

## DONGFANG ELECTRIC CORPORATION LIMITED

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

2017 ANNUAL REPORT

## **Important Notice**

- I. The Board of Directors, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company attended the meeting of the Board of Directors, while Xu Peng and Zhang Jilie, both are directors, entrusted Zou Lei, the chairman, to attend and vote at the meeting.
- III. BDO China Shu Lun Pan Certified Public Accountants LLP has issued the audit report with unqualified opinions to the Company.
- IV. Zou Lei, the person-in-charge of the Company, Gong Dan, the person-in-charge of accounting and Feng Yong, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this annual report.
- V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP, net profit attributable to the owners of the Company in 2017 amounted to RMB673,000,000.

The acquisition of assets by issuance of shares of the Company and connected transaction (the "transaction") was considered and approved by the board of directors, shareholders' general meeting and class meeting of the Company and relevant approval has been obtained from the CSRC. According to the requirements of Article 18 of the Administrative Measures for Securities Issuance and Underwriting: "where a listed company with a plan for issuance of securities has any plan for profit distribution or conversion of capital reserve into share capital which has not yet been submitted to its shareholders' general meeting for voting, or it has been approved by the shareholders' general meeting but has not been implemented yet, the issuance of securities shall be proceeded after such plan has been implemented. Prior to the implementation of the relevant plans, the lead underwriter shall not underwrite the securities issued by the listed company." In order to avoid time Company under the transaction as well as the smooth progress of the transaction, the Company, after careful discussion, decided not to make any profit distribution for 2017 and nor it will convert any capital reserve into share capital or make any bonus issue. The plan has to be submitted to the 2017 annual general meeting of the Company under the transaction and approval.

#### VI. Risks disclaimer of the forward-looking statements

The business plan of the Company does not constitute a profit guarantee of the Company to investors. Investors should be aware of the investment risks and have a proper understanding of differences between the business plan and profit guarantee.

## VII. Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose

No

#### VIII. Any provision of external guarantee in violation of the stipulated decision making procedure

No

#### IX. Material risk alert

For the risks described in this report, please refer to the possible risk factors and strategies stated in the "Discussion and Analysis on Future Development" in the Report of the Board of Directors.

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## CHAIRMAN'S STATEMENT



Dear Shareholders,

The year 2017 is a crucial year of building on past successes to further advance our cause. The holding of the 19th National Congress of the Communist Party of China marked the beginning of a new era in socialism with Chinese characteristics as well as Dongfang Electric's beginning of a new stage featuring high quality development. In 2017, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and putting into practice the spirit of the 19th National Congress of the Party, amid the complex and ever-changing market situation, we have adhered to the "12345" development strategy, advanced the "second venture", comprehensively deepened reform and made further progress in core business. Through all such initiatives, we have managed to inject dynamism into and provided strong impetus to the Company, thus laying a solid foundation for achieving the business goals set for the "13th Five-Year Plan" period.

**During the Reporting Period, we have seen steady increase in the main business indicators.** The Company made a profit of RMB673 million in the year, produced power generation equipment with a total capacity of 30,477.2MW, 7% up over the previous year; saw an increase of 6.09 percentage points in the consolidated gross profit margin for the year; obtained newly effective orders amounting to RMB32.09 billion and had orders in hand amounting to RMB85.8 billion – all these achievements have served as the solid foundation for the sound development of the Company.

**During the Reporting Period, we have seen several highlights in the product market expansion.** Coordinated development of six different types of power generation business has significantly enhanced our competitiveness and therefore the market share. In terms of thermal power, the market share of large and medium-sized thermal power business of the Company was kept at over 40%; in terms of hydropower, the market share has exceeded 50%, with the successful bid for several pumped-storage module projects consolidating the advantages of the pumped-storage module market including 4 sets of 350MW Francis type hydropower generating units in Changlong shan, the second phase pumped-storage mechanism in Fengning and 4 sets of 300MW pumped-storage projects in Yimeng; in terms of nuclear power, the market share has increased steadily, obtaining the only TG contract in the nuclear power market throughout the year; in terms of gas power, the market share of F-grade gas turbines reached 40%; in terms of wind power, we won the bid for the 1,010MW-fixed project quota of Datang Corporation; in terms of service sector, the newly signed effective orders has exceeded RMB3 billion; the Company has successfully entered the field of solar thermal power generation and signed a contract relating to concentrated solar power system and steam generators for Hami molten salt tower-typed 50MW optothermal power generating project.

## CHAIRMAN'S STATEMENT (CONTINUED)

**During the Reporting Period, we have made fruitful technical innovations.** The world's first 600MW ultra supercritical fluidized bed boiler, researched and developed by the Company, was awarded the first prize of National Award for Science and Technology Progress 2017; "Research and Development on Giant Tubular Hydro-generating Unit Key Technology and Gerry Power Plant" project was awarded the only special prize of the scientific and technological progress in Sichuan Province, which fulfilled the accomplishment of an award in mechanical category that the Group had not received for over ten years; steady progress was made in the first unit Fuqing No. 5 of Hualong No. 1 steam generator, leading the world in the performance of its nuclear power half-speed 1,651mm long-end blade; city buses powered by hydrogen fuel cell with independent research and development core technologies have been rolled off the assembly line and been put into demonstration operations; continuous progress has been made in other independent research and development of key core technologies such as Hualong No. 1, CAP1400, and 50MW gas turbines, 630°C thermal double reheat and Million-KW water motor.

**During the Reporting Period, we have delivered notable outcomes in deepening reform.** The Company's connected transaction of acquisition of assets from its controlling shareholder by issuance of shares has been reviewed and approved by its extraordinary general meeting and the CSRC. By conducting such transaction, it will further extend the industrial chain, strongly enhance the integration of industry and financial sector, improve its international management and operation, foster new driver for future business performance, and enhance the Group's overall competitiveness. By adjusting the management method of nuclear power companies, the establishment of Renewable Energy Division and the integration of the international business and power electronics sector, the Company's industrialized operation system were further improved. We have continued to cut outdated over-capacity, increase productivity and return on capital, make new progress in addressing zombie enterprises and reducing poverty, reduce trade receivables and inventories, improve loss-making corporate governance, and solve longstanding issues. By these measures, the Company's has made further progress in its operation.

**During the Reporting Period, we have continued to deliver targeted poverty alleviation efforts.** We have always been committed to people's livelihood and actively fulfill the social responsibility as a central government-owned enterprise. In Ji County, Shanxi Province, we took part in the "100 Counties and 10,000 Villages" activity in an effort to assist the development of the apple planting industry and implemented the "Tongzhou Project" to fulfill its responsibility for "emergency relief". In Zhaojue County, Sichuan Province, we have strengthened efforts to reduce poverty through education and helped improve local education. In Rangtang County, Sichuan Province, we have carried out poverty alleviation through characteristic breeding industry and promoted the development of rural collective economic. Ji County of Shanxi Province, which place we are designated to help to eliminate poverty, overcame the poverty.

2018 marks the 40th anniversary of the reform and opening up of China, the 10th anniversary of the Wenchuan earthquake, as well as the 60th anniversary of the establishment of Dongfang Electric. In the new era, facing new tasks and new conditions, we should take some new actions. Dongfang Electric will hold high the banner of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strictly follow the Party's spirit of the 19th National Congress; will remain true to its original aspiration and focus on growing bigger, stronger and better; will target at the "Three Critical Missions" of the rejuvenation of the wind power industry, the expansion of the modern service industry and the strengthening of international business, promote the "Five major tasks" and strive to achieve the goal of "six first-class", thus embarking on a new journey of the high quality development of Dongfang Electric.

I hereby express my sincere thanks to you for your trust and support!

Chairman: Zou Lei

29 March 2018

# DEFINITIONS

#### ι. DEFINITIONS

In this report, otherwise stated, the following expressions shall have meanings as follows:

Definitions of frequently-used terms

DEC, Company	Dongfang Electric Corporation Limited
Controlling Shareholder, Dongfang Electric Corporation	DEC Group
Reporting Period	From 1 January 2017 to 31 December 2017
Shanghai Stock Exchange, SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB, RMB'0000, RMB100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million



## **COMPANY PROFILE AND MAJOR FINANCIAL INDICES**

## I. COMPANY INFORMATION

Chinese name of the Company Abbreviation of the Chinese name of the Company English name of the Company Abbreviation of the English name of the Company Legal representative of the Company Registered and business address

Postal code for registered and business address Company website E-mail 東方電氣股份有限公司 東方電氣 Dongfang Electric Corporation Limited DEC Zou Lei 18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province 611731 http://www.dec-ltd.cn dsb@dongfang.com

## **II. CONTACT PERSONS AND METHODS**

Secretary to the Board of Directors Representative of securities affairs

Name Contact address

Telephone

Fax E-mail Gong Dan 18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province 028–87583666 028–87583551 dsb@dongfang.com

#### Huang Yong 18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province 028–87583666 028–87583551 dsb@dongfang.com





COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

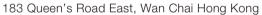
## **III. SHARE INFORMATION**

Share Information

Class of share	Listing place	Abbreviation of the stock	Stock code	Stock name before the change
A Shares	Shanghai Stock Exchange	東方電氣	600875	東方電機
H Shares	Hong Kong Stock Exchange	Dongfang Elec	01072	Dongfang Electrical

## **IV. OTHER INFORMATION**

The accounting	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
firm engaged by the Company	Business address	21/F, Maotai Building <sup>,</sup> Compound 29, Bei San Huan Zhong Lu, Xicheng District, Beijing
	Signing accountants	Zhang Junshu Zhang Jiahui
H Share registrar	Name Business address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre,







## V. MAJOR ACCOUNTING DATA AND FINANCIAL INDICES FOR THE LAST 3 YEARS

### (I) Major accounting data

Year-on-year 2017 2016 increase/decrease Major accounting data 2015 (%) Operating income 30,830,230,430.91 33,285,723,808.34 -7.38 36,017,943,700.32 Net profit attributable to shareholders of the Company 673,079,118.85 -1,784,306,804.76 137.72 439,072,644.82 Net profit after non-recurring profit and loss attributable to shareholders of the Company 491,803,164.84 -1,982,592,343.89 124.77 316,317,054.25 Net cash flow from operating activities -94.98 450,239,494.68 8,965,090,194.05 4,155,867,579.48 Increase/decrease for the end of the year As at the compared to the As at the As at the end of 2017 end of 2016 end of last year end of 2015 (%) Net assets attributable to shareholders of the Company 21,821,370,658.62 3.20 23,051,589,145.83 21,144,292,192.79 Total assets 78,920,765,722.56 84,702,600,301.42 -6.83 86,134,423,264.67



Unit: Yuan Currency: RMB

## (II) Major financial index

Major financial index	2017	2016	Year-on-year increase/ decrease <i>(%)</i>	2015
Basic earnings per share				
(RMB/share)	0.29	-0.76	138.16	0.19
Diluted earnings per share				
(RMB/share)	0.29	-0.76	138.16	0.19
Basic earnings per share				
after non-recurring profit				
and loss <i>(RMB/share)</i>	0.21	-0.85	124.71	0.14
			Increased	
			by 11.20	
Weighted average return on			percentage	
net assets (%)	3.13	-8.07	points	1.94
Weighted average return			Increased	
on net assets after			by 11.26	
non-recurring profit and			percentage	
loss <i>(%)</i>	2.29	-8.97	points	1.39

## VI. ITEMS AND AMOUNT OF NON-RECURRING PROFIT OR LOSS

Unit: Yuan Currency: RMB

Items of Non-recurring Profit or Loss	Amount for 2017	Amount for 2016	Amount for 2015
Gain or loss on disposal of non-current assets Government subsidies recognized in current period's profit and loss, except continuous government subsidies closely related to the Company's general	16,950,674.48	-5,436,906.96	13,406,137.95
business, in accordance with state policy, and with fixed amounts Gain or loss on restructuring liabilities	148,289,356.84 136,707,204.50	180,374,099.82 20,622,378.52	186,406,476.94

## COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

Items of Non-recurring Profit or Loss	Amount for 2017	Amount for 2016	Amount for 2015
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	2,650,708.60	-12,000,395.74	5,154,680.26
Reversal of provision on receivable impairment			
individually conducted impairment test	190,736,951.50	175,855,529.34	14,910,000.00
Other non-operating incomes and expenses other			
than the above	-270,531,983.64	-143,690,445.40	-51,813,572.17
Other profit and loss items falling within the definition			
of non-recurring profit or loss		-19,523,581.56	
Impact of interests of minor shareholders	-6,709,457.43	7,873,712.13	-7,376,907.74
Impact of income tax	-36,817,500.84	-25,312,432.58	-18,407,643.11
Total	181,275,954.01	198,285,539.13	122,755,590.57



## **BUSINESS OVERVIEW**

## I. THE COMPANY'S PRINCIPAL BUSINESS, OPERATING MODEL AND INDUSTRY INFORMATION DURING THE REPORTING PERIOD

### (I) Principal business and operating model

The Company is engaged in power equipment manufacturing industry. By adhering to the objective of "to create value and to enjoy fruits together (共創價值、共享成功)", the Company committed to becoming a world leading manufacturer of major technology and equipment and service provider with international competitiveness, and 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, establishing a five-in-one and jointly-developing structure (i.e. hydropower, thermal power, nuclear power, wind power and gas).

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. The Company has ranked top globally for successive years in terms of production volume of power generation equipment. With its power generation equipment and service business covering nearly 70 countries and regions, the Company is highly competitive and influential in the field of power generation equipment. 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.

Due to the increasing demand in the world power equipment market, especially the rigid demand for electricity of developing countries persisting for a long time, the proportion of renewable energy will increase significantly. In domestic market, the slowdown in electricity consumption has eased the overall electricity supply, and the overcapacity of traditional power generation equipment such as coal power in domestic power generation equipment enterprises has become apparent resulting in an increasingly fierce market competition. The development of power generation equipment towards "clean, low-carbon, high-efficiency, intelligence, economy, and security" has raised higher requirements for enterprises to improve their market competitiveness and transformation and upgrading.

### (II) Analysis on industry operation information

The Company operated in power equipment industry. Installed power generation capacity experienced an increase in 2017, while its growth rate slowed down. According to "13th Five-Year Plan for the Electricity Sector", during 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, the plan emphasizes the requirements on the transformation and upgrade of electricity supply structure, which are mainly manifested in the following aspects:

## **BUSINESS OVERVIEW (CONTINUED)**

Actively developing hydropower. The emphasis should be on the construction of leading power stations along key river basins, with scientific development of hydropower resources in southwestern China and orderly construction of large hydropower bases. By 2020, the routine installed capacity of hydropower should reach 340GW.

Vigorously developing new energies. The distribution of wind power should be optimized by adhering to the principle of combining centralized development and scattered development and adjacent areas consuming most of the electricity generated. By 2020, the installed capacity of wind power should exceed 210GW across the country, including around 5GW of offshore wind power. The principle of scattered development and adjacent areas consuming most of the electricity generated should be applied to the distribution of PV power plants. By 2020, the installed capacity of solar power should exceed 110GW, including more than 60GW of distributed PV power and 5GW of concentrated solar power.

Safely developing nuclear power. More efforts should be made to develop independent demonstration projects of nuclear power and accelerate nuclear power development in coastal areas. During the "13th Five-Year Plan" period, approximately 30GW of nuclear power will be put into production across the country, with construction in progress for a capacity of more than 30GW and the installed capacity to reach 58GW by 2020.

Developing power generation through natural gas in an orderly manner and vigorously proceeding with the development of distributed steam power. During the "13th Five-Year Plan" period, an additional 50GW of steam power will be put into operation across China, with the amount to exceed 110GW by 2020, including 15GW for the integrated system of power generation, refrigeration and heating supply.

Developing coal power in a clean and orderly manner, with strict control over the planning and implementation of coal power development. During the "13th Five-Year Plan" period, more than 150GW of coal power development projects will be cancelled or delayed. By 2020, the installed capacity of coal power will be controlled within 1,100GW for the whole country. In respect of the energy saving and emissions reduction, the country will eliminate more than 20GW of outdated capacity of thermal power. Average standard-coal consumption should fall below 300 grams per KWh for the power supply by newly built coal-fired power generating units and 310 grams per KWh for the existing ones.



# II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING

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 possesses a relatively strong international competitiveness, especially in techniques, brand and manufacturing ability. The core competitiveness of the Company mainly shows as below:

1. Excellent techniques and innovative capability of products. The Company has the proprietary technologies for the R&D, design and manufacture of such equipment as 300-1,000MW hydropower units, 300-1,000MW thermal power units, 1,000MW nuclear power units, MW-level wind power units, and heavy duty gas turbine units. In addition, breakthroughs have been recorded in performance improvement for 660MW and 1,000MW ultra-supercritical steam turbine, Million-KW 630℃ module with ultra-supercritical double reheat features was awarded as national demonstration project. The Company won the bid for the 2×1,000MW ultra-supercritical double reheat module of Zhongxing Electric Power in Penglai that took the high ground in high-end thermal power technologies market. Depending on Shenhua Wanzhou Power Plant thermal power unit, the Company organized and launched the construction of remote monitoring and diagnosis system making remote diagnosis, health and intelligence management and full life cycle services of power units a reality. The Company completed the development of its third generation nuclear power CAP1400 and Hualong No. 1 steam generator, steam turbines and electric generator successively, whose main performance reach the leading level in the World, and obtained the technical design and test verification contract for the four heat exchangers of the fourth-generation nuclear sodium cooled demonstration fast reactor: The self-developed F-class 50MW gas turbine was first developed in China to perform a full-stage performance test of the compressor and achieved good results. The main design work of the gas turbine has been completed and the prototype has been manufactured. For EPC contracting and full-package engineering for power station projects, the Company achieves top-class of overall technological level in the PRC, and has outperformed its domestic peers and reached advanced international level in certain aspects. The Company has 1,744 researchers who possess senior technique job title, and obtained 207 additional valid patents (including 85 patents for invention) in 2017 and possessed 1,313 valid patents (including 467 patents for invention) as at the end of 2017.

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## **BUSINESS OVERVIEW (CONTINUED)**

- 2. **Comprehensive product structure and service ability:** Relying on its 60 years R&D experience, the Company has output power generation equipment of more than 500 million kilowatts and established a five-in-one and jointly-developing structure (i.e. hydropower, thermal power, nuclear power, wind power and steam power) which enable it to provide comprehensive transformation and service for power stations. The full-package power station improvement and optimization solutions provided by the Company can meet various demands of customers, therefore increasing competitiveness and anti-risk ability.
- 3. **First-rate manufacturing capability:** The Company has owned the manufacturing technology, craftsmanship, and production equipment of advanced international levels and sophisticated production management methods and approaches, thereby forming the first-rate manufacturing capability. The Company can mass-produce 1,000MW hydropower units, 1,000MW thermal power units, 1,000MW nuclear power units, MW-level wind power units, E-grade and F-grade heavy-duty gas turbines, flue gas desulfurizers or denitrators for large power station boilers, and other products meeting various requirements of safe and environmental protection.
- Remarkable market expansion capability: Through powerful promotion team, complete domestic and overseas network and product structure, the Company has maintained considerable market share in the PRC, and higher influence in foreign markets.
- 5. **Strong brand influence:** Brands including "DEC" became famous brand names in China. In addition, "DEC" has successfully registered and been protected by local laws in 25 countries like Germany, France and Russia, which indicated an increasingly strong brand influence.

## **REPORT OF THE BOARD OF DIRECTORS**

## I. DISCUSSION AND ANALYSIS OF OPERATIONS

### Operation overview during the Reporting Period

Year 2017 witnessed a rigorous and complicated macro-economy with a sluggish coal power market and a downturn in industrial efficiency. Under these circumstances, the Company insisted on the guide of Socialism with Chinese Characteristics for a New Era, earnestly implemented the spirit of the 19th National Congress of the Communist Party of China, and carried out an in-depth research and analysis of the impact of "De-capacity" policy in the coal power industry on projects, struck a new way under frustrations and hardships, adapted to the changing circumstances swiftly and creatively by firmly upholding corporate spirits as a whole, and made efforts on restructuring and upgrading to become stronger and better. Upon all these efforts, the Company turned loss into profit, reversing the passive situation from a downturn in profit for consecutive three years to a net profit attributable to the owner of parent company of RMB673 million for the year, completing power generation equipment with a capacity of 30,477.2MW and new effective orders increased by RMB32.09 billion for the year.

## Product manufacturing task completed successfully

In 2017, the Company produced power generation equipment with a total capacity of 30,477.2MW, increased 7% compared with the power generation equipment completed in last year. Such equipment included 27 hydro-electric turbine generating units (2,314.2MW); 90 steam turbine generators (27,483MW) (including nuclear power generators and gas turbine generators); and 301 wind turbine generator sets (680MW); 49 power station boilers (23,292MW); and 106 power station steam turbines (23,967MW)(including gas turbines).

The "100-Day Battle" competition with the theme of "Fulfilling contracts, Improving quality and Creating benefits" was carried out throughout the whole company to ensure that the quality progress of the projects could generally meet the needs of users. The first F5 gas turbine in China has passed a trial run of 168 hours and was officially put into commercial operation. The successful development of the world's first steam generator "Hualong No.1", steam turbine and generator marked a major breakthrough in the independent innovation of China's third-generation nuclear power technology. The first anti-typhoon offshore 5MW generating unit has been installed in Xinghua Bay in Fujian, paving the way for entering offshore wind power sector. Overseas engineering construction was carried out in an orderly manner, with the Indian Corinthian thermal power project completed perfectly and the final completion certificate of two units obtained. Dongfang Electric obtained the final completion certificate for Pakistan's Nandipu project, the first foreign contracting project relating to combined cycle unit.

### Substantial results achieved in market expansion

Against grave and complicated market conditions and increasingly fierce market competition as well as the huge impact of the national coal and electricity policy control, the Company has united as one, forged ahead with best and concerted efforts, obtaining newly effective orders amounting to RMB32.09 billion throughout the year, including export orders equaling to RMB2.026 billion. Among such new orders, 54% was attributable to high-efficiency clean energy, 9% to new energy, 19% to hydropower and environmental protection, and 18% to engineering and services. As of the end of 2017, the Company had orders of RMB85.8 billion in hand, among which high-efficiency clean energy accounted for 55%, new energy 16%, hydropower and environmental protection 14%, engineering and services 15%. Export orders accounted for 19% of all of the orders in hand.

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

Substantial results achieved in market expansion (Continued)

For thermal power, the market share in the large and medium-sized thermal power markets remained above 40%, while Million-KW  $630^{\circ}$  module with ultra-supercritical double reheat features was awarded as national demonstration project. The Company won the bid for the 2×1,000MW ultra-supercritical double reheat module of Zhongxing Electric Power in Penglai that took the high ground in high-end thermal power technologies market. It also won the bid for fourteen 300MVar phase modifiers with market share accounting for 70%, which served to effectively alleviate the shortage in orders placed upon 15 conventional thermal power projects in 2017.

For hydropower, the market share amounted to over 50%. The Company recorded repeated success in pumped-storage mechanism orders by winning the bid of 4 sets of 300MW pumped-storage module in Fengning Phase II and Yimeng following its successful bid for Changlong shan 4 sets of 350MW Francis type hydropower generating units, thus consolidating its edge in the pumped-storage module market.

For nuclear power, the Company saw a rise in its stable market share. The Company was awarded the contract of technical design and testing and verification on the four major heat exchangers of CFR600 demonstration fast-reactor (the fourth generation representative of nuclear power), signed a general purchase contract for ACPR50S experimental reactor primary equipment, and won the bid for 6 sets of "Hualong No. 1" components for reactor units and two control rod drivers. The Company made a breakthrough in AP1000 IHP orders and was awarded the Lianjiang TG contract (the only TG project in the nuclear power market for the year).

For steam power, the Company won bids for both the Beijiao and Huadu projects of Guodian among five determined bid with market share of F-grade generating units reaching 40%.

For wind power, the Company won the bid for the 1010MW-fixed project quota of Datang Corporation and attained the 100MW batch production orders for the first time of ultra-low wind speed 2MW-127 module.

For service sector, newly effective orders of the Company exceeded RMB3 billion.

In addition, for optothermal power generating sector, the Company made a great breakthrough in the first batch national demonstration project of solar and optothermal power and signed a contract in relating to concentrated solar power system and steam generators for Hami molten salt tower-typed 50MW optothermal power generating project.

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

### Further progress made in deepening reform

The Company's connected transaction of acquisition of assets from its controlling shareholder by issuance of shares has been reviewed and approved by its extraordinary general meeting and the CSRC. Now the asset delivery process is in progress. The issuance of shares to purchase assets of controlling shareholders is of great significance to the company. It not only extends the industrial chain, boosts the complementary and synergy effects of industry and finance, enhances the integration of these two sectors, improves its international operation, but also fosters new driver for future business performance, and strengthens the Company's sustainability, profitability and overall competitiveness.

The Company has basically put in place an industrialized management system: set up the Renewable Energy Division; defined the management functions of Marketing Department and other divisions; adjusted the management methods of the major nuclear power companies; integrated the engineering service and trade, power electronics and other industrial sector resources. Through these measures, we have continuously optimized out industrial structure and therefore provided a solid foundation for sustainable improvement in the quality of development.

Practical results achieved in streamlining. Focusing on deepening reforms and structural adjustments, we have actively implemented streamlining plans and saw a significant reduction in the number of employees.

### Remarkable progress made in quality and efficiency improvement

The Company had in place an annual work scheme of quality and efficiency improvement and set up its annual indicators and goals for control and regulation, thus leading to an evident improvement in work efficiency. In 2017, the Company recorded a decrease in cost ratio by 5.67% year on year, while at the same time an increase in gross profit margin of principal operation by 5.96% year on year. Abnormal inventories decreased markedly as compared to the beginning of the year with regulation goals achieved for the year, which in turn reduced capital risk and saved capital cost.

Reducing purchase cost also achieved satisfactory results. The Company streamlined the purchase management system and set up a new mechanism for purchase by tender characterized by "separation of supervision and operation, separation of tender and purchase, standardization and efficiency". The Company worked to further reduce purchase cost with a centralized purchase rate of over 96% so as to reduce purchase cost.

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## Fruitful technical innovations

The research, development and demonstration project of 600MW ultra supercritical fluidized bed boiler technology of Dongfang Boiler was awarded the first prize (universal projects) of National Award for Science and Technology Progress 2017. The Dongfang Electrical was the only company awarded the 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.

Impressive achievements made in research, development and innovation of major products. As to coal power, major breakthroughs were made in Million-KW 630 °C ultra-supercritical double reheat project, which was awarded as demonstration project by National Energy Administration. As to nuclear power, the Company completed the development of its third generation nuclear power CAP1400 and Hualong No.1 steam generator, steam turbines and electric generator successively, whose main performance reach the leading level in the world. As to hydropower, the Company took up the construction of the world's largest generating unit of Baihetan 1,000MW hydropower generating units, and the self-developed model runner of Changlong shan pumped storage units, ranking the first in China in terms of height, was possessed of excellent hydraulic performance which enables itself to occupy the commanding heights in the field of 700m hydraulic head pumped storage technology and won the first place in the competition with first-class enterprises. As to steam power, F5 combined cycle unit, the most advanced in China, was put into operation in Huaneng Gaobeidian Plant successfully, which indicates that thermal power generators of Dongfang Electric is the most advanced in China. The model machine of 50,000kw heavy-duty thermal power generators was in the mill. We took an active part in the development of heavy-duty thermal power generators. As to wind power, with the goal of excelling other domestic competitors, we have optimized the 5MW offshore wind turbine unit after the first unit was rolled out and statically commissioned at the Fuging offshore wind farm, upgrading the farm from a Class Ill one to a Class I one.

# II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB30.830 billion; net profit attributable to the shareholders of the Company of RMB673 million, representing an increase of 137.72% over the same period of last year; earnings per share of RMB0.29; and the gross profit margin for principal operations was 17.87%, representing an increase of 5.96 percentage points compared with last year.

Reasons for profitable results of the Company in 2017 were as follows:

1. Principal business effect. During the year, the Company implemented the "lowering costs project", strengthened internal management and devoted great efforts to cost reduction and efficiency enhancement, which achieved a better result in improving procurement concentration and a significant increase in the profitability of the principal business, the gross profit margin of which was 17.87%.

- 2. Selling expenses effect. Selling expenses of the Company for this Year recorded RMB854 million, representing a decrease of 40.98% as compared with the corresponding period of last year. The decrease was mainly due to the year-on-year decrease in income from wind power of the Company, decrease in quality deposit provided in proportion to operating income as compared with the previous year, and in addition, the base for the provision of quality assurance fee of wind power products was larger, thereby resulting in a larger decrease as compared to the previous year.
- 3. Asset impairment loss effect. Provision for asset impairment losses of the Company for this Year recorded RMB742 million, representing a decrease of 50.44% as compared with the corresponding period of last year. The decrease was mainly due to the Company's great efforts on the collection of receivables and recovery of payments for goods which have been proved effective and resulted in a decrease of approximatelyRMB698 million in the provision for losses on bad debts as compared with the previous year.
- (I) Analysis of Principal Business

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

Item	Amount for the Period	Amount for the same period of the previous year	Change <i>(%)</i>
Operating revenue	30,830,230,430.91	33,285,723,808.34	-7.38
Operating cost	25,303,291,905.04	29,277,766,070.66	-13.58
Selling expenses	853,935,326.72	1,446,957,948.09	-40.98
Administrative expenses	3,609,864,117.73	3,562,680,183.45	1.32
Finance costs	-309,694,581.56	-641,457,176.95	51.72
Net cash flows from operating activities	450,239,494.68	8,965,090,194.05	-94.98
Net cash flows from investing activities	-44,245,507.11	-443,004,675.55	90.01
Net cash flows from financing activities	-818,425,526.80	-1,373,686,177.28	40.42
Research and development		/	
expenses	1,196,468,795.69	1,285,959,003.86	-6.96

- (I) Analysis of Principal Business (Continued)
  - 1. Analysis of revenue and cost
    - (1) Principal operations by industry, product and region

Principal operations by industry

Unit: Yuan

Industry	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 (%)
Power generation equipment manufacturing industry	30,551,301,037.80	25,093,199,274.96	17.87	-7.72	-13.96	Increasing by 5.96 percentage points

Principal operations by product

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 (%)
High-efficient cleaning						Increased by
power generation						1.75 percentage
equipment	20,773,547,451.72	17,119,853,677.59	17.59	5.59	3.40	points
New energy						Increased by
						11.06 percentage
	3,932,148,630.63	3,122,150,648.73	20.60	-50.46	-56.51	points
Hydropower and						
environmental						Increased by
protection	1 000 760 400 55	1 662 220 005 40	16.79	24.59	-0.57	21.06 percentage
equipment Engineering and	1,998,768,400.55	1,663,220,085.48	10.79	24.59	-0.57	points increased by 13.59
services	3,846,836,554.90	3,187,974,863.16	17.13	-1.18	-15.10	percentage points

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

## II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (CONTINUED)

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

### 1. Analysis of revenue and cost (Continued)

(1) Principal operations by industry, product and region (Continued)

Principal operations by region

Unit: Yuan

Region	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 (%)
Domestic	26,403,334,557.97	21,628,015,468.37	18.09	-10.34	-14.82	Increased by 4.31 percentage
Overseas	4,147,966,479.83	3,465,183,806.59	16.46	13.37	-8.18	points Increased by 19.61 percentage points

Explanation on principal operations by industry, product and region

- (1) In general, the Company operated stably this year. However, under the effect of macro-economy, the revenue of new energy segment decreased significantly. The revenue of principal operations this year decreased year-on-year by 7.72%.
- (2) The operating revenue from high-efficient cleaning power generation equipment during the year increased by 5.59%, as compared with the same period of last year, which was mainly attributable to the increase of sales of thermal power, gas turbine and nuclear power conventional island products. The gross profit margin of high-efficient cleaning power generation equipment increased slightly in the year, due to various measures of "cost-driven program" taken by the Company.

