



**东方电气**

**DONGFANG ELECTRIC**

DONGFANG ELECTRIC CORPORATION LIMITED

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

**2017**

**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

Controlling Shareholder, Dongfang Electric Corporation	Dongfang Electric Corporation
DEC, Company	Dongfang Electric Corporation Limited
Reporting Period, Period	1 January 2017 to 30 June 2017
RMB, RMB'0000, RMB100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited

## II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

### 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	Zou Lei (鄒磊)

### II. Contact Persons and Methods

	<b>Secretary to the Board of Directors</b>	<b>Representative of securities affairs</b>
Name	Gong Dan	Huang Yong
Contact address	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Telephone	028-87583666	028-87583666
Fax	028-87583551	028-87583551
E-mail	dsb@dongfang.com	dsb@dongfang.com

### III. Change of 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	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code for business address	611731
Company website	<a href="http://www.dec-ltd.cn/">http://www.dec-ltd.cn/</a>
E-mail	dsb@dongfang.com
Reference index for changes during the Reporting Period	For details of the change of the Company's business address, please refer to the announcement dated 9 August 2017 published on the websites of SSE and the Stock Exchange, and Shanghai Securities News and China Securities Journal.

## II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

### IV. Change of 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 designated by the Stock Exchange for publication of the Company's interim report	www.hkexnews.hk
Place where the Company's interim report is available for inspection	Office of the Board of the Company
Reference index of changes during the Reporting Period	Not applicable

### V. Share Information

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

## II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

### VI. Major Accounting Data and Financial Indicators

#### (I) Major Accounting Data

Unit: Yuan Currency: 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	<b>14,577,702,423.17</b>	18,219,614,274.86	-19.99
Net profit attributable to the shareholders of the Company	<b>377,087,901.81</b>	-341,652,500.96	
Net profit attributable to the shareholders of the Company after non-recurring profit and loss	<b>334,119,899.45</b>	-323,941,631.07	
Net cash flow from operating activities	<b>-1,145,708,488.75</b>	3,146,117,893.88	-136.42

  

	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 shareholders of the Company	<b>21,538,742,774.24</b>	21,144,292,192.79	1.87
Total assets	<b>81,419,398,069.79</b>	84,702,600,301.42	-3.8

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

## II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

### VI. Major Accounting Data and Financial Indicators (Continued)

#### (II) Major Financial Indicators

Major financial indicators	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 ( <i>RMB/share</i> )	<b>0.16</b>	-0.15	
Diluted earnings per share ( <i>RMB/share</i> )	<b>0.16</b>	-0.15	
Basic earnings per share after non-recurring profit and loss ( <i>RMB/share</i> )	<b>0.14</b>	-0.14	
Weighted average return on net assets (%)	<b>1.77</b>	-1.49	Increased by 3.26 percentage points
Weighted average return on net assets after non-recurring profit and loss (%)	<b>1.57</b>	-1.42	Increased by 2.99 percentage points

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

## II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

### VII. Items and Amounts of Non-recurring Profit or Loss

Unit: Yuan Currency: RMB

Items of Non-recurring Profit or Loss	Amounts	Note (if any)
Gain or loss on disposal of Non-current assets	16,167,209.42	
Ultra vires approval/no official approval/episodic tax return or relief		
Government subsidies recognized in current period's profit and loss, except continuous government subsidies closely related to the Company's general business, in accordance with state policy, and with fixed amounts	39,781,269.99	
Gain or loss on restructuring liabilities	136,529,292.50	
Gain or loss on change of fair value arising from trading financial assets and trading financial liabilities, and the investment income of the disposal of trading financial assets, trading financial liabilities and available-for-sales financial assets, other than the hedging business related to the Company's general business	6,683,282.30	
Reversal of provision on receivable impairment individually conducted impairment test	9,000,000.00	
Other non-operating incomes and expenses other than the above	-137,870,597.51	
Impact of interests of minor shareholders	-3,026,805.91	
Impact of income tax	<u>-24,295,648.43</u>	
Total	<u>42,968,002.36</u>	



### III BUSINESS OVERVIEW

#### I. The Company's Principal Business, Operating Model and Industry Information during the Reporting Period

The Company is engaged in power equipment manufacturing industry. The Company is committed to providing its customers with large-scale power generation equipment of clean and efficient power such as hydropower, thermal power, nuclear power, wind power and steam power, and engineering contracting and services. There was no material change to the principal business during the Reporting Period. Its main products include 1,000MW ultra supercritical thermal power units, 1,000MW hydropower units, 1,000MW–1,750MW nuclear power units, heavy-duty gas turbines, MW-level wind power equipment and large environmental equipment.

The Company is mainly engaged in designing, manufacturing and selling large, advanced sets of equipment for the high-efficiency clean generation of hydropower, thermal power, nuclear power, wind power and gas power. The Group is also engaged in such related business as providing global electricity operators with construction contracting and services. As one of the largest R&D and manufacturing bases of power generation equipment and one of the mega enterprises for power-plant project contracting in China, the Company possesses excellent technology, a renowned brand and world-class manufacturing capability. All these serve as the key performance drivers for the Company to realize its sustainable development.

### III BUSINESS OVERVIEW (CONTINUED)

#### I. The Company's Principal Business, Operating Model and Industry Information during the Reporting Period (Continued)

In the first half of 2017, the Gross Domestic Product (GDP) growth in China was 6.9%. The domestic economy gained momentum amid stability. The profitability of the enterprises in the real economy picked up. The energy development during the “13th Five-Year Plan” period in China shifted towards “Green Manufacturing”, which facilitated the rapid development of high-efficiency clean energy equipment and the energy conservation and emission reduction industry. According to the Chinese “13th Five-Year Plan for the Electricity Sector” (《電力發展“十三五”規劃》), during the “13th Five-Year Plan” period, the electricity sector faces a fresh series of situations and challenges, including excess supply as a normal occurrence, a structure of clean energy supplies, intelligent electricity systems, international electricity development, and market-oriented systems and mechanisms. Based on such situations and challenges, the plan specifies the basic principles of “staying clean and low-carbon, seeking green development, optimizing layout, seeking safe development and being intelligent and efficient” in electricity development. According to the requirement that approximately 15% of energy consumption should come from non-fossil fuels, hydropower will be actively developed, new energies will be vigorously developed, nuclear power will be safely developed, power generation through natural gas will be developed in an orderly manner, the construction of distributed steam power will be greatly promoted, and coal power will be developed in a clean and orderly manner. The plan highlights the requirements on the transformation and upgrade of the electricity supply structure. “De-capacity” in the industries such as the coal power industry is still one of the main concerns in the Chinese macro-economic policies. The installed capacity of coal power has reached 1,060GW since early 2017. Its growth significantly slowed down with accelerated in-depth structural adjustments in the industry. The new installed capacity growing at a slow pace has become a general trend.

### **III BUSINESS OVERVIEW (CONTINUED)**

#### **II. Analysis of Core Competitiveness during the Reporting Period**

As one of the largest R&D and manufacturing bases for power equipment and the largest power station project contracting enterprises in China, the Company has excellent technology and innovative capability, a comprehensive product structure, first-rate manufacturing capability, remarkable market expansion capability, strong brand influence and relatively strong international competitiveness. During the Reporting Period, the core competitiveness of the Company was consolidated and enhanced.

## IV REPORT OF THE BOARD OF DIRECTORS

### I. Discussion and analysis of operations

During the Reporting Period, the Company enjoyed a great success by realizing the objective of “rising above difficulties and achieving rejuvenation” and “second venture” against the backdrop of the challenging market conditions and the difficult tasks of deepening reform and transformation. A better situation could be seen throughout the Company, the Party in depth pushed forward strict rule, production and operation had stabilised for the better, as well as steady implementation of deepening reforms. The Company reversed the loss situation and the major operating indicators of the Company achieved more than 50%.

#### 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 RMB14,578 million, representing a decrease of 19.99% over the same period of the previous year; net profit attributable to shareholders of the Company of RMB377 million, representing an increase of RMB719 million over the same period of the previous year; and earnings per share of RMB0.16. Gross profit margin for principal operations was 17.06%, representing an increase of 6.11 percentage points over the same period of the previous year.

#### Capacity of Power Generation Equipment

During the Reporting Period, the Company produced power generation equipment with total capacity of 16,672MW, representing an increase of 27.7% as compared with the same period of the previous year. The equipment included 11 hydro-electric turbine generator units (933MW), up by 192.5% as compared with the same period of the previous year; 51 steam turbine generators (15,382MW), up by 28.4% as compared with the same period of the previous year; 157 wind turbine generator sets (357MW), down by 52.6% as compared with the same period of the previous year; 25 power station boilers (11,327MW), up by 11.3% as compared with the same period of the previous year; and 47 power station steam turbines (10,279MW), down by 8.2% as compared with the same period of the previous year.

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

### I. Discussion and analysis of operations (Continued)

#### Market Expansion

During the Reporting Period, in light of fierce market competition and downward momentum in the coal power market, all of the staff of the Company worked in concert to strive for expansion in both domestic and international markets, and ultimately made its way out with increasing market orders and made a significant breakthrough. For hydropower, the Company won the bid for Changlongshan 4 sets of 350MW Francis type hydropower generating units and the second phase of 4 sets of 300MW pumped-storage mechanism in Fengning. For thermal power, it also won the bid for the three  $2 \times 1,000$ MW main modules with ultra-supercritical double reheat features of Zhongxing Electric Power in Penglai, which made up for its shortcomings in efficient, clean, high-capacity coal power market. It won the bid for the second phase of the coastal project in Vietnam with three  $2 \times 660$ MW main modules with supercritical features, ensuring that all main modules and equipment for the construction of the first phase to third phase of  $6 \times 660$ MW coastal power plant projects would be provided by the Company. The Company won the bid for six 300MVar phase modifiers of State Grid and expanded into new business field. For nuclear power, the Company won the bid for reactor pressure vessels for No. 1 generating unit of Hualong Huizhou and won the bid for 4 sets of components for reactor units for the Beijiao project and Huadu project for steam power segment all at one go. In the first half of 2017, the market share of thermal power segment, hydropower segment and F-grade steam power segment of the Company exceeds 50%. For power plant services, the Company won the bid for the renovation projects of steam turbines of Huaneng Dezhou, Guodian Beilun and Datang Xigu and renovated imported generating units from GE and Toshiba for the first time.

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

### I. Discussion and analysis of operations (Continued)

#### Market Expansion (Continued)

During the Reporting Period, the Company's new valid orders amounted to RMB15,100 million, of which export orders were equivalent to RMB900 million. Among the new orders, 47.6% was attributable to high-efficient cleaning energy, 11.6% to new energy, 20.5% to water energy and environmental protection, and 20.3% to engineering and services. As at 30 June 2017, the Company had orders in hand of RMB93,800 million, of which high-efficient cleaning energy accounted for 57%, new energy accounted for 16%, water energy and environmental protection accounted for 11%, and engineering and services accounted for 16%. Export orders accounted for 18.4% of the orders in hand.

#### Execution of Contracts

In the first half of 2017, there was a serious contradiction between controlling risks and securing demands in respect of the coal power projects. Nevertheless, the Company strengthened its communication with users, and carried out in-depth site research for projects to ensure that the delivery progress of projects was able to meet the on-site needs. In the first half of the year, the Company exported its nuclear power low pressure heater to France, marking China's first export of nuclear power product to Europe. No. 2 generating unit of Huadian Yangzhou thermal turbine project passed 168 hours of trial run, and was officially put into commercial operation. The construction of the world's largest single-capacity half-speed nuclear power turbine low-voltage module was successfully completed, marking a major breakthrough of the third generation of China's nuclear power technology innovation.

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

### I. Discussion and analysis of operations (Continued)

#### Improvement of Quality and Efficiency

In accordance with the requirements of SASAC of State Council under “the implementation plan for the streamlining and quality and efficiency enhancement of central enterprises for 2017”, the Company further improved the execution mechanism, solidly push forward work in respect of the reduction of stocks, accounts receivables and costs and improvement in centralized procurement, and centralized capital management. The working objectives of “Three Reductions” had been incorporated into the economic accountability mechanism indicators of the Company for assessment, and the objective of “Two Improvements” had been included in the special project assessment, research and analysis of problems and summarizing experience. In the first half of 2017, the Company achieved remarkable results in “Three Reductions and Two Improvements”, in which the outstanding balance of accounts receivables and outstanding balance of abnormal inventories decreased as compared with the beginning of the year, while the gross profit margin of our main business obviously increased, centralized procurement reaching more than 95% and centralized funds management was strengthened.

#### Technology Innovation

The Company was awarded the only special prize of the scientific and technological progress in Sichuan Province for its “research and development on giant tubular hydro-generating unit key technology and Gerry Power Plant” project, which fulfilled the accomplishment of an award in mechanical category that the Group had not received for over ten years.

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

### I. Discussion and analysis of operations (Continued)

#### Technology Innovation (Continued)

The Company vigorously implemented its innovation-driven development strategy to steadfastly advance major science and technology projects and “Climbing Plan”. The research and development and demonstration applications of the double reheat 1,000MW ultra-supercritical generating unit key technology with 630 °C ultra-high parameters has achieved market breakthrough, and obtained first-mover advantage. The Company made positive progress in the scientific research and development of the 1,000MW giant Francis hydroelectric units, nuclear power Hualong No. 1 steam generator, CAP1400 major and special products, independent 50MW heavy-duty gas turbine, 660MW ultra supercritical fluidized bed boiler. The Company made significant breakthrough in solar thermal power generation technology and successfully developed the first 50MW high power photo-thermal turbine generating unit in China, which has passed the empty load trial run in one take.

#### Deepening Reforms

With the improvement in the management system, management efficiency of the Company was further enhanced, and the management hierarchy was further streamlined. The Company focused on “industrial operation” and put effort into institutional innovation. It developed and promoted a number of reform initiatives, revised the management methods of wind power, nuclear power and others and carried out extensive strategic cooperation with an aim to promote upgrading of industrial structure.



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

### I. Discussion and analysis of operations (Continued)

#### (I) Analysis of Principal Business

##### 1. Analysis of changes in certain items in the financial statements

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount for the same period of the previous year	Change (%)
Operating revenue	<b>14,577,702,423.17</b>	18,219,614,274.86	-19.99
Operating cost	<b>12,077,130,854.82</b>	16,209,034,955.29	-25.49
Selling expenses	<b>538,169,699.41</b>	510,653,919.48	5.39
Administrative expenses	<b>1,463,415,505.07</b>	1,467,129,882.99	-0.25
Finance costs	<b>-218,876,202.23</b>	-253,591,430.50	13.69
Net cash flows from operating activities	<b>-1,145,708,488.75</b>	3,146,117,893.88	-136.42
Net cash flows from investing activities	<b>12,296,892.37</b>	-127,417,009.78	109.65
Net cash flows from financing activities	<b>-495,336,113.45</b>	-1,113,490,456.75	55.52
Research and development expenses	<b>341,975,990.52</b>	447,058,171.31	-23.51

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

### I. Discussion and analysis of operations (Continued)

#### (I) Analysis of Principal Business (Continued)

##### 1. *Analysis of changes in certain items in the financial statements (Continued)*

- (1) Explanation for changes in operating income: Operating income for the Period decreased by 19.99% as compared with the same period of the previous year, mainly due to the period-on-period decrease in income from all segments, except for hydropower, nuclear power and environmental protection equipment.
- (2) Explanation for changes in operating costs: Operating costs for the Period decreased by 25.49% as compared with the same period of the previous year, as well as the implementation of cost-driven program of the Company during the year to strengthen internal management reduce cost and enhance efficiency. The program achieved better results in enhancing local production rate, centralized procurement and raw material utilization.
- (3) Explanation for changes in selling expenses: Selling expenses for the Period increased by 5.39% as compared with the same period of the previous year, mainly due to the period-on-period increase of provision for quality deposit and customer service charges.
- (4) Explanation for changes in administrative expenses: Administrative expenses 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 operations (Continued)

#### (I) Analysis of Principal Business (Continued)

##### 1. *Analysis of changes in certain items in the financial statements (Continued)*

- (5) Explanation for changes in finance costs: Finance costs for the Period increased by 13.69% as compared with the same period of the previous year, mainly due to the period-on-period increase of exchange losses incurred during the Period resulting from RMB exchange rate fluctuation.
- (6) Explanation for changes in net cash flows from operating activities: Net cash flows from operating activities for the Period decreased by 136.42% as compared with the same period of the previous year, mainly due to a year-on-year decrease in the recovery of receivables in the first half of 2017, as well as the increase of the corresponding payments for purchases due to the relatively bigger year-on-year production of power generation equipment and boilers (the production of power generation equipment and power station boilers grew by 21.1% and 11.3% respectively), which resulted in the negative net cash flow from operating activities.
- (7) Explanation for changes in net cash flows from investing activities: Net cash flows from operating activities for the Period increased by 109.65% as compared with the same period of the previous year, mainly due to the period-on-period increase in cash received from disposal of profit-making investments as well as the period-on-period decrease in the cash paid for investment.

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

### I. Discussion and analysis of operations (Continued)

#### (I) Analysis of Principal Business (Continued)

##### 1. *Analysis of changes in certain items in the financial statements (Continued)*

(8) Explanation for changes in net cash flows from financing activities: Net cash flows from financing activities for the Period decreased by 55.52% as compared with the same period of the previous year, mainly due to the decrease in net repayment for borrowings resulting from sufficient monetary capital during the Period.

(9) Explanation for changes in research and development expenses: Research and development expenses for the Period decreased by 23.51%, mainly due to the delay in some of the scientific research projects, and the variation in the research and development expenses incurred from month to month.

##### 2. *Top five sales customers and suppliers*

###### (1) Major sales customers

During the Reporting Period, the Group's operating revenue from its top five customers amounted to RMB2,628 million, accounting for 18.02% of the Company's total operating revenue.

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

### I. Discussion and analysis of operations (Continued)

#### (I) Analysis of Principal Business (Continued)

#### 2. Top five sales customers and suppliers (Continued)

##### (2) Major suppliers

During the Reporting Period, the Group's procurement from its top five suppliers amounted to RMB861 million, accounting for 7.20% of the Company's total procurement.

#### 3. Cash flows

Unit: RMB

Item	Amount for the Period	Amount for the same period of the previous year	Change (%)
Net cash flows from operating activities	<b>-1,145,708,488.75</b>	3,146,117,893.88	-136.42
Cash received from disposal of investments	<b>20,617,271.64</b>	615,981.31	3,247.06
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	<b>77,237,592.55</b>	88,515,201.73	-12.74
Cash paid for investment	<b>2,000,000.00</b>	39,966,755.66	-95.00
Cash received from borrowings	<b>398,650,000.00</b>	674,440,000.00	-40.89
Cash paid for distribution of dividends or profits and for interest expense	<b>23,266,444.25</b>	40,720,622.15	-42.86

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

### I. Discussion and analysis of operations (Continued)

#### (I) Analysis of Principal Business (Continued)

##### 3. Cash flows (Continued)

- (1) Net cash flow from operating activities decreased year-on-year by 136.42% mainly due to a year-on-year decrease in the recovery of receivables in the first half of the year, as well as the increase of the corresponding payments for purchases due to the relatively bigger year-on-year production of power generation equipment and boilers (the production of power generation equipment and power station boilers grew by 21.1% and 11.3% respectively), which resulted in the negative net cash flow from operating activities.
- (2) Cash received from disposal of investments significantly increased year-on-year mainly due to the realization from the disposal of equity investments during the Period.
- (3) Net cash paid for purchase of fixed assets, intangible assets and other long-term assets decreased year-on-year by 12.74% mainly due to the decrease of purchase of assets during the Period.
- (4) Cash paid to acquire investments decreased year-on-year by 95.00% mainly due to the decrease in external investment made by the Company during the Period.

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

### I. Discussion and analysis of operations (Continued)

#### (I) Analysis of Principal Business (Continued)

##### 3. Cash flows (Continued)

- (5) Cash received from borrowings decreased year-on-year by 40.89% mainly due to the continued scaled-down of loans as the Company repaid the borrowings due from financial institutions during the Period.
- (6) Cash payments for interest expenses and distribution of dividends or profits decreased year-on-year by 42.86% mainly due to the year-on-year decrease in dividends distributed by the Company during the Period, and the year-on-year decrease in interest paid for borrowings from financial institutions as the borrowing amounts decreased.

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

### I. Discussion and analysis of operations (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)
<b>Principal operations by industry</b>						
Power generation equipment industry	14,467,340,402.74	11,999,269,651.57	17.06	-19.73	-25.24	6.11
<b>Principal operations by product</b>						
High-efficient cleaning power generation equipments	10,372,461,705.89	8,627,934,990.60	16.82	-6.90	-11.91	4.73
New energy	1,295,155,327.97	1,045,425,758.44	19.28	-66.69	-71.09	12.29
Water energy and environmental equipments	973,348,725.54	926,138,148.97	4.85	40.29	40.78	-0.33
Engineering and services	1,826,374,643.34	1,399,770,753.56	23.36	-20.60	-29.33	9.46

- (1) Except for the slight growth in the revenue from the hydropower and environmental protection equipment segment, revenue from other segments of the Company declined in various extent during the Period due to the macroeconomic effect on the Company. The revenue of principal operations during the Period decreased year-on-year by 19.73%.



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

### I. Discussion and analysis of operations (Continued)

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

##### 1. Principal operations by industry and product (Continued)

- (2) The operating revenue from high-efficient cleaning power generation equipment decreased year-on-year by 6%, mainly due to downsizing of sales of thermal power and gas turbine products during the Period. The gross profit margin of high-efficient cleaning power generation equipment increased year-on-year by 4.73% mainly due to the “cost-driven program” carried out by the Company during the Period, which strengthened the internal management with cost reduction and higher efficiency, especially in terms of improvement in domestic production, centralized procurement and material utilization.
- (3) The revenue from new energy products decreased year-on-year by 66.69% mainly due to the year-on-year decrease of 78.68% in revenue of the wind power products during the Period. The gross profit margin of the new energy increased year-on-year by 12.29 percentage points, which was primarily resulted from the reduction of proportion of lower profitability wind power products in the new energy products.
- (4) The revenue from hydropower and environmental protection equipment increased year-on-year by 40.29%, mainly due to the increase of 58.78% and 19.40% in the revenue from hydropower projects and environmental protection equipment respectively during the Period. The gross profit margin of this segment slightly declined year-on-year.

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

### I. Discussion and analysis of operations (Continued)

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

##### 1. Principal operations by industry and product (Continued)

- (5) Revenue from construction and services decreased year-on-year by 20.60% during the Period mainly due to the year-on-year decrease of 25.46% and 5.13% in the revenue from engineering projects and power station services respectively. The gross profit margin of engineering and services segment increased year-on-year by 9.46 percentage points due to the higher gross profit margin of some engineering projects.

##### 2. Principal operations by region

Unit: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	12,641,812,440.85	-20.45
Overseas	1,825,527,961.89	-14.34
Total	14,467,340,402.74	-19.73

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

### I. Discussion and analysis of operations (Continued)

#### (III) Analysis of Assets and Liabilities

##### 1. Assets and liabilities

Unit: RMB

Name of item	Balance at		Balance at the end of the previous period	Balance at the end of the previous period over total assets	Change in proportion of current amount compared with the corresponding period of last year	Note
	Balance at the end of the current period	the end of the current period over total assets				
		(%)		(%)	(%)	
Financial assets at fair value through profit or loss, the change of which is recognized in profit and loss of the Period	39,502,240.00	0.05	59,661,930.59	0.07	-33.79	
Bills receivable	4,234,110,620.36	5.19	4,917,792,022.12	5.81	-13.90	
Inventory	21,100,527,829.89	25.92	19,871,046,530.61	23.46	6.19	
Short-term loans	333,650,000.00	0.41	284,500,000.00	0.34	17.28	
Tax payable	180,346,626.26	0.22	566,207,934.48	0.67	-68.15	
Long-term remuneration payable	513,416,225.39	0.63	462,107,103.50	0.55	11.10	
Estimated liabilities	2,132,755,346.32	2.62	1,771,952,763.14	2.09	20.36	

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

### I. Discussion and analysis of operations (Continued)

#### (III) Analysis of Assets and Liabilities (Continued)

##### 1. Assets and liabilities (Continued)

###### Other Explanations

- (1) Financial assets at fair value through profit or loss of the Company decreased by 33.79% at the end of the Reporting Period as compared with the beginning of the Period, mainly due to sales of part of the ordinary shares (A Shares) traded in Renminbi listed locally by the Company during the Period.
- (2) Bills receivable of the Company decreased by 13.90% at the end of the Reporting 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 loans of the Company increased by 17.28% at the end of the Reporting Period as compared with the beginning of the Year, mainly due to the new borrowings from DEC (Wuhan) Nuclear Equipment Company Ltd. and Dongfang Electric Wind Power Co., Ltd. during the Period.
- (4) Tax payable of the Company decreased by 68.15% at the end of the Reporting Period as compared with the beginning of the Year, mainly due to the payment of VAT and corporate income tax for the Period.

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

### I. Discussion and analysis of operations (Continued)

#### (III) Analysis of Assets and Liabilities (Continued)

##### 1. *Assets and liabilities (Continued)*

##### Other Explanations (Continued)

(5) Long-term remuneration payable of the Company increased by 11.10% at the end of the Reporting Period as compared with the beginning of the Year, mainly due to the increase in provision for retirement benefits (early retirement provision) for the Period.

(6) Estimated liabilities of the Company increased by 20.36 % at the end of the Reporting Period as compared with the beginning of the Year, mainly due to the provision for product guarantee deposits during the Period.

##### 2. *Major restricted assets at the end of the Reporting Period*

(1) For the Company's currency capital at the end of the Reporting Period, the total restricted capital was equivalent to RMB16,021,791.56 (L/C guarantee deposit, pledged deposits for acceptance of bills of exchange by banks and covenants of contracts).

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

### I. Discussion and analysis of operations (Continued)

#### (III) Analysis of Assets and Liabilities (Continued)

##### 2. *Major restricted assets at the end of the Reporting Period (Continued)*

- (2) Net fixed assets used for pledge or guarantee of the Company at the end of the Reporting Period amounted to RMB174,993,674.66.
- (3) Net intangible assets used for pledge or guarantee of the Company at the end of the Reporting Period amounted to RMB20,648,433.33.

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

### I. Discussion and analysis of operations (Continued)

#### (IV) Analysis of Investment

##### 1. Overall analysis of external equity investment

##### (1) Financial assets at fair value

No.	Security type	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held (shares)	Book value at the end of the Period (RMB)	As a percentage	Profit or loss for the Reporting Period (RMB)
							of total securities investment at the end of the Period (%)	
1	Stock	600011	Huaneng International	30,732,595.64	2,802,100	20,567,414.00	52.06	1,625,218.00
2	Stock	601179	China XD	10,107,744.90	1,447,000	8,045,320.00	20.37	115,760.00
3	Stock	000883	Hubei Energy	1,897,910.00	285,400	1,432,708.00	3.63	125,576.00
4	Stock	600900	Yangtze Power	2,419,297.00	200,000	3,076,000.00	7.79	544,000.00
5	Stock	600030	CITIC Securities	6,309,814.00	374,900	6,380,798.00	16.15	359,904.00
Other securities investment held at the end of the Reporting Period					/			
Profit or loss arising from disposal of securities investment during the Reporting Period					/	/	/	1,802,089.64
Total				<u>51,467,361.54</u>	<u>5,109,400</u>	<u>39,502,240.00</u>	<u>100.00</u>	<u>4,572,547.64</u>

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

### I. Discussion and analysis of operations (Continued)

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

Unit: RMB100 million

Company name	Equity interest held by the Company	Main products or services	Net 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 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	283.47	17.42	50.94	1.01	1.33
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	135.33	36.45	25.02	-0.62	0.79



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

### I. Discussion and analysis of operations (Continued)

#### (V) Analysis of Major Subsidiaries and Investees (Continued)

Company name	Equity interest held by the Company	Main products or services	Net capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste treatment etc.)	16.06	220.11	53.61	54.18	1.78	1.58
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%	Any business prohibited by national laws and regulations shall not be operated; any business which is subject to special approval shall be operated upon approval; and other businesses can be independently organized and operated	11.51	34.60	16.77	5.54	0.42	0.34

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

### I. Discussion and analysis of operations (Continued)

#### (V) Analysis of Major Subsidiaries and Investees (Continued)

Company name	Equity interest held by the Company	Main products or services	Net 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	7.50	77.59	0.91	10.71	0.13	0.12

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

### I. Discussion and analysis of operations (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	<b>14,577,702,423.17</b>	18,219,614,274.86	-19.99
Selling expenses	<b>538,169,699.41</b>	510,653,919.48	5.39
Administrative expenses	<b>1,463,415,505.07</b>	1,467,129,882.99	-0.25
Finance costs	<b>-218,876,202.23</b>	-253,591,430.50	13.69
Impairment loss of assets	<b>201,424,249.77</b>	653,993,317.56	-69.20
Total profit	<b>433,723,685.81</b>	-343,668,563.43	226.20
Income tax expenses	<b>10,182,166.20</b>	-6,458,859.87	257.65
Net profit	<b>423,541,519.61</b>	-337,209,703.56	225.60
Net profit attributable to shareholders of the parent company	<b>377,087,901.81</b>	-341,652,500.96	210.37

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

### I. Discussion and analysis of operations (Continued)

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

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

- (1) Total revenue decreased year-on-year by 19.99% during the Period due to the macroeconomic effect on the Company.
- (2) The selling expenses of the Company increased year-on-year by 5.39% during the Period mainly due to a year-on-year increase of the quality deposit and customer service charges provided during the Period.
- (3) The administrative expenses of the Company were basically flat year-on-year during the Period.
- (4) The finance costs of the Company increased year-on-year by 13.69% during the Period mainly due to a year-on-year increase of the exchange loss during the Period resulting from the fluctuation of RMB exchange rate.
- (5) The operating profit of the Company increased year-on-year by 210.49%, total profit increased year-on-year by 226.20%, and net profit increased year-on-year by 225.60%. The gross profit margin of the principal operations increased year-on-year by 6.11 percentage points during the Period.

