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**東方電氣股份有限公司**  
**DONGFANG ELECTRIC CO., LTD.**

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

(Stock Code: 1072)

**PRELIMINARY ANNOUNCEMENT OF 2016 INTERIM RESULTS**

**RESULTS HIGHLIGHTS**

Total operating revenue of the Group in the first half of 2016 amounted to RMB18,220 million, representing an increase of 0.08% compared with the same period of the previous year;

Net profit attributable to shareholders of the Group in the first half of 2016 amounted to RMB-342 million, representing a decrease of RMB510 million compared with the same period of the previous year;

Earnings per share of the Group in the first half of 2016 amounted to RMB-0.15, as compared with RMB0.08 for the same period of the previous year; and

New orders of the Group in the first half of 2016 amounted to RMB28,500 million.

The board (the “**Board**”) of directors (the “**Directors**”) of Dongfang Electric Corporation Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016 (the “**Period**” or the “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises. The interim results have been reviewed by the audit committee of the Company.

## I. FINANCIAL INFORMATION

### Consolidated Balance Sheet

30 June 2016

Unit: RMB

Item	Note	Amount at the end of the Period	Amount at the beginning of the year
<b>Current assets:</b>			
Monetary fund		<b>23,112,809,524.38</b>	21,087,539,125.49
Clearing provision			
Funds for lending			
Financial assets at fair value through profit or loss		<b>53,438,929.00</b>	36,079,098.10
Derivative financial assets			
Bills receivable		<b>3,700,678,984.44</b>	4,340,955,431.92
Accounts receivable	2	<b>17,488,729,890.58</b>	17,290,192,715.92
Prepayments		<b>2,666,333,337.99</b>	3,299,961,538.85
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Interests receivable		<b>295,476,116.19</b>	297,206,934.58
Dividends receivable			
Other receivables		<b>349,119,930.66</b>	366,296,279.41
Purchase redeemable financial assets			
Inventories		<b>25,790,262,585.32</b>	26,899,590,387.82
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		<b>230,942,263.43</b>	335,373,683.92
Total current assets		<b>73,687,791,561.99</b>	73,953,195,196.01

<b>Item</b>	<i>Note</i>	<b>Amount at the end of the Period</b>	Amount at the beginning of the year
<b>Non-current assets:</b>			
Issued loans and advances			
Available-for-sale financial assets		<b>3,100,000.00</b>	3,100,000.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investment		<b>1,224,830,900.39</b>	1,066,013,723.84
Investment properties		<b>68,761,760.47</b>	70,560,947.99
Fixed assets		<b>7,740,717,853.92</b>	8,099,246,237.21
Construction in progress		<b>418,400,309.85</b>	447,801,742.11
Construction materials		<b>113,464.96</b>	113,464.96
Disposal of fixed assets		<b>13,938.03</b>	24,979.33
Productive biological assets			
Oil and gas assets			
Intangible assets		<b>923,632,360.67</b>	946,229,278.85
Development expenditure			
Goodwill			
Long-term deferred expenses		<b>269,250.24</b>	344,000.22
Deferred income tax assets		<b>1,594,610,991.12</b>	1,547,269,129.51
Other non-current assets		<b>491,779.35</b>	524,564.64
Total non-current assets		<b>11,974,942,609.00</b>	12,181,228,068.66
Total assets		<b>85,662,734,170.99</b>	86,134,423,264.67

Item	Note	Amount at the end of the Period	Amount at the beginning of the year
<b>Current liabilities:</b>			
Short-term loans		<b>378,500,000.00</b>	1,642,000,000.00
Borrowings from central bank			
Absorbed deposits and interbank deposits			
Borrowing funds			
Financial liabilities at fair value through profit or loss		<b>3,790,106.14</b>	5,853,124.58
Derivative financial liabilities			
Bills payable		<b>4,403,940,418.76</b>	4,657,772,328.81
Accounts payable	3	<b>17,288,454,728.55</b>	15,179,533,382.72
Receipts in advance		<b>33,960,642,361.25</b>	34,846,467,692.38
Funds arising from selling repo financial assets			
Commission and fees payable			
Staff remuneration payable		<b>438,137,730.76</b>	396,074,204.46
Taxes payable		<b>157,671,099.95</b>	518,222,871.19
Interests payable			1,776,111.10
Dividends payable		<b>144,657,933.85</b>	3,144,122.09
Other payables		<b>1,761,649,725.51</b>	1,774,765,747.04
Reinsurance accounts payable			
Provision for insurance contract			
Funds arising from acting trading of securities			
Funds arising from acting underwriting of securities			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year		<b>533,420,000.00</b>	354,320,000.00
Other current liabilities		<b>90,266,620.83</b>	103,512,042.66
<b>Total current liabilities</b>		<b>59,161,130,725.60</b>	59,483,441,627.03

Item	Note	Amount at the end of the Period	Amount at the beginning of the year
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>726,660,000.00</b>	718,820,000.00
Debtures payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payable		<b>28,278,602.90</b>	
Long-term remuneration payable		<b>237,501,089.80</b>	142,868,920.51
Specified payable		<b>58,102,614.63</b>	58,062,614.63
Estimated liabilities		<b>1,522,323,312.22</b>	1,330,193,012.30
Deferred income		<b>410,695,209.46</b>	408,634,664.10
Deferred income tax liabilities		<b>14,811,729.74</b>	14,813,276.16
Other non-current liabilities			
Total non-current liabilities		<b>2,998,372,558.75</b>	2,673,392,487.70
Total liabilities		<b>62,159,503,284.35</b>	62,156,834,114.73
<b>Shareholders' equity:</b>			
Share capital		<b>2,336,900,368.00</b>	2,336,900,368.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		<b>8,828,516,983.85</b>	8,828,516,983.85
Less: Treasury shares			
Other Comprehensive income		<b>-33,856,483.93</b>	-34,093,733.04
Special reserves		<b>45,688,540.62</b>	33,167,401.60
Surplus reserves		<b>730,751,423.51</b>	730,751,423.51
Provision for general risk			
Undistributed profit	4	<b>10,674,480,178.87</b>	11,156,346,701.91
Total equity attributable to shareholders of the Parent Company		<b>22,582,481,010.92</b>	23,051,589,145.83
Non-controlling interests		<b>920,749,875.72</b>	926,000,004.11
Total shareholders' equity		<b>23,503,230,886.64</b>	23,977,589,149.94
Total liabilities and shareholders' equity		<b>85,662,734,170.99</b>	86,134,423,264.67