- (I) Analysis of Principal Business (Continued)
  - 1. Analysis of revenue and cost (Continued)
    - (1) Principal operations by industry, product and region (Continued)

Explanation on principal operations by industry, product and region (Continued)

- (3) The revenue from new energy products during the year decreased by 50.46% as compared with the same period of last year, mainly due to the decrease of 59.00% in revenue of the wind power products. The gross profit margin of the new energy recorded a year-on-year increase of 11.06 percentage points, which was primarily resulted from the relative increase in revenue in the proportion of nuclear power products which has higher profitability in the year.
- (4) The revenue from hydropower and environmental protection equipment increased by 24.59% as compared with the same period of last year, mainly due to the increase of 67.59% in sales revenue of hydropower products; meanwhile, the sales revenue of environmental protection equipment declined by 7.72%. The gross profit margin of this segment increased by 21.06 percentage points, which was mainly caused by the loss recorded in some hydropower projects.
- (5) Revenue from construction and services for the year decreased by 1.18%, which is largely in line with last year. The gross profit margin of engineering and services projects recorded a year-on-year increase of 13.59 percentage points due to the higher gross profit margin of some engineering projects.

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

## 1. Analysis of revenue and cost (Continued)

Principal products	Unit	Production volume	Sales volume	Inventory volume	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory volume over last year (%)
Hydro-generating Unit	MW	2,314	1,471	1,515	200.13	68.11	125.78
Steam turbine generator	MW	27,483	26,533	16,290	1.88	54.75	6.19
Wind power units	MW	680	573	108	-46.03	-59.45	-68.05
Power station steam turbines	MW	23,967	22,825	17,450	-14.99	-0.43	76.10
Power station boilers	MW	23,292	23,292	0	10.45	10.45	0

(2) Analysis of production and sales volume

(3) Cost analysis

Unit: RMB

Industry	Cost composition	Amount for the period	As a percentage in total costs for the period <i>(%)</i>	Amount for the corresponding period of last year	Percentage in total costs the corresponding period of last year (%)	Year-on-year increase/ decrease (%)	Note
Power generation equipment	Raw materials and	19,603,343,484.57	78.12	23,305,451,013.34	79.91	-15.89	
manufacturing and services		000 000 704 04	0.70	1 005 100 700 40	4.04	00.00	
Power generation equipment manufacturing and services	Direct labour costs	936,266,784.91	3.73	1,265,166,706.49	4.34	-26.00	
Power generation equipment	Other costs	4,553,589,005.48	18.15	4,593,886,244.59	15.75	-0.88	
manufacturing and services Power generation equipment manufacturing and services	Total	25,093,199,274.96	100.00	29,164,503,964.42	100	-13.96	

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

#### 1. Analysis of revenue and cost (Continued)

#### (4) Major customers in sales and major suppliers

The Company's sales from its top five customers amounted to RMB4.793 billion, accounting for 15.53% of the total sales for the year, among which, sales to connected parties was nil, representing nil of the total sales for the year.

The Company's procurement from its top five suppliers amounted to RMB1.630 billion, accounting for 7.06% of the total procurement for the year, among which, the procurement from connected parties was RMB1.011 billion, accounting for 4.38% of the total procurement for the year.

#### 2. Expenses

Item	Amount for	Amount for	Change
	the year	last year	<i>(%)</i>
Selling expenses	853,935,326.72	1,446,957,948.09	-40.98
Administrative expenses	3,609,864,117.73	3,562,680,183.45	1.32
Finance costs	-309,694,581.56	-641,457,176.95	51.72
Income tax expenses	-149,646,382.09	-184,625,607.38	18.95

(1) The selling expenses of the Company decreased year-on-year by 40.98%, due to the decrease in provisions made for sales services based on income proportion, and additional provisions made to the quality of products for sold projects of which warranty period has not expired after the assessment on the book value of the estimated liabilities from wind power segments last year.

(2) The finance costs of the Company increased year-on-year by 51.72%, mainly due to changes in net exchange gains and losses, the exchange gains for last year was RMB209 million last year compared to the exchange losses of RMB270 million for the current period.

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

#### 3. R&D expenditure

Table of R&D expenditure

Unit: YuanExpensed R&D expenditure for the year1,196,468,795.69Capitalized R&D expenditure for the period0Total R&D expenditure1,196,468,795.69Percentage of total R&D expenditure over revenue (%)3.88Number of R&D staff1,744Percentage of R&D staff over the total staffs (%)10.12Percentage of R&D expenditure capitalization (%)0

#### Note information

Focusing on the its development strategy for the "13th Five-Year Plan" period, the Company has pursued new development philosophy, innovation-driven development strategy through strengthening the core support provided by technological innovation, in a move to steer the development of energy equipment to see it become more efficient, green, and safe and further increase the competitiveness of our products.

**In terms of hydropower,** based on independent innovation, the Company has engaged in the construction of the world's largest generating unit of Baihetan 1,000MW hydropower generating units, the first unit of which has started manufacturing. The self-developed model runner of Changlong shan pumped storage units, ranking the first in China in terms of height, with excellent hydraulic performance, has obtained ordering contracts.

**In terms of clean and efficient thermal power,** the Company has continued to develop clean and efficient power generation technology and developed a Million-KW module with ultrasupercritical double reheat features. Major breakthrough was made in such new generation of Million-KW 630°C ultra-supercritical double reheat demonstration project, which was also awarded as demonstration project by National Energy Administration. The design of the 660MW ultra-supercritical CFB boiler has been approved by relevant national authorities.

(I) Analysis of Principal Business (Continued)

### 3. R&D expenditure (Continued)

**In terms of gas turbine,** the 50MW heavy-duty gas turbine R&D has been advanced, and prototype development carried out. International cooperation and independent research and development has been going hand in hand, and the more advanced 300,000 kilowatt-class F4+ gas turbine generating units are produced in batches to complete the upgrading of the main model. China's first fifth-generation F-grade heavy-duty gas turbine M701F5 has successfully completed a 168-hour trial run at Huaneng Beijing Thermal Power Plant and been put into commercial operation.

**In terms of nuclear power,** fresh progress has been made in the independent research and development of the third-generation nuclear power units, represented by the national major science and technology special project CAP1400 demonstration project in Shidao Bay, the independent technology Hualong No. 1 in Fuqing and the AP1000 project. Research and development on the steam generator of the first demonstration generating unit of Hualong No. 1, China's third generation nuclear power technology with completely independent intellectual property rights, has been completed.

**In terms of wind power,** targeting at reaching the international leading level, we have accelerated the development of 3.5MW direct-driven wind turbines, completed the optimization of 5MW offshore wind turbines, and worked faster to develop 8MW offshore wind turbines.

#### 4. Cash flow

Item	Amount for the year	Amount for last year	Change <i>(%)</i>
Received tax rebates Other cash received from operating	67,457,296.39	119,520,446.16	-43.56
activities Cash received from disposal of	1,102,511,393.32	804,645,589.20	37.02
investments Cash received from return on	23,663,685.05	11,469,200.22	106.32
investments	107,335,340.16	12,538,818.20	756.02
Cash paid for investment	746,884.48	200,716,755.66	-99.63
Cash received from borrowings	485,750,000.00	824,440,000.00	-41.08
Cash paid for repayment of loans Dividends paid, profit distributed or	1,260,970,000.00	1,985,000,000.00	-36.48
interest paid	39,085,857.60	210,916,342.68	-81.47

(I) Analysis of Principal Business (Continued)

### 4. Cash flow (Continued)

- (1) Received tax rebates decreased by 43.56% on a year-on year basis, mainly due to the substantial decrease of tax refund for export received in this year as compared with the corresponding period of last year.
- (2) Cash received relating to other operating activities increased by 37.02% on a year-onyear basis, mainly due to the increase in security deposits and deposit interest income received by the Company in this year as compared with the corresponding period of last year.
- (3) Cash received from disposal of investments increased by 106.32% on a year-on-year basis, which was mainly affected by the disposal of investments in stock in this year.
- (4) Cash received from return on investments decreased by 85.01% on a year-on-year basis, which was mainly affected by the lower level of dividend received from joint venture in this year.
- (5) Cash paid to acquire investments decreased by 99.63% on a year-on-year basis, mainly due to the decrease in external investments of the Company in this year.
- (6) Cash received from borrowings decreased by 41.08% on a year-on-year basis, mainly due to the continued scaled-down of loans as the Company repaid the borrowings due from financial institutions in this year.
- (7) Cash paid for repayment of loans decreased by 36.48% on a year-on-year basis, mainly due to the lower prepayment amount of loans in this year than that of last year.
- (8) Cash payments for interest expenses and distribution of dividends or profits decreased by 81.47% on a year-on-year basis, mainly due to the year-on-year decrease in dividends distributed by the Company in this year, and the year-on-year decrease in interest paid for borrowings from financial institutions as the borrowing amount decreased.

## (II) Analysis on Assets and Liabilities

#### 1. Analysis on assets and liabilities

Unit: Yuan

Item	Closing amount at the end of the year	Closing amount at the end of the year over total assets (%)	Closing amount at the end of last year	Percentage of closing amount at the end of last year over total assets (%)	Increase/ decrease of closing amount at the end of the year over that at the end of last year (%)
Financial assets at fair value through profit or loss Construction in progress Staff remuneration payable Taxes payable Long-term borrowings	33,803,471.54 206,307,683.13 570,752,932.84 251,459,401.69 42,040,000.00	0.04 0.26 0.72 0.32 0.05	59,661,930.59 107,598,422.31 427,869,549.45 566,207,934.48 536,940.000.00	0.07 0.13 0.51 0.67 0.63	-43.34 91.74 33.39 -55.59 -92.17
Long-term remuneration payable	693,858,523.44	0.88	462,107,103.50	0.55	50.15

#### Other information

- (1) Financial assets at fair value through profit or loss of the Company decreased by 43.34% at the end of the year as compared with the beginning of the year, mainly due to the disposal of part of stock assets during the year and the expiry of forward foreign settlement.
- (2) Construction in progress of the Company increased by 91.74% at the end of the year as compared with the beginning of the year, mainly due to the significant investment in the additional construction in progress at the early stage in this year.
- (3) Staff remuneration payable by the Company increased by 33.39% at the end of the year as compared with the beginning of the year, mainly due to the increase in provision for termination benefits in this year.
- (4) Taxes payable by the Company decreased by 55.59% at the end of the year as compared with the beginning of the year, mainly due to the decrease in value-added tax payable.

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

## II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD (CONTINUED)

- (II) Analysis on Assets and Liabilities (Continued)
  - 1. Analysis on assets and liabilities (Continued)

Other information (Continued)

- (5) Long-term borrowings of the Company decreased by 92.17% at the end of the year as compared with the beginning of the year, mainly due to part of long-term borrowings being classified into non-current liabilities due within one year as time progresses.
- (6) Long-term staff remuneration payable by the Company increased by 50.15% at the end of the year as compared with the beginning of the year, mainly due to the increase in provision for termination benefits in this year.

### (III) Analysis of Investment

#### committed Paid-in investment investment **Proportion of** No. Name of investees **Principle business** amount amount shareholding **Partners** (RMB'0000) (RMB'0000) (%) 1 China United Heavy Gas Heavy duty gas turbine 12.000 4.800 12 China Power Investment Turbine Technology Co., R&D Corporation Limited, Harbin Itd. Electric Corporation and Shanghai Electric (Group) Corporation, which hold 64%, 12% and 12% equity in the investee, respectively 200 2 Liangshan Fengguang New Wind power plant service 200 20 Liangshan State-owned Investment Energy Operation and Development Co. Ltd., Xichang Maintenance Co., Ltd. Co., Engineering, Sichuan Xichang Electric Power Co. Ltd., and Sichuan Guoke IoT Co. Ltd. which hold 35%.25%.15% and 5% equity in the investee, respectively Total 12,200 5,000

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

## (III) Analysis of Investment (Continued)

## 1. Overall analysis on external equity investment (Continued)

(1) Financial assets at fair value

No.	Туре	Stock code	Stock short name	Initial investment cost (RMB)	Number of shares held (Share)	Amount at the end of the period (RMB)	Percentage to total securities investment at the end of the period	Profit or loss in the Reporting Period (RMB)
1	stock	600011	Huaneng Power	30,732,595.64	2,802,100	17,288,957.00	54.51	-2,465,848.00
2	stock	601179	China XD	10,107,744.90	1,447,000	6,323,390.00	19.94	-793,561.00
3	stock	000883	Hubei Energy	1,897,910.00	285,400	1,321,402.00	4.17	40,241.40
4	stock	600406	Nari Technology Development	15,229,977.58	1,131,400	0.00	0.00	1,495,605.96
5	stock	600900	China Yangtze Power	2,419,297.00	200,000	0.00	0.00	623,688.33
6	stock	600030	CITIC Securities	6,309,814.00	374,900	6,785,690.00	21.39	896,011.00
			Total	66,697,339.12	-	31,719,439.00	100.00	-203,862.31

## (IV) Analysis of major controlling subsidiaries and investees

Company name	Shareholding	Main products or services	Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and sales of steam turbines, water turbine, gas turbines, compressors, fans, pumps and auxiliary equipment, wind turbine generator units, solar and renewable energy; industrial control and automation; the research, design installation, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and accessories as well as the related import and export business	18.46	261.32	39.86	99.53	1.15	0.77
DEC Dongfang Electric Machinery Co., Ltd.	100%		20.00	136.71	38.63	47.59	-0.29	2.96
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurization, denitrification, wastewater and solid waste treatment etc.)	16.06	206.91	54.39	107.21	2.64	2.38
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%		11.51	36.34	17.05	10.00	0.69	0.63
Dongfang Electric Wind Power Co., Ltd.	d 100%		8.20	67.39	0.77	34.28	-2.80	-2.65

(V) Financial Position and Operating Results during the Reporting Period

## 1. Analysis of operating results

Year-on-year Amount for increase/ Amount for Item the year last year decrease (%) Operating revenue 30.830.230.430.91 33.285.723.808.34 -7.38 853,935,326.72 Selling expenses 1,446,957,948.09 -40.98 Administrative expenses 3,609,864,117.73 3,562,680,183.45 1.32 Finance costs -309,694,581.56 -641,457,176.95 51.72 Impairment loss of assets 742,223,183.10 1,497,637,534.28 -50.44 130.99 Operating profit 620,261,972.90 -2,001,370,040.59 Total profit 533,423,317.37 -1,944,064,007.65 127.44 Income tax expenses -149,646,382.09 18.95 -184,625,607.38 Net profit 683,069,699.46 -1,759,438,400.27 138.82 Net profit attributable to the owner of the Parent Company 673,079,118.85 -1,784,306,804.76 137.72

- (1) The operating revenue of the Company deceased year-on-year by 7.38% under the effect of macro-economic environment.
- (2) The selling expenses of the Company decreased year-on-year by 40.98%, due to the decrease in provisions made for sales services as a result of a year-on-year decrease in revenue, and additional provisions made to the quality of products for sold projects of which warranty period has not expired after the reassessment on the book value of the estimated liabilities from wind power segments last year.
- (3) The administrative expenses of the Company increased year-on-year by 1.32% mainly due to the increase in provision for the termination benefits resulted by more efforts put into the implementation of "streamlining plans".
- (4) The finance costs of the Company increased year-on-year by 51.72%, mainly due to changes in net exchange gains and losses, the exchange gains for last year was RMB209 million last year compared to the exchange losses of RMB270 million for the current period.
- (5) The operating profit of the Company increased year-on-year by 130.99%, total profit increased year-on-year by 127.44%, and net profit increased year-on-year by 138.82%, which were mainly attributable to the implementation of "reducing costs and improving efficiency", causing an increase of gross profit margin generated from principal businesses, a substantial year-on-year decrease of sales expense and the decrease in provisions for impairment loss of assets.

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

### 2. Analysis of assets, liabilities and shareholders' equity

At the end of the year, the Company's total assets amounted to RMB78.921 billion, representing a decrease of 6.83% as compared with the beginning of the year, among which, a decrease of 6.49% and 17.40% were recorded in inventory and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB56.153 billion, representing a decrease of 10.32% as compared with the beginning of the year, mainly attributable to the decrease of 32.11% in notes payable. Shareholders' equity amounted to RMB22.768 billion in total, representing an increase of 3.09% as compared with the beginning of the year, mainly attributable to the turnaround from the loss in the year.

### 3. Gearing ratio

Item	As at the end of 2017	As at the end of 2016	Year-on-year increase/ decrease (percentage point)
Gearing ratio (%)	71.15	73.93	-2.78

Gearing ratio of the Company was 71.15% at the end of the year, representing a decrease of 2.78 percentage points as compared with the beginning of the year. The risk from assets structure of the Company is in a controllable state.

#### 4. Bank borrowings

As at 31 December 2017, the Company had borrowings from financial institutions (banks) of RMB702 million due within one year and had no bank borrowings due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB702 million were fixed-rate loans. The Company has maintained a favorable credit rating with banks and a sound financing capacity.

### 5. Exchange risk management

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

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

### 6. Pledge of assets

As at the end of the year, the Company had pledged borrowings of RMB144 million, which were related to borrowings from financial institutions secured by machinery, equipment, properties and land use rights. As at the end of the year, this part of borrowings was not mature and repayable.

### 7. Contingent liabilities

Please see "Contingent event" of "Commitment and contingent event" in Note 13 to the Audit Report.

(VI) Main Sources and Uses of Funds

### 1. Cash flows from operating activities

During the year, the Company had cash inflows generated from operating activities of RMB30.915 billion, mainly due to the recovery of payments for sales of products; cash outflows generated from operating activities of RMB30.465 billion, mainly due to the payments for purchase of raw materials; and net cash flows generated from operating activities of RMB450 million.

### 2. Cash flows from investing activities

During the year, the Company had cash inflows generated from investing activities of RMB162 million, mainly due to the recovery of partial profit-making investments and dividends paid by associates; cash outflows generated from investing activities of RMB206 million, mainly due to the purchase of fixed assets; and net cash flows generated from investing activities of negative RMB44 million.

#### 3. Cash flows from financing activities

During the year, the Company had cash inflows generated from financing activities of RMB486 million, mainly due to the decrease of borrowings; cash outflows generated from financing activities of RMB1.304 billion, mainly due to the repayment for borrowings due and payments of borrowing interests; and net cash outflows generated from financing activities of RMB818 million. As a result, the Company recorded a decrease in credit amount.

## **III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT**

(I) Structure and trend of the industry

#### 1. Macro-economic environment

The global economy is still in the stage of deep consolidation, during which it shows the features such as slow growth, over-capacity, intensifying trade protectionism and increasing uncertainties. As the developed countries attach more importance to the manufacturing of high-end products, the layout of global manufacturing industry is significantly affected by the new production technological revolution which is dominated by informationized, intelligent and networking technologies. Domestically, the year of 2018 is the first year to put into practice the principles put forward by the 19th National Congress of the Communist Party. It is also a critical year in building on previous years' efforts and breaking new grounds in implementing the State's "13th Five-year" Plan. With the supply-side structural reform as its main task in 2018, the Government has made coordinated efforts to achieve steady growth, promote continued reform, make structural adjustments, improve people's livelihood and guard against economic risks. Great efforts have been made in promoting reform and opening up, innovation and improvement has been made in macroeconomic regulation, and efforts have been made in improve quality, efficiency and driving forces of economic growth. These efforts have promoted the sustainable and health development of the economy and society.

#### 2. Development trend of the industry

According to the "13th Five-year Plan for Electricity Industry", the installed capacity of coalfired power shall be controlled within 1,100 million by 2020, which means there will be very limited number of newly-approved thermal power projects during the 13th Five-year Plan Period. The 2018 National Energy Work Conference further specified the large-scale development of non-fossil energy as a strategic direction towards green development. Measures such as implementation of the Renewable Portfolio Standard, coordinated development of coal power and renewable energy power, involvement of self-use power plants in the consumption of renewable energy power will be adopted to promote clean development of energy, so as to basically solve the issue of hydro, wind and solar power curtailment across the country by 2020. With the transformation and development of the resource system, coal power will not only serve as security of power supply but also as a supplementary service in the future, so as to make room for and serve the development of clean energy. By the end of the "13th Five-year Plan" period, approximately 150 million KW of coal-fired power capacity will be cancelled or postponed across the country. 20 million KW of outdated coal-fired power production capacity will be eliminated, with the percentage of installed capacity of coal-fired power decreasing to approximately 55% of the total installed capacity.

(I) Structure and trend of the industry (Continued)

#### 2. Development trend of the industry (Continued)

The Guidelines of Energy Work in 2018 released by the National Energy Administration specified that the installed capacity of newly-constructed coal-fired power projects will be controlled at approximately 40 million KW, and 4 million KW of coal-fired power generation units with high pollution and energy consumption will be eliminated; active efforts will be made to facilitate the review and approval and construction of qualified nuclear power projects, with 6 to 8 sets of power generation units to be installed during the year; the installed capacity of newly-constructed hydropower projects is sought to reach 3 million KW; the installed capacity of newly-constructed wind power projects will reach approximately 25 million KW, with active efforts made to promote the construction of offshore wind power projects and accelerated development of distributed wind power projects; in terms of the solar power generation, the construction of PV power generation projects will be promoted, and the installed capacity of newly constructed PV power stations is expected to reach approximately 20 million KW, meanwhile, the construction of solar thermal power generation demonstration projects will be carried out in a steady manner and the installed capacity of newly-constructed solar thermal power generation projects is expected to reach approximately 0.5 million KW; the installed capacity of newly-constructed biomass power projects is expected to reach 1.5 million KW.

#### 3. Competition of the industry

We are one of the three largest power generation equipment enterprises. From the perspective of competition in the power generation equipment industry, with a significant decline in the growth of demand for power generation during the "13th Five-year Plan" period, the installed capacity of power generation equipment grew at a lower rate coupled with the issue of overcapacity of power generation equipment, which further intensified the competition in the domestic power generation equipment market. In addition to the three major traditional power generation suppliers, the competitiveness of new entrants, in particular those in the new energy sectors such as wind power and PV power has been continuously improved. Therefore, it is the key to corporate development to enhance market competitiveness by technologies, quality, and services and cost control. Meanwhile, adapting to market demand changes through product transformation and upgrading is also the driving force of corporate development. In terms of the international market, the implementation of the "Belt & Road" Initiative and International Capacity Cooperation will bring about new development opportunities. However, new challenges will arise from market channels response, risk prevention, cost control and resource deployment in the international market and other international operation requirements.

#### (II) Development strategy of the Company

Development strategies of the Company:

1 – Concentrating on one vision and achieving the Chinese dream of manufacturing energy equipment. Become China's GE and a world-class enterprise with international competitiveness, realize the Chinese dream of manufacturing energy equipment, supply electricity power to the world and bring brightness to the human society.

2 – Realizing "Two-surpass". Shift the development mode from high speed growth to high quality development, and achieve leapfrog development of scale.

3 – Securing a victory in the "three critical missions". Commit to the revitalization of the wind power business, expansion of modern services business and strengthen the international business.

4 – Developing the four growth business. Develop the four growth business segments including "new energy business, international business, modern services business and emerging business".

5 – Carrying out five major projects. Conduct the projects of "deepen reformation, scientific and technological innovation, quality improvement, costs reduction and management enhancement".

#### (III) Business plan

Opportunities and challenges coexist in 2018. On one hand, the domestic macro-economy has been steadily improved, and risks arising from policy regulation are gradually emerging out. On the other hand, the country's energy structure is subject to profound adjustment and effective demand in the market remains insufficient due to an imbalanced supply-demand structure and constant innovations in the energy production and consumption models. As regards, the Company will forge ahead against the headwind, secure a victory in the three critical missions including revitalization of the wind power business, expanding the modern services business and strengthening the international business, and work to ensure a continued growth of the operating revenue and total profits, so as to promote the quality development of the Company. It is planned that the Company will produce power generation equipment with a total capacity of 27,000MW throughout the year.

#### (III) Business plan (Continued)

Secure victories in the "Three Critical Missions":

The first is to commit to the revitalization of the wind power business to see that wind power companies will achieve rapid development in 2018, following the guideline of "consolidating the foundations gained in onshore wind farm, opening up the prospects of offshore wind farm, seeking benefits through innovative services, seeking impetus by deepening reform". The second is to commit to the expansion of modern services business by continuing to expand the hydrothermal power service market, wind power market, nuclear power market and gas turbine services market, accelerating the development of overseas service market, with an aim to ensure that power station service orders increase by more than 50% year-on-year. The third is to commit to the strengthening of the international business by taking up the strategic opportunities presented by the "Belt and Road" Initiative, integrating international resources, promoting business model innovation, expanding the scope of our business, so as to ensure a significant increase in international orders compared with last year.

Focus on "Five major tasks":

First, stand firm in injecting dynamism by deepening reforms. In 2018, emphasis on reforms should be shifted from "solving long standing issues to reduce burden" towards "carrying out institutional reforms to power development". We will accelerate to introduce mixed ownership into the Group. Taking as its goal to foster new industries, we will promote the mixed ownership reform in wind power and electric control industries. Taking as its goal to accelerate the industrialization of scientific and technological achievements, we will promote the mixed reform in the hydrogen energy and intelligent manufacturing industries. We will speed up the integration of resources to create an international business development platform characterized by resource concentration, clear responsibilities and efficient operation, laying a solid foundation for expanding overseas markets and implementing an internationalization strategy. We will work to complete the resource integration of electronic control industry in accordance with the development philosophy of "collaboration, integration, innovation, and openness".

Second, remain committed to the innovation-driven strategy by promoting technological innovation project. Establish an innovation system under which enterprises, universities and research institutes work together; establish a scientific and technological development plan and a management system for major scientific and technological projects; sticking to the forefront of the world's science and technology, establish a mechanism for advancing scientific and technological innovation around the key R&D areas and six major scientific and technological projects identified for year 2018 to year 2020; focus on basic research in applied sciences; prioritize innovation in key generic technologies, cutting-edge frontier technologies and modern engineering technologies.

#### (III) Business plan (Continued)

Third, put quality first and develop a quality-focused company. Adhere to the idea of building enterprises' reputation by focusing on the quality of our products. Our priority should be shifted from quantity in the past to quality and the coordination between quantity and quality, from the "product realization process" to the "corporate organizing the whole process in which all staff take part in", so as to achieve quality management among all staff; pay attention to the implementation of philosophy of "quality-focused company" and the management of employee behaviors, so as to truly put into practice such philosophy as to continue to do a good job in quality management, and see that the Group is driven more by internal forces than external incentives.

Fourth, we must give top priority to efficiency and steadily advance the cost-lowering project. Strengthen the role of design in lowering costs and strive to achieve improvement at the same time in the whole process of design, manufacturing, and service; pursue a concept of creating benefits by managing procurement in order to continuously improve the supply chain management; continue to strengthen the control on the total number of employees, enhance productivity, and strengthen labor cost control; place tighter control on the operational process, make progress in the task of "Three Reductions and Two Improvements" and optimize the Company's business operations; promote all-round budget management and establish and improve a budget management system involving "all staff, all factors, and the whole process" in order to form a comprehensive budget management system that integrates enterprise strategies, plans, budgets, controls and assessments.

Fifth, commit to lean management, and continuously advance the project of management improvement. Targeting at the overall goal of "implementing lean production, improving lean management, and building lean companies", we will combine the principles of "seeking benefits through quality improvement" and "promoting quality excellence through benefits," and comprehensively promote lean management for the entire value chain starting with lean production.

#### (IV) Possible Risks

#### 1. Risk relating to market orders

With the gear of Chinese economic growth shifting to medium-to-high speed, there is less demand for electricity and additional power generating equipment. 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. All of these factors bring about great pressure and risks to orders of enterprises.

The Company will spare no effort to expand the target market. We will strive for the sustainable increase in orders by tapping into the traditional market, fully developing the renewable energy market, vigorously developing the services market and steadily developing international business, thus laying a solid foundation for leapfrog development.

(IV) Possible Risks (Continued)

#### 2. Risk relating to regulation of coal-fired power policies

According to the national energy working conference, coal-fired power construction projects with a total capacity of approximately 150 million KW will be cancelled and postponed by the end of the "13th Five-year Plan" period, the Chinese Government suspended or postponed the construction of 79 projects involving coal-fired power generation units with a total capacity of 90.37 million KW in 2017. The Chinese government's regulatory policy on coal and electricity had an impact on the business operation of the Company. It is anticipated that the Chinese Government will suspend or postpone a number of coal-fired power projects in 2018 or in the following years, which will cast uncertainties over the business operation of the Company.

The Company has identified projects which may subject to risks by conducting an examination on a project-to-project basis after taking into consideration factors such as project progress, business operation and capital adequacy and payment of project owners. To prevent potential project risks, the Company has enhanced communication with project owners and exerted stricter control over the internal working schedule.

#### 3. Risk relating to recovery of receivables

Since 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. OTHER EVENTS**

Saved as disclosed above, description in relation to the following issues included in the sections headed "Directors, Supervisors, Senior Management and Employees" and "Significant Events" forms part of this report.

#### (I) Directors and Supervisors

Please refer to Section VIII headed "Directors, Supervisors, Senior Management and Employees" for list of members regarding the Board of Directors, the Supervisory Committee in 2017.

#### (II) Principal business

The Company is engaged in power equipment manufacturing industry and our principal business includes complete large-scale power generation equipment, engineering contracting and services, etc.

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

### **IV. OTHER EVENTS (CONTINUED)**

#### (III) Interests of Directors and Supervisors

For details of the interests of Directors and Supervisors in 2017, please refer to the Section VI "Significant Events – VII. Material Contracts and Implementation thereof".

#### (IV) Donations

For the year ended 31 December 2017, the aggregated amount of donation made by the Company for charity and other purposes amounted to RMB5.73 million.

#### (V) Debentures

The Company did not issue any debentures.

#### (VI) Share Incentive Scheme

For details of the Share Option Incentives Scheme of the Company during the year, please refer to Section VI "Significant Events – XI. The Company's Share Incentive Scheme, Employee Shareholding Plan or Other Employees' Incentive Schemes and the Impact Thereof".

#### (VII) Dividends and income tax of H shareholders

The profit distribution plan for 2017 is not to make any profit distribution for 2017 and nor it will convert any capital reserve into share capital or make any bonus issue. The plan has to be submitted to the 2017 annual general meeting of the Company for consideration and approval.

As to income tax of H shareholders, pursuant to the Income Tax Law, the Company is required to withhold and pay 10% enterprise income tax on the distribution of the dividend to its H share non-resident enterprise shareholders whose names appear on the Company's H share register of members on the Record Date. In respect of the H shareholders whose names appear on the Company's H share register of members as at the Record Date who are registered in the name of non-natural person (including HKSCC Nominees Limited, corporate nominees, trustees and other entities or organizations, which are all considered as non-resident enterprise shareholders), the Company will distribute cash dividend after withholding and paying enterprise income tax of 10%. Pursuant to the requirements of the Notice of Certain Issues on the Policies of Individual Income Tax by the Ministry of Finance and the State Administration of Taxation (Cai Shui Zi [1994] No. 20), foreign resident individual shareholders are, as an interim measure, exempted from the PRC individual income tax for dividend or bonuses received from foreign-invested enterprises. As a foreign invested enterprise, no individual income tax will be required to be withheld and paid by the Company for all non-resident individual shareholders whose names are registered on the H share register of members of the Company on the Record Date. The Company will consult with China ax authorities for the latest information. If anyone would like to change the identity of the shareholders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold and pay the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the relevant record dates.

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

### **IV. OTHER EVENTS (CONTINUED)**

#### (VIII) Permitted Indemnity Provisions

To comply with the provisions of the Corporate Governance Code, the Company has arranged appropriate liability insurance for directors, so as to provide compensation insurance for their liability arising from enterprise business activities.

#### (IX) Directors' and Supervisors' Interests in Contracts

No contracts of significance (as defined in Appendix 16 to the Listing Rules), in which a director or supervisor of the Company had material interest, either directly or indirectly, subsisted during or at the end of the year.

