Other significant events

1. Details of national debt investments of Dongfang Boiler Group Co., Ltd.

In 2004, the Chongqing operation department of China Science and Technology Securities Limited Company (中國科技證券有限責任公司) (“China Sci-Tech”) unlawfully pledged the treasury bonds with a nominal value of RMB201,404,000.00 (an investment costs of RMB197,173,563.16) without notifying Dongfang Boiler. Dongfang Boiler reported to the judicial department, which froze the bank deposits of China Sci-Tech of RMB71 million, and relevant person’s involved capital of RMB8.3 million was confiscated.

In 2006, China Sci-Tech was put under the trusteeship of China Securities Investor Protection Fund Co., Ltd (中國證券投資者保護基金有限公司), Beijing Second Intermediate People’s Court accepted the bankruptcy case of China Sci-Tech in September, 2007. Dongfang Boiler received the first treasury distribution payment of RMB10,709,456.86 on 4 August 2008 by the bankruptcy clearing committee of China Sci-Tech.

On 2 June, 2010, the 4th creditor meeting of China Sci-Tech considered and approved the second bankruptcy property distribution plan, in which, the creditor’s right amount attributed to Dongfang Boiler was RMB10,795,855.96. At the same time, according to the resolution of the fourth creditor meeting, before Zigong Municipal Public Security Bureau made any official decisions of the freezing fund of China Sci-Tech, during this creditor’s rights distribution and subsequent distribution, the confirmed capital that should be distributed would be retained without distribution temporarily. As for the capital already distributed, safeguard measures should be taken.

On 16 July, 2011, the 5th creditor’s meeting of China Sci-Tech, considered and approved the third bankruptcy property distribution plan in which the creditor’s right amount attributed to Dongfang Boiler was RMB10,986,829.34. Since the Zigong Municipal Public Security Bureau had not made official decision for the frozen capital of Zigong Municipal Public Security Bureau. The distributed amount for Dongfang Boiler was still retained and not distributed temporarily.

On 8 July, 2011, the Zigong Municipal Public Security Bureau lawfully unfroze the trading capital account (not belongs to the bankruptcy property of China Sci-Tech), but two accounts of “China Sci-Tech administrative clearing team” and “China Sci-Tech”, with an aggregated capital of RMB40 million, were still frozen by Zigong Municipal Public Security Bureau.

On 10 February 2012, China Sci-Tech notified Dongfang Boiler by Reply to the Report on the Application of Return of Assets Allocation in the Bankruptcy of China Sci-Tech (《關於申請返還中科證券破產財產分配金額報告的回函》), that the Zigong Municipal Public Security Bureau has lawfully unfroze the trading capital account (not belongs to the bankruptcy property of China Sci-Tech), but two accounts of “China Sci-Tech administrative clearing team” and “China Sci-Tech”, with an aggregated capital of RMB40 million, were still frozen by Zigong Municipal Public Security Bureau, therefore the bankruptcy property distribution cannot be implemented.

On 2 August, 2012, the 6th creditor’s meeting of China Sci-Tech, considered and approved the fourth bankruptcy property distribution plan in which the creditor’s right amount attributed to Dongfang Boiler was RMB7,245,718.67.

In July, 2013, the 7th creditor’s meeting of China Sci-Tech was held by means of video conferencing. The meeting did not involve bankruptcy property distribution plan. The creditor’s meetings held before ensured that the creditor’s right amount attributed to Dongfang Boiler was RMB29,013,662.90, which was still adopted retention and not distributed.

On 2 January 2014, according to the judgment of the Beijing Second Intermediate People’s Court issued in “Beijing Second Intermediate Po Zi No. 14407-08 (2007)”, the frozen deposits and interests by Zigong Municipal Public Security Bureau had changed to the frozen by insolvency administrator of China Sci-Tech. Zigong Municipal Public Security Bureau no longer froze the related capital of China Sci-Tech.

In March 2014, all the creditors voted to agree to resume the Dongfang Boiler creditors’ financial distribution which had been ensured. The aggregate amount of ensured creditor’s distribution received by the Company was RMB29,013,662.90.