## Consolidated Income Statement

January – June 2016

Unit: RMB

Item	Note	Amount for the Period	Amount for the same period of the previous year
<b>I. Total revenue from operations</b>		<b>18,219,614,274.86</b>	18,204,942,335.15
Including: Revenue from operations	5	<b>18,219,614,274.86</b>	18,204,942,335.15
Interest income			
Insurance premiums earned			
Income from fees and commissions			
<b>II. Total cost of operations</b>		<b>18,696,866,748.98</b>	17,996,770,209.86
Including: Cost of operations	5	<b>16,209,034,955.29</b>	16,035,352,153.72
Interest expenditure			
Fee and commission expenses			
Surrender expenditure			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business taxes and surcharges		<b>109,646,104.16</b>	146,127,592.03
Selling expenses		<b>510,653,919.48</b>	344,053,310.62
Administrative expense		<b>1,467,129,882.99</b>	1,445,572,025.99
Financial costs		<b>-253,591,430.50</b>	-92,120,758.21
Impairments loss of assets		<b>653,993,317.56</b>	117,785,885.71
Add: Gains from change in fair value (“-” means losses)		<b>-4,536,239.24</b>	-107,382.61
Gains from investment (“-” means losses)		<b>138,652,817.08</b>	53,752,865.84
Including: Gains from investment in associates and joint ventures		<b>142,817,176.55</b>	30,456,833.57
Exchange gains (“-” means losses)			

Item	Note	Amount for the Period	Amount for the same period of the previous year
<b>III. Operating profit</b>			
(“-” means losses)		<b>-343,135,896.28</b>	261,817,608.52
Add: Non-operating income		<b>52,502,105.85</b>	47,503,584.30
Including: Gains from disposal of non-current assets		<b>1,473,810.12</b>	2,604,584.31
Less: Non-operating expense		<b>53,034,773.00</b>	47,942,547.51
Including: Losses from disposal of non-current assets		<b>621,148.80</b>	3,512,621.42
<b>IV. Total Profit (“-” means losses)</b>		<b>-343,668,563.43</b>	261,378,645.31
Less: Income tax expense	6	<b>-6,458,859.87</b>	73,841,548.87
<b>V. Net Profit (“-” means losses)</b>		<b>-337,209,703.56</b>	187,537,096.44
Net profit attributable to the shareholders of the Parent Company		<b>-341,652,500.96</b>	168,367,921.40
Gains/losses on minority shareholders’ equity		<b>4,442,797.40</b>	19,169,175.04
<b>VI. Net amount of other comprehensive     income, net of tax:</b>		<b>237,078.38</b>	-1,816,847.72
Other comprehensive income attributable to shareholders of the Parent Company, net of tax		<b>237,249.11</b>	-1,816,847.72
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes of net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			

Item	Note	Amount for the Period	Amount for the same period of the previous year
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		<b>237,249.11</b>	-1,816,847.72
1. Share of other comprehensive income of the investees which can be reclassified into profit or loss under equity method subsequently			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			
4. Effective portion of profit or loss from cash flows hedges			
5. Exchange differences from translation of financial statements		<b>237,249.11</b>	-1,816,847.72
6. Others			
Other comprehensive income attributable to minority shareholders, net		<b>-170.73</b>	
<b>VII. Total comprehensive income</b>		<b>-336,972,625.18</b>	185,720,248.72
Total comprehensive income attributable to the shareholders of the Parent Company		<b>-341,415,251.85</b>	166,551,073.68
Total comprehensive income attributable to minority shareholders		<b>4,442,626.67</b>	19,169,175.04
<b>VIII. Earnings per share:</b>	7		
(I) Basic earnings per share		<b>-0.15</b>	0.08
(II) Diluted earnings per share		<b>-0.15</b>	0.08



## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis, in accordance with Accounting Standards for Business Enterprises and the relevant requirements (collectively, the “**Accounting Standards for Business Enterprises**”) issued by the Ministry of Finance of the PRC and the disclosure requirements under Rules No.15 for Information Disclosure by Companies Offering Securities to the Public – General Provisions on Financial Statements (Revised 2014) of the China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance based on the accounting policies and accounting estimates as implemented by the Company.

### 2. ACCOUNTS RECEIVABLE

*Unit: RMB*

Item	Amount at the end of the Period	Amount at the beginning of the Period
Accounts receivable	23,241,383,717.36	22,651,799,981.91
Less: provision for bad debts	<u>5,752,653,826.78</u>	<u>5,361,607,265.99</u>
<b>Net amount</b>	<b><u><u>17,488,729,890.58</u></u></b>	<b><u><u>17,290,192,715.92</u></u></b>

#### (1) Ageing analysis of accounts receivable

*Unit: RMB*

Age	Amount at the end of the Period	Amount at the beginning of the Period
Within 1 year	10,150,893,411.96	8,618,798,739.75
1–2 years	3,696,477,467.35	4,652,766,404.57
2–3 years	1,991,643,038.80	2,305,625,401.90
3–4 years	1,127,556,827.12	924,611,128.94
4–5 years	<u>522,159,145.35</u>	<u>788,391,040.76</u>
<b>Net amount</b>	<b><u><u>17,488,729,890.58</u></u></b>	<b><u><u>17,290,192,715.92</u></u></b>

The Group's revenue from construction contract is settled in accordance with terms of relevant contracts, and the Group offers credit terms of two to three years to large or long-established customers with good repayment history.