None of Directors or Supervisors of the Company had material interests which are crucial, either directly or indirectly, in any forms, in any contracts entered into or proposed to enter into with the Company.

#### (X) Distributable Reserves

As at 31 December 2017, distributable reserves of the Company amounted to RMB9.860 billion. The Company has proposed the Profit Distribution Plan for 2017, pursuant to which, no profit distribution would be made, no surplus reserves would be converted into share capital and no dividend would be declared. In addition, the Company's capital surplus was RMB8.828 billion, and surplus reserve amounted to RMB775 million, both are available for distribution in case of capitalization issue in the future.

#### (XI) Key Relationships with Persons with Significant Impact

The Company has been keeping stable and sound relationship with our customers and suppliers. The Company cherishes talents and carefully performs its corporate responsibilities. By providing training management, health protection, it aims to assist employees to make progress and become talents.

#### (XII) Corporate Social Responsibility

By adhering to the "green value", the Company continued its efforts in the construction of green plant and environmental protection works. To comply with energy conservation provisions under the national laws and regulations in relation to the material infrastructure projects, the Company endeavors to promote green, energy-saving and environmentally friendly low-carbon technologies for major equipment and facilities. In respect of optimizing working environment, the Company enhanced its management and regulation on the disposal of waste oil, liquid and residue, advocated paperless office, and implemented energy conservation and emission reduction among each unit of the Company through various education activities. For details, please refer to the Social Responsibility Report of Dongfang Electric Corporation Limited for 2017 (《東方電氣股份有限公司2017年社會責任報告》) which is published together with this report.

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

### **IV. OTHER EVENTS (CONTINUED)**

#### (XIII) Auditor

The financial statements set out in this annual report have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. The term of ShineWing Certified Public Accountants as the auditor of the Company has expired on the date of 2016 annual general meeting of the Company. Upon being considered and approved at the 2017 second extraordinary general meeting of the Company held on 27 December 2017, BDO China Shu Lun Pan Certified Public accountants LLP was appointed as the auditor of the Company, until the conclusion of the 2017 annual general meeting of the Company. Please refer to the circular of the Company dated 7 December 2017 and the poll results announcement dated 27 December 2017.

#### (XIV) Compliance with Laws and Regulations

During the year ended 31 December 2017 and up to the date of this report, the Company has complied with the relevant laws and regulations that have significant impact.

### **REPORT OF THE SUPERVISORY COMMITTEE**

#### Dear Shareholders,

2017 is a crucial year for the implementation of the Company's "innovation-driven, second venture" strategies and it is also the first year to carry out its "12345" strategic plan. Throughout the year, the Company was facing arduous tasks including market expansion, strategic development, and comprehensive deepening of reforms. the Supervisory Committee of the Company has, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and putting into practice the spirit of the 19th National Congress of the Party, following the underlying principle of "seeking progress amidst difficulties, pursuing innovation and change, undergoing transformation and upgrade, growing stronger and better", given central importance to lawfully and effectively protecting the interests of shareholders, fulfilling their duties, and ensuring its law-abiding operations. The report on the work of the Company's Supervisory Committee in 2017 is as follows:

# I. THE WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

#### (I) Strengthening self-improvement of the Supervisory Committee

First, supervisors were organized to study relevant laws and regulations, keep abreast of information on securities regulatory policies, measures, and reforms, continuously enhance their business skills, develop new ways of working, raise their capability of supervision, and do a good job in supervising all tasks. Second, Supervisors were encouraged to participate in the special exchanges and learning activities carried out by the China Securities Regulatory Commission, the Securities Regulatory Bureau of Sichuan Province, the Chinese Association of Listed Companies and the Association of Listed Companies of Sichuan Province (四川省上市公司協會).

(II) Meeting of the Supervisory Committee

In 2017, a total of 5 meetings were convened by the Supervisory Committee. During the Reporting Period, the convening and procedures of decision were in compliance with the relevant laws, regulations and related requirements under the Articles of Association. Details of the meetings are set out as follows:

- The 10th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 7 March 2017 with attendance by all 3 supervisors. The following matters were considered and approved at the meeting:
  - (1) considered and approved the Resolution Concerning the Company Meeting the Conditions for Acquisition of Assets by Issuance of Shares by Listed Companies;
  - (2) considered and approved the Resolution Concerning the Company's Issuance of A Shares to Purchase Assets Constituting a Connected Transaction;
  - (3) considered and approved the items of the Proposal Concerning the Plan for Company's Issuance of A Shares to Purchase Assets and Connected Transaction;
  - (4) considered and approved the Resolution for "Acquisition of Assets by Issuance of Shares of Dongfang Electric Corporation Limited and Connected Transaction" and its Summary;

### I. THE WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (CONTINUED)

- (II) Meeting of the Supervisory Committee (Continued)
  - (5) considered and approved the Resolution Concerning the Company and Dongfang Electric Corporation Signing the "Agreement on the Purchase of Assets by Issuance of Shares" with Preconditions;
  - (6) considered and approved the Resolution Concerning the Company and Dongfang Electric Corporation Signing the "Profit Forecasting Compensation Agreement" with Preconditions;
  - (7) considered and approved the Resolution Concerning the Transaction Conforming to the Article 4 of "Provisions on Several Issues concerning Regulating the Material Asset Reorganizations of Listed Companies".
  - 2. The 11th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 24 March 2017 with attendance by all 3 supervisors. The following matters were considered and approved at the meeting:
    - (1) considered and approved the Resolution for the Company's 2016 Annual Report;
    - (2) considered and approved the Resolution for the Company's 2016 Audited Financial Report;
    - (3) considered and approved the Resolution for the 2016 Profit Distribution Plan;
    - (4) considered and approved the Resolution on Report of the Supervisory Committee for 2016;
    - (5) considered and approved the resolution on 2016 Appraisal Report of Internal Control and the Audit Report of Internal Control of the Company;
    - (6) considered and approved the Annual Special Report on the Deposit and Use of the Proceeds of the Company;
    - (7) considered the report on related matters of the change in the controlling shareholder of the Brazilian subsidiary;
    - (8) Discuss the 2017 Plan for Key Tasks of the Supervisory Committee.

### I. THE WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (CONTINUED)

- (II) Meeting of the Supervisory Committee (Continued)
  - 3. The 12th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 28 April 2017 with attendance by all 3 supervisors. The following matters were considered and approved at the meeting:
    - (1) considered and approved the Resolution for the Company's Unaudited Financial Report for the First Quarter of 2017;
    - (2) considered the Company's report for the first quarter of 2017;
    - (3) considered the report of the job performance appraisal results of the Company's senior management in 2016;
    - (4) considered the report of the job performance appraisal goals of the Company's senior management in 2017;
    - (5) considered the report of the Company's Administrative Measures on the Authorization of the Legal Representative;
    - (6) considered the report on the holding of the 2016 annual general meeting.
  - 4. The 13th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 29 August 2017 with attendance by all 3 supervisors. The following matters were considered and approved at the meeting:
    - considered and approved the Resolution Concerning the Plan for Company's Issuance of A Shares to Purchase Assets and Connected Transaction;
    - (2) considered and approved the Resolution for "Acquisition of Assets by Issuance of Shares of Dongfang Electric Corporation Limited and Connected Transaction Report (Draft)" and its Summary;
    - (3) considered and approved the Resolution Concerning the Company and Dongfang Electric Corporation Signing the "Supplemental Agreement to the Agreement on the Purchase of Assets by Issuance of Shares" with Preconditions;
    - (4) considered and approved the Resolution Concerning the Company and Dongfang Electric Corporation Signing the "Supplemental Agreement to the Profit Forecasting Compensation Agreement" with Preconditions;
    - (5) considered and approved the Resolution on Approving the Company's Transaction-Related Auditing Report, Pro Forma Review Report, and Asset Evaluation Report;

### **REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)**

### I. THE WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (CONTINUED)

#### (II) Meeting of the Supervisory Committee (Continued)

- (6) considered and approved the Resolution on Opinions on the Independence Evaluation of Institution, Rationality of Hypothetical Premises, Relevance of Assessment Methods and Assessment Purposes, and Fairness of Evaluation and Pricing;
- (7) considered and approved the Resolution on the Basis for the Pricing of the Assets Purchased by the Issuance of Shares and the Explanation of Fairness and Rationality;
- (8) considered and approved the Resolution for the Company's 2017 Interim Financial Report (unaudited);
- (9) considered and approved the Resolution for the Company's 2017 Interim Report.
- 5. The 14th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 27 October 2017 with attendance by 2 supervisors (one supervisor was absent), at which the following matters were considered and approved:
  - (1) considered and approved the Resolution for the Company's Unaudited Financial Report for the Third Quarter of 2017;
  - (2) considered and approved the Company's Report for the Third Quarter of 2017;
  - (3) considered and approved the Resolution on the Company's continuing connected transactions in 2018.

In 2017, the Supervisory Committee held a number of meetings to carefully review the relevant proposals and put forward relevant recommendations, which were highly valued and fully implemented by the board of directors and management of the Company, effectively promoting the improvement of the Company's management.

(III) Attending Board meetings and work meetings of the President, general meetings and other meetings, grasping information on business decision-making in a timely manner, and earnestly safeguarding the interests of the Company and the legitimate rights and interests of shareholders

During the Reporting Period, in accordance with the provisions of the Company Law, the Securities Law, the Articles of Association, and the Rules of Procedure for the Supervisory Committee, by attending the general meetings, Board meetings and work meetings of the President; the Supervisory Committee has directly considered the reports on the Company's various tasks, regularly communicated with senior management of the Company, consulted related materials, expressed opinions on major corporate events, and supervise the Company's decision-making procedures, the establishment and implementation of internal control systems, and the performance of directors and senior management, thus safeguarding the interests of the Company and the legitimate rights and interests of all shareholders.

### I. THE WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD (CONTINUED)

(IV) Daily supervision by the Supervisors

In accordance with the requirements of the Work Guidelines for Supervisory Committees of Listed Companies, the supervisors have attended various important meetings such as general meetings and the Board meetings and work meetings of the President; carried out special supervision such as "Three Reductions and Two Improvements" based on the Company's annual key tasks; guided financial and auditing and appointed supervisors to conduct other related supervisory activities in order to ensure it could identify and improve the Company's weak links in a timely manner and prevent the Company's operations and decision-making risks.

### **II. PERFORMANCE OF DUTIES BY SUPERVISORS**

In 2017, all the supervisors have fulfilled their duties as supervisors in accordance with the requirements of the Work Guidelines for Supervisory Committees of Listed. Except for those on business trips, supervisors have attended all Supervisor Committee meetings, general meetings and Board meetings they should attend (supervisors not able to attend such meetings have gone through the procedures required by the Company).

1. Detailed breakdown of the Supervisors' attendance at the meetings of the Supervisory Committee is set out below:

Name of supervisor	Staff representative supervisor (Yes/No)	Number of meetings required to attend in the year	Attendance in person	Attendance by proxy	Absence
Wen Limin	No	5	5	0	0
Wang Zaiqiu	No	5	4	1	0
Wang Congyuan	Yes	5	5	0	0

2. Detailed breakdown of the Supervisors' attendance at the Board meetings is set out below:

Name of supervisor	Staff representative supervisor (Yes/No)	Number of meetings required to attend in the year	Attendance in person	Attendance by proxy	Absence
Wen Limin	No	6	5	1	0
Wang Zaiqiu	No	5	5	0	0
Wang Congyuan	Yes	5	5	0	0

**REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)** 

### **II. PERFORMANCE OF DUTIES BY SUPERVISORS (CONTINUED)**

3.	Detailed breakdown of the Supervisors	' attendance at the general meetings is set out below:
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Name of supervisor	Staff representative supervisor (Yes/No)	Number of meetings required to attend in the year	Attendance in person	Attendance by proxy	Absence
Wen Limin	No	3	2	1	0
Wang Zaiqiu	No	1	1	0	0
Wang Congyuan	Yes	1	1	0	0

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION DURING THE REPORTING PERIOD

(I) The Supervisory Committee's independent opinion on legal compliance of the Company's operations

During the Reporting Period, having supervised and examined the operation of the Company pursuant to its duties and responsibilities under the Company Law, the Securities Law and the Articles of Association, the Supervisory Committee is of the opinion that the Company has carried out its operation and the Board strictly implemented the resolutions of the general meetings in accordance with the laws and regulations and the requirements of the Articles of Association and the professional committees of the Board have performed their duties independently and effectively in accordance with the law. All significant operation decisions of the Company were made in compliance with legal procedures and information disclosure was made in a timely and accurate basis. During the Reporting Period, the Company's directors and senior management have performed their duties with due diligence and no violation of laws, regulations, or Articles of Association, or activity that harmed the interests of shareholders and the Company was found.

## (II) The Supervisory Committee's independent opinion on the financial position of the Company

During the Reporting Period, the Supervisory Committee has carefully monitored, examined and reviewed the financial position and financial management of the Company by way of hearing financial director's report, carefully considering the financial report of the Company, reviewing auditors' report and keeping close eyes on and investigating major events. The Supervisory Committee believes that the preparation and review procedures of the Company's financial report are in compliance with laws, regulations, the Articles of Association and the Company's internal management system. It also believes the audited financial report gave an objective and true view of the financial position and the operating results of the Company.

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION DURING THE REPORTING PERIOD (CONTINUED)

(III) The Supervisory Committee's independent opinion on the Company's continuing connected transactions

During the Reporting Period, the Supervisory Committee seriously and carefully considered the continuing connected transactions of the Company and paid attention to the reports and management information in relation to the connected transactions submitted by the Secretarial office of the Board. The Supervisory Committee is of the opinion that the connected transactions of the Company were carried out under the principle of openness, fairness, justice and voluntariness and in compliance with relevant national laws and regulations, the Articles of Association and relevant regulations of the Company; that the connected transactions were fair and reasonable with sufficient information disclosure being made and without prejudice to the interests of the Company and other shareholders, especially minority shareholders and non-connected shareholders.

#### (IV) The Supervisory Committee's independent opinion on the Internal Control Self-assessment Report and Internal Control Audit Report

During the Reporting Period, the Company carried out a self-assessment on its internal controls in accordance with the Basic Standards for Enterprise Internal Control jointly issued by the Ministry of Finance of the PRC and China Securities Regulatory Commission and other authorities, the Guidelines on Internal Control of Listed Companies issued by the Shanghai Stock Exchange and other relevant national laws and regulations.

The Supervisory Committee heard reports on the internal control self-assessment of the audit department. The Supervisory Committee was of the opinion that the Company had established a relatively complete internal control system, which can be effectively executed; That during the Reporting Period, there was no major or significant defect in the internal control and that the internal control self-assessment report of the Company has truly and objectively reflected the development and operation of the internal control system of the Company.

#### (V) The Supervisory Committee's independent opinion on Annual Profit Distribution Plan

The Supervisory Committee was briefed by the Secretarial office of the Board and Asset Finance Department on their proposal for the profit distribution of the Company. After carefully considering, the Supervisory Committee gave its audit opinion as follow: the annual profit distribution plan and cash dividends distribution policy are in compliance with the Articles of Association and the cash dividends management measures; the decision-making procedure thereof was in accordance with relevant regulations and in the interests of the Shareholders as a whole and met the production and operation needs of the Company. Nothing detrimental to legitimate rights and interests of minority shareholders was found in the Company's profit distribution and cash dividends decisions.

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION DURING THE REPORTING PERIOD (CONTINUED)

(VI) The Supervisory Committee's independent opinion on the Special Report on the Deposit and Use of Proceeds for the Year

The Supervisory Committee was briefed by the Secretarial office of the Board on the Special Report on the Deposit and Use of Proceeds for the Year. After carefully considering, the Supervisors gave their audit opinion as follows: the management of proceeds was in line with principles of special account, standard use, honest disclosure and strict management. The Supervisory Committee did not find any deposit and use of proceeds in violation of related regulations.

In 2018, the Supervisory Committee will fully implement the spirit of the 19th National Congress of the Party, stand firm in new development philosophy and high quality development, continue to conscientiously adhere to the requirements of relevant laws, regulations and the Articles of Association, strictly execute the resolutions of general meetings, and oversee and enhance the Company's standardized operation, so as to provide better protection for the legitimate interests of all Shareholders. All supervisors will proactively continue their study, in a bid to improve their professionalism and supervisory capability. All these future efforts are aiming to ensure the effective execution of the internal control measures, prevent and reduce corporate risks, and facilitate the Company's high quality development.

### SIGNIFICANT EVENTS

### I. PLAN FOR PROFIT DISTRIBUTION OF ORDINARY SHARES AND TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

#### (I) Profit distribution for the year

On 20 June 2017, the Company's Profit Distribution Plan for 2016 was considered and approved at the 2016 annual general meeting of the Company. According to the Profit Distribution Plan for 2016, no profit distribution will be made, no capital reserve will be transferred into share capital and no bonus issue will be made by the Company as the net profit attributable to owners of the parent company was – RMB1.78 billion in 2016. Independent Directors had expressed their opinions concerning the profit distribution plan, which complied with the requirements of the Articles of Association of the Company and relevant procedures for consideration and approval.

The proposal for profit distribution of the Company in 2017: the acquisition of assets by issuance of shares of the Company and connected transaction was considered and approved by the board of directors, shareholders' general meeting and class meeting of the Company and relevant approval has been obtained from the CSRC. According to the requirements of Article 18 of the Administrative Measures for Securities Issuance and Underwriting: "where a listed company with a plan for issuance of securities has any plan for profit distribution or conversion of capital reserve into share capital which has not yet been submitted to its shareholders' general meeting for voting, or it has been approved by the shareholders' general meeting but has not been implemented yet, the issuance of securities shall be proceeded after such plan has been implemented". Prior to the implementation of the relevant plans, the lead underwriter shall not underwrite the securities issued by the listed company. In order to avoid time conflict between the implementation of the Profit Distribution Plan for 2017 and the issuance of shares by the Company under this transaction as well as the smooth progress of the transaction, the Company, after careful discussion, decided not to make any profit distribution for 2017 and nor it will convert any capital reserve into share capital or make any bonus issue. The plan has to be submitted to the 2017 annual general meeting of the Company for consideration and approval.

 Plan or proposal for dividend distribution of ordinary shares and transfer of capital reserve to share capital of the Company for the last three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of distribution of dividends	Bonus shares issued for every 10 shares (share)	Cash dividend for every 10 shares (RMB) (tax inclusive)	Number of shares transferred into share capital for every 10 shares (share)	The amount of cash dividends (tax inclusive)	Net profit attributable to holders of ordinary shares of the Company in the consolidated statements for the year of distribution	The proportion of cash dividends to the net profit attributable to holders of ordinary shares of the Company in the consolidated statements (%)
2017	0	0	0	0	678,185,018.52	0
2016	0	0	0	0	-1,784,306,804.76	0
2015	0	0.9	0	140,214,022.08	439,072,644.82	31.93

#### **II. APPOINTMENT OR DISMISSAL OF THE AUDITOR**

Unit: 0'000 Currency: RMB

	Original auditor	Current auditor
Domestic auditor	Shine Wing Certified	BDO China Shu Lun
	Public Accountants	Pan Certified Public
	(Special General	Accountants LLP
	Partnership	
Remuneration of the domestic auditor	180	180
Term of audit of the domestic auditor	8	1
	Name	Remuneration
Internal control auditor	BDO China Shu Lun Pan Certified Public	50
	Accountants LLP	

#### **III. BANKRUPTCY REORGANIZATION**

Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd was a wholly owned subsidiary established by DEC Dongfang Electric Machinery Co., Ltd., a wholly-owned subsidiary of the Company. In May 2017, the People's Court of Hangzhou Xiaoshan District accepted the liquidation petition filed by Dongfang Electrical Control Equipment Co., Ltd. (as applicant) against Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd (as respondent) (relevant information was set out in the announcement of the Company dated 13 June 2017). Up to now, creditors have declared their claims to the official receiver. The official receiver convened and held a creditors' meeting on 14 July 2017, confirmation of claims, disposal of assets and other work are still in legal process.

### **IV. SIGNIFICANT LITIGATION OR ARBITRATION EVENTS**

No

### V. RELEVANT MATTERS REGARDING THE INCENTIVE SCHEME DURING THE REPORTING PERIOD

The Company launched the first H Share Appreciation Rights Scheme on14 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.

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. Hence, as of 13 December 2017, the H share appreciation rights granted by the Company to incentive recipients were lapsed.

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.

Save as disclosed elsewhere in this annual report, the Company did not enter into any equity-linked agreements to be disclosed in accordance with the Listing Rules.

#### **VI. MATERIAL CONNECTED TRANSACTIONS**

#### (I) Continuing connected transactions

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 DEC Finance in Chengdu, Sichuan Province. Such continuing connected transactions are effective from 1 January 2015 to 31 December 2017.

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

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

The basic contents of such agreements are as follows:

#### (1) 2015–2017 Purchase and Production Services Framework Agreement

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

#### (2) 2015–2017 Sales and Production Services Framework Agreement

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

#### (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; longfang Electric Corporation and its affiliated enterprises; nursery services, utility 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.

### SIGNIFICANT EVENTS (CONTINUED)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (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

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.

For 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 Hong Kong Stock Exchange on 27 October 2017 and 6 December 2017, 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 conducted pursuant to 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 from the independent Directors of the Board and/or independent shareholders at the general meetings of the Company. As of 31 December 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.

### **VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)**

(I) Continuing connected transactions (Continued)

The actual amounts of the connected transactions as at 31 December 2017 and the annual caps for 2017

Unit: thousand Yuan

Name of agreement	Total actual amount for 2017	Proposed annual cap for 2017
Purchase and Production Services Framework Agreement	1,380,931.99	4,000,000
Sales and Production Services Framework Agreement	178,572.93	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	46,090.74	100,000
Properties and Equipment Framework Lessor Agreement	1,949.97	10,000
Financial Services Framework Agreement	12,282,036.28	12,500,000
		(Deposit plus
		interest income)
	2,291,224.34	12,500,000
		(Loans plus
		interest
		expense)

The Company confirms that the aforesaid connected transactions (if applicable) and continuing connected transactions have been in compliance with the disclosure requirements under the Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company had reviewed these continuing connected transactions and confirmed that these transactions have been entered into:

- (1) in the ordinary business of the Company;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### SIGNIFICANT EVENTS (CONTINUED)

### VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

## The actual amounts of the connected transactions as at 31 December 2017 and the annual caps for 2017 (Continued)

In accordance with the Rule 14A.56 of the Listing Rules, the auditor engaged by the Company confirmed that, in 2016, these continuing connected transactions:

- (1) had been approved by the Board of the Company;
- (2) were conducted pursuant to pricing policy of the Company (if applicable);
- (3) entered into in accordance with the relevant agreement governing the transactions; and
- (4) had not exceeded the cap disclosed in previous announcements.

#### (II) Connected transactions

During the Reporting Period, the Company proposed to issue A Shares to purchase from controlling shareholders 95% equity interests in DEC Finance Co., Ltd., 100% equity interests in DEC International Cooperation Limited, 100% equity interests in Dongfang Electric (Sichuan) Materials Co., Ltd., 100% equity interests in DEC Bulk Logistic Co., Ltd., 41.24% equity interests in Dongfang Hitachi Electronic Control Equipment Co., Ltd., 100% equity interests in Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd., 100% equity interests in Chengdu Dongfang Electric Clean Energy Co., Ltd., 100% equity interests in Chengdu Dongfang Electric Clean Energy Co., Ltd., 100% equity interests in Chengdu Dongfang Electric Smart Energy Co., Ltd., as well as intangible assets owned by Dongfang Electric Group, such as equipment assets and intellectual property rights. The total valuation of the transaction target amounted to about 6,792,666,600 based on the issue price of RMB9.01 per share. The aforesaid transactions were passed at the 2017 first extraordinary general meeting and the class general meeting of the Company and approved by CSRC.

#### (III) Related party transactions

The connected transactions set out in Note 10 to the financial statements of this annual report included some transactions which constitute connected transactions/continuing connected transactions as defined in Chapter 14A of the Listing Rules and have been disclosed in such note in compliance with the disclosure requirements under the Chapter 14A of the Listing Rules.

### **VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF**

(I) Guarantee

Unit: Yuan Currency: RMB

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

	Relationship											Is the	
	between			Date of guarantee				Is the	Is the		Any	guarantee	Related
	guarantor and		Guaranteed	(execution date of	Commencement	Expiry date of	Type of	guarantee	Guarantee	Overdue	counter-	provided to	party
Guarantor	listed company	Guaranteed parties	amount	agreement)	date of guarantee	guarantee	guarantee	fully fulfilled	overdue	amount	guarantee	related party	relationship
Dongfang Electric Co.,	Headquarter of	Inner Mongolia Energy Power	16,000,000	19 January 2016	19 January 2016	19 January 2026	General pledge	No	No	0	No	No	Other
Ltd.	the Company	Hongnijing Wind Power Co., Ltd.											
Dongfang Electric Co.,	Headquarter of	Inner Mongolia Mengneng	16,000,000	29 June 2016	29 June 2016	29 June 2026	General pledge	No	No	0	No	No	Other
Ltd.	the Company	Sanshengtai Wind Power Co.,											
		Ltd.											
Dongfang Electric Co.,	Headquarter of	Inner Mongolia Wulan New Energy	36,000,000	27 October 2016	27 October 2016	27 October 2026	General pledge	No	No	0	No	No	Other
Ltd.	the Company	Co., Ltd.											
DEC Dongfang Steam	A wholly-owned	Mitsubishi Heavy Industries	24,500,000	22 September 2016	22 September 2016	30 April 2025	General pledge	No	No	0	Yes	No	Other
Turbine Co., Ltd.	subsidiary	Dongfang Gas Turbine											
		(Guangzhou) Co., Ltd.											

### SIGNIFICANT EVENTS (CONTINUED)

### VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

#### (I) Guarantee (Continued)

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

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

#### Guarantee provided by the Company and its subsidiaries 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

## Total guarantee provide by the company (including the guarantee to its subsidiaries)

Aggregate guarantee (A+B) Percentage of aggregate guarantee to net assets of the Company (%)	92,500,000 0.42
Representing:	
Amount of guarantee provided for shareholders, de	0
facto controller and their related parties (C)	
Balance of debts guarantee directly or indirectly	0
provided to guaranteed parties with gearing ratio over	
70% (D)	
Excess amount of aggregate guarantee over 50% of net assets (E)	0
Aggregate amount of the above three items (C+D+E)	0

### VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(I) Guarantee (Continued)

## Total guarantee provide by the company(including the guarantee to its subsidiaries) (Continued)

Statement on the contingent joint and several liability in The Company provided financing guarantees connection with unexpired guarantee 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 each of above 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. For details on the above guarantees, please Statement on guarantee 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.

### VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

#### (II) Other material contracts

During the Reporting Period, there is no contract of significance between the Company or any of its subsidiaries and its controlling shareholder (as defined in Appendix 16 to the Listing Rules) or its subsidiaries.

During the Reporting Period, there is no contract of significance for the provision of services to the Company or its subsidiaries by the controlling shareholder of the Company or its subsidiaries

No contracts (other than service contracts with any director, supervisor or full-time employees of the Company), pursuant to which any persons, firms or corporate assume the management and administration of the whole or any substantial part of the business of the Company, were entered into or existed during or at the end of the year.

No contracts, to which the Company, its subsidiary or controlling company, or subsidiary of the controlling company of the Company, is a party, and in which, a director or supervisor of the Company, either directly or indirectly, in any forms, had material interests at any time during the year, existed during or at the end of the year (In any case as mentioned above, the directors or supervisors of the Company are of the opinion that the contract has material relations with the Company's business and the material relations that relevant directors and supervisors have in the contract are or had been crucial). The contracts referred herein do not include the service contract of a director or supervisor of the Company or the contract entered into between the Company and an enterprise, in which the director or supervisor of the Company had material relations due to their concurrently holding position as director and supervisor at the enterprise.

At no time during or at the end of the year was the Company, its subsidiary or controlling company, or subsidiary of the controlling company of the Company, a party to any arrangements whose objects are, or one of whose objects is, to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporations.

### **VIII.OTHER SIGNIFICANT EVENTS**

#### 1. Public Float

Based on the public information available to the Company and its directors as at the date of this annual report, the number of shares of the Company held by the public is enough and in compliance with the Listing Rules.

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

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

#### 3. Audit Committee

The Board has established an audit committee, which consists of three independent non-executive Directors, namely Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe. The audit committee has reviewed the annual report of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

Unit: Yuan

#### 4. Five Years Financial Summary

2017 2013 2016 2015 2014 (31 December (31 December (31 December (31 December (31 December 2017) 2016) 2015) 2014) 2013) Item Total assets 78,920,765,722.56 84.702.600.301.42 86,134,423,264.67 85.842.623.386.50 77.836.703.054.12 Total liabilities 56,152,792,973.71 62,616,845,381.45 62,156,834,114.73 65,373,357,755.18 59,243,312,433.39 Total shareholders' equity 22,767,972,748.85 22,085,754,919.97 23,977,589,149.94 20.469.265.631.32 18.593.390.620.73 Including: Equity attributable to shareholders of the 21,821,370,658.62 21,144,292,192.79 23,051,589,145.83 19,544,092,526.73 17,693,768,986.23 parent company Minority interests 946,602,090.23 941,462,727.18 926,000,004.11 925,173,104.59 899,621,634.50 Revenue from operations 30,830,230,430.91 33,285,723,808.34 36,017,943,700.32 39,036,164,758.11 42,390,796,682,51 Total profit 533,423,317.37 -1,944,064,007.65 532,899,436.82 1,502,342,336.40 2,787,492,093.47 Income tax expenses -149,646,382.09 -184,625,607,38 73,401,825.32 181.725.615.62 388.089.412.34 Net profit 683,069,699.46 -1,759,438,400.27 459,497,611.50 1,320,616,720.78 2,399,402,681.13 Including: Net profit attributable to the -1.784.306.804.76 439.072.644.82 2.349.431.591.08 parent company 673.079.118.85 1.278.258.405.62 62,591,936.08 Minority interests 9,990,580.61 24,868,404.49 20,424,966.68 42.359.315.16

Note: Prepared in accordance with the PRC Accounting Standards.

### SIGNIFICANT EVENTS (CONTINUED)

### **VIII. OTHER SIGNIFICANT EVENTS (CONTINUED)**

#### 5. Pre-emptive Rights

There are no provisions regarding pre-emptive rights under the Company Law of the People's Republic of China and the Articles of Association, which require the Company to issue new shares to the existing shareholders in proportion to their existing shareholdings.

### IX. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITY

#### (I) Works of social responsibility

For details, please refer to the simultaneous disclosed Social Responsibility Report of Dongfang Electric Corporation Limited for 2017《東方電氣股份有限公司2017年社會責任報告》.