As the ageing of the credit exceeded five years, the provision of impairment of the Company regarding the existing receivable risk arising from the aforementioned national debts amounted to RMB157,450,433.40 in total.

2. 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 January 1999, the rights and obligations of the license agreements were granted to Dongfang Boiler Co., Ltd.

In January 2009, Forster Wheeler filed an arbitrary to the Arbitration Institute of Stockholm Chamber of Commerce, where China Dongfang

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Electric Corporation, Dongfang Boiler Works and Dongfang Boiler Co., Ltd. were respondents. Forster Wheeler considered that China Dongfang Electric Corporation, Dongfang Boiler Works and Dongfang Boiler Co., Ltd. had used the licensed technology of Forster Wheeler in 135MW and 300MW boilers, breaching the licensing agreement. Forster Wheeler requested China Dongfang Electric Corporation, Dongfang Boiler Works and Dongfang Boiler Co., Ltd. to provide compensation for its loss.

On 20 October 2011, the Arbitration Institute of Stockholm Chamber of Commerce gave verdicts of four items for compensation of Forster Wheeler, requesting Dongfang Boiler Co., Ltd. to paid USD4.815 million of nominal commission fees and USD1.52 million of unpaid commission fees to Forster Wheeler, and underwrote the corresponding interests. Meanwhile, Forster Wheeler repaid technology licence fee of USD1.117 million to Dongfang Boiler Co., Ltd. Dongfang Boiler Co., Ltd. and DEC was disappointed at the results and appealed to the Arbitration Institute of Stockholm Chamber of Commerce on 30 December 2011. However, the appeal was rejected by the Arbitration Institute of Stockholm Chamber of Commerce on 20 June 2013. As at 31 December 2013, in accordance with the regulation of corporate accounting principles and subject to the verdict of the Arbitration Institute of Stockholm Chamber of Commerce on 20 October 2011, Dongfang Boiler Co., Ltd. ensured the expected liabilities amounted to RMB53,285,991.47.

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. On 12 July 2013, the Arbitration Institute of Stockholm Chamber of Commerce gave the second stage verdict, requesting Dongfang Boiler Co., Ltd. and DEC to bear joint responsibility, and shall pay USD16.5 million and relevant interests for Forster Wheeler. On 30 August 2013, the arbitration institute gave a verdict of arbitration fees, requesting Dongfang Boiler Co., Ltd. and DEC to bear arbitration fees. Dongfang Boiler Co., Ltd. and DEC was disappointed at the results, and had appealed to the Arbitration Institute of Stockholm Chamber of Commerce on 15 October 2013. As at 31 December 2013, in accordance with the regulation of corporate accounting principles and subject to the verdict of the Arbitration Institute of Stockholm Chamber of Commerce on 12 July 2013 and 30 August 2013, Dongfang Boiler Co., Ltd. ensured the expected liabilities amounted to RMB172,484,022.13.

On 21 May 2014, Dongfang Boiler Co., Ltd. and DEC compromised an agreement and entered into a memorandum of understanding with Forster Wheeler regarding the case, agreeing that the recognition of completeness of circulating fluidized bed boiler technology of both parties. Any party was granted to participate in market competition globally with no limitations in order to thoroughly settle all the disputes and discrepancies under the licensing agreement. However, there were no impacts to the operating results of the Company in the first half of the year since the settlement of the case.

XIV. Notes to the major items of the Company's financial statements

1. Accounts receivables

(1) Classification of accounts receivable

Item	Amounts as at the end of period				Amount as at the beginning of the year			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Other receivables with significant single amount and provided for bad debt separately	93,045,550.00	2.67	73,045,550.00	78.51	93,045,150.00	2.89	93,045,150.00	100.00
Other receivables which provides for bad debts based on ageing	3,387,194,411.41	97.33	403,791,669.67	11.92	3,122,367,939.64	97.11	344,453,495.31	11.03
Other receivables with no significant single amount but provided for bad debts separately								
Total	3,480,239,961.41	100	476,837,219.67		3,215,413,089.64	100	437,498,645.31	

(2) The accounts receivable provided for bad debts based on ageing

Item	Amounts as at the end of period	Amount as at the beginning of the year
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For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