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

### 3. ACCOUNTS PAYABLE

	<i>Unit: RMB</i>	
<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Within 1 year	<b>12,213,402,776.78</b>	11,461,962,902.40
1–2 years	<b>2,497,556,952.28</b>	2,080,214,592.88
2–3 years	<b>1,360,078,780.89</b>	644,858,826.54
Over 3 years	<b>1,217,416,218.60</b>	992,497,060.90
<b>Total</b>	<b><u>17,288,454,728.55</u></b>	<b><u>15,179,533,382.72</u></b>

The average credit period for procurement is 180 days. The Group has financial risk management policies in place to ensure all accounts payable are settled within credit period.

#### 4. UNDISTRIBUTED PROFITS

*Unit: RMB*

Item	Amount	The proportion of appropriation or allocation
<b>Amount at the end of last year</b>	11,156,346,701.91	
<b>Amount at the beginning of the Period</b>	11,156,346,701.91	
Add: Net profits attributable to shareholders of Parent Company for the Period	-341,652,500.96	
Less: Appropriation to statutory surplus reserves		10%
Dividends payable on ordinary shares	<u>140,214,022.08</u>	
<b>Amount at the end of the Period</b>	<u><u>10,674,480,178.87</u></u>	

The dividends on ordinary shares distributed by the Company to shareholders this Period represented the dividends distributed under the Proposal for the distribution of profits after tax of the Company for the year 2015 as considered passed at the 2015 annual general meeting of the Company held on 24 May 2016. The cash dividends of RMB0.06 per share (tax inclusive) for the year 2015 were distributed to all shareholders based on the 2,336,900,368 shares in the total share capital of the Company, totalling RMB140,214,022.08 (tax inclusive).

#### 5. OPERATING REVENUE AND OPERATING COST

*Unit: RMB*

Item	Amount for the Period		Amount for the same period of the previous year	
	Revenue	Cost	Revenue	Cost
Principal operations	18,023,283,392.53	16,049,488,454.55	17,833,091,716.52	15,708,841,895.17
Other operations	<u>196,330,882.33</u>	<u>159,546,500.74</u>	<u>371,850,618.63</u>	<u>326,510,258.55</u>
<b>Total</b>	<u><u>18,219,614,274.86</u></u>	<u><u>16,209,034,955.29</u></u>	<u><u>18,204,942,335.15</u></u>	<u><u>16,035,352,153.72</u></u>

## 6. INCOME TAX EXPENSE

### (1) *Income tax expenses*

*Unit: RMB*

<b>Item</b>	<b>Amount for the Period</b>	Amount for the same period of the previous year
Income tax expense for current year	<b>39,262,733.61</b>	58,531,250.00
Of which: China	<b>35,512,811.21</b>	58,531,250.00
India		
Hong Kong		
Other regions	<b>3,749,922.40</b>	
Deferred income tax	<b>-45,721,593.48</b>	15,310,298.87
<b>Total</b>	<b><u>-6,458,859.87</u></b>	<b><u>73,841,548.87</u></b>

As far as corporate income tax rate is concerned, three overseas subsidiaries of the Company, namely Dongfang Electric (India) Private Limited (東方電氣(印度)有限公司), Dongfang Electric (Indonesia) Private Limited (東方電氣(印尼)有限公司) and Dongfang Electric Machinery Venezuela Co., Ltd. (東方電機委內瑞拉有限責任公司), are subject to corporate income tax as stipulated by the local law, partial subsidiaries enjoy a preferential rate of 15%, and the rest of the subsidiaries are subject to 25%.

## 7. EARNINGS PER SHARE

Unit: RMB

### (1) *Basic earnings per share*

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

Process for calculating the weighted average number of ordinary shares:

Item	Amount for the Period	Amount for the same period of the previous year
Number of ordinary shares outstanding at the beginning of the year	2,336,900,368.00	2,003,860,000.00
Number of ordinary shares outstanding at the end of the Period	<u>2,336,900,368.00</u>	<u>2,336,900,368.00</u>

### (2) *Diluted earnings per share*

Since there was no dilution effect on the share equity during the Period (no dilution effect during the same period of the previous year), the diluted earnings per share equals to the basic earnings per share.

## 8. SEGMENT INFORMATION

Unit: RMB

### Reportable segments for the Period

Item	High-efficient cleaning power generation equipment	New energy	Hydroenergy and environmental equipment	Engineering and service	Others	Write-off	Total
Operating income	17,304,459,900.77	6,219,578,481.10	693,812,855.61	2,376,580,063.40	196,330,882.33	8,571,147,908.35	18,219,614,274.86
Include: External transaction income	11,140,876,782.96	3,888,321,799.30	693,791,685.47	2,300,293,124.80	196,330,882.33		18,219,614,274.86
Inter-segment transaction income	6,163,583,117.81	2,331,256,681.80	21,170.14	76,286,938.60		8,571,147,908.35	
Operating cost	15,852,764,953.31	5,943,527,257.16	661,326,010.26	2,119,740,079.26	159,546,500.74	8,527,869,845.44	16,209,034,955.29
Cost written off	6,058,356,862.89	2,326,949,097.68	3,441,964.72	139,121,920.15		8,527,869,845.44	
Period expenses					1,708,354,303.71	-15,838,068.26	1,724,192,371.97
Operating profit (loss)	1,451,694,947.46	276,051,223.94	32,486,845.35	256,839,984.14	-1,671,569,922.12	59,116,131.17	286,386,947.60
Total assets					123,085,898,737.03	37,423,164,566.04	85,662,734,170.99
Include: Amount of substantial impairment loss on a single asset							
Total liabilities					90,140,841,300.25	27,981,338,015.90	62,159,503,284.35
Supplemental information							
Capital expenditure							
Recognized impairment loss of the current period					972,521,285.22	318,527,967.66	653,993,317.56
Including: amortisation of impairment of goodwill							
Depreciation and amortization expenses					542,842,415.42		542,842,415.42
Non-cash expenses other than impairment loss, depreciation and amortisation							