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

### I. Discussion and analysis of operations (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 Period, the Company's total assets amounted to RMB81,419 million. The assets scale decreased slightly, among which sharp decreases were recorded in accounts receivable and monetary fund, with decreases of 6.43% and 5.84% respectively. Total liabilities amounted to RMB58,898 million, down by 5.94% as compared with the beginning of the year, mainly attributable to the decrease of 20.57% in bills payable. Total shareholders' equity amounted to RMB22,521 million, up by 1.97% as compared with the beginning of the year, mainly attributable to the operating profit for the Period.

##### 3. *Gearing ratio*

Gearing ratio = total liabilities/total assets × 100%

Item	At the end of the Period	At the beginning of the year	Year-on-year increase/ decrease (percentage point)
Gearing ratio (%)	<b>72.34</b>	73.93	-1.59

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

### I. Discussion and analysis of operations (Continued)

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

##### 4. *Bank borrowings*

As at 30 June 2017, the Company had financial institution (bank) borrowings of RMB1,040 million due within one year and bank borrowings of RMB37 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB834 million were fixed-rate loans. The Company has maintained a favourable credit rating with banks and a sound financing capacity.

##### 5. *Exchange risk management*

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

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

### I. Discussion and analysis of operations (Continued)

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

##### 6. *Pledge of assets*

The pledged borrowings of the Company amounted to RMB159 million at the end of the Period. The borrowings were obtained from Dongfang Electric Finance Co., Ltd. by DEC (Wuhan) Nuclear Equipment Company Limited. and collateralized by machinery and equipment, land and real estate (the maximum loan amount was RMB200 million). As at the end of the Period, such portion of the borrowing was not due for repayment.

### II. Other Disclosure

#### (I) Possible Risks

##### 1. *Project execution risk*

The domestic projects currently in progress of the Company are subject to the impact of slowdown in the construction of the power infrastructure as well as the adjustment and control on coal-fired power, and thus may bring about some project execution risk. In respect of overseas engineering projects, the project execution risk is also generated from factors such as the politics, economy, safety, policies and project schedules, quality and exchange rate in the country where such overseas projects are located.

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

### II. Other Disclosure (Continued)

#### (I) Possible Risks (Continued)

##### 1. *Project execution risk (Continued)*

The Company will reinforce the management and control of project risk. The Company pays close attention to the relevant policies on macro control over the industry. In particular, the management and control of coal-fired power projects are strengthened. Whenever any emerging risk is identified, it should be properly dealt with. The Company is committed to preventing the risk of overseas projects and strengthens the management and control on overseas engineering projects. The Company has established a risk alert mechanism for overseas engineering projects to better identify and deal with the risks arising from the politics, economy, society, laws and taxation in the country where such overseas engineering projects are located. The Company will carefully engage in overseas operating activities with higher legal and contractual awareness.

##### 2. *Market orders risk*

The power generation equipment market is in a consolidation period. In particular, the new power generation equipment market faces sharp downturn and uncertainties increase for concluded contracts due to further control to be imposed by the National Energy Administration on the capacity of coal-fired power during the “13th-Five Year Plan” period in order to further promote the orderly development of the coal-fired power. All of these factors bring about great pressure and risks to orders of enterprises.



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

### II. Other Disclosure (Continued)

#### (I) Possible Risks (Continued)

##### 2. *Market orders risk (Continued)*

Aiming at the demands in the target market, the Company will strengthen market planning and implement the marketing strategic to be carried out by all the staff members, so as to improve quick and efficient market response mechanism to deal with market changes. Meanwhile, the Company will promote transformation and upgrading to satisfy the needs for development by fully leveraging the advantages in “technology, market and service”.

##### 3. *Risk of recovering receivables*

As the progress of construction of some power stations is slowing down, the Company is facing the risk arising from the increasing account receivables and more difficulties in recovery of such payments. As a result, the cash flow generated from operating activities such as the recovery of receivables decreased.

In order to ensure the normal operation of the Company’s capital chain to satisfy the capital demand for production and operation, the Company will strengthen fund management to prevent fund risk, and make more efforts on recovering the account receivables.

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

### II. Other Disclosure (Continued)

#### (II) Other disclosure

##### 1. *Prospect for the Second Half of 2017*

Following the Company's guidance principles on capacity reduction, inventory reduction, cost reduction, structural adjustment and intensifying transformation and upgrade efforts, thus ensuring the Company to rise above difficulties and achieve rejuvenation. The Company planned to produce power generation equipment with total capacity of 28,000 MW for the whole year and operating revenue to remain relatively stable; it will further enhance cost reduction efficiency, increase corporate profitability, achieve a turnaround from loss and promote a healthy and sustainable development of the Company.

## V SIGNIFICANT EVENTS

### I. Overview of General Meetings

<b>Session of Meeting</b>	<b>Date</b>	<b>Designated website for publication of resolutions</b>	<b>Publication date of resolutions</b>
2016 annual general meeting	20 June 2017	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk/">http://www.hkexnews.hk/</a>	20 June 2017

## V SIGNIFICANT EVENTS (CONTINUED)

### II. Plan for Profit Distribution or Capitalization of Capital Reserve

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

Whether making profit distribution or converting surplus reserves into share capital	No
Number of bonus share for every 10 shares	0
Amount of cash dividend for every 10 shares ( <i>RMB</i> ) (including tax)	0
Number of shares converted for every 10 shares	0

### III. Bankruptcy reorganization

In May 2017, the People's Court of Hangzhou Xiaoshan District accepted commencement of winding up process of Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd, an indirect wholly-owned subsidiary of the Company (relevant information was set out in the announcement of the Company published on 13 June 2017 on the website of SSE and the website of the Stock Exchange). Subsequently, the court has engaged an official receiver to take over the Hangzhou New Energy. Currently, creditors had lodged their claims with the official receiver. The official receiver had convened and held a creditors' meeting on 14 July 2017, confirmation of claims and other work are still in legal process.

### IV. Material litigation and arbitration

The Company did not have any material litigation and arbitration during the Reporting Period.

## V SIGNIFICANT EVENTS (CONTINUED)

- V. The conditions of share incentives scheme, employee shareholding scheme or other employee incentive schemes and their impact
- (I) Relevant matters regarding the equity incentive scheme have been disclosed in the extraordinary announcements and no progress or change occurred thereafter

Summary of the events	Reference index
Resolution in Relation to the H share appreciation rights scheme of Dongfang Electric Corporation Limited	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> (Announcement on the resolutions of the 2012 first extraordinary general meeting)

The Company launched the first H share appreciation rights scheme on 14 December 2012, incentive recipients included the Directors and senior management of the Company, the principal and key managerial personnel of main subsidiaries, the senior management and important managerial personnel of the subsidiaries, the key engineering and technical professionals and the key professionals with expertise. The restrictive period was from 14 December 2012 to 13 December 2014, and the lock-up period was commenced on 14 December 2014 and ended on 13 December 2017.

## V SIGNIFICANT EVENTS (CONTINUED)

### V. The conditions of share incentives scheme, employee shareholding scheme or other employee incentive schemes and their impact (Continued)

- (I) Relevant matters regarding the equity incentive scheme have been disclosed in the extraordinary announcements and no progress or change occurred thereafter (Continued)

All the 2013 annual performance evaluation indicators under the H share appreciation rights scheme exceeded the target value. One third of the H share appreciation rights granted by the Company to incentive recipients took effect from 14 December 2014. None of incentive recipients exercised such rights during the Reporting Period. The 2014 and 2015 annual performance evaluation indicators under the H share appreciation rights scheme did not reach the target value. Two thirds of the H share appreciation rights granted by the Company to incentive recipients become void on 14 December 2015 and 14 December 2016 respectively. Pursuant to the requirements of Accounting Standard for Business Enterprises 11 – Share-based Payment, incentive funds of RMB0 was provided during the Reporting Period with accumulated provision for incentive funds of RMB0.

## V SIGNIFICANT EVENTS (CONTINUED)

### VI. 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 Dongfang Electric Finance Co., Ltd. (the “DEC Finance”) in Chengdu, Sichuan Province. Such continuing connected transactions are effective from 1 January 2015 to 31 December 2017.

## V SIGNIFICANT EVENTS (CONTINUED)

### VI. 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)*

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

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 services) to the Company or its subsidiaries.

## V SIGNIFICANT EVENTS (CONTINUED)

### VI. 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 services) to Dongfang Electric Corporation and its affiliated enterprises.



## V SIGNIFICANT EVENTS (CONTINUED)

### VI. 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.

(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.

## V SIGNIFICANT EVENTS (CONTINUED)

### VI. Material Connected Transactions (Continued)

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

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

- (5) 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 DEC Finance will provide the following financial services to the Company and its subsidiaries in accordance with the permit for operating finance business (經營金融業務許可證) and business license it 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)

### VI. 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 respectively.

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 framework agreements and 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.

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 2017, 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)

### VI. 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 2017 and the annual caps for 2017

*Unit: RMB'000 Currency: RMB*

<b>Name of agreement</b>	<b>Total actual amount as at 30 June 2017</b>	<b>Proposed annual cap for 2017</b>
Purchase and Production Services Framework Agreement	832,523.8	4,000,000
Sales and Production Services Framework Agreement	115,137.4	1,050,000
Combined Ancillary Services Framework Agreement (receipt of services)	0	150,000
Combined Ancillary Services Framework Agreement (provision of services)	0	10,000
Properties and Equipment Framework Lessee Agreement	16,823.8	100,000
Properties and Equipment Framework Lessor Agreement	17.8	10,000
Financial Services Framework Agreement	12,135,149.3	12,500,000 (deposit plus interest income)
	2,287,314.2	12,500,000 (deposit plus interest expense)

## V SIGNIFICANT EVENTS (CONTINUED)

### VI. Material Connected Transactions (Continued)

#### (II) Connected transactions in relation to the acquisition or disposal of assets or equity interests

##### 1. *Matters disclosed in extraordinary announcements with progress or change in the follow-up implementation*

On 8 December 2016, the Company received a notice from its controlling shareholder that Dongfang Electric Corporation was contemplating material matters which may involve the Company's issuance of its A shares for the acquisition of assets of DEC. As such matters consisted of significant uncertainties, the Company's A Shares were temporarily suspended as of 9 December 2016. Please refer to the website of SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details on the regular follow-up announcements in respect of continuous suspension published in accordance with requirements.

## V SIGNIFICANT EVENTS (CONTINUED)

### VI. Material Connected Transactions (Continued)

#### (II) Connected transactions in relation to the acquisition or disposal of assets or equity interests (Continued)

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

On 7 March 2017, the fifteenth meeting of the Eighth session of the Board approved the publication of “The Proposal for Acquisition of Assets by Issuance of Shares of Dongfang Electric Corporation Limited and Connected Transaction”. Please refer to the website of SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details. The Company’s A Shares resumed trading on 28 March 2017. Since the publication of the Proposal, the Company has actively proceeding with the work for acquisition of assets by issuance of shares and, applying for a whitewash waiver in respect of the obligations of DEC to make a mandatory general offer under the Hong Kong Company’s Takeovers Code for all the securities not already owned or agreed to be acquired by DEC and parties acting in concert as a result of the issuance of consideration shares.

## V SIGNIFICANT EVENTS (CONTINUED)

### VII. Material Contracts and Performance thereof

#### (I) Guarantee

Unit: Yuan Currency: 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	Any default on guarantee	Amount overdue	Is the guarantee provided to related party	Related party relationship
Dongfang Electric Co., Ltd.	Headquarters of the Company	Inner Mongolia Energy Power Hongjiling Wind Power Co., Ltd.	16,000,000	19 January 2016	19 January 2016	19 January 2026	General pledge	No	No	0	0	No	Other
Dongfang Electric Co., Ltd.	Headquarters of the Company	Inner Mongolia Menggang Sanshengtai Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	29 June 2026	General pledge	No	No	0	0	No	Other
Dongfang Electric Co., Ltd.	Headquarters of the Company	Inner Mongolia Wulan New Energy Co., Ltd.	36,000,000	27 October 2016	27 October 2016	27 October 2026	General pledge	No	No	0	0	No	Other
DEC Dongfang Steam Turbine Co., Ltd.	Wholly-owned subsidiary	Mitsubishi Heavy Industries Dongfang Gas Turbine (Gangzhou) Co., Ltd.	24,500,000	22 September 2016	22 September 2016	30 April 2025	General pledge	No	No	0	0	No	Other

## V SIGNIFICANT EVENTS (CONTINUED)

### VII. Material Contracts and Performance thereof (Continued)

#### (I) Guarantee (Continued)

Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)	92,500,000
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	92,500,000

#### 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)	92,500,000
Percentage of aggregate guarantee to net assets of the Company (%)	0.41
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

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

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 Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd., Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. and Inner Mongolia Mengneng Wulan New Energy Co., Ltd. with its 20% equity interests and derivative interests in the above three 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. The guarantee provided by DEC Dongfang Steam Turbine Co., Ltd. for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. constitutes a continuous security of payment and performance of obligations. The Guarantor's obligations under the guarantee should not exceed and should be limited to the scope of obligations and liabilities to be assumed by the vendor pursuant to the contract.
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, 28 June 2016 and 26 August 2016, respectively.



## V SIGNIFICANT EVENTS (CONTINUED)

### VIII. Explanation on other important matters

#### (I) Others

##### 1. *Employees*

As of 30 June 2017, the Company had 20,487 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.

##### 2. *Purchase, Sales or Repurchase of Listed Securities of the Company*

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

##### 3. *Major Acquisition and Disposal of Subsidiaries and Associates*

During the six months ended 30 June 2017, neither the Company's subsidiaries nor its associates was purchased or sold.

##### 4. *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.

## V SIGNIFICANT EVENTS (CONTINUED)

### VIII. Explanation on other important matters (Continued)

#### (I) Others (Continued)

##### 5. *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.

##### 6. *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 2017 interim report of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

## V SIGNIFICANT EVENTS (CONTINUED)

### VIII. Explanation on other important matters (Continued)

#### (I) Others (Continued)

##### 7. *Information Disclosure*

The interim report of the Company for the six months ended 30 June 2017, 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 ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

### I. Changes in Share Capital

#### (I) Table of changes in shares

##### 1. Changes in shares

During the Reporting Period, there was no change in shares and the structure of share capital.

### II. Particulars of Shareholders

#### (I) Total number of shareholders:

Total number of shareholders of ordinary shares as of the end of the Reporting Period ( <i>shareholder</i> )	130,224
Total number of shareholders of preference shares with recovered voting rights as of the end of the Reporting Period ( <i>shareholder</i> )	0

## VI CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### II. Particulars of Shareholders (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

Name of shareholder (full name)	Shareholdings of top 10 shareholders			Number of shares held subject to trading moratorium	Pledged or frozen		
	Increase/decrease during the Reporting Period	Number of shares held at the end of the Period	Percentage (%)		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	-8,200	338,246,497	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責任公司)	0	22,645,600	0.97	0	Unknown	Others	
Hong Zejun	17,000,000	17,000,000	0.73	0	Unknown	Others	
China National Petroleum Corporation Corporate Pension Plan – Industrial & Commercial Bank of China (中國石油天然氣 集團公司企業年金計劃 – 中國工商銀行股份 有限公司)	12,516,400	12,516,400	0.54	0	Unknown	Others	
Bosera Funds – Agricultural Bank of China – 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	
Yifangda Fund – Agricultural Bank of China – Yifangda CSI Financial Asset Management Plan (易方達基金 – 農業銀行 – 易方達中證金 融資產管理計劃)	0	8,480,400	0.36	0	Unknown	Others	

## VI CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### II. Particulars of Shareholders (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)

Name of shareholder (full name)	Shareholdings of top 10 shareholders						
	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		Type of shareholder
				Status of shares	Number of shares		
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan (大成基金 – 農業銀行 – 大成中證金融資資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others
Guangfa Fund – Agricultural Bank of China – Guangfa CSI Financial Asset Management Plan (廣發基金 – 農業銀行 – 廣發中證金融資資產管理計劃)	0	8,480,400	0.36	0	Unknown		Others
Central Europe Fund – Agricultural Bank of China – Central European CSI Financial Asset Management Plan (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
Southern Fund – Agricultural Bank of China – Southern CSI Financial Asset Management Plan (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

## VI CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### II. Particulars of Shareholders (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)

Name of shareholder (full name)	Shareholdings of top 10 shareholders		
	Liquid shares which are not subject to trading moratorium		Type and number of shares
	Number of shares	Type of shares	Number of shares
Dongfang Electric Corporation	974,016,763	RMB ordinary shares	974,016,763
HKSCC Nominees Limited	338,246,497	Overseas-listed foreign shares	338,246,497
China Securities Finance Corporation Limited	49,648,500	RMB ordinary shares	49,648,500
Central Huijin Investment Company Limited	22,645,600	RMB ordinary shares	22,645,600
Hong Zejun	17,000,000	RMB ordinary shares	17,000,000
China National Petroleum Corporation Corporate Pension Plan – Industrial & Commercial Bank of China (中國石油天然氣集團公司企業年金計劃—中國工商銀行股份有限公司)	12,516,400	RMB ordinary shares	12,516,400
Bosera Funds – Agricultural Bank of China – 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)	8,480,400	RMB ordinary shares	8,480,400
Yifangda Fund – Agricultural Bank of China – Yifangda CSI Financial Asset Management Plan (易方達基金—農業銀行—易方達中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400

## VI CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### II. Particulars of Shareholders (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)

Name of shareholder (full name)	Shareholdings of top 10 shareholders		
	Liquid shares which are not subject to trading moratorium		Type and number of shares
	Number of shares	Type of shares	Number of shares
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan (大成基金－農業銀行－大成中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400
Guangfa Fund – Agricultural Bank of China – Guangfa CSI Financial Asset Management Plan (廣發基金－農業銀行－廣發中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400
Central Europe Fund – Agricultural Bank of China – Central European CSI Financial Asset Management Plan (中歐基金－農業銀行－中歐中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400
China Southern Fund – Agricultural Bank of China – China Southern China Securities and Financial Assets Management Program (南方基金－農業銀行－南方中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400
Connected relationship or concert party relationship among the above shareholders	The Company did not discover any connected relationship or concert party relationship between top ten shareholders and top ten holders of tradable shares.		
Description of preference shareholders with restoration of voting rights and their shareholdings	N/A		



## VI CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

#### Interests of substantial shareholders

As at 30 June 2017, 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:

Name	Share class	Capacity	Number of shares held	Percentage	Percentage
				of total share capital (%)	in the respective class of share capital (%)
Dongfang Electric Corporation	A share	Beneficial owner	974,016,763 (L)	41.68 (L)	48.77% (L)
	H share	Interest held by controlled corporation	858,800 (L)	0.04 (L)	0.25 (L)

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

## VI CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

#### Interests of substantial shareholders (Continued)

*Notes:*

1. Dongfang Electric Corporation held 100% of interests in Dongfang Electric (Hong Kong), Limited, and, therefore, Dongfang Electric Corporation was deemed to own the interests in such H shares held by Dongfang Electric (Hong Kong), Limited pursuant to the Hong Kong Securities and Futures Ordinance.
2. The above interests held by Dongfang Electric Corporation reflected its latest disclosure of interests of substantial shareholder under the Securities and Futures Ordinance.
3. 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 2017.

Save as disclosed above, as at 30 June 2017, 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 2017, the interests and short positions of the directors, supervisors and 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
Zou Lei	Chairman	0	0	0	
Zhang Xiaolun	Director	0	0	0	
Huang Wei	Director	0	0	0	
Zhu Yuanchao	Director	0	0	0	
Zhang Jilie	Director	0	0	0	
Chen Zhangwu	Independent Director	0	0	0	
Gu Dake	Independent Director	0	0	0	
Xu Haihe	Independent 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	Senior Management	0	0	0	
Han Zhiqiao	Senior Management	2,540	2,540	0	
Gong Dan	Chief Accountant, and Secretary to the Board	2,540	2,540	0	
Chen Huan	Senior Management	0	0	0	
Gao Feng	Senior Management	0	0	0	
Xu Peng	Senior Management	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)

##### *Other Explanations*

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 2017.

Save as disclosed above, as at 30 June 2017, 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. Change of Directors, Supervisors and Senior Management of the Company

<b>Name</b>	<b>Capacity held</b>	<b>Change</b>
Xu Peng	Vice President	Appointment

Explanation on change of Directors, Supervisors and Senior Management of the Company:

Mr. Xu Peng was appointed as the Vice President of the Company at the nineteenth meeting of the eighth session of the Board held by the Company on 26 May 2017.

## VIII FINANCIAL REPORT (PLEASE SEE THE CD-ROM ATTACHED)

## IX DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the 2017 Interim Report signed by the Chairman of the Company.

Original accountant report of the Company stamped and signed by the Legal Representative, the person-in-charge of accounting and the head of the accounting department.

Articles of Association of the Company.

This report has been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

By Order of the Board

**Zou Lei**

*Chairman*

Date of approval for publication by the Board: 30 August 2017



Dongfang Electric Corporation Limited

2017 Interim Financial Report  
(unaudited)

30 August 2017



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**Consolidated Balance Sheet**

Prepared by: Dongfang Electric Corporation Limited

30 June 2017

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
<b>Current assets:</b>			
Cash and cash equivalents	VI.1	26,749,616,655.64	28,408,778,336.14
Clearing provision			
Funds for lending			
Financial assets at fair value through profit or loss	VI.2	39,502,240.00	59,661,930.59
Derivative Financial assets			
Bills receivable	VI.3	4,234,110,620.36	4,917,792,022.12
Accounts receivables	VI.4	14,928,316,978.24	15,954,481,388.79
Prepayments	VI.5	1,882,447,852.01	2,513,937,554.91
Premiums receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Interests receivable	VI.6	441,341,007.02	373,159,473.91
Dividends receivable			
Other receivables	VI.7	315,817,701.29	245,140,412.85
Financial assets purchased under agreements to resell			
Inventories	VI.8	21,100,527,829.89	19,871,046,530.61
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets	VI.9	406,010,829.00	293,077,796.09
<b>Total current assets</b>		<b>70,097,691,713.45</b>	<b>72,637,075,446.01</b>
<b>Non-current assets:</b>			
Loans and advances			
Available-for-sale financial assets	VI.10	3,100,000.00	3,100,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VI.11	1,409,699,570.69	1,447,245,662.23
Investment properties	VI.12	110,427,420.94	111,942,870.46
Fixed assets	VI.13	6,888,977,002.86	7,617,279,165.25
Construction in progress	VI.14	135,981,325.58	107,598,422.31
Construction materials		145,691.45	113,464.96
Disposal of fixed assets		1,364,307.81	48,257.24
Productive biological assets			
Oil and gas assets			
Intangible assets	VI.15	847,968,057.29	911,701,102.64
Development expenditure			
Goodwill			
Long-term deferred expenses	VI.16	1,040,608.96	1,075,608.94
Deferred income tax assets	VI.17	1,923,002,370.76	1,864,994,092.61
Other non-current assets	VI.18		426,208.77
<b>Total non-current assets</b>		<b>11,321,706,356.34</b>	<b>12,065,524,855.41</b>
<b>Total assets</b>		<b>81,419,398,069.79</b>	<b>84,702,600,301.42</b>

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Consolidated Balance Sheet (Continued)**

Prepared by: Dongfang Electric Corporation Limited

30 June 2017

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
<b>Current liabilities:</b>			
Short-term loans	VI.19	333,650,000.00	284,500,000.00
Borrowings from central banks			
Absorbed deposits and interbank deposits			
Placements from banks and other financial institutions			
Financial liabilities at fair value through profit or loss	VI.20	1,518,430.54	10,372,195.96
Derivative financial liabilities			
Bills payable	VI.21	4,191,147,049.05	5,276,331,920.02
Accounts payable	VI.22	14,815,382,107.36	14,380,312,585.36
Receipts in advance	VI.23	32,566,790,504.63	35,566,439,682.61
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Staff remuneration payable	VI.24	425,887,137.95	427,869,549.45
Taxes payable	VI.25	180,346,626.26	566,207,934.48
Interests payable	VI.26		736,111.11
Dividends payable	VI.27	2,823,100.25	2,787,911.77
Other payables	VI.28	2,388,098,738.05	1,965,909,372.89
Reinsurance accounts payable			
Provision for insurance contracts			
Funds from securities trading agency			
Funds from underwriting securities agency			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year	VI.29	706,040,000.00	731,379,338.40
Other current liabilities	VI.30	65,714,511.26	77,113,715.51
<b>Total current liabilities:</b>		<b>55,677,398,205.35</b>	<b>59,289,960,317.56</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	VI.31	36,940,000.00	536,940,000.00
Debentures payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables	VI.32		16,537,992.70
Long term remuneration payable	VI.33	513,416,225.39	462,107,103.50
Specified payable	VI.34	58,062,614.63	58,062,614.63
Estimated liabilities	VI.35	2,132,755,346.32	1,771,952,763.14
Deferred income	VI.36	472,448,925.73	473,991,696.19
Deferred income tax liabilities	VI.17	6,673,058.43	7,292,893.73
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>3,220,296,170.50</b>	<b>3,326,885,063.89</b>
<b>Total liabilities</b>		<b>58,897,694,375.85</b>	<b>62,616,845,381.45</b>
<b>Shareholders' equity:</b>			
Share capital	VI.37	2,336,900,368.00	2,336,900,368.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves	VI.38	8,828,262,489.81	8,828,262,489.81
Less: Treasury shares			
Other comprehensive income	VI.39	-25,726,634.63	-28,762,895.01
Special reserves	VI.40	59,641,350.67	45,314,931.41
Surplus reserves	VI.41	769,092,997.56	769,092,997.56
Provision for general risk			
Undistributed profit	VI.42	9,570,572,202.83	9,193,484,301.02
<b>Total equity attributable to shareholders of the Parent Company</b>		<b>21,538,742,774.24</b>	<b>21,144,292,192.79</b>
Non-controlling interests	VI.43	982,960,919.70	941,462,727.18
<b>Total shareholders' equity</b>		<b>22,521,703,693.94</b>	<b>22,085,754,919.97</b>
<b>Total liabilities and shareholders' equity</b>		<b>81,419,398,069.79</b>	<b>84,702,600,301.42</b>

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Balance Sheet of the Parent Company**

Prepared by: Dongfang Electric Corporation Limited

30 June 2017

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
<b>Current assets:</b>			
Cash and cash equivalents		9,687,532,509.99	11,381,567,991.30
Financial assets at fair value through profit or loss		39,502,240.00	59,661,930.59
Derivative financial assets			
Bills receivable		319,659,914.59	567,394,000.00
Accounts receivables	XVII.1	4,742,205,539.19	4,745,672,922.71
Prepayments		11,436,620,765.82	12,586,382,578.40
Interests receivable		91,173,579.83	65,747,794.78
Dividends receivable		131,436,444.73	131,436,444.73
Other receivables	XVII.2	6,062,029,955.26	6,144,015,724.17
Inventories		1,650,701,807.35	1,541,201,576.93
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		221,474,673.88	475,804,734.55
Total current assets		34,382,337,430.64	37,698,885,698.16
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVII.3	10,780,785,093.49	10,813,480,800.68
Investment properties		13,988,857.65	14,545,537.78
Fixed assets		4,543,584.52	5,712,064.88
Construction in progress		1,411,401.25	704,585.01
Construction materials			
Disposal of fixed assets		3,520.67	31,646.24
Productive biological assets			
Oil and gas assets			
Intangible assets		9,426,382.75	10,598,294.13
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		204,571,982.22	183,477,713.82
Other non-current assets			
Total non-current assets		11,014,730,822.55	11,028,550,642.54
Total assets		45,397,068,253.19	48,727,436,340.70

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Balance Sheet of the Parent Company (Continued)**

