



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

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

2016
INTERIM REPORT



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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

DEC, Company	means	Dongfang Electric Corporation Limited
Controlling Shareholder, Dongfang Electric Corporation	means	Dongfang Electric Corporation
Reporting Period or Period	means	1 January 2016 to 30 June 2016
Articles of Association	means	Articles of Association of Dongfang Electric Corporation Limited
SSE	means	Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
RMB, RMB'0000, RMB100 million	means	Renminbi Yuan, Renminbi '0000, Renminbi 100 million
Convertible Bonds	means	Convertible corporate bonds with a value of RMB4,000 million issued by the Company in July 2014

II COMPANY PROFILE

I. Company Information

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

II. Contact Persons and Methods

	Secretary to the Board of Directors	Representative of securities affairs
Name	Gong Dan	Huang Yong
Contact address	No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province	No. 333 Shuhan Road, Jinniu District, Chengdu City, Sichuan Province
Telephone	028-87583666	028-87583666
Fax	028-87583551	028-87583551
E-mail	dsb@dongfang.com	dsb@dongfang.com

III. Basic Information

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

II COMPANY PROFILE (CONTINUED)

IV. Information Disclosure and Places for Inspection for Relevant Documents

Newspapers designated for disclosure of the Company's information	China Securities Journal and Shanghai Securities News
Website designated by the CSRC for publication of the Company's interim report	www.sse.com.cn
Website of HKEx 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. Share Information

Share Information

Class of shares	Stock exchange on which the shares are listed	Stock abbreviation	Stock code	Stock name before the change
A Shares	SSE	東方電氣	600875	東方電機
H Shares	Stock Exchange	Dongfang Elec	1072	Dongfang Electrical

III SUMMARY OF 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 (January – June)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Operating revenue	18,219,614,274.86	18,204,942,335.15	0.08
Net profit attributable to the shareholders of the Company	-341,652,500.96	168,367,921.40	-302.92
Net profit attributable to the shareholders of the Company after extraordinary profit and loss	-323,941,631.07	156,991,634.10	-306.34
Net cash flow from operating activities	3,146,117,893.88	-996,341,998.43	

	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 last year (%)
Net assets attributable to the shareholders of the Company	22,582,481,010.92	23,051,589,145.83	-2.04
Total assets	85,662,734,170.99	86,134,423,264.67	-0.55

Note: Percentage change will not be filled if the number for the corresponding period last year is negative.

III SUMMARY OF 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 accounting data	Reporting Period (January – June)	Corresponding period last year	Change in the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	-0.15	0.08	-287.50
Diluted earnings per share (RMB/share)	-0.15	0.08	-287.50
Basic earnings per share after extraordinary profit and loss (RMB/share)	-0.14	0.07	-300.00
Weighted average return on net assets (%)	-1.49	0.83	Decreased by 2.32 percentage points
Weighted average return on net assets after extraordinary profit and loss (%)	-1.42	0.78	Decreased by 2.2 percentage points

IV REPORT OF THE BOARD OF DIRECTORS

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

During the Reporting Period, amid adverse economic condition with increasing pressure on macro-economic downturn, in-depth adjustment in the 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 decreased. Moreover, with the slowdown in construction works for some electricity projects, it was 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 was 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; and earnings per share of RMB-0.15. 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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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; 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 endeavored to make some progress in an active manner through its unremitting efforts to secure the market shares in thermal power and nuclear power in China. The Company made a breakthrough in overseas market expansion. It 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 commenced operation.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Market Orders (Continued)

In the first half of the year, the Company's new valid orders amounted to RMB28.5 billion, increased by 32% as compared with the same period of the previous year, of which export orders of approximately RMB2,128 million accounted 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, of 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 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 was self-developed by the Company with the largest individual capacity in China, connected to the grid successfully. The 600 MW 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 passed 168-hour pilot run in succession. A total of 41 generator units of thermal power projects passed 168-hour pilot run. The warrant period of 324 generator units in 10 wind power projects expired.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Production and Engineering Construction (Continued)

The engineering construction was carried out progressively. Our key operation goals were basically achieved. The two generator units of Coastal Project in Vietnam passed operation test, and were 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 were 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, the net cash flow of the Company 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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Commencement of Technology Innovation by Leveraging 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 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 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 inspection and evaluation of the design and construction for CAP1400 master equipment of conventional island, a major national technologic project, were successfully completed by expert teams.

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”. Meanwhile, the market competition will intensify with higher risk exposures.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Outlook for the Second Half of the Year (Continued)

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 in market expansion by gaining orders. The Company 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”.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (Continued)

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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (Continued)

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	3,146,117,893.88	-996,341,998.43	415.77
Cash received from disposal of investments	615,981.31	79,781,534.98	-99.23
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	88,515,201.73	189,572,332.34	-53.31
Cash paid for investment	39,966,755.66	23,627,240.00	69.16
Cash received from borrowings	674,440,000.00	1,155,000,000.00	-41.61
Cash paid for distribution of dividends or profits and for interest expense	40,720,622.15	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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (Continued)

3. Cash flows (Continued)

- (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 resulting 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 decrease in demand for borrowings resulting from sufficient monetary capital 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 resulting from decrease in borrowings for the Period.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. Discussion and Analysis of the Board on the 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 increase/decrease in operating revenue	Year-on-year increase/decrease in operating costs	Year-on-year increase/decrease in gross profit margin (percentage point)
				(%)	(%)	(%)
High-efficient cleaning power generation equipment	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 equipment	693,791,685.47	657,884,045.54	5.18	-32.89	-29.39	-4.69
Engineering and services	<u>2,300,293,124.80</u>	<u>1,980,618,159.11</u>	13.90	-18.67	-15.51	-3.22
Total	<u><u>18,023,283,392.53</u></u>	<u><u>16,049,488,454.55</u></u>	10.95	1.07	2.17	-0.96

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. Discussion and Analysis of the Board on the 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)
 - (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 was an increase in gross profit margin for wind power generation, as the gross profit margin from this sector was still below the average gross profit margin with an increase in proportion of revenue, the overall gross profit margin for new energy declined.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. Discussion and Analysis of the Board on the 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) 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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

2. Principal operations by region

Unit: RMB

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

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(III) Analysis on Assets and Liabilities

1. Analysis on 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 (%)
Financial assets at fair value through profit or loss	53,438,929.00	0.06	36,079,098.10	0.04	48.12
Bills receivable	3,700,678,984.44	4.32	4,340,955,431.92	5.04	-14.75
Inventories	25,790,262,585.32	30.11	26,899,590,387.82	31.23	-4.12
Short-term borrowings	378,500,000.00	0.44	1,642,000,000.00	1.91	-76.95
Tax payable	157,671,099.95	0.18	518,222,871.19	0.60	-69.57
Long-term staff remuneration payable	237,501,089.80	0.28	142,868,920.51	0.17	66.24
Expected liabilities	1,522,323,312.22	1.78	1,330,193,012.30	1.54	14.44

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(III) Analysis on Assets and Liabilities (Continued)

1. Analysis on assets and liabilities (Continued)

- (1) Financial assets at fair value through profit or loss of the Company increased by 48.12% at the end of the Period as compared with the beginning of the Period, mainly due to the increase in book balance as a result of the securities of listed companies newly purchased by the Company during the Period.
- (2) Bills receivable of the Company decreased by 14.75% at the end of the Period as compared with the beginning of the Period, mainly due to the expiry of bills receivable and the endorsement of transfers.
- (3) Short-term borrowings of the Company decreased by 76.95% at the end of the Period as compared with the beginning of the Period, mainly due to the repayment of some short-term borrowings provided that sufficient liquidity was maintained.
- (4) Tax payable of the Company decreased by 69.57% at the end of the Period as compared with the beginning of the Period, mainly due to the decrease in enterprise income tax for the Period.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(III) Analysis on Assets and Liabilities (Continued)

1. Analysis on assets and liabilities (Continued)

- (5) Long-term staff remuneration payable of the Company increased by 66.24% at the end of the Period as compared with the beginning of the Period, mainly due to the increase in provision for retirement benefits for the Period.
- (6) Expected liabilities of the Company increased by 14.44% at the end of the Period as compared with the beginning of the Period, mainly due to the provision for product guarantee deposits in respect of realized sales incurred during the Period.

(IV) Analysis on Core Competitiveness

During the Reporting Period, there are no changes in core competitiveness of the Company.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(V) Analysis on Investment

1. Overall analysis on external equity investment

(1) Securities investment

No.	Security type	Stock code and place of listing	Stock abbreviation	Initial investment amount (RMB)	Number of shares held (shares)	Book value at the end of the Period (RMB)	As a percentage of total securities investment at the end of the Period (%)	Profit or loss for the Reporting Period (RMB)
1	Stock	600011 (Shanghai)	Huaneng International	30,732,595.64	2,802,100	21,071,792.00	39.43	-3,390,541.00
2	Stock	601179 (Shanghai)	China XD	10,107,744.90	1,447,000	7,336,290.00	13.73	-2,517,780.00
3	Stock	000883 (Shenzhen)	Hubei Energy	1,897,910.00	285,400	1,321,402.00	2.47	-430,954.00
4	Stock	600406 (Shanghai)	NARI	15,229,977.58	1,131,400	15,126,818.00	28.31	197,444.64
5	Stock	600900 (Shanghai)	Yangtze Power	2,419,297.00	200,000	2,498,000.00	4.67	77,928.84
6	Stock	600030 (Shanghai)	CITIC Securities	6,309,814.00	374,900	6,084,627.00	11.39	-227,206.14
Other securities investment held at the end of the Reporting Period					/			
Profit or loss arising from disposal of securities investment during the Reporting Period				/	/	/	/	0
Total				<u>66,697,339.12</u>	<u>/</u>	<u>53,438,929.00</u>	<u>100</u>	<u>-6,291,107.66</u>

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(V) Analysis on Investment (Continued)

1. Overall analysis on external equity investment (Continued)

(2) Equity interest held in other listed companies

The Company did not hold any equity interest in other listed companies during the Reporting Period.

2. Wealth management entrustment of non-financial companies and derivative investment

(1) Wealth management entrustment

The Company did not have any wealth management entrustment during the Reporting Period.

(2) Loan entrustment

The Company did not have any loan entrustment during the Reporting Period.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(V) Analysis on Investment (Continued)

3. Use of proceeds

(1) Overall use of proceeds from fund raising

Unit: RMB

Year of fund raising	Method of fund raising	Total amount of proceeds	Total amount of proceeds used in the Reporting Period	Accumulated total amount of proceeds used	Total amount of unused proceeds	Use and intended use of unused proceeds
2014	Issuance of Convertible Bonds	3,964,271,200.00	77,737,804.66	2,622,545,254.73	1,341,725,945.27	As of 30 June 2016, unused proceeds were deposited in each of the accounts for proceeds, except for the idle amount of RMB160 million being temporarily used for replenishment of liquidity as considered and approved at the fourth meeting of the eighth session of the Board. No fund is used in the project not financed by proceeds.
Total	/	<u>3,964,271,200.00</u>	<u>77,737,804.66</u>	<u>2,622,545,254.73</u>	<u>1,341,725,945.27</u>	/

Explanation on overall use of proceeds from fund raising It will be used on the projects to be financed by the proceeds according to the plan.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(V) Analysis on Investment (Continued)

4. 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, (desulfurization, 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

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(V) Analysis on Investment (Continued)

4. Analysis of Major Subsidiaries and Investees (Continued)

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
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 REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(VI) 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	18,219,614,274.86	18,204,942,335.15	0.08
Selling expenses	510,653,919.48	344,053,310.62	48.42
Administrative expenses	1,467,129,882.99	1,445,572,025.99	1.49
Finance costs	-253,591,430.50	-92,120,758.21	-175.28
Impairment loss of assets	653,993,317.56	117,785,885.71	455.24
Total profit	-343,668,563.43	261,378,645.31	-231.48
Income tax expenses	-6,458,859.87	73,841,548.87	-108.75
Net profit	-337,209,703.56	187,537,096.44	-279.81
Net profit attributable to shareholders of the parent company	-341,652,500.96	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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

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

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

1. Analysis of operating results (Continued)

- (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 such as wind power products, especially the rapid increase in accounts receivable aging over five years. According to the bad debts provision policy as implemented by the Company, there was 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%.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

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 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 Period	Year-on-year increase/decrease (percentage point)
Gearing ratio (%)	72.56	72.16	0.4

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

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 were mainly dominated in RMB. In particular, RMB1,476 million were fixed-rate loans. The Company had 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 reducing the impact of fluctuations in foreign currency exchange rates on the Company's financial position and operating results, the Company prudently adopts exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

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

7. Asset Pledges

- (1) Equity Pledge of Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd. ("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 Hongnijing Wind Power Co., Ltd. of RMB16 million for Hongnijing Wind Power Co., Ltd. leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited. The total estimated rent of the leasing business was RMB342,337,300.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

7. Asset Pledges (Continued)

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

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.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

7. Asset Pledges (Continued)

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

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 Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. (“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 Wind Power Co., Ltd. leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited. The total estimated rent of the leasing business is RMB292,040,000.

IV REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

7. Asset Pledges (Continued)

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

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.

IV REPORT OF THE BOARD OF DIRECTORS (*CONTINUED*)

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

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

7. Asset Pledges (*Continued*)

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

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 Finance Company through discounting an outstanding commercial acceptance bill attached with recourse.

8. Contingency

Please see note XII of the Financial Statements.

IV REPORT OF THE BOARD OF DIRECTORS (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 2015 was determined on the basis of 2,336,900,368 shares in the total share capital of the Company. A cash dividend of RMB0.60 per 10 shares (tax inclusive) was declared, totaling RMB140,214,022.08. The Company's profit distribution plan for 2015, which was considered and approved at the 2015 annual general meeting of the Company on 24 May 2016 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

The Company did not have any plan for profit distribution or capitalization of capital reserve during the Reporting Period.

III. Other Disclosure

(I) Explanation of the Board and the Supervisory Committee on "non-standard audit report" of accountant

✓ Not applicable

V SIGNIFICANT EVENTS

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

The Company was not involved in any material litigation, arbitration or matters commonly questioned by the media during the Reporting Period.

II. Bankruptcy and Reorganization

The Company was not involved in any bankruptcy or reorganization during the Reporting Period.

III. Asset Transaction and Business Merger

✓ Not applicable

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

✓ Not applicable

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) as at 31 December 2012.

V SIGNIFICANT EVENTS (CONTINUED)

IV. Share Option Incentives Adopted by the Company and the Effects Thereof (Continued)

One third of the H share appreciation rights granted by the Company to incentive recipients took effect and entered vesting period from 14 December 2014. None of incentive recipients exercise such rights during the Reporting Period. The Company convened the 21st meeting of the seventh session of the Board on 27 March 2015, at which the Resolution in Relation to the Adjustment to Quantity and Exercise Price of H share appreciation rights of the Company and the Exercise Methods in the Exercise Period was considered and approved. As the Company distributed cash dividends for 2012 and 2013 and implemented conversion of the Convertible Bonds to shares (additional issue), resignation of incentive recipients and so forth upon the implementation of H share appreciation rights scheme, the Company was agreed to adjust the quantity of incentive recipients to 171, adjust the quantity of granted H share appreciation rights to 18,589,100 shares, representing 0.7955% of the current total share capital of the Company (2,336,900,368 shares) and adjust the exercise price of share appreciation rights from HK\$15.14 to HK\$14.82 according to the H Share Appreciation Rights Scheme of the Company and the supporting system.

Since the 2014 annual performance evaluation indicators under the H share appreciation rights scheme did not achieve the target value, one third of the H share appreciation rights granted by the Company to incentive recipients had been invalid on 14 December 2015. Pursuant to the requirements of ASBE 11 – Share-based Payment (《企業會計準則第11號—股份支付》), incentive funds of RMB0 were provided during the Reporting Period with accumulated provision for incentive funds of RMB0.

V SIGNIFICANT EVENTS (CONTINUED)

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

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

V SIGNIFICANT EVENTS (*CONTINUED*)

V. 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) 2015–2017 Purchase and Production Services Framework Agreement

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

V SIGNIFICANT EVENTS (*CONTINUED*)

V. 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) 2015–2017 Sales and Production Services Framework Agreement

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

V SIGNIFICANT EVENTS (*CONTINUED*)

V. 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) 2015–2017 Combined Ancillary Services Framework Agreement

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

V SIGNIFICANT EVENTS (CONTINUED)

V. 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)

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

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

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

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

(6) 2015–2017 Financial Services Framework Agreement

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

V SIGNIFICANT EVENTS (CONTINUED)

V. 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)

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 SSE and the Stock Exchange on 30 October 2014 and 7 November 2014.

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

V SIGNIFICANT EVENTS (*CONTINUED*)

V. 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*)

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 of 30 June 2016, the specific amounts of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

V SIGNIFICANT EVENTS (CONTINUED)

V. 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 the connected transactions as at 30 June 2016 and the annual caps for 2016

Unit: RMB'000

Name of agreement	Total actual amount as at 30 June 2016	Proposed annual cap for 2016
Purchase and Production Services Framework Agreement	998,916.50	4,000,000
Sales and Production Services Framework Agreement	45,636.00	1,050,000
Combined Ancillary Services Framework Agreement (receipt of services)	5,085.20	150,000
Combined Ancillary Services Framework Agreement (provision of services)	0.00	10,000
Properties and Equipment Framework Lessee Agreement	22,728.60	100,000
Properties and Equipment Framework Lessor Agreement	19.60	10,000
Financial Services Framework Agreement	12,148,284.40	12,500,000
	(deposit plus interest income)	(deposit plus interest income)
	2,991,737.40	12,500,000
	(loans plus interest expense)	(loans plus interest expense)

V SIGNIFICANT EVENTS (CONTINUED)

VI. Material Contracts and Performance thereof

(I) Trusteeship, contracting and leasing

✓ Not applicable

(II) Guarantee

✓ Applicable

Unit: RMB

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

Guarantor	Relationship between guarantor and listed company	Guaranteed parties	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
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Energy Power Hongjijing Wind Power Co., Ltd.	16,000,000	19 January 2016	19 January 2016	Upon full repayment of liabilities under the contract	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Mengeng Sanshengjial Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	Upon full repayment of liabilities under the contract	General pledge	No	No	0	No	No	Other

V SIGNIFICANT EVENTS (CONTINUED)

VI. Material Contracts and Performance thereof (Continued)

(II) Guarantee (Continued)

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

Guarantee provided by the Company to its subsidiaries

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

Aggregate guarantee of the Company (including those to subsidiaries)

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 the above two companies with its 20% equity interests and derivative interests in 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 SSE on 9 January 2016 and 28 June 2016, respectively.

V SIGNIFICANT EVENTS (CONTINUED)

VI. Material Contracts and Performance thereof (Continued)

(III) Other material contracts or transactions

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

VII. Performance of Undertakings

✓ Not applicable

VIII. Appointment or Dismissal of Auditors

Whether changed the auditor or not:	No
Domestic auditor	Current auditor ShineWing Certified Public Accountants (Special General Partnership)

IX. 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 were subject to any investigation, administrative punishment, or public reprimand from the China Securities Regulatory Commission or any public censure by SSE.

X. CORPORATE GOVERNANCE

The Company focuses on continuous optimization and improvement of corporate governance level and ensures compliance operation of the Company as well as sustainable healthy development. During the Reporting Period, the Company complied with 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 regulatory documents of the China Securities Regulatory Commission.

V SIGNIFICANT EVENTS (CONTINUED)

XI. EMPLOYEES

As of 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 as well as management measures for labor employees and other relevant systems.

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

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

XIII. 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 Reporting Period.

XIV. 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 during the Reporting Period, 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.

V SIGNIFICANT EVENTS (CONTINUED)

XV. 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 position of the chairman. The audit committee has reviewed the 2016 interim report of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

XVI. INFORMATION DISCLOSURE

The interim report of the Company for the six months ended 30 June 2016, 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, has been 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 SHARES AND PARTICULARS OF SHAREHOLDERS

I. Changes in Share Capital

(I) Table of changes in shares (as of 30 June 2016)

1. Explanation on changes in shares

There was no change in shares during the Reporting Period.

VI CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

I. Changes in Share Capital (Continued)

(I) Table of changes in shares (as of 30 June 2016) (Continued)

2. Total number of shares and the structure of share capital of the Company

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

II. Particulars of Shareholders (As of 30 June 2016)

(I) Total number of shareholders:

Total number of shareholders as of the end of the Reporting Period (shareholder) 140,448

Total number of shareholders of preference shares with recovered voting rights as of the end of the Reporting Period (shareholder) 0

VI CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. Particulars of Shareholders (As of 30 June 2016) (Continued)

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

Unit: share

Shareholdings of top 10 shareholders

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
Dongfang Electric Corporation	0	974,016,763	41.68	0	Nil		State-owned legal person
HKSCC Nominees Limited	-2,400	338,222,297	14.47	0	Unknown		Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	49,648,500	2.12	0	Unknown		Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限公司)	0	22,645,600	0.97	0	Unknown		Others
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others
Dacheng Fund – Agricultural Bank – Dacheng China Securities and Financial Assets Management Program (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others

VI CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. Particulars of Shareholders (As of 30 June 2016) (Continued)

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

Unit: share

Shareholdings of top 10 shareholders (Continued)

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen		
					Status of shares	Number of shares	Type of shareholder
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金－農業銀行－南方中證金融資資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金－農業銀行－易方達中證金融資資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others
Zhong Ou Fund – Agricultural Bank-Zhong Ou China Securities and Financial Assets Management Program (中歐基金－農業銀行－中歐中證金融資資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others

Connected relationship or connected party relationship among the above shareholders

The Company did not discover any connected relationship or connected party relationship between top ten shareholders and top ten holders of tradable shares.

VI CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

II. Particulars of Shareholders (As of 30 June 2016) (Continued)

(III) Change in Controlling Shareholder and De Facto Controller

There was no change in the controlling shareholder or de facto controller of the Company during the Reporting Period.

III. Particulars of Shareholdings of Disclosed According to Regulations on H Shares

Interests of substantial shareholders

As at 30 June 2016, to the best of the directors' knowledge, having made all reasonable enquiries, the following person(s), as the substantial shareholder(s), had or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong):

VI CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

III. Particulars of Shareholdings of Disclosed According to Regulations on H Shares (Continued)

Interests of substantial shareholders (Continued)

Name	Share class	Capacity	Number of shares held	Percentage of total share capital (%)	Percentage in the respective class of share capital (%)
Dongfang Electric Corporation	A share	Beneficial owner	974,016,763 (L)	41.68 (L)	48.78 (L)
BlackRock, Inc.	H share	Interest of controlled corporation	17,452,370 (L)	0.75 (L)	5.13 (L)

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

Notes:

- The above interests held by Dongfang Electric Corporation reflected its latest disclosure of interests of substantial shareholder under the Securities and Futures Ordinance.
- The above percentage of total share capital and the percentage in the respective class of share capital were calculated on the basis of total share capital and respective class of share capital of the Company as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, the Company did not record other interests (including derivative interests) or short position in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance.

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 2016, the interests and short positions of the directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the 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 (Resigned on 25 May 2016)	0	0	0	
Zhang Xiaolun	Director	0	0	0	
Wen Shugang	Director, President	0	0	0	
Huang Wei	Director	0	0	0	
Zhu Yuanchao	Director	0	0	0	
Zhang Jilie	Director	0	0	0	
Chen Zhangwu	Independent Non-executive Director	0	0	0	
Gu Dake	Independent Non-executive Director	0	0	0	
Xu Haihe	Independent Non-executive Director	0	0	0	
Wen Limin	Chairman of Supervisory Committee	0	0	0	
Wang Zaiqiu	Supervisor	0	0	0	
Wang Congyuan	Supervisor	0	0	0	
Zhang Zhiying	Executive Vice President	0	0	0	
Han Zhiqiao	Vice President	2,540	2,540	0	
Gong Dan	Chief Accountant, Secretary to the Board	2,540	2,540	0	
Chen Huan	Vice President	0	0	0	
Gao Feng	Vice President	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)*

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

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

None of the directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right before 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the directors, supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associate corporations (within the meaning under Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the 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

On 25 May 2016, the Company convened the ninth meeting of the eighth session of the Board, at which the Resolution in Relation to the Resignation of Mr. Si Zefu and the Election of a Director to Assume the Duties of Chairman was approved. Due to job reallocation, Mr. Si Zefu tendered his resignation to the Board of the Company on 25 May 2016 to resign as the chairman of the Board, a director of the Company, the chairman of the Strategic Development Committee of the Board and a member of the Nomination Committee. According to the Articles of Association, the resignation of Mr. Si Zefu became effective from the date upon the receipt of such resignation by the Board. The Board would like to take this opportunity to express its gratitude to Mr. Si Zefu for his outstanding contributions to the Company during his tenure.

The Board meeting also considered and approved the appointment of Mr. Zhang Xiaolun, a director of the Company, to assume the duties of chairman temporarily until a new chairman was elected.

VIII FINANCIAL STATEMENTS (PLEASE SEE THE CD-ROM ATTACHED)

IX DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Copy of the 2016 Interim Report signed by Mr. Zhang Xiaolun, a director 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

Zhang Xiaolun

Director

26 August 2016



Dongfang Electric Corporation Limited

2016 Interim Financial Report
(unaudited)

26 August 2016

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Consolidated Balance Sheet

Prepared by: Dongfang Electric Corporation Limited

30 June 2016

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
Current assets:			
Monetary fund	VI.1	23,112,809,524.38	21,087,539,125.49
Balances with clearing companies			
Placements with banks and other financial institutions			
Financial assets at fair value through profit or loss	VI.2	53,438,929.00	36,079,098.10
Derivative Financial assets			
Bills receivable	VI.3	3,700,678,984.44	4,340,955,431.92
Trade receivables	VI.4	17,488,729,890.58	17,290,192,715.92
Prepayments	VI.5	2,666,333,337.99	3,299,961,538.85
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interests receivable	VI.6	295,476,116.19	297,206,934.58
Dividends receivable			
Other receivables	VI.7	349,119,930.66	366,296,279.41
Financial assets purchased under agreements to resell			
Inventories	VI.8	25,790,262,585.32	26,899,590,387.82
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		230,942,263.43	335,373,683.92
Total current assets		73,687,791,561.99	73,953,195,196.01
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	VI.9	3,100,000.00	3,100,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI.10	1,224,830,900.39	1,066,013,723.84
Investment properties	VI.11	68,761,760.47	70,560,947.99
Fixed assets	VI.12	7,740,717,853.92	8,099,246,237.21
Construction in progress	VI.13	418,400,309.85	447,801,742.11
Construction materials		113,464.96	113,464.96
Disposal of fixed assets		13,938.03	24,979.33
Productive biological assets			
Oil and gas assets			
Intangible Assets	VI.14	923,632,360.67	946,229,278.85
Development expenses			
Goodwill			
Long-term deferred expenditures	VI.15	269,250.24	344,000.22
Deferred income tax assets	VI.16	1,594,610,991.12	1,547,269,129.51
Other non-current assets		491,779.35	524,564.64
Total non-current assets		11,974,942,609.00	12,181,228,068.66
Total assets		85,662,734,170.99	86,134,423,264.67

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Consolidated Balance Sheet (Continued)

Prepared by: Dongfang Electric Corporation Limited

30 June 2016

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
Current liabilities:			
Short-term borrowings	VI.17	378,500,000.00	1,642,000,000.00
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial			
Financial liabilities at fair value through profit or loss		3,790,106.14	5,853,124.58
Derivative financial liabilities			
Bills payable	VI.18	4,403,940,418.76	4,657,772,328.81
Accounts payable	VI.19	17,288,454,728.55	15,179,533,382.72
Receipts in advance	VI.20	33,960,642,361.25	34,846,467,692.38
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable	VI.21	438,137,730.76	396,074,204.46
Taxes payable	VI.22	157,671,099.95	518,222,871.19
Interests payable	VI.23		1,776,111.10
Dividends payable	VI.24	144,657,933.85	3,144,122.09
Other payables	VI.25	1,761,649,725.51	1,774,765,747.04
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year	VI.26	533,420,000.00	354,320,000.00
Other current liabilities	VI.27	90,266,620.83	103,512,042.66
Total current liabilities:		59,161,130,725.60	59,483,441,627.03
Non-current liabilities:			
Long-term borrowings	VI.28	726,660,000.00	718,820,000.00
Debentures payable			
Including: Preference shares			
Perpetual liabilities			
Long-term payables	VI.29	28,278,602.90	
Long term accrued payroll	VI.30	237,501,089.80	142,868,920.51
Special payables	VI.31	58,102,614.63	58,062,614.63
Estimated liabilities	VI.32	1,522,323,312.22	1,330,193,012.30
Deferred income	VI.33	410,695,209.46	408,634,664.10
Deferred income tax liabilities	VI.16	14,811,729.74	14,813,276.16
Other non-current liabilities			
Total non-current liabilities		2,998,372,558.75	2,673,392,487.70
Total liabilities		62,159,503,284.35	62,156,834,114.73
Shareholders' equity:			
Share capital	VI.34	2,336,900,368.00	2,336,900,368.00
Other equity instrument			
Including: Preference shares			
Perpetual liabilities			
Capital reserve	VI.35	8,828,516,983.85	8,828,516,983.85
Less: Treasury shares			
Other comprehensive	VI.36	-33,856,483.93	-34,093,733.04
Special reserve	VI.37	45,688,540.62	33,167,401.60
Surplus reserve	VI.38	730,751,423.51	730,751,423.51
General risk provision			
Undistributed profit	VI.39	10,674,480,178.87	11,156,346,701.91
Total equity attributable to shareholders of the Parent Company		22,582,481,010.92	23,051,589,145.83
Minority interests	VI.40	920,749,875.72	926,000,004.11
Total shareholders' equity		23,503,230,886.64	23,977,589,149.94
Total liabilities and shareholders' equity		85,662,734,170.99	86,134,423,264.67

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Balance Sheet of the Parent Company

