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

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

(Stock Code: 1072)

ANNOUNCEMENT
PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Board hereby informs the shareholders and potential investors of the Company that, based on a preliminary review of the consolidated management accounts of the Company, the Group is expected to record a loss of net profit attributable to the shareholders of the listed company for the year ended 31 December 2016, as compared with a profit of RMB439 million for the same period last year.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Dongfang Electric Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company hereby informs the shareholders and potential investors of the Company that, based on a preliminary review of the consolidated management accounts of the Company, the Group is expected to record a loss of net profit attributable to the shareholders of the listed company in the range of approximately RMB1.7 billion to RMB2.2 billion for the year ended 31 December 2016 as compared with a profit of RMB439 million for the same period last year.

The Board is of the view that the estimated decrease in the results for the year ended 31 December 2016 is mainly due to:

- (1) the decrease in demand in the industry of power generation equipment and the decline in product price caused, resulting in a decrease in gross profit margin for the year as compared to last year.
- (2) A substantial loss was recorded in the wind power contracts undertaken by the Group in the previous reporting period, mainly because of a rise in age of accounts receivable resulting in increase in provision for bad debts of accounts receivable for the year, and an increase in operation and maintenance expenses in the warrant period.
- (3) The Group further implemented its internal reform and carried out streamlining plan in the year, resulting in an increase in provision for resignation benefits; and devoted greater efforts to clear the inventory under the guidance of “relaxation of overcapacity and reduction of inventory”, resulting in an increase in provision for write-down as compared to last year.

The information contained in this announcement is only based on the information currently available to the Board and a preliminary evaluation of the consolidated management accounts of the Group for the year ended 31 December 2016, which have not been audited or reviewed by the Company’s auditors. Details of the Group’s financial information will be disclosed in the announcement of annual results of the Company for the year ended 31 December 2016, which is expected to be published by the end of March 2017.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Chengdu, Sichuan, the PRC
24 January 2017

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

Directors: *Zou Lei, Zhang Xiaolun, Huang Wei,
Zhu Yuanchao and Zhang Jilie*

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