Prepared by: Dongfang Electric Corporation Limited

30 June 2017

Unit: RMB

Item	Notes	Amount at the end of the Period	Amount at the beginning of the year
<b>Current liabilities:</b>			
Short-term loans			
Financial liabilities at fair value through profit or loss		698,867.56	40,589.32
Derivative financial liabilities			
Bills payable			
Accounts payables		6,885,211,551.87	8,118,611,030.08
Receipts in advance		18,013,705,527.94	20,414,122,044.34
Staff remuneration payable		12,745,330.45	13,911,224.08
Taxes payable		525,411.24	8,555,709.24
Interests payable			
Dividends payable			
Other payables		1,505,288,810.36	1,557,682,276.88
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities		11,760.68	23,521.36
Total current liabilities		26,418,187,260.10	30,112,946,395.30
<b>Non-current liabilities:</b>			
Long-term borrowings			
Debentures payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term remuneration payable		1,846,069.05	40,328.62
Specified payables			
Estimated liabilities		255,547,376.75	58,500,000.00
Deferred income		5,851,183.59	5,377,849.97
Deferred income tax liabilities			473,648.64
Other non-current liabilities			
Total non-current liabilities		263,244,629.39	64,391,827.23
Total liabilities		26,681,431,889.49	30,177,338,222.53
<b>Shareholders' equity:</b>			
Share capital		2,336,900,368.00	2,336,900,368.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves		8,891,700,256.53	8,891,700,256.53
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		1,057,456,113.99	1,057,456,113.99
Undistributed profit		6,429,579,625.18	6,264,041,379.65
Total shareholders' equity		18,715,636,363.70	18,550,098,118.17
Total liabilities and shareholders' equity		45,397,068,253.19	48,727,436,340.70

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Consolidated Income Statement**

Prepared by: Dongfang Electric Corporation Limited  
RMB

January - June 2017

Unit:

Item	Notes	Amount for the Period	Amount for the same period of the previous year
I. Total revenue from operations		14,577,702,423.17	18,219,614,274.86
Including: Revenue from operations	VI.47	14,577,702,423.17	18,219,614,274.86
Interest income			
Insurance premiums earned			
Income from fees and commissions			
II. Total cost of operations		14,230,534,889.99	18,696,866,748.98
Including: Cost of operations	VI.47	12,077,130,854.82	16,209,034,955.29
Interest expenditure			
Fee and commission expenses			
Surrender expenditure			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Taxes and surcharges	VI.48	169,270,783.15	109,646,104.16
Selling expenses	VI.49	538,169,699.41	510,653,919.48
Administrative expenses	VI.50	1,463,415,505.07	1,467,129,882.99
Financial costs	VI.51	-218,876,202.23	-253,591,430.50
Impairments loss of assets	VI.52	201,424,249.77	653,993,317.56
Add: Gains from changes in fair value (loss is represented by "-")	VI.53	-3,871,471.00	-4,536,239.24
Gains from investment (loss is represented by "-")	VI.54	35,820,449.23	138,652,817.08
Including: Gains from investment in associates and joint ventures		28,124,322.76	142,817,176.55
Exchange gain (loss is represented by "-")			
Other gains			
III. Operating profit (loss is represented by "-")		379,116,511.41	-343,135,896.28
Add: Non-operating income	VI.55	202,723,470.98	52,502,105.85
Including: Gains from disposal of non-current assets		18,044,100.87	1,473,810.12
Less: Non-operating expenses	VI.56	148,116,296.58	53,034,773.00
Including: Loss on disposal of non-current assets		1,876,891.45	621,148.80
IV. Total profit (total loss is represented by "-")		433,723,685.81	-343,668,563.43
Less: Income tax expenses	VI.57	10,182,166.20	-6,458,859.87
V. Net profit (net loss is represented by "-")		423,541,519.61	-337,209,703.56
Net profit attributable to the shareholders of the Parent Company		377,087,901.81	-341,652,500.96
Non-controlling interests		46,453,617.80	4,442,797.40
VI. Net amount of other comprehensive income, net of tax	VI.59	3,036,186.61	237,078.38
Other comprehensive income attributable to owners of the Parent Company, net of tax		3,036,260.38	237,249.11
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		14,581,028,477.68	
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		3,036,260.38	237,249.11
1. Share of other comprehensive income of the investees which can be reclassified into profit or loss under equity method subsequently			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			
4. Effective portion of profit or loss from cash flows hedges			
5. Exchange differences from translation of financial statements		3,036,260.38	237,249.11
6. Others			
Other comprehensive income attributable to minority shareholders, net of tax		-73.77	-170.73
VII. Total comprehensive income		426,577,706.22	-336,972,625.18
Total comprehensive income attributable to the shareholders of the Parent Company		380,124,162.19	-341,415,251.85
Total comprehensive income attributable to minority shareholders		46,453,544.03	4,442,626.67
VIII. Earnings per share:			
(I) Basic earnings per share	VI.58	0.16	-0.15
(II) Diluted earnings per share	VI.58	0.16	-0.15

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: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Income Statement of the Parent Company**

Prepared by: Dongfang Electric Corporation Limited

January - June 2017

Unit: RMB

Item	Notes	Amount for the Period	Amount for the same period of the previous year
I. Operating income	XVII.4	7,499,076,177.47	9,731,852,673.08
Less: Cost of operations	XVII.4	7,320,759,119.02	9,447,188,729.66
Taxes and surcharges		872,678.67	614,681.66
Selling expenses		14,514,544.82	16,217,331.20
Administrative expenses		59,740,153.61	58,189,475.18
Financial costs		-39,314,448.53	-104,498,540.95
Impairments loss of assets		-62,297,599.48	128,013,034.39
Add: Gains from changes in fair value (loss is represented by "-")		-5,587,991.25	-7,674,879.03
Gains from investment (loss is represented by "-")	XVII.5	82,148,492.22	191,085,334.13
Including: Gain from investment in associates and joint ventures		34,974,707.11	44,577,795.29
Other gains			
II. Operating profit (loss is represented by "-")		281,362,230.33	369,538,417.04
Add: Non-operating income		5,821,343.96	205,048.77
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses		135,333,116.51	40,248.04
Including: Loss on disposal of non-current assets		32,222.65	21,573.99
III. Total profit (total loss is represented by "-")		151,850,457.78	369,703,217.77
Less: Income tax expenses		-13,687,787.75	-12,897,144.18
IV. Net profit (net loss is represented by "-")		165,538,245.53	382,600,361.95
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 subsequently			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			
4. Effective portion of profit or loss from cash flows hedges			
5. Exchange differences from translation of financial statements			
6. Others			
VI. Total comprehensive income		165,538,245.53	382,600,361.95
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Consolidated Cash Flow Statement**

Prepared by: Dongfang Electric Corporation Limited  
RMB

January - June 2017

Unit:

Item	Notes	Amount for the Period	Amount for the same period of the previous year
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		13,908,367,778.41	17,357,418,768.67
Net increase in customer deposits and due to banks and other financial institutions			
Net increase in borrowings from central banks			
Net increase in placements from other financial institutions			
Cash receipts from premiums under original insurance contracts			
Net cash receipts from reinsurance business			
Net increase in premium deposit and investment by policy holders			
Net increase from disposal of financial assets at fair value through profit or loss			
Cash received from interests, fees and commissions			
Net increase of placements from banks and other financial institutions			
Net increase in repurchases			
Tax refunds		47,592,820.59	80,266,263.37
Other cash receipts from operating activities	VI.60	428,944,638.41	364,549,415.77
Sub-total of cash inflows from operating activities		14,384,905,237.41	17,802,234,447.81
Cash paid for goods and services		11,962,679,298.88	10,903,344,812.35
Net increase in customer loans and advances			
Net increase in due from central banks and other banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Cash paid for interests, fees and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		1,432,586,274.09	1,388,235,070.11
Payments for all types of taxes		1,556,742,734.19	1,522,813,607.59
Other cash payments relating to operating activities	VI.60	578,605,419.00	841,723,063.88
Sub-total of cash outflows from operating activities		15,530,613,726.16	14,656,116,553.93
Net cash flow from operating activities		-1,145,708,488.75	3,146,117,893.88
<b>II. Cash flows from investing activities:</b>			
Cash receipts from returns of investments		20,617,271.64	615,981.31
Cash received from returns on investments		68,627,723.30	315,478.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,806,839.02	133,488.30
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		92,051,833.96	1,064,947.61
Cash paid to acquire fixed assets, intangible assets and other long-term assets		77,237,592.55	88,515,201.73
Cash payments for investments		2,000,000.00	39,966,755.66
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments relating to investing activities	VI.60	517,349.04	
Sub-total of cash outflows from investing activities		79,754,941.59	128,481,957.39
Net cash flow from investing activities		12,296,892.37	-127,417,009.78
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investments by others			
Including: cash received from capital contributions from minorities of subsidiaries			
Cash received from borrowings		398,650,000.00	674,440,000.00
Cash received from issuing of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		398,650,000.00	674,440,000.00
Cash repayments for debts		866,600,000.00	1,745,000,000.00
Cash payments for distribution of dividends or profit or interest expenses		23,266,444.25	40,720,622.15
Including: Dividends and profit paid to minorities of subsidiaries		5,062,731.21	8,311,143.46
Other cash payments relating to financing activities	VI.60	4,119,669.20	2,209,834.60
Sub-total of cash outflows from financing activities		893,986,113.45	1,787,930,456.75
Net cash flow from financing activities		-495,336,113.45	-1,113,490,456.75
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		-31,934,730.41	118,343,865.92
<b>V. Net increase in cash and cash equivalents</b>		-1,660,682,440.24	2,023,554,293.27
Add: Cash and cash equivalents at the beginning of the Period		28,394,277,304.32	21,066,533,111.81
<b>VI. Cash and cash equivalents at the end of the Period</b>		26,733,594,864.08	23,090,087,405.08

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi



**Cash Flow Statement of the Parent Company**

Prepared by: Dongfang Electric Corporation Limited

January - June 2017

Unit: RMB

Item	Notes	Amount for the Period	Amount for the same period of the previous year
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		4,668,946,310.08	7,057,888,123.13
Tax refunds		45,037,869.38	79,295,755.56
Other cash receipts from operating activities		80,991,377.63	260,294,208.75
Sub-total of cash inflows from operating activities		4,794,975,557.09	7,397,478,087.44
Cash paid for goods and services		6,626,832,794.33	6,201,272,897.44
Cash paid to and on behalf of employees		71,220,017.15	66,005,725.61
Payments for all types of taxes		71,329,271.96	163,561,869.37
Other cash payments relating to operating activities		87,659,347.12	304,912,112.79
Sub-total of cash outflows from operating activities		6,857,041,430.56	6,735,752,605.21
Net cash flow from operating activities		-2,062,065,873.47	661,725,482.23
<b>II. Cash flows from investing activities:</b>			
Cash receipts from returns of investments		320,617,271.64	460,000,000.00
Cash received from returns on investments		109,547,353.47	146,515,205.92
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,972.00	1,700.00
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		430,167,597.11	606,516,905.92
Cash paid to acquire fixed assets, intangible assets and other long-term assets		756,188.80	664,068.00
Cash payments for investments		40,000,000.00	339,966,755.66
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		40,756,188.80	340,630,823.66
Net cash flow from investing activities		389,411,408.31	265,886,082.26
<b>III. Cash flows from financing activities:</b>			
Cash proceeds from investment by others			
Cash received from borrowings			
Cash received from issuing of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities			
Cash repayments for debts			
Cash payments for distribution of dividends or profit or interest expenses			
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities			
Net cash flow from financing activities			
IV. Effect of exchange rate changes on cash and cash equivalents		-21,381,016.15	84,336,653.16
V. Net increase in cash and cash equivalents		-1,694,035,481.31	1,011,948,217.65
Add: Cash and cash equivalents at the beginning of the Period		11,375,052,991.30	7,507,119,838.61
VI. Cash and cash equivalents at the end of the Period		9,681,017,509.99	8,519,068,056.26

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Consolidated Statement of Changes in Shareholders' Equity**

Prepared by: Dongfang Electric Corporation Limited

January - June 2017

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 bonds	Others											
I. Balance at the end of last year	2,336,900,368.00				8,828,262,489.81		-28,762,895.01	45,314,931.41	769,092,997.56		9,193,484,301.02		941,462,727.18	22,085,754,919.97
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				8,828,262,489.81		-28,762,895.01	45,314,931.41	769,092,997.56		9,193,484,301.02		941,462,727.18	22,085,754,919.97
III. Increase/decrease in the Period (decrease represented by "-")							3,036,260.38	14,326,419.26			377,087,901.81		41,498,192.52	435,948,773.97
(I) Total comprehensive income							3,036,260.38				377,087,901.81		46,453,544.03	426,577,706.22
(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													-5,440,876.12	-5,440,876.12
1. Appropriation to surplus reserve														
2. General risk provision														
3. Distribution to owners (or shareholders)													-5,440,876.12	-5,440,876.12
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								20,821,124.28					485,524.61	21,306,648.89
1. Amount withdrawn in the Period								30,349,005.50					1,335,925.93	31,684,931.43
2. Amount utilized in the Period								-9,527,881.22					-850,401.32	-10,378,282.54
(VI) Others								-6,494,705.02						-6,494,705.02
IV. Balance at the end of the Period	2,336,900,368.00				8,828,262,489.81		-25,726,634.63	59,641,350.67	769,092,997.56		9,570,572,202.83		982,960,919.70	22,521,703,693.94

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Consolidated Statement of Changes in Shareholders' Equity (Continued)**

Prepared by: Dongfang Electric Corporation Limited

January - June 2017

Unit: RMB

Item	Last year													Minority interest	Total owners' equity
	Shareholders' Equity Attributed to the Parent Company											Others			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit				
Preference shares		Perpetual bonds	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) Total 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: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

**Statement of Changes in Shareholders' Equity of the Parent Company**  
January - June 2017

Prepared by: Dongfang Electric Corporation Limited

Unit: RMB

Item	This year											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Balance at the end of last year	2,336,900,368.00				8,891,700,256.53				1,057,456,113.99	6,264,041,379.65		18,550,098,118.17
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							
III. Increase/decrease in the Period (decrease represented by "-")									1,057,456,113.99	6,264,041,379.65		18,550,098,118.17
(I) Total comprehensive income										165,538,245.53		165,538,245.53
(II) Shareholders' contribution and decrease in capital										165,538,245.53		165,538,245.53
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												
1. Appropriation to surplus reserve												
2. Distribution to shareholders provision												
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				1,057,456,113.99	6,429,579,625.18		18,715,636,363.70

Legal representative: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

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

Prepared by: Dongfang Electric Corporation Limited

January - June 2017

Unit: RMB

Item	Last year											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	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) Total 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: Zou Lei

Chief Accountant: Gong Dan

Head of Finance Department: Ceng Yi

## **Dongfang Electric Corporation Limited**

### **Notes to the Financial Statements**

From 1 January 2017 to 30 June 2017

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#### **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. 18 Xixin Avenue, Western High-tech 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 2017 to 30 June 2017

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According to the resolutions of 2009 annual general meeting, the 2010 first domestic shareholders class meeting and the 2010 first foreign 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 share capital of the Company changed to 2,003,860,000 shares upon the capital increase.

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 2017, 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 controlling shareholder 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 eleven functional departments such as the office of board, the office of the president, the planning and development department, the human resources department, the asset and financial department, the department of operating management, the department of science & technology and quality, the corporate culture department, the department of legal affairs and auditing, the office of supervisory committee and the marketing department. Moreover, there are four business units, namely combustion engine division, nuclear power division, wind power division and international construction branch. The Company controlled 20 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 Corporation Indonesia ("Indonesia Company").

The Company 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 thermal, hydro, wind, nuclear, and gas turbine generating unit.

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From 1 January 2017 to 30 June 2017

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**II. The Scope of Consolidated Financial Statements**

The scope of consolidated financial statements of the Group included 20 subsidiaries, including Dongfang Turbine Co., Ltd, Dongfang Boiler Group Co., Ltd, Dongfang Electric Co., Ltd, Dongfang (Guangzhou) Heavy Machinery Co., Ltd., Wuhan Nuclear Equipment Co., Ltd., Dongfang Wind Power Co., Ltd., India Company and Indonesia Company. Compared to the same period of the previous year, the number of subsidiaries under the consolidation scope was reduced by one company as the liquidation procedures of Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd. (a subsidiary of Dongfang Electric Co., Ltd, and hereinafter referred to as “Hangzhou New Energy Company”) commenced in May 2017. For more detailed information about the consolidation scope and its change, please see Notes “VII. Changes in Consolidation Scope” and “VIII. 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 China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance based on the accounting policies and accounting estimates 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 2017 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 2017 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.



## **Dongfang Electric Corporation Limited**

### **Notes to the Financial Statements**

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#### 5. Accounting treatment of business combinations under common control and not under common control

The Group, as the acquirer, recognizes acquired assets and liabilities in business combinations under common control at the carrying amount of the acquiree in the consolidated statements of the ultimate shareholder on the acquisition date. The difference between the carrying amount of the net assets obtained and the amount of consideration paid for the combinations is adjusted to capital reserves. If the balance of capital reserves is insufficient to be offset, any excess is adjusted against 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 period 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.

## **Dongfang Electric Corporation Limited**

### **Notes to the Financial Statements**

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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 although 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 gains from investment 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.

**Dongfang Electric Corporation Limited**  
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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.

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.

## Dongfang Electric Corporation Limited

### Notes to the Financial Statements

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#### (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.

#### 10. Bad debts of accounts 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 accounts 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

## Dongfang Electric Corporation Limited

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#### (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.

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 investments

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.

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When control exists, the investee becomes a subsidiary of the Group. The investment cost for long-term equity investments 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 investments 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 investments acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investments 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.

Follow-on 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 gains from investment in the current period.

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 gains from investment 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 gains from investment 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 gains from investment. 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 gains from investment. 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.

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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 rights and buildings 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.

The Group's 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.



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#### 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.

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.

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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 applied 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.

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 gains from investment 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.

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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:

- (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.

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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 goodwill and intangible assets without definite useful life are impaired or not, impairment test shall be made at the end of each period.

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.

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 the 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.

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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.

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.

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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 same period 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

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.

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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
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.

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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 reserves 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 offset against the book value of related assets or recognized as deferred income. For assets-related government grants recognized as deferred income, they are evenly accounted to profit or loss over the useful life of the related asset. For government grants measured at nominal value, they are recognized immediately in profit or loss for the current period.

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 in profit or loss or offset against related costs over the periods in which the related costs or losses 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 or offset against related costs.

When any government grant already recognized needs to be returned, the accounting treatment during the period in which the return is needed should be as follows: (1) if such government grant has been offset against the book value of related assets at initial recognition, the return is adjusted against the book value of assets; (2) if there is related deferred income, the return is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period; (3) for other circumstances, the return 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 income tax assets and deferred income 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.

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.



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#### 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)

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.

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#### 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.

#### 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;

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(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.

Accounting estimates and critical judgments below represent the risk of significant adjustment of the carrying value of the assets and liabilities in the next fiscal year.

(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 income tax assets

The determination of the deferred income tax assets need the estimation of the taxable income and applicable income tax rate in the future, the realization of the deferred income 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 income tax assets too. The aforementioned change of estimation may result material adjustment of deferred income 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 (Note 1)	Sales of goods and rendering of taxable service	2%, 6%, 10%, 11%, 14.5% 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	RMB1.50-15/m <sup>2</sup>
Enterprise income tax		
Including: the Company, Dongfang Steam Company, Dongfang Boiler Company, Dongfang Electric Machinery Company, Dongfang Heavy Machinery Co., Ltd., Shenzhen Dongfang Boiler Control Co., Ltd. (hereinafter referred to as "Shenzhen Dongfang Boiler Control Company"), DFEM Control Equipment Co., Ltd. (hereinafter referred to as "DFEM Control Equipment Company") Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd., (hereinafter referred to as "Chengdu KWH Company"), Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd. (hereinafter referred to as "Tianjin Wind Blade Company") and Sichuan Dongshu New Material Co., Ltd. (hereinafter referred to as "Sichuan Dongshu Company")	Taxable income	15%
India Company	Taxable income	33.0630%
Indonesia Company	Taxable income and interest income on deposits	25%/20%
Dongfang Electric Venezuela Co., Ltd. (hereinafter referred to as "Venezuela Company")	Net profit	15%/22%/34%
Other enterprises incorporated into accounts of the Group	Taxable income	25%

Note 1: Merchandise sales of India Company are applicable to Indian Mongolian VAT. Among them, value-added tax rate for the sales within the state is 14.5% and for the overseas sales is 2%; value-added tax rate of merchandise sales of Indonesia Company is 10%.

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#### 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. GF201551000755) 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 approved 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. GR201644000010) on 30 November 2016. 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. GR201612000990) on 9 December 2016. 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. GR201651000491) on 8 December 2016. According to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the aforesaid enterprises, having filed with and being confirmed by their respective competent tax authorities, paid their enterprise income taxes for 2016 at the preferential tax rate of 15% for high and new technology enterprises. The management of the Group believes that it is probable that those companies will file with and continue to be confirmed by their respective competent tax authorities to be entitled to the high and new technology enterprises' preferential income tax policy. Therefore, they temporarily calculate and pay their enterprise income taxes for 2017 at the preferential tax rate of 15% for high and new technology enterprises.

(2) According to Article 2 of the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy (Cai Shui [2011] No. 58), from 1 January 2011 to 31 December 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. The aforesaid enterprise in an encouraged industry refers to an enterprise whose main business falls within the scope of industry projects set out in the Catalogue of Encouraged Industries in Western China and whose revenue from its main business accounts for 70% or more of its gross income. According to the Catalogue of Encouraged Industries in Western China issued by the National Development and Reform Commission of the People's Republic of China on 20 August 2014, the Company, Chengdu KWH Company and Sichuan Dongshu Company are included the aforesaid encouraged industries, and, having filed with and being confirmed by their respective competent tax authorities, are entitled to the preferential tax rate of 15% for enterprises in western China for 2016. The management of the Company, Chengdu KWH Company and Sichuan Dongshu Company believes that they are still included in the encouraged industries defined in the Catalogue of Encouraged Industries in Western China in 2017. Therefore, they temporarily calculate and pay their enterprise income taxes for 2017 at the preferential tax rate of 15% for enterprises in the western China development.

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#### VI. Notes to the Consolidated Financial Statements

Unless otherwise indicated, for the data in the financial statements as disclosed below, “beginning of the Period” refer to 1 January 2017; “end of the Period” refers to 30 June 2017; the “Period” refers to the period from 1 January to 30 June 2017; and “last period” refers to the period from 1 January to 30 June 2016. The monetary unit is RMB.

##### 1. Cash and cash equivalents

Item	Amount at the end of the Period	Amount at the beginning of the Period
Cash	2,621,489.25	2,718,102.76
Bank balance	26,690,817,354.27	28,373,012,406.14
Other cash and cash equivalents	56,177,812.12	33,047,827.24
<b>Total</b>	<b>26,749,616,655.64</b>	<b>28,408,778,336.14</b>
Including: total amounts deposited abroad	73,624,532.52	128,787,520.21

(1) Other cash and cash equivalents of the Group at the end of the Period includes: the investment security deposits of RMB40,156,020.56 and security deposits of letter of credit, bank acceptance note and performance bond guarantee of RMB16,021,791.56.

(2) On June 30 2017, a total amount of RMB16,021,791.56 was under restriction, including security deposits of letter of credit, bank acceptance note and performance bond guarantee. At the beginning of the Period, the total amounts restricted are RMB14,501,031.82, including the security deposits of infrastructure at RMB789,545.49, security deposits of letter of credit, bank acceptance note and performance bond guarantee of RMB13,711,486.33.

##### 2. Financial assets at fair value through profit and loss

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

Item	Amount at the end of the Period	Amount at the beginning of the Period
Held-for-trading financial assets	39,502,240.00	59,661,930.59
Including: Equity instrument investment	39,502,240.00	56,504,273.00
Derivative financial assets		3,157,657.59
<b>Total</b>	<b>39,502,240.00</b>	<b>59,661,930.59</b>

1) The reason for the decrease of RMB20,159,690.59 in financial assets at fair value through profit or loss (decrease of 33.79%) compared to the amount as of the beginning of the period is due to the disposal of part of the domestic listed shares (A shares) by the Company during the Period.

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2) The Equity instrument investments of the Group 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 0.0184% of share capital of the invested company), 285,400 shares of Hubei Energy Group Co., Ltd. (accounting for 0.0044% of share capital of the invested company), 200,000 shares of China Yangtze Power Co., Ltd. (accounting for 0.0009% of share capital of the invested company), and 374,900 shares of CITIC Securities Company Limited (accounting for 0.0031% 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:

<b>Item</b>	<b>Fair value at the end of the Period</b>	<b>Fair value at the beginning of the Period</b>
<b>Listed</b>		
In PRC (Hong Kong excluded)	39,502,240.00	56,504,273.00
Subtotal	39,502,240.00	56,504,273.00
<b>Unlisted</b>		3,157,657.59
<b>Total</b>	<b>39,502,240.00</b>	<b>59,661,930.59</b>

3. Bills receivable

(1) Classification of bills receivable

<b>Classification</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Bank acceptance	3,650,441,948.31	4,586,249,920.69
Commercial acceptance	583,668,672.05	331,542,101.43
<b>Total</b>	<b>4,234,110,620.36</b>	<b>4,917,792,022.12</b>

(2) Endorsed or discounted but undue bills at the balance sheet date:

<b>Item</b>	<b>Amount derecognized at the end of the Period</b>	<b>Amount not yet derecognized at the end of the Period</b>
Bank acceptance	1,817,028,745.12	
Commercial acceptance		
<b>Total</b>	<b>1,817,028,745.12</b>	

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



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4. Accounts receivable

Item	Amount at the end of the Period	Amount at the beginning of the Period
Accounts receivable	20,561,612,191.22	21,621,594,717.31
Less: provision for bad debts	5,633,295,212.98	5,667,113,328.52
<b>Net amount</b>	<b>14,928,316,978.24</b>	<b>15,954,481,388.79</b>

(1) Analysis of accounts receivable

Age	Amount at the end of the Period	Amount at the beginning of the Period
Within 1 year	6,971,967,628.97	7,793,619,803.77
1-2 years	4,619,860,218.59	4,273,983,361.46
2-3 years	1,786,263,731.53	2,309,986,085.52
3-4 years	968,340,367.79	1,008,046,862.66
4-5 years	581,885,031.36	568,845,275.38
<b>Net amount</b>	<b>14,928,316,978.24</b>	<b>15,954,481,388.79</b>

The Group carries out aging analysis based on the date of the relevant invoices, settlement documents etc. on recognized accounts receivable.

(2) Classification of accounts receivable by risks

Category	Amount at the end of the Period				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	538,473,720.81	2.62	538,473,720.81	100	
Accounts receivable provided for bad debts based on portfolio of credit risks characteristics	19,971,924,072.92	97.13	5,048,575,904.68	25.28	14,923,348,168.24
Accounts receivables that are individually insignificant but provided for bad debts on individual basis	51,214,397.49	0.25	46,245,587.49	90.30	4,968,810.00
<b>Total</b>	<b>20,561,612,191.22</b>	<b>100</b>	<b>5,633,295,212.98</b>	<b>27.40</b>	<b>14,928,316,978.24</b>

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(Continued)

Category	Amount at the beginning of the Period				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	566,575,326.60	2.62	566,575,326.60	100	
Accounts receivable provided for bad debts based on portfolio of credit risks characteristics	21,026,006,290.71	97.25	5,071,524,901.92	24.12	15,954,481,388.79
Accounts receivables that are individually insignificant but provided for bad debts on individual basis	29,013,100.00	0.13	29,013,100.00	100	
<b>Total</b>	<b>21,621,594,717.31</b>	<b>100</b>	<b>5,667,113,328.52</b>	<b>26.21</b>	<b>15,954,481,388.79</b>

1) Significant individual accounts 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 provision
First	136,732,015.91	136,732,015.91	100	Difficulty in operating and expectation of unable to recover
Second	120,760,000.00	120,760,000.00	100	The client has trouble in funding and expectation of unable to recover
Third	104,835,004.43	104,835,004.43	100	Difficulty in operating and expectation of unable to recover
Fourth	61,500,000.00	61,500,000.00	100	The client has trouble in funding and expectation of unable to recover
Fifth	53,450,000.00	53,450,000.00	100	The client has trouble in funding and expectation of unable to recover
Sixth	31,196,700.47	31,196,700.47	100	Difficulty in operating and expectation of unable to recover
Seventh	30,000,000.00	30,000,000.00	100	Has dispute over this guarantee deposits and expectation of unable to recover
<b>Total</b>	<b>538,473,720.81</b>	<b>538,473,720.81</b>	<b>100</b>	

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

Age	Balance at the end of the Period		
	Accounts receivable	Provision for bad debts	Percentage of provisions (%)
Within 1 year	7,338,793,771.88	366,826,142.91	5
1-2 years	5,127,649,739.74	512,758,331.15	10
2-3 years	2,232,857,745.03	446,594,013.50	20
3-4 years	1,613,825,731.51	645,485,363.72	40

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Age	Balance at the end of the Period		
	Accounts receivable	Provision for bad debts	Percentage of provisions (%)
4-5 years	1,163,770,062.83	581,885,031.47	50
Over 5 years	2,495,027,021.93	2,495,027,021.93	100
<b>Total</b>	<b>19,971,924,072.92</b>	<b>5,048,575,904.68</b>	<b>25.28</b>

(Continued)

Age	Amount at the beginning of the Period		
	Book Balance	Provision for bad debts	Percentage of provisions (%)
Within 1 year	8,203,810,319.83	410,190,516.06	5
1-2 years	4,748,870,401.69	474,887,040.23	10
2-3 years	2,887,482,606.88	577,496,521.36	20
3-4 years	1,680,078,104.41	672,031,241.75	40
4-5 years	1,137,690,550.85	568,845,275.47	50
Over 5 years	2,368,074,307.05	2,368,074,307.05	100
<b>Total</b>	<b>21,026,006,290.71</b>	<b>5,071,524,901.92</b>	<b>24.12</b>

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 provision
First	14,062,700.00	9,093,890.00	65%	The client entered bankruptcy settlement
Second	13,481,900.00	13,481,900.00	100%	The client has trouble in funding and expectation of unable to recover
Third	10,138,597.49	10,138,597.49	100%	The client entered bankruptcy settlement
Fourth	7,700,000.00	7,700,000.00	100%	The client has trouble in funding and expectation of unable to recover
Fifth	5,000,000.00	5,000,000.00	100%	The client has trouble in funding and expectation of unable to recover
Sixth	831,200.00	831,200.00	100%	Contract amount unrecoverable

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Name of entity	Book Balance	Provision for bad debts	Proportion	Reason for provision
<b>Total</b>	<b>51,214,397.49</b>	<b>46,245,587.49</b>	<b>90.30%</b>	

(3) Reversal (or recovery) of bad debt provision for the Period

The provision for bad debts of the Period is RMB37,414,749.62. The collection or reversal of bad debt provision individually provided during the Period is RMB9,000,000.00, comprising of:

Debt item	Amount of accounts receivables	Percentage of provision (%)	Amount provided for bad debt	Amount recovered in the Period	Reason for bad debt provision	Reason for reversal or recovery
First	60,450,000.00	100	60,450,000.00	7,000,000.00	Failure to recover as the client has trouble in funding	The client has improved funding
Second	7,000,000.00	100	7,000,000.00	2,000,000.00	Failure to recover as the client has trouble in funding	The client has improved funding
<b>Total</b>	<b>67,450,000.00</b>	<b>100</b>	<b>67,450,000.00</b>	<b>9,000,000.00</b>		

(4) No accounts receivables were written off during the Period.