Prepared by: Dongfang Electric Corporation Limited

30 June 2016

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
Current assets:			
Monetary fund		8,526,559,056.26	7,514,610,838.61
Financial assets at fair value through profit or loss		53,438,929.00	36,068,759.00
Derivative financial assets			
Bills receivable		160,000,795.00	386,376,590.50
Accounts receivables	XVI.1	5,586,431,539.74	5,571,352,222.71
Prepayments		10,578,491,957.99	12,140,191,338.69
Interests receivable		1,565,295.84	18,120,377.78
Dividends receivable		131,436,444.73	131,436,444.73
Other receivables	XVI.2	6,250,451,055.69	6,215,312,953.39
Inventories		2,072,512,945.44	1,424,153,310.29
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		399,780,373.17	647,969,236.34
Total current assets		33,760,668,392.86	34,085,592,072.04
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI.3	10,620,421,358.90	10,559,843,563.61
Investment properties		15,102,217.91	15,658,898.04
Fixed assets		6,787,720.26	8,562,532.97
Construction in progress		447,768.77	135,922.33
Construction materials			
Disposal of fixed assets		5,057.33	24,979.33
Productive biological assets			
Oil and gas assets			
Intangible Assets		11,547,743.03	12,566,992.92
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		223,672,339.26	203,043,329.94
Other non-current assets			
Total non-current assets		10,877,984,205.46	10,799,836,219.14
Total assets		44,638,652,598.32	44,885,428,291.18

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Balance Sheet of the Parent Company (Continued)

Prepared by: Dongfang Electric Corporation Limited

30 June 2016

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss		1,085,960.45	
Derivative financial liabilities			
Bills payable			
Accounts payables		7,709,918,629.21	6,536,829,028.27
Receipts in advance		16,688,350,295.78	18,411,949,106.94
Staff remuneration payable		9,977,836.35	9,724,290.17
Taxes payable		2,754,188.30	107,266,289.32
Interests payable			
Dividends payable		140,214,022.08	
Other payables		1,423,213,532.88	1,400,746,598.40
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities		136,760.69	148,521.37
Total current liabilities		25,975,651,225.74	26,466,663,834.47
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: Preference shares			
Perpetual liabilities			
Long-term payables			
Long-term remuneration payable			
Special payables			
Estimated liabilities		108,130,000.00	108,130,000.00
Deferred income		5,588,632.91	3,738,056.91
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		113,718,632.91	111,868,056.91
Total liabilities		26,089,369,858.65	26,578,531,891.38
Shareholders' equity:			
Share capital		2,336,900,368.00	2,336,900,368.00
Other equity instrument			
Including: Preference shares			
Perpetual liabilities			
Capital reserve		8,891,700,256.53	8,891,700,256.53
Less: Treasury shares			
Other Comprehensive income			
Special reserve			
Surplus reserve		1,019,114,539.94	1,019,114,539.94
Undistributed profit		6,301,567,575.20	6,059,181,235.33
Total Shareholders' Equity		18,549,282,739.67	18,306,896,399.80
Total Liabilities and Shareholders' Equity		44,638,652,598.32	44,885,428,291.18

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Consolidated Income Statement

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	Notes	Amount for the Period	Amount for the last period
I. Total revenue from operations		18,219,614,274.86	18,204,942,355.15
Including: Revenue from operations	VI.44	18,219,614,274.86	18,204,942,335.15
Interest income			
Insurance premiums earned			
Income from fees and commissions			
II. Total cost of operations		18,696,866,748.98	17,996,770,209.86
Including: Cost of operations	VI.44	16,209,034,955.29	16,035,352,153.72
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	VI.45	109,646,104.16	146,127,592.03
Selling expenses	VI.46	510,653,919.48	344,053,310.62
Administrative expenses	VI.47	1,467,129,882.99	1,445,572,025.99
Finance costs	VI.48	-253,591,430.50	-92,120,758.21
Impairments loss of assets	VI.49	653,993,317.56	117,785,885.71
Add: Gain from change in fair value (loss is represented by "-")	VI.50	-4,536,239.24	-107,382.61
Gain from investment (loss is represented by "-")	VI.51	138,652,817.08	53,752,865.84
Including: Gain from investment in associates and joint ventures		142,817,176.55	30,456,833.57
Exchange gain (loss is represented by "-")			
III. Operating profit (loss is represented by "-")		-343,135,896.28	261,817,608.52
Add: Non-operating income	VI.52	52,502,105.85	47,503,584.30
Including: Gain from disposal of non-current assets		1,473,810.12	2,604,584.31
Less: Non-operating expense	VI.53	53,034,773.00	47,942,547.51
Including: Loss from disposal of non-current assets		621,148.80	3,512,621.42
IV. Total profit (total loss is represented by "-")		-343,668,563.43	261,378,645.31
Less: Income tax expense	VI.54	-6,458,859.87	73,841,548.87
V. Net profit (net loss is represented by "-")		-337,209,703.56	187,537,096.44
Net profit attributable to the shareholders of the Parent Company		-341,652,500.96	168,367,921.40
Minority interests		4,442,797.40	19,169,175.04
VI. Net amount of other comprehensive income, net of tax	VI.56	237,078.38	-1,816,847.72
Other comprehensive income attributable to owners of the Parent Company, net of tax		237,249.11	-1,816,847.72
(1) 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			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		237,249.11	-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. Fair value gains/(losses) on 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		237,249.11	-1,816,847.72
6. Others			
Other comprehensive income attributable to minority interests, net of tax		-170.73	
VII. Total comprehensive income		-336,972,625.18	185,720,248.72
Total comprehensive income attributable to the shareholders of the Parent Company		-341,415,251.85	166,551,073.68
Total comprehensive income attributable to minority interests		4,442,626.67	19,169,175.04
VIII. Earnings per share:			
(I) Basic earnings per share	VI.55	-0.15	0.08
(II) Diluted earnings per share	VI.55	-0.15	0.08

For the business combination under common control occurred during the year, the net profit of the combined party before the combination was RMB_____, while the net profit of the combined party in the previous year was RMB_____.

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Income Statement of the Parent Company

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	Notes	Amount for the Period	Amount for the last period
I. Operating income	XVI.4	9,731,852,673.08	8,332,835,970.93
Less: Cost of operations	XVI.4	9,447,188,729.66	8,078,567,258.58
Business tax and surcharges		614,681.66	3,237,280.39
Selling expenses		16,217,331.20	19,920,331.95
Administrative expenses		58,189,475.18	62,800,852.69
Finance costs		-104,498,540.95	-45,919,009.57
Impairments loss of assets		128,013,034.39	94,503,136.60
Add: Gain from change in fair value (loss is represented by "-")		-7,674,879.03	-8,388,554.34
Gain from investment (loss is represented by "-")	XVI.5	191,085,334.13	431,792,729.15
Including: Gain from investment in associates and joint ventures		44,577,795.29	24,794,057.94
II. Operating profit (loss is represented by "-")		369,538,417.04	533,130,295.10
Add: Non-operating income		205,048.77	750,474.68
Including: Gain from disposal of non-current assets			
Less: Non-operating expense		40,248.04	336,919.96
Including: Loss from disposal of non-current assets		21,573.99	377.49
III. Total profit (total loss is represented by "-")		369,703,217.77	533,543,849.82
Less: Income tax expense		-12,897,144.18	-2,270,680.83
IV. Net profit (net loss is represented by "-")		382,600,361.95	535,814,530.65
V. Other comprehensive income, net of tax :			
(1) 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			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
1. Share of other comprehensive income of the investees which can be reclassified into profit or loss under equity method			
2. Fair value gains/(losses) on 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			
6. Others			
VI. Total comprehensive income		382,600,361.95	535,814,530.65
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Consolidated Cash Flow Statement

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	Notes	Amount for the Period	Amount for the last period
I. Cash flow generated from operating activities:			
Cash received from sale of goods and of rendering services		17,357,418,768.67	15,693,980,912.84
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from banks and other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase from disposal of financial assets at fair value through gains and loss			
Cash from interests, auxiliary expenses and commissions			
Net increase of placements from banks and other financial institutions			
Net increase in repurchase business capital			
Received tax rebates		80,266,263.37	132,159,028.08
Other cash received from operating activities	VI.57	364,549,415.77	509,008,639.52
Sub-total of cash inflows from operating activities		17,802,234,447.81	16,335,148,580.44
Cash paid for goods and services		10,903,344,812.35	13,059,525,933.67
Net increase in customer loans and advances			
Net increase in deposits with PBOC and interbank deposits			
Cash paid for compensation payments under original insurance contract			
Cash paid for interest, fees and commissions			
Cash flow policy dividend			
Cash paid to and on behalf of employees		1,388,235,070.11	1,459,308,076.07
Various taxes paid		1,522,813,607.59	1,812,496,973.36
Other cash payments relating to operating activities	VI.57	841,723,063.88	1,000,159,595.77
Sub-total of cash outflows from operating activities		14,656,116,553.93	17,331,490,578.87
Net cash flow from operating activities		3,146,117,893.88	-996,341,998.43
II. Cash flow generated from investing activities:			
Cash received from disposal of investments		615,981.31	79,781,534.98
Cash received from gains in investment		315,478.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		133,488.30	2,996,011.00
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		1,064,947.61	82,777,545.98
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		88,515,201.73	189,572,332.34
Cash paid for investment		39,966,755.66	23,627,240.00
Net 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		128,481,957.39	213,199,572.34
Net cash flow generated from investing activities		-127,417,009.78	-130,422,026.36
III. Net cash flow generated from financing activities:			
Proceeds received from financing activities			201.12
Including: Proceeds received by subsidiaries from minority shareholders' investment			201.12
Cash received from borrowings		674,440,000.00	1,155,000,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		674,440,000.00	1,155,000,201.12
Cash repayments of borrowings		1,745,000,000.00	1,463,897,000.00
Dividends paid, profit distributed or interest paid		40,720,622.15	71,854,115.04
Including: Dividend and profit paid by subsidiaries to minority shareholders		8,311,143.46	8,359,261.37
Other cash paid for financing-related activities		2,209,834.60	
Sub-total of cash outflows from financing activities		1,787,930,456.75	1,535,751,115.04
Net cash flow generated from financing activities		-1,113,490,456.75	-380,750,913.92
IV. Effects of exchange rate fluctuation on cash and cash equivalents		118,343,865.92	-8,621,759.57
V. Net increase in cash and cash equivalents		2,023,554,293.27	-1,516,136,698.28
Add: Cash and cash equivalents at the beginning of the Period		21,066,533,111.81	17,802,441,129.06
VI. Cash and cash equivalents at the end of the Period		23,090,087,405.08	16,286,304,430.78

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Cash Flow Statement of the Parent Company

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	Notes	Amount for the Period	Amount for the last period
I. Cash flow generated from operating activities:			
Cash received from sale of goods and of rendering services		7,057,888,123.13	6,639,208,986.07
Received tax rebates		79,295,755.56	118,213,956.48
Other cash received from operating activities	XVI.6	260,294,208.75	312,551,546.25
Sub-total of cash inflows from operating activities		7,397,478,087.44	7,069,974,488.80
Cash paid for goods and services		6,201,272,897.44	7,655,488,895.08
Cash paid to and on behalf of employees		66,005,725.61	61,570,018.19
Various taxes paid		163,561,869.37	80,809,305.31
Other cash payments relating to operating activities	XVI.6	304,912,112.79	488,514,132.93
Sub-total of cash outflows from operating activities		6,735,752,605.21	8,286,382,351.51
Net cash flow from operating activities		661,725,482.23	-1,216,407,862.71
II. Cash flow generated from investing activities:			
Cash received from disposal of investments		460,000,000.00	1,617,375,029.84
Cash received from gains in investment		146,515,205.92	399,189,735.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,700.00	
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		606,516,905.92	2,016,564,765.59
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		664,068.00	2,926,911.00
Cash paid for investment		339,966,755.66	1,953,627,240.00
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		340,630,823.66	1,956,554,151.00
Net cash flow generated from investing activities		265,886,082.26	60,010,614.59
III. Net cash flow generated from financing activities:			
Proceeds received from financing activities			
Cash received from borrowings			
Cash received from issuing bonds			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities			
Cash repayments of borrowings			3,497,000.00
Dividends paid, profit distributed or interest paid			8,498.32
Other cash paid for financing-related activities			
Sub-total of cash outflows from financing activities			3,505,498.32
Net cash flow generated from investing activities			-3,505,498.32
IV. Effects of exchange rate fluctuation on cash and cash equivalents		84,336,653.16	380,165.63
V. Net increase in cash and cash equivalents		1,011,948,217.65	-1,159,522,580.81
Add: Cash and cash equivalents at the beginning of the Period		7,507,119,838.61	6,604,338,925.64
VI. Cash and cash equivalents at the end of the Period		8,519,068,056.26	5,444,816,344.83

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Consolidated Statement of Changes in Shareholders' Equity

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	This year													
	Shareholders' Equity Attributed to the Parent Company											Minority interest	Total owners' equity	
	Share Capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit			Others
Preference shares		Perpetual liabilities	Others											
I. Balance at the end of last year	2,336,900,368.00				8,828,516,983.85		-34,093,733.04	33,167,401.60	730,751,423.51		11,156,346,701.91		926,000,004.11	23,977,589,149.94
Add: Changes in accounting policies														
Effects of correction of prior errors														
Acquisition of a subsidiary under common control														
Others														
II. Balance at the beginning of the year	2,336,900,368.00				8,828,516,983.85		-34,093,733.04	33,167,401.60	730,751,423.51		11,156,346,701.91		926,000,004.11	23,977,589,149.94
III. Increase/decrease in the Period (decrease represented by "-")							237,249.11	12,521,139.02			-481,866,523.04		-5,250,128.39	-474,358,263.30
(I) Other comprehensive income							237,249.11				-341,652,500.96		4,442,626.67	-336,972,625.18
(II) Shareholders' contribution and decrease in capital														
1. Shareholders' capital contribution														
2. Capital contributed by owners of other equity instruments														
3. Share-based payments credited to shareholders' equity														
4. Others														
(III) Profit distribution											-140,214,022.08		-9,864,255.12	-150,078,277.20
1. Appropriation to surplus reserve														
2. General risk provision														
3. Distribution to owners (or shareholders)											-140,214,022.08		-9,864,255.12	-150,078,277.20
4. Others														
(IV) 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														
(V) Special reserve								12,521,139.02					745,480.42	13,266,619.44
1. Amount withdrawn in the Period								24,559,779.02					1,503,856.34	26,063,635.36
2. Amount utilized in the Period								-12,038,640.00					-758,375.92	-12,797,015.92
(VI) Others													-573,980.36	-573,980.36
IV. Balance at the end of the Period	2,336,900,368.00				8,828,516,983.85		-33,856,483.93	45,688,540.62	730,751,423.51		10,674,480,178.87		920,749,875.72	23,503,230,886.64

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Consolidated Statement of Changes in Shareholders' Equity (Continued)

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	Last year													Minority interest	Total owners' equity
	Shareholders' Equity Attributed to the Parent Company											Others			
	Share capital	Other equity instrument			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit				
Preference shares		Perpetual liabilities	Others												
I. Balance at the end of last year	2,003,860,000.00				5,895,507,792.32		-35,879,992.16	22,258,212.85	674,102,684.70		10,984,243,829.02		925,173,104.59	20,469,265,631.32	
Add: Changes in accounting policies															
Effects of correction of prior errors															
Acquisition of a subsidiary under common control															
Others															
II. Balance at the beginning of the year	2,003,860,000.00				5,895,507,792.32		-35,879,992.16	22,258,212.85	674,102,684.70		10,984,243,829.02		925,173,104.59	20,469,265,631.32	
III. Increase/decrease in the Period (decrease represented by "-")	333,040,368.00				2,933,031,535.61		-1,816,847.72	15,313,661.30			-41,953,111.72		11,262,863.77	3,248,878,469.24	
(I) Other comprehensive income							-1,816,847.72				168,367,921.40		19,169,175.04	185,720,248.72	
(II) Shareholders' contribution and decrease in capital	333,040,368.00				2,933,031,535.61									3,266,071,903.61	
1. Shareholders' capital contribution	333,040,368.00				2,933,031,535.61									3,266,071,903.61	
2. Capital contributed by owners of other equity instruments															
3. Share-based payments credited to shareholders' equity															
4. Others															
(III) Profit distribution											-210,321,033.12		-8,643,729.21	-218,964,762.33	
1. Appropriation to surplus reserve															
2. General risk provision															
3. Distribution to owners (or shareholders)											-210,321,033.12		-8,643,729.21	-218,964,762.33	
4. Others															
(IV) 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															
(V) Special reserve								15,313,661.30					737,417.94	16,051,079.24	
1. Amount withdrawn in the Period								35,868,508.52					1,617,033.50	37,485,542.02	
2. Amount utilized in the Period								-20,554,847.22					-879,615.56	-21,434,462.78	
(VI) Others															
IV. Balance at the end of the Period	2,336,900,368.00				8,828,539,327.93		-37,696,839.88	37,571,874.15	674,102,684.70		10,942,290,717.30		936,435,968.36	23,718,144,100.56	

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Statement of Changes in Shareholders' Equity of the Parent Company
January - June 2016

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	This year											
	Share capital	Other equity instrument			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual liabilities	Others								
I. Balance at the end of last year	2,336,900,368.00				8,891,700,256.53				1,019,114,539.94	6,059,181,235.33		18,306,896,399.80
Add: Changes in accounting policies												
Effects of correction of prior errors												
Others												
II. Balance at the beginning of the year	2,336,900,368.00				8,891,700,256.53				1,019,114,539.94	6,059,181,235.33		18,306,896,399.80
III. Increase/decrease in the Period (decrease represented by "-")										242,386,339.87		242,386,339.87
(I) Other comprehensive income										382,600,361.95		382,600,361.95
(II) Shareholders' contribution and decrease in capital												
1. Shareholders' capital contribution												
2. Capital contributed by owners of other equity instruments												
3. Share-based payments credited to shareholders' equity												
4. Others												
(III) Profit distribution										-140,214,022.08		-140,214,022.08
1. Appropriation to surplus reserve												
2. Distribution to shareholders provision										-140,214,022.08		-140,214,022.08
3. Others												
(IV) 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												
(V) Special reserve												
1. Amount withdrawn in the Period												
2. Amount utilized in the Period												
(VI) Others												
IV. Balance at the end of the Period	2,336,900,368.00				8,891,700,256.53				1,019,114,539.94	6,301,567,575.20		18,549,282,739.67

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

Prepared by: Dongfang Electric Corporation Limited

January - June 2016

Unit: RMB

Item	Last year											
	Share capital	Other equity			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual liabilities	Others								
I. Balance at the end of last year	2,003,860,000.00				5,958,668,720.92				962,465,801.13	5,759,663,619.13		14,684,658,141.18
Add: Changes in accounting policies												
Effects of correction of prior errors												
Others												
II. Balance at the beginning of the year	2,003,860,000.00				5,958,668,720.92				962,465,801.13	5,759,663,619.13		14,684,658,141.18
III. Increase/decrease in the Period (decrease represented by "-")	333,040,368.00				2,933,031,535.61					325,493,497.53		3,591,565,401.14
(I) Other comprehensive income										535,814,530.65		535,814,530.65
(II) Shareholders' contribution and decrease in capital	333,040,368.00				2,933,031,535.61							3,266,071,903.61
1. Shareholders' capital contribution	333,040,368.00				2,933,031,535.61							3,266,071,903.61
2. Capital contributed by owners of other equity instruments												
3. Share-based payments credited to shareholders' equity												
4. Others												
(III) Profit distribution										-210,321,033.12		-210,321,033.12
1. Appropriation to surplus reserve												
2. Distribution to shareholders provision										-210,321,033.12		-210,321,033.12
3. Others												
(IV) 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												
(V) Special reserve												
1. Amount withdrawn in the Period												
2. Amount utilized in the Period												
(VI) Others												
IV. Balance at the end of the Period	2,336,900,368.00				8,891,700,256.53				962,465,801.13	6,085,157,116.66		18,276,223,542.32

Legal representative: Si Zefu

Chief Accountant: Gong Dan

Head of Finance Department: Chen Dong

Dongfang Electric Corporation Limited

Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

I. General information of the Company

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 document of 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 joint stock company with limited liability through converting the principal operational assets (and relevant liabilities) authorized by the state into shares of the Company. The Company obtained the Business License from Chengdu Administration for Industry and Commerce, and the Social Credit Number of the Company is 91510100205115485Y. The registered address of the Company is No. 18 Xixin Avenue, Western High-tech District, Chengdu City, Sichuan Province, the headquarter office address of the Company is No. 333 Shuhan Avenue, Jinniu district, Chengdu City, Sichuan Province.

With the approval by the document of Ti Gai Sheng (1994) No. 42 issued by the State Commission for Restructuring the Economic Systems on 12 April 1994, the Company issued 170,000,000 overseas listed foreign shares (H Shares) to the public in Hong Kong on 31 May 1994, and the H Shares have been listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) since 6 June 1994; on 4 July 1995, the Company issued 60,000,000 domestically listed domestic shares (A Shares) to the public in the PRC and the A Shares have been listed on the Shanghai Stock Exchange since 10 October 1995. Upon the issuance of the abovementioned shares, the share capital of the Company increased to 450,000,000 shares.

On 30 December 2005, the State-owned Assets Supervision and Administration Commission (the “SASAC”) issued the Approval of Certain Issues in the Transfer of State-owned Shares of Dongfang Electrical Machinery Company Limited” (Guo Zi Chan Quan [2005] No. 1604) (《關於東方電機股份有限公司國有股權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 48.89% of the then share capital of the Company, by Dongfang Electrical Machinery Factory to China Dongfang Electric Corporation (currently known as China Dongfang Electric Corporation Ltd, hereinafter referred to as “Dongfang Electric Corporation”).

In November 2007, with the approval by the Notice on Approving Dongfang Electrical Machinery Company Limited to Directly Issue New Shares to China Dongfang Electric Corporation Limited for Purchase of Assets (Zheng Jian Gong Si Zi [2007] No. 172) (《關於核准東方電機股份有限公司向中國東方電氣集團公司定向發行新股購買資產的通知》(證監公司字[2007]172號)) issued by China Securities Regulatory Commission (hereinafter referred to as “CSRC”) on 17 October 2007, the Company non-publicly issued 367 million domestically listed domestic shares (A Shares) to Dongfang Electric Corporation, therefore, the Company obtained the 273,165,244 domestically listed domestic shares (A Shares) of Dongfang Boiler Group Co., Ltd. (currently renamed as DEC Dongfang Boiler Group Co., Ltd., hereinafter referred to as “Dongfang Boiler Company”) previously held by Dongfang Electric Corporation, representing 68.05% of the original share capital of Dongfang Boiler Company, and the 100% equity interests in DEC Dongfang Steam Turbine Co., Ltd. (“Dongfang Turbine Company”). On 26 October 2007, the Company was renamed as Dongfang Electric Corporation Limited in accordance with the resolution of the 2007 second extraordinary general meeting of the Company.

In November 2008, the Company issued 65,000,000 domestically listed domestic shares (A Shares) to non-specific subscribers with the approval by the Approval of the Issuance of Additional Shares of Dongfang Electric Corporation Limited (Zheng Jian Xu Ke [2008] No. 1100) (《關於核准東方電氣股份有限公司增發股票的批覆》(證監許可[2008]1100號)) from the CSRC on 5 September 2008. The share capital of the Company increased to 882,000,000 shares upon the public issuance of additional shares.

On 6 November 2009, with the approval by the Approval of Non-public Issuance of the Shares of Dongfang Electric Corporation Limited (Zheng Jian Xu Ke [2009] No. 1151) (《關於核准東方電氣股份有限公司非公開發行股票的批覆》(證監許可[2009]1151號)), the Company non-publicly issued 119,930,000 domestically listed shares (A Shares) to eight specified subscribers including Dongfang Electric Corporation in November 2009. Upon completion of the non-public issuance, the share capital of the Company increased to 1,001,930,000 shares.

Dongfang Electric Corporation Limited
Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

According to the resolutions of 2009 annual general meeting, the 2010 first domestic shareholders class meeting and the 2010 first H shareholders class meeting of the Company convened on 18 June 2010, the Company increased 10 shares for every 10 existing shares to all shareholders based on the Company's share capital of 1,001,930,000 shares on 31 December 2009.

The Company's RMB4 billion A Share convertible notes, which were issued according to the Approval of Dongfang Electric Corporation to Publicly Issue Convertible Notes (Zheng Jian Xu Ke [2014] No. 628) (《關於核准東方電氣股份有限公司公開發行可轉換債券的批覆》(證監許可[2014]628號)) issued by China Securities Regulatory Commission on 10 July 2014, entered into the convertible period since 12 January 2015. Up to 17 February 2015, the accumulated number of A Shares that had been converted into shares was 333,040,368 shares, and the Company's share capital changed to 2,336,900,368 shares.

As of 30 June 2016, the Company's share capital was 2,336,900,368 shares, including 1,996,900,368 domestically listed domestic shares without sale restrictions (A Shares), representing 85.45% of the share capital; and 340,000,000 overseas listed foreign shares without sale restrictions (H Shares), representing 14.55% of the share capital.

The parent and ultimate controller of the Company is Dongfang Electric Corporation. The shareholders' general meeting acts as the authority of the Company, deciding on material matters such as the Company's operating, funding, investing and distribution of the profit in accordance with the law. The Board of Directors (the "Board") is accountable to the shareholders' general meeting, making production and operation decisions according to the law. The management executes resolutions of the shareholders' general meeting and the Board, and organizes the management of the production and operation. The Company has such eleven functional departments as the office of board, the office of the president, the human resources department, the department of the economic operation, the legal affairs department, the department of science & technology and quality, the marketing department, the accounting department, the auditing department, the planning and development department, and the center of centralized procurement. Moreover, there are four business units, namely combustion engine division, nuclear power division, wind power division and international construction branch. As of 30 June 2016, the deregistration procedures and relevant equity interest allocation for Dongfang Electrical Machinery Power Generating Equipment Co., Ltd. ("DEC Power Generating Equipment", a subsidiary of the Company) completed. The Company controlled 21 subsidiaries, including: Dongfang Angturbine Co., Ltd., Dongfang Boiler Group Co., Ltd., Dongfang Electric Machinery Co., Ltd., Dongfang Electric (Guangzhou) Heavy-duty Machine Co., Ltd., DongFang Electric (India) Private Limited ("India Company"), Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd. ("Wuhan Nuclear Equipment Co., Ltd."), Dongfang Wind Power Co., Ltd. and PT Dongfang Electric Indonesia ("Indonesia Company").

The Group specializes in the power equipment manufacturing industry. Its business covers general equipment manufacturing industry, electronic and mechanical equipment manufacturing industry, equipment for nuclear power, wind power equipment, renewable energy power generation equipment; R&D, manufacturing and sales of industrial control and automation, environmental protection and energy-saving equipment, petrochemical vessel, as well as apparatus and ordinary machinery; manufacturing and sales of industrial gases; design of the power station; development, sales and services of electric power equipment; contracting or sub-contracting of the power equipment manufacturing, mechanical and electrical equipment and complete set of engineering overseas. In addition, the Company provides the export of equipment, materials and labors, import and export, the professional service with high effectiveness and high quality, technological exchange and popularization. (For projects which are subject to approvals pursuant to law, they can only commence upon obtaining approvals from relevant authorities) The key production involves power generating equipment of hydro, thermal, nuclear, wind, and gas turbine generating unit.

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II. The Scope of Consolidated Financial Statements

As of 30 June 2016, the scope of consolidated financial statements included 21 companies, including Dongfang Turbine Co., Ltd, Dongfang Boiler Group Co., Ltd, Dongfang Electric Co., Ltd, Dongfang Wind Power Co., Ltd., Dongfang (Guangzhou) Heavy Machinery Co., Ltd., Wuhan Nuclear Equipment Co., Ltd., India Company and Indonesia Company. Compared to the previous year, as the deregistration procedures and relevant equity interest allocation for DEC Power Generating Equipment had completed, DEC Power Generating Equipment ceased to be included in the scope of consolidation. For more detailed information about the consolidation scope, please see Note “VII. Interests in other entities”.

III. Basis of Preparation of Financial Statements

1. Basis of preparation

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 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 CSRC, the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and the Hong Kong Companies Ordinance based on the accounting policies and accounting estimates set out in “IV. Significant Accounting Policies and Accounting Estimates” in the notes to the financial statements.

2. Going concern

The Group considers that it is reasonable to prepare the financial statements on a going concern basis given the recent profit-making history and sourced financial support of the Group.

IV. Significant Accounting Policies and Accounting Estimates

1. Statement of compliance of Accounting Standards for Business Enterprises

The interim financial statements of 2016 have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises. These financial statements present truly and completely the financial position, the results of operations and the cash flows as at 30 June 2016 and other relevant information of the Company and the Group.

2. Accounting year

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

3. Operating cycle

The operating cycle of the Group is 12 months.

4. Reporting currency

The Company and its domestic subsidiaries should take Renminbi (“RMB”) as their reporting currency, while foreign transactions should be recorded with local currency.

The preparation of the financial statements of the Group adopts RMB as the reporting currency.

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5. Accounting treatment of business combination involving entities under common control and entities not under common control

For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

Identifiable assets and liabilities and contingencies acquired through business combination under uncommon control are recognized at their fair values at the acquisition date. The cost of business combination is the sum of cash paid, fair value of non-cash assets, issued or assumed liabilities, issued equity securities on the date of acquisition, and other direct expenses incurred in order to obtain the control over acquiree. When the purchase price exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. When the purchase price is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, if the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference as non-operating income in the current profit or loss.

6. Method for preparation of consolidated financial statements

The Group includes all subsidiaries and structured entities under its control in the scope of consolidated financial statements.

In preparing the consolidated financial statements, whenever the accounting policies or accounting period adopted by any subsidiary adopt are not identical to those applied by the Company, necessary adjustments are required to be made to the financial statements of such subsidiary based on the Company's accounting policies and accounting period.

All significant intragroup transactions, balances and unrealized profits within the scope of combination will be eliminated when preparing the consolidated statements. The share of owner's equity of subsidiaries that are not attributable to the parent company, the net profit or loss for the period, and other comprehensive income and total comprehensive income attributable to the minority shareholders shall be presented as "minority shareholders' equity", "minority shareholders' profit or loss", "other comprehensive income attributable to minority shareholders" and "total comprehensive income attributable to minority shareholders" in the consolidation financial statements.