### I. CHANGES IN ORDINARY SHARE CAPITAL

- (I) Table of changes in ordinary shares
  - 1. Total number of shares and the structure of share capital of the Company

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

### II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of shareholders

Total number of ordinary shareholders as of the end of the Reporting Period	
(shareholder)	130,596
Total number of ordinary shareholders as of the end of the month prior to the date of	
disclosure of the Annual Report (shareholder)	129,654

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

### II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

	Increase/ decrease	Number of	gs of top 10 share	Number of shares held	Distant		
Name of shareholder (full name)	during the Reporting Period	shares held at the end of the Period	Percentage (%)	subject to trading moratorium	Pledged of Status of shares	Number of shares	Type of shareholder
Dongfang Electric Corporation	0	074 040 700	44.00	0	N 121	0	State-owned
HKSCC Nominees Limited	0	974,016,763	41.68	0	Nil	0	legal person Overseas legal
	0	338,256,497	14.47	0	Unknown	0	person
China Securities Finance Corporation	0	000,200,101		Ŭ	onaionn	Ŭ	poroon
Limited (中國證券金融股份有限公司)		49,648,500	2.12	0	Unknown	0	Other
Central Huijin Asset Management Ltd. (中							
央匯金資產管理有限責任公司)		22,645,600	0.97	0	Unknown	0	Other
Industrial and Commercial Bank of China							
Limited – Dong Fang Hong New Power							
Mixed Securities Investment Funds (中 アエエロタンコー またはが新							
國工商銀行股份有限公司-東方紅新動 力靈活配置混合型證券投資基金)		0 710 500	0.07	0	Linknown	0	Other
刀靈石配直飛音空超夯攻貝基本) Bosera Funds-Agricultural Bank – Bosera		8,710,523	0.37	U	Unknown	U	Other
China Securities and Financial Assets							
Management Program (博時基金一農業							
銀行- 博時中證金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other
EFund – Agricultural Bank – EFund							
China Securities and Financial Assets							
Management Program (易方達基金-農							
業銀行-易方達中證金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other
Dacheng Fund – Agricultural Bank –							
Dacheng China Securities and Financial							
Assets Management Program (大成基							
金-農業銀行-大成中證金融資產管理 計劃)		0 400 400	0.36	0	Unknown	0	Other
可则 GF Fund – Agricultural Bank – GF China		8,480,400	0.30	0	UNKNOWN	0	Other
Securities and Financial Assets							
Management Program (廣發基金一農業							
銀行-廣發中證金融資產管理計劃)		8,480,400	0.36	0	Unknown	0	Other
		, ,					

Unit: share

### II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

Unit: share

Shareholdings of top 10 shareholders									
	Increase/ decrease during the	Number of shares held at		Number of shares held subject	Pledged o				
Name of shareholder (full name)	Reporting Period	the end of the Period	Percentage (%)	to trading moratorium	Status of shares	Number of shares	Type of shareholder		
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基金一農業銀行一中歐中證金融資 產管理計劃) China Southern Fund – Agricultural Bank		8,480,400	0.36	0	Unknown	0	Other		
<ul> <li>China Southern Fund – Agnoutural Bailk</li> <li>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)</li> </ul>		8,480,400	0.36	0	Unknown	0	Other		

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

### III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

#### (I) Information of Controlling Shareholder

#### 1. Legal person

Name	Dongfang Electric Corporation	on			
Person in charge of the company or legal representative	Zou Lei				
Date of establishment	6 November 1984				
Principal business	Import and export busine subcontracting of projects of power stations; whole set power station equipment manufacturing and sales of machinery and electrical and subcontracting of related pro-	of hydro-, therma technological d and technology whole-set equip cestries; general of	I- and nuclear- evelopment of consultation; oment; sales of		
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the Reporting Period	Stock account under the Parent Company of the Group also held shares of the following listed companies as at the end of 2017:				
			Percentage		
			of the share capital of		
	Stock Name	Number of shares held (shares)	the listed company (%)		
	HPI (華能國際)	500,000	0.003		
	Huadian Power (華電國際)	200,000	0.002		
	GD Power Development Co., Ltd. (國電電力)	3,040,000	0.015		
	China's nuclear power (中國核電)	800,000	0.005		
	Datang Power (大唐發電)	17,173,679	0.129		
Other information	Nil				

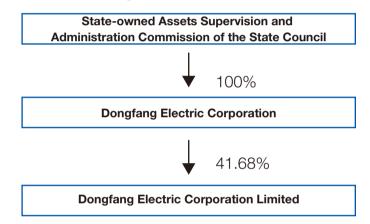
### CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

### III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

- (I) Information of Controlling Shareholder (Continued)
  - 2 Special explanation that the Company does not have any controlling Shareholder

Dongfang Electric Corporation is the Controlling Shareholder and de facto controller of the Company.

3. Framework of the property right and controlling relationship between the Company and the Controlling Shareholder



#### IV. OTHER LEGAL PERSONS HOLDING SHARES OF 10% OR ABOVE

There is no other legal person of the Company holding shares of 10% or above other than the Controlling Shareholder as at the end of the Reporting Period.

### V. PARTICULARS OF DISCLOSED SHAREHOLDINGS ACCORDING TO REGULATORY REGULATIONS ON H SHARES

#### Interests of substantial shareholders

To the best knowledge of the Directors, as at 31 December 2017, the following person was recorded in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance as the substantial shareholder (defined in the Hong Kong Securities and Futures Ordinance) of the Company, whose interests were as follows:

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

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

#### Notes:

- Dongfang Electric Corporation held 100% of interests in Dongfang Electric (Hong Kong), Limited 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 Hong Kong 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 31 December 2017.

Save as disclosed above, as at 31 December 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 Hong Kong Securities and Futures Ordinance.

### I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period

Unit: share

Name	Position <i>(Note)</i>	Gender	Age	Commencement of term of office	Expiry of term office	Number of shares held at the beginning of the year	Number of share held at the end of the year	Number of shares changed during the year	Reasons For change	Total remuneration received from the Company in Reporting Period <i>RMB0'000</i>	Whether get payment from related parties of the Company
Zou Lei	Chairman	Male	51	21 October 2016	27 June 2018	0	0	0		0	Yes
Zhang Xiaolun	Director	Male	53	28 June 2015	27 June 2018	0	0	0		0	Yes
Huang Wei	Director	Male	52	28 June 2015	27 June 2018	0	0	0		0	Yes
Zhu Yuanchao	Former Director	Male	61	28 June 2015	27 December 2017	0	0	0		0	Yes
Xu Peng	Director	Male	52	27 December 2017	27 June 2018	0	0	0		5	Yes
Zhang Jilie	Director	Male	54	28 June 2016	27 June 2018	0	0	0		0	Yes
Chen Zhangwu	Independent nonexecutive Directo	Male	71	28 June 2015	27 June 2018	0	0	0		8	No
Gu Dake	Independent nonexecutive Directo	Male	64	28 June 2015	27 June 2018	0	0	0		8	No
Xu Haihe	Independent nonexecutive Directo	Male	63	28 June 2015	27 June 2018	0	0	0		8	No
Wen Limin	Former Chairman of Supervisory Commit	Male tee	52	28 June 2015	5 March 2018	0	0	0		0	Yes
Wang Zaiqiu	Former Supervisor	Male	60	28 June 2015	27 September 2017	0	0	0		29.16	No
Wang Congyuan	Former Supervisor	Male	53	28 June 2015	15 November 2017	0	0	0		25.61	No
Fu Haibo	Supervisor	Male	53	27 December 2017	27 June 2018	0	0	0		0	No
Zeng Yi	Supervisor	Male	47	16 November 2017	27 June 2018	0	0	0		3.07	No
Gong Dan	Chief Accountant, Secretary to the Boa	Male Ird	55	28 June 2015	27 June 2018	2,540	2,540	0		46.52	No
Zhang Zhiying	Executive Vice Preside	nt Male	57	28 June 2015	27 June 2018	0	0	0		46.87	No
Han Zhiqiao	Vice President	Male	59	28 June 2015	27 June 2018	2,540	2,540	0		46.18	No
Chen Huan	Vice President	Male	56	28 June 2015	27 June 2018	0	0	0		45.15	No
Gao Feng	Vice President	Male	54	28 June 2015	27 June 2018	0	0	0		46.52	No
Total	/	/	/	/	/	5,080	5,080	0	/	318.08	/

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

### **Explanations on other matters**

- 1. Other than the independent non-executive Directors as well as the Supervisors, the remuneration disclosed in the table above represented the sum of basic annual salary for 2017 and the performance-based emolument of senior management for 2016 (deferred part included).
- Members of the management team concurrently serving as directors, supervisors of Dongfang Electric Corporation will not be receiving any form of remuneration from the Company since 1 January 2015 pursuant to the requirements by Zhongfa [2014] No. 12 and Guo Zi Fa Fen Pei [2015] No. 83.

As at 31 December 2017, the interests and short positions of the Directors, Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") adopted by the Company, were as disclosed above.

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 31 December 2017.

Save as disclosed above, as at 31 December 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code adopted by the Company.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zou Lei	born in June 1966, is currently the Chairman of the Company, and the Chairman and secretary of the Party Committee of Dongfang Electric Corporation. He graduated from Jiamusi Technical College (住木斯工學院) with a bachelor's degree in mechanical manufacture process and professional equipment, completed his postgraduate study at Harbin Institute of Technology with a master degree in business administration and then obtained a doctorate degree in technological economy and professional management from Harbin Institute of Technology. He joined Harbin Electric Corporation in August 1988 and acted as an intern of the Auxiliary Machinery Branch, the general dispatcher of the dispatching room of production division, Party office secretary, league deputy secretary and league secretary in the former Harbin Boiler Works, Party branch secretary of pipe first branch factory, factory director of heavy vessel workshop, factory director of Pingshan branch factory, production director of General Manager Department, deputy general manager, chairman and general manager, and Party committee deputy secretary of Harbin Boiler Company Limited. Mr. Zou was a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation from December 2008 to January 2009, a standing committee member, director and general manager of Harbin Electric Corporation as well as a standing committee from January to February 2009, a standing committee member of the Party Committee and executive director of Harbin Electric Corporation as well as a standing committee from February 2015, and the secretary of the Party Committee and executive director of Harbin Electric Corporation as well as a standing committee member of the Party Committee and chairman of Harbin Electric Corporation from November 2009 to February 2015, and the secretary of the Party Committee and chairman of Harbin Electric Corporation from Merement 2015 to March 2015. He was the secretary of the Party Committee and chairman of Harbin Electric Corporati

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

#### Name Principal working experience

- Zhang Xiaolun born in August 1964, is currently a Director and the president of the Company, and a director, executive general manager, deputy secretary of the Party Committee of Dongfang Electric Corporation. He graduated from Huazhong Engineering College with a bachelor degree of engineering, majoring in electrical engineering. Mr. Zhang completed his postgraduate study in South Western University of Finance and Economics with an MBA Degree, majoring in Business and Management. He joined Dongfang Electric Corporation in July 1986 and has since held various positions including office secretary, deputy section head of Haikou Engineering Department, Deputy Section Head of office and secretary to the Youth League Committee. From July 1992 to June 2000, he has been the deputy head of office of Dongfang Electric Corporation, executive deputy factory manager, factory manager, factory manager and secretary to the Party Committee of Zhongzhou Steam Turbine Works, and assistant to the general manager of Dongfang Electric Corporation and deputy manager of the Engineering Branch of Dongfang Electric Corporation. From June 2000 to April 2008, he has been a director, vice general manager and member of the Party Committee of Dongfang Electric Corporation. From April 2008 to May 2016, he has been a vice general manager and deputy secretary of the Party Committee of Dongfang Electric Corporation. He has been a Director, executive general manager, deputy secretary of the Party Committee of Dongfang Electric Corporation since May 2016, and the President of the Company since September 2017. Mr. Zhang holds the title of senior engineer.
- Huang Wei born in July 1965, is currently a Director and senior vice president of the Company, vice general manager and deputy secretary of the Party Committee of Dongfang Electric Corporation. Mr. Huang graduated from Shanghai Jiao Tong University with a bachelor's degree of ship power machinery, University of Chongging with a master's degree of thermal engineering, and Southwestern University of Finance and Economics with a doctor's degree of economics. He joined Dongfang Electric Corporation in January 1989 and had been a key technician of the Complete Plant Section of Dongfang Electric Corporation, and key technician, manager assistant, deputy manager, deputy general manager, and general manager of the thermal power department of Sichuan Dongfang Power Equipment Union Company Limited of Dongfang Electric Corporation. He served as deputy general manager of Dongfang Electric Corporation from June 2000 to February 2007, a member of the Party Committee and deputy general manager of the State Nuclear Power Technology Corporation from February 2007 to September 2008. He has been a deputy general manager and a member of the Party Committee of Dongfang Electric Corporation since September 2008, and the deputy secretary of the Party Committee of Dongfang Electric Corporation since April 2017. He has been the senior vice president of the Company since September 2017. Mr. Huang holds the title of senior engineer.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name Prin	cipal working	experience
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Xu Peng born in June 1965, currently serves as a Director and senior vice president of the Company. He is also deputy general manager and a member of the Party Committee of Dongfang Electric Corporation. He graduated from the Faculty of Thermophysical Engineering of Zhejiang University with a bachelor's degree of engineering in thermal power of power plant. Mr. Xu joined Dongfang Boiler Factory (東方鍋爐廠) in July 1987 and successively served as a tester and deputy head of the Boiler Institute of Dongfang Boiler Factory (東方鍋爐廠鍋爐研究所), chief of the marketing division, deputy chief economist, deputy general manager, director, a standing member of the Party committee, secretary of the Party committee, general manager and chairman of Dongfang Boiler (Group) Co., Ltd. (東方鍋爐(集團)股份有限公司); and the head and secretary of Party committee of Dongfang Boiler Factory. From May 2006 to August 2009, Mr. Xu concurrently served as the chairman of Babcock-Hitachi Dongfang Boiler Co., Ltd. (東方日立鍋爐有限公司), Shenzhen Eastern Boiler Control Co., Ltd. (深圳東方鍋爐控制有限公司) and Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd. (成都東方凱特瑞環保催化劑有限責任公司). From April 2008 to May 2017, he concurrently served as a director of Dongfang Electric (Guangzhou) Heavy Machine Co., Ltd. (東方電氣(廣州)重型機器有限公司). Mr. Xu has been serving as the head of corporate culture department of Dongfang Electric Corporation Limited since March 2017, and concurrently served as the head of work department of Party Committee and deputy secretary of the Party Committee directly under Dongfang Electric Corporation, president of Dongfang Electric Management School, and vice president of the Party School of Dongfang Electric Corporation. From May 2017 to March 2018, he served as vice president of Dongfang Electric Corporation Limited. He has been serving as vice general manager and a member of the parity committee of Dongfang Electric Corporation and a Director of Dongfang Electric Corporation Limited since September 2017 and December 2017, respectively. Since March 2018, he has been acting as senior vice president of Dongfang Electric Corporation Limited. Mr. Xu holds the title of senior engineer.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name Principal	working experience
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Zhang Jilie born in August 1963, is currently a Director and senior vice president of the Company, and deputy general manager, a member of the Party Committee, the chief law consultant and the director of the general office of Dongfang Electric Corporation. Mr. Zhang graduated from Wuhan Polytechnic University majoring in industrial business management with a bachelor's degree of engineering. He araduated from Southwest Jiao Tong University with a MBA degree specializing in business management. He joined DFEW in July 1984, and since then till November 2001, he has held various positions including secretary to Factory Office, deputy section head of Planning Department, section head of Planning Department, deputy officer of administrative office, officer and secretary to Party Branch Committee of DFEW, assistant to the general manager, officer of General Manager Office and secretary to Party Branch Committee, manufacturing head of Dongfang Electric Machinery Company Limited, and chairman of the board, general manager and secretary to Party Branch Committee of DFEM Control Equipment Company Limited, deputy factory head and executive deputy factory manager of DFEW. From November 2000 to January 2007, he had acted as, assistant to general manager and section head of Corporate Management Department of Dongfang Electric Corporation. He concurrently acted as a director, general manager and secretary to Party Committee of DEC Investment Management Company Limited. From February 2004 to January 2006, he received on-the-job training in Honghe Prefecture of Yunnan Province, serving as a member of the standing committee and deputy head of the Prefecture. From January 2007 to October 2015, he had been chief law consultant of Dongfang Electric Corporation, and concurrently held various positions such as the head of Legal Affairs Department and the head of Planning and Development Department of Dongfang Electric Corporation and the head of Legal Affairs Department of Dongfang Electric Corporation Limited. Since October 2015, he has been serving as secretary to the board, chief law consultant and director of the general office of Dongfang Electric Corporation, and director of the President Office of Dongfang Electric Corporation Limited. Since October 2007, he has been serving as Director of Dongfang Electric Corporation Limited. Since September 2017, he has been serving as deputy general manager and a member of Party Committee of Dongfang Electric Corporation. Since March 2018, he has been serving as senior vice president of Dongfang Electric Corporation Limited. Mr. Zhang holds the title of senior economist and the practising qualification of corporate law consultant.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name Principal working experience	
Chen Zhangwu	born in November 1946, has been an independent non-executive Director of the Company since 28 June 2015, is a professor in economics and a leading lecturer in management and economics of Tsinghua University. He graduated from the Engineering Physics Faculty of Tsinghua University where he specialized in physics and obtained a master's degree in accelerator physics from Engineering Physics Faculty of Tsinghua University. He had been a member to the Party Committee and secretary to the Group Committee of Engineering Physics Faculty of Tsinghua University, deputy secretary to the Party Committee of Modern Applied Physics Faculty of Tsinghua University, the deputy dean of the Economic Management Faculty, deputy secretary and secretary to the Party Committee of Tsinghua University and a member of the Party Committee of Tsinghua University, etc.
Gu Dake	born in March 1954, has been an independent non-executive Director of the Company since 28 June 2015, is a professor-level senior engineer with a bachelor's degree. Mr. Gu has held positions including the specialized person-in-charge of the boilers, the person-in-charge of the production arrangement division, deputy chief engineer and the head of the repair division of Tianjin Ji County Power Plant; the chief engineer and deputy general manager of Beijing Guohua Power Company Limited; the vice president of CLP Guohau Corporation (中電國華電力股份有限責任公司); the member of the Party Committee, deputy general manager and chief engineer of China Power International Holding Limited; the vice president of China Power International Holding Limited; the vice president of China Power International Holding Limited; the deputy secretary to the Party Committee and deputy general manager of the branch company of China Power Investment Corporation. He also serves as the executive director and president of China Power International Development Limited, and concurrently holds the positions of the general manager, deputy secretary to the Party Committee of China Power International Development Limited, and concurrently holds the positions of the general manager, deputy secretary to the Party Committee of China Power International Development Limited, and concurrently holds the positions of the general manager, deputy secretary to the Party Committee of China Power International Holding Limited.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Xu Haihe	born in February 1955, has been an independent non-executive Director of the Company since 28 June 2015, is an MBA degree holder and senior accountant. Mr. Xu ever served for China National Electronic Materials Corporation as deputy head of financial management division, head of financial management division, general manager assistant and head of finance division, head of auditing division, deputy general manager, member of party group, general manager (legal representative) and secretary of party group; worked for China Electronics Corporation as deputy general manager of finance department and director of finance department, concurrently served for China Electronics Financial Co., Ltd. as director and the chairman (legal representative) and for China Electronics Corporation as general economist and worker's director.
Fu Haibo	born in November 1964, now acts as a Supervisor of the Company, deputy head of the discipline inspection group, chief of the discipline inspection and supervision department and director of the patrol working office of Dongfang Electric Corporation and chief of the discipline inspection and supervision department of Dongfang Electric Corporation Limited. He graduated from the economics department of Zhejiang University, majoring in political economics with a master's degree of economics. In May 1993, he joined Dongfang Electric Corporation and successively served as staff of business administration office and staff, deputy chief, director assistant and vice director of the asset management office, chief of the strategic development department, deputy head of the discipline inspection group and chief of the discipline inspection and supervision department of Dongfang Electric Corporation Limited. From May 2004 to July 2006, he served as director of Dongfang (Guangzhou) Heavy Machinery Co., Ltd From December 2005 to January 2007, he served as director of Dongfang Electric Machinery Co., Ltd. Since March 2017, he has been serving as deputy head of the discipline inspection group, chief of the discipline inspection and supervision department and director of the patrol working office of Dongfang Electric Corporation and chief of the discipline inspection and supervision department and chief of the discipline inspection and supervision department of Dongfang Electric Corporation Limited. He was appointed as a Supervisor of the Company in December 2017. He holds the title of senior economist.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Zeng Yi	born in January 1970, is currently a Supervisor of the Company, the head of the audit division of both Dongfang Electric Corporation and Dongfang Electric Corporation Limited. He graduated from Shanghai University of Finance and Economics majoring in international finance of the world economics department and obtained the bachelor's degree in economics. Since his admission to Dongfang Boiler Factory (東方鍋爐廠) in July 1991, he had been an employee of the finance and accounting division of Dongfang Boiler Factory; an accountant and the assistant to the head of the finance division, the deputy head and head of the division of finance, accounting and pricing and Party branch secretary of Dongfang Boiler (Group) Co., Ltd. (東方鍋爐(集團)股份有限公司); the deputy head and head of Finance Department of Dongfang Electric Corporation Limited; and the head of Asset and Finance Department of Dongfang Electric Corporation. In particular, Mr. Zeng concurrently served as a supervisor of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. (東方電氣(廣州)重型機器有限公司) from August 2008 to January 2011. Since October 2017, he has been serving as the head of the audit division of both Dongfang Electric Corporation and Dongfang Electric Corporation Limited. He has also been serving as a Supervisor of the Company since November 2017. He holds the title of senior accountant.
Gong Dan	born in January 1963, currently acts as chief accountant, secretary to the Board and chief law consultant of the Company, and concurrently serves as secretary to the board of directors of Dongfang Electric Corporation, a director of DEC Dongfang Electric Machinery Co., Ltd. and Dongfang Electric Finance Co., Ltd., and secretary to the Party Committee of Sichuan Dongfang Electronic Auto-control Co., Ltd. He graduated from Department of Mechanics of Anhui Industrial University majoring in casting and equipment and obtained a bachelor's degree of engineering. He joined DFEW in September 1983 and mainly involved in production technology, corporate management, management of young workers and the running of the organization department. He had been deputy secretary and secretary to the Youth League Committee, officer of the Young Workers' Office, and deputy head and head of Organization Department. From November 1999 to October 2007, he also worked as an executive director, deputy general manager and secretary to the board of directors of Dongfang Electric Machinery Company Limited. He has been chief accountant and secretary to the Board of Directors of Dongfang Electric Corporation Limited since October 2007. He has also concurrently served as the chief law consultant of Dongfang Electric Corporation Limited since June 2011. He concurrently served as a director of Dongfang Boiler Group Co., Ltd. from July 2008 to May 2017 and a director of DEC Dongfang Steam Turbine Co. Ltd. from July 2008

to October 2017. He concurrently served as secretary to the Party Committee of Sichuan Dongfang Electronic Auto-control Co., Ltd. since June 2017 and secretary to the board of directors of Dongfang Electric Corporation since December 2017. Mr. Gong holds the title of senior engineer, senior accountant and senior political

engineer.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

#### Name Principal working experience

- Zhang Zhiying born in December 1960, is currently an executive vice president of the Company. Mr. Zhang graduated from Xi'an Jiao Tong University with a bachelor's degree of engineering in turbine thermal turbo machinery and from University of Electronic Science and Technology of China with a doctor degree of management in enterprise management. From August 1982 to December 1999, he had been assistant engineer, engineer and team leader of the main unit team of Design Department, Deputy Head of Product Service Division of Product Design and Experimental Institution, deputy officer of the main unit office of Product Design and Experimental Institution, deputy officer and senior engineer of Steam Turbine Office of Design Department, deputy head and deputy chief economist of Operation Department of Dongfang Turbine Works; he had been the chief economist of Dongfang Turbine Works from December 1999 to December 2006, a director and general manager of DEC Dongfang Steam Turbine Co. Ltd. from December 2006 to October 2007, the vice president of Dongfang Electric Corporation Limited and a director and the general manager of DEC Dongfang Steam Turbine Co. Ltd. from October 2007 to June 2010; he has been an executive vice president of Dongfang Electric Corporation Limited since June 2010. Mr. Zhang holds the title of senior engineer.
- Han Zhiqiao born in October 1958, is currently a vice president of the Company. He graduated from the faculty of Hydro works of Shanxi college of Technology with a Bachelor's degree in engineering and majored in hydroelectric power generating equipment. He attended the MBA course jointly held by Southwest Jiaotong University and University of South Australia and obtained MBA degree. He joined DFEW in August 1983 and has long been engaged in product sales and technological services. He had been the deputy section head, section head, deputy department head, assistant to the general manager of the Sales Service Department of Dongfang Electric Machinery Company Limited from December 1992 to November 1999, and had been executive director and deputy general manager, director and general manager, vice chairman and general manager of Dongfang Electric Machinery Company Limited from November 1999 to October 2007. He had been vice president of Dongfang Electric Corporation Limited and director and general manager of Dongfang Electric Machinery Company Limited from October 2007 to December 2010. He has been the vice president of Dongfang Electric Corporation Limited since December 2010, and he concurrently served as the general manager of the Engineering Branch Company of Dongfang Electric Corporation Limited from December 2010 to June 2011. He has also concurrently served as the general manager and secretary of the Party committee of the International Engineering Branch Company of Dongfang Electric Corporation Limited from June 2011 to October 2016. Mr. Han holds the title of senior engineer.

 Particulars about changes in the shareholding and remuneration of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

#### Name Principal working experience

- Chen Huan born in November 1961, with US nationality, is currently the vice president of the Company. He graduated from the Beijing University with a bachelor's degree majoring in physics, from the University of Science and Technology Beijing with a master's degree majoring in physics of metals, and from the University of Virginia with a doctor's degree in materials science and engineering. From 1993 to 1994, he worked as a postdoctoral researcher in the Center of Materials Development at the University of Massachusetts. From 1995 to 2000, Mr. Chen acted as marketing manager of Marketing Department, chief sales executive of Sales Department, business manager of Foreign Joint Venture Department in Siemens Westinghouse, a US subsidiary of Siemens. From 2000 to 2004, he served on behalf of Siemens as vice president of Shanghai Turbine Co., Ltd, a joint venture company. From 2004 to 2009, Mr. Chen worked as Executive Vice President in Shanghai Electric Power Corporation. He has been the vice president of Dongfang Electric Corporation Limited since June 2009. He has also concurrently served as the general manager of Power Station Service Division in Dongfang Electric Corporation Limited from December 2009 to March 2011. In 2011, he was included in the national "Thousand Talents Plan" and was awarded as a "Distinguished Expert of State Level" by the Organizing Department of CCCPC and the Ministry of Human Resources and Social Security of the People's Republic of China under the State Council on the same year.
- born in January 1964, is currently the vice president of the Company and concurrently Gao Feng serves as general manager of Nuclear Power Division of the Company. He graduated from Electrical Engineering Department of University of Chongqing where he majored in electric machinery and obtained a bachelor degree of engineering. He obtained an MBA degree from Southwest Jiaotong University majoring in business management. He started his career in August 1984, and held various positions in DFEW such as technician, engineer, Deputy Station Head of Quality Inspection Office from August 1984 to April 1995. Mr. Gao served as Deputy Section Head, Section Head, Deputy General Quality Controller and Deputy Department Head of Dongfang Electric Machinery Company Limited from April 1995 to February 2001. He had been Deputy Chief Economist of DFEW and General Manager of Dongfang Electrical Appliance Company (東電電器公司) from February 2001 to January 2002 and Assistant to General Manager of Dongfang Electric Machinery Company Limited from January 2002 to November 2002. He had been executive director and Deputy General Manager of Dongfang Electric Machinery Company Limited from November 2002 to June 2005, and Assistant to General Manager and General Manager of Nuclear Power Division of Dongfang Electric Corporation from June 2005 to January 2008. He had been Assistant to President and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from January 2008 to June 2010, and Vice President of and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from June 2010 to December 2010. He has been Vice President of Dongfang Electric Corporation Limited since December 2010. Mr. Gao holds the title of senior engineer.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## II. POSITIONS HELD BY EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RETIRED DURING THE REPORTING PERIOD

### (I) Positions held in shareholders entities

Name	Name of shareholders entities	Positions held in shareholders entities	Commencement of term of office	Expiry of term of office
Zou Lei	Dongfang Electric Corporation	Chairman, secretary of the Party	May 2016	Until now
ZOU LEI		Committee	Way 2010	Until HOW
Zhang Xiaolun	Dongfang Electric Corporation	Director, general manager, deputy secretary of the Party Committee	May 2016	Until now
Huang Wei	Dongfang Electric Corporation	Deputy general manager, deputy secretary of the Party Committee	September 2008	Until now
Zhu Yuanchao	Dongfang Electric Corporation	Former Deputy general manager, member of the Party Committee	July 2010	December 2017
Xu Peng	Dongfang Electric Corporation	Deputy general manager, member of the Party Committee	September 2017	Until now
Zhang Jilie	Dongfang Electric Corporation	Deputy general manager, member of the Party Committee, Chief law consultant,	September 2017	Until now
Wen Limin	Dongfang Electric Corporation	Former Chief accountant, member of the Party Committee	September 2005	February 2018
Gong Dan	Dongfang Electric Corporation	Secretary to the Board	December 2017	Until now
Wang Congyuan	Dongfang Electric Corporation	Deputy head of Audit Department	January 2008	November 2017
Fu Haibo	Dongfang Electric Corporation	Director of patrol office	March 2017	Until now
Zeng Yi	Dongfang Electric Corporation	Head of Audit Department	November 2017	Until now

Explanations on particulars of positions held in shareholders entities

For the commencing date of the above person's positions held in shareholders entities, please refer to preceding detailed biographies of Directors, Supervisors and senior management.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Positions held in shareholders entities (Continued)

Decision-making procedures for the remuneration of Directors, Supervisors and senior management	Remuneration of Directors, supervisors and senior management of the Company will be assessed by the Remuneration and Assessment Committee of the Board and considered and approved on the Board meeting and submitted to the annual general meeting for Consideration and approval.
Basis of determination for the remuneration of Directors, Supervisors and senior management	Remuneration of senior management of the Company is determined based on the operating performance, job responsibilities and the results of annual performance.
Remuneration payable to Directors, Supervisors and senior management	Please refer to table above about "changes in the shareholding and remuneration of Directors, Supervisors and senior management".
Total remuneration actually paid to Directors, Supervisors and senior management as at the end of the Reporting Period	During the Reporting Period, there were a total of 18 members of Directors, Supervisors and senior management. The remuneration actually received by 3 independent Directors, 3 supervisors and 6 senior management of the Company was RMB3,180,800 (before tax) in total during the Reporting Period.

## IV. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY

Name	Position	Change situation	Reasons for changes
Zhang Xiaolun	President	Appointment	Appointed by the Board
Zhu Yuanchao	Former Director	Resignation	Retirement
Huang Wei	Senior Vice President	Appointment	Appointed by the Board
Wen Limin	Former Supervisor And Chairman of Supervisory Committee	Resignation	Job reallocation
Xu Peng	Director and Senior Vice President	Appointment	Elected at the general meeting and appointed by the Board
Zhang Jilie	Senior Vice President	Appointment	Appointed by the Board
Wang Zaiqiu	Former Supervisor	Resignation	Retirement
Fu Haibo	Supervisor	newly-appointed	Elected at the general meeting
Wang Congyuan	Former Staff Representative Supervisor	Resignation	Resignation
Zeng Yi	Staff Representative Supervisor	Newly-appointed	Elected at congress of Staff representatives

## IV. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS OF THE COMPANY (CONTINUED)

Upon exemption of senior management from restriction on holding concurrent positions by the CSRC, Mr. Zhang Xiaolun was appointed as president of the Company and Mr. Huang Wei was appointed as senior vice president of the Company at the 20th meeting of the 8th session of the Board held on 30 August 2017. Mr. Xu Peng and Mr. Zhang Jilie were appointed as the senior vice president of the Company at the 26th meeting of the 8th session of the Board held on 20 August 2017. Mr. Xu Peng and Mr. Zhang Jilie were appointed as the senior vice president of the Company at the 26th meeting of the 8th session of the Board held on 2 March 2018.Independent Directors issued an independent opinion on the senior management mentioned above, considering that the person mentioned above were qualified and competent to serve as senior management of the Company. We are not aware of any circumstance which may disqualify such appointments under the Company Law, or any prohibition from entering into the market identified by the CSRC, which has not been relieved. Therefore, the qualification was in compliance with related laws and regulations. Appointment procedures followed the principle of fairness, justness and openness and complied with the relevant provisions of the national laws, regulations, and the Articles of Association without prejudice to the interest of the Company and other shareholders. Independent opinion of the Independent Directors was published on the website of Shanghai Stock Exchange by the Company on 31 August 2017 and 3 March 2018.