(5) Accounts receivables in the balance at the end of the Period from top five borrowers

Company	Balance at the end of the Period	Aging	Percentage of total balance of accounts receivables at the end of the Period	Provision for bad debts
First	353,033,864.00	0-2 years	1.72%	25,531,116.40
Second	330,605,887.89	0-2 years, 4- over 5 years	1.61%	304,170,973.89
Third	290,104,349.70	0-over 5 years	1.41%	274,828,149.70
Fourth	271,371,347.27	0-over 5 years	1.32%	55,587,841.71
Fifth	251,471,717.64	0-2 years	1.22%	22,223,082.02
<b>Total</b>	<b>1,496,587,166.50</b>		<b>7.28%</b>	<b>682,341,163.72</b>

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

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

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## 5. Prepayments

## (1) Aging of prepayments

Item	Amount at the end of the Period		Amount at the beginning of the Period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,295,446,854.98	68.81	1,319,565,179.42	52.49
1-2 years	204,948,153.42	10.89	838,665,268.20	33.36
2-3 years	80,557,925.67	4.28	98,829,712.75	3.93
Over 3 years	301,494,917.94	16.02	256,877,394.54	10.22
<b>Total</b>	<b>1,882,447,852.01</b>	<b>100</b>	<b>2,513,937,554.91</b>	<b>100</b>

The prepayments aged over 1 year of the Group as at the end of the Period amounted to RMB587,000,997.03, 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	Balance at the end of the Period	Age	Proportion to the total prepayment at the end of the Period (%)
First	131,772,606.63	Within 3 years	7.00
Second	95,730,775.67	Within 1 years	5.08
Third	60,249,838.77	Within 1 year	3.20
Fourth	60,148,197.09	Within 3 year	3.20
Fifth	58,766,626.61	Within 1 years	3.12
<b>Total</b>	<b>406,668,044.77</b>		<b>21.60</b>

## 6. Interests receivable

Item	Amount at the end of the Period	Amount at the beginning of the Period
Time deposits	441,341,007.02	373,159,473.91
<b>Total</b>	<b>441,341,007.02</b>	<b>373,159,473.91</b>

There was no overdue interest among the Group's interests receivables for the Period.

**Dongfang Electric Corporation Limited**

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7. Other receivables

Item	Amount at the end of the Period	Amount at the beginning of the Period
Other receivables	712,951,857.50	587,690,918.36
Less: Provision for bad debts	397,134,156.21	342,550,505.51
<b>Net amount</b>	<b>315,817,701.29</b>	<b>245,140,412.85</b>

(1) Aging analysis of other receivables

Age	Amount at the end of the Period	Amount at the beginning of the Period
Within 1 year	180,262,903.22	117,429,225.02
1-2 years	57,569,104.20	52,314,654.84
2-3 years	18,095,410.98	18,666,695.77
3-4 years	16,796,705.96	23,603,592.61
4-5 years	40,834,132.93	30,287,878.61
Over 5 years	2,259,444.00	2,838,366.00
<b>Net amount</b>	<b>315,817,701.29</b>	<b>245,140,412.85</b>

(2) Classification of other receivables

Category	Balance at the end of the Period				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provisions (%)	
Other receivables that are individually significant and provided for bad debts on individual basis	251,899,225.56	35.33	210,342,615.56	83.50	41,556,610.00
Other receivables provided for bad debts based on portfolio of credit risks characteristics	447,774,560.73	62.81	183,620,300.65	40.01	264,154,260.08
Other receivables that are individually insignificant but provided for bad debts on individual basis	13,278,071.21	1.86	3,171,240.00	23.88	10,106,831.21
<b>Total</b>	<b>712,951,857.50</b>	<b>100</b>	<b>397,134,156.21</b>	<b>55.70</b>	<b>315,817,701.29</b>

**Dongfang Electric Corporation Limited**

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From 1 January 2017 to 30 June 2017

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

(Continued)

Category	Balance at the beginning of the Period				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	210,342,615.56	35.79	210,342,615.56	100	
Other receivables provided for bad debts based on portfolio of credit risks characteristics	371,338,696.80	63.19	129,036,649.95	34.75	242,302,046.85
Other receivables that are individually insignificant but provided for bad debts on individual basis	6,009,606.00	1.02	3,171,240.00	52.77	2,838,366.00
<b>Total</b>	<b>587,690,918.36</b>	<b>100</b>	<b>342,550,505.51</b>	<b>58.29</b>	<b>245,140,412.85</b>

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

Name of entity	Balance at the end of the Period			Reasons for provisions
	Book balance	Provision for bad debts	Percentage of provisions (%)	
First	146,064,314.06	146,064,314.06	100	Note 1
Second	64,278,301.50	64,278,301.50	100	Estimated to be unrecoverable
Third	29,889,000.00			Note 2
Fourth	11,667,610.00			Note 2
<b>Total</b>	<b>251,899,225.56</b>	<b>210,342,615.56</b>	<b>83.50</b>	

Note: 1. The debt due from Zhongke Securities Co., Ltd. to Dongfang Boiler Group Co., Ltd. is estimated to be unrecoverable since Zhongke Securities Co., Ltd. is currently in liquidation. Details are set out in note XVI.4.

2. Construction companies normally receive advance payment on site so that there is no risk of unrecoverable and no allowance is provided for bad debt.

**Dongfang Electric Corporation Limited**

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2) Other receivables that are provided for bad debts on age basis in the portfolio

Age	Balance at the end of the Period		
	Other receivables	Provision for bad debts	Percentage of provisions (%)
Within 1 year	137,746,216.85	6,887,310.84	5
1-2 years	63,965,671.33	6,396,567.13	10
2-3 years	22,619,263.73	4,523,852.75	20
3-4 years	27,994,509.93	11,197,803.97	40
4-5 years	81,668,265.86	40,834,132.93	50
Over 5 years	113,780,633.03	113,780,633.03	100
<b>Total</b>	<b>447,774,560.73</b>	<b>183,620,300.65</b>	<b>41.01</b>

(Continued)

Age	Balance at the beginning of the Period		
	Book balance	Provision for bad debts	Percentage of provisions (%)
Within 1 year	123,609,710.55	6,180,485.53	5
1-2 years	58,127,394.27	5,812,739.43	10
2-3 years	23,333,369.71	4,666,673.94	20
3-4 years	39,339,321.00	15,735,728.39	40
4-5 years	60,575,757.24	30,287,878.63	50
Over 5 years	66,353,144.03	66,353,144.03	100
<b>Total</b>	<b>371,338,696.80</b>	<b>129,036,649.95</b>	<b>34.75</b>

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

Name of entity	Balance at the end of the Period			
	Book balance	Provision for bad debts	Proportion (%)	Reason
First	3,633,148.53			Note 1
Second	3,303,189.00			Note 1
Third	2,750,000.00	2,750,000.00	100	Estimated to be unrecoverable
Fourth	2,259,444.00			Note 2
Fifth	902,982.31			Note 1
Sixth	421,240.00	421,240.00	100	Estimated to be unrecoverable
Seventh	8,067.37			Note 1
<b>Total</b>	<b>13,278,071.21</b>	<b>3,171,240.00</b>	<b>23.88</b>	



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

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Note: 1. No recovery risk exists since the project companies normally collect advance payment on site and no bad debts allowance were provided;

2. 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.

(3) Bad debt provision, recovery (reversal) for the current Period

Bad debt provision for the current Period amounted to RMB56,469,055.06. None of the amount for bad debt provision was recovered during the current Period.

(4) No other net receivables were written-off in the current Period.

(5) Other receivables balance classified by nature

<b>Nature</b>	<b>Closing book balance</b>	<b>Opening book balance</b>
Advance payment	285,634,721.88	270,023,876.85
Investment	154,164,314.06	154,164,314.06
Guarantee and pledge	68,547,151.31	66,300,497.43
Reserve	84,811,923.27	33,044,958.99
Other operating receivables	102,783,300.17	51,677,474.63
Others	17,010,446.81	12,479,796.40
<b>Total</b>	<b>712,951,857.50</b>	<b>587,690,918.36</b>

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

<b>Name of entity</b>	<b>Nature</b>	<b>Balance at the end of the Period</b>	<b>Age</b>	<b>Proportion to total other receivables at the end of the Period</b>	<b>Bad debt provision at the end of the Period</b>
First	Investment in treasury bonds	146,064,314.06	Over 5 years	20.49%	146,064,314.06
Second	Advance payment	69,930,540.67	Within 0-5 years	9.81%	25,016,527.03
Third	Advance payment	64,278,301.50	Over 5 years	9.02%	64,278,301.50
Fourth	Advance payment	39,684,854.73	Within 0-5 years	5.57%	18,329,428.77
Fifth	Advance payment	29,889,000.00	Within 1 year	4.19%	
<b>Total</b>		<b>349,847,010.96</b>		<b>49.08%</b>	<b>253,688,571.36</b>

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

From 1 January 2017 to 30 June 2017

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

## 8. Inventories

## (1) Classification of inventories

Item	Amount at the end of the Period		
	Book balance	Provision for impairment	Book value
Raw materials (including purchase of materials)	3,445,987,718.42	444,129,812.69	3,001,857,905.73
Semi-finished products and unfinished products	15,909,587,847.53	831,207,882.91	15,078,379,964.62
Finished products	408,321,665.97	4,442,830.55	403,878,835.42
Revolving materials (packing materials, low value consumables, etc.)	55,565,910.38	5,477,954.99	50,087,955.39
Assets arising from construction contracts	3,954,129,840.13	1,387,806,671.40	2,566,323,168.73
<b>Total</b>	<b>23,773,592,982.43</b>	<b>2,673,065,152.54</b>	<b>21,100,527,829.89</b>

(Continued)

Item	Amount at the beginning of the Period		
	Book balance	Provision for impairment	Book value
Raw materials (including purchase of materials)	3,604,710,166.15	633,863,779.42	2,970,846,386.73
Semi-finished products and unfinished products	15,348,701,638.59	970,806,187.10	14,377,895,451.49
Finished products	816,440,353.53	76,017,206.83	740,423,146.70
Revolving materials (packing materials, low value consumables, etc.)	56,472,773.32	5,477,954.99	50,994,818.33
Assets arising from construction contracts	3,114,951,484.79	1,384,064,757.43	1,730,886,727.36
<b>Total</b>	<b>22,941,276,416.38</b>	<b>3,070,229,885.77</b>	<b>19,871,046,530.61</b>

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

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**(2) Provision for inventory impairment**

Item	Amount at the beginning of the Period	Increase in the Period		Decrease in the Period		Amount at the end of the Period
		Provisions	Others	Reversal or write-off	Other transferred-out	
Raw materials (including purchase of materials)	633,863,779.42	4,598,266.53		13,851,570.39	180,480,662.87	444,129,812.69
Semi-finished products and unfinished products	970,806,187.10	55,670,292.57		80,467,400.77	114,801,195.99	831,207,882.91
Finished products	76,017,206.83			8,663,196.75	62,911,179.53	4,442,830.55
Revolving materials (packing materials, low value consumables, etc.)	5,477,954.99					5,477,954.99
Assets arising from construction contracts	1,384,064,757.43	147,076,038.90		90,804,152.91	52,529,972.02	1,387,806,671.40
<b>Total</b>	<b>3,070,229,885.77</b>	<b>207,344,598.00</b>		<b>193,786,320.82</b>	<b>410,723,010.41</b>	<b>2,673,065,152.54</b>

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.

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.

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

From 1 January 2017 to 30 June 2017

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

**(3) Provision for inventories**

<b>Item</b>	<b>Principle</b>	<b>Reasons for reversal</b>
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	

**(4) Finished but not yet settled assets of construction contracts at the end of the Period**

<b>Item</b>	<b>Amount</b>
Cost incurred	36,651,190,623.22
Profits recognised	2,346,402,966.30
Less: estimated loss	1,387,806,671.40
amount settled	35,043,463,749.39
Finished but not yet settled assets under construction contracts	2,566,323,168.73

**9. Other current assets**

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Value added tax recoverable	206,267,523.03	252,586,538.95
Prepaid enterprise income tax	72,335,097.83	39,968,243.53
Prepaid property tax	480,222.45	480,222.45
Entrusted loans	126,912,737.19	
Others	15,248.50	42,791.16
<b>Total</b>	<b>406,010,829.00</b>	<b>293,077,796.09</b>

**Dongfang Electric Corporation Limited**

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10. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Balance at the end of the Period		
	Book balance	Provision for impairment	Book value
Available-for-sale equity Instruments:	442,839,314.66	439,739,314.66	3,100,000.00
Including: Measured at cost	442,839,314.66	439,739,314.66	3,100,000.00
<b>Total</b>	<b>442,839,314.66</b>	<b>439,739,314.66</b>	<b>3,100,000.00</b>

(Continued)

Item	Amount at the beginning of the Period		
	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
<b>Total</b>	<b>33,476,314.66</b>	<b>30,376,314.66</b>	<b>3,100,000.00</b>

The increase in original book value and impairment provision for available-for-sale equity instrument at the end of the Period as compared to the beginning of the Period was mainly due to the deconsolidation of Hangzhou New Energy Company, which is in liquidation, and the reclassification as available-for-sale financial assets.

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

Item	Amount at the end of the Period	Amount at the beginning of the Period
Listed		
Unlisted	442,839,314.66	33,476,314.66
<b>Total</b>	<b>442,839,314.66</b>	<b>33,476,314.66</b>

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

Invested companies	Book balance			
	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Amount at the end of the Period
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

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Invested companies	Book balance			
	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Amount at the end of the Period
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
Hangzhou New Energy Company		409,363,000.00		409,363,000.00
<b>Total</b>	<b>33,476,314.66</b>	<b>409,363,000.00</b>		<b>442,839,314.66</b>

(Continued)

Invested companies	Provision for impairment				Shareholding percentage in the invested companies (%)	Cash bonus for the Period
	Beginning of the Period	Increase in the Period	Decrease in the Period	End of the Period		
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	

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Invested companies	Provision for impairment				Shareholding percentage in the invested companies (%)	Cash bonus for the Period
	Beginning of the Period	Increase in the Period	Decrease in the Period	End of the Period		
Chengdu Southwest Spherical Tank Engineering Co. Ltd.	50,000.00			50,000.00	16.13	
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	
Beijing Huatsing Gas Turbine & IGCC Technology Co., Ltd.	5,500,000.00			5,500,000.00	15.49	
Hangzhou New Energy Company		409,363,000.00		409,363,000.00	100	
<b>Total</b>	<b>30,376,314.66</b>	<b>409,363,000.00</b>		<b>439,739,314.66</b>		

(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 Period	<b>30,376,314.66</b>	<b>30,376,314.66</b>
Provision for the Period		
Including: transfer from other comprehensive income		
Increase in scope of consolidation	409,363,000.00	409,363,000.00
Decrease in the Period		
<b>Provision for impairment at the end of the Period</b>	<b>439,739,314.66</b>	<b>439,739,314.66</b>

## Dongfang Electric Corporation Limited

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#### 11. Lone-term equity investments

##### (1) The category of long-term equity investments

Invested companies	Balance at the beginning of the Period	Changes in the Period								Balance at the end of the Period	Balance at the end of the Period of provision for impairment
		Follow-on investment	Decrease in investment	Recognized investment loss/gain by equity method	Adjustment of other comprehensive income	Changes in other equity	Announcement of delivery of cash dividends or profit	Provision for impairment	Others		
I. Joint Ventures											
1. MHPS Dongfang Boiler Co., Ltd. (note 1)	183,179,419.44			5,713,052.80							188,892,472.24
2. Dongfang Areva Nuclear Pump Co., Ltd. (note 2)	280,278,203.62			11,114,572.01			67,670,414.30				223,722,361.33
II. Associated companies											
1. Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. (note 3)	590,105,139.26			-12,657,537.02							577,447,602.24
2. Leshan city Dongle Heavy Piece Handling Co., Ltd. (note 4)	26,025,554.98			94,099.87							26,119,654.85
3. Sichuan Wind Power Industry Investment Co., Ltd. (note 5)	242,443,940.15			18,795,729.48							261,239,669.63
4. Huadian Longkou Wind Power Co., Ltd.	46,581,863.35			2,752,976.26							49,334,839.61
5. Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd. (note 6)	15,834,151.53			2,994,945.94							18,829,097.47
6. CLP Combined Heavy Gas Turbine Technology Co., Ltd. (note 7)	11,475,134.69			-683,516.58							10,791,618.11
7. Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. (note 8)	16,000,000.00										16,000,000.00
8. Inner Mongolia Mengneng Wulan New Energy Co., Ltd. (note 9)	35,322,255.21										35,322,255.21
9. Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd. (凉山风光新能源运维有限责任公司) (note 10)		2,000,000.00									2,000,000.00
<b>Total</b>	<b>1,447,245,662.23</b>	<b>2,000,000.00</b>		<b>28,124,322.76</b>			<b>67,670,414.30</b>				<b>1,409,699,570.69</b>



## Dongfang Electric Corporation Limited

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Note 1: Herein referred to as “MHPS Dongfang Boiler”; Note 2: Herein referred to as “Areva”; Note 3: Herein referred to as “Mitsubishi Heavy Industries Dongfang Gas Turbine; Note 4: Herein referred to as “Dongle Heavy Piece”; Note 5: Herein referred to as “Sichuan Wind Power”; Note 6: Herein referred to as “Hongnijing Wind Power”; Note 7: Herein referred to as “CLP Combined Heavy Gas Turbine Technology”; Note 8: Herein referred to as “Sanshengtai Wind Power”; Note 9: Herein referred to as “Wulan New Energy”; Note 10: Herein referred to as “Liangshan Fengguang New Energy”.

Founded on 17 November 2016 with limited liability, Liangshan Fengguang New Energy was jointly invested by Dongfang Wind Power Co., Ltd., and Liangshan State-owned Investment Development Co. Ltd., Sichuan Xichang Electric Power Co., Ltd, Sichuan Xichang Electric Power Co. Ltd., and Sichuan Guoke IoT Co. Ltd. Its registered capital is RMB10 million, of which Dongfang Wind Power Co., Ltd. accounts for RMB2 million, representing 20% of the registered capital. Liangshan Fengguang New Energy is principally engaged in wind power generation, photovoltaic power generation, electricity transfer and conversion and electricity transfer design, consultation, installation, checking, testing and maintenance. Dongfang Wind Power Co., Ltd. has the power to appoint directors and supervisors for Liangshan Fengguang New Energy, which considers to have material impact to the business operation of Liangshan Fengguang New Energy so that Liangshan Fengguang New Energy is regarded as associated company and is accounted for under equity method.

#### (2) Analysis of long-term equity investment

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Listed		
Unlisted	1,409,699,570.69	1,447,245,662.23
<b>Total</b>	<b>1,409,699,570.69</b>	<b>1,447,245,662.23</b>

**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)

## 12. Investment properties

## (1) Investment properties measured at cost

<b>Item</b>	<b>Buildings</b>	<b>Land use rights</b>	<b>Total</b>
I. Original book Value			
1. Balance at the beginning of the Period	128,085,165.60	10,401,505.00	138,486,670.60
2. Increase in the Period	1,159,779.22		1,159,779.22
Including: transferring from construction in progress			
3. Decrease in the Period			
Including: disposal and scrapping			
4. Balance at the end of the Period	129,244,944.82	10,401,505.00	139,646,449.82
II. Accumulated depreciation and amortization			
1. Balance at the beginning of the Period	24,561,828.98	1,981,971.16	26,543,800.14
2. Increase in the Period	2,562,352.96	112,875.78	2,675,228.74
Including: Provision or amortization	2,562,352.96	112,875.78	2,675,228.74
3. Decrease in the Period			
Including: disposal and scrapping			
4. Balance at the end of the Period	27,124,181.94	2,094,846.94	29,219,028.88
III. Provision for impairment			
IV. Book value			
<b>1. Book value at the end of the Period</b>	<b>102,120,762.88</b>	<b>8,306,658.06</b>	<b>110,427,420.94</b>
<b>2. Book value at the beginning of the Period</b>	<b>103,523,336.62</b>	<b>8,419,533.84</b>	<b>111,942,870.46</b>

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

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
In the PRC	65,159,941.47	66,958,430.05
Mid-term (10-50 years)	65,159,941.47	66,958,430.05
In other regions	45,267,479.47	44,984,440.41
Mid-term (10-50 years)	45,267,479.47	44,984,440.41
<b>Total</b>	<b>110,427,420.94</b>	<b>111,942,870.46</b>

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

From 1 January 2017 to 30 June 2017

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

## 13. 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. Balance at the beginning of the Period	23,301,440.74	7,325,111,227.76	8,211,390,762.83	357,993,046.90	1,282,812,292.06	17,200,608,770.29
2. Increase in the Period	600,752.76	32,979,770.10	60,901,526.91	1,351,318.15	25,674,932.88	121,508,300.80
(1) Addition		238,037.63	1,576,982.87		579,773.85	2,394,794.35
(2) Transfer from construction in progress		31,374,387.43	58,044,424.40	1,351,318.15	24,820,623.58	115,590,753.56
(3) Increase due to exchange rate change	600,752.76	1,352,781.93				1,953,534.69
(4) Other increases		14,563.11	1,280,119.64		274,535.45	1,569,218.20
3. Decrease in the Period		257,045,009.15	288,572,498.10	12,904,811.62	62,612,619.41	621,134,938.28
(1) Disposal or scrapping		22,484,650.57	45,973,799.46	4,407,790.80	4,740,287.82	77,606,528.65
(2) Other decreases		234,560,358.58	242,598,698.64	8,497,020.82	57,872,331.59	543,528,409.63
4. Balance at the end of the Period	23,902,193.50	7,101,045,988.71	7,983,719,791.64	346,439,553.43	1,245,874,605.53	16,700,982,132.81
II. Accumulated depreciation						
1. Balance at the beginning of the Period		2,522,153,897.42	5,744,970,552.44	297,738,609.64	980,092,610.35	9,544,955,669.85
2. Increase in the Period		173,865,761.78	251,093,500.39	10,145,511.33	57,399,602.96	492,504,376.46

**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)

<b>Item</b>	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Transportation vehicles</b>	<b>Instrument and apparatus, electronic equipment and others</b>	<b>Total</b>
(1) Provision		173,865,761.78	251,093,500.39	10,136,335.53	57,392,411.10	492,488,008.80
(2) Other increases				9,175.80	7,191.86	16,367.66
3. Decrease in the Period		69,107,653.39	140,284,860.49	12,189,514.36	35,001,418.39	256,583,446.63
(1) Disposal or scrapping		6,391,775.90	43,463,951.38	4,234,832.37	4,423,510.33	58,514,069.98
(2) Other decreases		62,715,877.49	96,820,909.11	7,954,681.99	30,577,908.06	198,069,376.65
4. Balance at the end of the Period		2,626,912,005.81	5,855,779,192.34	295,694,606.61	1,002,490,794.92	9,780,876,599.68
III. Provision for impairment						
1. Balance at the beginning of the Period		3,109,865.52	34,178,450.57	114,664.98	970,954.12	38,373,935.19
2. Increase in the Period						
Including: provisions						
3. Decrease in the Period		2,975,559.67	4,246,514.08	22,218.56	1,112.61	7,245,404.92
Including: Disposal or scrapping		2,975,559.67	107,979.03	1,043.33	1,112.61	3,085,694.64
Other decreases			4,138,535.05	21,175.23		4,159,710.28
4. Balance at the end of the Period		134,305.85	29,931,936.49	92,446.42	969,841.51	31,128,530.27
IV. Book value						
<b>1. Book value at the end of the Period</b>	<b>23,902,193.50</b>	<b>4,473,999,677.05</b>	<b>2,098,008,662.81</b>	<b>50,652,500.40</b>	<b>242,413,969.10</b>	<b>6,888,977,002.86</b>
<b>2. Book value at the beginning of the Period</b>	<b>23,301,440.74</b>	<b>4,799,847,464.82</b>	<b>2,432,241,759.82</b>	<b>60,139,772.28</b>	<b>301,748,727.59</b>	<b>7,617,279,165.25</b>

**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)

1) The lands in the fixed assets of the Group as at the end of the Period represent the land ownership acquired by its Indian subsidiary in India.

2) The net asset value for pledging and guarantee from the Group's fixed assets at the end of the Period was RMB174,993,674.66.

(2) Analysis of buildings by region and maturity:

Item	Amount at the end of the Period	Amount at the beginning of the Period
In the PRC	4,421,199,086.04	4,747,377,014.36
Mid-term (10-50 years)	4,360,619,958.67	4,656,928,011.05
Short-term (within 10 years)	60,579,127.37	90,449,003.31
In other regions	52,800,591.01	52,470,450.46
Mid-term (10-50 years inclusive)		
Short-term (within 10 years inclusive)	52,800,591.01	52,470,450.46
<b>Total</b>	<b>4,473,999,677.05</b>	<b>4,799,847,464.82</b>

(3) Temporary idle fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings					
Machines and equipment	6,340,413.50	5,403,048.38	107,480.00	829,885.12	
Transportation vehicles	220,866.50	209,823.17	1,043.33	10,000.00	
Instrument and apparatus, electronic equipment and others	62,252.26	59,139.65	1,112.61	2,000.00	
<b>Total</b>	<b>6,623,532.26</b>	<b>5,672,011.20</b>	<b>109,635.94</b>	<b>841,885.12</b>	

(4) Fixed assets rented from financial leasing

At the end of the Period, there were no fixed assets rented from financial leasing for the Group.