For subsidiaries acquired through business combination under common control, their operating results and cash flow shall be consolidated from the beginning of the period that the combination occurs. Adjustments to the relevant items in the financial statements for the prior year shall be made when preparing comparatives, as if the reporting entity formed upon the combination has been existed since the commencement of ultimate control.

For subsidiaries acquired through business combination not under common control, their operating results and cash flows shall be consolidated from the date that the Group acquires its control. Adjustments to the financial statements of the subsidiaries shall be made based on the fair value of identifiable assets, liabilities and contingent liabilities determined on the acquisition date when preparing the consolidated financial statements.

7. Cash and cash equivalents

Cash in the statement of cash flows of the Group represents both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents in the statement of cash flows represent investments held not more than 3 months that are highly liquid, readily convertible to known amount of cash and subject to insignificant risk of value change.

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8. Foreign exchange translation for financial statements

(1) Transactions involving foreign currencies

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

The monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance date. Except that the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets will be capitalized, the exchange difference is accounted into current profit and loss. For non-monetary items measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB is consistent. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized is applied and the exchange difference is accounted into current profit and loss as a result of fair value change, or recognized as other comprehensive income.

(2) Foreign currency translation of financial statements

The asset and liability items in the balance sheets are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for retained earnings, are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate during the accounting period. The difference arising from the above translation is presented separately under other comprehensive income. Foreign currency cash flow is translated using the average exchange rate during the accounting period. The impact of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

9. Financial assets and liabilities

The Group recognizes a financial asset or liability when it enters a financial instrument contract.

(1) Financial assets

1) The classification, recognition and measurement of financial assets

Financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity investments, loan and receivables and available-for-sale financial assets, according to the purposes of investments and their economic substance.

Financial assets at fair value through profit or loss include trading financial assets and other financial assets measured at fair value and its movement recorded through profit and loss. Equity investment and forward foreign exchange derivatives are designated to this kind of financial assets by the Group. The company shall make subsequent measurement on this kind of financial assets according to their fair values. The profits and losses on the changes in fair value; gain on interests and cash dividends during the holding period shall be recognized as equity earnings; at the moment of disposal, the differences between fair value and book value shall be recognized as profits and losses on investments, simultaneously, adjust the profits and losses arising from fair value changes. Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments for which management has both positive intention and ability to hold to maturity. Held-to-maturity investments shall be subsequently measured on the basis of the post-amortization costs by adopting the actual interest rate method, the profits and losses on amortization, impairment and derecognition shall be recorded into the profits and losses of the current period.

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The account receivables refer to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable. Accounts receivable shall be subsequently measured on the basis of the post-amortization costs by adopting the actual interest rate method, the profits and losses on amortization, impairment and derecognition shall be recorded into the profits and losses of the current period.

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. Among those assets, derivative financial liabilities which are linked to equity instrument investment for which there is no quotation in the active market, the fair value of which cannot be measured reliably and which is required to be settled by delivery of such equity instrument should be subsequently measured based on the costs; others for which there is quotation in the active market or though there is no quotation in the active market but the fair value of which can be measured reliably measured should be measured at the fair value and variation of fair value should be included in other comprehensive income. Financial assets of this type should be subsequently measured based on the fair value. Except for the impairment loss and exchange gain or loss occurred due to financial assets of foreign currency, variation in fair value of available-for-sale financial assets should be included directly in the shareholders' equity. When recognition of such financial assets terminates, the accumulated amount of variation in fair value which has been formerly included directly in the equity should be transferred to the current profits and losses. Interests of available-for-sale debt instrument investment during the holding period calculated as per the effective interest method, and cash dividends, related to available-for-sale equity instrument investments, which are distributed as announced by the investee, are recorded as investment income into the profits and losses of the current period.

2) Recognition and measurement of 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 recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities. The extent of the continuous involvement represents the extent to which the entity exposes risks 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 meets the criteria 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.

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

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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 shareholders' 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.

(2) Financial liabilities

1) The classification, recognition and measurement of financial liability

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 residual cost using the effective interest rate method.

2) Derecognition of financial liability

A financial liability is derecognized when the underlying present obligations (or part of those obligations) are discharged. An existing financial liability is derecognized and a new financial liability is recognized when the Company enters an agreement with its debtor to replace an existing liability with a new financial liability and the contractual terms on the new financial liability are different with the existing one. An existing financial liability is fully or partially derecognized and a new financial liability is recognized when the Company significantly amends all or part of contractual terms on the existing financial liability. The difference between consideration paid and the carrying amount of derecognized financial liability is recorded as current profit or loss.

(3) Determine the fair value of financial assets and financial liabilities

Fair values on equity investment, forward settlement of exchange and share-based payment are determined by prices existed in major markets. Where there is no major market the most beneficial market prices together with then available and sufficient data and other evaluation technology supporting information are used to determine fair values of financial assets and liabilities. Input data for determining fair values has three layers, the first layer is the available unadjusted price for a same asset or liability on the date of evaluation in an active market; the second layer is the direct or indirect visible input data related to the same asset or liability apart from data in the first layer; the third layer is the invisible input data related to the same asset or liability. Input data in the first layer has the first priority and the third layer is the last to consider by the Group.

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10. Bad debts of account receivables

Receivables include accounts receivable and other receivables. The Group's accounts receivable arise from selling goods and rendering services. The Group initially recognizes account receivables in accordance with the selling price stated in the contract signed or the amount negotiated with buyers.

Individual and portfolio methods are applied to estimate impairment loss on accounts receivable.

(1) Accounts receivable that are individually insignificant but are individually provided for bad debts

The basis or standard for determining the significant level of individual receivable	Consider individual receivables above RMB30 million and other receivables above RMB10 million as significant amount
Provision-making method on individual receivables above significant level	The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables

(2) Receivables that are provided for bad debts on credit risk characteristics group basis

Basis of determining group	
Aging group	The group of credit risk characteristics is determined by the aging of the receivables
Method for provision of bad debts on group basis	
Aging group	The bad debts is provided on the basis of aging analysis

The proportion of bad debts provided according to aging analysis is as follows:

Age	Proportion of receivables (%)	Proportion of other receivable (%)
Within 1 year (inclusive, the same below)	5	5
1-2 years	10	10
2-3 years	20	20
3-4 years	40	40
4-5 years	50	50
Over 5 years	100	100

(3) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis

Reason for making provision of bad debts individually	Individual receivables below significant level whereby the combined method does not reflect its risk characteristics
Method for provision of bad debts	Provision for bad debts is made using the difference between the present value of future cash flows and the book value of receivables

11. Inventories

The inventories of the Group include materials in transit, raw materials, unfinished products, self-made semi-finished products, finished products, commodities in stock, materials for consigned processing, assets from construction contract completed without settlement, etc.

The Group maintains a perpetual inventory system. Inventories are recorded at actual cost of purchase. Inventory is measured at historical cost which includes purchase cost, processing cost and other expenditures for the purpose of bringing the inventory to its required location and condition so it is readily available for sale. Cost is calculated using weighted average method or specific unit method when the inventories are issued or consumed. Low value consumables and packaging material are amortized by one-time write off.

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At the end of a period, inventory is measured at the lower of historical cost and net realizable value. When net realizable value of inventory is lower than cost, impairment provision is made. The provision for impairment for finished goods and raw materials in a large amount is made on the basis of the difference of the cost of the individual inventory item over its net realizable value. The provision of impairment for the auxiliary materials with a large quantity and low cost is withdrawn in terms of classification.

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

12. Long-term equity investment

Long-term equity investments mainly include investment to subsidiaries, joint ventures and associates.

The Group judges that a joint control exists when all parties or groups of parties control that arrangement unilaterally and decisions relating to the basis operating activity of the entity require the unanimous consent of the parties sharing the control.

When the Group holds, directly or indirectly through subsidiaries, more than 20% but less than 50% of the voting power of the investee, it is presumed that the Group has significant influence. When the Group holds less than 20% of the voting power of the investee, significant influence shall be considered under actual facts and circumstances such as a delegate in the investee's board of directors and other similar authorities, involvement in the decision-making process of the investee's financial and operating policies, significant transactions with the investee, assignment of management personnel to the investee and provision of key technical support to the investee.

When control exists, the investee becomes a subsidiary of the Group. The investment cost for long-term equity investment acquired through business combination under common control is the carrying value of the share of equity at the combination date in the acquired company. The investment cost is recorded as zero when the carrying amount of the share of equity at the combination date in the acquired company is in deficit.

The investment cost for long-term equity investment acquired through business combination not under common control is the cost of business combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the Group by the investor, the investment cost is the consideration as specified in the relevant contract or agreement. The initial cost of a long-term equity investments obtained by recombination of liabilities or the exchange of nonmonetary assets is measured in accordance with relevant Accounting Standards for Business Enterprises, taking the Company's actual condition into consideration.

Investments in subsidiaries are accounted for by the Group using cost method and equity method is used for investment in joint ventures and associates.

Additional investments to long-term equity investments subsequently accounted on the cost method are measured to increase its carrying amount on the fair value of the additional cost and other transaction related expenses occurred. Dividends declared or profit distributed by the investee shall be recognized as investment income in the current period.

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The carrying amount of long-term investment subsequently accounted on the equity method shall be adjusted to increase or decrease according to the movement of owner's equity of the investee. In determining the share of net profit from the investee, according to the Group's accounting policies and accounting period, adjustments shall be made towards the net profit based on fair values of all identifiable assets at the time of acquisition after eliminating proportioned profit or loss attributable to the investor resulted from intragroup transactions between joint venture and associates, before recognizing net profit from the investee.

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

In the situation where the Company does not joint control or does not has significant influence over the investee company due to the reasons such as disposing of a portion of the equity investment, the residual equity after the disposal is classified as the available-for-sale financial asset. The difference between the fair value at the date when the Company loses the joint control or the significant influence and the book value is recognized into the current profit or loss. The other comprehensive income of the previous equity investment recognized under the equity method is treated according to the accounting treatment as same as the basis adopted by the investee company to directly dispose of the relative assets or liabilities when terminating the adoption of equity method.

For loss of control in the invested company due to partial disposal of long-term equity investment, the residual equity which can apply common control or imposes significant influence to the invested company after disposal shall be accounted for under equity method. The difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such residual equity shall be treated as accounting for under equity method since the equity is obtained and adjusted. For residual equity which cannot apply common control or impose significant influence after disposal, it can be accounted for as available-for sale financial assets, and the difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. The difference between the fair value and the carrying value of residual equity on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction not belonging to a deal of package by steps through multiple disposals of equity investment to lose the right of control, the Group makes accounting treatment separately to each transaction. If it belongs to a deal of package, the Group treats each transaction as one transaction to dispose of a subsidiary and lose the right of control to make accounting treatment. Nonetheless, the difference between the consideration of disposal and the book value of the respective long-term equity investment disposed for each transaction before losing the right of control is recognized into other comprehensive income. When reaching the loss of the right of control, the amount is transferred into the current period of profit or loss of the period losing the right of control.

13. Investment properties

The Group's investment properties include land use right and building rent out, which were measured at cost.

The investment property is recognized at initial cost. The cost of an investment property by acquisition consists of the acquisition price, relevant taxes, and other expenses directly attributed to the asset. The cost of a self-built investment property is composed of the necessary expenses required for building the asset to the necessary condition for use. If the subsequent expense is related to investment property that can bring economic benefit into the Group and expense can be measured reliably, it shall be include into the cost of the investment property; otherwise, it is accounted through current profit or loss.

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The Group makes a follow-up measurement to the investment property through the cost pattern on the date of the balance sheet. The investment property is depreciated and amortized basing on its useful life and the residual value. The life time, the rate of residual value and yearly depreciation or amortization rate applied by the Group are as follows:

Classification	Useful life	Rate of residual value	Yearly depreciation rate
Land use right	50 years	—	2%
Buildings			
In which: Buildings for production purpose	20 years	5%	4.75%
Buildings for non-production purpose	25 years	5%	3.80%

The Group will review the useful life, the estimated residual value and the depreciation (amortization) method of investment property on each balance sheet date, and make an appropriate adjustment if necessary.

When the investment property is changed for owner occupied, it is recognized as a fixed asset or an intangible asset as at the date when the change occurred. When the property for owner occupied is changed for generating rents or capital appreciation, it is recognized as the investment property as at the date when change occurred. The book value of the property prior to the conversion is the entry value after the conversion.

If an investment property is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the investment property shall be derecognized. When an enterprise sells, transfers or disposes of any investment property, or when any investment property is damaged or destroyed, the enterprise shall deduct the book value of the investment property as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

14. Fixed assets

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

Fixed assets consist of buildings, machinery, transportation equipment, instrument and meter, electronic computer and other equipment.

When it is probable that the economic benefits in relation to fixed assets will flow to the Group and the corresponding cost can be measured reliably, the fixed assets shall be recognized. The cost of purchased fixed assets includes the purchasing price, import duty and other relevant taxes and other expenditures directly attributable to bringing the assets into the conditions ready for use. The cost of self-made fixed assets includes the necessary expenditures for bringing the assets into the conditions ready for use. The cost of fixed assets invested by investors is recognized under contracts or agreements but if the value from contracts or agreements is not fair, the fair value will be applied. The fixed assets from finance leasing are measured at the lower of the fair value and the minimum lease payment on leasing date.

The subsequent measurement of fixed assets comprises maintenance expenses, renewal and renovation expenses etc. Expenses which meet the criteria for fixed assets are accounted into the cost of fixed assets. Otherwise if they do not meet the recognition criteria they are accounted through the current profit or loss. The replacement part is derecognized from the account.

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Apart from those fixed assets fully depreciated but still in use, as well as land separately recognized, the Group depreciates fixed assets on a straight-line basis or double declining balance method and the depreciation expenses are accounted through the current profit or loss or cost of assets in accordance with the purposes of fixed assets. Useful life, estimated residual value, depreciation rate of incoming in assets and fixed assets are as follows:

Classification of fixed assets	Useful life	The rate of estimated residual value	Yearly depreciation rate
I. Buildings			
In which: Buildings for production purpose	20 years	5%	4.75% or double declining balance method
Buildings for non-production purpose	25 years	5%	3.80%
II. Machinery	10 years	5%	9.50% or double declining balance method
III. Transportation equipment	6 years	5%	15.83%
IV. Instrument and meter	6 years	5%	15.83% or double declining balance method
V. Electronic computer	5 years	5%	19.00% or double declining balance method
VI. Other equipment	6 years	5%	15.83% or double declining balance method

The Group assesses the useful life, the depreciation rate and the method of depreciation for fixed assets at the end of each year. If any changes occur, they will be regarded as changes on accounting estimates.

For fixed assets obtained through financial leases, if the ownership can be determined reasonably at the end of the lease, then the same depreciation method as other fixed assets will be adopted during the leased assets' useful life. If the ownership cannot be determined reasonably at the end of the lease, the same depreciation method as other fixed assets will be adopted for either useful life of the leased assets or lease term, whichever is shorter.

The Group derecognizes fixed assets from the account that has been disposed or cannot generate economic benefits by application or disposal. The income from selling, transferring, disposal or impairment of fixed assets, after their book value and relevant taxes and expenses is accounted into current profit and loss.

15. Construction in progress

Construction in progress is recognized at actual cost, which includes all types of expense for the project during the period, capitalized interests expense from borrowings, and other necessary expenditure incurred for bringing the construction in progress to the expected conditions for use.

Constructions in progress are carried down into fixed assets at an estimated cost on the basis of the project budgeting, pricing and actual cost when completing and achieving estimated usage status. The corresponding depreciation on these fixed assets is applies since the month after carrying down the construction in progress into fixed assets. After clearing for completion of the project, the originally estimated cost of fixed assets will be adjusted on the basis of the actual cost; it is not necessary to adjust the amount of depreciation and amortization that have already been accrued.

16. Borrowing cost

Borrowing cost includes interests from borrowing, amortization of discount or price premium, other attribute expenses and foreign exchange difference from borrowing in foreign currency.

Borrowing costs that directly attribute to purchasing or constructing assets is to be capitalized when expenditures for the assets and borrowing cost occur and the activities of purchasing or constructing made the assets available for use or commencement of sale. When assets approach the available for use or sale status, the capitalization of borrowing cost ceases. Subsequent borrowing costs are accounted through current profit or loss.

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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 capitalization period, exchange differences of specific foreign currency borrowing will be capitalized; exchange differences for general foreign currency borrowing are accounted for the current period profit and loss.

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. The suspension ceases when the acquisition, construction or production activities are resumed.

17. Intangible assets

The intangible assets of the Group include the land use right, patent technology and non-patent technology.

Intangible assets are recognized at their actual cost when acquired. The cost of purchased intangible assets includes the actual purchase price and other necessary expenditures for purchase. The cost of intangible assets invested by investors is measured under contracts or agreements but if the value from contracts or agreements is not fair, the fair value will be applied.

As for the intangible assets that are obtained by an acquiree in a business combination under common control but is not recognized in its financial statements, the Group initially recognizes the acquiree's assets as intangibles assets at fair value when it satisfies one of the following conditions: (1) from contractual rights or other legitimate rights; (2) can be separated or divided from the acquiree and be sold, transfer, granted authorization, leased or swap together with relevant contracts, assets and liabilities.

The Group amortizes intangible assets with limited life using the straight-line method since the date it is acquired. Land use rights are amortized on the basis of their useful life by straight-line method since is the date they are acquired. Patent technology, non-patent technology and other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is recognized in current year profit or loss.

The Group reviews the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year. If there is any change, the change is considered as a change in estimate for accounting purposes. Research and development expenditures of the Group is classified into expenditure on the research phase and expenditure on the development phase depends on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

The expenditures in research phase are accounted into current profit and loss.

The expenditures in development phase are recognized as intangible assets if they meet the following conditions:

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- (1) It is technically feasible that the intangible asset can be used or sold upon completion;
 - (2) The management has the intention to complete the intangible asset for use or sale;
 - (3) In terms of bringing economic benefits, there is evidence showing that the products produced using the intangible asset has a market or the intangible asset itself has a market; intangible assets used internally show signs of useable;
 - (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
 - (5) The expenses attributable to the development stage of the intangible asset can be measured reliably.
- Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed is not recognized as an asset in subsequent period. Capitalized expenditure on the development phase is stated in the balance sheet as development expenditure and transfer to intangible assets when they are ready for intended use.

18. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, investment property measured at cost, 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 Group carries out impairment test. Whether the intangible assets without definite goodwill and useful life are impaired or not, impairment test shall be made at the end of each year.

Upon impairment test, if the assets' book value exceeds its recoverable amount, the difference of which is recognized as impairment loss. Impairment loss of above assets is not allowed to be reversed at subsequent accounting period once it has been recognized.

19. Long-term prepayments

Long-term prepayments are expenditures that have been incurred but shall be amortized over the current period and subsequent periods of more than one year. Long-term prepayments shall be amortized using straight-line method during the beneficial period.

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

20. Employee benefits

- (1) Employee's benefits include short-term remuneration, post-employment benefits and layoff benefits.
 - (2) Short-term remuneration includes staff's salaries, bonus, allowances and subsidies, staff benefits, social insurance such as medical insurance, work-related injury insurance and maternity insurance, housing funds, union funds and staff education funds, short-term compensated absences, short-term profit sharing plan, non-monetary benefits and other short-term compensation.
 - (3) Post-employment benefits and layoff benefits
- Post-employment benefit includes basic pension, unemployment insurance and enterprise annuity and classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears. The contribution payable to a defined contribution plan in exchange for an employee's service to the Company during accounting period shall be recognized as a liability and an expense or capital item towards the beneficiary at the balance sheet date.

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The domestic companies of the Group participates in the employee social security systems, including the basic pensions, medical insurance, housing funds and other social securities established by the Chinese government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or profit or loss in the period as incurred.

The employees of the Group's oversea subsidiaries only participate in the defined pension contribution plan established by the local organization. Benefits under the plan are limited to the amounts of contributions made. The employees are entitled to their accumulation account balance vested on them upon vacation of office. The accumulated account balance consists of employee and employer contributions, voluntary employee contributions, any other contributions or interest and investment returns on the account balance. Related contribution related to this plan are included in the relevant assets cost or profit or loss for the period when paid.

The liability for long service leave of the Group's oversea subsidiaries is recognized on the basis of entitlements and measured as the present value of future payables in respect of services provided by employees up to the reporting date. Consideration is given to estimated future wage and salary levels, experience of departing employee and periods of service. Expected future payments are discounting using market yields at the reporting date.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented shortly, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

21. Contingent liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group shall recognize contingent liabilities: the assumed responsibilities are current liability; the fulfillment of obligations will cause the outflow of economic benefit from the Group; and the amount of liabilities can be measured reliably.

Estimated liabilities are recognized at the most appropriate estimation of obligations by considering related risks, uncertainties and time value of money etc. If the effect from time value of money is significant, the most appropriate estimation will be discounted into present value. As time goes on, the book value of estimated liabilities is increased by the discount reduction; the increased amount is recognized as interest expense.

The Group assesses the carrying amount of estimated liabilities on each balance sheet date and adjustments will be made if there are changes, in order to indicate the most appropriate estimation of obligations.

22. Share-based payments

An equity-settled share-based payment in exchange for the employee's services is measured at the fair value at the date when the equity instruments are granted to the employee. Such fair value during the vesting period of service or before the prescribed exercisable conditions are achieved is recognized as relevant cost or expense on a straight-line basis during the vesting period based on the best estimated quantity of exercisable equity instruments.

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

The fair value of the liabilities is re-measured at each balance sheet date. Any changes are recognized in the profit or loss for the year.

If the Group cancels the equity instrument vested (excluding exercisable option cancelled due to unqualified) with vesting period, cancellation is treated as acceleration on exercisable option, which is deemed as all the equity payment plan in the remaining vesting period satisfy the exercisable conditions. All the expenses for the remaining vested period are recognized in the period of cancelling the equity instrument vested.

23. Production safety expenses

The provision of safety fee for the Group's machinery manufacturing enterprises is based on the actual operating revenue of the previous year. The safety expenses, specially used for optimization and improvement of safety production conditions of enterprises or projects, will be withdrawn month by month based on the following standards with excessive and accumulative withdrawal method:

- (1) Withdraw 2% if the operating revenue does not exceed RMB10 million;
- (2) Withdraw 1% if the operating revenue is RMB10 million to RMB0.1 billion;
- (3) Withdraw 0.2% if the operating revenue is RMB0.1 billion to RMB1 billion;
- (4) Withdraw 0.1% if the operating revenue is RMB1 billion to RMB5 billion;
- (5) Withdraw 0.05% if the operating revenue exceeds RMB5 billion.

Newly-established enterprises and machinery manufacturing enterprises put into production less than one year shall withdraw production safety expenses monthly based on actual operating revenue of the enterprise for the 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.

24. Revenue recognition and measurement

The Group's operating revenue mainly includes revenue from selling products, rendering services and transferring use rights of assets as well as revenue from construction contracts. The principles of recognizing revenue is as follows:

- (1) Revenue from selling products

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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. For the products sold by the Group, revenue is recognized at the time when goods are delivered or installed, checked and accepted.

(2) Revenue from rendering 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.

25. 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:

Item	Percentage of completion	Notes
1000MW power station boiler, environment protection product	≥10%	
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

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Item	Percentage of completion	Notes
100MW-200MW power station boiler, environment protection product		Excluding 200MW
Including: CFB power station boiler	≥40%	
Others	≥50%	

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

26. 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 amortized 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.

27. Deferred income tax assets and deferred income tax liabilities

The Group's 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 realized or the liability is settled.

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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.

28. 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 amortized 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 recognize 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 amortized 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)

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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.

29. 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 shareholders' 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.

30. 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.

31. 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.

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32. Handling 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.

33. Significant changes in accounting policies and accounting estimates

The Group has no significant changes in accounting policies and accounting estimates.

34. Significant accounting estimates and accounting judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of Reporting Period. However, uncertainty about these assumptions and estimates could result in outcomes that might require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are considered to be reasonable.

The followings are the critical judgements, apart from those involving estimations as described below that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

(1) Provision for receivables

As mentioned under Note IV.10 to the financial statements, as the end of each reporting period, the Group reviews whether impairment loss evidence on accounts receivable which are stated at amortized cost exists. If there is impairment loss evidence, the Group assesses the amount of impairment loss to be recognized. Impairment evidence includes information shown the expected future cash flow of individual or a group of accounts receivable decreases significantly, negative credit information of individual or a group of accounts receivable and etc. Impairment loss will be written back is there is evidence shown that the impairment on accounts receivable could be recovered subsequently.

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(2) Provision for inventories

As mentioned under Note IV.11 to the financial statements, the Group assesses the net realizable value of inventories periodically and makes allowance for inventories which the cost is higher than the net realizable value. Net realizable value is determined by the Group using the selling price of same product less its estimated future completion cost, selling expenses and related taxes. When the estimated actual selling price or cost is different with prior period, the management of the Group will make relevant adjustment on the net realizable value. The carrying amount of inventories on the statement of financial position may be adjusted as there may be a difference between the actual future outcomes and the estimation based on the experience. Therefore, the provision for inventories might be different because the actual outcomes are not same as estimation. The adjustment on provision for inventories will affect the profit or loss of current period.

(3) Provision for fixed assets

The Group will perform impairment test for the buildings, equipment and machinery and other fixed assets when there are impairment indicators. The recoverable amount of the fixed assets is the discounted estimated future cash flow or the fair value of the assets minus the disposal expenses, the calculation of the recoverable involves accounting estimation.

If the management of the Company revised the profit margin used in calculating the future cash flow from the assets or group of assets, and the revised profit margin were lower than the current profit margin, then the Group has to increase the impairment provision for the fixed assets.

If the management of the Company revised the pre-tax discount rate used in discounting the future cash flow and the revised pre-tax discount rate were higher than the prevail pre-tax discount rate, then the Group has to increase the impairment provision.

If the actual profit margin or the pre-tax discount rate were higher or lower than management's estimation, the Group should not reverse any impairment provision that have already been accrued.

(4) Recognition of deferred tax assets

The determination of the deferred tax assets need the estimation of the taxable income and applicable income tax rate in the future, the realization of the deferred tax assets depends on whether the Group has the ability to generate enough future taxable income. Change of the future income tax rate and time of the reversal of temporary differences would impact income tax expenses (gains) and balance of the deferred tax assets too. The aforementioned change of estimation may result material adjustment of deferred tax assets.

(5) Useful lives of fixed assets and intangible assets

The Group reviewed the estimated useful lives for its fixed assets and intangible assets annually. The estimated useful lives are determined by management by reference to the historical experience of similar assets; the estimation generally used by other companies in the same industry and anticipated renovation in technologies. When there are significant changes in previous estimates, the Group should adjust the depreciation and amortization expense in future periods.

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V. TAXATION

1. Categories of Taxes and Tax Rate

Type of tax	Tax basis	Tax rate
VAT	Sales of goods, provision of processing, repairmen, manpower allocation, taxable service and import goods payment	3%, 5%, 6%, 11% and 17%
Urban maintenance and construction tax	Turnover taxes	5% and 7%
Educational surcharges	Turnover taxes	3%
Local educational surcharges	Turnover taxes	2%
Real estate tax	70% of original value of self-owned house/rental income from such house	1.2%/12%
Land use tax	Area of taxable land	RMB3-15/m ²
Enterprise income tax		
Including: the Company, Dongfang Steam Company, Dongfang Boiler Company, Dongfang Electric Machinery Company, Shenzhen Dongfang Boiler Control Co., Ltd. (hereinafter referred to as "Shenzhen Dongfang Boiler Control Company"), Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd., DFEM Control Equipment Co., Ltd. (hereinafter referred to as "DFEM Control Equipment Company") and Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd. (hereinafter referred to as "Tianjin Blade Company")	Taxable income	15%
India Company	Taxable income	32.445%
Indonesia Company	Taxable income and interest income on deposits	25%/20%
Dongfang Electric Venezuela Co., Ltd.	Net profit	15%/22%/34%
Other enterprises incorporated into accounts of the Group	Taxable income	25%

2. Tax incentives

(1) Dongfang Steam Turbine Co., Ltd. had obtained the high and new technology enterprises certificate which was jointly issued by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Office of SAT and Sichuan Local Taxation Bureau (No. GR201551000755) on 9 October 2015. Dongfang Boiler Group Co., Ltd. had obtained the high and new technology enterprises certificate which was jointly issued by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Office of SAT and Sichuan Local Taxation Bureau (No. GR201451000399) on 11 October 2014. Dongfang Electric Machinery Co., Ltd. had obtained the high and new technology enterprises certificate which was jointly reviewed and issued by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Office of SAT and Sichuan Local Taxation Bureau (No. GR201551000745) on 9 October 2015. Dongfang Heavy-duty Machine had obtained the high and new technology enterprises certificate which was jointly reviewed and issued by Science & Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office of SAT and Guangdong Local Taxation Bureau (No. GF201344000237) on 16 October 2013. Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd. had obtained the high and new technology enterprises certificate which was jointly issued by Science & Technology Department of Tianjin, Department of Finance of Tianjin, Tianjin Municipal Office of SAT and Tianjin Local Taxation Bureau (No. GF201312000036) on 9 September 2013. Shenzhen Dongfang Boiler Control Company had obtained the high and new technology enterprises certificate which was jointly issued by Science & Technology Innovation Commission of Shenzhen, Finance Commission of Shenzhen, Shenzhen Municipal Office of SAT and Shenzhen Local Taxation Bureau (No. GR201544200589) on 19 June 2015. DFEM Control Equipment Co., Ltd. had obtained the high and new technology enterprises certificate which was jointly reviewed by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Office of SAT and Sichuan Local Taxation Bureau (No. GR201351000168) on 25 October 2013. 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 for 2015 according to the present Law at the preferential rate of 15%. The managements of the above companies expect those companies would continue enjoying the high-tech enterprises' preferential income tax rate of 15% for the year 2016.