Mr. Zhu Yuanchao no longer served as a Director of the Company since 27 December 2017 and Mr. Wang Zaiqiu no longer served as a supervisor of the Company since 27 September 2017 due to reaching of the statutory retirement age.

Due to personal reasons, Mr. Wang Congyuan tendered his resignation as the staff representative supervisor voluntarily, with effect from 15 November 2017; Mr. Zeng Yi was elected as the staff representative supervisor of the Company at congress of staff representatives, with effect from 16 November 2017.

Since 5 March 2018, Mr. Wen Limin no longer served as a supervisor and the chairman of supervisory committee due to job reallocation.

On 27 December 2017, Mr. Xu Peng was elected as a Director of the eighth session of the Board and Mr. Fu Haibo was elected as supervisor at the 2017 second extraordinary general meeting held by the Company.

The Company hereby expresses its high regard and sincere gratitude for contributions of Mr. Zhu Yuanchao, Mr. Wen Limin, Mr. Wang Zaiqiu and Mr. Wang Congyuan to the Company during their tenure of services.

## V. THE RECORDS OF BEING PUNISHED BY SECURITIES REGULATORS IN RECENT THREE YEARS

No

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

### (I) Information on employees

### **Professional composition**

Category of professional structure	Headcount
Production	8,486
Sales	502
Technical	6,731
Financial	347
Administrative	1,412
Total	17,478

### Background education

Category of background education	Headcount
Master degree and above	1.000
Master degree and above	1,360
Bachelor degree	6,188
Tertiary degree	4,120
Technical middle school and below	5,810
Total	17,478

## VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES (CONTINUED)

### (II) Remuneration policy

During the Reporting Period, the Company continued to improve the payroll adjustment mechanism which is adaptable to the classification of business functions and closely linked to the performance of the Company, as a result of which a salary and performance linkage mechanism which can "motivate and regulate the performance of employees as well as promote the development of the Company" was basically formed. Based on the actual situation during the course of reform and development, all subsidiaries of the Group adopted a performance-based distribution method and continued to improve the internal salary and performance linkage assessment mechanism, effectively motivating the initiative of various business units to create economic benefits. While efficiently managing its payroll, the Company has made active efforts to establish a decision-making mechanism for income distribution that matches with the value of different positions and is linked to the operating results of the Company, and has successively in place specialized incentive systems to reward such activities as expansion of key markets, major science and technology projects and recovery of accounts receivable, which fully demonstrated the importance of the element of talents in remuneration distribution and greatly motivated the work enthusiasm of our staff.

### (III) Training plan

During the Reporting Period, in accordance with the principle of training and employment and for the fulfillment of development strategies, the Company was committed to employing talents through training and constantly improving and strengthening the development of talent pool. The Company implemented unified training and 59 professional training courses, trained 2,919 persons. Centering on talent training, the affiliated enterprises of the Company continued to enrich training forms, strengthen the supporting role of training course to business operation, and promote the overall improvement of employers' capability and qualification through proceeding management, technology, talent training orderly, which provides talents for the sustainable development.

### **VII. OTHERS**

### Core Technical Team or Key Technicians of the Company

There was no change in core technicians who have a material impact on the core competitiveness of the Company during the Reporting Period.

### **Directors' and Supervisors' Service Contracts**

None of the Directors or Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **CORPORATE GOVERNANCE**

## I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE

The Company has been committed to continuously improving its corporate governance structure and standardizing corporate operations in strict compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations of the China Securities Regulatory Commission ("CSRC") and requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. An effective check and balance mechanism has been established with segregation of duties and coordination among the general meeting, the board of directors, supervisory committee and managers of the Company.

In accordance with requirements of the regulatory bodies such as the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the CSRC, the Company established comprehensive governance systems, mainly including the Regulations for the Work of Remuneration and Assessment Committee, Regulations for the Work of Nomination Committee, Regulations for the Work of Audit and Review Committee, Regulations for the Work of Risk Management Committee, Regulations for the Work of Strategic Development Committee, Rules for Procedure of the Board, Rules for Procedure of the Supervisory Committee, Rules for Procedure of the General Meeting, Management Measures for Cash Dividends and Shareholders' Return Plan for the Next Three Years. In order to further regulate acts of inside information management and to strengthen confidentiality of inside information, the Company formulated and complied with the Systems for Registration of Insiders and Management for External Users to effectively maintain openness, fairness and justice of information disclosure of the Company.

During the Reporting Period, major aspects of corporate governance are as follows:

### I. In relation to shareholders and general meetings

The Company is able to treat all shareholders equally with due respect and protect their interests. In particular, minority shareholders are entitled to their status and fully exercise their rights with their legal interests being protected. The Company ensures that shareholders are entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations. By strictly following the relevant requirements for convening and holding general meetings set out in the Articles of Association and the Rules for Procedure of the General Meeting, related persons are arranged to abstain from voting on connected transactions, so as to ensure that connected transactions are open, equal and fair. During the Reporting Period, the Company held three general meetings which were witnessed by lawyers with their legal opinions issued in such respect.

### II. In relation to Directors and the Board of Directors

The eighth session of Board of Directors of the Company consists of 8 Directors, of which 3 are independent non-executive Directors. The Board has set up the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee.

All the Directors are familiar with relevant laws and regulations as well as their responsibilities, rights and obligations, and are able to fully express opinions on the matters discussed. All Directors are able to perform their duties in an honest, faithful and diligent manner and in the interests of the Company and all Shareholders as a whole. The Company convened the Board meetings in strict accordance with statutory procedures. During the Reporting Period, a total of 10 Board meetings were convened.

## I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE (CONTINUED)

### III. In relation to Supervisors and the Supervisory Committee

The eighth session of Supervisory Committee of the Company comprises 3 Supervisors, of which 2 are shareholders representative Supervisors and 1 is staff representative Supervisor. Upholding the principle of being responsible to all shareholders of the Company, the Supervisory Committee supervised and inspected the legal compliance of the Company's operations, financial affairs and investments of the Company and maintained the legitimate interests of the Company and all its shareholders in accordance with the Company Law, the Securities Law as well as the requirements of the Articles of Association and Rules of Procedure of the Supervisory Committee. During the Reporting Period, the Supervisory Committee held a total of 5 meetings.

### IV. In relation to stakeholders

The Company is able to fully respect and protect the legal interests of stakeholders and also places high emphasis on social responsibility, with a view to achieve a balance among the interests of various parties including shareholders, staff and the society; and for enhancing the continuous and healthy development of the Company.

Any material discrepancy between corporate governance and relevant requirements of CSRC and the explanation thereof (if any):

None

# II. SUPERVISORY COMMITTEE'S DESCRIPTION ON RISKS IN THE COMPANY

The Supervisory Committee had no objection against the supervisions during the Reporting Period.

## III. THE COMPANY'S EXPLANATION ON NON-INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF OPERATION, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

The Company has independent and intact business and operation ability within its registered business scope. The Company is independent from its controlling shareholder in terms of personnel, operation, assets, organization and finance.

Corresponding solutions, working progress and subsequent working plans of the Company in case of interindustry competition.

There is no inter-industry competition for the Company during the Reporting Period.

## IV. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

The Company adopts annual salary system for senior management whose annual remuneration is determined based on the operating performance, job responsibilities and the results of annual performance.

### V. DISCLOSURE OF SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

For details, please refer to the Self-assessment Report on Internal Control of the Company disclosed on the website of the Shanghai Stock Exchange.

### **VI. EXPLANATION OF AUDIT REPORT ON INTERNAL CONTROL**

For details, please refer to the Audit Report on Internal Control of the Company disclosed on the website of the Shanghai Stock Exchange.

Whether the Audit Report on Internal Control is disclosed: Yes

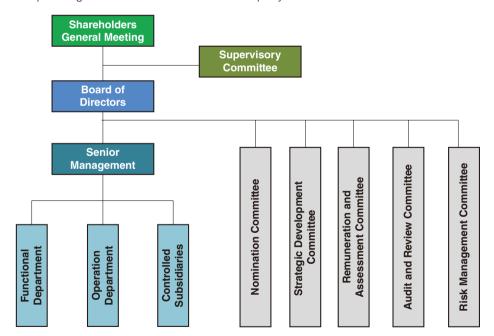
## **VII. CORPORATE GOVERNANCE REPORT**

### Corporate governance practices

The Company has been committed to improvement of corporate governance and regards the corporate governance as a part of value creation of the Company, to reflect the commitments of all Directors and senior management in respect of corporate governance maintain transparency and accountability for shareholders and maximize the value for all shareholders.

The documents related to corporate governance of the Company include the Articles of Association, Rules for Procedure of the General Meeting, Rules for Procedure of the Board, Rules for Procedure of the Supervisory Committee, Regulations for the Work of the Special Committees under the Board and Regulations for the Work of the President, etc. To achieve the highest level of corporate governance, the Board of Directors of the Company has set up 5 special committees, namely the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee.

During the Reporting Period, the Company has complied with all the code provisions of the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.



The chart for corporate governance structure of the Company is as follows:

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practices (Continued)

### I. General Meeting

As the highest authority of the Company, the general meeting performs its functions and power in determining the material events of the Company under the laws. The annual general meeting or extraordinary general meeting provides a direct communication channel for the Board and the shareholders. Hence, the Company regards highly of the shareholders' general meetings. Notice of meetings will be delivered 45 days before convening. All Directors and members of senior management are requested to attend as far as possible. The Company encourages all shareholders to attend the shareholders' meeting and welcomes shareholders to express their opinions in the meeting. The details of the shareholders' general meeting of the Company in 2017 are as follows:

Session of Meeting	Date	Re	solutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2016 annual general meeting	20 June 2017		e following resolutions were considered at the eting by way of ordinary resolution:	Approved	www.sse.com.cn	20 June 2017
		1.	Work Report of the Board of the Company for 2016			
		2.	Work Report of the Supervisory Committee of the Company for 2016			
		3.	After-tax Profit Distribution Plan of the Company for 2016			
		4.	Audited Financial Report of the Company for 2016			
2017 first extraordinary	23 November 2017		e following resolutions were considered at the eting by way of ordinary resolution:	Approved	www.sse.com.cn	23 November 2017
general meeting		1.	the resolution regarding approval granted by the Independent Shareholders in the general meeting for the Whitewash Waiver			
		2.	the resolution that the Company meets the conditions for acquisition of assets by issuance of shares by listed company			
		3.	the resolution that the acquisition of assets by issuance of A Shares constitute related party transactions			

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

Session of Meeting	Date	Resolutions	Voting result:	Publication date of resolutions
		are in compliance wi Certain Issues Relati	te transactions of the Company ith Rule 4 of the "Rules on ing to Regulation on Significant of Listed Companies	
		constitute material a prescribed by Rule 1	ne transactions do not issets reorganization as 13 set out in the Administrative aterial Asset Reorganizations of	
			ding approval for audited eview report and asset the transactions	
		reasonableness of va premises, relevance	ting independence of valuers, aluation assumptions and between valuation methods se, and fairness of appraised	
		reasonableness and	ling the basis for, and fairness of the consideration sets by issuance of shares	
			o situation of current return acquisition of assets	

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
		The following resolutions were considered at meeting by way of special resolution:	the		
		<ol> <li>the resolution regarding the proposal for acquisition of assets by the Company b of A Shares and related party transaction</li> </ol>	y issuance		
		<ol> <li>the resolution regarding the "Report on of Assets by Dongfang Electric Corpora Limited by Issuance of Shares and Rela Transactions (Preliminary Plan)" (東方電 限公司發行股份購買資產暨關聯交易報給 and its summary</li> </ol>	ition ited Party 氣股份有		
		<ol> <li>the resolution regarding execution of th Assets Transfer Agreement with conditi precedent to their effectiveness betwee Company and Dongfang Electric Corpo</li> </ol>	ons en the		
		<ol> <li>the resolution regarding execution of th Supplemental Assets Transfer Agreeme conditions precedent to their effectiven between the Company and Dongfang E Corporation</li> </ol>	ent with ess		
		<ol> <li>the resolution regarding execution of th Compensation Agreement with condition precedent to their effectiveness between Company and Dongfang Electric Corport</li> </ol>	ons on the		
		<ol> <li>the resolution regarding execution of th Supplemental Compensation Agreemer conditions precedent to their effectiven between the Company and Dongfang E Corporation</li> </ol>	nt with ess		

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
		<ol> <li>the resolution regarding approval the shareholders in the general m waiver from the obligation of Dong Corporation as the controlling sha actual controller to make a manda in respect of its acquisition of the Company</li> </ol>	eeting for the fang Electric reholder and tory general offer		
		<ol> <li>the resolution regarding mandate general meeting and class meetin to handle the relevant matters in r transactions</li> </ol>	gs to the Board		
2017 second extraordinary general meeting	27 December 2017	The following resolutions were consider meeting by way of ordinary resolu		www.sse.com.cn	27 December 2017
gonoral mooding		<ol> <li>To consider and approve the 2018 Production Services Framework A related continuing connected tran the related proposed annual caps Board be and is hereby authorised its absolute discretion, all matters continuing connected transactions</li> </ol>	greement, the sactions and and that the d to deal with, in relating to the		
		<ol> <li>To consider and approve the 2018 Services Framework Agreement, t continuing connected transactions proposed annual caps and that th is hereby authorised to deal with, discretion, all matters relating to th connected transactions;</li> </ol>	he related s and the related e Board be and in its absolute		

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practice (Continued)

Session of Meeting	Date	Re	solutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
mooting	Duto		5000005	Toouno	103010110113	10301010113
		3.	To consider and approve the consent to accept SASTIND investment project funds and convert into increased state-owned capital			
		4.	To consider and approve the appointment of Mr. Fu Haibo as a supervisor of the Company			
		5.	To consider and approve the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company to audit the Company's financial statements for the year 2017 and authorise the board of directors of the Company to determine its remuneration			
		6.	To elect Mr. Xu Peng as the non-independent Director of the eighth session of the Board of the Company			

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### II. Board of Directors

#### (I) Division of Responsibilities

The main responsibility of the Board is to exercise the power to make management decisions on the Company's development strategy, management structure, investment and finance, planning and financial supervision as authorized at the shareholders' meeting. The Company's Chairman and President will be served by different persons respectively, and the Company has a clear division of responsibilities. The Chairman of the Board presides over the meetings of the Board, and reviews the implementation of the resolutions made by the Board. The responsibility of the President is to manage, operate and coordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

#### (II) Composition

The eighth session of Board is composed of 8 Directors, of which 3 are independent nonexecutive Directors, representing one third of all Directors. The three independent non-executive directors of the Company are Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe, and the remaining Directors of the Company are Mr. Zou Lei, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Xu Peng and Mr. Zhang Jilie; the Chairman of the Company is Mr. Zou Lei. This session of Board is the eighth session of the Board since the establishment of the Company, the term of which is expected to end on 27 June 2018.

Members of the Board have different industry background. They all have professional knowledge in different areas, such as enterprise management, technical development, financial accounting, investment strategy, human resources etc. Their personal profiles are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report. For the biographical details of the directors of the Company, please refer to the section VIII headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

Saved as disclosed in the section, there is no other material relationship between the members of the Board (including financial, business, family or other material or relevant relationships).

In order to comply with the provisions under the Corporate Governance Code, the Company has arranged appropriate liability insurance for Directors to provide insurance by way of indemnity for their liability arising from the activities of the enterprise.

Independent non-executive Directors of the Company understood the rights and obligations as a director and an independent non-executive director of a listed company. During the Reporting Period, the independent non-executive Directors attended the Board meetings in a prudent, responsible and serious attitude, fully using their experience and expertise, did a lot of work for improvement of corporate governance and major decision-makings, voiced their pertinent and objective opinions about the important matters of the Company and connected transactions, promoted the scientific decision-making and decision-making procedures of the Board, and safeguarded the interests of the Company and majority shareholders. The three independent non-executive Directors of the Company also served in the Board's special committees.

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practice (Continued)

### II. Board of Directors (Continued)

(III) Policy concerning diversity of Board members

Code Provision A.5.6 in the Corporate Governance Code which became effective from 1 September 2013 stipulates that the Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

In order to comply with the Code Provision A.5.6, the Board has authorized the Nomination Committee to formulate a series of diversified standards including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, and to review and supervise the effects of diversity of Board members. The Board has adopted the policy concerning diversity of Board members.

(IV) Corporate governance functions

The Board of Directors shall perform the corporate governance functions as set out below:

To develop and review the Company's policies and practices on corporate governance;

To review and monitor the training and continuous professional development of Directors and senior management;

To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

To develop, review and monitor the code of conduct and compliance code applicable to employees and directors; To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### II. Board of Directors (Continued)

#### (V) Directors

The directors are elected or replaced at general meetings. Director elections adopt the cumulative voting system. Director candidates may be nominated by the Board or the Supervisory Committee, or by shareholders individually or jointly holding at least 1% issued shares of the Company. The term of office of directors (except for independent non-executive directors) is 3 years, eligible for re-election upon expiry of terms. The independent non-executive directors shall be persons with no connected relationship with the management staff in the Company and major shareholders, and their term of office could not exceed 2 sessions.

Through the secretary of the Board, all the directors can obtain the related information and latest trends about statutory, regulatory and other continuous responsibility, which the directors of a listed company must comply with. In this way, they can ensure the responsibility to be understood, implementation of the procedures of the Board and appropriate compliance with applicable laws and regulations. The Board and special committees shall be entitled to appoint an independent organization for its service, in accordance with needs to exercise powers, fulfill duties and run its business. Reasonable fees arising here from shall be borne by the Company.

The Company strictly abides by the relevant binding clauses, which are applied to the securities transactions conducted by the directors, as provided by the domestic and Hong Kong regulatory bodies to directors and sticks to the principle of strict compliance.

Securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under Appendix 10 of the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirms that, as of 31 December 2017, all Directors and Supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

The Company confirmed that it has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines requirements of the Listing Rules and are independent in accordance with the provisions of the guidelines.

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### II. Board of Directors (Continued)

(V) Directors (Continued)

Director's service contract

The Company has entered into separate service contracts with each Director of the eighth session of the Board.

#### (VI) Meeting of the Board of Directors

During the Reporting Period, 10 Board meetings were convened by the Company with the attendance rate of 100% (including attendance by proxy) to discuss the investment plan, business and financial performance. The Board meetings can effectively produce quick and prudent decisions by effective discussion. The independent non-executive Directors of the Company had no objection to the Company's decisions.

Attendance of Directors to the Board meetings and shareholders' general meetings

Name	Independent Director or not	Required attendance during the year	Attendance in person	Attendance at the Attendance by communication equipment	e Board meetings Attendance by proxy	Absence	Absence in person for twice consecutively	Attendance at general meetings Attendance at general meetings
Zou Lei	No	10	5	4	1	0	No	2
Zhang Xiaolun	No	10	5	4	1	ů 0	No	2
Huang Wei	No	10	4	4	2	0	No	0
Zhu Yuanchao (resigned)	No	10	6	4	0	0	No	0
Xu Peng	No	0	0	0	0	0	No	0
Zhang Jilie	No	10	4	4	2	0	No	0
Chen Zhangwu	Yes	10	6	4	0	0	No	1
Gu Dake	Yes	10	6	4	0	0	No	0
Xu Haihe	Yes	10	6	4	0	0	No	0

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### II. Board of Directors (Continued)

(VI) Meeting of the Board of Directors (Continued)

Attendance of Directors to the Board meetings and shareholders' general meetings (Continued)

Number of Board meetings convened during the year	10
Among which: number of meetings convened on-site	6
Number of meetings convened by communication equipment	4
Number of meetings convened by a combination of the above two means	0

Directors who could not attend the Board meetings in person appointed other directors to attendant vote at the meetings on their behalves.

Independent non-executive Directors did not raise objection to proposals of the Board meetings or other proposals during the Reporting Period.

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### III. Special committees of the Board

The Board has established five special committees, each of which has the defined terms of reference to oversee the affairs of the Company's specific aspects.

(I) Audit and Review Committee

The main duties of the Audit and Review Committee are:

- ① supervise and assess the work of the external audit institutions, and propose to appoint or change external audit institutions;
- 2 guide the internal audit work and supervise the internal audit system of the Company and its implementation;
- ③ review the financial information of the Company and its disclosure, and review the interim and annual financial statements before submitting to the Board;
- ④ coordinate the communication between the management, internal audit department and relevant departments and external audit institutions;
- (5) examine the internal control system of the Company and assess its effectiveness;
- 6 examine the major connected transactions of the Company;
- review the letter from the external auditor to the management and the feedback of the management.

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### III. Special committees of the Board (Continued)

#### (I) Audit and Review Committee (Continued)

The members of audit and review committee under the eighth session of the Board of the Company comprise of independent non-executive directors of the Company, including Mr. Xu Haihe (chairman), Mr. Chen Zhangwu and Mr. Gu Dake.

In 2017, the audit and review committee held a total of 6 meetings, at which resolutions including the Audited Financial Report of the Company for 2016, the Unaudited First Quarterly Financial Report of the Company for 2017, the Unaudited Interim Financial Report of the Company for 2017, the Unaudited Third Quarterly Financial Report of the Company for 2017, and the resolutions on the Selection of the Annual Auditors were considered and approved.

Members of the Audit and Review Committee and attendance at its meetings

Name	Position	Required attendance in 2017	Actual Attendance
Xu Haihe (Independent non-executive	Chairman of the	0	0
Director) Chen Zhangwu (Independent non- executive Director)	committee Member	6	6
Gu Dake (Independent non-executive Director)	Member	6	6

## VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practice (Continued)

### III. Special committees of the Board (Continued)

(II) Strategic Development Committee

The main duties of the Strategic Development Committee are to provide opinions for the Company's strategies and review the proposals for significant investments.

The members of the strategic development committee under the eighth session of Board of directors comprise of Mr. Zou Lei (chairman), and Mr. Gu Dake, an independent non-executive Director. Since 27 December 2017, Mr. Zhu Yuanchao no longer served as the chairman of the Strategic Development Committee of the Board due to age retirement.

In 2017, the Strategic Development Committee convened one meeting mainly to consider and approve the Resolution of the Company's Trading Scheme on issue A share for Asset Purchase.

Members of the Strategic Development Committee and attendance at its meetings

Name	Position	Required attendance in 2017	Actual Attendance
Zou Lei	Chairman of the		
(Chairman)	committee	1	1
Zhu Yuanchao (Director)	Member	1	1
Gu Dake (Independent non-executive			
Director)	Member	1	1

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### III. Special committees of the Board (Continued)

(III) Remuneration and Assessment Committee

The main duties of the Remuneration and Assessment Committee are:

- ① to formulate remuneration plan or scheme for directors and senior management based on their work scope, duties and importance;
- ② to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;
- 3 to review and approve the management's remuneration proposals by reference to the corporate goals and objectives set by the Board;
- to make recommendations to the Board on the remuneration of independent nonexecutive Directors;
- 6 consider the remuneration paid by similar companies, the time commitment, job duties and the employment conditions for other positions in the Group;
- 6 examine the duty performance of Directors and senior management, and conduct annual performance appraisal;
- review and approve compensation payable to non-independent Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
- (8) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (9) be responsible for supervising the implementation of the remuneration system of the Company;
- 10 other matters authorized by the Board.

The members of the Remuneration and Assessment Committee under the eighth session of Board of Directors comprise of independent non-executive Directors Mr. Gu Dake (Chairman), Mr. Chen Zhangwu and Mr. Xu Haihe and Director Mr. Zhang Xiaolun.

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### III. Special committees of the Board (Continued)

#### (III) Remuneration and Assessment Committee (Continued)

During the year of 2017, the Remuneration and Assessment Committee convened 3 meetings to mainly consider and approve the Report on Remuneration of Directors, Supervisors and Senior Management of the Company for 2016, the Resolution on the Deliberation of the Performance Assessment Results of the Company's Senior Executives in 2016, the Resolution on the Deliberation of the Performance Appraisal of the Company's Senior Executives in 2017, and the Remuneration of Senior Management of the Dongfang Electric Corporation Limited in 2016 and the Advice on Basic Payment for 2017, etc..

Members of the Remuneration and Assessment Committee and attendance at its meetings

Name	Position	Required attendance in 2017	Actual Attendance
Cu Daka (Independent non everytive	Chairman of the		
Gu Dake (Independent non-executive Director)	Chairman of the committee	3	3
Chen Zhangwu (Independent non-	oon miniteoo	Ũ	0
executive Director)	Member	3	3
Xu Haihe (Independent non-executive			
Director)	Member	3	3
Zhang Xiaolun (Director)	Member	3	2

#### (IV) Risk Management Committee

The main duties of the Risk Management Committee are:

- ① to submit the Annual Report on Overall Risk Management to the Board of Directors;
- 2 to consider the Company's risk management strategies and the solutions for major risk management;
- ③ to consider the judgment criteria or the judgment mechanism related to major decision makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions;
- ④ to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department;
- (5) to consider the establishment of the risk management organizations, and their proposed responsibilities.

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### III. Special committees of the Board (Continued)

(IV) Risk Management Committee (Continued)

The members of Risk Management Committee under the eighth session of Board of Directors comprise of Directors Mr. Huang Wei and Mr. Zhang Jilie and an independent non-executive Director Mr. Xu Haihe.

During the year of 2017, the Risk Management Committee convened 1 meeting to consider and approve the Report on the Assessment of Internal Control of Dongfang Electric Corporation Limited for 2016 and agreed to submit the same to the Board of Directors for consideration.

Members of the Risk Management Committee and attendance at its meetings

Name	Position	Required attendance in 2017	Actual Attendance
Huang Wei (Director)	Member	1	1
Zhang Jilie (Director) Xu Haihe (Independent non-executive	Member	1	1
Director)	Member	1	1

#### (V) Nomination Committee

The main duties of the Nomination Committee are:

- Treview the structure, composition and diversification (including but not limited to gender, age, cultural and educational background, ethnics, skills, knowledge, term of service and experience) of the Board and senior management at least once a year according to the operating activities, asset scale and shareholding structure of the Company, and make recommendations in respect of any proposed changes on the Board to be in line with the corporate strategies;
- ② study the criteria and procedures for selection of Director and senior management and make recommendations to the Board;
- ③ review the qualification of candidates for Directors and senior management and make recommendations on this;
- ④ formulate policy for nomination of Directors to identify individuals suitably qualified to become members of the Board, and select and nominate such individuals to serves as Directors or make recommendations to the Board on this. When the committee identifies suitable individuals, it shall take into account the strength of such individuals and objective criteria with due regard to the benefits of diversity on the Board;

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

### III. Special committees of the Board (Continued)

- (V) Nomination Committee (Continued)
  - (5) assess the independence of independent non-executive Directors;
  - (6) review the implementation of the Board diversity policy, review the diversity policy as and when appropriate, and review the measurable target set by the Board for the implementation of the Board diversity policy and its progress and make recommendations to the Board;
  - ⑦ make recommendation to the Board on the appointment and re-appointment of directors and the succession plan of directors (in particular the Chairman and the president of the Company) in accordance with the corporate strategy of the Company, the techniques, knowledge and experience that meet future need and the diversification of the Board.

The members of nomination committee of the eighth session of Board of Directors comprise of independent non-executive directors Mr. Chen Zhangwu (chairman), Mr. Gu Dake and Mr. Xu Haihe and directors Mr. Zou Lei.

During the year of 2017, the Nomination Committee convened 2 meetings to consider resolution on the nomination of associate president of the company and the nomination of president and senior associate president of the company. At the meeting, president of the company, senior associate president of the company, and candidates of associate president recommended by Controlling Shareholder were reviewed and came to the conclusion that the recommendation gave full play to the advantages of such candidates, took the board diversity policy into account (including, but not limited to the gender, age, culture, educational background, ethnics, expertise, knowledge, term of service and experience) and conformed with reasonable recommendation procedure and structure.

Members of the Nomination Committee and attendance at its meetings

Name	Position	Required Attendance in 2017	Actual Attendance
Chen Zhangwu (Independent non- executive Director)	Chairman of the committee	2	2
Gu Dake (Independent non-executive	Member of the	_	_
Director) Xu Haihe (Independent non-executive	committee Member of the	2	2
Director)	committee Member of the	2	2
Zou Lei (Director)	committee	2	2

## **CORPORATE GOVERNANCE (CONTINUED)**

## **VII. CORPORATE GOVERNANCE REPORT (CONTINUED)**

Corporate governance practice (Continued)

#### 4. Duties of the Management Team

Pursuant to the terms of reference under the Articles of Association, the management of the Company mainly discharges the following duties:

- to take charge of the management of the production and business operations of the company, to organize the implementation of the resolutions of the Board of Directors, and to report the work to the Board of Directors;
- (2) to organize the implementation of the annual business plans and investments plans of the Company;
- (3) to propose development programs, annual production and operation plans, annual budget, plans for after-tax profit distributions and plans for making up losses of the Company;
- (4) to formulate plans for the establishment of the internal management organization of the Company;
- (5) to formulate the basic management system of the Company;
- (6) to formulate basic rules and regulations of the Company;
- (7) to propose to appoint or dismiss the Senior Vice President, Vice President, chief accountant and other senior management members;
- (8) to represent the Company externally in handling important business matters within the scope of authorization by the Board of directors.

#### 5. Secretary to the Board

- (1) The Company has a secretary to the Board who shall be appointed by the Board and acts as company secretary and a senior management member of the Company;
- (2) The primary duties of the secretary to the Board are to take charge of the information disclosure, investor relationship management and shareholding management affairs, organize and make preparations for the Board meetings and shareholders' general meetings, etc.

## 6. Participation of Directors, Supervisors and Senior Management in Training and Continuous Professional Development

During the Reporting Period, the Company provides trainings for all the Directors (including Mr. Zou Lei, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Zhu Yuanchao, Mr. Xu Peng, Mr. Zhang Jilie, Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe), Supervisors (including Mr. Wen Limin, Mr. Wang Zaiqiu and Mr. Wang Congyuan, Mr. Fu Haibo, Mr. Zeng Yi) and senior management by providing comprehensive compliance information for listed companies in a timely manner. Training materials were prepared and distributed for their information on update of their knowledge and skills, to ensure that their continuous contribution to the Board was under the comprehensive and relevant circumstance.

Corporate governance practice (Continued)

#### 7. Information Disclosure and Investor Relation Management

Secretary to the Board and representative of securities affairs are responsible for information disclosure and investor relation management.

As for information disclosure, in order to enable the investors to understand the Company's operation conditions, the Company made meticulous organization and careful arrangement to strengthen coordination of information disclosure work, analyze and identify keys and difficulties and make effective communication with regulatory authorities. Accordingly, the Company finished the disclosure work as required. In 2017, the Company has made information disclosure for approximately 254 times in mainland China and Hong Kong, covering regular reports and temporary announcements.

In investor relation management, the Company organized investors to discuss key issues, analyzed trend of capital market and operation status of the Company and timely kept up with investors' opinions on DEC, so as to make a targeted communication with investors and enhance communication quality. The Company further regulated processes of reception arrangements and made such processes standardized and professional. The Company's communication methods with investors mainly include shareholders' general meetings, results briefing conferences, road shows, reception of investor's visits, SSE e-interaction, teleconference, the Company's website and email box, facsimile and hotline, etc., to enable shareholders to express opinions or exercise rights.

#### 8. Auditors

During the Reporting Period, on the basis of that ShineWing Certified Public Accountants has provided auditing services for the Company for 8 years. In order to maintain favorable corporate, the Board recommended to appoint BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership) as the auditor of the Company based on the principle of fairness and BDO shall hold office until the conclusion of the 2017 annual general meeting of the Company.

#### 9. Acknowledgement of the Directors and Auditor

All Directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2017.

BDO China Shu Lun Pan Certified Public Accountants (Special General Partnership), the auditor of the Company, has acknowledged its reporting responsibilities in the Auditor's Report of the financial statements prepared under the PRC accounting standards for the year ended 31 December 2017.