### Reportable segments for the same period of the previous year

Item	High-efficient cleaning power generation equipment	New energy	Hydroenergy and environmental equipment	Engineering and service	Others	Write-off	Total
Operating income	17,919,606,714.16	3,365,931,864.67	1,033,841,313.24	2,787,929,630.55	371,850,618.63	7,274,217,806.10	18,204,942,335.15
Include: External transaction income	12,093,664,187.86	1,877,141,546.71	1,033,841,313.24	2,828,444,668.71	371,850,618.63		18,204,942,335.15
Inter-segment transaction income	5,825,942,526.30	1,488,790,317.96		-40,515,038.16		7,274,217,806.10	
Operating cost	16,235,996,186.05	3,163,294,548.59	931,763,996.02	2,440,398,004.10	326,510,258.55	7,062,610,839.59	16,035,352,153.72
Cost written off	5,465,081,032.87	1,501,381,093.66		96,148,713.06		7,062,610,839.59	
Period expenses					1,929,569,170.12	21,796,597.21	1,907,772,572.91
Operating profit (loss)	1,683,610,528.11	202,637,316.08	102,077,317.22	347,531,626.45	-1,884,228,810.04	189,810,369.30	261,817,608.52
Total assets					124,417,696,745.36	41,543,872,070.17	82,873,824,675.19
Include: Amount of substantial impairment loss on a single asset							
Total liabilities					90,770,681,599.51	31,615,001,024.88	59,155,680,574.63
Supplemental information							
Capital expenditure							
Recognized impairment loss of the current period					284,948,345.68	167,162,459.97	117,785,885.71
Including: amortisation of impairment of goodwill							
Depreciation and amortization expenses					572,056,541.34		572,056,541.34
Non-cash expenses other than impairment loss, depreciation and amortisation							

## 9. GAINS FROM INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Unit: RMB

Investee companies	Balance at the beginning of the Period	Follow-on investment	Deduced investment	Recognised investment loss/gain by equity method	Increase/decrease for the Period			Provision for impairment	Others	Balance at the end of the Period
					Adjustment to other comprehensive income	Changes in other equity	Announcement of delivery of cash dividends or profit			
I. Joint ventures										
1. MHPS Dongfang Boiler Co., Ltd	176,485,965.55			2,618,124.28						179,104,089.83
2. Dongfang Areva Nuclear Pump Co., Ltd.	230,762,552.59			31,319,765.88						262,082,318.47
II. Associated companies										
1. Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	469,965,845.43			95,819,127.70						565,784,973.13
2. Leshan city Dongle Heavy Piece Handling Co., Ltd.	25,263,601.38			-197,870.72						25,065,730.66
3. Sichuan Wind Power Industry Investment Co., Ltd.	111,004,468.10			10,220,052.31						121,224,520.41
4. Huadian Longkou Wind Power Co., Ltd.	24,514,859.54			2,742,657.63						27,257,517.17
5. Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000.00			278,837.01						16,278,837.01
6. CLP Combined Heavy Gas Turbine Technology Co., Ltd.	12,016,431.25			16,482.46						12,032,913.71
7. Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.		16,000,000.00								16,000,000.00
Total	1,066,013,723.84	16,000,000.00		142,817,176.55						1,224,830,900.39

## 10. NET CURRENT ASSETS

Unit: RMB

Item	Amount at the end of the Period	Amount at the beginning of the Period
Current assets	73,687,791,561.99	73,953,195,196.01
Less: current liabilities	59,161,130,725.60	59,483,441,627.03
Net current assets	14,526,660,836.39	14,469,753,568.98

## 11. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	Amount at the end of the Period	Amount at the beginning of the Period
Total assets	85,662,734,170.99	86,134,423,264.67
Less: current liabilities	59,161,130,725.60	59,483,441,627.03
Total assets less current liabilities	26,501,603,445.39	26,650,981,637.64

## **12. DIVIDENDS**

The Board does not recommend the payment of interim dividends for 2016. (Interim dividend for the same period in 2015: Nil)

## **II. MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review on the Overall Operation During the Reporting Period**

During the Reporting Period, amid adverse economic condition with increasing pressure on macro-economic downturn, in-depth adjustment in electricity industry and slump in economic benefits from enterprises, the Company was able to control the overall production and operating condition through unwavering and tenacious hard work. However, due to the slowdown of the macro-economic growth in China, the decrease in the power generation equipment market demand and the price drop on products, the gross profit margin and gross profit of the Company's major products have decreased. Moreover, with the slowdown in construction works for some electricity projects, it is more difficult for the Company to recover product payments, thus resulting in a rise in age of accounts receivable for major products of the Company. In particular, there is a faster increase in accounts receivable aging over five years and significant increase in provision for bad debts of accounts receivable, resulting in losses incurred during the Reporting Period.

### **Completion of Operation Indicators**

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB18,220 million, representing an increase of 0.08% over the same period of the previous year; net profit attributable to shareholders of the Company of RMB-342 million, representing a decrease of RMB510 million over the same period of the previous year; earnings per share of RMB-0.15; and gross profit margin for principal operations was 10.95%, representing a decrease of 0.96 percentage point over the same period of the previous year.

### **Capacity of Power Generation Equipment**

During the Reporting Period, the Company produced power generation equipment with total capacity of 13,051.5MW, representing a decrease of 30.9% as compared with the same period of the previous year. The equipment included 5 hydro-electric turbine generator units (319MW), down by 77.8% as compared with the same period of the previous year; 30 steam turbine generators (11,980MW), down by 28.4% as compared with the same period of the previous year; and 362 wind turbine generator sets (752.5MW), up by 4.4% as compared with the same period of the previous year; 20 power station boilers (10,175MW), down by 36.8% as compared with the same period of the previous year; and 38 power station steam turbines (11,202MW), down by 31.1% as compared with the same period of the previous year.