	Amount	Rate (%)	Provision for impairment	Amount	Rate (%)	Provision for impairment
Within 1	2,132,672,173.45	61.28	106,633,608.67	1,813,019,991.87	56.39	90,650,999.59
1-2 years	485,732,996.72	13.96	48,573,299.68	591,280,895.54	18.39	59,128,089.57
2-3 years	320,396,016.88	9.21	64,079,203.38	462,762,073.69	14.39	92,552,414.73
3-4 years	396,910,542.41	11.40	158,764,216.96	255,304,978.54	7.94	102,121,991.42
4-5 years	51,482,681.95	1.48	25,741,340.98			
More than 5 years						
Total	3,387,194,411.41	97.33	403,791,669.67	3,122,367,939.64	97.11	344,453,495.31

(3) Single significant and provision for bad debts as at the end of the period

Item	Amount	Provision for Bad debts	Ageing	Rate	Reasons
First	93,045,550.00	73,045,550.00	1-2 years	78.51	Warranty in dispute
Total	93,045,550.00	73,045,550.00			

(4) The balance as at the end of the period did not include amounts due from debtor who is a shareholder of the Company with 5% (including 5%) or more voting rights.

(5) The top 5 account receivables at the end of the period

Company	Relationship with the Company	Amount	Aging	Proportion to total account receivable (%)
First	Client	1,105,345,116.61	Within 1 year	31.76
Second	Client	488,392,074.65	0-5 years	14.03
Third	Client	402,378,094.02	Within 1 year	11.56
Fourth	Client	255,688,000.00	Within 1 year	7.35

Company	Relationship with the Company	Amount	Aging	Proportion to total account receivable (%)
Fifth	Client	278,644,493.15	0-3 years	8.01
Total		2,530,447,778.43		72.71

2. Other receivables

(1) Classification of other receivables

Class	Amounts as at the end of the period				Amounts as at the beginning of the year			
	Book Balance		Provision for bad debts		Book Balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Other receivables with significant single amount and provided for bad debts separately	4,748,710,000.00	95.42			4,748,710,000.00	96.23		
Other receivables which provides for bad debts based on aging	228,173,426.06	4.58	59,463,421.49	26.06	186,074,863.89	3.77	57,208,374.86	30.74
Other receivables with not significant single amount but provided for bad debts separately								
Total	4,976,883,426.06		59,463,421.49		4,934,784,863.89		57,208,374.86	—

1) Other receivables with significant single amount and subject to separate impairment test

Name	Book balance	Bad debts	Proportion of provision (%)	Reason for provision
Dongfang Electric Machinery Co., Ltd.	942,850,000.00			Proceeds raised through additional A shares issuance and construction allocation within central budget, no provision
Dongfang Boiler Group Co., Ltd.	663,000,000.00			Proceeds raised through additional A shares issuance and construction allocation within central budget, no provision
Dongfang Steam Turbine Co., Ltd.	2,984,590,000.00			Proceeds raised through additional A shares issuance and construction allocation within central budget, no provision
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	113,970,000.00			Self-manufactured nuclear power equipments and capital for energy innovation projects, no provision

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	44,300,000.00			Self-manufactured nuclear power equipments and capital for energy innovation projects, no provision
Total	4,748,710,000.00			—

2) The other receivables which is provided for bad debts based on ageing:

Item	Amounts as at the end of the period			Amounts as at the beginning of the year		
	Amount	Ratio (%)	Provision for bad debts	Amount	Ratio (%)	Provision for bad debts

Item	Amounts as at the end of the period			Amounts as at the beginning of the year		
	Amount	Ratio (%)	Provision for bad debts	Amount	Ratio (%)	Provision for bad debts
Within 1 year	145,499,787.47	2.92	7,274,989.37	108,316,833.77	2.19	5,415,841.69
1-2 years	13,493,852.86	0.27	1,349,385.29	4,002,774.52	0.08	400,277.45
2-3 years	9,812,663.20	0.20	1,962,532.64	15,729,284.00	0.32	3,145,856.80
3-4 years	16,122,142.77	0.32	6,448,857.11	14,778,743.16	0.30	5,911,497.26
4-5 years	1,634,645.36	0.03	817,322.68	1,824,653.57	0.04	912,326.79
5 years above	41,610,334.40	0.84	41,610,334.40	41,422,574.87	0.84	41,422,574.87
Total	228,173,426.06	4.58	59,463,421.49	186,074,863.89	3.77	57,208,374.86