**Dongfang Electric Corporation Limited**

**Notes to the Financial Statements**

From 1 January 2017 to 30 June 2017

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

(5) Fixed assets rented to financial leasing

At the end of the Period, the fixed assets of the Group amounting to RMB53,584.46 (original value: RMB1,071,689.38) were operating lease out (at the beginning of the period: book value of RMB1,395,190.52, original value: RMB14,305,952.07). Detail analysis is as follows:

Item	Book value at the end of the Period
Machines and equipment	
Transportation vehicles	53,584.46
Instruments, electronic equipment and others	
<b>Total</b>	<b>53,584.46</b>

(6) Fixed assets of which certificates of title have not been obtained at the end of the Period

Item	Book value	Reason
350T high-speed dynamic balance and nuclear power plant Lengthened of Dongfang Turbine Co., Ltd, nuclear power plant, construction of auxiliary Ir192 ray detection room, office building of auxiliary manufacturing base, compressor test plant and pressurization station of Dongfang Turbine Co., Ltd, Deyang auxiliary production plant	181,780,636.94	Being processed
Dormitory of Dongfang Wind Power Co., Ltd., Hulunbeier production base I	32,406,565.97	Being processed
New technology building of Dongfang Wind Power Co., Ltd., staff canteen, hydraulic laboratory, the second speeding laboratory, the second super laboratory tooling library, 110KV transformer control building, the second staff canteen, staff training center (including college students' apartment)	141,977,584.56	Being processed
Lianwu plants of Dongfang Boiler Group Co., Ltd., the second detection room of Deyang, Chengdu building 2, Lianliu plants	233,544,937.50	Being processed
The main plant of Wuhan Nuclear Equipment Co., Ltd., accessories and the second detection room, warehouse, canteen, safeguard of west plant, plant II	97,730,134.60	Being processed
Cold-state plants, cold-state auxiliary rooms, hot-state plants (3 in total) of Dongfang Boiler Group Co., Ltd.	8,987,142.08	As the land is not the property of Dongfang Boiler Group Co., Ltd., certificate of title cannot be obtained

14. Construction in progress

(1) Breakdown of construction in progress

Item	Amount at the end of the Period			Amount at the beginning of the Period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	136,219,015.58	237,690.00	135,981,325.58	107,836,112.31	237,690.00	107,598,422.31
<b>Total</b>	<b>136,219,015.58</b>	<b>237,690.00</b>	<b>135,981,325.58</b>	<b>107,836,112.31</b>	<b>237,690.00</b>	<b>107,598,422.31</b>

**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)

**(2) Changes in major construction in progress**

Name of project	Amount at the beginning of the Period	Increase in the Period	Decrease for the Period		Amount at the end of the Period
			Transfer to fixed assets	Other decreases	
Compressor experiment rig construction project of Dongfang Turbine Co., Ltd.	14,469,417.48	7,193,000.00	13,675.21		21,648,742.27
Single Column Vertical Milling & Turning Machine of Wuhan Nuclear Equipment Co., Ltd.	13,692,347.81	3,829,059.83			17,521,407.64
EPC project of phase-II of test station of Dongfang Electric Machinery Co., Ltd.	9,530,404.27				9,530,404.27
Special project for improvement of capability in manufacturing 32t13002q container products and gasifier of Dongfang Boiler Group Co., Ltd.	8,102,025.00	458,830.63	390,869.46		8,169,986.17
CNC moving-beam gantry type milling machine of Dongfang Turbine Co., Ltd.	7,695,410.07	1,392,211.55	114,982.92		8,972,638.70
2016-002 Double Planetary Mixer SDPM of Dongfang Turbine Co., Ltd.	1,907,692.31				1,907,692.31
Boosting design for 50 MW combustion engine of Dongfang Turbine Co., Ltd.	1,896,592.00	616,900.00		41,000.00	2,472,492.00
Heavy-duty type half-precision horizontal lathe for machining rotors with 4.2m diameter of Dongfang Turbine Co., Ltd.	449,265.53				449,265.53
Research and testing base of Dongfang Electric Machinery Co., Ltd. (Phase I)	667,179.49				667,179.49
Other projects	49,425,778.35	164,110,350.39	115,863,251.59	32,793,669.95	64,879,207.20
<b>Total</b>	<b>107,836,112.31</b>	<b>177,600,352.40</b>	<b>116,382,779.18</b>	<b>32,834,669.95</b>	<b>136,219,015.58</b>

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From 1 January 2017 to 30 June 2017

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

(Continued)

Name of project	Budget amount (RMB'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	95.00	95.00				Other sources
CNC single-column moving vertical composite milling machine of Wuhan Nuclear Equipment Co., Ltd.	2,240.00	78.22	78.22				Other sources
EPC project of phase-II of test station of Dongfang Electric Machinery Co., Ltd.	3,920.00	80.00	99.00				Other sources
Special project for improvement of capability in manufacturing 32t13002q container products and gasifier of Dongfang Boiler Group Co., Ltd.	19,220.00	93.69	100.00				Other sources
CNC moving-beam gantry type milling machine of Dongfang Turbine Co., Ltd.	11,500.00	94.21	94.21				Other sources
2016-002 Double Planetary Mixer SDPM of Dongfang Turbine Co., Ltd.	268.00	71.00	71.00				Other sources
Boosting design for 50 MW combustion engine of Dongfang Turbine Co., Ltd.	1,500.00	64.11	64.11				Other sources
Heavy-duty type half-precision horizontal lathe for machining rotors with 4.2m diameter of Dongfang Turbine Co., Ltd.	2,600.00	100.00	95.00				Other sources
Research and test base (phase I) of Dongfang Electric Machinery Co., Ltd.	7,200.00	80.00	99.00				Other sources
Other projects							Loan from financial institutions and other sources
<b>Total</b>							



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15. Intangible assets					
(1) Details of intangible assets					
Item	Land use rights	Patent	Non-patented technology	Software	Total
I. Original book value					
1. Balance at the beginning of the Period	1,080,145,546.80	11,692,161.08	349,216,422.26	148,586,479.34	1,589,640,609.48
2. Increase in the Period				2,747,143.65	2,747,143.65
Including: Purchase				1,955,118.03	1,955,118.03
Transfer from construction in progress				792,025.62	792,025.62
3. Decrease in the Period	47,102,725.09		13,112,308.00	978,681.64	61,193,714.73
Including: Disposal	47,102,725.09		13,112,308.00	978,681.64	61,193,714.73
Decrease in changes caused by rate fluctuation					
4. Balance at the end of the Period	1,033,042,821.71	11,692,161.08	336,104,114.26	150,354,941.35	1,531,194,038.40
II. Accumulated amortization					
1. Balance at the beginning of the Period	194,369,286.87	9,842,186.44	281,846,793.55	93,694,614.91	579,752,881.77
2. Increase in the Period	9,766,402.23	1,849,974.64	8,374,912.14	6,674,583.50	26,665,872.51
Including: provision	9,766,402.23	1,849,974.64	8,374,912.14	6,674,583.50	26,665,872.51
3. Decrease in the Period	7,928,958.74		5,354,192.43	338,131.50	13,621,282.67
Including: disposal	7,928,958.74		5,354,192.43	338,131.50	13,621,282.67
4. Balance at the end of the Period	196,206,730.36	11,692,161.08	284,867,513.26	100,031,066.91	592,797,471.61
III. Provision for impairment					
1. Balance at the beginning of the Period	90,428,509.50		7,758,115.57		98,186,625.07
2. Increase in the Period					
3. Decrease in the Period			7,758,115.57		7,758,115.57
4. Balance at the end of the Period	90,428,509.50				90,428,509.50
IV. Book value					
1. Book value at the end of the Period	746,407,581.85		51,236,601.00	50,323,874.44	847,968,057.29
2. Book value at the beginning of the	795,347,750.43	1,849,974.64	59,611,513.14	54,891,864.43	911,701,102.64

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

From 1 January 2017 to 30 June 2017

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

Item	Amount at the end of the Period	Amount at the beginning of the Period
In the PRC	746,407,581.85	795,347,750.43
Mid-term (10 to 50 years)	746,407,581.85	795,347,750.43
<b>Total</b>	<b>746,407,581.85</b>	<b>795,347,750.43</b>

(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	9,355,986.15	The government has not completed the occupation of part of the land yet, thus subsequent procedures cannot be processed
<b>Total</b>	<b>9,355,986.15</b>	

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) At the end of the Period, the net intangible assets value for pledging and guarantee in the intangible assets of the Group was RMB20,648,433.33.

(4) 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 RMB90,428,509.50.

2) The decrease in provision for impairment of non-patent technology in the Period was due to the change in scope of consolidation.

16. Long-term deferred expense

Item	Balance at the beginning of the Period	Increase in the Period	Amortization in the Period	Other decreases in the Period	Amount at the end of the Period
Maintenance fee for power distribution equipment	245,000.26		34,999.98		210,000.28
ASME investigation	830,608.68				830,608.68
<b>Total</b>	<b>1,075,608.94</b>		<b>34,999.98</b>		<b>1,040,608.96</b>

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17. Deferred income tax assets and deferred income tax liabilities

(1) Unsettled deferred income tax assets

Item	Amount at the end of the Period		Balance at the beginning of the Period	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	8,650,257,928.81	1,305,987,434.61	8,595,898,389.08	1,321,586,911.59
Accrued liabilities	1,911,334,299.93	290,722,107.26	1,523,456,753.70	229,029,154.88
Staff salary payable	823,211,627.68	123,481,744.15	770,793,407.08	115,619,011.07
Loss to be carried forward to the next year	600,830,819.09	90,124,622.86	653,689,045.57	98,053,356.83
Unrealized profit from internal transactions	351,332,381.57	54,486,727.91	202,070,530.22	42,441,440.08
Government grants	245,503,098.33	38,910,614.02	243,122,348.49	38,553,501.54
Accounts payable	53,390,887.65	8,008,633.15	48,682,515.22	7,302,377.28
Fixed assets depreciation	29,335,580.60	4,401,363.01	29,335,437.84	4,401,315.81
Overseas enterprise income tax to be credited	16,071,515.20	4,017,878.80	16,071,515.20	4,017,878.80
Changes in fair value	13,483,552.08	2,022,532.81	20,565,262.08	3,084,789.32
Amortisation of intangible assets	5,591,414.50	838,712.18	6,029,036.07	904,355.41
<b>Total</b>	<b>12,700,343,105.44</b>	<b>1,923,002,370.76</b>	<b>12,109,714,240.55</b>	<b>1,864,994,092.61</b>

(2) Unsettled deferred income tax liabilities

Item	Amount at the end of the Period		Balance at the beginning of the Period	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Fixed assets depreciation	44,487,056.20	6,673,058.43	45,461,633.89	6,819,245.09
Change in fair value			3,157,657.59	473,648.64
<b>Total</b>	<b>44,487,056.20</b>	<b>6,673,058.43</b>	<b>48,619,291.48</b>	<b>7,292,893.73</b>

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

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Loss to be carried forward to the next year	1,141,724,049.53	1,560,412,473.62
Provision for inventory impairment	30,248,859.96	395,899,030.36
Estimated liabilities	221,421,046.42	248,496,009.44
Provision for bad debts	175,158,777.39	243,032,587.51
Revaluation	43,982,029.80	43,982,029.80
Salary payable	4,527,120.98	33,204,030.19
Government grants	10,692,714.15	10,692,714.15
Provision for impairment of available-for-sale financial assets	409,363,000.00	
Provision for impairment of entrusted loans	658,087,262.81	
Provision for intangible asset impairment		7,758,115.57
Provision for fixed asset impairment		4,159,710.31
Unrealized profit from internal transactions		1,560,082.33
<b>Total</b>	<b>2,695,204,861.04</b>	<b>2,549,196,783.28</b>

The Group's deductible temporary difference of unrecognized deferred income tax assets at the end of the Period was mainly due to the significant uncertainty on whether some of the subsidiaries can reach the assessable level of profit tax in the future. Neither deductible temporary difference nor deductible loss was recognized at the end of the Period.

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

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>	<b>Notes</b>
2017	47,419,122.33	47,419,122.33	
2018	77,368,474.45	106,902,110.36	
2019	77,986,204.93	118,367,330.21	
2020	253,513,932.75	401,414,575.84	
2021	685,436,315.07	886,309,334.88	
<b>Total</b>	<b>1,141,724,049.53</b>	<b>1,560,412,473.62</b>	

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## 18. Other non-current assets

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Unrecognized after-sales rental loss under financial leasing		426,208.77
<b>Total</b>		<b>426,208.77</b>

## 19. Short-term loans

## (1) Classification of short-term loans

<b>Classification of loan</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Mortgage loans	159,000,000.00	142,000,000.00
Guarantee loans		22,500,000.00
Credit loans	174,650,000.00	120,000,000.00
<b>Total</b>	<b>333,650,000.00</b>	<b>284,500,000.00</b>

1) Short-term loans of the Group increased RMB49.15 million or 17.28% at the end of the Period mainly due to the new borrowings from Wuhan Nuclear Equipment Co., Ltd. and Dongfang Wind Power Company.

2) Mortgage loan of the Group was RMB159 million at the end of the Period. It is the loan that Wuhan Nuclear Equipment Co., Ltd. obtained from Dongfang Electric Finance Co., Ltd, which is collateralized by the machinery and equipment, land and real estate (the maximum loan amount is RMB200 million).

(2) At the end of the Period, there were no overdue borrowings in the Short-term loans of the Group.

## 20. Financial liabilities at fair value through profit or loss

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Derivative financial liabilities	1,518,430.54	10,372,195.96
<b>Total</b>	<b>1,518,430.54</b>	<b>10,372,195.96</b>

Derivative financial liabilities of the Group at the end of the Period include the contract for forward settlement of foreign exchange amounting to EUR2.4144 million entered into between the Company and the Bank, and the contract for forward settlement of foreign exchange amounting to USD67.45 million entered into between Dongfang Electric Machinery Co., Ltd and the Bank. Fair value at the end of the Period was determined by the quotation of the relevant bank.

## 21. Bills payable

<b>Category</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Bank acceptance	198,265,959.62	187,503,899.76
Commercial acceptance	3,992,881,089.43	5,088,828,020.26
<b>Total</b>	<b>4,191,147,049.05</b>	<b>5,276,331,920.02</b>

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## 22. Accounts payable

## (1) Aging analysis of accounts payable

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Within 1 year	10,868,290,843.84	9,246,484,205.53
1-2 years	1,348,964,255.61	2,992,948,671.28
2-3 years	951,547,493.43	1,033,600,357.97
Over 3 years	1,646,579,514.48	1,107,279,350.58
<b>Total</b>	<b>14,815,382,107.36</b>	<b>14,380,312,585.36</b>

The Group conducted the aging analysis using the length of time for accounts payable recognized based on the information such as the relevant invoices and statement.

## (2) Material accounts payable aged over one year

<b>Name of entity</b>	<b>Balance at the end of the Period</b>	<b>Reason for not being paid or settled</b>
First	171,826,728.49	In the warranty period
Second	109,364,531.78	In the warranty period
Third	87,836,860.49	In the warranty period
Fourth	73,156,672.08	In the warranty period
Fifth	59,190,217.02	In the warranty period
<b>Total</b>	<b>501,375,009.86</b>	

## 23. Receipts in advance

## (1) Receipts in advance

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Within 1 year (inclusive)	19,262,663,557.25	23,075,461,200.06
Over 1 year	13,304,126,947.38	12,490,978,482.55
<b>Total</b>	<b>32,566,790,504.63</b>	<b>35,566,439,682.61</b>

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**(2) Material receipts in advance aged over one year**

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Reason for not being paid or settled</b>
First	1,414,970,910.12	Power generators not completed due to long production cycle
Second	647,718,103.00	Power generators not completed due to long production cycle
Third	488,260,957.92	Power generators not completed due to long production cycle
Fourth	450,350,134.02	Power generators not completed due to long production cycle
Fifth	365,394,248.49	Power generators not completed due to long production cycle
<b>Total</b>	<b>3,366,694,353.55</b>	

**24. Staff remuneration payable****(1) Classification of staff remuneration payable**

<b>Item</b>	<b>Balance at the beginning of the Period</b>	<b>Increase in the Period</b>	<b>Decrease in the Period</b>	<b>Balance at the end of the Period</b>
Short-term payroll	234,261,020.06	1,237,535,304.55	1,215,945,659.26	255,850,665.35
Post-employment benefits – Defined contribution plan	18,452,064.62	177,716,888.76	178,570,072.24	17,598,881.14
Termination benefits	175,156,464.77	73,098,566.27	95,817,439.58	152,437,591.46
<b>Total</b>	<b>427,869,549.45</b>	<b>1,488,350,759.58</b>	<b>1,490,333,171.08</b>	<b>425,887,137.95</b>

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(2) Short-term remuneration

Item	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the end of the Period
Salaries, bonuses, allowances and subsidies	139,727,677.74	893,654,955.48	884,176,724.69	149,205,908.53
Welfare expenses		98,760,945.99	88,606,922.50	10,154,023.49
Social insurance	1,024,247.18	101,184,256.11	100,057,580.03	2,150,923.26
Including: Medical insurance	975,748.25	88,860,138.10	88,206,949.81	1,628,936.54
Employment injury insurance	24,020.75	7,777,696.78	7,367,047.93	434,669.60
Maternity insurance	24,478.18	4,546,421.23	4,483,582.29	87,317.12
Housing provident fund	5,625,496.30	103,316,502.00	102,737,219.70	6,204,778.60
Labor union expenses and employee education expenses	87,506,389.14	30,297,129.35	29,668,487.02	88,135,031.47
Labor protection expenses		8,783,689.53	8,783,689.53	
Others	377,209.70	1,537,826.09	1,915,035.79	
<b>Total</b>	<b>234,261,020.06</b>	<b>1,237,535,304.55</b>	<b>1,215,945,659.26</b>	<b>255,850,665.35</b>

(3) Defined contribution plan

Item	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the end of the Period
Fundamental endowment insurance	676,822.11	162,307,154.64	162,983,934.50	42.25
Unemployment insurance	26,448.92	9,396,150.42	9,118,893.03	303,706.31
Corporate annuity payment	17,748,793.59	6,013,583.70	6,467,244.71	17,295,132.58
<b>Total</b>	<b>18,452,064.62</b>	<b>177,716,888.76</b>	<b>178,570,072.24</b>	<b>17,598,881.14</b>



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## 25. Taxes payable

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Value-added tax	95,862,926.88	387,468,658.91
Business tax	137,719.99	137,719.99
Enterprise income tax	42,473,765.02	88,092,611.23
Urban maintenance and construction tax	5,779,496.22	24,797,200.90
Withhold and remit individual income tax	5,154,730.61	29,332,059.05
Educational surtax	2,443,483.54	11,261,920.75
Local educational surtax	1,640,227.57	6,353,603.86
House property tax	14,529,969.14	4,915,424.18
Land use tax	1,391,251.67	1,066,025.58
Stamp duty	2,962,178.96	3,901,195.44
Embankment protection fees	197,740.40	94,836.99
Price regulation fund	7,730,636.39	7,730,636.39
Water conservancy and construction special fund		170,849.57
Others	42,499.87	885,191.64
<b>Total</b>	<b>180,346,626.26</b>	<b>566,207,934.48</b>

No overdue Hong Kong enterprise income tax was included in the taxes payable of the Group at the end of the Period. Balance of tax payable decreased by RMB385,861,308.22 or 68.15% at the end of the Period mainly due to the impact of VAT in the Period.

## 26. Interests payable

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Short-term loans interest		
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity		736,111.11
<b>Total</b>		<b>736,111.11</b>

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## 27. Dividends payable

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Other shareholders of Dongfang Boiler	2,823,100.25	2,787,911.77
<b>Total</b>	<b>2,823,100.25</b>	<b>2,787,911.77</b>

Dividends 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.

## 28. Other payables

## (1) Classification of other payables by nature

<b>Nature</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Payables for acquisition of equity interest	942,336,415.78	942,336,415.78
Allocations within budget of the central government	415,710,000.00	413,710,000.00
Deposit and earnest money	285,187,998.50	261,176,326.04
Lease, labor and sporadic procurement payables	133,222,305.50	86,192,941.48
Collections for others	349,163,316.66	119,571,434.14
Advances payable	112,139,394.80	79,110,192.06
Social security and housing provident fund payable by individuals	28,470,814.63	16,814,467.07
Others	121,868,492.18	46,997,596.32
<b>Total</b>	<b>2,388,098,738.05</b>	<b>1,965,909,372.89</b>

## (2) Material other payables aged over one year

<b>Name of entity</b>	<b>Balance at the end of the Period</b>	<b>Reason for not being repaid or carried forward</b>
First	1,356,046,415.78	Note
Second	31,387,436.34	Advance payment etc.
<b>Total</b>	<b>1,387,433,852.12</b>	

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.

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## 29. Non-current liabilities due within one year

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Long-term loans due within one year	706,040,000.00	723,140,000.00
Long-term payables due within one year		8,239,338.40
<b>Total</b>	<b>706,040,000.00</b>	<b>731,379,338.40</b>

## Overdue loan at the end of the Period

<b>Lender</b>	<b>Amount</b>	<b>Overdue time</b>	<b>Interest (%)</b>	<b>Use of loan</b>	<b>Overdue reason</b>	<b>Expected repayment time</b>
Deyang City Finance Bureau	16,320,000.00	79-127 months	2.55	Technology renovation and construction project of gas-steam combined cycle	No payment request yet	
<b>Total</b>	<b>16,320,000.00</b>					

Overdue loan at the end of the Period refers to the on-lending 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 remains outstanding.

## 30. Other current liabilities

## (1) Classification of other current liabilities

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Deferred income – government grants	65,714,511.26	77,113,715.51
<b>Total</b>	<b>65,714,511.26</b>	<b>77,113,715.51</b>

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(2) Government grants

Items of government	Amount at the beginning of the Period	Additional grants in the Period	Other changes	Amounts included in the non-operating income in the Period	Amount at the end of the Period	Related to Assets / income
VAT refunds of third-tier enterprises	33,519,746.88			9,118,668.87	24,401,078.01	Related to assets
Government funding for infrastructure	4,303,741.99				4,303,741.99	Related to assets
Government funding for scientific research	1,965,592.24			144,510.68	1,821,081.56	Related to assets
Government funding for scientific research	33,250,746.63			1,781,749.70	31,468,996.93	Related to income
Government funding for technology transformation	1,399,080.00				1,399,080.00	Related to assets
Fiscal subsidy	948,550.00			154,275.00	794,275.00	Related to assets
Fiscal subsidy	400,000.00			200,000.00	200,000.00	Related to income
Others	1,326,257.77				1,326,257.77	Related to income
<b>Total</b>	<b>77,113,715.51</b>			<b>11,399,204.25</b>	<b>65,714,511.26</b>	

31. Long-term borrowings

(1) Classification of long-term borrowings

Classification	Amount at the end of the Period	Amount at the beginning of the Period
Credit borrowings	742,980,000.00	1,260,080,000.00
Less: long-term borrowings due within 1 year	706,040,000.00	723,140,000.00
<b>Total</b>	<b>36,940,000.00</b>	<b>536,940,000.00</b>

(2) Due date analysis of long-term borrowings

Item	Amount at the end of the Period	Amount at the beginning of the Period
1 to 2 years	36,940,000.00	512,000,000.00
2 to 5 years		24,940,000.00
<b>Total</b>	<b>36,940,000.00</b>	<b>536,940,000.00</b>

32. Long-term payables

Nature	Amount at the end of the Period	Amount at the beginning of the Period
Original value of long-term accounts payables of finance lease		19,138,511.33
Less: unrecognized financial fee		2,600,518.63
<b>Long-term accounts payables of finance lease, net</b>		<b>16,537,992.70</b>

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The decrease in long-term payables at the end of the Period was mainly due to the deconsolidation of Hangzhou New Energy Company.

## 33. Long-term remuneration payable

Item	Balance at the end of the Period	Balance at the beginning of the Period
Resignation benefits	513,416,225.39	462,107,103.50
<b>Total</b>	<b>513,416,225.39</b>	<b>462,107,103.50</b>

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.

## 34. Specified payable

Item	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the end of the Period	Reason
Import tariffs and VAT refunds	58,062,614.63			58,062,614.63	Note
<b>Total</b>	<b>58,062,614.63</b>			<b>58,062,614.63</b>	

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.

## 35. Estimated liabilities

Item	Balance at the end of the Period	Balance at the beginning of the Period	Reason
Product warranties	1,900,626,105.04	1,672,503,907.91	(1)
Outstanding litigation		2,620,800.00	
Pending loss contracts	96,828,347.42	96,828,055.23	Estimated total contract cost is higher than total contract revenue
Estimated default expenses	135,300,893.86		(2)
<b>Total</b>	<b>2,132,755,346.32</b>	<b>1,771,952,763.14</b>	

(1) 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.

(2) The default settlement arising from the failure to deliver to the landlord in a timely manner since Hangzhou New Energy Company was in liquidation.

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36. Deferred income

(1) Types of deferred income

Item	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the end of the Period	Reason
Government grants	473,991,696.19	13,644,920.62	15,187,691.08	472,448,925.73	
<b>Total</b>	<b>473,991,696.19</b>	<b>13,644,920.62</b>	<b>15,187,691.08</b>	<b>472,448,925.73</b>	-

(2) Items of government grants:

Items of government grants	Balance at the beginning of the Period	Additional grants in the Period	Amounts included in the non-operating revenue in the Period	Other changes	Balance at the end of the Period	Related to assets/income
VAT refunds of third tier enterprises	258,218,102.18		7,811,274.04		250,406,828.14	Related to assets
Government funding for infrastructure	157,013,615.96				157,013,615.96	Related to assets
Government funding for scientific research	14,604,044.53				14,604,044.53	Related to assets
Government funding for scientific research	19,712,037.71	12,187,418.34	4,534,263.50	-1,358,242.00	26,006,950.55	Related to income
Government funding for technology transformation	4,141,862.50				4,141,862.50	Related to assets
Fiscal subsidy	5,832,316.67				5,832,316.67	Related to assets
Fiscal subsidy	2,000,000.00				2,000,000.00	Related to income
Others	10,451,099.64	1,457,502.28	1,483,911.54		10,424,690.38	Related to income
Others	2,018,617.00				2,018,617.00	Related to assets
<b>Total</b>	<b>473,991,696.19</b>	<b>13,644,920.62</b>	<b>13,829,449.08</b>	<b>-1,358,242.00</b>	<b>472,448,925.73</b>	

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”), the soft soil foundation of Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd. (hereinafter referred to as “Tianjin Wind Power Technology Company”) and the basic infrastructures of Dongfang Turbine Co., Ltd. The Group treated it as government grants related to assets and will amortize the funds in the non-operating income for the period over the useful life of such assets.

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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 income for the period over the implementation period of such scientific research projects.

37. Share capital

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

Types	Amount at the beginning of the Period		Change in the Period					Amount at the end of the Period	
	Amount	Percentage	Issuance of new shares	Bonus shares	Conversion from reserves	Others	Subtotal	Amount	Percentage
<b>Unrestricted circulating shares</b>									
A Share	1,996,900,368	85.45%						1,996,900,368	
H Share	340,000,000	14.55%						340,000,000	
<b>Total unrestricted circulating shares</b>	<b>2,336,900,368</b>	<b>100%</b>						<b>2,336,900,368</b>	
<b>Total shares</b>	<b>2,336,900,368</b>	<b>100%</b>						<b>2,336,900,368</b>	

38. Capital reserves

Item	Amount at the beginning of the Period	Increase in the Period	Decrease in the Period	Amount at the end of the Period
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 reserves	9,044,499.83			9,044,499.83
Including: Changes in other interests of investees	9,044,499.83			9,044,499.83
<b>Total</b>	<b>8,828,262,489.81</b>			<b>8,828,262,489.81</b>

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39. Other comprehensive income

Item	Balance at the beginning of the Period	Amount for the Period					Balance at the end of the Period
		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 that will not be reclassified subsequently to profit or loss							
II. Other comprehensive income that will be reclassified subsequently to profit or loss	-28,762,895.01	3,036,260.38					-25,726,634.63
Including: Exchange differences from translation of financial statements	-28,762,895.01	3,036,260.38					-25,726,634.63
<b>Total other comprehensive income</b>	<b>-28,762,895.01</b>	<b>3,036,260.38</b>					<b>-25,726,634.63</b>

40. Special reserves

(1) For the Period

Item	Amount at the beginning of the Period	Increase in the Period	Decrease in the Period	Amount at the end of the Period
Special reserve for safety production	45,314,931.41	30,349,005.50	16,022,586.24	59,641,350.67
<b>Total</b>	<b>45,314,931.41</b>	<b>30,349,005.50</b>	<b>16,022,586.24</b>	<b>59,641,350.67</b>

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.

41. Surplus reserves

(1) For the Period

Item	Amount at the beginning of the Period	Increase in the Period	Decrease in the Period	Amount at the end of the Period
Statutory Surplus reserves	769,092,997.56			769,092,997.56
<b>Total</b>	<b>769,092,997.56</b>			<b>769,092,997.56</b>



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## 42. Undistributed profits

(1) For the Period

Item	Amount	The proportion of appropriation or allocation
<b>Amount at the end of last year</b>	<b>9,193,484,301.02</b>	
<b>Amount at the beginning of the Period</b>	<b>9,193,484,301.02</b>	
Add: Net profits attributable to shareholders of parent company for the Period	377,087,901.81	
Less: Appropriation to statutory surplus reserves		
Dividends payable on ordinary shares		
<b>Amount at the end of the Period</b>	<b>9,570,572,202.83</b>	

## 43. Non-controlling interests

Name of subsidiaries	Proportion of Non-controlling interests (%)	Amount at the end of the Period	Amount at the beginning of the Period
Dongfang Heavy Machinery Company	34.8187	583,860,876.35	576,539,565.13
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	38.58	114,516,024.37	116,610,977.02
Tianjin Blade Company	49.64	161,503,639.71	123,418,171.62
Shenzhen Dongfang Boiler Control Company	49	77,834,810.04	76,973,231.48
Wuhan Nuclear Equipment Company	33	27,144,356.07	29,979,772.85
Dongfang Boiler Company	0.335	17,308,793.09	16,874,026.67
DEC Autocontrol Equipment Company	0.50	695,139.36	983,157.85
Dongfang Electrical Machinery Mould Co., Ltd. (Note)	0.685	97,256.19	83,726.27
Venezuela Company	1	24.52	98.29
<b>Total</b>		<b>982,960,919.70</b>	<b>941,462,727.18</b>

Note: refer as Dongfang Electrical Machinery Mould Company.