Dongfang Electric Corporation Limited

Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

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(2) According to the provision of Article 2 of Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Preferential Tax Policies for In-depth Development of China's Western Regions (Cai Shui [2011] No. 58), the encouraged industries and enterprises in Western China could enjoy the enterprise income taxes at the preferential rate of 15% from 1 January 2011 to 31 December 2020. And the encouraged industries and enterprises mentioned above indicates those companies with main business and projects included in the "Catalogue of Encouraged Industries in Western Countries" and operating income accounting for 70% of total operating income. According to the "Catalogue of Encouraged Industries in Western Countries" issued by the National Development and Reform Commission of the People's Republic of China on 20 August 2014, the Company and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. are in the aforesaid encouraged industry and have filed and confirmed with their respective competent tax authorities. Therefore, the two companies were entitled to the preferential tax rate of 15% for enterprises in China's Western Regions. The management of the Company and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. believes that the enterprises are still included in the encouraged industries defined in the "Catalogue of Encouraged Industries in Western Countries" for 2016. Therefore, enterprise income tax will be temporarily calculated and paid at the preferential tax rate of 15% for enterprises in China's Western Regions in 2016.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise indicated, for the data in the financial statement as disclosed below, "beginning of the year" and "beginning of the Period" refer to 1 January 2016; "end of the Period" refers to 30 June 2016; the "Period" refers to the period from 1 January 2016 to 30 June 2016; "last period" refers to the period from 1 January 2015 to 30 June 2015. The monetary unit is RMB.

1. Monetary fund

Item	Closing balance	Opening balance
Cash	2,146,030.01	2,258,601.50
Bank balance	23,072,039,903.25	21,023,958,546.40
Other monetary fund	38,623,591.12	61,321,977.59
Total	23,112,809,524.38	21,087,539,125.49
Including: total amounts deposited abroad	111,266,440.48	122,416,010.50

2. Financial assets at fair value through profit and loss

(1) Classification of financial assets at fair value through profit and loss

Item	Closing balance	Opening balance
Held-for-trading financial assets	53,438,929.00	36,079,098.10
Including: Equity instrument investment	53,438,929.00	36,068,759.00
Derivative financial assets		10,339.10

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Item	Closing balance	Opening balance
Total	53,438,929.00	36,079,098.10

The Equity instrument investments as at the end of the Period are the investments in the unrestricted domestic listed shares (A shares), including 1,447,000 shares of China XD Electricity Co., Ltd. (accounting for 0.028% of share capital of the invested company), 2,802,100 shares of Huaneng Power International, Inc. (accounting for 0.018% of share capital of the invested company), 285,400 shares of Hubei Energy Group Co., Ltd. (accounting for 0.004% of share capital of the invested company), 1,131,400 shares of Nari Technology Co., Ltd. (accounting for 0.047% of share capital of the invested company), 200,000 shares of China Yangtze Power Co., Ltd. (accounting for 0.001% of share capital of the invested company), and 374,900 shares of CITIC Securities Company Limited (accounting for 0.003% of share capital of the invested company). The fair value of those equity instruments as of the end of the Period are measured using their closing stock price at the securities exchange market as of the end of the Period.

(2) Analysis of held-for-trading financial assets was as follows:

Item	Closing fair value	Opening fair value
Listed		
In PRC (Hong Kong excluded)	53,438,929.00	36,068,759.00
Subtotal	53,438,929.00	36,068,759.00
Unlisted		10,339.10
Total	53,438,929.00	36,079,098.10

3. Notes receivable

(1) Classification of notes receivable

Classification	Closing balance	Opening balance
Bank acceptance	3,580,319,152.44	4,094,703,393.53
Commercial acceptance	120,359,832.00	246,252,038.39
Total	3,700,678,984.44	4,340,955,431.92

(2) Notes receivable which have been pledged as security at the end of the Period

Item	Amount
Bank acceptance	
Commercial acceptance	4,000,000.00
Total	4,000,000.00

The pledged notes receivable of the Group as at the end of the Period is the notes with recourse right which were used to pledge for the loan obtained from Dongfang Electric Finance Co., Ltd.

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From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(3) Notes receivable endorsed or discounted at the end of the Period and is not yet due as at balance sheet date

Item	Amount derecognized at the end of the Period	Amount not derecognized at the end of the Period
Bank acceptance	2,167,756,043.02	
Commercial acceptance		4,000,000.00
Total	2,167,756,043.02	4,000,000.00

(4) The Group had no notes transferred into accounts receivable due to the drawer's inability to perform obligation as at the end of the Period.

4. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	23,241,383,717.36	22,651,799,981.91
Less: provision for bad debts	5,752,653,826.78	5,361,607,265.99
Net amount	17,488,729,890.58	17,290,192,715.92

(1) Ageing analysis of accounts receivable

Age	Closing balance	Opening balance
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	522,159,145.35	788,391,040.76
Net amount	17,488,729,890.58	17,290,192,715.92

(2) Classification of accounts receivable by risks

Category	Closing balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage %	Amount	Percentage %	
Accounts receivable that are individually significant and provided for bad debts on individual basis	380,870,552.65	1.64	380,870,552.65	100	
Accounts receivable provided for bad debts based on portfolio of credit risks characteristics	22,817,047,724.71	98.17	5,328,317,834.13	23.35	17,488,729,890.58
Accounts receivables that are individually insignificant but provided for bad debts on individual basis	43,465,440.00	0.19	43,465,440.00	100	
Total	23,241,383,717.36	100	5,752,653,826.78	24.75	17,488,729,890.58

Dongfang Electric Corporation Limited

Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(Continued)

Category	Opening balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage %	Amount	Percentage %	
Accounts receivable that are individually significant and provided for bad debts on individual basis	451,606,684.94	1.99	451,606,684.94	100	
Accounts receivable provided for bad debts based on portfolio of credit risks characteristics	22,156,800,156.97	97.82	4,866,607,441.05	21.96	17,290,192,715.92
Accounts receivables that are individually insignificant but provided for bad debts on individual basis	43,393,140.00	0.19	43,393,140.00	100	
Total	22,651,799,981.91	100	5,361,607,265.99	23.67	17,290,192,715.92

1) Significant individual receivables with bad debt provision made on individual basis at the end of the Period

Name of entity	Book Balance	Provision for bad debts	Proportion (%)	Reason for of basis of provision
First	121,949,000.00	121,949,000.00	100	Difficulty in operating, long term and expectation of unable to recover
Second	102,426,002.65	102,426,002.65	100	Difficulty in operating, long term and expectation of unable to recover
Third	83,450,000.00	83,450,000.00	100	The client has trouble in funding and expectation of unable to recover
Fourth	73,045,550.00	73,045,550.00	100	Has dispute over this guarantee deposits and expectation of unable to recover
Total	380,870,552.65	380,870,552.65	100	

2) In the groups, details of accounts receivables that are provided for bad debts based on ageing analysis are as follows

Age	Closing balance		
	Accounts receivable	Provision for bad debts	Percentage of provisions (%)
Within 1 year	10,685,163,423.59	534,270,011.63	5
1- 2 years	4,107,197,186.04	410,719,718.69	10
2- 3 years	2,489,553,798.52	497,910,759.72	20
3- 4 years	1,879,261,378.55	751,704,551.43	40
4- 5 years	1,044,318,290.83	522,159,145.48	50
Over 5 years	2,611,553,647.18	2,611,553,647.18	100
Total	22,817,047,724.71	5,328,317,834.13	23.35

(Continued)

Age	Opening balance		
	Accounts receivable	Provision for bad debts	Percentage of provisions (%)
Within 1 year	9,072,419,726.09	453,620,986.34	5
1- 2 years	5,169,740,449.52	516,974,044.95	10
2- 3 years	2,882,031,752.35	576,406,350.45	20
3- 4 years	1,541,018,548.15	616,407,419.21	40
4- 5 years	1,576,782,081.58	788,391,040.82	50
Over 5 years	1,914,807,599.28	1,914,807,599.28	100
Total	22,156,800,156.97	4,866,607,441.05	21.96

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

3) Accounts receivable that are individually insignificant but provided for bad debts on individual basis at the end of the Period

Name of entity	Book Balance	Provision for bad debts	Proportion (%)	Reason for of basis of provision
First	25,131,940.00	25,131,940.00	100	Has dispute over quality and expectation of unable to recover
Second	17,502,300.00	17,502,300.00	100	The client has trouble in funding and expectation of unable to recover
Third	831,200.00	831,200.00	100	Has dispute and expectation of unable to recover
Total	43,465,440.00	43,465,440.00	100	

(3) Top five accounts receivable

Top five accounts receivable outstanding as at the end of the Period categorized by debtors

Name of entity	Closing balance	Age	As a percentage of total accounts receivable at the end of the Period	Balance of bad debt provisions at the end of the Period
First	873,658,326.53	0-3 years	3.76	45,454,266.00
Second	597,112,183.76	Within 1 year	2.57	29,855,609.19
Third	504,521,041.81	0- over 5 years	2.17	394,534,629.61
Fourth	418,443,886.14	0-3 years	1.80	21,999,560.31
Fifth	371,883,928.38	0- over 5 years	1.60	22,418,258.69
Total	2,765,619,366.62		11.90	514,262,323.80

(4) Credit terms for accounts receivable

In terms of the revenue from construction contract, it is settled based on relative provisions of contract. If the customers have a long history and good credit, the Group can grant a longer credit time, such as 2-3 year terms.

The sales revenue is settled according to the relative agreements of contract. In general, the customers with large scale or long history and good repayment records can get one-year credit period. For small, new or short-term customers, the Group shall settle the amount within 180 days after rendering service or delivering products.

5. Prepayments

(1) Aging of prepayments

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,571,354,235.82	58.93	2,373,738,994.83	71.93
1—2 years	434,940,045.30	16.31	442,040,509.01	13.40
2—3 years	272,187,644.35	10.21	175,929,399.33	5.33
Over 3 years	387,851,412.52	14.55	308,252,635.68	9.34
Total	2,666,333,337.99	100	3,299,961,538.85	100

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

1) The prepayments aged over 1 year of the Group as at the end of the Period mainly represent procurement costs and consigned processing charges prepaid for large forging materials. The Group has not proceeded with settlement since the goods were not delivered yet due to the long manufacturing cycle of materials and components.

2) Top five prepayments at the end of the Period categorized by prepayment receivers

Name of the entity	Closing balance	Age	Proportion to the total prepayment at the end of the Period (%)
First	165,313,945.59	0-3 years	6.20
Second	110,608,459.97	0-2 years	4.15
Third	106,802,930.87	Within 1 year	4.01
Fourth	94,595,798.29	0-2 years	3.55
Fifth	87,191,849.40	Within 1 year	3.27
Total	564,512,984.12		21.17

6. Interest receivable

Item	Closing balance	Opening balance
Time deposits	295,476,116.19	297,206,934.58
Total	295,476,116.19	297,206,934.58

There is no overdue interest in the interest receivable of the Group as at the end of the Period.

7. Other receivables

Item	Closing balance	Opening balance
Other receivables	709,035,809.41	720,525,487.80
Less: Provision for bad debts	359,915,878.75	354,229,208.39
Net amount	349,119,930.66	366,296,279.41

(1) Aging analysis of other receivables

Age	Closing balance	Opening balance
Within 1 year	190,882,689.72	247,651,666.48
1- 2 years	43,007,847.00	25,145,941.90
2- 3 years	53,053,111.74	46,261,858.03
3- 4 years	50,571,136.12	37,244,610.04
4- 5 years	9,755,568.08	5,330,986.96
Over 5 years	1,849,578.00	4,661,216.00
Net amount	349,119,930.66	366,296,279.41

Dongfang Electric Corporation Limited

Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(2) Classification of other receivable

Category	Closing balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are individually significant and provided for bad debts on individual basis	221,728,744.90	31.27	221,728,744.90	100.00	
Other receivables provided for bad debts based on portfolio of credit risks characteristics	480,497,446.51	67.77	135,015,893.85	28.10	345,481,552.66
Other receivables that are individually insignificant but provided for bad debts on individual basis	6,809,618.00	0.96	3,171,240.00	46.57	3,638,378.00
Total	709,035,809.41	100	359,915,878.75	50.76	349,119,930.66

(Continued)

Category	Opening balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are individually significant and provided for bad debts on individual basis	221,728,744.90	30.76	221,728,744.90	100	
Other receivables provided for bad debts based on portfolio of credit risks characteristics	490,865,886.90	68.14	129,329,223.49	26.35	361,536,663.41
Other receivables that are individually insignificant but provided for bad debts on individual basis	7,930,856.00	1.10	3,171,240.00	39.99	4,759,616.00
Total	720,525,487.80	100	354,229,208.39	49.16	366,296,279.41

(3) Other receivables that are individually significant and provided for bad debts on individual basis at the end of the Period

Name of entity	Closing balance			Reasons for provisions Note
	Book balance	Provision for bad debts	Percentage of provisions (%)	
First	157,450,443.40	157,450,443.40	100	
Second	64,278,301.50	64,278,301.50	100	Expectation of unable to recover
Total	221,728,744.90	221,728,744.90	100	—

Note: For details, please refer to Note XV. 2 (1) to the financial statements.

1) In the groups, details of other receivables that are provided for bad debts based on ageing analysis are as follows:

Age	Closing balance		
	Other receivables	Provision for bad debts	Percentage of provisions (%)
Within 1 year	200,924,004.84	10,041,315.12	5
1- 2 years	47,786,496.71	4,778,649.71	10
2- 3 years	66,316,389.67	13,263,277.93	20
3- 4 years	84,285,226.88	33,714,090.76	40
4- 5 years	15,933,536.23	7,966,768.15	50

Dongfang Electric Corporation Limited

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From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Age	Closing balance		
	Other receivables	Provision for bad debts	Percentage of provisions (%)
Over 5 years	65,251,792.18	65,251,792.18	100
Total	480,497,446.51	135,015,893.85	28.10

(Continued)

Age	Opening balance		
	Book balance	Provision for bad debts	Percentage of provisions (%)
Within 1 year	260,685,964.73	13,034,298.25	5
1- 2 years	27,939,935.45	2,793,993.55	10
2- 3 years	57,827,322.56	11,565,464.53	20
3- 4 years	62,074,350.07	24,829,740.03	40
4- 5 years	10,465,173.96	5,232,587.00	50
Over 5 years	71,873,140.13	71,873,140.13	100
Total	490,865,886.90	129,329,223.49	26.35

2) Other Receivables that are not individually significant but provided for bad debts on individual basis

Name of entity	Closing balance			
	Book Balance	Provision for bad debts	Proportion (%)	Reason
First	3,638,378.00			Note
Second	2,750,000.00	2,750,000.00	100	Land occupation fee paid before the year 2008 earthquake, low possibility of recovering
Third	421,240.00	421,240.00	100	Expectation of unable to recover
Total	6,809,618.00	3,171,240.00	46.57	—

Note: The housing turnover fund temporarily lend to the key staff by Dongfang Heavy Machinery Co., Ltd. The fund will be deducted from staff's salary monthly and no provision recognized.

(4) Top five other receivables

Top five other receivables as at the end of the Period categorized by debtors

Name of entity	Nature	Closing balance	Age	Proportion to total other receivables at the end of the Period (%)	Bad debt provision at the end of the Period
First	Investment in treasury bonds	157,450,443.40	Over 5 years	22.21	157,450,443.40
Second	Advance payment	64,278,301.50	1-4 years	9.07	64,278,301.50
Third	Advance payment	58,800,000.00	0-4 years	8.29	18,530,000.00
Fourth	Advance payment	28,137,057.38	0-4 years	3.97	2,015,189.15
Fifth	Advance payment	19,500,000.00	Over 5 years	2.75	19,500,000.00
Total		328,165,802.28		46.29	261,773,934.05

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

8. Inventories**(1) Classification of inventories**

Item	Closing balance		
	Book balance	Provision for impairment	Book value
Raw materials (including purchase of materials)	3,681,350,798.45	395,162,364.39	3,286,188,434.06
Semi-finished products and unfinished products	17,782,890,853.70	724,543,991.64	17,058,346,862.06
Finished products	871,266,359.54	50,149,486.32	821,116,873.22
Revolving materials (packing materials, low value consumables, etc.)	62,947,355.20	2,767,878.41	60,179,476.79
Assets arising from construction contracts	5,803,725,733.46	1,239,294,794.27	4,564,430,939.19
Total	28,202,181,100.35	2,411,918,515.03	25,790,262,585.32

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment	Book value
Raw materials (including purchase of materials)	3,562,915,973.58	334,665,468.00	3,228,250,505.58
Semi-finished products and unfinished products	19,339,246,044.28	765,884,732.40	18,573,361,311.88
Finished products	1,346,982,909.68	93,673,380.68	1,253,309,529.00
Revolving materials (packing materials, low value consumables, etc.)	52,708,123.79	2,804,577.18	49,903,546.61
Assets arising from construction contracts	5,099,385,763.29	1,304,620,268.54	3,794,765,494.75
Total	29,401,238,814.62	2,501,648,426.80	26,899,590,387.82

(2) Provision for inventory impairment

Item	Opening balance	Increase in the Period		Decrease in the Period		Closing balance
		Provisions	Others	Reversal or write-off	Other transferred-out	
Raw materials (including purchase of materials)	334,665,468.00	80,581,448.60			20,084,552.21	395,162,364.39
Semi-finished products and unfinished products	765,884,732.40	205,500,773.80			246,841,514.56	724,543,991.64
Finished products	93,673,380.68				43,523,894.36	50,149,486.32
Revolving materials (packing materials, low value consumables, etc.)	2,804,577.18				36,698.77	2,767,878.41
Assets arising from construction contracts	1,304,620,268.54	132,837,229.29			198,162,703.56	1,239,294,794.27
Total	2,501,648,426.80	418,919,451.69			508,649,363.46	2,411,918,515.03

1) Provision for inventory impairment made by the Group during the Period mainly represents the Group's provisions for impairment in respect of raw materials based on the difference between the net realizable value (which is lower) and the costs due to the decrease in the market fair value as a result of long-term overstock of materials purchased during the previous periods due to changes in product process.

2) Provision for decline in value of semi-products, unfinished products and finished products during the Period are mainly due to the fierce market competition which led the sales prices to go lower than the cost. The provisions are drawn in accordance with net realizable value lower than cost.

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

3) Provisions for impairment in respect of construction contracts of the Group during the Period represent the estimated contract losses based on the difference between the total estimated costs (which is higher) and contract revenue arising from certain projects implementing such contracts.

4) Other transferred-out under provision for inventory depreciation of the Group during the Period mainly represents the estimated contract losses written off made by the Group during the Period pursuant to the completion percentage of the construction contracts as well as the appropriation or sales carrying-forward of inventories with provisions for impairment, etc.

(3) Provision for inventories

Item	Principle	Reasons for reversal
Raw materials (including purchase of materials)	Net realizable value lower than book value	The adjustment of product manufacture process makes some of aged raw materials available for use
Semi-finished products and unfinished products	Net realizable value lower than book value	Complete the production and realize sales
Finished products	Net realizable value lower than book value	Net realizable value increased
Revolving materials (packing materials, low value consumables, etc.)	Net realizable value lower than book value	Revolving materials being used again in the production
Assets arising from construction contracts	Total contract income lower than expected total cost	

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Closing balance		
	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments	33,476,314.66	30,376,314.66	3,100,000.00
Including: Measured at cost	33,476,314.66	30,376,314.66	3,100,000.00
Measured at fair value			
Total	33,476,314.66	30,376,314.66	3,100,000.00

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments	33,476,314.66	30,376,314.66	3,100,000.00
Including: Measured at cost	33,476,314.66	30,376,314.66	3,100,000.00
Measured at fair value			
Total	33,476,314.66	30,376,314.66	3,100,000.00

(2) Analysis of available-for-sale financial assets:

Item	Closing balance	Opening balance
Listed		
Unlisted	33,476,314.66	33,476,314.66

Dongfang Electric Corporation Limited

Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Item	Closing balance	Opening balance
Total	33,476,314.66	33,476,314.66

(3) Available-for-sale assets measured by cost at the end of the Period

Invested enterprise	Book Balance			
	Opening balance	Increase in the Period	Decrease in the Period	Closing balance
Southwest Production Means Center	60,000.00			60,000.00
Deyang Mechanical and Electrical Equipment Co., Ltd.	100,941.25			100,941.25
Wuxi Electronic Guesthouse	150,000.00			150,000.00
Chengdu Sandian Stock Co., Ltd.	455,373.41			455,373.41
Sichuan Dongdian Real Estate Development Co., Ltd.	1,000,000.00			1,000,000.00
Guangdong Dongfang Power Station Complete Equipment Co., Ltd.(Guangdong Company)	1,100,000.00			1,100,000.00
Sichuan Huadian Yibin Power Generation Co., Ltd.	23,800,000.00			23,800,000.00
Chengdu Southwest Spherical Tank Engineering Co. Ltd.	50,000.00			50,000.00
Sichuan Mechanical and Electrical Equipment Import & Export Co., Ltd.	50,000.00			50,000.00
Southwest Mechanical Industry Affiliated Group Co., Ltd.	210,000.00			210,000.00
Southern Sichuan Expressway Co., Ltd.	1,000,000.00			1,000,000.00
Beijing Huatsing Gas Turbine & IGCC Technology Co., Ltd.	5,500,000.00			5,500,000.00
Total	33,476,314.66			33,476,314.66

(Continued)

Invested enterprise	Provision for impairment				Shareholding percentage in the invested enterprise (%)	Cash dividends received in the Period
	Opening balance	Increase in the Period	Decrease in the Period	Closing balance		
Southwest Production Means Center	60,000.00			60,000.00	Unknown	
Deyang Mechanical and Electrical Equipment Co., Ltd.	100,941.25			100,941.25	Unknown	
Wuxi Electronic Guesthouse	150,000.00			150,000.00	Unknown	
Chengdu Sandian Stock Co., Ltd.	455,373.41			455,373.41	Unknown	
Sichuan Dongdian Real Estate Development Co., Ltd.					12.50	
Guangdong Company					11.11	
Sichuan Huadian Yibin Power Generation Co., Ltd.	23,800,000.00			23,800,000.00	10.00	
Chengdu Southwest Spherical Tank Engineering Co. Ltd.	50,000.00			50,000.00	16.13	

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Invested enterprise	Provision for impairment				Shareholding percentage in the invested enterprise (%)	Cash dividends received in the Period
	Opening balance	Increase in the Period	Decrease in the Period	Closing balance		
Sichuan Mechanical and Electrical Equipment Import & Export Co., Ltd.	50,000.00			50,000.00	5.00	
Southwest Mechanical Industry Affiliated Group Co., Ltd.	210,000.00			210,000.00	2.37	
Southern Sichuan Expressway Co., Ltd.					0.05	10,000.00
Beijing Huatsing Gas Turbine & IGCC Technology Co., Ltd.	5,500,000.00			5,500,000.00	15.49	
Total	30,376,314.66			30,376,314.66		10,000.00

(4) Provision for impairment of available-for-sale financial assets

Classification of financial assets available for sale	Equity instruments available for sale	Total
Provision for impairment at the beginning of the year	30,376,314.66	30,376,314.66
Provision for the Period		
Including: transfer from other comprehensive income		
Decrease in the Period		
Provision for impairment at the end of the Period	30,376,314.66	30,376,314.66

Dongfang Electric Corporation Limited

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From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

10. Long-term equity investment

(1) The category of long-term equity investments

Invested enterprise	Opening balance	Changes in the Period								Closing balance	Provision for impairment at the end of the Period
		Additional investment	Decrease in investment	Losses/gains from investment based on the equity method	Adjustment of other comprehensive income	Changes in other equity	Cash dividends or profit announced	Provision for impairment	Others		
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. (note 1)		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	

Note 1: Hereinafter referred to as Sanshengtai Wind Power Co., Ltd.

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Sanshengtai Wind Power Co., Ltd., established on 3 November 2015, is a limited liability company jointly established by the Company and Inner Mongolia Power Generation Investment Group New Energy Co., Ltd. The registered capital of Sanshengtai Wind Power Co., Ltd. is RMB80 million, of which RMB16 million is contributed by the Company (paid-in capital of RMB16 million), representing 20% of registered capital of Sanshengtai Wind Power Co., Ltd. Sanshengtai Wind Power Co., Ltd. primarily engages in operation and management of wind power generation projects.

(2) Analysis of long-term equity investment

Item	Closing balance	Opening balance
Listed		
Unlisted	1,224,830,900.39	1,066,013,723.84
Total	1,224,830,900.39	1,066,013,723.84

11. Investment properties

(1) Investment properties measured at cost

Item	Buildings	Land use rights	Total
I. Original book Value			
1. Opening balance	83,123,008.19	10,401,505.00	93,524,513.19
2. Increase in the Period			
(1) Other changes			
3. Decrease in the Period			
4. Closing balance	83,123,008.19	10,401,505.00	93,524,513.19
II. Accumulated depreciation and amortization			
1. Opening balance	21,207,345.60	1,756,219.60	22,963,565.20
2. Increase in the Period	1,686,311.74	112,875.78	1,799,187.52
(1) Provision or amortization	1,686,311.74	112,875.78	1,799,187.52
3. Decrease in the Period			
4. Closing balance	22,893,657.34	1,869,095.38	24,762,752.72
III. Provision for impairment			
IV. Book value			
1. Book value at the end of the Period	60,229,350.85	8,532,409.62	68,761,760.47
2. Book value at the beginning of the Period	61,915,662.59	8,645,285.40	70,560,947.99

(2) Analysis of investment properties by region and age:

Item	Closing balance	Opening balance
In the PRC	68,761,760.47	70,560,947.99
Mid-term (10-50 years)	68,761,760.47	70,560,947.99
Total	68,761,760.47	70,560,947.99

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

12. Fixed assets

(1) Breakdown of fixed assets

Item	Land	Buildings	Machinery and equipment	Transportation vehicles	Instrument and apparatus, electronic equipment and others	Total
I. Original book value						
1. Opening balance	22,474,549.10	7,169,865,014.45	8,202,776,448.17	352,947,091.47	1,025,927,451.41	16,773,990,554.60
2. Increase in the Period		71,964,450.41	55,972,561.41	1,908,366.45	29,863,538.44	159,708,916.71
(1) Addition		3,498.09	2,836,321.67		1,231,024.26	4,070,844.02
(2) Transfer from construction in progress		71,859,664.02	23,136,239.74	1,887,493.43	28,419,704.40	125,303,101.59
(3) Increase due to exchange rate change				20,368.87	399.55	20,768.42
(4) Other increases		101,288.30	30,000,000.00	504.15	212,410.23	30,314,202.68
3. Decrease in the Period	73,095.39	615,838.07	13,494,288.33	2,352,190.08	7,370,701.83	23,906,113.70
(1) Disposal or scrapping		63,632.66	9,176,053.93	2,352,190.08	6,676,321.22	18,268,197.89
(2) Other decreases	73,095.39	552,205.41	4,318,234.40		694,380.61	5,637,915.81
4. Closing balance	22,401,453.71	7,241,213,626.79	8,245,254,721.25	352,503,267.84	1,048,420,288.02	16,909,793,357.61
II. Accumulated depreciation						
1. Opening balance		2,200,100,635.08	5,376,760,106.39	276,290,663.08	795,204,685.26	8,648,356,089.81
2. Increase in the Period		166,765,084.96	270,756,088.90	13,517,070.08	65,265,031.49	516,303,275.43
(1) Provision		166,765,084.96	270,756,088.90	13,517,070.08	64,619,340.26	515,657,584.20
(2) Other increases					645,691.23	645,691.23
3. Decrease in the Period			12,987,106.81	2,250,523.25	6,734,459.07	21,972,089.13
(1) Disposal or scrapping			8,491,838.23	2,249,194.09	6,345,171.09	17,086,203.41

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Item	Land	Buildings	Machinery and equipment	Transportation vehicles	Instrument and apparatus, electronic equipment and others	Total
(2) Other decreases			4,495,268.58	1,329.16	389,287.98	4,885,885.72
4. Closing balance		2,366,865,720.04	5,634,529,088.48	287,557,209.91	853,735,257.68	9,142,687,276.11
III. Provision for impairment						
1. Opening balance		121,776.23	26,112,348.88	90,000.00	64,102.47	26,388,227.58
2. Increase in the Period						
(1) Provision						
3. Decrease in the Period						
(1) Disposal or scrapping						
4. Closing balance		121,776.23	26,112,348.88	90,000.00	64,102.47	26,388,227.58
IV. Book value						
1. Book value at the end of the Period	22,401,453.71	4,874,226,130.52	2,584,613,283.89	64,856,057.93	194,620,927.87	7,740,717,853.92
2. Book value at the beginning of the year	22,474,549.10	4,969,642,603.14	2,799,903,992.90	76,566,428.39	230,658,663.68	8,099,246,237.21

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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The lands in the fixed assets of the Group represent the land ownership acquired by its Indian subsidiary in India.

(2) Temporary idle fixed assets

Item	Original book value	Accumulated depreciation	Depreciation reserve	Book value	Note
Machines and equipment	1,022,455.32	690,552.55		331,902.77	
Instruments	79,487.18	66,794.40		12,692.78	
Total	1,101,942.50	757,346.95		344,595.55	

(3) Fixed assets leased out under operating leases

Item	Book value
Building (note)	848,245.14
Machines and equipment	2,102,697.84
Vehicles	10,000.00
Instruments, electronic equipment and others	277.78
Total	2,961,220.76

Note: For buildings leased under operating lease, some leased buildings mainly include roofs and single rooms, and their book value cannot be reasonably measured.