(2) The balance of debtor who is a shareholder of the Company with 5% (including 5%) or more voting rights

Name of entity	Amounts as at the end of the period		Amounts as at the beginning of the year	
	Balance due	Provision for bad debts	Balance due	Provision for bad debts
DEC	10,002,961.00	10,000,148.05	27,366,808.91	10,869,475.37
Total	10,002,961.00	10,000,148.05	27,366,808.91	10,869,475.37

(3) The top 5 of other receivables at the end of the period

Item	Relationship with the Company	Amount	Ageing	Proportion to total other receivables (%)
Dongfang Electric Machinery Co., Ltd	Subsidiary	975,622,906.48	0-5	19.60
Dongfang Boiler Group Co., Ltd	Subsidiary	663,089,260.57	0-5	13.32
Dongfang Steam Turbine Co., Ltd.	Subsidiary	2,989,695,163.89	0-5	60.07
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,008,170.92	1-4 years	2.29
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	3-4 years	0.89
Total		4,786,715,501.86		96.17

(4) Amounts due from related parties at the end of the period

Company	Relationship with the Company	Amount	Proportion to total other receivables (%)
Dongfang Electric Machinery Co., Ltd	Subsidiary	2,989,695,163.89	60.07
Dongfang Boiler Group Co., Ltd	Subsidiary	975,622,906.48	19.60
Dongfang Steam Turbine Co., Ltd.	Subsidiary	663,089,260.57	13.32
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	Subsidiary	114,008,170.92	2.29
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd	Subsidiary	44,300,000.00	0.89

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

DEC	Parent	10,002,961.00	0.20
Total		4,796,718,462.86	96.37

3. Long-term equity investment

(1) Classification of Long-term equity investment

Item	Amounts as at the end of the period	Amounts as at the beginning of the year
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Item	Amounts as at the end of the period	Amounts as at the beginning of the year
Long-term equity Investments under cost method	9,783,923,522.13	9,759,499,983.19
Long-term equity Investments under equity method	337,177,983.27	305,544,546.08
Total	10,121,101,505.40	10,065,044,529.27
Less: provisions for long-term equity investment impairment		
Long-term equity investment value	10,121,101,505.40	10,065,044,529.27

(2) Long-term equity investments under cost method and equity method

Name of Entity Invested	Shareholding percentage (%)	Voting rights proportion (%)	Investment cost	Amounts as at the beginning of the year	Increase in this year	Decrease in this year	Amounts as at the end of the period	Cash dividends in this year
Under cost method								
1.Dongfang Boiler Group Co., Ltd	99.67	99.67	4,391,395,417.83	4,391,395,417.83			4,391,395,417.83	320,056,779.20
2.Dongfang Steam Turbine Co., Ltd	100	100	2,542,003,999.71	2,542,003,999.71			2,542,003,999.71	261,097,034.69
3.Dongfang Electric Machinery Co., Ltd	100	100	2,000,000,000.00	2,000,000,000.00			2,000,000,000.00	180,820,342.00
4.Dongfang Electric (India) Private Limited	100	100	129,504,712.22	105,081,173.28	24,423,538.94		129,504,712.22	
5.Dongfang Electric (Wuhan) Nuclear Equipment Co Ltd.	67.00	67.00	131,560,000.00	131,560,000.00			131,560,000.00	
6.Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	51.0452	51.0452	589,459,392.37	589,459,392.37			589,459,392.37	10,372,174.90
Subtotal			9,783,923,522.13	9,759,499,983.19	24,423,538.94		9,783,923,522.13	772,346,330.79
Under equity method								
Dongfang Areva Nuclear Pump Co., Ltd	50.00	50.00	75,000,000.00	256,259,237.03	32,126,611.42		288,385,848.45	
Sichuan Energy Industry Wind Power Development Co., Ltd.	20	20	48,000,000.00	44,285,309.05		493,174.23	43,792,134.82	
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	305,544,546.08	32,126,611.42	493,174.23	337,177,983.27	
Total			9,911,923,522.13	10,065,044,529.27	56,550,150.36	493,174.23	10,121,101,505.40	772,346,330.79