## **Market Orders**

In the first half of the year, the demand in the electricity equipment industry remained low. Especially, the demand for thermal power recorded significant decline. Confronted with severe market situation, all of the staff of the Company endeavoured to make some progress in an active manner through its unremitting efforts to ensure the market shares in thermal power and nuclear power in China. The Company made a breakthrough in overseas market expansion. It has entered into the EPC general contracting agreement for the phase one of the 3×660MW ultra-supercritical coal-fired power station project in Hamrawein, Egypt, as well as the EPC contract for the 2×660MW ultra-supercritical thermal power project in Hema, Turkey. Moreover, the second phase of the 50MW wind power station in Havana, Cuba and the 35MW wind power project in Ulyanovsk, Russia had commenced operation.

In the first half of the year, the Company's new orders amounted to RMB28.5 billion, increased by 32% as compared with the same period of the previous year, of which export orders amounted to approximately RMB2,128 million, accounting for 7.5%. Among the new orders during the first half of the year, 70.6% of the new orders was attributable to high-efficient cleaning energy, 8% to new energy, 5.6% to water energy and environmental protection, and 15.8% to engineering and services.

As at 30 June 2016, the Company had orders in hand of RMB124.1 billion, among which high-efficient cleaning energy accounted for 61%, new energy accounted for 14.8%, water energy and environmental protection accounted for 7.1%, and engineering and services accounted for 17%. Export orders accounted for 15.5% of all of the orders in hand.

## **Production and Engineering Construction**

In the first half of the year, the Company enhanced the demand docking of users, and continuously improved the ancillary equipment for product production. Basically, the overall delivery met with the current demand. The first generator unit of Xianju pumped-storage power station, which is self-developed by the Company and with the largest individual capacity in China, has connected to the grid successfully. The 660MW generator units of gas power station in Venezuela, the No. 4 generator unit of nuclear station in Hongyanhe and the second unit of coal power generator in Dongguan had passed 168-hour pilot run in succession. A total of 41 generator units of thermal power projects had passed 168-hour pilot run. The warrant period of 324 generator units in 10 wind power projects had expired.

The engineering construction has been carried out progressively. Our key operation goals have basically achieved. The two generator units of Coastal Project in Vietnam had passed operation test, and successfully delivered to the owner. The generator units of the Stanari Project in Bosnia and Herzegovina completed the 30-successive-day feasibility operation test. In respect of Bracken Wind Power Project Phase III in Sweden, preliminary acceptance certificates had been obtained for the remaining five wind turbines.

## **Strengthening of Cost Reduction and Facilitation of Centralized Procurement**

The Company continued to conduct quality enhancement works, with new progress made in respect of increasing income source, cutting cost, exploring potential income source and reducing consumption. The Company continued to carry forward the tasks on reducing costs and increasing the benefits. Various costs and expenses were under strict control through various measures. The Company strengthened its dynamic monitoring of the “Two Jin” elimination and pressure reduction. It actively reduced capital appropriation to control the risk of inferior inventories. By strengthening of centralized capital management and putting greater efforts on payment recovery, net cash flow increased as compared to the same period of the previous year. The Company focused on open tendering of procurement and contracting work for cost reduction and efficiency enhancement, and lowered its procurement cost effectively.

## **Commencement of Technology Innovation By Leveraging on Key Projects**

In the first half of the year, the retrofit to flow passage for Changshu 600,000KW ultra-supercritical steam turbines with advanced flow passage technology being adopted, and the parameter enhancement for Togtoh 600,000KW air-conditioning steam turbines were completed successfully. The efficiency of steam turbines and heat consumption indicators had reached international advanced level among similar generator units. The design, testing and technology preparation works for Baihetan 1,000MW mixed flow mega hydro power generating units were conducted smoothly. The preparation works for the overall test for 50MW heavy-duty gas turbine and the full scale test for combustion room had commenced. The self-developed third generation of nuclear power generator Hualong No. 1, CAP1400 nuclear island and master equipment of conventional island were developed as scheduled. The design and construction for CAP1400 master equipment of conventional island, which is a major national technologic project, successfully completed the inspection and evaluation by expert team.

## **OUTLOOK FOR THE SECOND HALF OF THE YEAR**

In the second half of the year, the domestic economy is still facing pressure of downward trend, with significant oversupply in electricity market. Due to the “Three Approvals” policy in electricity market, there will be a slump in number of new thermal power projects. The market condition will become more challenging with fierce competition. In respect of the international market, new development opportunities will come up as a result of the policy of “One Belt, One Road” which the state endeavours to promote. Meanwhile, the market competition will intensify with higher risk exposures.

Facing the severe market condition, the Company will strive to innovative development in the second half of 2016. Focusing on “enhancing efficiency and reducing cost to maintain healthy development”, the Company will strengthen its management, conduct in-depth reform, adjust corporate structure, promote transformation and upgrade, as well as improve quality of economic operation. The Company will put great efforts on market expansion by gaining orders. We will enhance the quality and efficiency of operations and focus on strengthening of management. By adopting innovative technology, the Company aims to enhance its core competitiveness. The Company will optimize product quality to ensure proper delivery, and strengthen the serving capability of power stations. Moreover, the Company will implement strict control over risk exposures and safety production and implement measures to ensure stable operation of the Company, aiming to achieve its annual operating goals and lay a solid foundation for the sustainable healthy development of the Company under the “13th Five Year Plan”.