(4) Fixed assets of which certificates of title have not been obtained

Item	Book value	Reason
Newly built technical building, staff dining room, laboratories, staff training center, control building of 110KV substation, etc. (11 in total) of Dongfang Electric Machinery Co., Ltd.	172,936,589.50	Being processed
Combined factory building V & VI and flaw detection room, Chengdu building II (4 in total) of Dongfang Boiler Group Co., Ltd.	236,728,151.92	Being processed
Experimental building and booster station of Dongfang Turbine Co., Ltd. Station auxiliary building in Deyang, Precision steel structure A-II in Mianzhu (10 in total)	183,140,376.21	Being processed
Plants, warehouses, office building, canteen and dormitories (5 in total) of Jiuquan New Energy Co., Ltd.	101,613,668.72	Being processed
Plant, warehouse, canteen, etc. (6 in total) of Wuhan Nuclear Equipment Co., Ltd.	94,657,743.04	Being processed
Production base of Hulun Buir New Energy Co., Ltd.	30,581,264.08	Being processed
Cold-state plants, cold-state auxiliary rooms, hot-state plants (3 in total) of Dongfang Boiler Group Co., Ltd.	9,855,184.03	As the land is not property of Dongfang Boiler Group Co., Ltd., certificate of title cannot be obtained

13. Construction in progress

(1) Details of construction in progress

Dongfang Electric Corporation Limited

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From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	419,831,007.05	1,430,697.20	418,400,309.85	449,232,439.31	1,430,697.20	447,801,742.11
Total	419,831,007.05	1,430,697.20	418,400,309.85	449,232,439.31	1,430,697.20	447,801,742.11

(2) Changes in major construction in progress

Name of project	Opening balance	Increase in the Period	Decrease for the Period		Closing balance
			Transfer to fixed assets	Other decreases	
Compressor experiment rig construction project of Dongfang Turbine Co., Ltd.	84,551,259.12	4,575,641.00	324,358.97		88,802,541.15
Office building project of India Company	80,769,752.67	9,017,197.38			89,786,950.05
Construction project of 350T high speed dynamic balance of Dongfang Turbine Co., Ltd.	77,835,354.86	177,333.34	53,734,549.38		24,278,138.82
Construction of 6MW full power fan blower and LVRT base by Dongfang Turbine Co., Ltd.	33,085,652.29		1,301,709.41	3,819,068.13	27,964,874.75
EPC project of phase-II of test station of Dongfang Electric Machinery Co., Ltd.	16,630,204.43	1,598,291.75	8,698,810.26		9,529,685.92
Special project for improvement of capability in manufacturing 32t13002q container products and gasifier of Dongfang Boiler Group Co., Ltd.	14,726,577.54	2,125,499.63	1,414,191.99	128,000.00	15,309,885.18
CNC single-column moving vertical composite milling machine of Wuhan Nuclear Equipment Co., Ltd.	13,697,903.37				13,697,903.37
Research and test base (phase I) of Dongfang Electric Machinery Co., Ltd.	11,158,952.01	573,292.28			11,732,244.29
CNC moving-beam gantry type milling machine of Dongfang Turbine Co., Ltd.	10,835,928.60	66,830.77	207,264.95		10,695,494.42
Heavy-duty type half-precision horizontal lathe for machining rotors with 4.2m diameter of Dongfang Turbine Co., Ltd.	9,213,265.53	3,867,005.30			13,080,270.83
Other projects	96,727,588.89	81,961,429.26	59,622,216.63	4,113,783.25	114,953,018.27
Total	449,232,439.31	103,962,520.71	125,303,101.59	8,060,851.38	419,831,007.05

(continued)

Name of project	Budget amount (RMB0'000)	Proportion of injection to budget (%)	Progress (%)	Accumulated amount of interest capitalization	Including: Interest capitalized for the Period	Capitalization (%)	Source of funds
Compressor rig construction of Dongfang Turbine Co., Ltd.	31,260.00	40.00	63.00				Other sources
Office building project of Dongfang Electric(India) Private Limited	13,000.00	69.07	80.00				Other sources
Construction project of 350T high speed dynamic balance of Dongfang Turbine Co., Ltd.	18,500.00	81.39	90.00				Other sources
Construction of 6MW full power fan blower and LVRT base construction of Dongfang Turbine Co., Ltd.	8,000.00	53.00	87.00				Other sources

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Name of project	Budget amount (RMB0'000)	Proportion of injection to budget (%)	Progress (%)	Accumulated amount of interest capitalization	Including: Interest capitalized for the Period	Capitalization (%)	Source of funds
EPC project of phase-II of test station of Dongfang Electric Machinery Co., Ltd.	3,920.00	74.01	98.00				Other sources
Special project for improvement of capability in manufacturing 32t13002q container products and gasifier of Dongfang Boiler Group Co., Ltd.	19,220.00	83.11	95.00				Other sources
CNC single-column moving vertical composite milling machine of Wuhan Nuclear Equipment Co., Ltd.	2,240.00	61.13	61.13				Other sources
Research and test base (phase I) of Dongfang Electric Machinery Co., Ltd.	7,200.00	39.80	90.00				Other sources
CNC moving-beam gantry type milling machine of Dongfang Turbine Co., Ltd.	11,500.00	20.00	23.00				Other sources
Heavy-duty type half-precision horizontal lathe for machining rotors with 4.2m diameter of Dongfang Turbine Co., Ltd.	2,600.00	85.00	96.00				Other sources
Other projects							Loan from financial institutions and other sources
Total							

14. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Patent	Non-patented technology	Software	Total
I. Original value					
1. Opening balance	1,080,095,698.80	11,692,161.08	339,666,800.93	130,980,752.59	1,562,435,413.40
2. Increase in the Period	49,848.00			2,738,877.52	2,788,725.52
(1) Addition				1,948,279.27	1,948,279.27
(2) Transfer from construction in progress	49,848.00			790,598.25	840,446.25
3. Decrease in the Period					
(1) Disposal as mature					
(2) Changes caused by exchange rate fluctuation					
(3) Other changes					
4. Closing balance	1,080,145,546.80	11,692,161.08	339,666,800.93	133,719,630.11	1,565,224,138.92
II. Accumulated amortization					
1. Opening balance	174,565,856.82	8,115,070.64	260,552,390.61	74,786,191.41	518,019,509.48
2. Increase in the Period	9,894,742.78	0.00	5,390,556.87	10,100,344.05	25,385,643.70
(1) Provision	9,894,742.78	0.00	5,390,556.87	10,100,344.05	25,385,643.70
3. Decrease in the Period					
(1) Disposal					
(2) Changes caused by exchange rate fluctuation					
4. Closing balance	184,460,599.60	8,115,070.64	265,942,947.48	84,886,535.46	543,405,153.18
III. Provision for impairment					

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Item	Land use rights	Patent	Non-patented technology	Software	Total
1. Opening balance	90,428,509.50		7,758,115.57		98,186,625.07
2. Increase in the Period					
3. Decrease in the Period					
4. Closing balance	90,428,509.50		7,758,115.57		98,186,625.07
IV. Book value					
1. Book value at the end of the Period	805,256,437.70	3,577,090.44	65,965,737.88	48,833,094.65	923,632,360.67
2. Book value at the beginning of the year	815,101,332.48	3,577,090.44	71,356,294.75	56,194,561.18	946,229,278.85

1) Analysis of land use rights by locations and use life is as follows:

Item	Closing balance	Opening balance
In the PRC	805,256,437.70	815,101,332.48
Mid-term (10 to 50 years)	805,256,437.70	815,101,332.48
Total	805,256,437.70	815,101,332.48

(2) The land use rights with certificates of title yet to be obtained

Item	Book value	Reason
Combined Land VI at west side of Huashan Road of Dongfang Boiler	9,553,647.83	The government has not completed the occupation of part of the land yet, thus subsequent procedures cannot be processed
Centralized industrial development zone in Jingyang District of Dongfang Turbine	2,832,008.56	Transfer of ownership has not been settled with the transferor yet
Total	12,715,092.52	

As the above land use rights are all acquired in accordance with related laws, the management of the Company expected no substantial obstacles in obtaining the certificates of title of those land use rights, and there is no material impact on the Group's operation, thus no impairment reserve being accrued and no material additional cost will occur.

(3) Impairment reserve of intangible assets

1) Pursuant to the "Rehabilitation Planning and Feasibility Study of the Relocation of the Hanwang Production Plant Base of Dongfang Turbine" (Guo Zi Ting Gui Hua [2008] No. 417) issued by the Bureau of Planning and Development of State-owned Assets Supervision and Administration Commission of the State Council, the impairment reserve of land as at the period-end is due to the impairment reserve of the land of Han-wang production base, which was destroyed in the earthquake on 12 May 2008. Dongfang Turbine Co., Ltd has rebuilt the production based on another location rather than the original destroyed production base, so the Company withdrawn full impairment provision regarding the deserted and destroyed land of Han-wang production base of RMB 90,428,509.50.

2) The impairment reserve of RMB 7,758,115.57 of non-patent technology as at the year-end is due to the 3MW blower fan non-patent technology Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.(Hereinafter referred to Hangzhou New Energy Co., Ltd.) holds, the technology is no longer can meet the need from the market.

15. Long-term deferred expense

Item	Opening balance	Increase in the Period	Amortization in the Period	Other decreases in the Period	Closing balance
Maintenance fee for power distribution equipment	315,000.22		52,999.98		262,000.24

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Item	Opening balance	Increase in the Period	Amortization in the Period	Other decreases in the Period	Closing balance
Testing and transformation expense	29,000.00		21,750.00		7,250.00
Total	344,000.22		74,749.98		269,250.24

16. Deferred income tax assets and deferred income tax liabilities

(1) Unsettled deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax asset	Deductible temporary difference	Deferred income tax asset
Provision for impairment of assets	8,290,359,225.43	1,245,832,248.88	7,995,100,534.47	1,204,275,105.04
Accrued liabilities	1,409,117,789.04	211,875,843.68	1,313,830,846.59	197,566,459.95
Staff salary payable	560,268,454.55	84,040,268.19	459,330,347.51	69,212,297.88
Government grants	168,676,537.05	27,475,105.62	162,273,036.53	26,527,230.25
Unrealized profit from internal transactions	35,226,393.28	6,204,927.91	184,645,857.64	33,111,098.74
Accounts payable	62,323,494.10	9,348,524.11	64,098,604.06	9,614,790.61
Fixed assets depreciation	26,224,406.40	3,933,660.96	26,224,406.43	3,933,660.96
Changes in fair value	17,048,516.26	2,557,277.44	12,522,616.14	1,878,392.42
Deductible overseas enterprise income tax for tax credit	3,310,404.66	827,601.17	3,310,404.66	827,601.17
Loss to be carried forward to the next year	15,910,241.11	2,515,533.16	1,289,969.97	322,492.49
Total	10,588,465,461.88	1,594,610,991.12	10,222,626,624.00	1,547,269,129.51

(2) Unsettled deferred income tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax	Taxable temporary difference	Deferred income tax
Evaluation increment	36,570,915.55	8,515,044.11	36,570,915.55	8,515,044.11
Changes in fair value			10,339.13	1,550.87
Fixed assets depreciation	41,982,793.34	6,296,685.63	41,982,779.62	6,296,681.18
Total	78,553,708.89	14,811,729.74	78,564,034.30	14,813,276.16

(3) Details of unrecognized deferred income tax assets/deferred income tax liabilities

Item	Closing balance	Opening balance
Loss to be carried forward to the next year	696,385,930.78	680,393,315.65
Provision for inventory impairment	276,352,587.65	313,786,375.02
Provision for bad debts	73,965,447.51	54,542,861.48
Provision for intangible asset impairment	10,436,994.84	10,436,994.84
Unrealized profit from internal transactions	22,479,717.12	22,479,717.12
Accrued liabilities	62,169,295.63	16,362,165.67
Government grants	9,134,849.33	9,134,849.33

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

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Item	Closing balance	Opening balance
Staff salary payable	15,333,311.26	15,333,311.26
Evaluation increment	47,700,295.75	47,700,295.75
Total	1,213,958,429.87	1,170,169,886.12

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

Item	Closing balance	Opening balance	Notes
2016	16,834,295.24	16,570,892.12	
2017	47,419,122.33	47,419,122.33	
2018	98,597,986.19	106,902,110.36	
2019	195,620,238.57	118,367,330.21	
2020	337,914,288.45	391,133,860.63	
Total	696,385,930.78	680,393,315.65	

17. Short-term loans

(1) Classification of short-term loans

Category	Closing balance	Opening balance
Pledged loans	4,000,000.00	10,000,000.00
Mortgage loans	142,000,000.00	142,000,000.00
Credit loans	232,500,000.00	1,490,000,000.00
Total	378,500,000.00	1,642,000,000.00

1) Mortgage loan of the Group as at the end of the Period amounted to RMB 142 million. It was the borrowing Wuhan Nuclear Equipment Co. Ltd obtained from Dongfang Electric Finance Co., Ltd. with machinery and equipment, land and building as the pledges (Maximum borrowing amount of 200 million).

2) Pledged loan of the Group is the loan Eastern Boiler Control Co., Ltd. obtained from Dongfang Electric Finance Co., Ltd, the loan is secured by the Commercial acceptance notes with recourse right.

(2) No overdue loans are included in the short-term loans of the Group at the end of the Period.

18. Notes payable

Category	Closing balance	Opening balance
Bank acceptance	246,215,009.17	316,539,408.51
Commercial acceptance	4,157,725,409.59	4,341,232,920.30
Total	4,403,940,418.76	4,657,772,328.81

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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19. Accounts payable

(1) Aging analysis of accounts payable

Age	Closing balance	Opening balance
Within 1 year	12,213,402,776.78	11,461,962,902.40
1-2 years	2,497,556,952.28	2,080,214,592.88
2-3 years	1,360,078,780.89	644,858,826.54
Over 3 years	1,217,416,218.60	992,497,060.90
Total	17,288,454,728.55	15,179,533,382.72

(2) Material accounts payable aged over one year

Name of entity	Closing balance	Reason for not being paid or settled
First	117,834,853.60	In the warranty period
Second	110,559,055.28	In the warranty period
Third	102,181,067.47	In the warranty period
Fourth	91,418,582.31	In the warranty period
Fifth	44,756,239.58	In the warranty period
Total	466,749,798.24	

20. Receipts in advance

(1) Receipts in advance

Item	Closing balance	Opening balance
Within 1 year (inclusive)	23,646,817,833.82	22,479,988,495.16
Over 1 year	10,313,824,527.43	12,366,479,197.22
Total	33,960,642,361.25	34,846,467,692.38

(2) Material receipts in advance aged over one year

Name of entity	Closing balance	Reason for not being paid or settled
First	1,084,972,207.42	Power generators not completed due to long production cycle
Second	639,682,569.95	Power generators not completed due to long production cycle
Third	474,908,596.68	Power generators not completed due to long production cycle
Fourth	373,215,474.29	Power generators not completed due to long production cycle
Fifth	327,252,769.24	Power generators not completed due to long production cycle
Total	2,900,031,617.58	

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From 1 January 2016 to 30 June 2016

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21. Staff remuneration payable

(1) Classification of staff remuneration payable

Item	Opening balance	Increase in the Period	Decrease in the Period	Closing balance
Short-term remuneration	239,563,661.71	1,197,821,148.37	1,156,597,901.61	280,786,908.47
Post-employment benefits - DCP	70,546,361.09	201,049,666.48	191,220,709.10	80,375,318.47
Dismissal benefits	85,964,181.66	39,193,359.05	48,182,036.89	76,975,503.82
Total	396,074,204.46	1,438,064,173.90	1,396,000,647.60	438,137,730.76

(2) Short-term remuneration

Item	Opening balance	Increase in the Period	Decrease in the Period	Closing balance
Salaries, bonuses, allowances and subsidies	160,267,842.53	859,308,042.31	845,632,806.28	173,943,078.56
Welfare expenses		99,315,320.43	79,520,071.58	19,795,248.85
Social insurance	1,762,152.66	97,648,365.05	96,372,379.90	3,038,137.81
Including: Medical insurance	1,562,459.09	68,334,192.86	68,012,227.53	1,884,424.42
Employment injury insurance	130,680.72	8,840,438.20	8,175,949.72	795,169.20
Maternity insurance	69,012.85	4,812,008.13	4,522,476.79	358,544.19
Supplementary medical insurance		15,661,725.86	15,661,725.86	
Housing provident fund	6,204,783.30	104,635,457.37	105,153,037.61	5,687,203.06
Labor union expenses and employee education expenses	70,149,518.71	26,057,653.76	17,920,594.73	78,286,577.74
Labor protection expenses		8,636,089.84	8,636,089.84	
Others	1,179,364.51	2,220,219.61	3,362,921.67	36,662.45
Total	239,563,661.71	1,197,821,148.37	1,156,597,901.61	280,786,908.47

(3) DCP

Item	Opening balance	Increase in the Period	Decrease in the Period	Closing balance
Fundamental endowment insurance	2,266,674.13	180,770,213.15	176,702,005.52	6,334,881.76
Unemployment insurance	180,080.97	13,331,588.16	13,830,167.00	-318,497.87
Corporate annuity payment	68,099,605.99	6,947,865.17	688,536.58	74,358,934.58
Total	70,546,361.09	201,049,666.48	191,220,709.10	80,375,318.47

22. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	106,410,937.59	250,932,243.52
Business tax	272,652.36	1,397,969.50
Enterprise income tax	20,930,544.01	193,730,783.85

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Item	Closing balance	Opening balance
Urban maintenance and construction tax	8,130,860.50	17,010,646.83
Withhold and remit individual income tax	3,620,890.30	22,639,238.08
Educational surtax	3,663,663.42	7,318,783.01
Local educational surtax	2,125,227.05	4,776,325.10
House property tax	2,131,425.78	4,650,036.43
Land use tax	105,672.24	220,025.58
Stamp duty	1,886,143.04	2,705,414.21
Embankment protection fees	186,388.41	170,849.57
Price regulation fund	7,744,239.42	7,936,286.93
Water conservancy and construction special fund	462,455.83	162,516.28
Others		4,571,752.30
Total	157,671,099.95	518,222,871.19

No overdue Hong Kong enterprise income tax was included in the taxes payable of the Group at the end of the Period.

23. Interest payable

(1) Classification of interest payable

Item	Closing balance	Opening balance
Convertible bonds interest		1,437,499.99
Short-term loans interest		338,611.11
Total		1,776,111.10

24. Dividends payable

Item	Closing balance	Opening balance
Dongfang Electric Corporation	58,441,005.78	
Other holders of A shares	61,373,016.30	
Holders of H shares	20,400,000.00	
China Western Power Industrial Co., Ltd.	960,000.00	480,000.00
Energy International Investments Holdings Limited	696,000.00	
Other shareholders of Dongfang Boiler	2,787,911.77	2,664,122.09
Total	144,657,933.85	3,144,122.09

The Company paid a cash dividend of RMB0.6 (tax inclusive) per every 10 shares, totaling RMB140,214,022.08, for the year 2015 based on the total share capital of 2,336,900,368 shares.

Dividend payable overdue for over one year of the Group at the end of the Period mainly represented the unpaid cash dividend to shareholders of remaining shares of Dongfang Boiler as they did not come to Dongfang Boiler to draw dividends upon its delisting.

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25. Other payables

(1) Classification of other payables by nature

Nature	Closing balance	Opening balance
Payables for acquisition of equity interest	942,336,415.78	942,336,415.78
Allocations within budget of the central government	413,710,000.00	413,710,000.00
Deposit and earnest money	131,688,810.67	168,559,847.21
Lease, labor and sporadic procurement payables	78,230,772.56	69,460,355.73
Collections for others	69,837,177.23	64,157,239.77
Advances payable	54,805,002.08	42,834,856.24
Social security and housing provident fund payable by individuals	31,455,336.23	39,410,631.80
Others	39,586,210.96	34,296,400.51
Total	1,761,649,725.51	1,774,765,747.04

(2) Material other payables aged over one year

Name of entity	Closing balance	Reason for not being repaid or carried forward
First	1,356,046,415.78	Note
Second	9,722,502.96	Not yet due
Total	1,365,768,918.74	

Note: It represents the net profit of the acquiree from evaluation base date to the completion of the acquisition attributable to DEC according to the acquisition agreement when the Company acquired equity interest in Dongfang Turbine Co., Ltd. and Dongfang Boiler through issuance of additional A shares to target investors in 2007, as well as infrastructure allocations within the budget of the central government.

26. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within one year	533,420,000.00	354,320,000.00
Convertible bonds due within one year		
Total	533,420,000.00	354,320,000.00

Overdue loan at the end of the Period

Lender	Amount	Overdue time	Interest (%)	Use of loan	Overdue reason	Expected repayment time
Deyang City Finance Bureau	16,320,000.00	67-115 months	2.55	Technology renovation and construction project of gas-steam combined cycle	No payment request yet	
Total	16,320,000.00					

Overdue loan of the Group at the end of the Period refers to the onlending national debt fund of RMB16.32 million borrowed by Dongfang Turbine Co., Ltd. in installments since 2001 from Deyang City Finance Bureau according to the Onlending National Debt Fund Agreement entered into between Deyang City Finance Bureau and Dongfang Turbine Factory (predecessor of Dongfang Turbine Co., Ltd.) for the technology renovation and construction project of gas-steam combined cycle. The loan had become overdue from November 2006 to November 2010 and has not been repaid as there has been no payment request from the creditor. As of the date of this financial report, the overdue loan of the Group remains outstanding.

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27. Other current liabilities

Item	Closing balance	Opening balance
Deferred income – government grants	90,266,620.83	103,512,042.66
Total	90,266,620.83	103,512,042.66

28. Long-term borrowings

(1) Classification of long-term borrowings

Types of borrowings	Closing balance	Opening balance
Mortgage borrowings		
Credit borrowings	1,260,080,000.00	1,073,140,000.00
Less: long-term borrowings due within 1 year	533,420,000.00	354,320,000.00
Total	726,660,000.00	718,820,000.00

(2) Due date analysis of long-term borrowings

Item	Closing balance	Opening balance
1 to 2 years	701,720,000.00	706,820,000.00
2 to 5 years	24,940,000.00	12,000,000.00
Total	726,660,000.00	718,820,000.00

29. Long-term accounts payable

Nature	Closing balance	Opening balance
Financial leasing payable	28,278,602.90	
Total	28,278,602.90	

Long-term accounts payable was arising from the financial leasing contract (sales and lease back) [2015 (Zu) Zi No. (01)] entered into between Hangzhou New Energy Co., Ltd. and the Group Financial Company. The lease covers 16m vertical lathe, 10m vertical lathe and 5m planer type boring machine.

30. Long-term employee benefits payable

Item	Closing balance	Opening balance
Termination benefits	237,501,089.80	142,868,920.51
Total	237,501,089.80	142,868,920.51

(1) The termination benefits of the Group represented the expected expenses payable to early retired employees. The Group discounted the expenses for early retirement at banker's call rate prevailing in the corresponding period.

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(2) The balance of the long-term employee benefits payable of the Group at the end of the Period increased comparing to the beginning of the Period was mainly due to the increase in early retired employees in the Period.

31. Specified accounts payable

Item	Opening balance	Increase in the Period	Decrease in the Period	Closing balance	Reason
Import tariffs and VAT refunds	58,062,614.63	40,000.00		58,102,614.63	Note
Total	58,062,614.63	40,000.00		58,102,614.63	

Note: The import tariffs and VAT refunds represented the import tariffs and VAT refunds received by Dongfang Turbine Co., Ltd. for the imported equipment pursuant to the Notice of Import Tax Policy Regarding the Implementation of the Opinions of the State Council on Accelerating the Revitalization of Equipment Manufacturing Industry" (Cai Guan Shui [2007] No. 11) (《關於落實國務院加快振興裝備製造業的若干意見有關進口稅收政策的通知》(財關稅[2007]11號)) jointly issued by the Ministry of Finance, the National Development and Reform Commission, the General Administration of Customs and the State Administration of Taxation. According to the Notice numbered Cai Guan Shui [2007] No. 11, the aforementioned tax refunds will be transferred to the state capital. As of the issue date of the financial statements, Dongfang Turbine Co., Ltd. has not yet completed relevant procedures for the transfer of state capital.

32. Estimated Liabilities

Item	Closing balance	Opening balance	Reason
Product warranties	1,487,890,843.21	1,306,058,546.48	Note
Outstanding litigation	2,620,800.00	2,620,800.00	
Onerous contracts pending for execution	31,811,669.01	21,513,665.82	The total contract cost is estimated to be higher than the total contract revenue
Total	1,522,323,312.22	1,330,193,012.30	

Note: It is provided in the contracts between the Group and the customers that the Group is obligated to assure the quality of the product sold and bears the responsibility of quality compensation for the repairs and replacements due to the quality defects of products within the warranty period. The Group provides retention money for its products at certain proportion of the sales revenue with reference to its past experience and historical data as well as the characteristics of production and operation.

33. Deferred income

(1) Types of deferred income

Item	Opening balance	Increase in the Period	Decrease in the Period	Closing balance	Reason
Government grants	408,634,664.10	17,666,487.50	15,605,942.14	410,695,209.46	
Total	408,634,664.10	17,666,487.50	15,605,942.14	410,695,209.46	—

(2) Items of government grants

Items of government grants	Opening balance	Additional grants in the Period	Amounts included in the non-operating revenue in the Period	Other changes	Closing balance	Related to assets/income
VAT refunds of third-tier enterprises	293,996,791.60		8,050,564.77	-5,488,319.63	280,457,907.20	Related to assets
Government funding for infrastructure	56,567,357.95	5,223,687.50			61,791,045.45	Related to assets
Government funding for scientific research	15,810,636.76	2,000,000.00			17,810,636.76	Related to assets

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Items of government grants	Opening balance	Additional grants in the Period	Amounts included in the non-operating revenue in the Period	Other changes	Closing balance	Related to assets/income
Government funding for scientific research	24,207,563.24	10,437,500.00	42,032.70	-769,893.03	33,833,137.51	Related to income
Government funding for technology transformation	2,850,000.00				2,850,000.00	Related to assets
Fiscal subsidy	6,780,866.67				6,780,866.67	Related to assets
Fiscal subsidy	1,000,000.00		1,000,000.00			Related to income
Others	5,408,130.88	5,300.00			5,413,430.88	Related to income
Others	2,013,317.00		425,797.94	170,665.93	1,758,184.99	Related to assets
Total	408,634,664.10	17,666,487.50	9,518,395.41	-6,087,546.73	410,695,209.46	

The VAT refunds of third-tier enterprises represented the VAT refunds of third-tier enterprises received by Dongfang Turbine Co., Ltd., Dongfang Boiler Company and Dongfang Electric Co., Ltd. during the period from 1 January 2006 to 31 December 2008 according to the Notice of the Tax Policies for the Third-tier Enterprises in the Tenth Five-Year Plan Period” (Cai Shui [2001] No. 133) (《關於「十五」期間三線企業稅收政策問題的通知》(財稅[2001]133號)) and the Notice on the Policy of Withholding VAT Return for the Third-tier Enterprises (Cai Shui [2006] No. 166) (《關於三線企業增值稅先徵後退政策的通知》(財稅[2006]166號)) issued by the Ministry of Finance and the State Administration of Taxation. Based on their specific usages, the Group classified the VAT refunds of the third-tier enterprises as government grants related to assets and government grants related to income for accounting purpose.

Government funding for infrastructure mainly represented the funds received by the Group from finance and government departments at all levels for the construction of infrastructures including the production base of Dongfang Electric (Hulun Buir) New Energy Co., Ltd. (hereinafter referred to as “Hulun Buir New Energy Company”), infrastructures of Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd. (hereinafter referred to as “Tongliao Wind Power Company”) and the soft soil foundation of Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd. (hereinafter referred to as “Tianjin Wind Power Technology Company”). The Group treated it as government grants related to assets and will amortize the funds in the non-operating revenue for the period over the useful life of such assets.

Other funding for scientific research and fiscal subsidy represented the special funds received by the Group from finance, technology and government departments at all levels for the research and development projects of wind power generation, the research and development of nuclear equipment, and technology innovation as well as various other fiscal subsidies. The Group categorized such government grants into funds related to assets and funds related to income for accounting purpose; the unclassifiable funding for scientific research will be deemed as government funds related to income and amortized non-operating revenue for the period over the implementation period of such scientific research projects.

34. Share capital

Set out below is the statement of change in authorized, issued and paid-up share capital of the Company. All shares of the Company are ordinary shares of RMB1 each.

Types	Opening amount		Change in the Period					Closing amount	
	Amount	Percentage (%)	Issuance of new shares	Bonus shares	Conversion from reserves	Others	Subtotal	Amount	Percentage (%)
Restricted circulating shares									
Unrestricted circulating shares									
A Share	1,996,900,368	85.45						1,996,900,368	85.45
H Share	340,000,000	14.55						340,000,000	14.55

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Types	Opening amount		Change in the Period					Closing amount	
	Amount	Percentage (%)	Issuance of new shares	Bonus shares	Conversion from reserves	Others	Subtotal	Amount	Percentage (%)
Total unrestricted circulating shares	2,336,900,368	100						2,336,900,368	100
Total shares	2,336,900,368	100						2,336,900,368	100

35. Capital Reserve

Item	Opening amount	Increase in the Period	Decrease in the Period	Closing amount
Share premium	8,819,217,989.98			8,819,217,989.98
Including: Amount from investors	8,826,930,189.98			8,826,930,189.98
Differences arising from business combination under common control	-7,712,200.00			-7,712,200.00
Other capital reserve	9,298,993.87			9,298,993.87
Including: Changes in other interests of investees	9,298,993.87			9,298,993.87
Share of convertible corporate bonds in the equity				
Total	8,828,516,983.85			8,828,516,983.85

36. Other comprehensive income

Item	Opening balance	Incurred in the Period					Closing balance
		Amount before income tax for the Period	Less: Amount included in other comprehensive income in the previous periods transferred to profit or loss	Less: income tax expense	Attributable to parent company after tax	Attributable to the shareholders after tax	
I. Other comprehensive income not to be reclassified to profit and loss							
II. Other comprehensive income to be reclassified to profit and loss	-34,093,733.04	237,078.38			237,249.11	-170.73	-33,856,483.93
Including: Conversion differences from financial statements presented in foreign currency	-34,093,733.04	237,078.38			237,249.11	-170.73	-33,856,483.93
Total other comprehensive income	-34,093,733.04	237,078.38			237,249.11	-170.73	-33,856,483.93

37. Special Reserve

Item	Opening amount	Increase in the Period	Decrease in the Period	Closing amount
Special reserve for safety production	33,167,401.60	24,559,779.02	12,038,640.00	45,688,540.62
Total	33,167,401.60	24,559,779.02	12,038,640.00	45,688,540.62

The increase in the special reserve of the Group for the Period represented the special reserve for safety production provided pursuant to the Notice of Issuing the Administrative Measures on the Appropriation and Use of Special Reserve for Safety Production of Enterprises (Cai Qi [2012] No. 16) (《關於印發〈企業安全生產費用提取和使用管理辦法〉的通知》(財企[2012]16號)) issued by the Ministry of Finance and the State Administration of Work Safety.