## 44. Net current assets

Item	Amount at the end of the Period	Amount at the beginning of the Period
Current assets	70,097,691,713.45	72,637,075,446.01
Less: Current liabilities	55,677,398,205.35	59,289,960,317.56
<b>Net current assets</b>	<b>14,420,293,508.10</b>	<b>13,347,115,128.45</b>

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## 45. Total assets less current liabilities

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Total assets	81,419,398,069.79	84,702,600,301.42
Less: current liabilities	55,677,398,205.35	59,289,960,317.56
<b>Total assets less current liabilities</b>	<b>25,741,999,864.44</b>	<b>25,412,639,983.86</b>

## 46. Loans

Loans of the Group are summarized as follows:

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Short-term loans	333,650,000.00	284,500,000.00
Non-current liabilities due within one year	706,040,000.00	731,379,338.40
Long-term loans	36,940,000.00	536,940,000.00
Long-term payables		16,537,992.70
<b>Total</b>	<b>1,076,630,000.00</b>	<b>1,569,357,331.10</b>

## (1) The analysis of the loans

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Bank borrowings	1,076,630,000.00	1,544,580,000.00
- repayable within 5 years	1,076,630,000.00	1,544,580,000.00
Subtotal	1,076,630,000.00	1,544,580,000.00
Other borrowings and payables		24,777,331.10
<b>Total</b>	<b>1,076,630,000.00</b>	<b>1,569,357,331.10</b>

## (2) Due date analysis of loans

<b>Item</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Payable on demand or within 1 year	1,039,690,000.00	1,015,879,338.40
1 to 2 years	36,940,000.00	520,239,338.40
2 to 5 years		33,238,654.30
5 years or above		
<b>Total</b>	<b>1,076,630,000.00</b>	<b>1,569,357,331.10</b>

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

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**47. Operating revenue and operating cost**

Item	Amount for the Period		Amount for the same period of the previous year	
	Revenue	Cost	Revenue	Cost
Principal operations	14,467,340,402.74	11,999,269,651.57	18,023,283,392.53	16,049,488,454.55
Other operations	110,362,020.43	77,861,203.25	196,330,882.33	159,546,500.74
<b>Total</b>	<b>14,577,702,423.17</b>	<b>12,077,130,854.82</b>	<b>18,219,614,274.86</b>	<b>16,209,034,955.29</b>

The Group carried out “cost-driven program” during the Period, which strengthened the internal management with cost reduction and higher efficiency, especially in terms of the improvement in domestic production, centralized procurement and material utilization. Meanwhile, due to the changes in sales structure during the first half of the year, the realized sales of projects with higher profitability increased in the Period, the gross profit margin of the principal operations of the Period increased to 17.06%, by 6.11 percentage points as compared with the same period of the previous year.

The total operating revenue from top five customers of the Group in the Period amounted to RMB2,627,578,028.19, accounting for 18.02% of the total operating revenue in the Period, while the total operating revenue from top five customers of the Group in the same period of the previous year amounted to RMB3,489,161,137.69, accounting for 19.15% 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	786,645,726.50	5.40%
Second	682,749,287.38	4.68%
Third	418,402,928.83	2.87%
Fourth	389,318,547.02	2.67%
Fifth	350,461,538.46	2.40%
<b>Total</b>	<b>2,627,578,028.19</b>	<b>18.02%</b>

**48. Taxes and surcharges**

Item	Amount for the Period	Amount for the same period of the previous year
Urban construction and maintenance tax	48,564,303.04	62,829,044.75
Housing property tax	46,993,424.55	162,863.35
Education surcharges (including local education surcharge)	34,988,329.83	44,937,203.71
Land use tax	22,431,264.95	75,646.21
Stamp duty	15,912,964.18	
Others	380,496.60	1,641,346.14
<b>Total</b>	<b>169,270,783.15</b>	<b>109,646,104.16</b>

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According to the Provisions on Accounting Treatment for Value Added Tax (Cai Kuai [2016] No. 22)(《增值稅會計處理規定》(財會[2016]22號)規定), the Group's consumption tax, city construction and maintenance tax, resource tax, education surcharge, property tax, land use tax, vehicle usage tax, stamp duty and other related taxes and fees, occurred after 1 May 2016, should be listed in the column of "Business taxes and surcharges".

## 49. Selling expenses

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Quality deposit and customer service charges	402,253,034.58	368,161,257.52
Salaries and wages	99,603,587.81	93,005,208.36
Business trip	18,825,377.01	23,680,272.74
Others	17,487,700.01	25,807,180.86
<b>Total</b>	<b>538,169,699.41</b>	<b>510,653,919.48</b>

## 50. Administrative expenses

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Salaries and wages	619,455,777.58	569,853,137.28
Research and development	342,756,761.00	447,058,171.31
Depreciation	128,480,980.17	102,324,898.05
Maintenance fee	91,329,978.11	91,683,433.71
Production safety fee	32,718,839.29	26,160,889.90
Insurance	29,511,602.18	2,119,525.29
Business trip	23,856,026.39	29,859,570.78
Property management fee	21,802,794.60	18,416,644.87
Amortization of intangible assets	21,408,291.44	18,950,527.49
Others	152,094,454.31	160,703,084.31
<b>Total</b>	<b>1,463,415,505.07</b>	<b>1,467,129,882.99</b>

**Dongfang Electric Corporation Limited**

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From 1 January 2017 to 30 June 2017

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51. Financial costs

Item	Amount for the Period	Amount for the same period of the previous year
Interest expenses	17,996,208.87	30,688,258.72
Less: Interest income	268,560,215.63	183,230,980.81
Add: foreign exchange profit or loss	48,436,272.49	-114,258,240.30
Add: Other expenses	-16,748,467.96	13,209,531.89
<b>Total</b>	<b>-218,876,202.23</b>	<b>-253,591,430.50</b>

52. Impairment loss of assets

Item	Amount for the Period	Amount for the same period of the previous year
Bad debts losses	84,883,804.68	396,406,185.43
Impairment loss on inventories	116,540,445.09	257,587,132.13
<b>Total</b>	<b>201,424,249.77</b>	<b>653,993,317.56</b>

53. Gains from changes in fair value

Item	Amount for the Period	Amount for the same period of the previous year
Financial assets at fair value through profit and loss during the Period	-4,929,713.01	-3,450,278.79
Including: Gains from changes in fair value from derivative financial instruments	-3,157,657.59	3,138,639.79
Financial liabilities at fair value through profit or loss during the Period	1,058,242.01	-1,085,960.45
Including: Gains from changes in fair value from derivative financial instruments	-658,278.24	-1,085,960.45
<b>Total</b>	<b>-3,871,471.00</b>	<b>-4,536,239.24</b>

54. Gains from investment

Item	Amount for the Period	Amount for the same period of the previous year
Gains from investment from long-term equity under equity method	28,124,322.76	142,333,006.16
Gains from investment from financial assets at fair value through profit or loss during the holding period	957,309.00	
Gains from investment from disposal of available-for-sale financial assets		10,000.00
Gains from investment from disposal of financial assets at fair value through profit or loss	6,738,817.47	-3,690,189.08
<b>Total</b>	<b>35,820,449.23</b>	<b>138,652,817.08</b>

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## 55. Non-operating income

## (1) Breakdown of non-operating income

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>	<b>Amount included in the non-recurring profit or loss in the Period</b>
Profit from disposal of non-current assets	18,044,100.87	1,473,810.12	18,044,100.87
Including: Profit from disposal of fixed assets	18,044,100.87	1,473,810.12	18,044,100.87
Debt restructuring income	136,529,292.50		136,529,292.50
Government grants	39,781,269.99	46,640,849.26	39,781,269.99
Compensation for breach of contracts	5,216,138.80	2,588,087.99	5,216,138.80
Donations	84,973.33	89,168.98	84,973.33
Others	3,067,695.49	1,710,189.50	3,067,695.49
<b>Total</b>	<b>202,723,470.98</b>	<b>52,502,105.85</b>	<b>202,723,470.98</b>

## (2) Breakdown of government grants

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>	<b>Explanation</b>
VAT refunds of third-tier enterprises	16,929,942.91	23,892,859.53	
Government funding for scientific research	15,969,600.65	4,058,861.66	
Financial interest discount	154,275.00	154,275.00	
Other funding	6,727,451.43	18,534,853.07	
<b>Total</b>	<b>39,781,269.99</b>	<b>46,640,849.26</b>	

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## 56. Non-operating expenses

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>	<b>Amount included in the non-recurring profit or loss in the Period</b>
Total loss on disposal of non-current assets	1,876,891.45	621,148.80	1,876,891.45
Including: Loss on disposal of fixed assets	1,876,891.45	621,148.80	1,876,891.45
Compensation, default penalty and fines	142,457,342.29	40,663,951.78	142,457,342.29
Estimated contract losses			
Inventory shortages			
Donation			
Others	3,782,062.84	11,749,672.42	3,782,062.84
<b>Total</b>	<b>148,116,296.58</b>	<b>53,034,773.00</b>	<b>148,116,296.58</b>

## 57. Income tax expenses

## (1) Income tax expenses

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Income tax expenses for current year	68,811,408.56	39,262,733.61
Of which: China	60,920,561.11	35,512,811.21
India		
Other regions	7,890,847.45	3,749,922.40
Deferred income tax	-58,629,242.36	-45,721,593.48
<b>Total</b>	<b>10,182,166.20</b>	<b>-6,458,859.87</b>

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(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:

<b>Item</b>	<b>Amount for the Period</b>
Total profit	433,723,685.81
Income tax calculated pursuant to the statutory tax rate	85,055,958.61
Influence on tax payment by tax exempt income	-10,187,357.92
Influence on tax payment by non-deductible expense	22,452,363.01
Tax preferential treatment	-37,590,926.08
Of which: R&D expense plus deduct	-15,701,185.75
income tax credit	-21,889,740.33
Influence on tax payment by non-recognized deductible loss and deductible tentative difference	-13,443,200.01
Influence of inconsistent tax rate of the Company	-1,428,477.15
Utilizing the influence on tax payment by non-recognized deductible loss and deductible tentative difference for the previous years	-5,816,756.28
Settlement and payment of overdue tax	-26,505,379.63
Change in the balance of deferred income tax assets/liabilities at the beginning of the Period due to tax rate	-2,354,058.35
<b>Total</b>	<b>10,182,166.20</b>

58. Earnings per share

(1) Basic earnings per share

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Combined net profit attributable to parent company's shareholders of ordinary shares	377,087,901.81	-341,652,500.96
Combined net profit attributable to parent company's shareholders of ordinary shares after deducting non-recurring profit and loss)	334,119,899.45	-323,941,631.07
Weighted average number of parent company's ordinary shares outstanding	2,336,900,368.00	2,336,900,368.00
Basic earnings per share (RMB/share)	0.16	-0.15
Basic earnings per share (RMB/share) (after deducting non-recurring profit and loss)	0.14	-0.14



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Process for calculating the weighted average number of ordinary shares:

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Number of ordinary shares outstanding at the beginning of the Period	2,336,900,368.00	2,336,900,368.00
Weighted average number of ordinary shares outstanding	2,336,900,368.00	2,336,900,368.00

(2) Diluted earnings per share

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

59. Other comprehensive income

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Currency translation differences in foreign-currency financial statement	3,036,186.61	237,078.38
Less: Net amount of disposal of foreign operations into profit and loss		
<b>Sub-total of currency translation differences in foreign-currency financial statement</b>	<b>3,036,186.61</b>	<b>237,078.38</b>
<b>Total</b>	<b>3,036,186.61</b>	<b>237,078.38</b>

60. Notes to items of cash flow statement

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

1) Other cash related to operating activities received

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Interest income	198,502,203.53	171,083,941.46
Governmental subsidy	30,534,131.41	31,043,900.00
Security deposit	115,585,092.46	18,196,760.66
Open credit	61,550,237.78	22,403,268.14
Others	22,772,973.23	121,821,545.51
<b>Total</b>	<b>428,944,638.41</b>	<b>364,549,415.77</b>

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## 2) Other cash related to operating activities paid

Item	Amount for the Period	Amount for the same period of the previous year
Operating expenses and expenditure	446,896,974.83	650,092,280.73
Security deposit paid	68,228,684.84	50,065,904.59
Advances paid	50,404,024.81	124,305,511.23
Contingent fund paid	10,971,937.99	8,546,591.01
Others	2,103,796.53	8,712,776.32
<b>Total</b>	<b>578,605,419.00</b>	<b>841,723,063.88</b>

## 3) Other cash related to investing activities paid

Item	Amount for the Period	Amount for the same period of the previous year
Disposal of subsidiaries	517,349.04	
<b>Total</b>	<b>517,349.04</b>	

## 4) Other cash related to financing activities paid

Item	Amount for the Period	Amount for the same period of the previous year
Finance lease expense, commission charge	4,119,669.20	2,209,834.60
<b>Total</b>	<b>4,119,669.20</b>	<b>2,209,834.60</b>

## (2) Supplementary information for combined cash flow statement

Item	Amount for the Period	Amount for the same period of the previous year
<b>1. Net profit is adjusted to be cash flow from operating activities:</b>		
Net profit	423,541,519.61	-337,209,703.56
Add: provision for asset impairment	210,987,387.03	653,993,317.56
Depreciated fixed assets and depreciated property for investment	495,163,237.54	517,343,895.94
Amortized intangible assets and amortized investment property	26,665,872.51	25,498,519.48
Amortized long-term –for –amortization expenses	34,999.98	74,749.98
Loss (profits are represented by “-”) for disposal of fixed assets, intangible assets and other long-term assets	-16,338,899.99	852,661.32
Loss (profits are represented by “-”) for retirement of fixed assets	165,756.02	
Profit and Loss from Fair Value Changes (profits are represented by “-”)	3,871,471.00	4,536,239.24
Financial charges (profits are represented by “-”)	-68,528,269.08	-83,569,981.58

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<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Investment loss (profits are represented by “-”)	-35,820,449.23	-138,652,817.08
Decrease in deferred income tax assets (increase is represented by “-”)	-44,883,990.63	-47,341,861.61
Increase in deferred income tax liabilities (decrease is represented by “-”)	-619,835.30	-1,546.42
Decrease in inventory (increase is represented by “-”)	-832,316,566.05	1,109,327,802.50
Decrease in receivables under operating activities (increase is represented by “-”)	2,202,476,693.66	695,810,591.28
Increase in receivables under operating activities (decrease is represented by “-”)	-3,510,107,415.82	745,456,026.83
Others		
Net cash flow generated from operating activities	-1,145,708,488.75	3,146,117,893.88
<b>2. Substantial investment and financing activities not involving cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible bonds due within one year		
<b>3. Net change in cash and cash equivalents:</b>		
Balance of cash at the end of the Period	26,733,594,864.08	23,090,087,405.08
Less: balance of cash at the beginning of the Period	28,394,277,304.32	21,066,533,111.81
Net increase of cash and cash equivalents	-1,660,682,440.24	2,023,554,293.27

**(3) Cash and cash equivalents**

<b>Item</b>	<b>Balance at the end of the Period</b>	<b>Balance at the beginning of the Period</b>
Cash	26,733,594,864.08	28,394,277,304.32
Including: cash on hand	2,621,489.25	2,718,102.76
Bank deposits available at any time	26,690,817,354.27	28,373,012,406.14
Other cash and cash equivalents available at any time	40,156,020.56	18,546,795.42
Cash equivalents		
Balance of cash and cash equivalents at the end of the Period	26,733,594,864.08	28,394,277,304.32
Including: such restricted cash and cash equivalents used by parent company or within the subsidiaries		

**(4) Significant investing and financing activities not involving current cash expenditures**

There is no significant investing and financing activities not involving current cash expenditures during the Period.

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**61. An asset that is restricted by ownership or use rights**

<b>Item</b>	<b>Book value at the end of the Period</b>	<b>Reasons for restriction</b>
Cash and cash equivalent	16,021,791.56	Performance Bond Guarantee, bank acceptance bill and other security deposits
Fixed assets	174,993,674.66	Used for mortgaged loan
Intangible assets	20,648,433.33	Used for mortgaged loan
<b>Total</b>	<b>211,663,899.55</b>	

**VII. Change of Consolidation Scope**

Entities which will not be included in the scope of consolidation:

<b>No</b>	<b>Name of enterprise</b>	<b>Registration place</b>	<b>Natures of business</b>	<b>Percentage of shareholding (%)</b>	<b>Percentage of voting rights (%)</b>	<b>Reason for exclusion</b>
1	Hangzhou New Energy Co., Ltd.	Hangzhou, Zhejiang	machinery manufacturing	100%	100%	liquidation

Continued 1

<b>Name of enterprise</b>	<b>5 May 2017 (the actual termination date of operation)</b>		
	<b>Assets</b>	<b>Liability</b>	<b>Equity</b>
Hangzhou New Energy Co., Ltd.	1,098,361,805.31	1,749,954,363.10	-651,592,557.79

Continued 2

<b>Name of enterprise</b>	<b>31 December 2016</b>		
	<b>Assets</b>	<b>Liability</b>	<b>Equity</b>
Hangzhou New Energy Co., Ltd.	1,283,630,526.03	1,991,498,870.78	-707,868,344.75

Continued 3

<b>Name of enterprise</b>	<b>1 January 2017 to 5 May 2017 (the actual termination date of operation)</b>		
	<b>Total operating revenue</b>	<b>Total cost of operations</b>	<b>Total Profit</b>
Hangzhou New Energy Co., Ltd.		75,560,346.26	55,241,616.56

Continued 4

<b>Name of enterprise</b>	<b>1 January 2016 to 31 December 2016</b>		
	<b>Total operating revenue</b>	<b>Total cost of operations</b>	<b>Total Profit</b>
Hangzhou New Energy Co., Ltd.	1,209,822,617.27	1,550,568,270.59	-319,367,290.90

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

From 1 January 2017 to 30 June 2017

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

**VIII. 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		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		Note 3
India Company	Calcutta, India	Calcutta, India	Service	100		Note 3
Chengdu KWH Company	Chengdu, Sichuan	Chengdu, Sichuan	Production		61.42	Note 3
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
Tianjin Wind Power Technological Co., Ltd.	Tianjin Municipality	Tianjin Municipality	Production		100	Note 3
Tongliao Wind Power Company	Tongliao, Inner Mongolia	Tongliao, Inner Mongolia	Service		100	Note 3
Dongfang Electric (Jiuquan) New Energy Co., Ltd. (Note 4)	Jiuquan, Gansu	Jiuquan, Gansu	Production		100	Note 3
Hulun Buir New Energy Company	Hulun Buir, Inner Mongolia	Hulun Buir, Inner Mongolia	Production		100	Note 3
Dongfang Wind Power Company	Deyang, Sichuan	Deyang, Sichuan	Production	45.12	54.88	Note 3
Indonesia Company	Jakarta, Indonesia	Jakarta, Indonesia	Service	95.00		Note 3
DEC Venezuela Company	Venezuela	Venezuela	Project service		99.00	Note 3
Sichuan Dongshu Company	Deyang, Sichuan	Deyang, Sichuan	Production		100	Note 3
Liangshan Wind Power Company	Liangshan, Sichuan	Liangshan, Sichuan	Production		100	Note 3

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; and note 4: Jiuquan New Energy Company

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

From 1 January 2017 to 30 June 2017

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

(Continued)

<b>Name of the subsidiary</b>	<b>Types of enterprises</b>	<b>Legal representative</b>	<b>Creditability code/business license</b>
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	Liang Jian	N/A
Chengdu KWH Company	Limited liability company	Wang Chaolin	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
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
Dongfang Wind Power Company	Limited liability company	Liu Xinggui	91510600337702040G
Indonesia Company	Limited liability company	Chen Weiming	N/A
DEC Venezuela Company	Limited liability company	Yu Kun	N/A
Sichuan Dongshu Company	Limited liability company	Xiao Yi	91510600345800054P
Liangshan Wind Power Company	Limited liability company	Zhou Rulin	91513424356234836R

The authorized share capital of Indonesia Company is USD 2 million, including capital contribution from the Company of USD 1.9 million and USD 0.1 million from PT Dally Energy, accounting for 95.00% and 5.00% of the authorized share capital of Indonesia Company respectively. As at 30 June 2017, the Indonesia Company has only received the capital injection of USD 1.9 million from the Company. According to the Constitutions of the Indonesia Company, shareholders can only enjoy their shareholders' right after they have paid their share of the authorized share capital, thus the Company enjoys 100% of the shareholders' right at this stage.

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

From 1 January 2017 to 30 June 2017

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

**(2) Substantial non-wholly-owned subsidiaries**

<b>Name of subsidiaries</b>	<b>Minority shareholders' shareholding ratio</b>	<b>Profit and loss attributable to Non-controlling interests for the Period</b>	<b>Dividend declared to be distributed to minority shareholders for the Period</b>	<b>Balance of Non-controlling interests at the end of the Period</b>
Dongfang Heavy Machinery Co., Ltd.	34.8187%	11,859,248.33	4,990,378.09	583,860,876.35
Chengdu KWH Company	38.58%	-2,155,987.58		114,516,024.37
Tianjin Blade Company	49.64%	38,085,468.09		161,503,639.71
Shenzhen Dongfang Boiler Control Company	49%	861,578.56		77,834,810.04
Wuhan Nuclear Equipment Company	33%	-2,797,511.23		27,144,356.07
Dongfang Boiler Group Co., Ltd.	0.335%	535,119.01	107,541.60	17,308,793.09
Indonesia Company	5%			

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

From 1 January 2017 to 30 June 2017

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

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

Names of subsidiaries	Balance at the end of the Period						Balance at the beginning of the Period					
	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.	222,346.70	123,667.97	346,014.67	154,890.50	23,438.16	178,328.66	231,235.12	130,860.42	362,095.54	173,564.53	22,947.69	196,512.22
Chengdu KWH Company	33,805.35	13,032.18	46,837.53	13,472.37	3,678.41	17,150.78	36,837.22	13,620.66	50,457.88	15,559.18	4,434.72	19,993.90
Tianjin Blade Company	62,899.90	15,092.77	77,992.67	41,546.53	3,313.11	44,859.64	63,816.05	15,742.02	79,558.07	50,972.60	3,121.09	54,093.69
Shenzhen Dongfang Boiler Control Company	30,772.63	3,626.94	34,399.57	18,069.34	200.00	18,269.34	30,932.40	3,603.89	34,536.29	18,521.95	200.00	18,721.95
Wuhan Nuclear Equipment Company	17,184.70	23,039.47	40,224.17	26,739.37	5,259.24	31,998.61	13,904.86	23,968.76	37,873.62	23,550.99	5,237.84	28,788.83
Dongfang Boiler Group Co., Ltd.	1,942,300.19	258,809.66	2,201,109.85	1,574,710.91	90,302.40	1,665,013.31	2,073,811.62	260,689.53	2,334,501.15	1,738,484.55	72,779.37	1,811,263.92
Indonesia Company	949.68	1.21	950.89	8.41		8.41	1,067.65	1.29	1,068.94	16.36		16.36



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

From 1 January 2017 to 30 June 2017

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

(Continued)

Names of subsidiaries	Amount for the Period				Amount for the same period of the previous year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Dongfang Heavy Machinery Co., Ltd.	55,397.71	3,406.00	3,406.00	14,754.15	42,301.97	1,933.02	1,933.02	-15,817.74
Chengdu KWH Company	7,012.14	-793.04	-793.04	972.95	9,552.49	356.13	356.13	1,700.38
Tianjin Blade Company	30,126.51	7,656.10	7,656.10	-1,684.47	42,048.65	309.41	309.41	9,250.15
Shenzhen Dongfang Boiler Control Company	11,370.83	315.89	315.89	2,829.93	12,929.24	31.69	31.69	3,058.88
Wuhan Nuclear Equipment Company	3,801.07	-847.73	-847.73	-114.27	2,283.09	-1,465.67	-1,465.67	19.02
Dongfang Boiler Group Co., Ltd.	541,765.61	15,849.86	15,849.86	-16,704.55	560,580.29	2,677.31	2,677.31	86,744.00
Indonesia Company	14.59	-95.24	-110.10	-55.46	8.38	-55.68	8.50	-64.33

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

From 1 January 2017 to 30 June 2017

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

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

Company Name	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.	Jiaxing, Zhejiang	Jiaxing, 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.	Wuchuan, Inner Mongolia	Wuchuan, Inner Mongolia	Project management	20.00		Equity method
Wulan New Energy Company	Wulate Middle Banner, Bayannur City, Inner Mongolia	Wulate Middle Banner, Bayannur City, Inner Mongolia	Project management	20.00		Equity Method
Liangshan scenery new energy company(Liangshan scenery new energy company)	Liangshan, Sichuan	Liangshan, Sichuan	Power plant maintenance		20.00	Equity Method

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

From 1 January 2017 to 30 June 2017

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

(2) Major financial information of substantial joint ventures

Item	Balance at the end of the Period/amount for the Period		Balance at the beginning of the Period /amount for the same period of the previous year	
	MHPS Dongfang Boiler Co., Ltd.	AREVA-DONGFANG Company	MHPS Dongfang Boiler Co., Ltd.	AREVA-DONGFANG Company
Current assets:	1,002,973,893.56	1,047,788,857.05	1,016,054,073.80	1,131,320,584.06
Including: cash and cash equivalents	124,495,489.85	533,914,660.50	216,356,686.27	695,664,210.83
Non-current assets	232,820,944.62	131,169,922.27	219,442,269.99	140,785,758.34
Total assets	1,235,794,838.18	1,178,958,779.32	1,235,496,343.79	1,272,106,342.40
Current liabilities:	770,261,874.87	592,833,550.80	774,445,842.13	706,532,573.56
Non-current liabilities	94,054,905.44	138,680,505.87	94,691,663.14	139,794,924.40
Total liabilities	864,316,780.31	731,514,056.67	869,137,505.27	846,327,497.96
Non-controlling interests				
Equity attributable to shareholders of the parent company	371,478,057.87	447,444,722.65	366,358,838.52	425,778,844.44
Net asset share calculated per shareholding ratio	185,739,028.94	223,722,361.33	183,179,419.44	280,278,203.62
Book value of equity investment in joint ventures	188,892,472.24	223,722,361.33	183,179,419.44	280,278,203.62
Operating income	345,652,461.34	86,129,765.98	218,567,299.14	98,626,715.68
Financial charges	1,971,459.72	-8,793,517.49	4,999,089.65	-4,993,709.19
Income tax expense	1,998,850.13	3,823,390.27	2,091,824.12	2,408,600.16
Net profit	11,426,105.60	21,665,878.20	5,236,248.56	37,698,078.65
Other comprehensive income				
Total comprehensive income	11,426,105.60	21,665,878.20	5,236,248.56	37,698,078.65
Dividends from joint ventures for the Period	2,026,051.63	67,670,414.30	0.00	

## Dongfang Electric Corporation Limited

### Notes to the Financial Statements

From 1 January 2017 to 30 June 2017

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

#### (3) Main financial information of major associated companies

Item	Balance at the end of the Period/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.	Energy Power Hongnijing Wind Power	Zhongdian Gas Technology Company	Wulan New Energy	Sanshengtai Wind Power Company	Liangshan scenery new energy company
Current assets:	1,634,620,975.92	57,650,816.03	1,165,050,909.67	117,226,553.62	166,998,946.16	78,465,086.92	8,160,961.14	55,331,684.34	9,980,185.47
Including: cash and cash equivalents	1,088,547,137.68	48,178,974.95	728,662,929.88	16,607,669.58	1,304,834.75	75,825,459.97	32,547.23	206,830.01	9,951,067.40
Non-current assets	313,515,821.90	2,727,528.30	2,279,693,791.91	587,546,273.92	363,205,511.84	13,217,229.64	240,190,054.97	369,214,001.37	
Total assets	1,948,136,797.82	60,378,344.33	3,444,744,701.58	704,772,827.54	530,204,458.00	91,682,316.56	248,351,016.11	424,545,685.71	9,980,185.47
Current liabilities:	770,040,151.46	3,095,679.27	517,747,771.26	168,683,469.16	88,327,422.19	1,752,165.65	-81,198,983.89	83,356,850.58	11,250.00
Non-current liabilities			1,535,095,138.87	342,000,000.00	340,345,839.65	0.00	149,550,000.00	261,188,835.13	
Total liabilities	770,040,151.46	3,095,679.27	2,052,842,910.13	510,683,469.16	428,673,261.84	1,752,165.65	68,351,016.11	344,545,685.71	11,250.00
Non-controlling interests			85,703,443.30						
Equity attributable to shareholders of the parent company	1,178,096,646.36		1,306,198,348.15	194,089,358.38	101,531,196.16	89,930,150.91	180,000,000.00	80,000,000.00	9,968,935.47
Net asset share calculated per shareholding ratio	577,447,602.24		261,239,669.63	49,334,839.61	20,306,239.23	10,791,618.11	36,000,000.00	16,000,000.00	1,993,787.09
Items of adjustment									
–Unrealized profit for internal transactions					-1,477,141.76		-677,744.79		
Book value of equity investment in joint ventures	577,447,602.24	26,119,654.85	261,239,669.63	49,334,839.61	18,829,097.47	10,791,618.11	35,322,255.21	16,000,000.00	2,000,000.00