(3) Investment in joint ventures and associates (Unit: RMB 0'000)

Entity	Shareholding percentage (%)	Proportion of voting rights (%)	Total assets at the end of the period	Total liabilities at the end of the period	Net assets at the end of the period	Total operating revenue for the year	Net profit for the year
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Dongfang Electric Corporation Limited
Notes to the financial statement

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Associated Enterprises							
Dongfang Areva Nuclear Pump Co., Ltd	50	50	165,587.26	107,910.09	57,677.17	21,136.02	6,579.68
Joint ventures							
Sichuan Energy Industry Wind Power Development Co., Ltd	20	20	89,176.63	53,090.58	36,086.05	0.32	-269.09
Huadian Longkou Wind Power Co. Ltd.	25	25	3,000.39	0.39	3,000.00		
Total			257,764.28	161,001.06	96,763.22	21,136.34	6,310.59

4. Operating revenue and operating costs

Item	Amount for the year	Amount for last year
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Item	Amount for the year	Amount for last year
Revenue from principal operations	7,072,571,262.19	5,652,335,112.13
Other operating revenue	3,749,149.88	4,032,511.19
Total	7,076,320,412.07	5,656,367,623.32
Cost from principal operations	6,861,219,575.53	5,303,197,411.13
Other operating costs	867,577.96	514,500.55
Total	6,862,087,153.49	5,303,711,911.68

(1) Principal business-by industry

Industry	Amount in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Power generation equipment manufacturing	7,072,571,262.19	6,861,219,575.53	5,652,335,112.13	5,303,197,411.13
Total	7,072,571,262.19	6,861,219,575.53	5,652,335,112.13	5,303,197,411.13

(2) Principal business-by product

Product	Amounts in the last year		Amounts in this year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Clean and high efficient power generation equipments	4,575,983,650.12	4,491,008,165.77	2,877,255,575.73	2,819,294,890.05
New energy	607,658,242.11	594,149,374.15	611,645,658.87	603,788,030.40
Engineering and services	1,888,929,369.96	1,776,062,035.61	2,163,433,877.53	1,880,114,490.68
Total	7,072,571,262.19	6,861,219,575.53	5,652,335,112.13	5,303,197,411.13

(3) Principal business-by regions

Region	Amounts in this year		Amounts in the last year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Domestic	5,136,590,073.44	5,033,375,960.00	3,349,501,741.90	3,284,056,718.41
Overseas	1,935,981,188.75	1,827,843,615.53	2,302,833,370.23	2,019,140,692.72
Total	7,072,571,262.19	6,861,219,575.53	5,652,335,112.13	5,303,197,411.13

(4) Operating revenue from the top five clients

Clients' name	Operating revenue	Percentage in the total revenue
VIETNAM ELECTRICITY	880,679,776.33	12.45
Zhongshan Jia Ming Electric Power Co., Ltd.(中山嘉明電力有限公司)	571,873,383.06	8.09
Shenhua Shendong Electric Chongqing Wanzhou Gangdian Co., Ltd. (神華神東電力重慶萬州港電有限公司)	561,932,380.00	7.95
Beijing Guodian Huabei Electric Engineering Co., Ltd. (北京國電華北電力工程有限公司)	561,740,371.95	7.94

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

China Nuclear Power and Electric Construction Co., Ltd. (中國核電工程有限公司)	519,624,940.90	7.35
Total	3,095,850,852.24	43.78

5. Investment income

(1) Sources of investment income

Item	Amount in the year	Amount in the last year
Long-term equity investments income under cost method	772,346,330.79	756,264,111.90
Long-term equity investments income under equity method	31,633,437.19	28,852,362.57
Investment income during holding trading financial assets	581,813.20	
Investment income during holding available-for-sale financial assets	1,879,007.00	1,879,007.00
Disposal of trading financial assets		
Disposal of available for-sale financial assets		
Others	18,988,888.89	7,680,555.56
Total	825,429,477.07	794,676,037.03

The Company does not have substantial restrictions on remittance of investment income.