Corporate governance practice (Continued)

#### 10. Material changes in the constitutional documents of the Company

During the Reporting Period, there is no any change in the Articles of Association of the Company.

#### 11. Internal controls

The Company has established effective risk management and internal control systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Risk Management Committee of the Board of the Company is mainly responsible for the deliberation of risk management strategies and major risk management plans of the Company, and the assessment of decisions on major risks, and report to the Board.

The Board is responsible for implementing the risk management and internal control systems of the Company and its subsidiaries and reviewing the effectiveness of such systems. The Board assesses and reviews the effectiveness of the risk management and internal control systems and procedures based on the information derived from discussions with the senior management, internal audit team and external auditor and the reports from the internal audit team. Our internal audit team regularly reviews the effectiveness of our Company's material internal controls, including financial, operational and compliance controls and risk management functions according to the audit plans and reports to the Board with its findings and makes recommendations to improve the internal auditors provided at the Audit and Review Committee has reviewed the comments of external auditors provided at the Audit and Review Committee meetings. In 2017, BDO China Shu Lun Pan was engaged by the Company to review the effectiveness of internal control on the financial report for the year ended 31 December 2017, and issued the audit report on internal control with unqualified opinion.

During the year, the Board reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and was not aware of any breach of laws, regulations and rules or any material mistake in respect of compliance monitor and risk management. The Board considered that such systems are effective and adequate. With reference to assessment opinions from the Audit and Review Committee, the senior management, the internal audit team and external auditor, the Board makes its assessment on the efficiency of the internal control. The annual review of the system of internal control also includes consideration of the adequacy of resources, qualifications and experience of staff of accounting and financial reporting functions, including their training programme and training budget.

Corporate governance practice (Continued)

#### 11. Internal controls (Continued)

For the year ended 31 December 2017, based on the assessment made by the Audit and Review Committee, the senior management and the internal audit team, the Board reviewed the risk management and internal control systems of the Company and its subsidiaries.

#### 12. Shareholder's rights

Procedures for Shareholders convening an extraordinary general meeting ("EGM")

Shareholders requesting to convene an EGM shall follow the procedures below:

- (1) The shareholders who individually or jointly hold 10% or more of the Company's issued shares have the right to propose the board of directors to convene an EGM, and shall put forward the proposal to the Board of Directors in written form. The Board of Directors shall, in accordance with the laws, administrative regulations and these Articles, give a written reply on whether to convene an EGM or not within 10 days upon receipt of the proposal. The aforesaid amount of the shares held by the shareholders is calculated on the date of the written proposal put forwarded by the shareholders.
- (2) If the Board of Directors does not agree to convene an EGM or fails to give feedback within 10 days upon receipt of the proposal, the shareholders who individually or jointly hold 10% or more of the Company's issued shares shall have the right to propose the Supervisory Committee to convene an EGM, but shall put forward the request to the Supervisory Committee in written form.
- (3) If the Supervisory Committee fails to send out a notice of the EGM within the prescribed time limit, it shall be deemed that the Supervisory Committee will not convene or preside over the meeting, and the shareholders who individually or jointly hold 10% or more of the Company's issued shares for a consecutive 90 or more days may convene and preside over the meeting by themselves. The procedures of convening the meeting shall be the same with that of convening the meeting by the Board of Directors, and the place of the meeting shall be at the domicile of the Company.
- (4) Where shareholders decide to convene the EGM by themselves, they shall send out a written notice to the Board of Directors, and shall put on the records of the dispatched office of CSRC at the locality of the Company and the stock exchange. Before the resolution of the EGM is announced, the proportion of the summoning shareholders shall be no less than 10%.

The shareholders that convene the meeting shall, when circulating a notice of meeting and making an announcement on the resolution of a shareholders' general meeting, submit the relevant certification materials to the dispatched office of CSRC at the locality of the Company and the stock exchange.

Corporate governance practice (Continued)

#### 12. Shareholder's rights (Continued)

- (5) In respect of the EGM convened by shareholders on their own initiative, the Board of Directors and its secretary shall show cooperation. The Board of Directors shall provide the register of shareholders on the date of equity registration.
- (6) The necessary expenses for convening the EGM by shareholders shall be borne by the Company. The expenses will be deduced from the sum owed by the Company to the Directors in neglect of duty.

#### Procedures for Putting Forward Proposals to the Shareholders' General Meeting

When the Company convenes a shareholders' general meeting, shareholders individually or jointly holding 3% or more shares of the Company are entitled to make proposals to the Company.

The shareholders who individually or jointly hold 3% or more of the shares of the Company may put forward a temporary proposal and submit it to the convener in writing within 10 days before the meeting is held. The convener shall issue a supplementary notice of the meeting and announce the contents of the temporary proposal within 2 days upon receipt of the aforesaid proposal.

When the Company is to convene an annual general meeting, shareholders holding 5% or more of the shares carrying voting rights or the Supervisory Committee shall have the right to put forward new motions in writing to the Company. The Company shall include in the agenda of the meeting the matters which are within the scope of responsibilities of the general meeting in accordance with the prescribed procedures.

#### Procedures for Shareholders to Propose a Director Candidate

For the procedures for proposing a Director candidate, please refer to the information published on 21 June 2012 under the Investor Relation section at the Company's website www.dec-ltd.cn.

#### Procedures for Shareholders to Make Enquiries to the Board

Shareholders may send any enquiries and questions in writing to the company secretary of the Company who will forward the same to the Board. The contact details of the company secretary are set out as follows:

Secretarial office of the Board of Dongfang Electric Corporation Limited at 18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province Fax No.: 028-87583551 Email: dsb@dongfang.com

Shareholders may also put forward enquiries to the Board at the shareholders' general meeting of the Company.

## FINANCIAL REPORT



Dongfang Electric Corporation Limited Auditors' Report and Financial Statements For the year ended December 31, 2017 PCPAR [2018] No. ZG10554

### Dongfang Electric Corporation Limited Auditors' Report and Financial Statements (From January 1, 2017 to December 31, 2017)

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## **Auditors' Report**

#### PCPAR [2018] No. ZG10554

#### All shareholders of Dongfang Electric Corporation Limited:

#### I. Opinion

We have audited the attached financial statements of Dongfang Electric Corporation Limited (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and the parent company's balance sheet as at December 31, 2017, the consolidated income statement and the parent company's income statement, the consolidated statement of cash flows and the parent company's statement of cash flows, and the consolidated statement of changes in shareholders' equity and the parent company's statement of changes in shareholders' equity and the parent company's statement of the parent company's the parent company's statement of the parent company's the parent company's the parent company's statement of the parent company's statement of the parent company's statement of the parent company's the

In our opinion, the financial statements attached are prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respects, the consolidated financial position of the Company and the parent company's financial position as at December 31, 2017 and the consolidated operating results and the parent company's operating results and cash flows for the year then ended.

#### II. Basis for Our Opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **III. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine to communicate the following key audit matters in the auditors' report.

Auditors' Report Page 1

Key Audit Matters	How the audit addressed the matter
(I) Recognition of operating revenue	
See the accounting policies as stated in the	1. For the occurrence and completeness of
Note 26 of the "3. Significant accounting	the revenue from sales of goods, the major
policies and accounting estimates" and	audit procedures we had undertaken include:
Note 48 of the "5. Notes to the items of	(1) Evaluated the design and implementation
consolidated financial statements" in the	of the related internal control over the
note to the consolidated financial	revenue from sales of goods of the Company;
statements for the details of the accounting	(2) Checked the relevant sales contracts,
policies for revenue recognition and	sales invoices, transportation bill and
revenue analysis. For the year ended	
	customer acceptance certificate and other
December 31, 2017, the recognized	documents of the Company by sampling
operating revenue of the Company	method, and assessed the occurrence of the
amounted to RMB 30.83 billion which	revenue from sales of goods;
were mainly the revenue from sales of	(3) For the revenue from sales of goods
goods and the revenue from construction	recognized by the Company around the
contract. The Company recognizes the	balance sheet date, checked the
income from the sales of goods when the	transportation bill, customer acceptance
risks and rewards of the ownership of the	certificate and other documents and
goods have been transferred to the client;	evaluated the completeness of the revenue
when the revenue from construction	from the sales of goods.
contract is recognized under the	2. For the revenue from construction
percentage-of-completion method on the	
balance sheet date and the contract	contract, the major procedures we had
	undertaken include:
revenue and costs is recognized under the	(1) Understood, assessed and tested the
percentage-of-completion method, the	internal control over the recognition of the
percentage of completion of the contract	construction contract revenue and costs;
shall be determined the revenue from	(2) Checked the accounting policies for the
construction contract is recognized in	recognition of the revenue from construction
accordance with the proportion of the	contract, and checked and reviewed the
actual contract costs to the total estimated	clauses of major construction contracts and
contract costs.	key contracts;
1. The occurrence and completeness of the	(3) Selected a construction contract sample
revenue from sales of goods may	to check the construction contract and cost
significantly influence the operating	budget on which the expected total revenue
results of the Company.	and cost made by the management was
2. According to the revenue recognized	
	based, and evaluated the reasonability and
under the percentage-of-completion	sufficiency of the estimate made by the
method, the significant judgment and	management, and assessed the recoverability
estimates involved the management, such	of the costs of the completed but not settled
estimate subject to the influence of future	project;
market and economic situation judgment,	(4) Selected a construction contract sample
the recognition of the revenue of the	and checked the contract, invoices, materials
Company under the	receipt and dispatch certificate, statements
percentage-of-completion method within	and other supporting documents related to
proper accounting periods may be	the actual project costs for assessing the real
influenced.	occurrence of actual cost;
minuonoou.	(5) Selected a construction contract sample,
Therefore the recognition of the second	
Therefore, the recognition of the revenue	reviewed the percentage-of-completion
from sales of goods and the revenue from	calculation table, and evaluated the
construction contracts is identified as a	recognition of the revenue and cost of
key audit matter.	construction contract of the Company for the
	year ended December 31, 2017.
(II) Inventory provision for depreciation	
Please refer to the accounting policies as	The audit procedures we had undertaken for
described in Note 12 of "3. Principal	the implementation of inventory provision
	Free for the second sec

Auditors' Report Page 2

estimates" and Note 9 of "5. Notes to the items of the consolidated financial statements" in the Notes to the Financial Statements. As at December 31, 2017, the	(1) Evaluated the design and implementation of the related internal control over the inventory provision for depreciation of the Company;
inventory balance in the consolidated financial statements of the Company was RMB 21.894 billion, the balance of the	<ul><li>(2) Conducted the supervision of counting over the inventories of the Company, checked the quantity and condition of the</li></ul>
inventory provision for depreciation was RMB 3.313 billion, the book value of	inventories, and checked the inventories with long inventory aging;
inventories was RMB 18.581 billion, and the inventories were measured at the lower of cost and net realizable value.	(3) Obtained and reviewed the materials on which the assessment made by the management of the Company on whether or
According to the accounting policies of	not there existed indication of impairment
the Company, an impairment test shall be	was based, and consider the assessment of
conducted for construction contracts as at	the appropriateness and completeness of the
the end of the period. When the estimated total cost of the construction contract exceeds the total contract revenue and expected contract losses were formed, the provision for losses shall be withdrawn and the period charges shall be confirmed. When the contract is completed, the provisions for losses which have been	<ul> <li>existence of impairment indication made by the management;</li> <li>(4) Checked the contract terms related to inventories, interviewed the relevant personnel, and discussed about the basis of results of the provision for impairment by the management and those charged with governance;</li> </ul>
withdrawn are used to offset the contract	(5) Obtained the calculation table of the
expenses. Since the inventory provision for depreciation involved significant accounting estimates and judgment, the recognition of inventory provision for depreciation is identified as a key audit matter.	inventory provision for depreciation of the Company, checked the implementation of the relevant accounting policies, examined the inventory provision for depreciation withdrawn in previous years and the changes in the current period, and analyzed the sufficiency of the withdrawal of inventory provision for depreciation.

#### IV. Other Information

The management of the Company (hereinafter referred to as the "Management") is responsible for other information. The other information comprises information of the 2017 annual report, but excludes the financial statements and our auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the process of audit in accordance with audit standards, we exercise professional judgment and maintain professional skepticism. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the information obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Report Page 4

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Certified Public Accountant of China:

Certified Public Accountant of China:



Shanghai, China

March 29, 2018

(Engagement partner)

This auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case the English version does not conform to the Chinese version, the Chinese version shall prevail.

	ated Balance : ecombor 31 - 7				
As at December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)					
Assets	Note 5	Balance as at	Balance as at		
		December 31, 2017	January 1, 2017		
Current assets:					
Cash and cash equivalents	5.1	27,884,046,603.94	28,408,778,336.14		
Balances with clearing companies			01111111111111111111111111111111111111		
Loans to banks and other financial institutions		······································			
Financial assets measured at fair value through					
the current profit or loss	5.2	33,803,471.54	59,661,930.59		
Derivative financial assets					
Notes receivable	5.3	4,752,177,701.45	4,917,792,022.12		
Accounts receivable	5.4	13,178,789,738.42	15,954,481,388.79		
Advances to suppliers	5.5	2,299,993,754.57	2,513,937,554.91		
Premiums receivable			<b>4</b>		
Reinsurance accounts receivable					
Reinsurance contract reserves receivable					
Interest receivable	5.6	433,925,963.42	373,159,473.91		
Dividends receivable	5.7	37,326,557.40			
Other receivables	5.8	193,376,778.19	245,140,412.85		
Financial assets purchased under resale					
agreements					
Inventories	5.9	18,580,902,608.25	19,871,046,530.61		
Assets held for sale					
Non-current assets maturing within one year					
Other current assets	5.10	308,183,730.38	293,077,796.09		
Total current assets		67,702,526,907.56	72,637,075,446.01		
Non-current assets:					
Loans and advances					
Available-for-sale financial assets	5.11	3,749,287.10	3,100,000.00		
Held-to-maturity investments					
Long-term receivables					
Long-term equity investments	5.12	1,405,332,262.56	1,447,245,662.23		
Investment property	5.13	133,306,409.31	111,942,870.46		
Fixed assets	5.14	6,505,695,488.59	7,617,279,165.25		
Construction in progress	5.15	206,307,683.13	107,598,422.31		
Project materials		113,464.96	113,464.96		
Disposal of fixed assets		31,490.53	48,257.24		
Productive biological assets					
Oil and gas assets					
Intangible assets	5.16	838,591,765.02	911,701,102.64		
Development expenditure			211,01,102.04		
Goodwill					
Long-term deferred expenses	5.17	590,304.64	1,075,608.94		
Deferred tax assets	5.18	2,124,520,659.16	1,864,994,092.61		
Other non auront assets	5.10	2,12,320,039.10	1,007,797,092.01		

## **Dongfang Electric Corporation Limited Consolidated Balance Sheet**

11,218,238,815.00 12,065,524,855.41 Total assets 78,920,765,722.56 84,702,600,301.42

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Other non-current assets

Total non-current assets

Accounting Principal:

Person in charge of the Accounting Department:

426,208.77

5.19

### Dongfang Electric Corporation Limited Consolidated Balance Sheet (Continued) As at December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

(Monetary units are expressed in RMB unless otherwise stated)					
Liabilities and owners' equity	Note 5	Balance as at December 31, 2017	Balance as at January 1, 2017		
Current liabilities:					
Short-term borrowings	5.20	201,628,570.50	284,500,000.00		
Borrowings from central bank					
Absorption of deposits and interbank deposit					
Loans from banks and other financial		ditta anna anna anna anna anna anna anna			
institutions					
Financial liabilities measured at fair value					
through the current profit or loss	5.21		10,372,195.96		
Derivative financial liabilities					
Notes payable	5.22	3,581,962,289.62	5,276,331,920.02		
Accounts payable	5.23	14,235,492,932.32	14,380,312,585.36		
Advances from customers	5.24	31,462,626,469.25	35,566,439,682.61		
Financial assets sold under repurchase		r 1999 in de la constant de la const	Niekkaanse Wille en een en de Minister en en een een een een een een een een		
agreements					
Handling charges and commissions payable					
Employee compensation payable	5.25	570,752,932.84	427,869,549.45		
Taxes and surcharges payable	5.26	251,459,401.69	566,207,934.48		
Interest payable	5.27		736,111.11		
Dividends payable	5.28	2,823,100.25	2,787,911.77		
Other payables	5.29	2,080,523,584.90	1,965,909,372.89		
Reinsurance accounts payable					
Reserves for insurance contracts	168 - 169 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199 - 199	a 1999 tanan manan kanan manan kalan manan matiki kikaki kanan shi kala ka ana adi kalan kanan asis			
Receivings from vicariously traded securities					
Receivings from vicariously sold securities					
Liabilities held for sale					
Non-current liabilities maturing within one year	5.30	528,320,000.00	731,379,338.40		
Other current liabilities	5.31	58,496,817.17	77,113,715.51		
Total current liabilities	0.01	52,974,086,098.54	59,289,960,317.56		
Non-current liabilities:		52,771,000,070.57	0,20,00,01,00		
Long-term borrowings	5.32	42,040,000.00	536,940,000.00		
Bonds payable	<u>, , , , , , , , , , , , , , , , , , , </u>	42,040,000.00			
Including: Preferred stock					
Perpetual debt	***********				
Long-term payables	5.33		16,537,992.70		
Long-term payables	5.34	693,858,523.44	462,107,103.50		
	5.35	58,062,614.63			
Special payables Estimated liabilities			58,062,614.63		
	5.36	1,940,465,672.69	1,771,952,763.14		
Deferred income	5.37	436,328,932.70	473,991,696.19		
Deferred tax liabilities	5.18	7,951,131.71	7,292,893.73		
Other non-current liabilities		2 150 506 055 15			
Total non-current liabilities		3,178,706,875.17	3,326,885,063.89		
Total liabilities		56,152,792,973.71	62,616,845,381.45		
Owners' equity:					
Share capital	5.38	2,336,900,368.00	2,336,900,368.00		
Other equity instruments			14111-1		
Including: Preferred stock					
Perpetual debt					
Capital reserves	5.39	8,828,339,865.10	8,828,262,489.81		
Less: Treasury stock					

Lishilities and surgers' squity	Note 5	Balance as at	Balance as at
Liabilities and owners' equity	Note 5	December 31, 2017	January 1, 2017
Other comprehensive income	5.40	-29,584,534.90	-28,762,895.01
Special reserves	5.41	50,058,542.99	45,314,931.41
Surplus reserves	5.42	774,913,922.16	769,092,997.56
General risk reserves			
Undistributed profits	5.43	9,860,742,495.27	9,193,484,301.02
Total equity attributable to owners of the parent			
company		21,821,370,658.62	21,144,292,192.79
Minority equity	5.44	946,602,090.23	941,462,727.18
Total owners' equity		22,767,972,748.85	22,085,754,919.97
Total liabilities and owners' equity		78,920,765,722.56	84,702,600,301.42

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

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(Monetary units are expressed in RMB unless otherwise stated)				
Assets	Note 16	Balance as at	Balance as at	
Assels	INOLE TO	December 31, 2017	January 1, 2017	
Current assets:				
Cash and cash equivalents		11,520,821,747.40	11,381,567,991.30	
Financial assets measured at fair value through the				
current profit or loss		31,719,439.00	59,661,930.59	
Derivative financial assets				
Notes receivable		496,890,149.88	567,394,000.00	
Accounts receivable	16.1	4,054,994,231.07	4,745,672,922.71	
Advances to suppliers		8,318,788,343.40	12,586,382,578.40	
Interest receivable		124,881,895.02	65,747,794.78	
Dividends receivable		168,763,002.13	131,436,444.73	
Other receivables	16.2	5,993,276,183.30	6,144,015,724.17	
Inventories		1,517,033,079.35	1,541,201,576.93	
Assets held for sale			er / Year Malana / Year Andrewska / Year Angel II (1996) i Malana / Wear Malana / Year Malana / Year Malana / Y	
Non-current assets maturing within one year				
Other current assets		141,054,991.66	475,804,734.55	
Total current assets		32,368,223,062.21	37,698,885,698.16	
Non-current assets:				
Available-for-sale financial assets				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	16.3	10,766,562,094.08	10,813,480,800.68	
Investment property		13,432,177.52	14,545,537.78	
Fixed assets		3,752,640.25	5,712,064.88	
Construction in progress		1,560,384.62	704,585.01	
Project materials				
Disposal of fixed assets		14,879.53	31,646.24	
Productive biological assets				
Oil and gas assets				
Intangible assets		8,598,690.02	10,598,294.13	
Development expenditure				
Goodwill				
Long-term deferred expenses				
Deferred tax assets		212,545,345.20	183,477,713.82	
Other non-current assets				
Total non-current assets		11,006,466,211.22	11,028,550,642.54	
Total assets		43,374,689,273.43	48,727,436,340.70	

#### Dongfang Electric Corporation Limited Balance Sheet As at December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

#### Dongfang Electric Corporation Limited Balance Sheet (Continued) As at December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

	Nets 16	Balance as at	Balance as at	
Liabilities and owners' equity	Note 16	December 31, 2017	January 1, 2017	
Current liabilities:				
Short-term borrowings				
Financial liabilities measured at fair value through				
the current profit or loss			40,589.32	
Derivative financial liabilities				
Notes payable				
Accounts payable		7,150,623,630.66	8,118,611,030.08	
Advances from customers		15,842,609,301.83	20,414,122,044.34	
Employee compensation payable		21,146,205.50	13,911,224.08	
Taxes and surcharges payable		11,533,648.57	8,555,709.24	
Interest payable				
Dividends payable				
Other payables		1,456,486,089.30	1,557,682,276.88	
Liabilities held for sale				
Non-current liabilities maturing within one year				
Other current liabilities			23,521.36	
Total current liabilities	1	24,482,398,875.86	30,112,946,395.30	
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Including: Preferred stock				
Perpetual debt				
Long-term payables				
Long-term employee compensation payable		17,518,632.96	40,328.62	
Special payables				
Estimated liabilities		265,847,376.75	58,500,000.00	
Deferred income		617,023.67	5,377,849.97	
Deferred tax liabilities			473,648.64	
Other non-current liabilities		,		
Total non-current liabilities		283,983,033.38	64,391,827.23	
Total liabilities		24,766,381,909.24	30,177,338,222.53	
Owners' equity:				
Share capital		2,336,900,368.00	2,336,900,368.00	
Other equity instruments				
Including: Preferred stock				
Perpetual debt				
Capital reserves		8,891,700,256.53	8,891,700,256.53	
Less: Treasury stock				
Other comprehensive income				
Special reserves				
Surplus reserves		1,063,277,038.59	1,057,456,113.99	
Undistributed profits		6,316,429,701.07	6,264,041,379.65	
Total owners' equity		18,608,307,364.19	18,550,098,118.17	
Total liabilities and owners' equity	1	43,374,689,273.43	48,727,436,340.70	

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

#### Dongfang Electric Corporation Limited Consolidated Income Statement For the Year Ended December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

(Monetary units are express			)
Item	Note 5	Year 2017	Year 2016
I. Total operating income		30,830,230,430.91	33,285,723,808.34
Including: Operating income	5.48	30,830,230,430.91	33,285,723,808.34
Interest income		41. Hill for finds an european ann ann an fil balladh ann ann an earna mar ann an an an an ann an ann an ann an	******
Premiums earned			
Income from handling charges and commissions			
II. Total operating cost		30,508,303,400.76	35,521,296,310.11
Including: Operating cost	5.48	25,303,291,905.04	29,277,766,070.66
Interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout		*****	
Net amount withdrawn for insurance contract			****
reserves			
Policy dividend payment		***************************************	
Reinsurance costs			
Taxes and surcharges	5.49	308,683,449.73	377,711,750.58
Selling and distribution expenses	5.50	853,935,326.72	1,446,957,948.09
General and administrative expenses	5.51	3,609,864,117.73	3,562,680,183.45
Financial expenses	5.52	-309,694,581.56	-641,457,176.95
Losses from asset impairment	5.53	742,223,183.10	1,497,637,534.28
	3.33	742,223,185.10	1,497,037,334.28
Plus: Gains from changes in fair value ("-" for losses)	5.54	5 622 511 02	4 805 207 47
		-5,632,511.92	-4,895,327.47
Investment income ("-" for losses)	5.55	185,713,546.96	244,534,695.61
Including: Income from investment in associates		177 420 226 44	046 051 001 00
and joint ventures	<u> </u>	177,430,326.44	246,351,801.03
Income from disposal of assets ("-" for losses)	5.56	16,950,674.48	-5,436,906.96
Foreign exchange gains ("-" for losses)		101 000 000 00	
Other income	5.57	101,303,233.23	
III. Operating profits ("-" for losses)		620,261,972.90	-2,001,370,040.59
Plus: Non-operating income	5.58	216,438,522.39	216,016,469.23
Less: Non-operating expenses	5.59	303,277,177.92	158,710,436.29
IV. Total profit ("-"for total losses)		533,423,317.37	-1,944,064,007.65
Less: Income tax expenses	5.60	-149,646,382.09	-184,625,607.38
V. Net profits ("-" for net losses)		683,069,699.46	-1,759,438,400.27
(I) Classification by the continuity of operation			
1.Net profit from continued operation ("-" for net			
losses)		683,069,699.46	-1,759,438,400.27
2. Net profit from cease of operation ("-" for net			
losses)			
(II) Classification by the attribution of ownership	· ·	·	
1. Minority interest income		9,990,580.61	24,868,404.49
2. Net profit attributable to shareholders of the			
parent company		673,079,118.85	-1,784,306,804.76
VI. Other comprehensive income, net of tax		-821,732.66	5,330,615.51
Other comprehensive income, net of tax			
attributable to owners of the parent company	5.40	-821,639.89	5,330,838.03
(I) Other comprehensive income that will not be			
reclassified into the profit or loss			
1. Changes arising from the re-measurement of			
net liabilities or net assets of defined benefit plan			

Item	Note 5	Year 2017	Year 2016
2. Share in other comprehensive income of the			
investee that cannot be reclassified into profit or			
loss under the equity method			
(II) Other comprehensive income that will be			
reclassified into the profit or loss later		-821,639.89	5,330,838.03
1.Share in other comprehensive income of the			
investee that will be reclassified into the profit or			
loss under the equity method			
2. Profits or losses from change in fair values of			
available-for-sale financial assets			
3. Profits or losses from reclassification of	·		1
held-to-maturity investments as			
available-for-sale financial assets			
4. Effective portion of cash flow hedging profit			
or loss			
5. Foreign currency translation differences		-821,639.89	5,330,838.03
6. Others			
Other comprehensive income net of tax			
attributable to minority shareholders		-92.77	-222.52
VII. Total comprehensive income		682,247,966.80	-1,754,107,784.76
Total comprehensive income attributable to			
owners of the parent company		672,257,478.96	-1,778,975,966.73
Total comprehensive income attributable to			· · · · · · · · · · · · · · · · · · ·
minority shareholders		9,990,487.84	24,868,181.97
VIII. Earnings per share:			
(I) Basic earnings per share(RBM/ Share)		0.29	-0.76
(II) Diluted earnings per share( RMB/ share)		0.29	-0.76

In case of business combination under common control, net profit realized by the combinee before the combination in the period was RMB\_; net profit realized by the combinee in the previous period was RMB\_. The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

#### Dongfang Electric Corporation Limited Income Statement For the Year Ended December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

(Monetary units a		MB unless otherwise s	
Item	Note 16	Year 2017	Year 2016
I. Operating income	16.4	16,018,524,789.67	16,310,743,282.66
Less: Operating cost	16.4	15,677,832,812.06	16,413,861,765.85
Taxes and surcharges		18,702,376.55	14,389,568.00
Selling and distribution expenses		48,166,721.56	-8,622,143.98
General and administrative expenses		188,455,295.19	169,943,738.67
Financial expenses		71,301,699.03	-291,433,919.38
Losses from asset impairment		-79,798,140.92	-184,584,801.18
Plus: gains from changes in fair value			
("-" for losses)		-10,252,627.69	-406,506.31
Investment income ("-" for losses)	16.5	116,885,093.06	212,716,860.22
Including: Income from investment in			
associates and joint ventures		67,953,419.87	62,887,237.07
Income from disposal of assets ("-" for		99999999999999999999999999999999999999	
losses)		289,730.11	-30,119.60
Other income		5,377,849.94	
II. Operating profits ("-" for losses)		206,164,071.62	409,469,308.99
Plus: Non-operating income		11,184,840.72	9,669,891.95
Less: Non-operating expenses		177,901,786.07	1,359,054.11
III. Total profits ("-" for total losses)		39,447,126.27	417,780,146.83
Less: Income tax expenses		-18,762,119.75	34,364,406.38
IV. Net profits ("-" for net losses)		58,209,246.02	383,415,740.45
(I) Net profit from operation on going	······································		
concern basis ("-" for net losses)		58,209,246.02	383,415,740.45
(II) Net profit from cease of operation			
("-" for net losses)			
V. Other comprehensive income, net			
oftax			
(I) Other comprehensive income that			
will not be reclassified into the profit			
or loss			
1. Changes arising from the			
re-measurement of net liabilities or net			
assets of defined benefit plan			
2. Share in other comprehensive			
income of the investee that cannot be			
reclassified into profit or loss under			
the equity method			
(II) Other comprehensive income that			
will be reclassified into the profit or			
loss later			
1. Share in other comprehensive			
income of the investee that will be			
reclassified into the profit or loss			
under the equity method		1	
2. Profits or losses from change in fair			
values of available-for-sale financial	· .		-
assets			
3. Profits or losses from			
reclassification of held-to-maturity			, , , , , , , , , , , , , , , , , , ,
investments as available-for-sale			
financial assets			

Item	Note 16	Year 2017	Year 2016
4. Effective portion of cash flow			ann definn na airth diann baile diann airth an diann a' d
hedging profit or loss			
5. Foreign currency translation			
differences			
6. Others			
VI. Total comprehensive income		58,209,246.02	383,415,740.45
VII. Earnings per share:			
(I) Basic earnings per share (RBM/			
Share)			-
(II) Diluted earnings per share( RMB/			
share)			

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

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Accounting Principal:

Person in charge of the Accounting Department:

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#### Dongfang Electric Corporation Limited Consolidated Statement of Cash Flows For the year ended December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

(Monetary units are expressed			. <u>.</u>
Item	Note 5	Year 2017	Year 2016
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of		Hiddalaan AHY Hiddaa aa maddaa aa maaraa dii Garaa aa maa aa	ar 1964 billiona ann a 296 1977 996 de ann 2997 1977 1977 anns an ann an anns an anns an anns an an anns an an
services		29,745,642,425.96	38,491,201,013.05
Net increase in deposits from customers and due			
from banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial			
institutions			
Cash received from receiving insurance premiums			
of original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from		•	
policyholders			
Net increase from disposal of financial assets	-		
measured at fair value through current profit or			
loss			
Cash received from interests, handling charges		**********	
and commissions			
Net increase in loans from banks and other		****	an 1998 ta 194 ann an an 1999 ta 1994 ta 1994 ann an 1997 ta 1994 ta ann an airte a ta ta 1997 ta 1997 ta 1997
financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		67,457,296.39	119,520,446.16
Cash received from other operating activities	5.61	1,102,511,393.32	804,645,589.20
	5.01		
Sub-total of cash inflows from operating activities		30,915,611,115.67	39,415,367,048.41
Cash paid for goods purchased and services received		22 000 172 022 64	33 000 040 533 03
		23,090,173,033.64	23,088,940,522.03
Net increase in loans and advances to customers		*****	
Net increase in deposits with central bank and with banks and other financial institutions			
			•
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and			
commissions		*****	
Cash paid for policy dividends			
Cash paid to and on behalf of employees		3,383,560,533.02	3,492,832,222.80
Cash paid for taxes and surcharges		2,399,669,064.40	2,610,334,457.50
Cash paid for other operating activities	5.61	1,591,968,989.93	1,258,169,652.03
Sub-total of cash outflows from operating			
activities		30,465,371,620.99	30,450,276,854.36
Net cash flows from operating activities		450,239,494.68	8,965,090,194.05
<b>II.</b> Cash flows from investing activities			
Cash received from disposal of investments		23,663,685.05	11,469,200.22
Cash received from returns on investments		107,335,340.16	12,538,818.20
Net cash received from disposal of fixed assets,			
intangible assets and other long-term assets		31,928,915.02	7,530,160.40
Net cash received from disposal of subsidiaries			
and other business units		-517,349.04	
Cash received from other investing activities			
Sub-total of cash inflows from investment			
activities		162,410,591.19	31,538,178.82
Cash paid to acquire and construct fixed assets,			
intangible assets and other long-term assets		205,909,213.82	273,826,098.71