## (I) Analysis of Principal Business

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

Unit: RMB

Item	Amount for the Period	Amount for the same period of the previous year	Change (%)
Operating revenue	<b>18,219,614,274.86</b>	18,204,942,335.15	0.08
Operating cost	<b>16,209,034,955.29</b>	16,035,352,153.72	1.08
Selling expenses	<b>510,653,919.48</b>	344,053,310.62	48.42
Administrative expenses	<b>1,467,129,882.99</b>	1,445,572,025.99	1.49
Finance costs	<b>-253,591,430.50</b>	-92,120,758.21	-175.28
Net cash flows from operating activities	<b>3,146,117,893.88</b>	-996,341,998.43	415.77
Net cash flows from investing activities	<b>-127,417,009.78</b>	-130,422,026.36	2.30
Net cash flows from financing activities	<b>-1,113,490,456.75</b>	-380,750,913.92	-192.45
Research and development expenses	<b>447,058,171.31</b>	364,958,228.29	22.50

### 2. Top five sales customers and suppliers

#### (1) Major sales customers

During the reporting period, the Company's operating revenue from its top five customers amounted to RMB3,489 million, accounting for 19.15% of the Company's total operating revenue.

#### (2) Major suppliers

During the reporting period, the Company's procurement from its top five suppliers amounted to RMB913 million, accounting for 8.37% of the Company's total procurement.

### 3. Cash flows

Unit: RMB

Item	Amount for the Period	Amount for the same period of the previous year	Change (%)
Net cash flows from operating activities	<b>3,146,117,893.88</b>	-996,341,998.43	415.77
Cash received from disposal of investments	<b>615,981.31</b>	79,781,534.98	-99.23
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	<b>88,515,201.73</b>	189,572,332.34	-53.31
Cash paid for investment	<b>39,966,755.66</b>	23,627,240.00	69.16
Cash received from borrowings	<b>674,440,000.00</b>	1,155,000,000.00	-41.61
Cash paid for distribution of dividends or profits and for interest expense	<b>40,720,622.15</b>	71,854,115.04	-43.33

- (1) Net cash inflows from operating activities for the Period increased by 415.77% as compared with the same period of the previous year, mainly due to the increase in payment received as compared to the same period of the previous year and the decrease in payment made as a result of controlling the scale of procurement.
- (2) Cash received from disposal of investments for the Period decreased by 99.23%, mainly due to the decrease in disposal of security investments during the Period.
- (3) Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets decreased by 53.31% as compared with the same period of the previous year, mainly due to the significant decrease in expenses for investment in currencies resulted from the strict control over the investment scale in fixed assets of the Company.
- (4) Cash paid for investment increased by 69.16% as compared with the same period of the previous year, mainly due to the increase in cash paid for purchase of securities.
- (5) Cash received from borrowings decreased by 41.61% as compared with the same period of the previous year, mainly due to the sufficient monetary capital resulted from decrease in demand for borrowings during the Period.
- (6) Cash paid for distribution of dividends or profits and for interest expense decreased by 43.33% as compared with the same period of the previous year, mainly due to the decrease in interest expense paid resulted from decrease in borrowings for the Period.

## (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 increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (percentage point)
High-efficient cleaning power generation equipments	11,140,876,782.96	9,794,408,090.42	12.09	-7.88	-9.07	1.15
New energy	3,888,321,799.30	3,616,578,159.48	6.99	107.14	117.62	-4.48
Water energy and environmental equipments	693,791,685.47	657,884,045.54	5.18	-32.89	-29.39	-4.69
Engineering and services	2,300,293,124.80	1,980,618,159.11	13.90	-18.67	-15.51	-3.22
Total	<u>18,023,283,392.53</u>	<u>16,049,488,454.55</u>	<u>10.95</u>	<u>1.07</u>	<u>2.17</u>	<u>-0.96</u>

- (1) Sales revenue from principal operations for the Period increased by 1.07% as compared with the same period of the previous year, mainly due to the increase in sales revenue from wind power generators and gas turbines.
- (2) Sales revenue from high-efficient cleaning power generation equipment for the Period decreased by 7.88% as compared with the same period of the previous year, primarily attributable to the decrease in revenue from thermal power generation of 23.41%. Gross profit margin for high-efficient cleaning power generation equipment increased by 1.15 percentage points as compared with the same period of the previous year, mainly due to the increase in gross profit margin for thermal power generation and nuclear power conventional island.
- (3) Sales revenue from new energy for the Period increased by 107.14% as compared with the same period of the previous year, mainly due to the increase in sales revenue from wind power generation of 191.27%. Meanwhile, gross profit margin for new energy decreased by 4.48 percentage points as compared with the same period of the previous year. Although there is an increase in gross profit margin for wind power generation, as the gross profit margin from this sector still below the average gross profit margin with an increase in proportion of revenue, the overall gross profit margin for new energy has declined.

- (4) Revenue from water energy and environmental equipment decreased by 32.89% as compared with the same period of the previous year, mainly due to the decrease in sales revenue from hydropower generation of 44.78%. Meanwhile, gross profit margin for water energy and environmental equipment decreased by 4.69 percentage points as compared with the same period of the previous year, mainly due to the completion of the construction for large-scale hydropower generating units during the Period, resulting in a decrease of 9.64 percentage points for gross profit margin of hydropower products as compared with the same period of the previous year.
- (5) Revenue from engineering and services decreased by 18.67% as compared with the same period of the previous year, mainly due to the decrease in revenue from contracting works of 37.33% as compared with the same period of the previous year. Gross profit margin for engineering and services decreased by 3.22 percentage points as compared with the same period of the previous year, mainly due to the decrease in gross profit margin for contracting works as a result of the decrease in revenue and the increase in products with low gross profit margin recorded during the Period.