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38. Surplus reserve

Item	Opening amount	Increase in the Period	Decrease in the Period	Closing amount
Statutory surplus reserve	730,751,423.51			730,751,423.51
Total	730,751,423.51			730,751,423.51

39. Undistributed profits

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

The dividends on ordinary shares distributed by the Company to shareholders in the Period represented the dividends distributed under the 2015 After-tax Profit Distribution Plan as considered passed at the 2015 annual general meeting of the Company held on 24 May 2016. The cash dividends of RMB0.06 (tax inclusive) per share 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, totaling RMB140,214,022.08 (tax inclusive).

40. Minority interests

Minority interest attributable to the minority shareholders of subsidiaries

Name of subsidiaries	Proportion of minority interests (%)	Closing amount	Opening amount
Dongfang Heavy Machinery Company	34.8187	565,335,542.79	566,326,878.70
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	38.58	134,971,641.45	133,861,845.76
Tianjin Blade Company	49.64	84,544,272.56	83,008,376.53
Shenzhen Dongfang Boiler Control Company	49	76,865,794.87	77,921,515.08
Wuhan Nuclear Equipment Company	33	41,336,473.74	46,238,627.07
Dongfang Boiler Company	0.335	16,684,946.82	16,974,442.80
DEC Autocontrol Equipment Company	0.50	860,068.08	932,779.32
Dongfang Electric Power Equipment Co., Ltd. (Note)	1.17		573,980.36
Dongfang Electrical Machinery Mould Co., Ltd.	0.685	151,044.23	161,290.53
Dongfang Electrical Venezuela Co., Ltd.	1	91.18	267.96
Total		920,749,875.72	926,000,004.11

Note: As of 30 June 2016, the deregistration procedures and relevant equity interest allocation for DEC Power Generating Equipment had completed. Hence, DEC Power Generating Equipment ceased to be included in the scope of consolidation.

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41. Net current assets

Item	Closing amount	Opening amount
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

42. Differences between total assets and current liabilities

Item	Closing amount	Opening amount
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
Differences	26,501,603,445.39	26,650,981,637.64

43. Loans

Loans of the Group are summarized as follows:

Item	Closing amount	Opening amount
Short-term loans	378,500,000.00	1,642,000,000.00
Long-term loans	726,660,000.00	718,820,000.00
Long-term accounts payable		
Non-current liabilities due within one year	533,420,000.00	354,320,000.00
Total	1,638,580,000.00	2,715,140,000.00

(1) The analysis of the loans

Item	Closing amount	Opening amount
Bank borrowings		
- repayable within 5 years	1,638,580,000.00	2,715,140,000.00
- repayable after 5 years		
Subtotal	1,638,580,000.00	2,715,140,000.00
Other borrowings and payables		
Total	1,638,580,000.00	2,715,140,000.00

(2) Due date analysis of loans

Item	Closing amount	Opening amount
Payable on demand or within 1 year	911,920,000.00	1,996,320,000.00
1 to 2 years	701,720,000.00	706,820,000.00
2 to 5 years	24,940,000.00	12,000,000.00
5 years or above		
Total	1,638,580,000.00	2,715,140,000.00

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

44. Operating revenue and operating cost

Item	Incurred in the Period		Incurred in last period	
	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	196,330,882.33	159,546,500.74	371,850,618.63	326,510,258.55
Total	18,219,614,274.86	16,209,034,955.29	18,204,942,335.15	16,035,352,153.72

The total operating revenue from top five customers of the Group in the Period amounted to RMB3,489,161,137.69, accounting for 19.15% of the total operating revenue in the Period, while the total operating revenue from top five customers of the Group in the last period amounted to RMB3,791,060,733.18, accounting for 20.82% of the total operating revenue in last period. Details of the operating revenue from the top five customers are as follows:

Name of entity	Operating revenue	Proportion to the total operating revenue (%)
First	783,759,829.05	4.30
Second	756,860,732.16	4.15
Third	748,447,160.71	4.11
Fourth	609,871,193.55	3.35
Fifth	590,222,222.22	3.24
Total	3,489,161,137.69	19.15

45. Business tax and surcharges

Item	Amount for the Period	Amount for the last period
Business tax	666,018.29	3,456,925.05
Urban construction and maintenance tax	62,829,044.75	79,017,314.25
Education surcharges (including local education surcharge)	44,937,203.71	56,721,660.40
Others	1,213,837.41	6,931,692.33
Total	109,646,104.16	146,127,592.03

46. Sales expenses

Item	Amount for the Period	Amount for the last period
Quality deposit and customer service charges	368,161,257.52	209,342,504.06
Salaries and wages	93,005,208.36	87,690,672.46
Business trip	23,680,272.74	24,402,073.24
Others	25,807,180.86	22,618,060.86
Total	510,653,919.48	344,053,310.62

47. Management expenses

Item	Amount for the Period	Amount for the last period
Research and development	447,058,171.31	364,958,228.29

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Item	Amount for the Period	Amount for the last period
Salaries and wages	569,853,137.28	588,648,444.26
Repairs	91,683,433.71	89,291,315.86
Depreciation	102,324,898.05	104,688,000.41
Others	256,210,242.64	297,986,037.17
Total	1,467,129,882.99	1,445,572,025.99

48. Financial expenses

Item	Amount for the Period	Amount for the last period
Interest expenses	30,688,258.72	83,489,050.43
Less: Interest income	183,230,980.81	209,962,592.57
Add: Net foreign exchange profit or loss	-114,258,240.30	24,381,117.59
Add: Other expenses	13,209,531.89	9,971,666.34
Total	-253,591,430.50	-92,120,758.21

49. Impairment losses on assets

Item	Amount for the Period	Amount for the last period
Bad debts	396,406,185.43	-237,085,705.43
Impairment loss on inventories	257,587,132.13	354,871,591.14
Total	653,993,317.56	117,785,885.71

50. Gains on changes in fair value

Item	Amount for the Period	Amount for the last period
Financial assets at fair value through profit and loss during the Period	-3,450,278.79	-107,382.61
Including: Gains on changes in fair value from derivative financial instruments	3,138,639.79	8,281,171.73
Financial liabilities at fair value through profit or loss during the Period	-1,085,960.45	
Including: Gains on changes in fair value from derivative financial instruments	-1,085,960.45	
Total	-4,536,239.24	-107,382.61

51. Investment income

Item	Incurred in the Period	Incurred in last period
Investment income from long-term equity under equity method	142,333,006.16	30,456,833.57
Investment income from financial assets at fair value through profit or loss during the holding period		
Investment income from available-for-sale financial assets while holding		
Investment income from disposal of available-for-sale financial assets	10,000.00	13,906,505.14
Investment income from disposal of financial assets at fair value through profit or loss	-3,690,189.08	9,389,527.13

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Item	Incurred in the Period	Incurred in last period
Total	138,652,817.08	53,752,865.84

52. Non-operating revenue

(1) Breakdown of non-operating revenue

Item	Amount for the Period	Amount for the last period	Amount included in the non-recurring profit or loss in the Period
Profit from disposal of non-current assets	1,473,810.12	2,604,584.31	1,473,810.12
Including: Profit from disposal of fixed assets	1,473,810.12	2,604,584.31	1,473,810.12
Donations	89,168.98	70,748.98	89,168.98
Government grants	46,640,849.26	37,425,952.30	46,640,849.26
Compensation for breach of contracts	2,588,087.99	3,103,714.12	2,588,087.99
Others	1,710,189.50	4,298,584.59	1,710,189.50
Total	52,502,105.85	47,503,584.30	52,502,105.85

(2) Breakdown of government grants

Item	Amount for the Period	Amount for the last period	Explanation
VAT refunds of third-tier enterprises	23,892,859.53	15,217,632.46	
Government funding for scientific research	4,058,861.66	10,737,672.47	
Other funding	18,534,853.07	11,470,647.37	
Financial interest discount	154,275.00		
Total	46,640,849.26	37,425,952.30	

53. Non-operating expenses

Item	Amount for the Period	Amount for the last period	Amount included in the non-recurring profit or loss in the Period
Total loss on disposal of non-current assets	621,148.80	3,512,621.42	621,148.80
Including: Loss on disposal of fixed assets	621,148.80	3,512,621.42	621,148.80
Loss on disposal of intangible assets			
Compensation, default penalty and fines	40,663,951.78	41,061,086.01	40,663,951.78
Inventory shortages		15,596.89	
Donation		1,500,000.00	
Others	11,749,672.42	1,853,243.19	11,749,672.42
Total	53,034,773.00	47,942,547.51	53,034,773.00

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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54. Income tax expense

(1) Income tax expense

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

(2) Table of adjustment made to the total amount of income tax expense

Income tax which is calculated based on the total profit of the consolidated profit statement and adopts the applicable tax rate shall be adjusted to be income tax expense:

Item	Amount for the Period
Total profit	-343,668,563.43
Income tax calculated pursuant to the statutory tax rate	72,950,354.22
Influence on tax payment by tax exempt income	-46,422,666.20
Influence on tax payment by non-deductible expense	12,602,114.86
Tax preferential treatment	-26,142,848.63
Of which: R&D expense plus deduct income tax credit	-18,588,935.81 -6,264,685.55
Influence on tax payment by non-recognized deductible loss and deductible tentative difference	-13,068,976.18
Influence of special tax exempt	
Influence of inconsistent tax rate of the Company	19,834.74
Utilizing the influence on tax payment by non-recognized deductible loss and deductible tentative difference for the previous years	-11,797,111.12
Settlement and payment of overdue tax	5,858,334.93
Change in the balance of deferred tax assets/liabilities at the beginning of the year due to tax rate	-457,896.49
Total	-6,458,859.87

55. Earnings per share

(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.

Item	Amount for the Period	Amount for the last period
Combined net profit attributable to parent company's shareholders of ordinary shares	-341,652,500.96	168,367,921.40
Combined net profit attributable to parent company's shareholders of ordinary shares (after deducting non-recurring profit and loss)	-323,941,631.07	156,991,634.10

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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Weighted average number of parent company's ordinary shares outstanding	2,336,900,368.00	2,229,272,076.00
Basic earnings per share (RMB/share)	-0.15	0.08
Basic earnings per share (RMB/share) (after deducting non-recurring profit and loss)	-0.14	0.07

Process of calculating the weighted average number of ordinary shares:

Item	Amount for the Period	Amount for the last period
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	2,336,900,368.00	2,336,900,368.00

(2) Diluted earnings per share

There were no factors for diluting the equity (and there were no factors for dilution for the same period of previous year). As a result, earnings per share are the same as basic earnings per share.

56. Other comprehensive income

Item	Amount for the Period	Amount for the last period
1. Gains (loss) generated from available-for-sale financial assets		
Less: influence of income tax generated from available-for-sale financial assets		
Net amount recognized in other comprehensive income in previous period transferred into profit or loss for the Period		
Sub-total		
2. Currency translation differences in foreign-currency financial statement	237,078.38	-1,816,847.72
Less: Net amount of disposal of foreign operations into profit and loss		
Sub-total	237,078.38	-1,816,847.72
Total	237,078.38	-1,816,847.72

57. Notes to items of cash flow statement

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

1) Other cash related to operating activities received

Item	Amount for the Period	Amount for the last period
Governmental subsidy	31,043,900.00	17,306,702.93
Interest income	171,083,941.46	122,327,461.35
Security deposit	18,196,760.66	10,351,732.11
Open credit	22,403,268.14	21,989,015.94
Others	121,821,545.51	337,033,727.19
Total	364,549,415.77	509,008,639.52

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2) Other cash related to operating activities paid

Item	Amount for the Period	Amount for the last period
Operating expenses and expenditure	650,092,280.73	885,400,200.76
Security deposit paid	50,065,904.59	29,904,794.43
Advances paid	124,305,511.23	33,777,750.62
Contingent fund paid	8,546,591.01	46,259,907.80
Others	8,712,776.32	4,816,942.16
Total	841,723,063.88	1,000,159,595.77

(2) Supplementary information for combined cash flow statement

Item	Amount for the Period	Amount for the last period
1. Net profit is adjusted to be cash flow from operating activities:		
Net profit	-337,209,703.56	187,537,096.44
Add: provision for asset impairment	653,993,317.56	117,008,291.50
Depreciated fixed assets and depreciated property for investment	517,343,895.94	541,600,565.15
Amortized intangible assets and amortized investment property	25,498,519.48	30,381,226.21
Amortized long-term –for –amortization expenses	74,749.98	74,749.98
Loss (profits are represented by “–”) for disposal of fixed assets, intangible assets and other long-term assets	852,661.32	908,037.11
Loss (profits are represented by “–”) for retirement of fixed assets		
Profit and Loss from Fair Value Changes (profits are represented by “–”)	4,536,239.24	107,382.61
Financial charges (profits are represented by “–”)	-83,569,981.58	-92,120,758.21
Investment loss (profits are represented by “–”)	-138,652,817.08	-53,752,865.84
Decrease in deferred income tax assets (increase is represented by “–”)	-47,341,861.61	-13,317,669.57
Increase in deferred income tax liabilities (decrease is represented by “–”)	-1,546.42	-16,942.76
Decrease in inventory (increase is represented by “–”)	1,109,327,802.50	-259,158,676.95
Decrease in receivables under operating activities (increase is represented by “–”)	695,810,591.28	788,679,914.41
Increase in receivables under operating activities (decrease is represented by “–”)	745,456,026.83	-2,244,272,348.51
Others		
Net cash flow generated from operating activities	3,146,117,893.88	-996,341,998.43
2. Substantial investment and financing activities not involving cash receipts and payments		
Conversion of debt into capital		3,266,071,903.61
3. Net change in cash and cash equivalents :		
Balance of cash at the end of the Period	23,090,087,405.08	16,286,304,430.78
Less: balance of cash at the beginning of the Period	21,066,533,111.81	17,802,441,129.06
Net increase of cash and cash equivalents	2,023,554,293.27	-1,516,136,698.28

Dongfang Electric Corporation Limited**Notes to the Financial Statements**

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(3) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	23,090,087,405.08	21,066,533,111.81
Including: cash on hand	2,146,030.01	2,258,601.50
Bank deposits available at any time	23,072,039,903.25	21,023,958,546.40
Other monetary funds available at any time	15,901,471.82	40,315,963.91
Cash equivalents		
Balance of cash and cash equivalents at the end of the Period	23,090,087,405.08	21,066,533,111.81
Including: such restricted cash and cash equivalents used by parent company or within the subsidiaries		

58. An asset that is restricted by ownership or use rights

Item	Book value at the end of the Period	Reasons for restriction
Monetary funds	22,722,119.30	Performance Bond Guarantee, bank acceptance bill and other security deposits
Notes receivable	4,000,000.00	Used for pledged loan
Long-term equity investments (Note)	32,278,837.01	Used for equity pledge guarantee
Fixed assets	427,514,233.18	Used for mortgaged loan
Intangible assets	37,017,840.37	Used for mortgaged loan
Total	523,533,029.86	

Note: Long-term equity investments represent the pledge guarantee provided by the Company with its equity interest in Hongnijing Wind Power Company and Sanshengtai Wind Power Co., Ltd. for the equipment under finance lease which Hongnijing Wind Power Company and Sanshengtai Wind Power Co., Ltd. obtained from Dao Sheng International Financial Leasing Company Limited.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Company Group

Name of the subsidiary	Place of principal operation	Place of registration	Business nature	Shareholding ratio (%)		The way to obtain
				Direct	Indirect	
Dongfang Turbine Company	Deyang, Sichuan	Deyang, Sichuan	Production	100.00		Note 1
Dongfang Boiler Company	Zigong, Sichuan	Zigong, Sichuan	Production	99.665		Note 1
Dongfang Heavy Machinery Company	Guangzhou, Guangdong	Guangzhou, Guangdong	Production	51.0452	14.1361	Note 1
Tianjin Blade Company	Tianjin Municipality	Tianjin Municipality	Production		50.36	Note 1
Wuhan Nuclear Equipment Company	Wuhan, Hubei	Wuhan, Hubei	Production	67.00		Note 2
Dongdian Electric Company	Deyang, Sichuan	Deyang, Sichuan	Production	100.00		Note 3
India Company	Calcutta, India	Calcutta, India	Service	100.00		Note 3
Indonesia Company	Jakarta, Indonesia	Jakarta, Indonesia	Service	95.00		Note 3
Dongfang Wind Power Company	Deyang, Sichuan	Deyang, Sichuan	Production	45.12	54.88	Note 3
Chengdu KWH Company	Chengdu, Sichuan	Chengdu, Sichuan	Production		61.42	Note 3

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Name of the subsidiary	Place of principal operation	Place of registration	Business nature	Shareholding ratio (%)		The way to obtain
				Direct	Indirect	
Shenzhen Dongfang Boiler Control Company	Shenzhen, Guangdong	Shenzhen, Guangdong	Production		51.00	Note 3
DEC Autocontrol Equipment Company	Deyang, Sichuan	Deyang, Sichuan	Production		99.50	Note 3
DEC Machinery Mould Company	Deyang, Sichuan	Deyang, Sichuan	Production		99.315	Note 3
Hangzhou New Energy Company	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Production		100.00	Note 3
DEC Venezuela Company	Venezuela	Venezuela	Production		99.00	Note 3
Tianjin Wind Power Technological Co., Ltd.	Tianjin Municipality	Tianjin Municipality	Production		100.00	Note 3
Tongliao Wind Power Company	Tongliao, Inner Mongolia	Tongliao, Inner Mongolia	Service		100.00	Note 3
Dongfang Electric (Jiuquan) New Energy Co., Ltd. (Note 4)	Jiuquan, Gansu	Jiuquan, Gansu	Production		100.00	Note 3
Hulun Buir New Energy Company	Hulun Buir, Inner Mongolia	Hulun Buir, Inner Mongolia	Production		100.00	Note 3
Liangshan Wind Power Company	Liangshan, Sichuan	Liangshan, Sichuan	Production		100.00	Note 3
Sichuan Dongshu Company	Deyang, Sichuan	Deyang, Sichuan	Production		100.00	Note 3

(Continued)

Name of the subsidiary	Types of enterprises	Legal representative	Creditability code/business license
Dongfang Turbine Company	Limited liability company	Zhang Wenfeng	91510600205250521B
Dongfang Boiler Company	Joint stock company with limited liability	Xu Peng	915103006207291851
Dongfang Heavy Machinery Company	Limited liability company	Zeng Xianmao	91440101753473857D
Tianjin Blade Company	Limited liability company	Huang Yingshu	91120116797265363K
Wuhan Nuclear Equipment Company	Limited liability company	Wang Weidong	91420100682306313B
Dongdian Electric Company	Limited liability company	He Jianhua	91510600671415848H
India Company	Limited liability company	Han Zhiqiao (Chairman)	N/A
Indonesia Company	Limited liability company	Chen Weiming	N/A
Dongfang Wind Power Company	Limited liability company	Chen Jun	510600000117848
Chengdu KWH Company	Limited liability company	Liao Xin	91510100765385029Y
Shenzhen Dongfang Boiler Control Company	Limited liability company	Hu Dingkun	91440300761984323Y
DEC Autocontrol Equipment Company	Limited liability company	Du Lin	91510600717544056M
DEC Machinery Mould Company	Limited liability company	Guo Yubo	91510600725512871M
Hangzhou New Energy Company	Limited liability company	Hou Wei	913301006739869782
DEC Venezuela Company	Limited liability company	Yu Kun	N/A
Tianjin Wind Power Technological Co., Ltd.	Limited liability company	Yang Xuehui	911201166737307885
Tongliao Wind Power Company	Limited liability company	Xiao Tongjian	91150591692866373M
Jiuquan New Energy Co., Ltd.	Limited liability company	Pang Dong	91620900695633778C
Hulun Buir New Energy Company	Limited liability company	Xiao Tongjian	911507005669152426
Liangshan Wind Power Company	Limited liability company	Zhou Rulin	91513424356234836R
Sichuan Dongshu Company	Limited liability company	Xiao Yi	91510600345800054P

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Note 1: for subsidiaries acquired under common control; Note 2: for subsidiaries acquired not under common control; Note 3: Subsidiaries acquired through set-up or investment.

(2) Substantial non-wholly-owned subsidiaries

Name of subsidiaries	Minority shareholders' shareholding ratio	Profit and loss attributable to minority interests for the Period	Dividend declared to be distributed to minority shareholders for the Period	Balance of minority interests at the end of the Period
Dongfang Heavy Machinery Co., Ltd.	34.8187%	6,730,522.44	8,311,143.46	565,335,542.79
Chengdu KWH Company	38.58%	894,865.65		134,971,641.45
Tianjin Blade Company	49.64%	1,535,896.03		84,544,272.56
Shenzhen Dongfang Boiler Control Company	49%	120,279.79	1,176,000.00	76,865,794.87
Wuhan Nuclear Equipment Company	33%	-4,836,723.52		41,336,473.74
Dongfang Boiler Group Co., Ltd.	0.335%	86,258.96	376,395.60	16,684,946.82
Indonesia Company	5%			

Note: As at the end of the Period, minority interests of Indonesia Company amounted to RMB0 as certain of its minority shareholders had not completed their capital contribution.

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(3) Major financial information of substantial non-wholly-owned subsidiaries (Amount unit: RMB0'000)

Names of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongfang Heavy Machinery Co., Ltd.	220,425.00	137,244.06	357,669.06	173,025.71	22,277.86	195,303.57	214,598.48	145,254.65	359,853.13	173,607.45	23,595.48	197,202.93
Chengdu KWH Company	48,791.12	13,785.35	62,576.47	25,487.72	1,342.80	26,830.52	54,899.66	15,055.54	69,955.20	33,244.28	1,376.80	34,621.08
Tianjin Blade Company	72,574.83	15,300.01	87,874.84	62,179.80	3,212.16	65,391.96	74,196.59	15,911.43	90,108.02	64,993.68	2,940.86	67,934.54
Shenzhen Dongfang Boiler Control Company	30,634.09	3,657.55	34,291.64	18,312.59	200.00	18,512.59	34,941.93	3,668.56	38,610.49	22,523.12	100.00	22,623.12
Wuhan Nuclear Equipment Company	15,685.23	25,275.35	40,960.58	23,196.94	5,237.43	28,434.37	15,896.65	26,506.65	42,403.30	23,170.51	5,221.08	28,391.59
Dongfang Boiler Group Co., Ltd.	2,088,299.36	257,768.12	2,346,067.48	1,734,793.68	91,857.41	1,826,651.09	2,018,642.05	261,152.77	2,279,794.82	1,661,102.32	90,636.81	1,751,739.13
Indonesia Company	1,131.73	1.32	1,133.05	10.60		10.60	1,116.59	1.30	1,117.89	3.94		3.94

Names of subsidiaries	Amount for the Period				Amount for the last period			
	Operating income	Net profit	Total comprehensive revenue	Cash flow from operating activities	Operating income	Net profit	Total comprehensive revenue	Cash flow from operating activities
Dongfang Heavy Machinery Co., Ltd.	42,301.97	1,933.02	1,933.02	-15,817.74	67,732.71	4,166.19	4,166.19	6,802.94
Chengdu KWH Company	9,552.49	356.13	356.13	1,700.38	24,989.45	2,161.15	2,161.15	872.41
Tianjin Blade Company	42,048.65	309.41	309.41	9,250.15	44,402.49	3.37	3.37	5,823.21
Shenzhen Dongfang Boiler Control Company	12,929.24	31.69	31.69	3,058.88	11,233.31	110.81	110.81	-3,084.60
Wuhan Nuclear Equipment Company	2,283.09	-1,465.67	-1,465.67	19.02	3,125.14	-1,607.83	-1,607.83	-703.51
Dongfang Boiler Group Co., Ltd.	560,580.29	2,677.31	2,677.31	86,744.00	648,898.03	12,962.38	12,962.38	-7,610.02
Indonesia Company	8.38	-55.68	8.50	-64.33				

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2. Changes in the share of owner's equity in the subsidiary and the subsidiary was still under control
There were no changes in the share of owner's equity in the subsidiary for the Period and the subsidiary was still under control.
3. Equity interests in the joint ventures or associated companies

(1) Major joint ventures or associated companies

Names of joint ventures or associated companies	Place of principal operation	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment method for investment in joint ventures or associated companies
				Direct	Indirect	
MHPS Dongfang Boiler Co., Ltd.	Jiaying, Zhejiang	Jiaying, Zhejiang	Production		50.00	Equity method
AREVA-DONGFANG Company	Deyang, Sichuan	Deyang, Sichuan	Production	50.00		Equity method
Mitsubishi Dongfang Gas Turbine Company	Nansha, Guangzhou	Nansha, Guangzhou	Production		49.00	Equity method
Dongle Project Cargo Logistics Company	Leshan, Sichuan	Leshan City	Cargo transportation		49.00	Equity method
Sichuan Nengtou Wind Power Company	Chengdu, Sichuan	Chengdu, Sichuan	Development of power station	20.00		Equity method
Huadian. Longkou Wind Power Co., Ltd.	Longkou, Shandong	Longkou, Shandong	Development of power station	25.00		Equity method
Hongnijing Wind Power Company	Baotou, Inner Mongolia	Baotou, Inner Mongolia	Project management	20.00		Equity method
Zhongdian Gas Technology Company	Baoshan, Shanghai	Baoshan, Shanghai	Design and R&D	12.00		Equity method
Sanshengtai Wind Power Co., Ltd.	Hohhot, Inner Mongolia	Hohhot, Inner Mongolia	Development of power station	20.00		Equity method

(2) Major financial information of substantial joint ventures

Item	Closing balance/amount for the Period		Opening balance/amount for the last period	
	MHPS Dongfang Boiler Co., Ltd.	AREVA-DONGFANG Company	MHPS Dongfang Boiler Co., Ltd.	AREVA-DONGFANG Company
Current assets:	753,807,941.16	1,035,422,306.10	809,449,308.87	910,196,118.87
Including: cash and cash equivalents	90,603,194.24	517,086,158.42	171,233,603.61	445,138,533.24
Non-current assets	194,538,760.56	161,281,081.03	202,110,315.40	175,871,359.48
Total assets	948,346,701.72	1,196,703,387.13	1,011,559,624.27	1,086,067,478.35
Current liabilities:	527,976,870.82	551,110,366.02	585,922,130.61	494,603,995.40
Non-current liabilities	72,465,218.16	121,428,384.20	72,665,562.93	129,938,377.78
Total liabilities	600,442,088.98	672,538,750.22	658,587,693.54	624,542,373.18
Minority interests				
Equity attributable to shareholders of the parent company	347,904,612.74	524,164,636.91	352,971,930.73	461,525,105.17
Net asset share calculated per shareholding ratio	179,104,089.83	262,082,318.47	176,485,965.55	230,762,552.59
Book value of equity investment in joint ventures	179,104,089.83	262,082,318.47	176,485,965.55	230,762,552.59
Operating income	218,567,299.14	98,626,715.68	237,775,028.25	111,148,548.98
Financial charges	4,999,089.65	-4,993,709.19	3,254,013.09	-17,070,266.07
Income tax expense	2,091,824.12	2,408,600.16	84,158.58	14,199,656.02

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Item	Closing balance/amount for the Period		Opening balance/amount for the last period	
	MHPS Dongfang Boiler Co., Ltd.	AREVA-DONGFANG Company	MHPS Dongfang Boiler Co., Ltd.	AREVA-DONGFANG Company
Net profit	5,236,248.56	37,698,078.65	9,300,727.28	42,598,968.04
Other comprehensive revenue				
Total comprehensive income	5,236,248.56	37,698,078.65	9,300,727.28	42,598,968.04
Dividends from joint ventures for the Period				

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(3) Main financial information of major associated companies

Item	Closing balance/amount for the Period						
	Mitsubishi Dongfang Gas Turbine Company	Dongle Project Cargo Logistics Company	Sichuan Nengtou Wind Power Company	Huadian Longkou Wind Power Co., Ltd.	Mengneng Sanshengtai Wind Power Co., Ltd.	CLP Combined Heavy Gas Turbine Technology Co., Ltd.	Energy Power Hongnijing Wind Power Co., Ltd.
Current assets:	1,381,607,909.51	58,812,111.56	455,782,031.11	84,498,041.46	327,503,908.14	99,383,047.87	134,845,411.75
Including: cash and cash equivalents	627,799,675.02	42,875,349.53	192,263,767.63	50,547,804.70	4,028,669.98	99,225,081.68	28,604,325.24
Non-current assets	272,004,399.05	3,232,534.19	1,541,475,980.93	366,665,151.44	78,959,021.86	929,212.91	346,943,283.10
Total assets	1,653,612,308.56	62,044,645.75	1,997,258,012.04	451,163,192.90	406,462,930.00	100,312,260.78	481,788,694.85
Current liabilities:	551,472,216.12	6,611,396.57	359,764,123.89	86,566,874.24	34,422,930.00	37,979.90	144,877,373.80
Non-current liabilities			965,959,830.10	210,566,250.00	292,040,000.00		255,517,136.00
Total liabilities	551,472,216.12	6,611,396.57	1,325,723,953.99	297,133,124.24	326,462,930.00	37,979.90	400,394,509.80
Minority interests			65,411,456.00				
Equity attributable to shareholders of the parent company	1,102,140,092.44		606,122,602.05	154,030,068.66	80,000,000.00	100,274,280.88	81,394,185.05
Net asset share calculated per shareholding ratio	540,048,645.30		121,224,520.41	27,257,517.17	16,000,000.00	12,032,913.71	16,278,837.01
Items of adjustment							
--Unrealized profit for internal transactions	25,736,327.83						
Book value of equity investment in joint ventures	565,784,973.13	25,065,730.66	121,224,520.41	27,257,517.17		12,032,913.71	16,278,837.01
Operating income	484,499,220.31	424,517.91	121,597,813.67	29,088,316.56			2,564,982.48
Financial charges	9,173,810.86	377.00	22,633,146.02	6,239,791.61		-536,069.74	850,000.00
Income tax expense	45,310,637.71					102,160.20	

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Item	Closing balance/amount for the Period						
	Mitsubishi Dongfang Gas Turbine Company	Dongle Project Cargo Logistics Company	Sichuan Nengtou Wind Power Company	Huadian Longkou Wind Power Co., Ltd.	Mengneng Sanshengtai Wind Power Co., Ltd.	CLP Combined Heavy Gas Turbine Technology Co., Ltd.	Energy Power Hongnijing Wind Power Co., Ltd.
Net profit	143,026,123.01	225,104.53	61,327,601.85	10,970,630.52		137,353.82	1,394,185.05
Other comprehensive revenue							
Total comprehensive income	143,026,123.01	225,104.53	61,327,601.85	10,970,630.52		137,353.82	1,394,185.05
Dividends from joint ventures for the Period							

(Continued)

Item	Opening balance/amount for the last period						
	Mitsubishi Dongfang Gas Turbine Company	Dongle Project Cargo Logistics Company	Sichuan Nengtou Wind Power Company	Huadian Longkou Wind Power Co., Ltd.	Mengneng Sanshengtai Wind Power Co., Ltd.	CLP Combined Heavy Gas Turbine Technology Co., Ltd.	Energy Power Hongnijing Wind Power Co., Ltd.
Current assets:	1,067,337,152.52	61,162,004.13	316,439,240.83	33,118,446.10		99,209,657.26	293,477,530.08
Including: cash and cash equivalents	496,150,556.33	45,395,917.03	195,613,549.83	10,135,181.48		99,051,691.07	9,229,530.06
Non-current assets	275,370,800.38	3,202,174.03	1,373,675,781.53	377,808,876.80		929,212.91	70,938,033.11
Total assets	1,342,707,952.90	64,364,178.16	1,690,115,022.36	410,927,322.90		100,138,870.17	364,415,563.19
Current liabilities:	383,593,983.47	8,812,094.33	210,320,954.50	91,164,509.76		1,943.11	29,748,427.17
Non-current liabilities			886,234,453.38	221,703,375.00			254,667,136.02
Total liabilities	383,593,983.47	8,812,094.33	1,096,555,407.88	312,867,884.76		1,943.11	284,415,563.19
Minority interests			38,537,273.98				
Equity attributable to shareholders of the parent company	959,113,969.43	55,552,083.83	555,022,340.50	98,059,438.14		100,136,927.06	16,000,000.00
Net asset share calculated per shareholding ratio	469,965,845.43	27,220,521.07	111,004,468.10	24,514,859.54		12,016,431.25	16,000,000.00
Items of adjustment							

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Item	Opening balance/amount for the last period						
	Mitsubishi Dongfang Gas Turbine Company	Dongle Project Cargo Logistics Company	Sichuan Nengtou Wind Power Company	Huadian Longkou Wind Power Co., Ltd.	Mengneng Sanshengtai Wind Power Co., Ltd.	CLP Combined Heavy Gas Turbine Technology Co., Ltd.	Energy Power Hongnijing Wind Power Co., Ltd.
--Unrealized profit for internal transactions	36,727,689.67						
Book value of equity investment in joint ventures	433,238,155.76	25,263,601.38	111,004,468.10	24,514,859.54		12,016,431.25	
Operating income	439,160,008.24	4,596,418.76	62,469,421.45	20,701,651.46			
Financial charges	-5,384,871.69	-63,017.08	18,076,050.27	7,107,637.54		-175,124.95	
Income tax expense	12,607,162.40	226,241.39				43,699.24	
Net profit	115,216,084.98	1,406,171.37	23,754,206.83	4,297,832.91		131,425.71	
Other comprehensive revenue							
Total comprehensive income	115,216,084.98	1,406,171.37	23,754,206.83	4,297,832.91		131,425.71	
Dividends from joint ventures for the Period							

Dongfang Electric Corporation Limited Notes to the Financial Statements

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VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include borrowings, accounts receivable, accounts payable, held-for-trading financial assets, and held-for-trading financial liabilities. Please refer to note 6 to the financial statement for the detailed explanations of various financial instruments. Such risk related to said financial instruments and the risk management policy adopted by the Group for purposes of reducing such risks are stated as follows. The Group's management manages, monitors and controls such risk exposure so as to control said risks to lie within the defined scope.