# Dongfang Electric Corporation Limited

## Notes to the Financial Statements

From 1 January 2017 to 30 June 2017

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

Item	Balance at the end of the Period/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.	Energy Power Hongnijing Wind Power	Zhongdian Gas Technology Company	Wulan New Energy	Sanshengtai Wind Power Company	Liangshan scenery new energy company
Operating income	391,205,928.59	788,008.80	180,385,632.39	27,003,708.51	31,023,831.11				
Financial charges	-136,061.83	-17,607.38	21,177,879.25	5,360,624.75	6,462,080.09	-858,359.70			-13,285.46
Income tax expense	-27,877.75		7,677,199.62		0.00	0.00			
Net profit	-25,831,708.20	312,929.86	100,001,894.44	11,011,905.02	14,974,729.69	-5,858,010.23			-31,064.53
Other comprehensive income					0.00	0.00			
Total comprehensive income	-25,831,708.20	312,929.86	100,001,894.44	11,011,905.02	14,974,729.69	-5,858,010.23			-31,064.53
Dividends from joint ventures for the Period									

(Continued)

Item	Balance at the beginning of the Period /amount for the same period of the previous year								
	Mitsubishi Dongfang Gas Turbine Company	Dongle Project Cargo Logistics Company	Sichuan Nengtou Wind Power Company	Huadian Longkou Wind Power Co., Ltd.	Energy Power Hongnijing Wind Power	Zhongdian Gas Technology Company	Wulan New Energy	Sanshengtai Wind Power Company	Liangshan scenery new energy company
Current assets:	1,746,364,569.62	58,931,653.70	1,066,580,618.52	52,659,763.49	129,484,399.59	94,863,417.14	9,599,010.69	55,581,898.24	
Including: cash and cash equivalents	1,017,165,366.49	46,165,205.57	722,818,485.60	2,643,607.09	215,600.03	92,327,877.64	1,840,468.21	1,979,196.13	
Non-current assets	303,246,747.42	3,152,668.61	1,981,965,329.42	576,631,740.19	370,493,376.00	1,421,042.12	226,306,800.58	358,800,174.96	
Total assets	2,049,611,317.04	62,084,322.31	3,048,545,947.94	629,291,503.68	499,977,775.59	96,284,459.26	235,905,811.27	414,382,073.20	
Current liabilities:	845,315,114.48	4,977,231.14	480,491,118.54	206,714,050.32	53,736,173.12	658,336.84	-93,644,188.73	57,776,348.07	
Non-current liabilities			1,275,137,344.92	240,000,000.00	359,685,136.00		149,550,000.00	276,605,725.13	
Total liabilities	845,315,114.48	4,977,231.14	1,755,628,463.46	446,714,050.32	413,421,309.12	658,336.84	55,905,811.27	334,382,073.20	
Non-controlling interests			80,697,783.73						

# Dongfang Electric Corporation Limited

## Notes to the Financial Statements

From 1 January 2017 to 30 June 2017

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

Item	Balance at the beginning of the Period /amount for the same period of the previous year								
	Mitsubishi Dongfang Gas Turbine Company	Dongle Project Cargo Logistics Company	Sichuan Nengtou Wind Power Company	Huadian Longkou Wind Power Co., Ltd.	Energy Power Hongnijing Wind Power	Zhongdian Gas Technology Company	Wulan New Energy	Sanshengtai Wind Power Company	Liangshan scenery new energy company
Equity attributable to shareholders of the parent company	1,204,296,202.56	57,107,091.17	1,212,219,700.75	182,577,453.36	86,556,466.47	95,626,122.42	180,000,000.00	80,000,000.00	
Net asset share calculated per shareholding ratio	590,105,139.25	27,982,474.67	242,443,940.15	46,581,863.35	17,311,293.29	11,475,134.69	36,000,000.00	16,000,000.00	
Items of adjustment									
--Unrealized profit for internal transactions					-1,477,141.76		-677,744.79		
Book value of equity investment in joint ventures	590,105,139.25	26,025,554.98	242,443,940.15	46,581,863.35	15,834,151.53	11,475,134.69	35,322,255.21	16,000,000.00	
Operating income	1,185,570,902.37	5,882,914.94	198,099,729.00	46,449,113.82		2,564,982.48			
Financial charges	3,488,356.57	-626,268.83	41,259,632.70	11,659,460.89	-536,069.74	850,000.00			
Income tax expense	86,141,011.90	71,623.58			102,160.20				
Net profit	268,927,043.13	1,816,333.57	64,982,344.79	13,268,015.22	137,353.82	1,394,185.05			
Other comprehensive income									
Total comprehensive income	268,927,043.13	1,816,333.57	64,982,344.79	13,268,015.22	137,353.82	1,394,185.05			
Dividends from joint ventures for the Period	11,634,957.31		6,000,000.00						

**Dongfang Electric Corporation Limited**  
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**IX. 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 statements 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 2017, 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.

<b>Item</b>	<b>Amount as of the end of the Period</b>	<b>Amount as of the beginning of the Period</b>
Cash and cash equivalents - US dollars	1,494,742,248.83	1,469,664,106.77
Cash and cash equivalents - EURO	28,608,248.01	178,421,743.96
Cash and cash equivalents - Pakistan Rupee	21,451,175.21	17,244,844.21
Cash and cash equivalents - Indian Rupee	18,417,280.15	19,470,808.33
Cash and cash equivalents - other currencies	49,522,328.55	46,354,773.70
Derivative financial assets		3,157,657.59
Accounts receivable - US dollars	566,134,566.81	708,550,742.53
Accounts receivable - EURO	75,783,922.96	80,003,824.28
Accounts receivable - Indian Rupee	592,784.37	292,293.64
Accounts receivable - other currencies	4,576,680.98	4,686,541.44
Other receivables - US dollars	15,343,528.69	5,485,406.05

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From 1 January 2017 to 30 June 2017

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<b>Item</b>	<b>Amount as of the end of the Period</b>	<b>Amount as of the beginning of the Period</b>
Other receivables - EURO	4,591,856.77	3,869,497.15
Other receivables - Pakistan Rupee	4,457,247.57	18,427,777.04
Other receivables - Indian Rupee	586,723.53	333,051.95
Other receivables - other currencies	40,672,268.64	36,099,168.90
Derivative financial liabilities	1,518,430.54	10,372,195.96
Accounts payable - US dollars	163,798,587.61	86,924,490.31
Accounts payable - EURO	116,689,575.84	86,731,339.81
Accounts payable - Pakistan Rupee	463,971.14	412,382.52
Accounts payable - other currencies	37,189,655.14	32,271,826.88
Other payables - US dollars	565,112.03	12,946,308.11
Other payables - EURO	971,964.62	955,741.60
Other payables - Pakistan Rupee		9,651,451.55
Other payables - Indian Rupee	9,099,956.79	6,377,391.61
Other payables - other currencies	32,704,613.56	33,045,495.59

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 bank borrowings, bond payables and other interest-bearing debts. 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 2017, the Group's interest bearing debts mainly were contracts with fixed interest rate denominated in Renminbi with the contract amount of RMB833,650,000.00.

The Group's risk of the change in cash flow of financial instruments caused by the change in interest rate is mainly related to bank borrowings 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).



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From 1 January 2017 to 30 June 2017

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(2) Credit risk

As at 30 June 2017, 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.

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.

The total amount of top five accounts receivable is RMB1,496,587,166.50.

(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 actively communicates with the financial institutions so as to maintain sufficient credit limit and to reduce liquidity risk.

Up to 30 June 2017, bank loan facilities are enough to satisfy the financing need for the Group has high credit ratings.

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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 2017:

Item	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
<b>Financial assets</b>					
Cash and cash equivalents	26,749,616,655.64				26,749,616,655.64
Held-for-trading financial assets	39,502,240.00				39,502,240.00
Bills receivable	4,234,110,620.36				4,234,110,620.36
Accounts receivable	14,928,316,978.24				14,928,316,978.24
Interests receivable	441,341,007.02				441,341,007.02
Other receivables	315,817,701.29				315,817,701.29
<b>Total amount of financial assets</b>	<b>46,708,705,202.55</b>				<b>46,708,705,202.55</b>
<b>Financial liabilities</b>					-
Short-term loans	333,650,000.00				333,650,000.00
Financial liabilities held-for-trading	1,518,430.54				1,518,430.54
Bills payable	4,191,147,049.05				4,191,147,049.05
Accounts payable	14,815,382,107.36				14,815,382,107.36
Other payables	2,388,098,738.05				2,388,098,738.05
Dividends payable	2,823,100.25				2,823,100.25
Interests payable					
Staff remuneration payable	425,887,137.95				425,887,137.95
Non-current liabilities due within one year	706,040,000.00				706,040,000.00
Long-term borrowings		36,940,000.00			36,940,000.00
Long-term remuneration payable		137,217,977.12	226,834,663.20	149,363,585.07	513,416,225.39
<b>Total amount of financial liabilities</b>	<b>22,864,546,563.20</b>	<b>174,157,977.12</b>	<b>226,834,663.20</b>	<b>149,363,585.07</b>	<b>23,414,902,788.59</b>

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.

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(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 same period of the previous year	
		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	2,058,541.58	2,058,541.58	5,712,912.02	5,712,912.02
All foreign currencies	5% decrease against RMB	-2,058,541.58	-2,058,541.58	-5,712,912.02	-5,712,912.02

(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 same period of the previous year	
		Effect on the net profit	Effect on owners' equity	Effect on the net profit	Effect on owners' equity
Floating rate loans	1% increase	-28,094.54	-28,094.54	-33,134.45	-33,134.45
Floating rate loans	1% decrease	28,094.54	28,094.54	33,134.45	33,134.45

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**X. Disclosure of Fair Value**

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			Total
	Measurement of fair value of the first level	Measurement of fair value of the second level	Measurement of fair value of the third level	
<b>I. Measurement of fair value on an ongoing basis</b>				
Financial assets measured at fair value and the change recorded in the current profit and loss				
Held-for-trading financial assets				
(1) Equity instrument investment	39,502,240.00			39,502,240.00
(2) Derivative financial assets				
<b>Total assets measured at fair value on an ongoing basis</b>	39,502,240.00			39,502,240.00
Financial liabilities measured at fair value and the change recorded in the current profit and loss				
Held-for-trading financial liabilities		1,518,430.54		1,518,430.54
Including: derivative financial liabilities		1,518,430.54		1,518,430.54
<b>Total liabilities measured at fair value on an ongoing basis</b>		1,518,430.54		1,518,430.54
<b>II. Measurement of fair value on a non-ongoing basis</b>				

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 VI.2 of these financial statements.

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

Please refer to Note VI.2 for the second-level items subject to measurement of fair value on an ongoing basis of the Group and relevant qualitative and quantitative information in relation to valuation techniques and important parameters adopted.

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**XI. 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)

Controlling shareholder	Amount at the beginning of the Period	Increase for the Period	Decrease for the Period	Amount at the end of the Period
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 (%)	
	Amount at the end of the Period	Amount at the beginning of the Period	Ratio at the end of the Period	Ratio at the beginning of the Period
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 VIII.1.(1) of these financial statements.

(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 VIII.3 of these financial statements.

(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 Company	Such other enterprises under the control of the same parent company and the ultimate controlling party

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<b>Names of other related parties</b>	<b>Relationship with the Company</b>
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
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
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

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<b>Names of other related parties</b>	<b>Relationship with the Company</b>
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
Dongqi Investment and Development Co., Ltd.(hereinafter referred to as Dongqi Investment and Development Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric Chengdu Qingneng Technology Co., Ltd. (hereinafter referred to as Qingneng Technology Company)	Such other enterprises under the control of the same parent company and the ultimate controlling party
Dongfang Electric Chengdu Intelligent Technology Co., Ltd. (hereinafter referred to as Intelligent Technology 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 Yuedian Group Co., Ltd. (hereinafter referred to as Guangdong Yuedian Company)	Investor which can produce significant impact
The Company's Directors, Presidents and other senior management officers	Other related parties

(5) Other notes to related parties

China Western Power Company, German ENV Company, Wuhan Boiler Company, Guangdong Yuedian Company and the joint ventures and associates in Note VIII.3 are not considered as related parties in the Listing Rules of the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

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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

<b>Related parties</b>	<b>Content of connected transactions</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>	<b>Connected transaction or not</b>
<b>Parent company and ultimate control party</b>		<b>2,867,924.53</b>	<b>3,440,756.82</b>	
Including: Dongfang Electric Corporation	Receipt of services	2,867,924.53	47,169.81	Yes
Dongfang Electric Corporation	Purchase of goods		3,393,587.01	Yes
<b>Joint venture and associates</b>		<b>312,675,086.15</b>	<b>380,642,055.80</b>	
Including: MHPS Dongfang Boiler Co., Ltd.	Purchase of goods	195,331,098.10	135,680,108.69	No
Mitsubishi Dongfang Gas Turbine Company	Purchase of goods	117,343,988.05	244,961,947.11	No
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>		<b>591,698,283.20</b>	<b>707,917,864.84</b>	
Including: Dongfang Materials Company	Purchase of goods	219,275,202.97	178,205,482.59	Yes
Dongfang Materials Company	Receipt of services	159,499.83	405,089.74	Yes
Dongfang Automation Control Company	Purchase of goods	215,354,304.32	338,765,981.30	Yes
Henan Auxiliary Equipment Company	Purchase of goods	28,494,097.48	39,716,513.52	Yes
A Beile Company	Purchase of goods	23,859,800.67	37,697,448.13	Yes
Chengdu Dongfang Hitachi Company	Purchase of goods	21,636.00	3,243,944.98	Yes
Dongfeng Machinery Company	Purchase of goods		5,400,000.00	Yes
Dongfeng Machinery Company	Receipt of services		1,461,811.97	Yes
Project Cargo Logistics Company	Receipt of services	100,963,322.38	96,779,749.70	Yes
Dongfang Property Company	Receipt of services		6,091,842.91	Yes
International Cooperation Company	Receipt of services	102,043.50		Yes
Guangdong Company	Receipt of services		150,000.00	Yes
Intelligent Technology Company	Purchase of goods	3,468,376.05		Yes
<b>Investors with significant influence</b>		<b>1,460,194.44</b>	<b>1,094,020.94</b>	
Including: Guangdong Yuedian Company	Purchase of goods	787,660.42	1,094,020.94	No
German ENV Company	Receipt of services	672,534.02		No



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<b>Related parties</b>	<b>Content of connected transactions</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>	<b>Connected transaction or not</b>
<b>Total</b>		<b>908,701,488.32</b>	<b>1,093,094,698.40</b>	

2) Sales of goods and provision of services

<b>Related parties</b>	<b>Content of connected transactions</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>	<b>Connected transaction or not</b>
<b>Joint venture and associates</b>		<b>451,566.51</b>	<b>18,588,828.30</b>	
Including: MHPS Dongfang Boiler Co., Ltd.	Provision of services	131,566.51	18,494.96	No
Mitsubishi Dongfang Gas Turbine Company	Provision of services	320,000.00		No
AREVA-DONGFANG Company	Sales of goods		18,570,333.34	No
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>		<b>47,165,468.46</b>	<b>36,624,231.70</b>	
Including: International Cooperation Company	Sales of goods	42,366,298.11	23,816,714.70	Yes
A Beile Company	Sales of goods	1,098,413.45		Yes
Guangdong Company	Sales of goods	1,425,174.37	7,472,524.31	Yes
Dongfang Automation Control Company	Sales of goods	78,400.00		Yes
Dongfang Automation Control Company	Provision of services	807,291.69		Yes
Dongfang Materials Company	Sales of goods	1,170,672.65	5,291,179.48	Yes
Project Cargo Logistics Company	Provision of services	215,320.75	43,813.21	Yes
Chengdu Dongfang Hitachi Company	Sales of goods	3897.44		Yes
<b>Investors with significant influence</b>		<b>276,410.27</b>	<b>365,988.19</b>	
Including: China Western Power Company	Sales of goods	276,410.27	363,247.87	No
China Western Power Company	Provision of services		2,740.32	No
<b>Total</b>		<b>47,893,445.24</b>	<b>55,579,048.19</b>	

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(2) Related lease

1) Lease-out

Name of Lessor	Name of Lessee	Types of leased assets	Lease gains recognized for the Period	Connected transaction or not
Dongfang Turbine Company	Dongfang Automation Control Company	Housing	17,753.30	Yes
Dongfang Boiler Company	MHPS Dongfang Boiler Co., Ltd.	Land use right, housing and equipment	1,419,216.23	No
<b>Total</b>			<b>1,436,969.53</b>	

2) Under lease

Name of Lessor	Name of Lessee	Types of leased assets	Lease cost recognized for the Period	Connected transaction or not
Dongfang Electric Corporation	The Company	Housing construction	8,860,000.00	Yes
Dongfang Electric Machinery Factory	Dongfang Electric Company	Office building and production plant, land, equipment and others	6,760,328.77	Yes
Dongfang Boiler Plant	Dongfang Boiler Company	Housing construction, machines and equipment and office equipment	1,203,450.84	Yes
<b>Total</b>			<b>16,823,779.61</b>	

(3) Guarantee with related parties

Guarantor	Guaranteed company	Guaranteed amount (RMB0'000)	Beginning date	Close date	Due or not
The Company	Hongnijin Wind Power Co., Ltd	Note	19 January 2016	19 January 2026	No
The Company	Sanshengtai Wind Power Co., Ltd.	Note	29 June 2016	29 June 2026	No
The Company	Wulan New Energy Company	Note	27 October 2016	27 October 2026	No
Dongfang Turbine Company	Dongfang Mitsubishi Gas Turbine Company	2,450.00	22 September 2016	30 April 2025	No

Note: For details, refer to Note XIII.2 to the financial statements.

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(4) Borrowings with related parties

Name of related parties	Borrowing/lending	Amount of borrowing/lending	Is it due for repayment	Note	Connected transaction or not
Dongfang Electric Corporation	Borrowing	8,690,000.00	No	Long-term borrowings of Dongfang Electric Company	Yes
Dongfang Electric Corporation	Borrowing	30,910,000.00	No	Long-term borrowings of Dongfang Electric Company	Yes
Dongfang Electric Corporation	Borrowing	12,000,000.00	No	Long-term borrowings of Dongfang Electric Company	Yes
Dongfang Electric Corporation	Borrowing	24,940,000.00	No	Long-term borrowings of Dongfang Electric Company	Yes
Dongfang Electric Corporation	Borrowing	20,120,000.00	No	Long-term borrowings of Dongfang Boiler Control Company	Yes
Dongfang Electric Corporation	Borrowing	130,000,000.00	No	Long-term borrowings of Dongfang Boiler Control Company	Yes
Dongfang Electric Finance Company	Borrowing	15,000,000.00	Yes	Short-term loans of Shenzhen Dongfang Boiler Control Company	Yes
Dongfang Electric Finance Company	Borrowing	25,000,000.00	Yes	Short-term loans of Tianjin Blade Company	Yes
Dongfang Electric Finance Company	Borrowing	30,000,000.00	No	Short-term loans of Tianjin Blade Company	Yes
Dongfang Electric Finance Company	Borrowing	25,000,000.00	No	Short-term loans of Tianjin Blade Company	Yes
Dongfang Electric Finance Company	Borrowing	22,500,000.00	Yes	Short-term loans of Dongfang Wind Power Company	Yes
Dongfang Electric Finance Company	Borrowing	50,000,000.00	Yes	Short-term borrowings of Dongfang Heavy Machinery Company	Yes
Dongfang Electric Corporation	Borrowing	17,100,000.00	Yes	Long-term borrowings of Dongfang Heavy Machinery Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	Yes	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	40,000,000.00	Yes	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	25,000,000.00	Yes	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	12,000,000.00	Yes	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	15,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	15,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	15,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes

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Name of related parties	Borrowing/lending	Amount of borrowing/lending	Is it due for repayment	Note	Connected transaction or not
Dongfang Electric Finance Company	Borrowing	10,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	17,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	15,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
Dongfang Electric Finance Company	Borrowing	12,000,000.00	No	Short-term Entrusted loans of Wuhan Nuclear Equipment Company	Yes
<b>Total</b>		<b>657,260,000.00</b>			

3. Balance of current accounts of related parties

(1) Cash deposited with related parties

Name of related parties	Currency	Amount as of the end of the Period (RMB)	Amount as of the beginning of the Period (RMB)
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>		<b>11,868,608,656.45</b>	<b>11,911,706,462.71</b>
Including: Dongfang Electric Finance Company	CNY	11,572,117,309.53	11,463,198,047.85
Dongfang Electric Finance Company	USD	294,832,780.86	446,379,579.86
Dongfang Electric Finance Company	EUR	1,616,226.43	2,128,834.90
Dongfang Electric Finance Company	JPY	42,339.63	0.10
<b>Total</b>		<b>11,868,608,656.45</b>	<b>11,911,706,462.71</b>

(2) Accounts receivable of related parties

Name of related parties	Amount at the end of the Period		Amount at the beginning of the Period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Parent company and ultimate control party</b>	<b>17,940,824.00</b>	<b>14,375,337.33</b>	<b>17,940,824.00</b>	<b>13,743,098.05</b>
Including: Dongfang Electric Corporation	17,940,824.00	14,375,337.33	17,940,824.00	13,743,098.05
<b>Joint venture and associates</b>	<b>3,001,199.40</b>	<b>213,892.97</b>	<b>5,742,047.18</b>	<b>305,735.36</b>
Including: MHPS Dongfang Boiler Co., Ltd.	2,322,249.18	161,312.46	5,452,249.18	272,612.46
AREVA-DONGFANG Company	197,820.00	28,524.00	289,798.00	33,122.90
Mitsubishi Dongfang Gas Turbine Company	481,130.22	24,056.51		
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>630,947,841.81</b>	<b>455,503,883.87</b>	<b>656,744,006.68</b>	<b>455,463,967.61</b>
Including: International Cooperation Company	536,759,369.22	392,306,974.35	576,359,989.22	396,319,420.33

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

Name of related parties	Amount at the end of the Period		Amount at the beginning of the Period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Zhonghe Seawater Desalination Company	23,154,100.00	22,317,400.00	23,043,100.00	22,322,050.00
Guangdong Company	12,424,379.84	11,551,950.38	14,324,410.40	12,418,295.03
Emei Semiconductor Company	16,860,900.00	16,860,900.00	17,707,637.77	17,199,595.11
Dongfang Automation Control Company	16,374,745.79	826,414.33	1,388,544.49	75,398.24
Leshan New Energy Company	10,138,597.49	10,138,597.49	13,969,797.49	5,587,919.00
A Beile Company	337,183.91	16,859.20	8,840.23	442.01
Yixing Maiji Solar Energy Company	2,851,046.65	142,552.33	2,851,046.65	285,104.67
Project Cargo Logistics Company	111,829.79	13,590.21	143,329.79	15,165.21
Dongqi Investment Development Company	299,279.18	135,881.14	1,758,429.18	705,852.39
Jiuquan Solar Energy Company	649,673.64	64,967.36	649,673.64	64,967.36
Dongfang Materials Company	5,389,953.50	822,221.28	4,465,674.50	440,344.93
Dongfeng Electric Machinery Company	73,533.32	29,413.33	73,533.32	29,413.33
Dongfang Electric Machinery Factory	5,518,689.48	275,934.47		
Chengdu Dongfang Hitachi Company	4,560.00	228.00		
<b>Investors with significant influence</b>	<b>7,091,863.50</b>	<b>623,486.44</b>	<b>8,050,110.01</b>	<b>621,449.16</b>
Including: Wuhan Boiler Company	1,689,280.00	84,464.00	1,689,280.00	84,464.00
German ENV Company	424,598.54	169,839.42	401,971.55	80,394.31
China Western Power Company	4,977,984.96	369,183.02	5,958,858.46	456,590.85
<b>Total</b>	<b>658,981,728.71</b>	<b>470,716,600.61</b>	<b>688,476,987.87</b>	<b>470,134,250.18</b>

**Dongfang Electric Corporation Limited**  
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(3) Other accounts receivable of related parties

Name of related parties	Amount at the end of the Period		Amount at the beginning of the Period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Parent company and ultimate control party</b>	<b>21,572,500.35</b>	<b>11,225,128.04</b>	<b>21,572,500.35</b>	<b>11,225,128.04</b>
Including: Dongfang Electric Corporation	21,572,500.35	11,225,128.04	21,572,500.35	11,225,128.04
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>42,703,856.62</b>	<b>19,518,813.15</b>	<b>49,043,142.74</b>	<b>14,334,000.58</b>
Including: Dongqi Investment Development Company	39,777,815.69	18,366,613.15	38,311,201.03	12,799,943.05
Jiuquan Solar Energy Company	2,805,863.46	1,129,413.62	2,805,863.46	1,129,413.62
Dongfang Property Company	2,295.77	114.79	6,672.87	333.64
Dongfang Automation Control Company	51,881.70	10,071.59	34,128.40	6,746.42
Project Cargo Logistics Company	6,000.00	600.00	6,000.00	600.00
Chengdu Dongfang Hitachi Company	60,000.00	12,000.00	60,000.00	6,000.00
Dongfang Electric Machinery Factory			7,819,276.98	390,963.85
<b>Joint venture and associates</b>	<b>5,855,384.81</b>	<b>1,001,842.63</b>	<b>4,777,511.87</b>	<b>525,371.52</b>
Including: MHPS Dongfang Boiler Co., Ltd.	5,855,384.81	1,001,842.63	4,777,511.87	525,371.52
<b>Total</b>	<b>70,131,741.78</b>	<b>31,745,783.82</b>	<b>75,393,154.96</b>	<b>26,084,500.14</b>

(4) Advances made by related parties

Name of related parties	Amount at the end of the Period		Amount at the beginning of the Period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
<b>Parent company and ultimate control party</b>	<b>1,731,200.00</b>		<b>1,731,200.00</b>	
Including: Dongfang Electric Corporation	1,731,200.00		1,731,200.00	
<b>Joint venture and associates</b>			<b>10,889,271.04</b>	
Including: Mitsubishi Dongfang Gas Turbine Company			10,889,271.04	
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>28,573,329.06</b>		<b>45,292,037.59</b>	

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Name of related parties	Amount at the end of the Period		Amount at the beginning of the Period	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Including: Project Cargo Logistics Company	3,938,561.70		20,838,561.70	
International Cooperation Company	4,295,533.02		4,397,576.52	
Dongfang Materials Company	15,276,884.34		15,439,986.70	
Dongfang Automation Control Company	3,598,000.00		4,478,000.00	
Chengdu Dongfang Hitachi Company	136,000.00		137,912.67	
A Beile Company	971,350.00			
Intelligent Technology Company	357,000.00			
<b>Investors with significant influence</b>	<b>1,000.00</b>		<b>1,000.00</b>	
Including: China Western Power Company	1,000.00		1,000.00	
<b>Total</b>	<b>30,305,529.06</b>		<b>57,913,508.63</b>	

(5) Interests receivable of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>349,730,305.13</b>	<b>306,940,540.58</b>
Including: Dongfang Electric Finance Company	349,730,305.13	306,940,540.58
<b>Total</b>	<b>349,730,305.13</b>	<b>306,940,540.58</b>

(6) Short-term loans of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>214,000,000.00</b>	<b>284,500,000.00</b>
Including: Dongfang Electric Finance Company	214,000,000.00	284,500,000.00
<b>Total</b>	<b>214,000,000.00</b>	<b>284,500,000.00</b>

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(7) Bills payable of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Joint venture and associates</b>	<b>79,630,676.54</b>	<b>64,141,997.17</b>
Including: MHPS Dongfang Boiler Co., Ltd.	43,950,000.00	36,200,000.00
Dongle Project Cargo Logistics Company	950,000.00	1,800,000.00
Mitsubishi Dongfang Gas Turbine Company	34,730,676.54	26,141,997.17
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>222,971,456.47</b>	<b>451,471,321.51</b>
Including: Dongfang Automation Control Company	63,474,281.05	201,847,669.64
Dongfang Materials Company	79,166,622.90	111,012,953.36
Project Cargo Logistics Company	16,225,017.45	38,127,938.74
Leshan New Energy Company	31,854,200.00	57,348,856.00
Henan Auxiliary Equipment Company	7,810,000.00	14,399,264.35
Dongfang Electric Plant	9,077,040.56	800,000.00
Dongfeng Machinery Company	38,000.00	6,230,000.00
A Beile Company	14,036,624.50	21,364,522.02
Chengdu Dongfang Hitachi Company	1,289,670.01	340,117.40
<b>Investors with significant influence</b>		<b>800,000.00</b>
Including: China Western Power Company		800,000.00
<b>Total</b>	<b>302,602,133.01</b>	<b>516,413,318.68</b>



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(8) Accounts payable of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Parent company and ultimate control party</b>	<b>2,679,538.21</b>	<b>2,103,875.47</b>
Including: Dongfang Electric Corporation	2,679,538.21	2,103,875.47
<b>Joint venture and associates</b>	<b>393,056,199.23</b>	<b>421,431,350.66</b>
Including: MHPS Dongfang Boiler Co., Ltd.	392,440,953.89	420,685,664.39
Mitsubishi Dongfang Gas Turbine Company	615,245.34	745,686.27
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>970,276,308.02</b>	<b>1,022,251,316.61</b>
Including: Dongfang Automation Control Company	478,759,114.54	506,825,956.74
Dongfang Materials Company	186,028,697.22	167,252,782.69
Leshan New Energy Company	111,366,532.08	146,105,635.13
Project Cargo Logistics Company	57,090,184.47	39,971,202.11
A Beile Company	23,468,271.57	23,723,752.40
Dongfeng Electric Machinery Company	7,053,900.00	8,658,423.64
Henan Auxiliary Equipment Company	28,992,212.71	19,663,579.94
Chengdu Dongfang Hitachi Company	8,366,007.00	12,594,453.01
Yixing Maiji Solar Energy Company	33,068,628.30	44,909,928.30
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		16,862,842.52
Dongqi Investment Development Company	27,416,580.13	27,416,580.13
Intelligent Technology Company	400,000.00	
<b>Investors with significant influence</b>	<b>14,510,984.38</b>	<b>15,987,907.46</b>
Including: China Western Power Company	14,510,984.38	15,987,907.46
<b>Total</b>	<b>1,380,523,029.84</b>	<b>1,461,774,450.20</b>

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(9) Receivables received in advance of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Joint venture and associates</b>	<b>82,490,704.29</b>	<b>68,271,570.79</b>
Including: AREVA-DONGFANG Company	62,375,292.95	51,631,619.45
MHPS Dongfang Boiler Co., Ltd.	20,115,411.34	12,598,411.34
Hongnijing Wind Power Company		4,041,540.00
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>217,690,337.86</b>	<b>121,353,540.56</b>
Including: International Cooperation Company	99,937,323.34	113,046,022.87
Dongfang Materials Company	5,500,824.00	5,500,824.00
Guangdong Company	5,594,791.63	2,489,983.69
A Beile Company	316,710.00	316,710.00
Dongfang Automation Control Company	132,996.58	
Dongfang Electric Finance Company	106,207,692.31	
<b>Total</b>	<b>300,181,042.15</b>	<b>189,625,111.35</b>

(10) Other payables of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Parent company and ultimate control party</b>	<b>1,377,095,232.52</b>	<b>1,372,921,878.06</b>
Including: Dongfang Electric Corporation	1,377,095,232.52	1,372,921,878.06
<b>Joint venture and associates</b>	<b>200,000.00</b>	<b>200,000.00</b>
Including: MHPS Dongfang Boiler Co., Ltd.	200,000.00	200,000.00
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>	<b>31,124,880.69</b>	<b>39,820,028.69</b>
Including: Dongfang Boiler Plant	22,814,880.69	31,840,028.69
Project Cargo Logistics Company	1,500,000.00	1,500,000.00
Guangdong Company	200,000.00	200,000.00
Dongfang Materials Company	6,410,000.00	6,080,000.00
Henan Auxiliary Equipment Company	200,000.00	200,000.00
<b>Investors with significant influence</b>	<b>4,235,134.99</b>	<b>4,269,152.62</b>
Including: Wuhan Boiler Company	3,639,290.32	3,639,290.32
German ENV Company	175,615.72	166,257.10
China Western Power Company	420,228.95	463,605.20
<b>Total</b>	<b>1,412,655,248.2</b>	<b>1,417,211,059.37</b>

**Dongfang Electric Corporation Limited**  
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(11) Long-term borrowings of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Parent company and ultimate control party</b>	<b>226,660,000.00</b>	<b>243,760,000.00</b>
Including: Dongfang Electric Corporation	226,660,000.00	243,760,000.00
<b>Total</b>	<b>226,660,000.00</b>	<b>243,760,000.00</b>

(12) Long-term payables of related parties

Name of related parties	Amount at the end of the Period	Amount at the beginning of the Period
<b>Other enterprises under the control of same parent company and ultimate shareholder</b>		<b>16,537,992.70</b>
Including: Dongfang Electric Finance Company		16,537,992.70
<b>Total</b>		<b>16,537,992.70</b>

**XII. 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.

(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.