## 2. *Principal operations by region*

*Unit: RMB*

<b>Region</b>	<b>Operating revenue</b>	<b>Year-on-year increase/decrease in operating revenue (%)</b>
PRC	15,892,099,466.54	11.80
Overseas	2,131,183,925.99	-41.10
<b>Total</b>	<b>18,023,283,392.53</b>	<b>1.07</b>

### (III) Analysis of Major Subsidiaries and Investees

Unit: RMB100 million

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and sales of steam turbines, water turbine, gas turbines, compressors, fans, pumps and auxiliary equipment, wind turbine generator units, solar and renewable energy; industrial control and automation; the research, design, installation, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and accessories as well as the related import and export business.	18.46	301.79	29.38	68.41	-6.28	-6.00
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipment, generators, AC and DC motors; the design, manufacturing and sales of control equipment; the transformation of power stations, the installation of power station equipment.	20.00	146.48	39.54	24.47	-1.72	-1.47
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste treatment etc).	16.06	234.61	51.94	56.06	0.18	0.27
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%	Manufacture of general equipment. For projects which are subject to approval pursuant to law, they can only be commenced upon obtaining approvals from relevant authorities.	11.51	35.77	16.24	4.23	0.28	0.19
Dongfang Electric Wind Power Co., Ltd.	100%	Design, production, sales and service of wind turbine generator units and introduction, development and application of associated technology; construction and operation of wind farms, manufacturing and sales of components and parts of wind-mill generators; technical service and technical consultation related to manufacturing of fans as well as construction and operation of wind farms; and import and export of wind turbine generator units, components and parts and associated technologies.	8.20	60.22	4.30	17.11	-0.85	-0.82



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

##### 1. Analysis of operating results

Unit: RMB

Item	Amount for the Period	Amount for the same period of the previous year	Year-on-year increase/ decrease (%)
Operating revenue	<b>18,219,614,274.86</b>	18,204,942,335.15	0.08
Selling expenses	<b>510,653,919.48</b>	344,053,310.62	48.42
Administrative expenses	<b>1,467,129,882.99</b>	1,445,572,025.99	1.49
Finance costs	<b>-253,591,430.50</b>	-92,120,758.21	-175.28
Impairment loss of assets	<b>653,993,317.56</b>	117,785,885.71	455.24
Total profit	<b>-343,668,563.43</b>	261,378,645.31	-231.48
Income tax expenses	<b>-6,458,859.87</b>	73,841,548.87	-108.75
Net profit	<b>-337,209,703.56</b>	187,537,096.44	-279.81
Net profit attributable to shareholders of the parent company	<b>-341,652,500.96</b>	168,367,921.40	-302.92

- (1) Operating revenue of the Company for the Period remained at the same level to that for the same period of the previous year.
- (2) Selling expenses of the Company for the Period increased by 48.42% as compared with the same period of the previous year, mainly due to the increase in sales revenue from wind power products and provision for product guarantee deposits.
- (3) Administrative expenses of the Company for the Period increased by 1.49% as compared with the same period of the previous year, mainly due to the increase in research and development expenses of 22.50% as compared with the same period of the previous year.
- (4) Finance costs of the Company for the Period decreased by 175.28% as compared with the same period of the previous year, mainly due to the exchange rate fluctuations and the decrease in interest expenses of 63.24% as compared with the same period of the previous year.
- (5) Impairment loss of assets of the Company increased by 455.24% as compared with the same period of the previous year, mainly due to the increase of aging of accounts receivable for major products of the Company, especially the rapid increase in accounts receivable aging over five years. According to the bad debts provision policy as implemented by the Company, there is a significant increase in bad debts provision for accounts receivable for the Period.
- (6) Total profit of the Company for the Period decreased by 231.48% as compared with the same period of the previous year, while net profit attributable to shareholders of the parent company decreased by 302.92%, mainly due to the decrease in gross profit margin for sales of principal operation of 0.96 percentage point and the increase in provision for impairment loss of assets of 455.24%.



## 2. *Financial Position and analysis of assets, liabilities and shareholders' equity*

As at the end of the Reporting Period, the Company's total assets amounted to RMB85,663 million, decreased by 0.55% as compared with the beginning of the year, mainly due to the decrease in inventory of 4.12%, the decrease in bills receivable of 14.75% and the decrease in prepayments of 19.20%; total liabilities amounted to RMB62,160 million, which is remained at the same level to that for the beginning of the year; and total shareholders' equity amounted to RMB23,503 million, down by 1.98% as compared with the beginning of the year, mainly due to the loss incurred during the Period.

## 3. *Gearing ratio*

Gearing ratio = total liabilities/total assets × 100%

Item	At the end of the Period	At the beginning of the year	Year-on-year increase/decrease (percentage point)
Gearing ratio (%)	<b>72.56</b>	72.16	0.4

## 4. *Bank borrowings*

As at 30 June 2016, the Company had financial institution borrowings of RMB912 million due within one year and RMB727 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB1,476 million were fixed-rate loans. The Company has maintained a favourable credit rating with banks and a sound financing capacity.

## 5. *Exchange risk management*

With the increasing scale of the international operations of the Company, foreign exchange rate risk has become a more important element that affects the Company's operating results. With a view to effectively 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*

(1) At the end of the Period, the Company had pledged borrowings of RMB142 million, which were the borrowings from Dongfang Electric Finance Company Limited by pledging fixed assets and intangible assets of DEC (Wuhan) Nuclear Company, a subsidiary of the Company.

- (2) Hangzhou New Energy Co., Ltd., a subsidiary of the Company, obtained borrowings with maximum credit line of RMB570 million from Dongfang Electric Finance Company Limited by pledging its fixed assets and intangible assets.

## 7. *Asset Pledges*

- (1) Equity Pledge of Hongnijing Wind Power Co., Ltd.

As passed at the fifth meeting of the eighth session of the Board on 8 January 2016, the Company provided guarantee with its 20% equity in Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd. of RMB16 million for Hongnijing leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited. The total estimated rent of the leasing business was RMB342,337,300.