1. Objective and policy for management of various risks

The Group's objective for engaging in risk management is to achieve an appropriate balance between the risk and revenue and to reduce the adverse impact on the Group's operating performance produced by risks to the minimum level, aiming at the maximization of the interests of shareholders and other equity investors. Based on such objective for risk management, the Group's basic strategy for risk management is to confirm and analyze such various risks exposed to the Group, to establish appropriate risk-bearing bottom-line and to implement risk management. Besides, the Group may timely and reliably monitor various risks and control such risks to lie within the defined scope.

(1) Market Risk

1) Foreign exchange risk

The foreign exchange risk that the Company is exposed to is mainly related to the US dollars, EURO, Pakistan Rupee and Indian Rupee. Except for the Company and the major subsidiaries purchasing and making sales denominated in the US dollars, EURO, Pakistan Rupee and Indian Rupee, other major business activities of the Group are settled in Renminbi. As at 30 June 2016, except for the balance of such assets and liabilities denominated in the US dollars, EURO, Pakistan Rupee and Indian Rupee, and the balance of odds denominated in Japanese Yen and HK dollars, the balance of the assets and liabilities of the Group was denominated in Renminbi. The foreign exchange risk generated from such balance of assets and liabilities in foreign currencies may produce impact on the operating performance of the Group.

Item	Closing amount	Opening amount
Monetary funds - US dollars	1,576,933,952.08	1,561,432,478.70
Monetary funds - EURO	182,621,885.04	44,645,800.80
Monetary funds - Pakistan Rupee	12,052,884.43	4,907,910.15
Monetary funds - Indian Rupee	21,340,429.17	23,581,517.30
Monetary funds - other currencies	470,918,963.33	306,121,904.87
Derivative financial assets		10,339.10
Accounts receivable - US dollars	1,399,375,669.69	2,155,800,076.62
Accounts receivable - EURO	41,355,035.53	38,453,799.25
Accounts receivable - Indian Rupee	2,273,666.04	4,200,453.80
Accounts receivable - other currencies		214,314.75
Other receivables - US dollars	95,566,743.69	93,137,967.80
Other receivables - EURO	3,141,653.39	2,852,277.36
Other receivables - Pakistan Rupee	26,556,946.91	24,030,305.39
Other receivables - Indian Rupee	203,253.98	173,502.74

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Item	Closing amount	Opening amount
Other receivables - other currencies	45,465,005.64	25,328,033.87
Derivative financial liabilities		5,853,124.58
Accounts payable - US dollars	403,597,682.50	128,887,338.93
Accounts payable - EURO	12,991,834.66	36,381,563.70
Accounts payable - Pakistan Rupee	152,373.71	3,687,402.50
Accounts payable - other currencies	59,919,908.94	47,398,884.92
Other payables - US dollars	3,253,360.87	3,973,818.26
Other payables - EURO	925,663.91	3,275,665.11
Other payables - Pakistan Rupee	34,133,179.86	16,108,415.41
Other payables - Indian Rupee	5,935,673.87	5,707,098.04
Other payables - other currencies	18,390,368.73	10,565,282.23

The Group has paid close attention to the impact on the foreign exchange risk of the Company produced by the change in the exchange rate. The Group is currently entering into forward foreign exchange contracts in order to achieve the hedging effect regarding foreign exchange risk.

2) Interest rate risk

The Group's interest rate risk is generated from borrowings and interest-bearing debts of financial institutions. Financial liabilities with floating interest rate makes our Group expose to the risk of interest rate for cash flow while financial liabilities with fixed interest rate makes our Group expose to the risk of interest rate for fair value. The Group shall determine the corresponding ratio of contracts with fixed interest rate and with floating interest rate based on the prevailing marketing environment. As at 30 June 2016, the Group's interest bearing debts mainly were contracts with fixed interest rate denominated in Renminbi with the contract amount of RMB1,476,260,000.00.

The Group's risk of the change in cash flow of financial instruments caused by the change in interest rate is mainly related to borrowings of financial institutions with floating interest rate. The Group's policy is to maintain the floating interest rate of said borrowings in order to eliminate the risk of fair value due to the change in interest rate.

3) Price risk

The Group sells power generating equipment at market price and thus is subject to the impact due to the fluctuation of such price(s).

(2) Credit risk

As at 30 June 2016, the maximum risk exposure that may cause financial loss to the Group mainly came from the loss generated from the Group's financial assets resulting from the failure of either party to perform its obligations and from the financial guarantee undertaken by the Group. The particulars include:

Book value of financial assets recognized in the consolidated balance sheet: as for financial instruments measured at fair value, book value reflects its risk exposure but not the maximum risk exposure. Its maximum risk exposure will change following the change in the future fair value.

In order to reduce the credit risk, the Group has established some special departments to confirm the credit line, to carry out the examination and approval of credit and implement other monitoring and controlling procedures so as to ensure the adoption of such necessary measures for recovering overdue debts. In addition, the Group shall audit the recovery of each single receivable on each date of balance sheet so as to ensure to make sufficient provision for bad debts regarding such unrecoverable amount. As a result, the Group's management level believes that such credit risk undertaken by the Group has been reduced to a very large extent.

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The working capital of the Group is placed with the bank with higher credit rating and thus the credit risk of working capital is rather low.

The Group has adopted necessary policies to ensure that all sales customers can keep a good credit record. Except for the top five accounts receivable, the Group had no other substantial risk of credit concentration.

(3) Liquidity risk

Liquidity risk is the risk for which the Group fails to perform its financial obligations on the maturity day. The method that the Group used for managing liquidity risk is to ensure that sufficient liquidity of capital for performing mature debt obligations and that unacceptable loss or damage to the credit of the company may not be resulted therefrom. The Group makes an analysis of the liability structure and term on a regular basis for ensuring sufficient capital. The Group's management level monitors and controls the use of bank borrowings and ensures the observance of the loan agreement. Meanwhile, the Group consults with the financial institutions regarding financing matters so as to maintain a certain credit limit and to reduce liquidity risk.

Analysis of the financial assets and financial liabilities held by the Group pursuant to the maturity term regarding the non-discounted residual contractual obligation:

Amount as of 30 June 2016:

Item	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
Financial assets					
Monetary funds	23,112,809,524.38				23,112,809,524.38
Held-for-trading financial assets	53,438,929.00				53,438,929.00
Bills receivable	3,700,678,984.44				3,700,678,984.44
Accounts receivable	17,488,729,890.58				17,488,729,890.58
Interest receivable	295,476,116.19				295,476,116.19
Other receivables	349,119,930.66				349,119,930.66
Total amount of financial assets	45,000,253,375.25				45,000,253,375.25
Financial liabilities					
Short-term borrowings	378,500,000.00				378,500,000.00
Financial liabilities held-for-trading	3,790,106.14				3,790,106.14
Bills payable	4,403,940,418.76				4,403,940,418.76
Accounts payable	17,288,454,728.55				17,288,454,728.55
Other payables	1,761,649,725.51				1,761,649,725.51
Dividend payable	144,657,933.85				144,657,933.85
Interest payable					
Staff remuneration payable	438,137,730.76				438,137,730.76
Non-current liabilities due within one year	533,420,000.00				533,420,000.00
Long-term borrowings		701,720,000.00	24,940,000.00		726,660,000.00
Bonds payable					
Long-term payables			28,278,602.90		28,278,602.90

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Item	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
Long-term staff remuneration payable		150,895,065.53	72,604,446.05	14,001,578.22	237,501,089.80
Total amount of financial liabilities	24,952,550,643.57	852,615,065.53	125,823,048.95	14,001,578.22	25,944,990,336.27

2. Sensitivity Analysis

The Group adopts sensitivity analysis to conduct technical analysis of the impact probably produced on the current loss and gains or owner's equity by the reasonableness and probable change in risk variable. Since all risk variables seldom undergo a change in isolated manner and the correlation between variables produces significant effect of the ultimate amount influenced of a certain change in risk variables, the content below was implemented assuming that the change in each variable is independent.

(1) Sensitivity analysis of foreign exchange

Sensitivity analysis of foreign exchange assumes: the hedging of all overseas operating net investment and the hedging of cash flow are highly effective.

On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following post-tax effect on the profit or loss for the Period and owners' equity:

Item	Change in exchange rate	Amount for the Period		Amount for the last period	
		Effect on the net profit	Effect on owners' equity	Effect on the net profit	Effect on owners' equity
All foreign currencies	5% increase against RMB	5,712,912.02	5,712,912.02	-1,219,055.88	-1,219,055.88
All foreign currencies	5% decrease against RMB	-5,712,912.02	-5,712,912.02	1,219,055.88	1,219,055.88

(2) Sensitivity analysis of interest rate

Sensitivity analysis of interest rate is made based on the following assumptions:

Change in the market interest rate may influence the interest income or expense of financial instruments with variable interest rate;

As for the financial instruments with fixed interest rate measured at fair value, change in the market interest rate may only influence its interest income or expense;

Change in the fair value of the derivative financial instruments and other financial assets and liabilities is calculated by using the cash flow discounting method based on the market interest rate as on the date of balance sheet.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following post-tax effect on the profit or loss for the Period and owners' equity:

Item	Change in interest rate	Amount for the Period		Amount for the last period	
		Effect on the net profit	Effect on owners' equity	Effect on the net profit	Effect on owners' equity
Floating rate loans	1% increase	-33,134.45	-33,134.45	-43,420.54	-43,420.54

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Item	Change in interest rate	Amount for the Period		Amount for the last period	
		Effect on the net profit	Effect on owners' equity	Effect on the net profit	Effect on owners' equity
Floating rate loans	1% decrease	33,134.45	33,134.45	43,420.54	43,420.54

IX. DISCLOSURE OF FAIR VALUE

1. Amount of assets and liabilities measured at fair value at the end of the Period and level of measurement of fair value

Item	Fair value at the end of the Period			
	Measurement of fair value of the first level	Measurement of fair value of the second level	Measurement of fair value of the third level	Total
I. Measurement of fair value on an ongoing basis				
(I) Financial assets measured at fair value and the change recorded in the current profit and loss				
1. Held-for-trading financial assets				
(1) Equity instrument investment	53,438,929.00			53,438,929.00
(2) Derivative financial assets				
Total assets measured at fair value on an ongoing basis	53,438,929.00			53,438,929.00
Total liabilities measured at fair value on an ongoing basis		3,790,106.14		3,790,106.14
II. Measurement of fair value on a non-ongoing basis				

2. Basis for determination of project market price for measurement of fair value of the first level on an ongoing basis

For the Group's basis for determination of market price for measurement of fair value of the first level on an ongoing basis, please refer to note 6.2 of this financial statement.

3. Second-level items subject to measurement of fair value on an ongoing basis and relevant qualitative and quantitative information in relation to estimation techniques and important parameters adopted

The Group's second-level items subject to measurement of fair value on an ongoing basis represent forward currency sales contracts entered into with banks, and their fair values as at the end of the Period were determined based on quotations of respective banks.

X. RELATED PARTIES AND CONNECTED TRANSACTIONS

1. Relationship of related parties

(1) Controlling shareholder and ultimate controlling party

1) Controlling shareholder and ultimate controlling party (Unit of amount: RMB0'000)

Names of controlling shareholder and ultimate controlling party	Place of registration	Nature of business	Registered capital	Ratio of shareholding in the Company (%)	Ratio of voting rights with respect to the Company (%)
Dongfang Electric Corporation	No. 333, Shuhan Road, Jinniu District, Chengdu Municipality	EPC and subcontracting of hydroelectric power, coal-fired power and nuclear power, manufacturing and sale of power stations and equipment	479,167.50	41.68	41.68

2) Registered capital of controlling shareholder and its change (Unit of amount: RMB0'000)

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Controlling shareholder	Opening amount	Increase for the Period	Decrease for the Period	Closing amount
Dongfang Electric Corporation	479,167.50			479,167.50

3) Shares or equity interests held by controlling shareholder and the change thereof (Unit of amount: RMB0'000)

Controlling shareholder	Amount of shareholding		Shareholding ratio (%)	
	Closing amount	Opening amount	Ratio at the end of the Period	Ratio at the beginning of the year
Dongfang Electric Corporation	97,401.68	97,401.68	41.68	41.68

(2) Subsidiaries

For the situation of subsidiaries, please refer to the relevant content of Note 7.1.(1) of this financial statement.

(3) Joint Ventures and Associated Companies

For the information of substantial joint ventures and associated companies of the Company, please refer to the relevant content of Note 7.3.(1) of this financial statement.

(4) Other related parties

Names of other related parties	Relationship with the Company
Dongfang Electric Corporation	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Boiler Plant	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric Finance Company	Such other enterprises under the control of the same parent company and the ultimate controlling party
DEC Dongfeng Electric Machinery Co., Ltd. (hereinafter referred to as Dongfeng Machinery Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Guangdong Dongfang Electric Power Equipment Manufacturing Complex Company (hereinafter referred to as Guangdong Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric Group International Cooperation Co., Ltd. (hereinafter referred to as International Cooperation Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Group Project Cargo Logistics Co., Ltd. (hereinafter referred to as Project Cargo Logistics Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Deyang Dongfang A Beile Pipeline System Co., Ltd. (hereinafter referred to as A Beile Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
DEC Group Dongqi Investment Development Co., Ltd. (hereinafter referred to as Dongqi Investment Development Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric Corporation Materials Co., Ltd. (hereinafter referred to as Dongfang Materials Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric Henan Power Station Auxiliary Equipment Manufacturing Co., Ltd. (hereinafter referred to as Henan Auxiliary Equipment Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
DEC E' mei Semiconductor Materials Company (hereinafter referred to as Emei Semiconductor Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Sichuan Dongfang Electric Property Development Co., Ltd. (hereinafter referred to as DEC Property Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
DEC (Yixing) Maiji Solar Technological Co., Ltd. (hereinafter referred to as Yixing Maiji Solar Energy Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Sichuan Dongfang Electric Automation Control Engineering Co., Ltd. (hereinafter referred to as Dongfang Automation Control Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Sichuan Dongfang Property Management Co., Ltd. (hereinafter referred to as Dongfang Property Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Hitachi (Chengdu) Electric Control Equipment's Co., Ltd. (hereinafter referred to as Chengdu Dongfang Hitachi Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric (Leshan) Renewable Energy Equipment Co., Ltd. (hereinafter referred to as Leshan New Energy Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Deyang Dongqi Kexie Technology Industrial Company (hereinafter referred to as Deyang Kexie Industrial Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Names of other related parties	Relationship with the Company
Zhonghe Seawater Desalination Engineering Co. Ltd. (hereinafter referred to as Zhonghe Seawater Desalination Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Shizhuishan Tiande Photovoltaic Power Co., Ltd. (hereinafter referred to as Shizhuishan Photovoltaic Power Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric (Jiuquan) Solar Energy Engineering Technology Co., Ltd. (hereinafter referred to as Jiuquan Solar Energy Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
China Western Power Industrial Co., Ltd. (hereinafter referred to as China Western Power Company)	Investor which can produce significant impact
German ENV Catalysts Co., Ltd. (hereinafter referred to as German ENV Company)	Investor which can produce significant impact
Wuhan Boiler Group Co., Ltd. (hereinafter referred to as Wuhan Boiler Company)	Investor which can produce significant impact
Guangdong Yudean Group Co., Ltd. (hereinafter referred to as Guangdong Yudean Company)	Investor which can produce significant impact
The Company's Directors, Presidents and other senior management officers	Other related parties

2.Connected Transactions

(1) Connected transactions of commodity purchase and sale, and provision and acceptance of services

1) Purchase of goods and receipt of services

Related parties	Content of connected transactions	Amount for the Period	Amount for the last period
Dongfang Electric Corporation	Receipt of services	47,169.81	1,130,188.68
Dongfang Electric Corporation	Purchase of goods	3,393,587.01	754,716.98
MHPS Dongfang Boiler Co., Ltd.	Purchase of goods	135,680,108.69	212,526,699.74
Mitsubishi Dongfang Gas Turbine Company	Purchase of goods	244,961,947.11	163,046,921.00
Dongfang Materials Company	Purchase of goods	178,205,482.59	246,272,090.92
Dongfang Materials Company	Receipt of services	405,089.74	
Dongfang Automation Control Company	Purchase of goods	338,765,981.30	315,324,635.96
Henan Auxiliary Equipment Company	Purchase of goods	39,716,513.52	56,479,769.82
Yixing Maiji Solar Energy Company	Purchase of goods		46,500.00
A Beile Company	Purchase of goods	37,697,448.13	55,768,871.00
Chengdu Dongfang Hitachi Company	Purchase of goods	3,243,944.98	16,898,126.51
Leshan New Energy Company	Purchase of goods		70,079,195.77
Dongfeng Machinery Company	Purchase of goods	5,400,000.00	15,430,683.76
Dongfeng Machinery Company	Receipt of services	1,461,811.97	
Project Cargo Logistics Company	Receipt of services	96,779,749.70	87,532,900.27
Dongfang Property Company	Receipt of services	6,091,842.91	4,776,804.00
China Western Power Company	Purchase of goods		6,305,606.85
Guangdong Yudean Company	Purchase of goods	1,094,020.94	715,170.24
Dongfang Electric Guangdong Company	Purchase of goods	150,000.00	
Total		1,093,094,698.40	1,253,088,881.50

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

2) Sales of goods and provision of services

Related parties	Content of connected transactions	Amount for the Period	Amount for the last period
MHPS Dongfang Boiler Co., Ltd.	Provision of services	18,494.96	1,103,297.13
AREVA-DONGFANG Company	Sales of goods	18,570,333.34	19,984,360.00
AREVA-DONGFANG Company	Provision of services		6,410.26
International Cooperation Company	Sales of goods	23,816,714.70	53,891,487.58
Dongfeng Electric Machinery Company	Sales of goods		2,665,838.35
Dongfeng Electric Machinery Company	Provision of services		106,173.58
Guangdong Company	Sales of goods	7,472,524.31	5,605,900.87
Yixing Maiji Solar Energy Company	Sales of goods		987,658.11
Dongfang Materials Company	Sales of goods	5,291,179.48	7,703,539.93
Project Cargo Logistics Company	Provision of services	43,813.21	
Chengdu Dongfang Hitachi Company	Provision of services		56,603.77
China Western Power Company	Sales of goods	363,247.87	991,792.30
China Western Power Company	Provision of services	2,740.32	
Total		55,579,048.19	93,103,061.88

(2) Related lease

1) Lease-out

Name of Lessor	Name of Lessee	Types of leased assets	Lease gains recognized for the Period
Dongfang Boiler Company	MHPS Dongfang Boiler Co., Ltd.	Land use right, housing and equipment	429,934.27
Tianjin Wind Power Technology Company	Zhonghe Seawater Desalination Company	Housing	100,000.00
Dongfang Turbine Company	Dongfang Automation Control Company	Housing	19,625.00
Total			549,559.27

2) Under lease

Name of Lessor	Name of Lessee	Types of leased assets	Lease cost recognized for the Period
Dongfang Electric Machinery Factory	Dongfang Electric Company	Office building and production plant, land, equipment and others	9,438,607.84
Dongfang Electric Corporation	The Company	Housing construction	13,290,000.00
Dongfang Electric Corporation	Dongfang Boiler Company	Housing construction	1,239,196.26
Total			23,967,804.10

(3) Borrowings with related parties

Name of related parties	Borrowing/lending	Amount of borrowing/lending	Is it due for repayment	Note
Financial company	Borrowing	75,000,000.00	Yes	Short-term borrowings of Wuhan Nuclear Equipment Company

Dongfang Electric Corporation Limited Notes to the Financial Statements

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(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Name of related parties	Borrowing/lending	Amount of borrowing/lending	Is it due for repayment	Note
Financial company	Borrowing	32,000,000.00	Yes	Commercial acceptance bill discount of Shenzhen Dongfang Boiler Control Company
Financial company	Borrowing	35,000,000.00	Yes	Short-term borrowings of Shenzhen Dongfang Boiler Control Company
Financial company	Borrowing	1,000,000,000.00	Yes	Short-term borrowings of Dongfang Turbine Company
Financial company	Borrowing	30,000,000.00	Yes	Short-term borrowings of Chengdu KWH Company
Financial company	Borrowing	55,000,000.00	Yes	Short-term borrowings of Tianjin Blade Company
Financial company	Borrowing	142,000,000.00	No	Short-term borrowings of Wuhan Nuclear Equipment Company
Financial company	Borrowing	4,000,000.00	No	Commercial acceptance bill discount of Shenzhen Dongfang Boiler Control Company
Financial company	Borrowing	25,000,000.00	No	Short-term borrowings of Shenzhen Dongfang Boiler Control Company
Financial company	Borrowing	100,000,000.00	No	Short-term borrowings of Dongfang Turbine Company
Financial company	Borrowing	85,000,000.00	No	Short-term borrowings of Tianjin Blade Company
Financial company	Borrowing	22,500,000.00	No	Short-term borrowings of Dongfang Wind Power Company
Dongfang Electric Corporation	Borrowing	150,120,000.00	No	Long-term entrusted loan of Dongfang Boiler Company
Dongfang Electric Corporation	Borrowing	76,540,000.00	No	Long-term entrusted loan of Dongfang Electric Company
Dongfang Electric Corporation	Borrowing	17,100,000.00	No	Long-term entrusted loan of Dongfang Heavy Machinery Company
Total		1,849,260,000.00		

3. Balance of current accounts of related parties

(1) Accounts receivable of related parties

Name of related parties	Closing amount		Opening amount	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongfang Electric Corporation	17,940,824.00	11,407,090.13	17,940,824.00	11,157,694.58
MHPS Dongfang Boiler Co., Ltd.	15,775,402.38	788,770.12		
AREVA-DONGFANG Company	800,790.00	62,888.00	2,262,815.00	126,512.25
Mitsubishi Dongfang Gas Turbine Company	14,216,870.68	710,843.53	20,279,200.08	1,269,868.16
International Cooperation Company	540,676,568.15	400,999,960.56	666,128,968.15	418,753,233.49
Zhonghe Seawater Desalination Company	22,932,100.00	22,316,500.00	22,284,100.00	22,284,100.00
Guangdong Company	20,074,908.80	12,635,918.37	24,008,733.62	13,833,361.72
Emei Semiconductor Company	1,134,137.77	456,747.54	1,134,137.77	456,747.55
Dongfang Automation Control Company	8,312,412.11	470,253.81	11,780,329.91	631,820.67
Leshan New Energy Company	23,557,493.49	4,711,498.70	23,557,493.49	2,355,749.35
Yixing Maiji Solar Energy Company	2,851,046.65	142,552.33	1,827,554.20	91,377.71
Project Cargo Logistics Company	46,230.00	2,311.50	1,303,324.79	67,832.48
Dongqi Investment Development Company	1,758,429.18	672,133.69	1,758,429.18	352,926.19
Jiuquan Solar Energy Company	649,673.64	129,934.73	649,673.64	64,967.36
Dongfang Materials Company	7,941,619.50	600,042.18	4,485,689.50	233,910.38

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Name of related parties	Closing amount		Opening amount	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongfeng Electric Machinery Company	31,106,840.72	4,490,079.03	20,695,660.72	2,869,258.98
Wuhan Boiler Company			1,898,873.25	94,943.66
German ENV Company	405,723.46	81,144.69	3,913,291.36	1,267,298.70
China Western Power Company	4,968,958.46	345,915.85	5,490,958.46	274,547.92
Total	715,150,028.99	461,024,584.76	831,400,057.12	476,186,151.15

(2) Other accounts receivable of related parties

Name of related parties	Closing amount		Opening amount	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongfang Electric Corporation	21,572,500.35	10,650,274.02	21,572,500.35	10,650,274.02
Dongqi Investment Development Company	41,589,508.96	12,445,261.79	34,988,119.78	8,054,706.12
Jiuquan Solar Energy Company	2,805,863.46	461,057.90	2,805,863.46	795,374.79
Emei Semiconductor Company	3,340.00	107.00		
Dongfang Automation Control Company	56,748.00	7,074.90	12,155.20	4,193.02
Dongfang Property Company	5,112.00	331.70	3,537.00	176.85
Project Cargo Logistics Company	6,000.00	300.00	6,000.00	300.00
Chengdu Dongfang Hitachi Company	60,000.00	6,000.00	60,000.00	3,000.00
Dongfang Electric Machinery Factory			8,665,977.14	441,702.87
MHPS Dongfang Boiler Co., Ltd.	3,276,661.17	451,797.17	2,949,019.82	224,645.42
Total	69,375,733.94	24,022,204.48	71,063,172.75	20,174,373.09

(3) Advances made by related parties

Name of related parties	Closing amount		Opening amount	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Dongfang Electric Corporation	1,680,000.00		1,680,000.00	
Mitsubishi Dongfang Gas Turbine Company	21,460,063.18		146,580,815.70	
Project Cargo Logistics Company	25,413,561.70		29,447,561.70	
International Cooperation Company	3,168,821.80		12,514,474.09	
Dongfang Materials Company	14,892,103.48		18,000,840.43	
Dongfang Automation Control Company	5,036,257.00		9,327,000.00	
Chengdu Dongfang Hitachi Company	5,850,467.27		3,419,848.34	
Dongfeng Electric Machinery Company	15,669,647.00		17,208,935.00	
Total	93,170,921.43		238,179,475.26	

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(4) Interest receivable of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Finance Company	293,905,926.17	283,871,973.47
Total	293,905,926.17	283,871,973.47

(5) Short-term borrowings of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Finance Company	378,500,000.00	1,442,000,000.00
Total	378,500,000.00	1,442,000,000.00

(6) Bills payable of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Corporation		2,700,000.00
MHPS Dongfang Boiler Co., Ltd.	54,050,000.00	44,200,000.00
Dongle Project Cargo Logistics Company		1,900,000.00
Mitsubishi Dongfang Gas Turbine Company	31,000,000.00	75,000,000.00
Dongfang Automation Control Company	230,960,740.58	131,651,293.54
Dongfang Materials Company	69,270,756.24	96,724,652.74
Project Cargo Logistics Company	31,229,586.40	35,022,281.20
Leshan New Energy Company	58,714,600.00	50,650,000.00
Henan Auxiliary Equipment Company	14,850,000.00	19,500,000.00
Dongfang Electric Plant	10,211,238.54	1,038,001.16
Dongfeng Plant	5,736,000.00	8,440,000.00
A Beile Company	13,677,922.58	3,367,735.83
Chengdu Dongfang Hitachi Company	315,800.00	300,000.00
China Western Power Company	3,200,000.00	4,500,000.00
Wuhan Boiler Company	500,000.00	2,800,000.00
Total	523,716,644.34	477,793,964.47

(7) Accounts payable of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Corporation	2,763,507.56	2,580,881.13
MHPS Dongfang Boiler Co., Ltd.	212,079,832.89	238,816,154.89
AREVA-DONGFANG Company	15,630.50	
Dongfang Automation Control Company	495,715,920.66	614,663,930.66
Dongfang Materials Company	206,440,186.85	182,783,669.63
Leshan New Energy Company	161,217,007.87	152,813,511.20

Dongfang Electric Corporation Limited Notes to the Financial Statements

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Name of related parties	Closing amount	Opening amount
Dongqi Investment Development Company	25,756,580.13	
Project Cargo Logistics Company	73,882,036.42	76,044,298.25
International Cooperation Company	1,422,661.08	1,422,661.08
A Beile Company	9,321,048.00	36,843,299.81
Dongfeng Electric Machinery Company	31,149,796.00	35,653,071.91
Henan Auxiliary Equipment Company	20,273,865.16	20,825,870.86
Chengdu Dongfang Hitachi Company	10,058,614.00	13,282,934.00
Yixing Maiji Solar Energy Company	44,909,928.30	41,409,928.57
Jiuquan Solar Energy Company	7,041,180.00	7,041,180.00
Zhonghe Seawater Desalination Company	1,225,000.00	1,225,000.00
Dongfang Electric Machinery Factory		18,877,215.68
China Western Power Company	17,561,658.33	25,857,138.23
Guangdong Yudean Company		681,870.00
Total	1,320,834,453.75	1,470,822,615.90

(8) Receivables received in advance of related parties

Name of related parties	Closing amount	Opening amount
AREVA-DONGFANG Company	42,153,736.49	54,200,913.66
MHPS Dongfang Boiler Co., Ltd.	2,138,757.52	7,937,478.52
Hongnijing Wind Power Company	4,041,540.00	68,312,000.0
International Cooperation Company	42,434,534.50	183,692,232.35
Dongfang Materials Company	5,494,824.00	5,494,824.00
Guangdong Company	2,311,230.20	1,567,398.20
Dongfeng Electric Machinery Company	352,500.00	502,500.00
A Beile Company		54,013.71
Dongfang Automation Control Company		137,055.00
Emei Semiconductor Company		76,500.00
Dongfang Electric Machinery Factory	518.40	518.40
Zhonghe Seawater Desalination Company		72,000.00
China Western Power Company	200,000.00	
Total	99,127,641.11	322,047,433.84

(9) Other payables of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Corporation	1,386,601,272.81	1,374,112,350.26
MHPS Dongfang Boiler Co., Ltd.	200,000.00	200,000.00

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Name of related parties	Closing amount	Opening amount
Dongfang Boiler Plant	25,909,164.89	30,925,954.89
Project Cargo Logistics Company	1,502,000.00	1,500,000.00
Dongfang Automation Control Company	868,888.89	844,102.79
Guangdong Company	200,000.00	200,000.00
Dongfang Materials Company	250,000.00	250,000.00
Henan Auxiliary Equipment Company	200,000.00	200,000.00
Wuhan Boiler Company		860,551.97
German ENV Company	167,808.91	2,546,562.36
China Western Power Company	890,460.80	800,000.00
Total	1,416,789,596.30	1,412,439,522.27

(10) Dividend payable of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Corporation	58,441,005.78	
China Western Power Company	960,000.00	480,000.00
Total	59,401,005.78	480,000.00

(11) Long-term borrowings of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Corporation	226,660,000.00	218,820,000.00
Total	226,660,000.00	218,820,000.00

(12) Long-term payables of related parties

Name of related parties	Closing amount	Opening amount
Dongfang Electric Finance Company	28,278,602.90	
Total	28,278,602.90	

XI. Share-based payments

1. Summary of share-based payments

On 14 December 2012, the Company convened the first extraordinary general meeting for 2012 to consider and pass the H Share Appreciation Rights Scheme, which mainly included:

(1) The effective term for the incentive stock appreciation rights scheme shall be 5 years, commencing from the first date of grant regarding the stock appreciation rights. The vesting period for such stock appreciation rights shall be 2 years. Subject to the satisfaction of the vesting conditions, incentive target may vest such stock appreciation rights granted in three times, in uniform manner.