Item	Note 5	Year 2017	Year 2016
Cash paid for investments		746,884.48	200,716,755.66
Net increase in pledge loans		trærk den endem som <sup>an s</sup> tigt for i beskeligte en enne VFH (1000 helden af en efter ende VH af helde	uh dem merum advelijkin demonsen en sem end <sup>er 164</sup> 0 seken mit en in sin in sin en en en in
Net cash paid to acquire subsidiaries and other			
business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing			
activities		206,656,098.30	474,542,854.37
Net cash flows from investing activities		-44,245,507.11	-443,004,675.55
III. Cash flows from financing activities			
Cash from absorption of investments			
Including: cash received by subsidiaries from			
investments by minority shareholders			
Cash received from borrowings		485,750,000.00	824,440,000.00
Cash received from bonds issue			
Cash received from other financing activities			
Subtotal of cash inflow from financing activities		485,750,000.00	824,440,000.00
Cash paid for debt repayments		1,260,970,000.00	1,985,000,000.00
Cash paid for distribution of dividends and profit			
or payment of interest		39,085,857.60	210,916,342.68
Including: Dividends and profits paid to minority			
shareholders by subsidiaries		5,062,731.21	9,890,986.37
Cash paid for other financing activities	5.61	4,119,669.20	2,209,834.60
Sub-total of cash outflows from financing			
activities		1,304,175,526.80	2,198,126,177.28
Net cash flows from financing activities		-818,425,526.80	-1,373,686,177.28
IV. Effect of fluctuation in exchange rate on		. · ·	
cash and cash equivalents		-110,375,471.38	179,344,851.29
V. Net increase in cash and cash equivalents		-522,807,010.61	7,327,744,192.51
Plus: Beginning balance of cash and cash			
equivalents		28,394,277,304.32	21,066,533,111.81
VI. Ending balance of cash and cash			
equivalents		27,871,470,293.71	28,394,277,304.32

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

-

#### Dongfang Electric Corporation Limited Statement of Cash Flows For the year ended December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

(Monetary units are expressed in	<u>i RMB unle</u>	ess otherwise stated)	· · · · · · · · · · · · · · · · · · ·
Item	Note 16	Year 2017	Year 2016
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of			
services		11,383,227,351.65	18,288,547,382.17
Refunds of taxes and surcharges		62,345,448.50	110,019,138.86
Cash received from other operating activities		334,660,467.68	155,855,263.55
Sub-total of cash inflows from operating activities		11,780,233,267.83	18,554,421,784.58
Cash paid for goods purchased and services received		11,155,105,275.81	13,843,180,267.79
Cash paid to and on behalf of employees		197,200,547.64	207,798,827.69
Cash paid for taxes and surcharges		137,080,259.50	250,821,834.31
Cash paid for other operating activities		443,128,908.32	486,830,508.10
Sub-total of cash outflows from operating activities		11,932,514,991.27	14,788,631,437.89
Net cash flows from operating activities		-152,281,723.44	3,765,790,346.69
II. Cash flows from investing activities			
Cash received from disposal of investments		338,663,685.05	475,000,000.00
Cash received from returns on investments		119,715,736.31	155,967,569.32
Net cash received from disposal of fixed assets,		115,715,750,51	100,00,00000
intangible assets and other long-term assets		263,302.65	1,700.00
Net cash received from disposal of subsidiaries and		203,302.00	1,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
other business units			
Cash received from other investing activities			
Subtotal of cash inflows from investment activities		458,642,724.01	630,969,269.32
Cash paid to acquire and construct fixed assets,		+30,0+2,72+.01	030,909,209.32
intangible assets and other long-term assets		1,639,231.92	1,721,018.00
Cash paid for investments		78,750,000.00	515,716,755.66
Net cash paid to acquire subsidiaries and other		10,150,000.00	515,710,755.00
business units			
Cash paid for other investing activities			
Subtotal of cash outflows from investing activities		80,389,231.92	517,437,773.66
		378,253,492.09	113,531,495.66
Net cash flows from investing activities		578,255,492.09	115,551,475.00
III. Cash flows from financing activities			
Cash from absorption of investments		***	
Cash received from borrowings			*****
Cash received from bonds issue			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		•	
Cash paid for debt repayments			
Cash paid for distribution of dividends and profit or			140 014 000 00
payment of interest			140,214,022.08
Cash paid for other financing activities			1 (0 01 ( 000 00
Subtotal of cash outflows from financing activities			140,214,022.08
Net cash flows from financing activities			-140,214,022.08
IV. Effect of fluctuation in exchange rate on cash			100 000 000 10
and cash equivalents		-87,269,012.55	128,825,332.42
V. Net increase in cash and cash equivalents		138,702,756.10	3,867,933,152.69
Plus: Beginning balance of cash and cash equivalents		11,375,052,991.30	7,507,119,838.61
VI. Ending balance of cash and cash equivalents		11,513,755,747.40	11,375,052,991.30

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

			Col (Mor	Dong Consolidated S For (Monetary units	Dongfang E ted Stateme For the yea	lectric ( nt of Ch rr ended pressed i	Dongfang Electric Corporation Limited Consolidated Statement of Changes in Shareholders' Equity For the year ended December 31, 2017 Monetary units are expressed in RMB unless otherwise stated)	Limited areholders 31, 2017 ess otherwi	' Equity se stated)				
							, Year	Year 2017					
				-	Equity attribu	table to owne	Equity attributable to owners of the parent company	ıpany					
ltem		Otter	Other equity instruments	ents		Less:	Other	Craotal	Sumbur	General	I Indictributed	Minority	Total owners'
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Treasury stock	compretiensive income	Ieserves	serves	rísk reserves	profits	equity	equity
I. Balance as at December 31,													
2016	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
Plus: Adjustments for changes in													
Correction of accounting errors in													
prior periods													
Business combinations under													
common control													-
Others													
II. Balance as at January 1, 2017	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, Increases/decreases in 2017													
("-" for decreases)					77,375.29		-821,639.89	4,743,611.58	5,820,924.60		667,258,194.25	5,139,363.05	682,217,828.88
(I) Total comprehensive income							-821,639.89		,		673,079,118.85	9,990,487.84	682,247,966.80
(II) Capital contributed or reduced				1.6.61	06 375 77								77.375.29
oy owners					14101011								17
<ol> <li>Common shares contributed by shareholders</li> </ol>													
2. Capital contributed by the													
holders of other equity instruments													
3. Amounts of share-based													
payments recognized in owners'													
equity A Othere					77 375 29								77.375.29
(111) Profit distribution									5,820,924.60		-5,820,924.60	-5,440,876.13	-5,440,876.13
I. Withdrawal of surplus reserves									5,820,924.60		-5,820,924.60		
2. Withdrawal of general risk													
reserves													
3. Profit distributed to owners (or													
strarel tolders)				•••••								-5,440,876.13	-5,440,876.13

							104	1Cal 2017					
					Equity attribut	able to ówne	Equity attributable to owners of the parent company	npany					
Item		Other c	Other equity instruments	uts		Less:	Other		-	General		Minority	Total owners'
	Share capital	Preferred	Perpetual	2010	Capital reserves	Treasury	comprehensive	Special	Sulplus	nisk	Undistributed	cquity	cquity
		stock	debt	CIIICIS		stock	income	52 JACK		reserves			
4. Others													
(IV) Internal carry-forward of													
owners' equity													
1. Conversion of capital reserves													
into paid-in capital (or share													
capital)													
2. Conversion of surplus reserves									-				
into paid-in capital (or share													
capital)													
3. Surplus reserves offsetting													
losses													
4. Others													
(V) Special reserves								4,743,611.58				589,751.34	5,333,362.92
1. Amount withdrawn in 2017								59,240,849.08				3,221,670.62	62,462,519.70
2. Amount used in 2017							-	54,497,237.50				2,631,919.28	57,129,156.78
(VI) Others			-										
IV. Balance as at December 31,								_,					
2017	2,336,900,368.00			3	8,828,339,865.10		-29,584,534.90	50,058,542.99	774,913,922.16		9,860,742,495.27	946,602,090.23	22,767,972,748.85
The accompanying notes to the financial statements are constituent	es to the finan	cial state	ments are	constit	uent parts o	f the find	parts of the financial statements.	nents.					
•					•								

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

			IOINI)	(Monetary units	units are exp	ressed	are expressed in KIVLB unless otherwise stated	less otherw	ise stated)			:	
							Хеа	Year 2016					
					Equity attributs	able to owne	Equity attributable to owners of the parent company	npany					
Îtem		Other e	Other equity instruments	ents		Less:	Other	o	o	General	المغانية أتحديم المسالم	Minonity	Total owners'
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Treasury stock	comprehcnsive income	reserves	surprus	risk reserves	Drofits	cquity	cquity
I. Balance as at December 31,					40 COO 714 OCO 0			07 107 271 20	13 CC1 132 CE		10 102 345 341 11		10 01 689 220 24
	2,336,900,368.00				6,828,010,828,8		-34,093,/33.04	33,107,401.00	10.624,107,067		14.101,046,001,11	11-400,000,022	+6.441,700,116,cz
Plus: Adjustments for changes in													
accounting policies													
Correction of accounting errors in													
prior periods													
Business combinations under													
common control													
Others													· · · · · · · · · · · · · · · · · · ·
II. Balance as at January 1, 2016	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. Increases/decreases in 2016													
("-" for decreases)					-254,494.04		5,330,838.03	12,147,529.81	38,341,574.05		-1,962,862,400.89	15,462,723.07	-1,891,834,229.97
(I) Total comprehensive income							5,330,838.03				-1,784,306,804.76	24,868,181.97	-1,754,107,784.76
(II) Capital contributed or													
reduced by owners												-573,980.36	-573,980.36
I. Common shares contributed by												96 000 <del>6</del> 69	96 000 CL3
shareholders												00.004,010-	00.004,010-
2. Capital contributed by the													
holders of other equity													
instruments													
3. Amounts of share-based													
payments recognized in owners'													
equity													
4. Others													
(III) Profit distribution									38,341,574.05		-178,555,596.13	-10,494,776.05	-150,708,798.13
1. Withdrawal of surplus reserves									38,341,574.05		-38,341,574.05		
2. Withdrawal of general risk						*******				****			
saviasai													

Dongfang Electric Corporation Limited Consolidated Statement of Changes in Shareholders' Equity (Continued) For the year ended December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

							Yea	Year 2016					
					Equity attributs	the to owner	Equity attributable to owners of the parent company	npany					
Item		Other e	Other equity instruments	ants		Less:	Other			General	ע - זיין לייי לע - 1T	Minority	Total owners'
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Treasury stock	comprehensive income	opecial	surgrucs	risk reserves	profits	cquity	equity
3. Profit distributed to owners (or													
shareholders)											-140,214,022.08	-10,494,776.05	-150,708,798.13
4. Others													
(IV) Internal carry-forward of													
owners' equity													
1. Conversion of capital reserves													
into paid-in capital (or share													
capital)													
2. Conversion of surplus reserves													
into paid-in capital (or share													
capital)													
3. Surplus reserves offsetting													
losses													
4. Others													
(V) Special reserves								12,147,529.81				1,664,152.63	13,811,682.44
1. Amount withdrawn in 2016								55,471,046.44				3,309,125.93	58,780,172.37
2. Amount used in 2016								43,323,516.63				1,644,973.30	44,968,489.93
(VI) Others					-254,494.04							-855.12	-255,349.16
IV. Balance as at December 31,					*****								
2016	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
The accompanying notes to the financial statements are constituent parts of the financial statements.	es to the finan	icial state	ements ar	e const	ituent parts o	f the fin	ancial state	nents.					

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

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Financial Statements Page 16

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		(Mon	(Monetary units	ts are ex	are expressed in RMB unless otherwise stated)	MB unle	ss otherwise	stated)			
		, ,				Year	Year 2017				
		Other e	Other equity instruments	ţ		Less:	Other	امثمما		I fudiateihusad	
Item	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Treasury stock	comprehensi ve income	opecial	Surplus reserves	profits	Total owners' equity
I. Balance as at December 31, 2016	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
Plus: Adjustments for changes in									•		
accounting policies											
Correction of accounting errors in	*****										
prior periods											
Others											
II. Balance as at January 1, 2017	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
III. Increases/decreases in 2017 ("2"					****		*****				
for decreases)									5,820,924.60	52,388,321.42	58,209,246.02
(I) Total comprehensive income										58,209,246.02	58,209,246.02
(11) Capital contributed or reduced by											
owners											
1. Common shares contributed by											
sharcholders											
2. Capital contributed by the holders											
of other equity instruments											
3. Amounts of share-based payments											
recognized in owners' equity											
4. Others											
(111) Profit distribution									5,820,924.60	-5,820,924.60	
1. Withdrawal of suplus reserves									5,820,924.60	-5,820,924.60	
2. Profit distributed to owners (or											
shareltolders)											
3. Others											
(IV) Internal carry-forward of owners'											
equity											
1. Conversion of capital reserves into											
paid-in capital (or share capital)				+-							
2. Conversion of surplus reserves into											
paid-in capital (or share capital)											

Dongfang Electric Corporation Limited Statement of Changes in Shareholders' Equity For the year ended December 31, 2017

						Yea	Year 2017				
		Otlier e	Other equity instruments	nts		Less:	Other			T to Start Start	
Item	Strare capital	Preferred	Perpetual	5	Capital reserves	Treasury	comprehensive	opectal	Surphus reserves	Undistributed	Total owners' equity
		stock	debt	Cuners		stock	income	1001 400		hroms	
3. Sumlus reserves offsetting losses					İ						
4 Ohers											
(V) Snecial reserves											
1. Amount withdrawn in 2017											
2. Amount used in 2017											
(VI) Others								Y MARY PROPERTY AND A DESCRIPTION OF THE PARTY OF			
IV. Balance as at December 31, 2017	2,336,900,368.00				8,891,700,256.53				1,063,277,038.59	1,063,277,038.59 6,316,429,701.07	18,608,307,364.19
The accommanying notes to the financial statements are constituent	o the financial sta	tements ar	s constitu		parts of the financial statements.	al statem	ients.				

The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

		(IV	Ionetary <u>uni</u>	mits are ex	(Monetary units are expressed in RMB unless otherwise stated)	MB unle	ss otherwise	stated)			
						Year 2016	910		<b>.</b>		
•		Other	Other equity instruments			Less:	Other	Crossial		I Indict-hutad	
Item	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Treasury stock	comprehensive income	reserves	Surplus reserves	profits	Total owners' equity
1. Balance as at December 31,											
2015	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
Plus: Adjustments for changes in											
accounting policies											
Correction of accounting errors											
in prior periods											
Others											
II. Balance as at January 1, 2016	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. Increases/decreases in 2016											
("-" for decreases)									38,341,574.05	204,860,144.32	243,201,718.37
(I) Total comprehensive income										383,415,740.45	383,415,740.45
(II) Capital contributed or											
reduced by owners											***********
1. Common shares contributed											
by sharcholders											
2. Capital contributed by the					k						
holders of other equity											
instruments											·
3. Amounts of share-based											
payments recognized in owners'											
cquity											
4. Others											
(111) Profit distribution									38,341,574.05	-178,555,596.13	-140,214,022.08
1. Withdrawal of surplus reserves									38,341,574.05	-38,341,574.05	
2. Profit distributed to owners (or											
sliareholders)										-140,214,022.08	-140,214,022.08
3. Others								<b></b>			
(IV) Internal carry-forward of					*********						
owners' equity											

Dongfang Electric Corporation Limited Statement of Changes in Shareholders' Equity (Continued) For the year ended December 31, 2017

Financial Statements Page 19

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						Year 2016	116				
		Other	Other equity instruments			Less:	Other	Crossial		T ladiateibutad	
llcam	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Treasury stock	comprehensive income	reserves	Suplus reserves	profits	Total owners' equity
I. Conversion of capital reserves											
into paid-in capital (or share											
capital)											
2. Conversion of surplus reserves											
into paid-in capital (or share											
capital)								-			
3. Surplus reserves offsetting											
losses											
4. Others											
(V) Special reserves											
I. Amount withdrawn in 2016											
2. Amount used in 2016											
(VI) Others											
IV. Balance as at December 31,											
2016	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
The community notes to the financial statements are constituen	ecto the financi	al statements	are constitue	ant narts	it parts of the financial statements	al stateme	nte				

The accompanying notes to the financial statements are constituent parts of the infancial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

#### Dongfang Electric Corporation Limited Notes to the Financial Statements for the Year Ended December 31, 2017 (Monetary units are expressed in RMB unless otherwise stated)

#### 1. Company profile

#### 1.1 Company overview

Dongfang Electric Corporation Limited (hereinafter referred to as the "Company") which was formerly known as Dongfang Electric Machinery Co., Ltd. was established on December 28, 1993, upon the approval with the document TGS [1992] No. 67 and the document TGS [1993] No. 214 issued by the State Commission for Restructuring the Economic System and the document GZQHF [1993] No. 100 issued by the former State Administration of State-owned Assets, and it is a joint stock limited company established and invested by Dongfang Electrical Machinery Works as the sole sponsor through discounting its held major production operating assets authorized by the State. The Company obtained the business license issued by Chengdu Administration for Industry and Commerce with the unified social credit code of 91510100205115485Y, and its registered address was No. 18, Xixin Avenue, Western High-tech Zone, Chengdu, Sichuan Province.

Upon the approval with the document TGS [1994] No. 42 issued by the State Commission for Restructuring the Economic System on April 12, 1994, the Company publicly issued 170 million overseas listed foreign shares (H share) in Hong Kong which were listed for trading in the Stock Exchange of Hong Kong Limited on June 6, 1994. On July 4, 1995, it publicly issued 60 million domestic shares (A share) within China which were listed for trading in the Shanghai Stock Exchange on October 10, 1995. Upon the issue of the above shares, the share capital of the Company changed to 450 million shares.

Upon the approval with the Official Reply to the Issues Concerning the State-owned Equity Transfer of Dongfang Electric Machinery Co., Ltd. (GZCQ [2005] No. 1604) issued by the State-owned Assets Supervision and Administration Commission under the State Council on December 30, 2005, Dongfang Electrical Machinery Works transferred its 220 million state-owned legal person shares of the Company (accounting for 48.89% of the original share capital of the Company) to Dongfang Electric Corporation (now renamed as Dongfang Electric Corporation, hereinafter referred to as the "DEC").

Upon the approval with the Circular on Approving the Assets Purchase of Dongfang Electric Machinery Co., Ltd. by Directional Issue of New Shares to Dongfang Electric Corporation (ZJGSZ [2007] No. 172) issued by the China Securities Regulatory Commission on October 17, 2007, the Company conducted the private placement of 367 million domestic shares (A share) to Dongfang Electric Corporation, therefore, the Company obtained 273,165,244 domestic shares (A share) of Dongfang Boiler (Group) Co., Ltd. (now renamed as Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation, hereinafter referred to as the "DBC") originally held by Dongfang Electric Corporation (accounting for 68.05% of the original share capital of Dongfang Boiler Group Co., Ltd.) and 100% equity of Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the DTC). According to the resolutions made in the second extraordinary general meeting in 2007, the Company was renamed as Dongfang Electric Corporation Limited on October 26, 2007.

Upon the approval with the Official Reply to the Additional Issue of Shares by Dongfang Electric Corporation Limited (ZJXK [2008] No. 1100) issued by the China Securities Regulatory Commission on September 5, 2008, the Company public issued 65 million domestic shares (A share) to non-specific objects in November 2008, and the share capital of the Company after the public offering changed to 882 million shares.

#### DONGFANG ELECTRIC CORPORATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Upon the approval with the Official Reply to the Approval of the Private Offering by Dongfang Electric Corporation Limited (ZJXK [2009] No. 1151) issued by the China Securities Regulatory Commission on November 6, 2009, the Company privately issued 119.93 million domestic shares (A share) to eight non-specific objects including Dongfang Electric Corporation in November 2009, and the share capital of the Company changed to 1.00193 billion shares upon this private offering.

According the resolutions made in the 2009 Annual General Meeting of the Company, the first shareholders' meeting of domestic shares in 2010 and the first shareholders' meeting of shares listed overseas in 2010 held on June 18, 2010, the Company additionally increased 10 shares for each 10 shares of all the shareholders based on the capital share base of 1.00193 billion shares on December 31, 2009, and the capital share of the Company changed to 2.00386 billion shares after such increase.

On January 12, 2015, the A-share convertible bonds amounting to RMB 4 billion issued in public on July 10, 2014 upon the approval of the Official Reply on Approving the Issue of Convertible Bonds in Public of Dongfang Electric Corporation (ZJXK [2014] No. 628) issued by the China Securities Regulatory Commission entered in the period for share-transfer. As at February 17, 2015, the accumulated share transferred from A-share convertible bonds of the Company amounted to 333,040,368 shares, and after the transfer, the share capital of the Company became 2,336,900,368 shares.

As at December 31, 2017, the share capital of the Company amounted to 2,336,900,368 shares, including listed domestic shares (A-share) without sale-restricted conditions of 1,996,900,368 shares, accounting for 85.45% of the share capital, and listed foreign shares (H-share) without sale-restricted conditions of 340 million shares, accounting for 14.55% of the share capital.

Dongfang Electric Corporation is the controlling shareholder and ultimate controller of the Company. The general meeting of shareholders is the Company's organ of power, executing the decision-making power of the Company's material matters, such as guideline for management, financing, investment and profit distribution according to law. The board of directors is responsible for the general meeting of shareholders, executing the operational decision-making power of the Company according to law; executives are responsible for the organization and implementation of the general meeting of shareholders and resolutions of the board of directors, and presiding over the production and operation management of the Company. The Company sets up 13 functional management departments, which were the board office, CEO office, human resource department, operation management department, enterprise management and legal affair department, technology and quality department, marketing department, financial department, enterprise culture department, discipline inspection department, supervisor appointment office, audit department and planning and development department, three business divisions, which were the gas turbine division, nuclear power division and power station division, and international engineering branch companies.

The Company belongs to the industry of power generation equipment manufacturing with a business scope covering general equipment manufacturing, electrical machinery and equipment manufacturing, unclear power generation equipment, wind power generation equipment, renewable energy source power energy equipment and its spare parts manufacturing, sales and R&D; R&D, manufacturing and sales of industrial control and automation equipment; R&D, manufacturing and sales of environmental protection equipment (desulfurization, denitration, waste water, and solid waste), energy saving equipment, and petrochemical container; R&D, manufacturing and sales of industrial gas equipment; power station design, packaged technology development of power station equipment, sales of and service for complete equipment; general contracting and sub-contracting of overseas power generation equipment, machine electricity, complete engineering and domestic international bidding engineering, export of equipment and materials needed by the aforesaid overseas engineering, and outward dispatch of contract

#### DONGFANG ELECTRIC CORPORATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

workers needed by the same; import and export trade; commercial service; professional technique service; science and technology exchange and promotion (Items subject to approval according to law shall not be carried out before such approval is granted by the competent authorities). Major products of the Company are thermal power generation equipment, hydroelectric generation equipment, wind power generation equipment, unclear power generation equipment and gas power generation equipment.

The financial statements have been approved by the board of directors on March 29, 2018.

#### 1.2 The scope of consolidated financial statements

As at December 31, 2017, major subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

	Subsidiary
Dongfang Boiler Group	Co., Ltd. of Dongfang Electric Corporation
Dongfang Turbine Co., L	td. of Dongfang Electric Corporation
Dongfang Electric Mach to as the "DFEM")	inery Co., Ltd. of Dongfang Electric Corporation (hereinafter referred
Dongfang Electric (Guan "DFHM")	ngzhou) Heavy Machinery Co., Ltd. (hereinafter referred to as the
Dongfang Electric Wind	Power Co., Ltd. (hereinafter referred to as the "DEWP")
Dongfang Electric (Wuha "DENE")	an) Nuclear Equipment Co., Ltd. (hereinafter referred to as the
Dongfang Electric (India	Corporation (hereinafter referred to as the "DEC India Company")

Dongfang Electric (India) Corporation (hereinafter referred to as the "DEC India Company") Dongfang Electric (Indonesia) Co., Ltd. (hereinafter referred to as the "DEC Indonesia Company")

See "Note 6 Changes in the scope of consolidation" and "Note 7 Equity in other entities" for details of the scope of consolidated financial statements in 2017and changes thereof.

#### 2. Basis of preparation for financial statements

#### 2.1 Basis of preparation

Based on going concern and according to actually occurred transactions and events, the Company prepares financial statements in accordance with the Accounting Standards for Business Enterprises - Basic Standards and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "Accounting Standards for Business Enterprises"), as well as the disclosure provisions of the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Requirements for Financial Reports, the Listing Rules of the Stock Exchange of Hong Kong Limited and the Companies Ordinance issued by the China Securities Regulatory Commission.

#### 2.2 Going concern

The Company has a history of recent profitable operations and the support of financial resources. The Company believes that the preparation of the financial statements on a going concern is reasonable.

#### 3. Significant accounting policies and accounting estimates

The following disclosures have covered the specific accounting policies and estimates formulated by the Company according to its actual production and operation features. For details, see Notes "3.11 Provision for bad debts of accounts receivable", "3.16 Fixed assets" and "3.26 Revenue".

**3.1** Statement on the compliance with Accounting Standards for Business Enterprises The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operation results and cash flows and other relevant information in the reporting period.

## 3.2 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

### 3.3 Operating cycle

The Company's operating cycle is 12 months.

### 3.4 Functional currency

The Company and its domestic subsidiaries adopt RMB as the functional currency, and for overseas business, the functional currency should be the local currency. The Company adopts RMB while preparing the financial statements.

# 3.5 Accounting treatment methods for business combinations under common control and not under common control

Business combination under common control: For assets and liabilities obtained through business combination by the Company, they are measured at the book value of the assets and liabilities (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in the capital reserve is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in the capital reserves is insufficient to cover the differences, the remaining amount shall be charged against retained earnings.

Business combination not under common control: The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed by the Company for a business combination at their fair values. The difference between the fair value and their book value will be included into the current profit or loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquiree in the current profit or loss after review.

The auditing, legal services, consulting and other intermediary service fees as well as other relevant direct expenses for business combination will be included into the current profit or loss when occurs; the transaction costs for the issuance of equity securities shall be used to offset equities.

#### **3.6** Preparation method of consolidated financial statements

## 3.6.1 Scope of consolidation

The scope of consolidated financial statements of the Company is determined on the basis of control, and all its subsidiaries (including the investee's partible part that is under control of the Company) are included in the consolidated financial statements.

## 3.6.2 Procedures for consolidation

The Company prepares the consolidated financial statements based on financial statements of itself and its subsidiaries and according to other relevant information. Upon preparation of consolidated financial statements, the Company shall deem the whole group as a whole accounting entity, and reflects the overall financial position, operating results and cash flows of the group in accordance with relevant requirements for recognition, measurement and presentation as stated in the Accounting Standards for Business Enterprises as well as uniform accounting policies.

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company. For the subsidiaries acquired through business combination not under the same control, adjustments to their financial statements shall be made based on the fair values of net identifiable assets on the acquisition date. For a subsidiary acquired through business combination under common control, adjustment to its financial statements shall be made based on the book values of its assets and liabilities (including goodwill formed in the acquisition of the subsidiary by its ultimate controller) as presented in the financial statements of the ultimate controller.

The share of owners' equity, current net profits and losses, and current comprehensive income of subsidiaries attributable to minority owners shall be respectively and separately listed under the owner's equity item of a consolidated balance sheet, the net profit item of a consolidated income statement, and the total comprehensive income in a consolidated income statement. Where the current losses shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity shall be written down accordingly.

(1) Increase of subsidiaries or business

During the reporting period, if the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated statement of financial position shall be adjusted; the income, expenses and profits of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included into the consolidated income statement; the cash flows of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flow. Relevant items in the comparative financial statements of the subsidiaries shall be adjusted accordingly, as if the reporting entity after the business combination exists at the time when the ultimate controller has the control power.

Where control can be exercised on the investee under the common control for additional investment or other reasons, adjustment will be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combined party is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, if the Group acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated statement of financial position will not be adjusted. The income, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flow.

Where the Company can control the investee not under common control from additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference of the fair value and book value in the investment income in the year. Where equity of the acquiree held before the acquisition date involves in other comprehensive income accounted for under equity method and other changes in owners' equity other than net profits or losses, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owners' equity shall be transferred to investment income in the year which the acquisition date falls in, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan by the investee.

- (2) Disposal of subsidiaries or business
  - ① General method of disposal

During the reporting period, where the Company disposes a subsidiary or business, the revenues, expenses and profits of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated cash flow statement; cash flows of the subsidiary or the business from the beginning period to the disposal date shall be included in the consolidated cash flow statement.

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of loss of the control. The difference of the sum of the consideration acquired from disposal of equities and the fair value of the remaining equities less the sum of the share calculated at the original shareholding ratio in net assets of the original subsidiary which are continuously calculated as of the acquisition date or the combination date and goodwill shall be included in the investment income of the period in which the control is lost. Other comprehensive incomes associated with the equity investments of the original subsidiary, or the changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, are transferred into investment income of the period when control is lost, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of designated benefit plan.

Where the Company loses the right of control due to the decline in its proportion of shareholding caused by the increase of investment in subsidiaries by other investors, accounting treatment should be conducted according to the above principles.

② Disposal of subsidiary by stages

If the control is lost due to disposal of the equities in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the enterprise's disposal of its investment in the subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions should be included into a package of transactions and subject to accounting processing as such:

- i. These transactions are concluded at the same time or under the consideration of mutual effect;
- ii. Only all these transactions can reach a complete business results;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the relevant policies for partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

(3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority equities and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient to offset, retained earnings will be adjusted.

(4) Partial disposal of long-term equity investments in subsidiaries without losing control

The difference between the proceeds from partial disposal of equity investments in the subsidiary and the share of identifiable net assets of the subsidiary attributable to the Company which are calculated continuously from the acquisition date (or the combination date) and which are corresponding to the disposal of long-term equity investments without losing control shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

## 3.7 Classification and accounting treatment of joint venture arrangements

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation means that the Company is the joint venturer under the joint venture arrangement and enjoys the relevant assets and assumes the relevant liabilities.

The Company recognizes the following items related to interest shares in the joint operation, and carries out the accounting treatment according to relevant Accounting Standards for Business Enterprises:

- (1) Assets peculiar to the Company and assets jointly owned by the Company based on shares held;
- (2) Liabilities undertaken by the Company solely and liabilities jointly undertaken by the Company based on shares held;
- (3) Income from selling production shares of the joint operation enjoyed by the Company;
- (4) Income from selling the production of the joint operation recognized based on the shares held by the Company; and

(5) Separate costs and costs for the joint operation based on the shares held by the Company.

See Note "3.14 Long-term equity investment" for accounting policies of the Company for investment in joint ventures.

## 3.8 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and the unrestricted deposit of the Company. The term "cash equivalents" refers to short-term (maturing within three months from acquisition date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# 3.9 Foreign currency transactions and translation of foreign currency financial statements

## 3.9.1 Foreign currency transactions

Foreign currency amount will be translated into RMB amount at the spot exchange rate on the transaction date for tally.