The guarantee scope of the Company mainly includes pre-leasing interest, rent (including rent in advance), overdue interest, compensation paid in advance (if any), default fine, compensation for damage, agreed compensation for damages, retention rate, other payables, expenses paid by the lessor for creditor's rights and/or mortgage (including but not limited to legal fare, arbitration fees, execution fees, notary fees, announcement fees, attorney fees, travel expenses and the fees for auction, assessment, transportation, keeping, maintenance and other costs after retrieval of the leased items under the master contract) and other payables under the Financial Leasing Contract as well as other obligations of the lessee other than the aforesaid payment or compensation obligation under the master contract. In case of non-conclusion, being inoperative, invalidity, partial invalidity, cancellation or termination of the master contract, the guarantee scope shall also include the liabilities of the lessee arising from returning the property to the lessor or indemnifying the lessor.

The guarantee term of the Company is from the effective date of the Equity Pledge Agreement to the date when all liabilities under the Financial Leasing Contract are repaid.

- (2) Equity Pledge of Sanshengtai Wind Power Co., Ltd.

As considered and approved at the tenth meeting of the eighth session of the Board on 27 June 2016, the Company provided guarantee with its 20% equity in Sanshengtai Wind Power Co., Ltd. of RMB16 million for Sanshengtai leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited. The total estimated rent of the leasing business is RMB292,040,000.

The guarantee scope of the Company mainly includes pre-leasing interest, rent (including rent in advance), overdue interest, compensation paid in advance (if any), default fine, compensation for damage, agreed compensation for damages, retention rate, other payables, expenses paid by the lessor for creditor's rights and/or mortgage (including but not limited to legal fare, arbitration fees, execution fees, notary fees, announcement fees, attorney fees, travel expenses and the fees for auction, assessment, transportation, keeping, maintenance and other costs after retrieval of the leased items under the master contract) and other payables under the financial leasing contract as well as other obligations of the lessee other than the aforesaid payment or compensation obligation under the master contract. In case of non-conclusion, being inoperative, invalidity, partial invalidity, cancellation or termination of the master contract, the guarantee scope shall also include the liabilities of the lessee arising from returning the property to the lessor or indemnifying the lessor.

The guarantee term of the Company is from the effective date of the Equity Pledge Agreement to the date when all liabilities under the Financial Leasing Contract are repaid.

- (3) At the end of the Period, the Company had pledged bills receivable of RMB4 million, which was acquired by Shenzhen Dongfang Boiler Control Co., Ltd., a subsidiary of the Company, from Dongfang Electric Corporation Finance Company (hereinafter referred to as "DEC Finance Company") through discounting an outstanding commercial acceptance bill attached with recourse.

#### **(V) Material Events**

There has been no event which materially affected the Company and its subsidiaries since the end of the Reporting Period .

### III. OTHER EVENTS

#### (I) Purchase, sales or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Period.

#### (II) Major Acquisition and Disposal of Subsidiaries and Associates

During the six months ended 30 June 2016, neither the Company's subsidiaries nor its associates was purchased or sold.

#### (III) External Guarantee and Performance

*Unit: RMB*

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)													
Guarantor	Relationship between guarantor and listed company		Guaranteed amount	Date of guarantee (execution date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Is the guarantee fully fulfilled	Is the guarantee overdue	Overdue amount	Any default on guarantee?	Is the guarantee provided to related party?	Related party relationship
	Guaranteed parties	Guaranteed parties											
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000	19 January 2016	19 January 2016	Upon full repayment of loans by the project company	General guarantee	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	Upon full repayment of loans by the project company	General guarantee	No	No	0	No	No	Other
Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)													32,000,000
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)													32,000,000
<b>Guarantee provided by the Company to its subsidiaries</b>													
Total guarantee to subsidiaries incurred during the Reporting Period													0
Total balance of guarantee to subsidiaries as at the end of the Reporting Period (B)													0
<b>Aggregate guarantee of the Company (including those to subsidiaries)</b>													
Aggregate guarantee (A+B)													32,000,000
Percentage of aggregate guarantee to net assets of the Company (%)													0.14%
Representing:													
Amount of guarantee provided for shareholders, controlling shareholders and their related parties (C)													0
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)													0
Excess amount of aggregate guarantee over 50% of net assets (E)													0
Aggregate amount of the above three items (C+D+E)													0
Statement on the contingent joint and several liability in connection with unexpired guarantee													The Company provided financing guarantees for each of the above two companies with its 20% equity interests and derivative interests in each of the two companies. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract are being repaid.
Statement on guarantee													For details on the above guarantees, please refer to the announcements on financial leasing guarantee issued the Company on the website of Shanghai Stock Exchange on 9 January 2016 and 28 June 2016, respectively.

**(IV) Material Litigation, Arbitration and Matters Commonly Questioned By The Media**

During the Period, the Company was not involved in any material litigation, arbitration and matters commonly questioned by the media.

**(V) Employees**

As at 30 June 2016, the Company had 22,934 employees. The Company carried out remuneration management in accordance with management rules for total remuneration, employee salary and labour employees and other relevant systems.

**(VI) Corporate Governance Code**

The Company has fully complied 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 Period.

**(VII) 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, as at 30 June 2016, the Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

**(VIII) Audit Committee**

The Board has set up an audit committee comprising three independent non-executive Directors, namely, Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe. Mr. Xu Haihe, the independent non-executive Director holds the post of the chairman. The audit committee has reviewed the interim results of the Company for the Period, and agreed with the accounting treatment method adopted by the Company.

## **(IX) Information Disclosure**

This results announcement will be available on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>). The interim report of the Company for the period ended 30 June 2016, which contains all information as proposed in the Disclosure of Financial Information set out in 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 of Hong Kong Limited and the Company (<http://dfem.wsfg.hk>) in due course.

By Order of the Board  
**Dongfang Electric Corporation Limited**  
**Zhang Xiaolun**  
*Director*

Chengdu, Sichuan, the People's Republic of China  
26 August 2016

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

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

*Independent Non-executive Directors:* *Chen Zhangwu, Gu Dake and Xu Haihe*