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From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(2) As for the conditions for granting the stock appreciation rights, the following conditions are to be satisfied by the Company's performance for the financial year preceding such vesting: 1) the Economic Value Added (EVA) is not less than RMB2.2 billion; 2) the growth rate for the operating income is not less than 9.00%; 3) Return on equity (ROE) is not less than 13.00%; 4) the index in the foregoing 2) and 3) is not below the level of 50th percentile of the benchmarking for the same industry.

(3) As for the vesting conditions for the stock appreciation rights, the following conditions are to be satisfied by the Company's performance for the financial year preceding such vesting: 1) the Economic Value Added (EVA) is not less than RMB2.4 billion, RMB2.6 billion and RMB2.8 billion respectively; 2) the growth rate for the operating income is not less than 9.00%, 11.00% and 13.00% respectively, and is not below the level of 75th percentile of the benchmarking for the same industry; 3) Return on equity (ROE) is not less than 13.00%, 15.00% and 17.00% respectively, and is not below the level of 75th percentile of the benchmarking for the same industry.

In accordance with the resolution(s) of the shareholders' general meeting and the mandate of the shareholders' general meeting, the Board of Directors of the Company passed the resolution(s) on 14 December 2012 and confirmed that the date of grant regarding H share appreciation rights was 14 December 2012 and agreed that the granting price for such H share appreciation rights was HKD15.14, the closing price of H shares of the Company on 14 December 2012. The first granting of the H share appreciation rights of the Company was made to a total of 175 qualified targets for the grant, in an aggregate of 16,540,000 H share appreciation rights (accounting for 0.8254% of the Company's existing total share capital of 2,003,860,000 shares), including 11 directors and senior management personnel with 2,140,000 H share appreciation rights and 164 key management personnel and staff with 14,400,000 H share appreciation rights.

Pursuant to the resolution of the first meeting of Remuneration and Assessment Committee of the Company for 2014, the Company adjusted and removed 3 persons from the first granting of H share appreciation rights. Upon such adjustment and removal, the first granting of the H share appreciation rights of the Company was made to a total of 172 qualified targets for the grant, in an aggregate of 16,320,000 H share appreciation rights (accounting for 0.8144% of the Company's existing total share capital of 2,003,860,000 shares), including 11 directors and senior management personnel with 2,140,000 H share appreciation rights and 161 key management personnel and staff with 14,180,000 H share appreciation rights.

Pursuant to the resolution of the 16th Board Meeting of the seventh session of the Company for 2014, the Company passed the assessment results for the first assessment period (for 2013) regarding H Share Appreciation Rights Scheme. 5,440,000 H share appreciation rights of such 16,320,000 H share appreciation rights granted by the Company fulfilled the vesting conditions regarding such H share appreciation rights. Upon completion of the vesting period regarding said H share appreciation rights, incentive targets might immediately opt for vesting and the vesting period ran from 14 December 2014 to 14 December 2017.

As of 30 June 2016, as for such foregoing 5,440,000 H share appreciation rights fulfilling the vesting conditions, no vesting had been made since the price of the Company's H shares from the ending date of vesting (14 December 2014) to 30 June 2016 had been lower than HKD15.14, the granting price of said H share appreciation rights. Thus, the Company measured such share-based payment (settled in cash) as per fair value at zero and had it classified under the payroll payable in the financial statements.

10,880,000 shares of equity instruments became void and invalid in 2014, in which 5,440,000 shares became void and invalid because the results of the financial statement of the Company for 2014 could not fulfill the vesting conditions for H share appreciation right (the Remuneration Committee confirmed the assessment results for 2014 did not fulfill the second assessment period (2014) of the H Share Appreciation Rights Scheme) and the other 5,440,000 shares became void and invalid because the Company expected that the results of the financial statement of the Company for 2015 might not fulfill the vesting conditions for H share appreciation rights (the annual financial report for 2015 shown the vesting conditions for H share appreciation rights was not fulfilled).

Dongfang Electric Corporation Limited Notes to the Financial Statements

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2. Cash-settled share-based payments

Item	Condition
The method of determining fair value of liabilities borne by the Company and calculated based on shares or other equity instruments	BS Model
Amount of accumulated liabilities arising from cash-settled share-based payments	0.00
Total cost recognized arising from cash-settled share-based payments for the current year	0.00

XII. CONTINGENCY

1. Contingent liabilities arising from pending litigations or pending arbitrations

Hangzhou New Energy Company and Zhejiang Jiali Wind Power Technology Co., Ltd. (hereinafter referred to as Jiali Wind Power Company) entered into the 1.5MW Hub Chassis Purchase Contract (1.5MW 輪轂機架採購合同) in 2010. As a result of the suspension of the Indian project, the materials already being put into production had become long-term backlog of Jiali Wind Power Company. On 17 November 2013, Jiali Wind Power Company referred such case to arbitration. After one year's coordination, the arbitration commission agreed that Hangzhou New Energy Company shall compensate Jiali Wind Power Company for the loss suffered. The amount of damages required by Jiali Wind Power Company was RMB2,895,000 while the expected amount of damages calculated by Hangzhou New Energy Company was RMB2,346,600. The final amount of damages shall be determined subject to the appraisal results produced by a third party. Thus, Hangzhou New Energy Company recognized the expected liabilities by taking the medium value of RMB2,620,800 for making provision.

2. Contingent liabilities arising from letters of credit or others

As of 30 June 2016, the balance of the irrevocable letters of credit issued by the Group was converted into an amount of RMB1,845,163,066.13. The particulars thereof were as follows:

Currencies	Amount in original currency	Amount converted into RMB
USD	65,526,276.35	434,517,843.74
EURO	94,306,453.05	695,510,091.25
Japanese Yen	11,015,005,140.00	710,368,696.49
Swiss Franc	333,180.00	2,256,628.14
Pound	281,306.00	2,509,806.51
Total		1,845,163,066.13

3. Letters of guarantee issued

As of 30 June 2016, the balance of the letters of guarantee issued by the Group was converted into an amount of RMB26,800,672,633.40. The particulars thereof were as follows:

Currencies	Amount in original currency	Amount converted into RMB
RMB	20,154,373,854.60	20,154,373,854.60
USD	918,147,249.97	6,088,418,044.00
EURO	58,243,292.53	429,544,282.41
Indian Rupee	761,347,427.00	76,494,652.39
Russian Ruble	498,000,000.00	51,841,800.00
Total		26,800,672,633.40

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4.Except for the foregoing contingencies, there had been no other substantial contingencies of the Group as of 30 June 2016.

XIII. COMMITMENT

1.Significant commitment

(1) Capital expenditure commitments of the Group as at the end of the Period

Capital expenditure commitments contracted but had not been recognized in the financial statement (Amount unit: RMB0'000):

Item	Amount at the end of the period	Amount at the beginning of the period
Infrastructure	21,108.52	23,414.44
Equipment	11,878.48	10,168.68
External investment		
Introduction of technology		
Total	32,987.00	33,583.12

(2) Lease contracts signed which had been performing or ready to be performed and the financial impact

On 30 June 2016, such aggregate of the future minimum rent payable as required for the irrevocable operating lease during the following period being borne by the Group being the lessee shall be as follows: (Amount unit: RMB0'000):

Duration	Amount for the Period	Amount for the last period
Within 1 year	3,457.63	3,959.84
Within 2 to 5 years	5,743.73	7,627.13

2.Except for the foregoing commitment, there had been no other substantial commitment of the Group as of 30 June 2016.

XIV. EVENTS AFTER BALANCE SHEET DATE

1. Profit distribution

The Company paid profit dividend for 2015 of RMB140 million in cash on 22 July 2016.

2. Except for the events disclosed after the foregoing balance sheet date, there had been no other substantial events of the Group after the balance sheet date.

XV. OTHER SUBSTANTIAL MATTERS

1.Annuity plan

Pursuant to the Letter of Reply Regarding the Pilot Enterprise Annuity Scheme of Dongfang Electric Corporation (Guo Zi Fen Pei [2007] No. 1201) (《關於中國東方電氣集團公司試行企業年金制度的覆函》(國資分配[2007]1201號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Group shall record the annuity fees and charges under the balance of the total salaries per annum and the current cost of expenses according to the method of joint payment by the enterprise and the employees. Such annuity accrued per annum shall be paid to the special account of the Social Security of Dongfang Electric Corporation and such account shall be entrusted by Dongfang Electric Corporation to China Life Pension Company Limited (中國人壽養老保險股份有限公司) for operation and management.

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2. Other substantial transactions and events that affect decision-making of investors

(1) Investment in treasury bonds by Dongfang Boiler Company

In 2004, Chongqing Business Department of Zhongke Securities Co., Ltd. (中科證券有限責任公司重慶營業部) (hereinafter referred to as “Zhongke Securities”) unilaterally established illegal pledge on such treasury bonds of nominal value of RMB201,404,000.00 of Dongfang Boiler Company without the consent of the Company. In 2006, Zhongke Securities was under lawful administrative custody of China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司). Upon Board approval at an extraordinary meeting, Dongfang Boiler Corporation accrued impairment provision RMB150,000,000.00 regarding the portion subject to the risk of recovering in 2006.

On 7 September 2007, Beijing’s Second Intermediate People’s Court has accepted the case regarding the insolvency of Zhongke Securities. Dongfang Boiler Company received RMB10,709,456.86 from Zhongke Securities bankruptcy liquidation commission for the first property allocation on 4 August 2008. In March 2014, all creditors voted that they agreed to resume the property allocation for the confirmed debts of Dongfang Boiler Company. Dongfang Boiler Company received an aggregate of RMB29,013,662.90 allocated for confirmed debts previously. The age of the remaining but not recoverable debts was over 5 years. Dongfang Boiler Company had made provision of RMB157,450,443.40 for full amount of the foregoing treasury bonds subject to the risk of recovering. As of this financial report date, the bankruptcy liquidation of Zhongke Securities was still in progress.

(2) Equity pledge

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 Hongnijing Wind Power Co., Ltd. for Hongnijing Wind Power Co., Ltd. leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited under financial lease. 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. for Sanshengtai Wind Power Co., Ltd. leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited. The total estimated rent of the leasing business is RMB292,040,000.

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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. Segment information

In accordance with the internal organizational structure, management requirements and internal reporting system of the Group, the Group's operating business is divided into 5 reported segments. Such reported segments are determined based on the internal organizational structure, management requirements and internal reporting system. The Group's management level regularly evaluates the operating results of such reported segments so as to determine the resources allocation of such segments and to evaluate such segments' performance. The major products and services provided by all reported segments of the Group are clean and highly effective power generating equipment, new energy, hydroenergy and environmental protection equipment, engineering and services and others respectively.

Segments information shall be disclosed according to the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria shall be consistent with the accounting and measurement criteria adopted in the preparation of the financial statements.

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2016 Interim Report Segment

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 Period					972,521,285.22	318,527,967.66	653,993,317.56
Including: amortization 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 amortization							

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2015 Interim Report Segment

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 Period					284,948,345.68	167,162,459.97	117,785,885.71
Including: amortization 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 amortization							

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Revenue from major business of external transactions of the Group in the PRC and other countries and region are listed as follows:

External trade income	Amount for the Period	Amount for the last period
China (except Hong Kong)	15,892,099,466.54	14,214,594,386.07
Other overseas area	2,131,183,925.99	3,618,497,330.45
Total	18,023,283,392.53	17,833,091,716.52

Total amount of non-current assets (apart from financial assets and deferred income tax assets) of the Group in the PRC and other countries and regions are listed as follows:

Total non-current assets	Closing amount	Opening amount
China (except Hong Kong)	9,039,689,657.88	9,460,822,237.93
Other overseas area	112,441,809.37	103,678,977.16
Total	9,152,131,467.25	9,564,501,215.09

XVI. NOTES TO PRINCIPAL ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1.Receivables

Item name	Closing amount	Opening amount
Receivables	6,812,889,354.62	6,666,920,004.82
Less: provision for bad debts	1,226,457,814.88	1,095,567,782.11
Net amount	5,586,431,539.74	5,571,352,222.71

(1) Aging analysis of receivables

Aging	Closing amount	Opening amount
Within 1 year	3,597,179,341.11	3,086,123,650.94
1 - 2 years	1,630,928,638.36	1,837,913,255.18
2 - 3 years	157,130,059.36	377,370,475.82
3 - 4 years	164,793,489.52	98,619,758.28
4 - 5 years	36,400,011.39	171,325,082.49
Net amount	5,586,431,539.74	5,571,352,222.71

(2) Types of accounts receivable

Type	Closing amount			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivables with significant single amount and individual provision for bad debts	297,420,552.65	4.37	297,420,552.65	100
Accounts receivable provided for bad debts in groups categorized by credit risks	6,515,468,801.97	95.63	929,037,262.23	14.00
Total	6,812,889,354.62	100	1,226,457,814.88	18.00

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(Continued)

Type	Opening amount			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivables with significant single amount and individual provision for bad debts	295,698,684.94	4.44	295,698,684.94	100
Accounts receivable provided for bad debts in groups categorized by credit risks	6,371,221,319.88	95.56	799,869,097.17	12.55
Total	6,666,920,004.82	100	1,095,567,782.11	16.43

1) Accounts receivables with significant single amount and individual provision for bad debts at the end of the Period

Company	Closing balance			
	Accounts receivables	Provision for bad debts	Percentage (%)	Reasons for provision
First	121,949,000.00	121,949,000.00	100	Difficulty in operating and expectation of unable to recover
Second	102,426,002.65	102,426,002.65	100	Difficulty in operating and expectation of unable to recover
Third	73,045,550.00	73,045,550.00	100	Dispute over the guarantee deposits and expectation of unable to recover
Total	297,420,552.65	297,420,552.65	—	—

2) Account receivables provided for bad debts by method of aging analysis in the group

Item	Closing amount			Opening amount		
	Amount	Provision for bad debts	Ratio (%)	Amount	Provision for bad debts	Ratio (%)
Within 1 year	3,786,517,033.19	189,337,692.08	5	3,248,551,211.51	162,427,560.57	5
1-2 years	1,812,142,931.52	181,214,293.16	10	2,042,125,839.09	204,212,583.91	10
2-3 years	196,412,574.21	39,282,514.85	20	471,713,094.78	94,342,618.96	20
3-4 years	274,655,815.88	109,862,326.36	40	164,366,263.80	65,746,505.52	40
4-5 years	72,800,022.79	36,400,011.40	50	342,650,164.99	171,325,082.50	50
More than 5 years	372,940,424.38	372,940,424.38	100	101,814,745.71	101,814,745.71	100
Total	6,515,468,801.97	929,037,262.23	14.26	6,371,221,319.88	799,869,097.17	12.55

(3) No accounts receivable written off amount for the Period

(4) Top five account receivables

Account receivables in the balance at the end of the Period from top five borrowers

Company	Closing balance	Aging	Percentage of total balance of account receivables at the end of the Period (%)
First	504,521,041.80	1-5 years	7.41
Second	411,261,446.14	Within 1 year	6.04
Third	286,054,059.08	Within 1 year	4.20
Fourth	271,680,270.75	1-2 years	3.99
Fifth	231,494,566.13	1-2 years	3.40

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Name	Closing balance	Aging	Percentage of total balance of account receivables at the end of the period (%)
Total	1,705,011,383.90	-	25.03

2. Other accounts receivable

Name of items	Closing amount	Opening amount
Other accounts receivable	6,381,185,548.52	6,347,958,357.40
Less: provision for bad debts	130,734,492.83	132,645,404.01
Net amount	6,250,451,055.69	6,215,312,953.39

(1) Aging analysis of other receivables

Aging	Closing amount	Opening amount
Within 1 year	284,261,626.92	262,507,053.51
1 – 2 years	1,200,208,983.93	1,191,922,544.89
2 – 3 years	12,199,825.81	9,873,746.27
3 – 4 years	4,790,381.61	128,414,175.76
4 – 5 years	150,720,237.42	182,595,432.96
More than 5 years	4,598,270,000.00	4,440,000,000.00
Net amount	6,250,451,055.69	6,215,312,953.39

(2) Types of other receivables

Type	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables with significant single amount and individual provision for bad debts	5,992,988,301.50	93.92	64,278,301.50	1.07	5,928,710,000.00
Other receivables that are individually insignificant but are provided for bad debts on individual basis					
Other receivables provided for bad debts in groups categorized by credit risks	388,197,247.02	6.08	66,456,191.33	17.12	321,741,055.69
Total	6,381,185,548.52	100	130,734,492.83	2.05	6,250,451,055.69

(Continued)

Type	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables with significant single amount and individual provision for bad debts	5,992,988,301.50	94.41	64,278,301.50	1.07	5,928,710,000.00
Other receivables that are individually insignificant but are provided for bad debts on individual basis					

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Type	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables provided for bad debts in groups categorized by credit risks	354,970,055.90	5.59	68,367,102.51	19.26	286,602,953.39
Total	6,347,958,357.40	100	132,645,404.01	2.09	6,215,312,953.39

(3) Other receivables with significant single amount and individual provision for bad debts at the end of the Period

Company	Closing balance			Reasons for provision
	Other receivables	Provision for bad debts	Percentage (%)	
First	3,738,090,000.00			Budget of the central government, proceeds raised from the increases issuance of A shares, specific fund for industrialization of wind power industry, etc.
Second	1,189,350,000.00			Budget of the central government, proceeds raised from the increases issuance of A shares, etc.
Third	843,000,000.00			Appropriation of infrastructure construction, proceeds raised from the increases issuance of A shares, etc.
Fourth	113,970,000.00			Project fund for independent nuclear power equipment and independent innovation of energy, etc.
Fifth	64,278,301.50	64,278,301.50	100	Expected to be unrecoverable
Sixth	44,300,000.00			Project fund for independent nuclear power equipment and independent innovation of energy
Total	5,992,988,301.50	64,278,301.50	1.07	—

1) Other receivables provided for bad debts by method of aging analysis in the group

Aging	Closing balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year	299,120,180.00	14,955,963.50	5
1 – 2 years	22,454,426.61	2,245,442.68	10
2 – 3 years	15,249,782.28	3,049,956.47	20
3 – 4 years	7,983,969.35	3,193,587.74	40
4 – 5 years	560,474.86	280,237.44	50
More than 5 years	42,731,003.50	42,731,003.50	100
Total	388,099,836.60	66,456,191.33	17.12

(Continued)

Aging	Opening balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year	276,323,214.23	13,816,160.72	5
1 – 2 years	13,247,272.10	1,324,727.21	10
2 – 3 years	12,342,182.84	2,468,436.57	20
3 – 4 years	790,292.93	316,117.17	40
4 – 5 years	3,650,865.94	1,825,432.98	50

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Aging	Opening balance		
	Other receivables	Provision for bad debts	Percentage (%)
More than 5 years	48,616,227.86	48,616,227.86	100
Total	354,970,055.90	68,367,102.51	19.26

(4) No other receivables written off amount for the Period

(5) Top five other receivables

Other receivables in the balance at the end of the Period from top five borrowers:

Company	Characteristics of the amount	Closing balance	Aging	Percentage of total balance at the end of the Period (%)	Balance provided for bad debts at the end of the Period
First	Budget of the central government, proceeds raised from the increases issuance of A shares, specific fund for industrialization of wind power industry, etc.	3,740,447,731.96	More than 5 years	58.62	
Second	Budget of the central government, proceeds raised from the increases issuance of A shares, etc.	1,222,258,897.39	More than 5 years	19.15	
Third	Appropriation of infrastructure construction, proceeds raised from the increases issuance of A shares, etc.	1,062,019,077.23	More than 5 years	16.64	
Fourth	Project fund for independent nuclear power equipment and independent innovation of energy, etc.	114,007,234.22	More than 5 years	1.79	
Fifth	Loans	64,278,301.50	More than 5 years	1.01	64,278,301.50
Total		6,203,011,242.30		97.21	

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3. Long-term equity investment

(1) Types of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	10,165,545,252.13		10,165,545,252.13	10,165,545,252.13		10,165,545,252.13
Investment in associated companies and joint ventures	454,876,106.77		454,876,106.77	394,298,311.48		394,298,311.48
Total	10,620,421,358.90		10,620,421,358.90	10,559,843,563.61		10,559,843,563.61

(2) Investment in subsidiaries

Invested companies	Opening balance	Increase in the Period	Decrease in the Period	Closing balance	Provision for impairment in the Period	Balance provided for impairment at the end of the Period
1. Dongfang Boiler Company	4,391,395,417.83			4,391,395,417.83		
2. Dongfang Turbine Company	2,542,003,999.71			2,542,003,999.71		
3. Dongfang Electric Company	2,000,000,000.00			2,000,000,000.00		
4. India Company	129,504,712.22			129,504,712.22		
5. Wuhan Nuclear Equipment Company	131,560,000.00			131,560,000.00		
6. Dongfang Heavy Machinery Company	589,459,392.37			589,459,392.37		
7. Indonesia Company	11,621,730.00			11,621,730.00		
8. Dongfang Wind Power Company	370,000,000.00			370,000,000.00		
Total	10,165,545,252.13			10,165,545,252.13		

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(3) Investment in associated companies and joint ventures

Invested companies	Opening balance	Increase / decrease in the Period							Closing balance	Balance provided for impairment at the end of the Period
		Follow-on investment	Reduced investment	Recognized investment loss / gain by equity method	Adjustment to other comprehensive income	Changes in other equity	Announcement of delivery of cash dividends or profit	Provision for impairment		
I. Joint ventures										
1. AREVA-DONGFANG Company	230,762,552.59			31,319,765.88						262,082,318.47
II. Associated companies										
1.Sichuan Nengtou Wind Power Company	111,004,468.10			10,220,052.31						121,224,520.41
2.Huadian Longkou Wind Power Co., Ltd.	24,514,859.54			2,742,657.63						27,257,517.17
3. Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000.00			278,837.01						16,278,837.01
4. CLP Combined Heavy Gas Turbine Technology Co., Ltd.	12,016,431.25			16,482.46						12,032,913.71
5. Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.		16,000,000.00								16,000,000.00
Total	394,298,311.48	16,000,000.00		44,577,795.29						454,876,106.77

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

(4) Analysis of long-term equity investment is as follows:

Item	Closing amount	Opening amount
Listed		
Non-listed	10,620,421,358.90	10,559,843,563.61
Total	10,620,421,358.90	10,559,843,563.61

4. Operating income and operating cost

Item	Incurred amount in the Period		Incurred amount in the last period	
	Income	Cost	Income	Cost
Major business	9,729,094,202.61	9,446,498,151.49	8,318,122,701.43	8,077,536,588.85
Other business	2,758,470.47	690,578.17	4,713,269.50	1,030,669.73
Total	9,731,852,673.08	9,447,188,729.66	8,322,835,970.93	8,078,567,258.58

5. Investment income

Item	Incurred amount in the Period	Incurred amount in the last period
Long-term equity investment income calculated by using cost method	142,966,741.81	375,947,096.87
Long-term equity investment income calculated by using equity method	44,577,795.29	24,794,057.94
Investment income on holding financial assets at fair value through gain and loss for the Period	297,810.92	
Investment income from disposal of financial assets at fair value through gain and loss		9,254,977.13
Investment income on holding available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Others	3,242,986.11	21,796,597.21
Total	191,085,334.13	431,792,729.15

6. Notes to the statement of cash flow

Item	Amount for the Period	Amount for the last period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	382,600,361.95	535,814,530.65
Add: Provision for impairment of assets	128,979,121.58	94,503,136.60
Depreciation of fixed assets	2,411,229.86	2,075,046.16
Amortization of intangible assets	1,149,822.54	1,132,491.43
Loss on disposal of fixed assets, intangible assets and other long-term assets (profits are represented by “-”)	21,573.99	377.49
Profit and loss from fair value changes (profits are represented by “-”)	7,674,879.03	8,388,554.34
Financial charges (profits are represented by “-”)	-82,132,070.57	19,143,415.93
Investment loss (profits are represented by “-”)	-191,085,334.13	-431,792,729.15

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

Item	Amount for the Period	Amount for the last period
Decrease in deferred income tax assets (increase is represented by “-”)	-20,629,009.32	-13,058,930.49
Increase in deferred income tax liabilities (decrease is represented by “-”)	0.00	-1,258,283.15
Decrease in inventory (increase is represented by “-”)	-648,359,635.15	-720,500,259.11
Decrease in receivables under operating activities (increase is represented by “-”)	1,713,622,580.40	23,331,022.65
Increase in payables under operating activities (decrease is represented by “-”)	-632,528,037.95	-734,186,236.06
Net cash flow generated from operating activities	661,725,482.23	-1,216,407,862.71
2. Substantial investment and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		3,266,071,903.61
3. Net change in cash and cash equivalents:		
Balance of cash at the end of the Period	8,519,068,056.26	5,444,816,344.83
Less: balance of cash at the beginning of the Period	7,507,119,838.61	6,604,338,925.64
Net increase of cash and cash equivalents	1,011,948,217.65	-1,159,522,580.81

XVII. SUPPLEMENTAL INFORMATION OF FINANCIAL STATEMENTS

1. Non-recurring balance sheet of the Period

Item	Amount for the Period	Explanation
Profit or loss from disposal of non-current assets	852,661.32	
Government subsidy to be recorded in the profit and loss for the Period	46,640,849.26	
Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gain from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business relating to the normal operations of the Company	-8,226,428.32	
Write back of the provision for impairment of receivables that are individually tested for impairment		
Income and expenses from other operation other than the foregoing items	-48,001,744.81	
Other profit or loss items in compliance with the definition of non-recurring profit or loss	-484,170.39	
Sub-total	-9,218,832.94	
Amount of effects on income tax	-7,619,920.18	
Amount of effects on minority interests (after tax)	-872,116.77	
Total	-17,710,869.89	

Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2016 to 30 June 2016

(Unless otherwise stated, amounts are expressed in RMB in the notes to the financial statements)

2. Return of net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the shareholders of the parent company	-1.49	-0.15	-0.15
Net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss	-1.42	-0.14	-0.14

XVIII. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors of the Company on 26 August 2016.

Dongfang Electric Corporation Limited

Legal representative: Si Zefu

Person in charge of accounting function: Gong Dan

Person in charge of accounting department: Chen Dong

26 August 2016