(2) Long-term equity investment income under cost method

Item	Amounts in this year	Amounts in the last year	Reasons for increase/decrease as compared with last year
Dongfang Steam Turbine Co., Ltd	261,097,034.69	197,491,064.75	Received the cash profit annually implemented by the subsidiaries
Dongfang Electric Machinery Co., Ltd	180,820,342.00	202,218,390.00	Received the cash profit annually implemented by the subsidiaries
Dongfang Boiler Group Co., Ltd	320,056,779.20	336,059,618.16	Received the cash profit annually implemented by the subsidiaries
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd	10,372,174.90	20,495,038.99	Received the cash profit annually implemented by the subsidiaries
Total	772,346,330.79	756,264,111.90	

(3) Long-term equity investment income under equity method

Item	Amount in this year	Amounts in the last year	Reasons for the increase/decrease as compared with last year
Dongfang Areva Nuclear Pump Co., Ltd	32,126,611.42	29,410,350.88	An increase in operating profit
Sichuan Energy Industry Wind Power Development Co., Ltd	-493,174.23	-557,988.31	Not profit generated during the construction period
Total	31,633,437.19	28,852,362.57	

6. Supplementary of cash flow statement of the Company

Item	Amount in this year	Amount in the last year
1.Reconciliation of net profit/(loss) to cash flows from operating activities		
Net profit	957,853,259.60	997,962,572.72
Add : Provision for asset impairment	51,593,620.99	34,833,377.84
Depreciation of fixed assets	2,681,906.46	2,583,890.83
Amortization of intangible assets	222,818.37	10,153.85
Amortization of long-term differed expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain :-)	15,097.67	23,171.38
Losses (Gains) on change in fair value (gain :-)	2,181,799.50	21,093,977.91

Dongfang Electric Corporation Limited
Notes to the financial statement

For the first half of year of 2014 (The amount unit of the notes to the financial statement is RMB unless otherwise specified)

Finance expenses (gain :-)	6,193,055.56	5,146,738.34
Investment Losses (gain :-)	-825,429,477.07	-794,676,037.03
Decrease in deferred tax asset (gain :-)	-2,306,998.52	-17,278,713.70
Increase in deferred tax liability (loss: -)		-9,216.71
Decrease in inventories (gain:-)	-458,265,792.85	192,119,589.49

Item	Amount in this year	Amount in the last year
Decrease in operating receivables (gain:-)	-1,118,025,204.56	-1,620,903,189.18
Increase in operating payables (loss :-)	1,222,449,447.71	1,217,637,990.89
Others		
Net cash flows from operating activities	-160,836,467.14	38,544,306.63
2 Significant investing and financing activities not involving cash receipts and payments:		
3 Net changes in cash and cash equivalents:		
Cash at the end of the period	2,979,317,960.61	2,578,789,897.27
less : cash at the beginning of the period	3,859,089,929.82	2,203,547,671.62
Net increase in cash and cash equivalents	-879,771,969.21	375,242,225.65

XV. Supplementary information

1. Summary of non-recurring profit or loss in this year

Items	Amounts for this year	Amount for corresponding period	Notes
Gain (loss) from disposal of non-current assets	-513,103.50	4,259,744.52	
Government grants recognized in profits or loss in this period	43,310,674.03	61,410,326.98	
The net gain (loss) in the current period of the subsidiaries arising enterprises combination under the same control			
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	2,181,799.50	-2,840,616.12	
Other non-operating income and expenses other than the aforementioned items	356,709.50	-17,307,948.94	
Impact on income tax	-6,566,719.55	-8,137,154.79	
Impact on minority interests (after tax)	-623,389.73	-944,695.87	
Total	38,145,970.25	36,439,655.78	

2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	4.65	0.42	0.42
Net profit after non-recurring gain or loss attributable to the shareholders of the Company	4.44	0.40	0.40

XVI. Approval of the Financial Statements

The financial statements were approved by the board of directors on 29 August 2014.

Dongfang Electric Corporation Limited

Legal representative: Si Zefu

Person in charge of accounting function: Gong Dan

Person in charge of accounting department: Zeng Yi

29 August 2014