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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 2017, 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 2017 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 statements 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 results of the financial statements of the Company for 2015 did not fulfill the vesting conditions for H share appreciation rights.

**2. Cash-settled share-based payments**

<b>Item</b>	<b>Condition</b>
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	
Total cost recognized arising from cash-settled share-based payments for the Period	0

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

From 1 January 2017 to 30 June 2017

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

**XIII. Contingencies**

1. Guaranty

<b>Guaranteed company</b>	<b>Nature of guarantee</b>	<b>Guarantee amount (in RMB0'000)</b>
Outside the scope of the Group		
Dongfang Mitsubishi Gas Turbine Company	Guaranty	2,450.00
<b>Total</b>		<b>2,450.00</b>

Dongfang Mitsubishi Gas Turbine Company, CNOOC Zhuhai Natural Gas Power Generation Co., Ltd., Zhongshan Jia Ming Electric Power Co., Ltd., Zhonghai Fujian Gas Power Generation Co., Ltd. and Guangdong Huizhou Natural Gas Power Generation Co., Ltd. (hereinafter referred the four companies to as "the owner") intends to sign "M701F gas turbine parts, parts maintenance and technique consultant service" (Hereinafter referred to as "long-term service agreement"), the "long-term service agreement" involves 12 units, the owner asked the parent company of Dongfang Mitsubishi Gas Turbine Company (Mitsubishi Hitachi Tool Engineering Co., Ltd. and Dongfang Turbine Co., Ltd.) to sign the "parent company guarantee agreement" on the implementation of the agreement. The long-term service agreement guarantees a total of RMB50 million. Dongfang Turbine Co., Ltd. provide a guaranty of RMB24.5 million based on the percentage of equity share holds, Dongfang Mitsubishi Gas Turbine Company provide counter-guarantee.

2. Equity pledge

(1) The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Hongnijing Wind Power Company, for the finance lease related equipment.

According to the fifth of the meeting of board of directors of the 8th session on 8 January 2016, The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Hongnijing Wind Power Company, for the finance lease related equipment. The total estimated rental payment of the leasing business is RMB342,337,300.00.

(2) The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Sanshengtai Wind Power Company, for the finance lease related equipment.

According to the tenth of the meeting of board of directors of the 8th session on 27 June 2016, The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Sanshengtai Wind Power Company, for the finance lease related equipment. The total estimated rental payment of the leasing business is RMB292.04 million.

(3) The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Wulan New Energy Company, for the finance lease related equipment.

According to the eleventh of the meeting of board of directors of the 8th session on 26 August 2016, The Company provided pledged guarantee to Dao Sheng International Financial Leasing Co., Ltd., through a 20% equity interest of Wulan New Energy Company, for the finance lease related equipment. The total estimated rental payment of the leasing business is RMB544.00million.

**Dongfang Electric Corporation Limited**  
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From 1 January 2017 to 30 June 2017

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3. Contingent liabilities arising from letters of credit or others

As of 30 June 2017, the balance of the irrevocable letters of credit issued by the Group was converted into an amount of RMB1,323,645,797.29. The particulars thereof were as follows:

<b>Currencies</b>	<b>Amount in original currency</b>	<b>Amount converted into RMB</b>
RMB	39,760,000.00	39,760,000.00
Swiss Franc	1,331,270.00	9,437,106.77
EURO	68,175,443.79	529,152,834.83
Japanese Yen	2,363,819,426.46	143,703,582.34
USD	88,165,958.82	598,685,724.88
Pound	328,933.00	2,906,548.47
<b>Total</b>		<b>1,323,645,797.29</b>

4. Letters of guarantee issued

As of 30 June 2017, the balance of the letters of guarantee issued by the Group was converted into an amount of RMB27,742,167,691.75. The particulars thereof were as follows:

<b>Currencies</b>	<b>Amount in original currency</b>	<b>Amount converted into RMB</b>
Pakistan Rupee	786,474,505.50	52,234,244.02
Russian Rouble	609,770,000.00	73,965,101.00
USD	1,061,144,584.87	7,188,617,875.75
EURO	61,647,292.53	477,741,858.19
RMB	19,944,316,672.49	19,944,316,672.49
Bolivar	253,940,252.68	651,630.11
Indian Rupee	42,951,364.00	4,640,310.19
<b>Total</b>		<b>27,742,167,691.75</b>

5. Except for the foregoing contingencies, there had been no other substantial contingencies of the Group as of 30 June 2017.

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

From 1 January 2017 to 30 June 2017

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**XIV. Commitments**

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 statements (Amount unit: RMB0'000):

<b>Item</b>	<b>Amount at the end of the period</b>	<b>Amount at the beginning of the period</b>
Infrastructure	14,869.93	18,041.34
Equipment	9,532.59	10,832.92
<b>Total</b>	<b>24,402.52</b>	<b>28,874.27</b>

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

On 30 June 2017, 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:

<b>Duration</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Within 1 year	31,487,682.55	34,576,257.73
1-2 years	19,118,770.52	19,334,782.10
2-3 years	18,861,717.04	19,216,143.68
Over 3 years	4,331,649.90	18,886,326.65
<b>Total</b>	<b>73,799,820.01</b>	<b>92,013,510.16</b>

2. Except for the foregoing commitment, there had been no other substantial commitment of the Group as of 30 June 2017.

**XV. Events after Balance Sheet Date**

There had been no other substantial events of the Group after the balance sheet date.

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

From 1 January 2017 to 30 June 2017

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**XVI. Other Substantial Matters**

1. Lease

(1) Fixed assets formed by finance lease

Item	Amount as of the end of the Period	Amount as of the beginning of the Period
Total original value		30,000,000.00
Including: Machines and equipment		30,000,000.00
Total depreciation		4,232,202.44
Including: Machines and equipment		4,232,202.44
Total provision for impairment		
Total book value		25,767,797.56
Including: Machines and equipment		25,767,797.56

(2) Operating lease

At the end of the Period, operating leases of the group are shown below:

Category	Amount as of the end of the Period	Amount as of the beginning of the Period
Building	102,120,762.88	103,523,336.62
Land use right	8,306,658.06	8,419,533.84
Machines and equipment		1,341,328.28
Vehicles	53,584.46	53,584.46
Instruments and electronic computers		277.78
<b>Total</b>	<b>110,481,005.40</b>	<b>113,338,060.98</b>

2. Debt reconstruction

The subsidiaries entered into debt reconstruction agreements with several suppliers to pay off purchase payables amounting to RMB254 million at RMB117 million.



## **Dongfang Electric Corporation Limited**

### **Notes to the Financial Statements**

From 1 January 2017 to 30 June 2017

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

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#### 3. 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.

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

In 2004, Chongqing Business Department of Zhongke Securities (中科證券公司重慶營業部) unilaterally established illegal pledge on such treasury bonds of nominal value of RMB201,404,000.00 of Dongfang Boiler Company without the consent of Dongfang Boiler 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 approval from Dongfang Boiler Company 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 the second to forth property allocation. In November 2016, Dongfang Boiler Company received RMB11,386,129.34 from Zhongke Securities bankruptcy liquidation commission for the fifth property allocation. The age of the remaining but not recoverable debts was over 5 years. Dongfang Boiler Company had made provision of RMB146,064,314.06 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.

#### 5. 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.

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

From 1 January 2017 to 30 June 2017

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

Reportable segments for the first half of 2017

<b>Item</b>	<b>High-efficient cleaning power generation equipment</b>	<b>New energy</b>	<b>Hydroenergy and environmental equipment</b>	<b>Engineering and service</b>	<b>Others</b>	<b>Write-off</b>	<b>Total</b>
Operating income	16,154,599,945.54	2,616,224,558.12	1,096,871,126.59	2,207,746,580.54	110,362,020.43	7,608,101,808.05	14,577,702,423.17
Include: External transaction income	10,372,461,705.89	1,295,155,327.97	973,348,725.54	1,826,374,643.34	110,362,020.43		14,577,702,423.17
Inter-segment transaction income	5,782,138,239.65	1,321,069,230.15	123,522,401.05	381,371,937.20		7,608,101,808.05	
Operating cost	14,400,423,282.52	2,292,949,999.10	1,006,365,041.75	1,819,155,253.17	77,861,203.25	7,519,623,924.97	12,077,130,854.82
Cost written off	5,772,488,291.92	1,247,524,240.66	80,226,892.78	419,384,499.61		7,519,623,924.97	
Period expenses					1,784,502,442.64	1,793,440.39	1,782,709,002.25
Operating profit (loss)	1,754,176,663.02	323,274,559.02	90,506,084.84	388,591,327.37	-1,752,001,625.46	86,684,442.69	717,862,566.10
Total assets					121,067,685,414.99	39,648,287,345.20	81,419,398,069.79
Include: Amount of substantial impairment loss on a single asset					89,615,331,620.81	30,717,637,244.96	58,897,694,375.85
Total liabilities							
Supplemental information							
Capital expenditure					204,007,033.93	2,582,784.16	201,424,249.77
Recognized impairment loss of the current period							
Including: amortization of impairment of goodwill					521,845,477.71		521,845,477.71
Depreciation and amortization expenses							
Non-cash expenses other than impairment loss, depreciation and amortization							

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Reportable segments for the first half of 2016

Item	High-efficient cleaning power generation equipment	New energy	Hydroenergy and environmental equipment	Engineering and service	Others	Write-off	Total
Operating income	17,304,459,900.77	6,219,578,481.10	693,812,855.61	2,376,580,063.40	196,330,882.33	8,571,147,908.35	18,219,614,274.86
Include: External transaction income	11,140,876,782.96	3,888,321,799.30	693,791,685.47	2,300,293,124.80	196,330,882.33		18,219,614,274.86
Inter-segment transaction income	6,163,583,117.81	2,331,256,681.80	21,170.14	76,286,938.60		8,571,147,908.35	
Operating cost	15,852,764,953.31	5,943,527,257.16	661,326,010.26	2,119,740,079.26	159,546,500.74	8,527,869,845.44	16,209,034,955.29
Cost written off	6,058,356,862.89	2,326,949,097.68	3,441,964.72	139,121,920.15		8,527,869,845.44	
Period expenses					1,708,354,303.71	-15,838,068.26	1,724,192,371.97
Operating profit (loss)	1,451,694,947.46	276,051,223.94	32,486,845.35	256,839,984.14	-1,671,569,922.12	59,116,131.17	286,386,947.60
Total assets					123,085,898,737.03	37,423,164,566.04	85,662,734,170.99
Include: Amount of substantial impairment loss on a single asset							
Total liabilities					90,140,841,300.25	27,981,338,015.90	62,159,503,284.35
Supplemental information							
Capital expenditure							
Recognized impairment loss of the current period					972,521,285.22	318,527,967.66	653,993,317.56
Including: amortization of impairment of goodwill							
Depreciation and amortization expenses					542,842,415.39		542,842,415.39
Non-cash expenses other than impairment loss, depreciation and amortization							

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

<b>External trade income</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
China (except Hong Kong)	12,641,812,440.85	15,892,099,466.54
Other overseas area	1,825,527,961.89	2,131,183,925.99
<b>Total</b>	<b>14,467,340,402.74</b>	<b>18,023,283,392.53</b>

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:

<b>Total non-current assets</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
China (except Hong Kong)	7,858,142,195.49	8,627,365,167.07
Other overseas area	126,721,610.44	121,744,324.56
<b>Total</b>	<b>7,984,863,805.93</b>	<b>8,749,109,491.63</b>

**XVII. Notes to Principal Items of the Financial Statements of the Parent Company**

1. Accounts receivables

<b>Item name</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Accounts receivables	5,609,148,032.95	5,656,335,397.67
Less: provision for bad debts	866,942,493.76	910,662,474.96
<b>Net amount</b>	<b>4,742,205,539.19</b>	<b>4,745,672,922.71</b>

(1) Aging analysis of accounts receivables

<b>Aging</b>	<b>Amount at the end of the Period</b>	<b>Amount at the beginning of the Period</b>
Within 1 year	2,179,052,335.10	2,468,006,799.90
1 - 2 years	1,865,372,370.50	1,509,359,367.05
2 - 3 years	582,524,575.34	628,304,567.08
3 - 4 years	31,561,891.98	81,049,191.12
4 - 5 years	83,694,366.27	58,952,997.56
<b>Net amount</b>	<b>4,742,205,539.19</b>	<b>4,745,672,922.71</b>

**Dongfang Electric Corporation Limited**  
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(2) Types of accounts receivable

Type	Amount at the end of the Period			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivables with significant single amount and individual provision for bad debts	271,567,020.34	4.84	271,567,020.34	100
Accounts receivable provided for bad debts in groups categorized by credit risks	5,337,581,012.61	95.16	595,375,473.42	11.15
<b>Total</b>	<b>5,609,148,032.95</b>	<b>100</b>	<b>866,942,493.76</b>	<b>15.46</b>

(Continued)

Type	Amount at the beginning of the Period			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivables with significant single amount and individual provision for bad debts	323,865,326.60	5.73	323,865,326.60	100
Accounts receivable provided for bad debts in groups categorized by credit risks	5,332,470,071.07	94.27	586,797,148.36	11.00
<b>Total</b>	<b>5,656,335,397.67</b>	<b>100</b>	<b>910,662,474.96</b>	<b>16.10</b>

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

Company	Balance at the end of the Period			
	Accounts receivables	Provision for bad debts	Percentage (%)	Reasons for provision
First	136,732,015.91	136,732,015.91	100%	Difficulty in operating and expectation of unable to recover
Second	104,835,004.43	104,835,004.43	100%	Difficulty in operating and expectation of unable to recover
Third	30,000,000.00	30,000,000.00	100%	Dispute over the guarantee deposits and expectation of unable to recover
<b>Total</b>	<b>271,567,020.34</b>	<b>271,567,020.34</b>	<b>—</b>	<b>—</b>

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

Item	Amount at the end of the Period			Amount at the beginning of the Period		
	Amount	Provision for bad debts	Ratio (%)	Amount	Provision for bad debts	Ratio (%)
Within 1 year	2,293,739,300.11	114,686,965.01	5	2,597,901,894.66	129,895,094.76	5
1-2 years	2,072,635,967.23	207,263,596.73	10	1,677,065,963.38	167,706,596.33	10
2-3 years	728,155,719.18	145,631,143.84	20	785,380,708.84	157,076,141.76	20
3-4 years	52,603,153.29	21,041,261.31	40	135,081,985.19	54,032,794.07	40
4-5 years	167,388,732.56	83,694,366.29	50	117,905,995.13	58,952,997.57	50
More than 5 years	23,058,140.24	23,058,140.24	100	19,133,523.87	19,133,523.87	100
<b>Total</b>	<b>5,337,581,012.61</b>	<b>595,375,473.42</b>	<b>11.15</b>	<b>5,332,470,071.07</b>	<b>586,797,148.36</b>	<b>11.00</b>

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

(4) Top five accounts receivables outstanding as at the end of the Period categorized by debtors

Company	Balance at the end of the Period	Age	Percentage of total balance of account receivables at the end of the Period (%)
First	379,109,446.14	1-2 years	6.76
Second	305,659,340.80	0-1 year	5.45
Third	257,274,725.00	0-3 years	4.59
Fourth	226,955,628.08	0-2 years	4.05
Fifth	220,233,007.28	0-3 years	3.93
<b>Total</b>	<b>1,389,232,147.30</b>		<b>24.77</b>

2. Other accounts receivable

Name of items	Amount at the end of the Period	Amount at the beginning of the Period
Other accounts receivable	6,177,623,849.47	6,278,187,236.66
Less: provision for bad debts	115,593,894.21	134,171,512.49
<b>Net amount</b>	<b>6,062,029,955.26</b>	<b>6,144,015,724.17</b>

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**Notes to the Financial Statements**

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(1) Aging analysis of other receivables

Aging	Amount at the end of the Period	Amount at the beginning of the Period
Within 1 year	91,253,635.67	51,768,802.96
1 – 2 years	29,579,788.50	146,813,470.12
2 – 3 years	1,188,359,852.56	1,188,860,350.55
3 – 4 years	4,027,261.88	7,650,159.18
4 – 5 years	99,416.65	128,152,941.36
More than 5 years	4,748,710,000.00	4,620,770,000.00
<b>Net amount</b>	<b>6,062,029,955.26</b>	<b>6,144,015,724.17</b>

(2) Types of other receivables

Type	Balance at the end of the Period				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables with significant single amount and individual provision for bad debts	6,042,392,298.71	97.81	64,278,301.50	1.06	5,978,113,997.21
Other receivables provided for bad debts in groups categorized by credit risks	135,231,550.76	2.19	51,315,592.71	37.95	83,915,958.05
<b>Total</b>	<b>6,177,623,849.47</b>	<b>100</b>	<b>115,593,894.21</b>	<b>1.87</b>	<b>6,062,029,955.26</b>

(Continued)

Type	Balance at the beginning of the Period				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables with significant single amount and individual provision for bad debts	5,992,988,301.50	95.46	64,278,301.50	1.07	5,928,710,000.00
Other receivables provided for bad debts in groups categorized by credit risks	285,198,935.16	4.54	69,893,210.99	24.51	215,305,724.17
<b>Total</b>	<b>6,278,187,236.66</b>	<b>100</b>	<b>134,171,512.49</b>	<b>2.14</b>	<b>6,144,015,724.17</b>

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

Company	Balance at the end of the Period			Reasons for provision
	Other receivables	Provision for bad debts	Percentage	
First	3,738,090,000.00			The fund of the central budget, raise money of the issuance of A-share and the convertible bond, special fund, no counting and drawing
Second	1,189,350,000.00			The fund of the central budget, raise money of the issuance of A-share and the convertible bond, no counting and drawing
Third	843,000,000.00			The fund of construction project, raise money of the issuance of A-share and the convertible bond, no counting and drawing

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Company	Balance at the end of the Period			
	Other receivables	Provision for bad debts	Percentage	Reasons for provision
Fourth	113,970,000.00			The project funds of self-reliant nuclear power equipment and energy independent innovation, no counting and drawing
Fifth	64,278,301.50	64,278,301.50	100%	Expectation of unable to recover
Sixth	44,300,000.00			The project funds of self-reliant nuclear power equipment and energy independent innovation, no counting and drawing
Seventh	34,433,198.21			Advance paid on project site, no counting and drawing
Eighth	14,970,799.00			Advance paid on project site, no counting and drawing
<b>Total</b>	<b>6,042,392,298.71</b>	<b>64,278,301.50</b>	—	—

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

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

Company	Characteristics of the amount	Balance at the end of the Period	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.	3,739,513,565.89	0-over 5 years	60.53%	114,196.30
Second	Budget of the central government, proceeds raised from the increases issuance of A shares, etc.	1,222,364,930.59	0-over 5 years	19.79%	29,638,918.25
Third	Appropriation of infrastructure construction, proceeds raised from the increases issuance of A shares, etc.	844,767,846.45	0-over 5 years	13.67%	231,568.92
Fourth	Project fund for independent nuclear power equipment and independent innovation of energy, etc.	113,970,000.00	0-over 5 years	1.84%	
Fifth	Loans	64,278,301.50	More than 5 years	1.04%	64,278,301.50
<b>Total</b>		<b>5,984,894,644.43</b>		<b>96.87%</b>	<b>94,262,984.97</b>



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

From 1 January 2017 to 30 June 2017

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

3. Long-term equity investments

(1) Types of long-term equity investments

Item	Balance at the end of the Period			Balance at the beginning of the Period		
	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	615,239,841.36		615,239,841.36	647,935,548.55		647,935,548.55
<b>Total</b>	<b>10,780,785,093.49</b>		<b>10,780,785,093.49</b>	<b>10,813,480,800.68</b>		<b>10,813,480,800.68</b>

(2) Investment in subsidiaries

Invested companies	Balance at the beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the end of the Period	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		
<b>Total</b>	<b>10,165,545,252.13</b>			<b>10,165,545,252.13</b>		

## Dongfang Electric Corporation Limited Notes to the Financial Statements

From 1 January 2017 to 30 June 2017

(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	Balance at the beginning of the Period	Increase / decrease in the Period								Balance at the end of the Period	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	Others		
I. Joint ventures											
1. AREVA-DONGFANG Company	280,278,203.62			11,114,572.01			67,670,414.30			223,722,361.33	
II. Associated companies											
1. Sichuan Nengtou Wind Power Company	242,443,940.15			18,795,729.48						261,239,669.63	
2. Huadian Longkou Wind Power Co., Ltd.	46,581,863.35			2,752,976.26						49,334,839.61	
3. Hongnijing Wind Power Company	15,834,151.53			2,994,945.94						18,829,097.47	
4. Zhongdian Gas Technology Company	11,475,134.69			-683,516.58						10,791,618.11	
5. Sanshengtai Wind Power Co., Ltd.	16,000,000.00									16,000,000.00	
6. Wulan New Energy Company	35,322,255.21									35,322,255.21	
<b>Total</b>	<b>647,935,548.55</b>			<b>34,974,707.11</b>			<b>67,670,414.30</b>			<b>615,239,841.36</b>	

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

From 1 January 2017 to 30 June 2017

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

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

Item	Amount at the end of the Period	Amount at the beginning of the Period
Listed		
Non-listed	10,780,785,093.49	10,813,480,800.68
<b>Total</b>	<b>10,780,785,093.49</b>	<b>10,813,480,800.68</b>

4. Operating income and operating cost

Item	Amount for the Period		Amount for the same period of the previous year	
	Income	Cost	Income	Cost
Major business	7,498,701,982.16	7,320,109,248.35	9,729,094,202.61	9,446,498,151.49
Other business	374,195.31	649,870.67	2,758,470.47	690,578.17
<b>Total</b>	<b>7,499,076,177.47</b>	<b>7,320,759,119.02</b>	<b>9,731,852,673.08</b>	<b>9,447,188,729.66</b>

5. Gains from investment

Item	Amount for the Period	Amount in the same period of the previous year
Gains from long-term equity investments calculated by using cost method	39,321,713.50	142,966,741.81
Gains from long-term equity investments calculated by using equity method	34,974,707.11	44,577,795.29
Gains from investment from disposal of financial assets at fair value through gain and loss	5,387,294.06	
Gains from investment on holding financial assets at fair value through gain and loss for the Period	957,309.00	297,810.92
Others	1,507,468.55	3,242,986.11
<b>Total</b>	<b>82,148,492.22</b>	<b>191,085,334.13</b>

6. Notes to the statement of cash flow

Item	Amount for the Period	Amount for the same period of the previous year
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	165,538,245.53	382,600,361.95
Add: Provision for impairment of assets	-62,297,599.48	128,979,121.58
Depreciation of fixed assets, investment properties	1,748,600.87	2,411,229.86
Amortization of intangible assets	1,171,911.38	1,149,822.54

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

From 1 January 2017 to 30 June 2017

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

<b>Item</b>	<b>Amount for the Period</b>	<b>Amount for the same period of the previous year</b>
Loss on disposal of fixed assets, intangible assets and other long-term assets (profits are represented by “-”)	32,222.65	21,573.99
Profit and loss from fair value changes (profits are represented by “-”)	5,587,991.25	7,674,879.03
Financial charges (profits are represented by “-”)	21,381,016.15	-82,132,070.57
Investment loss (profits are represented by “-”)	-82,148,492.22	-191,085,334.13
Decrease in deferred income tax assets (increase is represented by “-”)	-21,094,268.40	-20,629,009.32
Increase in deferred income tax liabilities (decrease is represented by “-”)	-473,648.64	0.00
Decrease in inventory (increase is represented by “-”)	24,440,513.11	-648,359,635.15
Decrease in receivables under operating activities (increase is represented by “-”)	1,380,210,181.99	1,713,622,580.40
Increase in payables under operating activities (decrease is represented by “-”)	-3,496,162,547.66	-632,528,037.95
Net cash flow generated from operating activities	-2,062,065,873.47	661,725,482.23
<b>2. Substantial investment and financing activities not involving cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible bonds due within one year		
<b>3. Net change in cash and cash equivalents:</b>		
Balance of cash at the end of the Period	9,681,017,509.99	8,519,068,056.26
Less: balance of cash at the beginning of the Period	11,375,052,991.30	7,507,119,838.61
Net increase of cash and cash equivalents	-1,694,035,481.31	1,011,948,217.65

**XVIII. Supplementary Information of Financial Statements**

1. Non-recurring balance sheet of the Period

<b>Item</b>	<b>Amount for the Period</b>	<b>Explanation</b>
Profit or loss from disposal of non-current assets	16,167,209.42	
Government subsidy to be recorded in the profit and loss for the Period	39,781,269.99	
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	6,683,282.30	
P/L of debt reconstruction	136,529,292.50	
Write back of the provision for impairment of receivables that are individually tested for impairment	9,000,000.00	

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

From 1 January 2017 to 30 June 2017

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

Item	Amount for the Period	Explanation
Income and expenses from other operation other than the foregoing items	-137,870,597.51	
Sub-total	70,290,456.70	
Amount of effects on income tax	-24,295,648.43	
Amount of effects on Non-controlling interests (after tax)	-3,026,805.91	
<b>Total</b>	<b>42,968,002.36</b>	

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	
	For the Period	For the same period of the previous year	For the Period	For the same period of the previous year	For the Period	For the same period of the previous year
Net profit attributable to the shareholders of the parent company	1.77%	-1.49%	0.16	-0.15	0.16	-0.15
Net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss	1.57%	-1.42%	0.14	-0.14	0.14	-0.14

**XIX. Approval of the Financial Statements**

The financial statements were approved by the board of directors of the Company on 30 August 2017.

**Dongfang Electric Corporation Limited**

**Legal representative: Zou Lei**

**Person in charge of accounting function: Gong Dan**

**Person in charge of accounting department: Ceng Yi**

**30 August 2017**