The balance of foreign currency items on the balance sheet date are measured at the spot exchange rate on the balance sheet date. The exchange difference arising therefrom shall be included in the current profit or loss, while other exchange difference arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified to capitalization shall be dealt with according to the principle of borrowing capitalization. Foreign currency non-monetary items measured at historical costs shall still be measured at the spot exchange rates when the transactions occur. Foreign currency non-monetary items measured at the fair value are translated into RMB at the spot exchange rate on the date when the fair value is determined, and the difference arising therefrom shall be treated as the change in the fair value and included in the current profit or loss or recognized as the other comprehensive income.

## 3.9.2 Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rates on the balance sheet date. Owners' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the dates when the transactions occur. Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur.

Foreign currency translation differences arising from the above conversion should be presented in other comprehensive income in the balance sheet. Foreign currency cash flows shall be translated at the spot exchange rate on the date when such cash flows occur. Affected amount of the fluctuation in exchange rate on cash and cash equivalents is separately presented in the statement of cash flows.

When the Company disposes of an overseas business, the translation differences in foreign currency financial statements related to such overseas business shall be transferred into the current profit or loss from the item of owner's equity.

## 3.10 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

## 3.10.1 Classification of financial instruments

Upon initial recognition, financial liabilities are classified into: Financial assets and financial liabilities measured at fair value through the current profit or loss, including financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated to be measured at fair value through the current profit or loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

## 3.10.2 Recognition basis and measurement method of financial instruments

(1) Financial assets (financial liabilities) measured at fair value through the current profit or loss

Such kind of financial asset specified by the Company mainly includes derivative financial assets relating to stock investment and forward settlement of exchange. Its initially recognized amount is determined at the fair value (deducting the cash dividend that has been announced but not been issued or bond interest that has matured but not been drawn) at acquisition, and relevant transaction expenses are included in the current profit or loss.

The interest or cash dividends to be received during the holding period shall be recognized as investment income. Change in fair values is included in the current profit or loss at the end of the period.

Difference between the fair value and initial book-entry value is recognized as investment income upon disposal; meanwhile, the profit or loss from the change in fair value is adjusted.

(2) Held-to-maturity investments

The initially recognized amount of held-to-maturity investments is determined at the sum of the fair value (deducting the bond interest that has matured but not been drawn) and relevant transaction expenses at acquisition.

The interest income is calculated and recognized based on the amortized cost and effective interest rate during the holding period, and included in the current profit or loss. The effective interest rate is determined upon acquisition and will remain unchanged during the expected renewal period, or a shorter period if applicable.

At disposal, the difference between the payment obtained and the fair value of such investment is included in the current profit or loss.

(3) Receivables

For creditor's rights receivable arising from external sales of goods or rendering of service by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable, other receivables and others, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party; for those with financing nature, they are initially recognized at their present values.

At recovery or disposal, the difference between the purchase price obtained and the book value of the receivables is included in current profit or loss.

(4) Available-for-sale financial assets

Amount of available-for-sale financial assets are initially recognized at the fair value (deducting net of cash dividends declared but not yet paid or bond interest due but not yet received) and related transaction expenses upon acquisition.

The interest or cash dividend obtained during the holding period is recognized as investment income. At the end of the period, available-for-sale financial assets are measured at fair value, and the change in fair value is recognized in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument investment and settled by delivery of the same equity instrument, they are measured at cost. Difference between the proceeds and the book value of the financial assets is included in investment profit or loss upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which was originally and directly included in other comprehensive income is transferred out and included in the current profit or loss.

(5) Other financial liabilities

Other financial liabilities are initially recognized at the sum of fair value and relevant transaction expenses. The subsequent measurement is made based on the amortized cost.

## 3.10.3 Recognition basis and measurement method of the transfer of financial assets

When transfer of financial assets occurs, if nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards related to the ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

The principle of substance over form is adopted to determine whether the transfer of a financial asset meets the above de-recognition conditions for the financial asset. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset.

Where the entire transfer of a financial asset meets the derecognition criteria, the difference between the following two amounts shall be included in the current profit or loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer and the accumulated change amount of fair value originally recorded in owners' equity (the financial assets involved in the transfer are available-for-sale financial assets).

Where partial transfer of financial assets meets the derecognition criteria, the entire book value of the financial assets transferred will be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts will be included into current profit or loss:

- (1) The book value of the derecognized part;
- (2) The sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

If the transfer of a financial asset does not meet the derecognition criteria, the financial asset shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

## 3.10.4 Derecognition criteria of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liability is derecognized or any part thereof will be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities will be derecognized, and at the same time, the new financial liability will be recognized. Where substantive changes are made to the contract terms of existing financial liability in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liability of which terms have been modified shall be recognized as a new financial liability.

Where financial liabilities are de-recognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) shall be included in the current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

# 3.10.5 Determination method for the fair value of financial assets and financial liabilities

The fair value of a financial instrument having an active market is determined on the basis of quoted prices in the active market. Fair value of a financial instrument having no active market shall be determined by using valuation techniques. For valuating, the Company chooses input values which characteristics are consistent with those of assets or liabilities considered by market participants in the course of transactions of relevant assets or liabilities by using the valuation technique that is applicable in the present situation and has sufficient available data and other information supporting, and applies relevant observable input values in priority. Unobservable input values are used only when relevant observable input values cannot be available or such values obtained are impracticable.

# 3.10.6 Test method and accounting treatment for the impairment of financial assets (excluding receivables)

Except for the financial assets measured at fair values through the current profit or loss, the Company will check the book value of financial assets on the balance sheet date. If there is objective evidence indicating that a financial asset is impaired, provision for impairment will be made.

(1) Provision for impairment of available-for-sale financial assets:

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in fair value is non-temporary after considering various relevant factors, the impairment occurred shall be recognized. If financial assets measured at amortized cost are impaired, provision for impairment will be made at the difference between the present value of estimated future cash flows (excluding future credit loss that has not occurred yet) and the book value of the same.

Once the accumulated losses from the decrease in the fair value originally and directly included in the owners' equity are transferred out, the impairment loss will be recognized.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the matters occurring after the recognition of such impairment losses, the previously recognized impairment losses may be reversed and included in the current profit or loss.

Impairment losses from the investment in available-for-sale equity instruments should not be reversed through the profit or loss.

(2) Provision for impairment of held-to-maturity investments:

Impairment loss on held-to-maturity investments shall be measured with reference to the measurement method of impairment loss on receivables.

## 3.11 Provision for bad debts of receivables

Receivables include accounts receivable and other receivables. For accounts receivable arising from the external sales of goods and rendering of services by the Company, their amounts are initially recognized at fair values of the contract or agreement price receivable from the buyer or the service recipient. Impairment losses on receivables are assessed by using individual method and portfolio method.

# 3.11.1 Receivables with individually significant amount and individual provision for bad debts:

Method for making the provision on receivables with individually significant amount and individual provision for bad debts: if there is obvious evidence showing that the impairment has incurred, the provision for bad debts will be made at the difference between the present value of future cash flows and the fair value of the same, and included in the current profit or loss. If receivables have not been impaired according to the separate impairment test, they will be included in the corresponding portfolio to make the provision for bad debts.

Judgment basis or	Accounts receivable of which individual amount exceeds
amount standards for	RMB 30 million and other receivables of which
individually significant	individual amount exceeds RMB 10 million are taken as
amount	significant receivables.
Provision method for receivables with individually significant amount and individual provision for bad debts	The provision for bad debts is made at the difference between the present value of future cash flows and the fair value of the same.

Judgment basis or amount standards for individually significant amount:

# 3.11.2 Provision for bad debts of receivables made on credit risk characteristics portfolio basis:

Determination basis of portfolio		
	The portfolio is classified by taking the aging of receivables as	
Aging portfolio	the credit risk characteristics.	
Methods of provision for bad debts made on the basis of portfolio		
Aging portfolio	Provision for bad debts is made by the aging analysis method.	

In a portfolio, the provision for bad debts of receivables by the aging analysis method is made at the following proportion of provision:

Aging	Proportion of provision for receivables (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1		
year, the same as below)	5	5
1 - 2 years	10	10
2 - 3 years	20	20
3 - 4 years	40	40
4 - 5 years	50	50
Over 5 years	100	100

# 3.11.3 Receivables with individually insignificant amount and individual provision for bad debts:

Reason for individual provision for bad	Receivables of which individual amount is insignificant and the provision for bad debts therefor made by portfolio cannot
debts	reflect the risk characteristics
	The provision for bad debts is made at the difference
Method of provision for bad debts	between the present value of future cash flows and the fair value of the same.

## 3.12 Inventories

## 3.12.1 Classification of inventories

Inventories mainly include goods in transit, raw materials, unfinished products, self-manufactured semi-finished products, finished goods, stock commodities, consigned processing materials and assets from the contract on construction which has been completed but not been settled.

## 3.12.2 Measurement method of inventories dispatched

At the time of dispatching inventories, the measurement method is the weighted average method or the specific identification method.

## 3.12.3 Recognition basis for net realizable values of inventories in different categories

For merchandise inventories for direct sale, including finished goods and materials for sale, their net realizable values are recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges in the normal production and operation process; for material inventories required to be processed, their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges in the normal production and operation process. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities held by the Company are more than the quantities ordered in sales contracts, the net realizable value of the excess portion of inventories shall be calculated based on general selling prices.

The provisions for inventory depreciation reserve are made on an individual basis at the end of the period; for inventories with large quantities and relatively low unit prices, the provisions for inventory depreciation reserve are made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventory depreciation reserve are made on a portfolio basis.

Except that there is clear evidence that the market price is abnormal on the balance sheet date, the net realizable value of inventory items is determined based on the market price on the balance sheet date.

Net realizable value of inventory items at the end of the period is determined on the basis of the market price on the balance sheet date.

## 3.12.4 Inventory system

Perpetual inventory system is adopted.

3.12.5 Amortization methods for low-cost consumables and packaging materials (1) One-off amortization method is adopted for low-cost consumables; (2) One-off amortization method is adopted for packaging materials.

## 3.13 Assets held for sale

The Company recognizes non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

## 3.14 Long-term equity investments

## 3.14.1 Judgment criteria for common control and significant influence

Common control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control with other parties, the formulation of such policies. Where the Company is able to have significant influences on an investee, the investee is its associate.

When the Company had more than 20% but less than 50% of the voting rights of the investee which were directly owned or indirectly owned through its subsidiaries, it is generally deemed that the Company has significant influence on the investee. Where the Company holds less than 20% of voting rights in the investee, it also needs to comprehensively consider such facts and situations as representatives in the board of directors or similar organ of power of the investee, or the process of preparing financial and operating policies the investee, or significant transactions with the investee, managers dispatched to the investee or key technical information provided to the investee to judge whether the Company has a significant impact on the investee.

## 3.14.2 Determination of initial investment cost

- (1) Long-term equity investment acquired from business combination
  - Business combination under common control: if the Company pays a consideration to the combined party in cash, by transferring non-cash assets or by assuming debts and issuing equity securities, the share of book value of its owners' equity in the combined party in the consolidated financial statements of the ultimate controller shall be regarded, on the combination date, as the initial cost of the long-term equity investment. Where the book value of net assets of the combined party on the combination date is negative, costs of long-term equity investments are recognized at zero. If the Company can exercise control over the investee under common control as a result of additional investment or other reasons, the share of book value of its net asset of the combination date, as the initial cost of the long-term equity in the consolidated financial statements of the ultimate controller shall be regarded, on the combination date, as the initial cost of the long-term equity in the consolidated financial statements of the ultimate controller shall be regarded, on the combination date, as the initial cost of the long-term equity investment. The stock premium should be adjusted at the difference between the initial investment cost of long-term equity investments on the combination date and the sum of the

book value of long-term equity investments before the combination and the book value of consideration newly paid for additional shares; if there is no sufficient stock premium to be written down, the retained earnings are adjusted.

For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. Where control can be executed on the investee not under common control for reasons such as additional investment, the initial cost of the long-term equity investment shall be accounted by the cost method based on the sum of the book value of the equity investment originally held and the newly-added investment cost.

(2) Long-term equity investments acquired by other methods For long-term equity investments acquired from making payments in cash, the initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, the initial investment cost is the fair value of the issued equity securities.

On the premise that non-monetary asset trade is of commercial nature and the fair value of the asset traded in or out can be measured reliably, the initial cost of a long-term equity investment traded in with non-monetary asset should be determined according to the fair value of the asset traded out and relevant taxes and surcharges payable, unless any unambiguous evidence indicates that the fair value of the asset traded in is more reliable; as to the non-monetary asset trade not meeting the aforesaid premise, the book value of the asset traded out and relevant taxes and surcharges payable should be recognized as the initial cost of the long-term equity investment.

For long-term equity investment acquired from debt restructuring, the initial investment cost is determined based on the fair value.

## 3.14.3 Subsequent measurement and recognition of profits or losses

- (1) Long-term equity investment accounted for by the cost method
  - Long-term equity investments of the Company in its subsidiaries are accounted for by the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the current investment income based on the cash dividends or profits enjoyed by the Company and declared to be distributed by the investee.
- (2) Long-term equity investment accounted for by the equity method

Long-term equity investments of the Company in associates and joint ventures are accounted for by the equity method. If the cost of initial investment is in excess of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss.

The Company should, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income and simultaneously adjust the book value of the long-term equity investment. The Company should, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment

correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company should adjust the book value of the long-term equity investment and include such change into the owners' equity.

The Company shall, based on the fair value of identifiable net assets of the investee when it obtains the investment, recognize its attributable share of the net profits or losses of the investee after it adjusts the net profit of the investee according to the accounting policies and accounting period of the Company. When holding the investment, if the investee prepares the consolidated financial statements, the said profits or losses shall be measured based on the amount of the net profit, other comprehensive income and other changes in owners' equity attributed to the investee presented in the consolidated financial statements.

The Company calculates its attributable profit or loss of internal transactions that are not realized arising among itself, associates and joint ventures based on its attributable percentage and offset it, and determines the investment income on that basis. Where losses from internal transactions that are not realized between the Company and the investee fall into the scope of the loss of asset impairment, the full amount of such losses shall be recognized. For the asset investment or sale transactions between the Company and associates or between joint ventures, where such assets constitute business, the accounting treatment shall be carried out in accordance with relevant policies as disclosed in Note "3.5 Accounting treatment methods for business combinations under common control and not under common control" and "3.6 Preparation method of consolidated financial statements".

When the Company confirms that it should share losses of the investee, treatment shall be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced. Secondly, where the book value is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equity which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional liabilities in accordance with the provisions stipulated in the investment contracts or agreements, estimated liabilities are recognized and included into current investment loss according to the obligations estimated to undertake.

#### (3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current profit or loss.

When the Company disposes of the long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto according to the corresponding proportion. The owners' equity recognized due to changes in owners' equity of the investee other than net profits or losses, other comprehensive income and profit distribution shall be transferred to current profit or loss at the corresponding proportion upon disposal, except for other comprehensive income from re-measurement of changes in net profit or net liability of the defined benefit plan.

If the Company loses its common control over or significant influence on an investee due to its disposal of partial equity investment or to other reasons, it shall change to measure the remaining equities after disposal in accordance with the recognition and measurement criteria of financial instruments, and the balance, on the date of losing the common control or significant influence, between the fair value and book value of its remaining equities are included in current profit or loss. As to other comprehensive income recognized based on measurement of the original equity investment under the equity method, accounting treatment shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto when measurement under the equity method is terminated. For owners' equity recognized as a result of changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, it is carried forward to the current profit or loss when the equity method is abandoned.

In the event of the loss of control over the investee due to the decrease of the Company's shareholding ratio for the partial disposal of equity investment, capital increase by other investors in the subsidiaries or for other reasons, in the preparation of the individual financial statements, the equity method will be applied for accounting purpose if the remaining shares are under the common control or significant influence of the investee; otherwise, the related provisions on financial instruments recognition and measurement standards will be applied for the accounting treatments and, the difference between the fair value and book value on the control loss date will be included in current profit or loss.

Where the disposed equities are acquired via the business combination due to the reasons such as additional investment, the remaining equities after the disposal are calculated based on the cost method or equity method in preparing the individual financial statements, and other comprehensive income and other owners' equity recognized because of the equity method adopted for the calculation of the equity investment held prior to the acquisition date are carried forward in proportion; the remaining equities after the disposal are changed to be made in accordance with the relevant provisions in the recognition and measurement criteria of financial instruments while other comprehensive income and other owners' equity are carried forward in full.

#### 3.15 Investment property

The investment property refers to the real estate held for earning rentals or/and capital appreciation, including leased land use right, land use right held for transfer upon appreciation, and leased building (including self-built buildings or buildings developed for renting or buildings under construction or development for future renting).

The Company measures the existing investment properties by using the cost model.

The investment property shall be initially measured at cost. The cost of an investment property by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment property composes of the necessary expenses for building the asset to the hoped condition for use. Subsequent expenses related to the investment property, if the economic benefits associated with such asset are likely to flow in the Company and its cost can be measured reliably, should be recorded in the cost of investment property; otherwise, they should be recorded into the current profit or loss.

For investment property measured by using the cost model, the buildings for lease shall be depreciated by using policies the same as used for fixed assets of the Company, and the land use rights for lease shall be amortized by using the same policies as applicable to intangible assets.

The Company makes provisions for depreciation or amortization at straight-line method based on its estimated useful life and net residual rate. Estimated useful life, net residual rate and annual depreciation (amortization) rate of the investment property are as follows:

Category	Depreciation life	Net residual value rate	Annual depreciation rate
Land use right	50 Years		2%
Houses and buildings			
Including: Houses and buildings used for production	20 years	5%	4.75%
Houses and buildings used for non-production	25 years	5%	3.80%

The estimated useful lives, estimated net residual value and depreciation (amortization) method of the investment property are reviewed at the end of each year with proper adjustments made.

When an investment property is changed for self use, upon change, the investment property shall be converted into fixed assets or intangible assets. When the self-use property is changed to earn rentals or for capital appreciation, upon change, fixed assets or intangible assets shall be converted into investment property. When there is a conversion, the book value before the conversion shall be regarded as the entry value after the conversion.

When an investment property is being disposed or permanently withdrawn from use and no future economic benefits are expected from the disposal, the investment property shall be derecognized. When an investment property is sold, transferred, retired or damaged, the Group shall recognize the amount of any proceeds on disposal, net of its book value and related taxes and surcharges, in the current profit and loss.

## 3.16 Fixed assets

## **3.16.1** Recognition criteria of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one accounting year. Fixed assets will only be recognized when all the following criteria are satisfied:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed asset can be measured reliably.

Fixed assets include buildings and constructions, machinery equipment, transportation equipment, instrument and apparatus, electronic computer and other equipment.

## 3.16.2 Depreciation method

Other than fixed assets that are fully depreciated and remain in use as well as land that are separately measured and booked, the Company provides depreciation for all fixed assets. Provision for depreciation of fixed assets is subject to the straight-line-method and double declining balance method, and respectively included in the costs of the relevant assets or the current expenses by purpose.

Category of fixed assets a	id estimated useful	life, net residual	rate and depreciation
rate are as follows:			

Category of fixed assets	Estimated useful life	Estimated net residual rate	Annual depreciation rate
I. Houses and buildings			
Including: houses and buildings used for production	20 years	5%	4.75% or double declining balance method
Houses and buildings used for non-production	25 years	5%	3.80%

Category of fixed assets	Estimated useful life	Estimated net residual rate	Annual depreciation rate
			9.50% or Double
			declining balance
II. Machinery equipment	10 years	5%	method
III. Transportation equipment	6 years	5%	15.83%
IV. Instrument and apparatus	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 Company will review useful lives, estimated net residual rate and depreciation methods of the fixed assets at the end of each year. Changes, if any, should be handled as changes in accounting estimates.

For fixed assets acquired under financing leases, if there is reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life based on the depreciation policy the same as used for fixed assets; if there is no reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term and useful life of the leased assets based on the depreciation policy the same as used for fixed assets.

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit and loss.

#### 3.17 Construction in progress

The book-entry values of the fixed assets are stated at necessary expenses incurred before reaching working condition for their intended use. For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. as of the date when it reaches the working condition for intended use, and the fixed assets shall be depreciated in accordance with the Company's policy for fixed assets depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided for will not be adjusted.

#### 3.18 Borrowing costs

#### 3.18.1 Recognition criteria of capitalization of borrowing costs

Borrowing costs include the interest of borrowings, the amortization of discount or premium, auxiliary expenses, exchange differences incurred by foreign currency borrowings, etc.

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities. The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset expenditures have already incurred, which shall include the cash, transferred non-cash assets or interest-bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

#### 3.18.2 Capitalization period for borrowing costs

Capitalization period refers to the period from the beginning of capitalization to the cease of capitalization, excluding the period of capitalization suspension of borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Where part of a qualified asset under acquisition and construction or production is completed separately and is ready for use, the capitalization for the borrowing costs of such asset shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it cannot be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

### 3.18.3 Period of suspension for capitalization

If the acquisition and construction or production activities of the assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the Company shall suspend the capitalization of borrowing costs. If such suspension is the necessary procedure for the constructed and produced assets eligible for capitalization reaching the intended conditions for use or sale, the Company can continue the capitalization of borrowing costs. Borrowing costs incurred during the suspension period are recognized as current profit and loss till the acquisition, construction or production of the asset restarts.

# 3.18.4 Measurement method of capitalization rate and capitalized amounts of borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of borrowing costs shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the amount of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

## 3.19 Intangible assets

Intangible assets of the Company mainly include land use rights, patent technology, non-patent technology, etc.

## 3.19.1 Measurement method of intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition; The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use.
- (2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on their acquisition.

Intangible assets with limited useful lives shall be amortized at the straight-line method over the period when such assets can bring economic benefits for an enterprise. Land use rights are evenly amortized according to the transfer period as of the date of transfer; proprietary technologies, non-patent technologies and other intangible assets are evenly amortized at the shortest of estimated useful lives, benefit period stipulated in contracts and effective period stipulated by law in stages. Amortization amount should be included into the relevant asset cost and the current profit and loss by beneficiaries.

In case of the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets shall be deemed as the intangible assets with indefinite useful lives and not be amortized.

The useful lives and amortization methods of intangible assets with limited useful lives shall be reviewed at the end of each year.

Upon review, the useful lives and amortization methods of the intangible assets at the end of the year are not different from those estimated before.

### 3.19.2 Specific criteria for classifying research and development stages

The Company's expenditures for its internal research and development projects are classified into research expenditures and development expenditures.

Research stage is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge

Development stage is the stage when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

# 3.19.3 Criteria for capitalization of qualifying expenditures during the development stage

Expenditures arising from development stage are determined as intangible assets if the Company can satisfy all of the following criteria simultaneously:

- (1) In respect of the technology, it is feasible to finish the intangible asset for use or sale;
- (2) The management has the intention to finish and use or sell the intangible assets;
- (3) The ways whereby the intangible asset is to generate economic benefits, including those whereby it is able prove that there is a potential market for the products manufactured by applying this intangible asset or that there is a potential market for the intangible asset itself; if the intangible asset will be used internally, its usefulness shall be proved;
- (4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible asset, and it is able to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development stage can be measured reliably.

Expenses at the development stage that do not meet the above conditions are included in the current profit and loss on occurrence. Development expenditures that have been included in profit or loss in prior periods will not be recognized as an asset in future periods. The capitalized expenditures in the development stage shall be listed as development expenditures in the balance sheet, and shall be transferred to be intangible assets when the project reaches the working condition for its intended use.

## 3.20 Impairment of long-term assets

Where there are indications of impairment on long-term equity investments, investment property measured with cost model, fixed assets, construction in progress, intangible assets with limit useful life and other long-term assets on the balance sheet date, impairment test should be made. If the results of the impairment test indicate that the recoverable amount of the assets is lower than the book value thereof, the difference between the recoverable amount and the book value is as a basis for a provision for impairment and included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset less disposal expenses or the present value of its estimated future cash flows. The provision for asset impairment is calculated based on the individual assets and recognized. If it is difficult to estimate the recoverable amount of the asset group that the asset belongs to. The asset group refers to a minimum asset group which can generate cash inflows independently.

Goodwill and intangible assets with uncertain useful lives shall be subject to impairment test at least once at the end of each period.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method since the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. The book value of goodwill is amortized to relevant asset groups or combinations of asset groups according to the proportion of the fair value of such asset groups or combinations of asset groups in the total fair value of relevant asset groups or combinations of asset groups. Where the fair value cannot be reliably measured, it should be amortized according to proportion of the book value of each asset group or combination of asset group in the total book value of relevant asset groups or combinations of asset groups. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the asset groups or combinations of asset groups containing goodwill, and compare the book value of these asset groups or combinations of asset groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant asset groups or combinations of asset groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The impairment loss of goodwill is included in the current profit and loss when incurred and will not be reversed in the subsequent accounting periods.

## 3.21 Long-term deferred expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent accounting periods with the amortization period more than one year.

Long-term deferred expenses are amortized evenly over the beneficial period.

For long-term deferred expenses are not beneficiary to the subsequent accounting periods, the amortized value of the projects that are not amortized yet is all included in the current profit and loss.

### 3.22 Employee compensation

Employee compensation of the Company includes short-term compensation, post-employment benefits and dismissal benefits.

### 3.22.1 Accounting treatment of short-term compensation

During the accounting period of an employee's providing services, the Company should recognize the actual short-term compensation as liabilities and shall include it into the current gains and losses or relevant asset costs.

The cost of social insurance and housing fund paid by Company for employees and the labor union cost and employee education costs provided by the Company in accordance with provisions shall, in the accounting period, during which the service is provided by employees for enterprises, be used to calculate corresponding amount of employee compensation according to the stipulated provision basis and proportion.

Where the employee benefits in form of non-monetary benefits may be measured reliably, it shall be measured at its fair value.

#### 3.22.2 Accounting treatment of post-employment benefits

(1) Defined contribution plans

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in current profit and loss or costs associated with assets. In addition to the basic pension insurance, the Company also sets up enterprise annuity system (supplementary pension insurance) / enterprise annuity plans in accordance with relevant national policies on enterprise annuity system. The Company makes payments to the local social insurance institutions/annuity plan in a certain proportion to the total employee wage, with corresponding expense included in the current profit or loss or related asset cost.

(2) Defined benefit plans

The Company, according to the formula determined based on estimated total welfare unit method, recognizes the welfare obligations arising from defined benefit plan to the period of receiving services from employees and includes them into the current profit and loss or relevant asset costs.

The deficit or surplus arising from the difference between the present value under defined benefit plan and the fair value of assets under defined benefit plan is recognized as the net liability or net asset of the defined benefit plan. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and asset thereof.

All obligations under the defined benefit plan, including the estimated payment obligation within 12 months following the annual report period during which the employees provide service, are discounted to the present value at the market return of the national debt corresponding to the period and currencies of the obligations under the defined benefit plan or high-quality corporate bonds active on the market on the balance sheet date.

The service costs of the defined benefit plan and net interest on the net liabilities or net assets in respect of the defined benefit plan are included in the current profit or loss or related assets cost; changes in the re-measurement of net liabilities or net assets under the defined benefit plans should be included in other comprehensive income and should not be reversed in subsequent accounting periods. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to the undistributed profits.

For the settlement of the defined benefit plan, the balance between the present value and the settlement price in regard to the defined benefit plan confirmed on the settlement date shall be recognized and settled as gains or losses.

# 3.22.3 Accounting treatment of dismissal benefits

When the Company fails to unilaterally withdraw the dismissal benefits offered due to the termination of the labor relation plan or layoff proposal, or confirms the costs or fees associated with the reorganization involving the payment of the dismissal benefits (whatever is earlier), the employee compensation liabilities arising from the confirmation of dismissal benefits are included in the current profit or loss.

# 3.23 Estimated liabilities

# 3.23.1 Recognition criteria of estimated liabilities

The Company recognizes estimated liabilities when business related to contingencies (including foreign guarantee, commercial acceptance bill discount, pending litigation or arbitration, product quality assurance, onerous contract and reorganization) satisfies all the following conditions:

(1) This obligation is a present obligation of the Company;

- (2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company;
- (3) The amount of the obligation can be measured reliably.

#### 3.23.2 Measurement methods for various estimated liabilities

The estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

The company shall take the risks, uncertainties, time value of money and other factors relating to the contingencies into consideration in determining the best estimate. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

On the balance sheet date, the Company will review the book value of the estimated liabilities and will make appropriate adjustment to reflect the current best estimate.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the book value of the estimated liability.

#### 3.24 Share-based payment

The Company's share-based payments are transactions in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees [or other parties]. The share-based payments of the Company consist of equity-settled share-based payments and cash-settled share-based payments.

#### 3.24.1 Equity-settled share-based payment and equity instruments

In case of the equity-settled share-based payment for the service provided by employees, the measurement is based on the fair value of the equity instruments granted to employees. On each balance sheet date within the vesting period, the Company will, based on the newly-acquired subsequent information such as the changes in the number of the vested employees and whether the specified performance is reached, make the best estimate on the number of the vesting equity instruments. On such basis, the services received in the current period should be included in the relevant cost or expenses according to fair value on the date of grant and capital reserves should be accordingly increased. After the vesting date, no adjustments will be made to the sum of the relevant recognized costs or expenses and total owners' equity. However, when the right can be exercised immediately after the grant, it should be included in the relevant costs or expenses at the fair value on the date of grant. The capital reserves should be increased accordingly.

For share-based payments ultimately failed to be exercised, their costs or expenses shall not be recognized, unless the vesting conditions are market conditions or non-vesting conditions, then regardless of whether market conditions or non-vesting conditions are satisfied, as long as all non-market conditions among vesting conditions are satisfied, it shall be deemed as vesting.

If equity-settled share-based payments are cancelled, then they shall be handled on cancellation date as accelerated vesting, and the unconfirmed amount shall be confirmed immediately. Where employees or other parties may choose to meet non-vesting conditions but are not met in the vesting period, such payments shall be handled as cancelling equity-settled share-based payments. However, if a new equity instrument is granted, and it is confirmed to replace the equity instrument which is cancelled on the grant date, then the handling of such equity instrument shall be subject to the same way modifying the terms and conditions of the original equity instrument.

## 3.24.2 Cash-settled share-based payment and equity instruments

A cash-settled share-based payment is measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. If the right may be exercised immediately after the grant, the fair value of the Company undertaking liabilities shall, on the date of the grant, be included in the relevant costs or expenses and liabilities shall be increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses at the fair value of the liabilities undertaken by the Company and liabilities shall be increased accordingly.

The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits or losses.

If the Company cancelled equity instruments granted during the vesting period (except for the cancellation for failing to meet the conditions for exercisable rights), it shall treat such cancellation as acceleration of the exercisable rights, that is to say, all the share-based payment plans in the remaining vesting period are deemed as having met the vesting conditions and all the expenses during the remaining vesting period shall be recognized in the period when the equity instruments granted are cancelled.

#### 3.25 Work safety expenses

Based on annual actual operating income of machinery manufacturing enterprises in the Company in the last year, the work safety expenses shall be evenly withdrawn month by month through the excess regressive method and based on the following standards, and specially used for perfecting and improving the safety production conditions of the enterprises or projects.

- (1) 2% of business revenue which is no more than RMB 10 million;
- (2) 1% of business revenue which exceeds RMB 10 million and is no more than RMB 100 million;
- (3) 0.2% of business revenue which exceeds RMB 100 million and is no more than RMB 1 billion; and
- (4) 0.1% of business revenue which exceeds RMB 1 billion and is no more than RMB 5 billion; and
- (5) 0.05% of business revenue which exceeds RMB 5 billion.

For the machinery manufacturing enterprises which are newly built and have been put into production for less than one year, the expenses of safety production shall be withdrawn on a monthly basis based on the actual operating income of the current year.

Safety production costs withdrawn are included in the current profit or loss and included in the item of "special reserves" at the same time, and separately listed in the item of "owner's equity". When withdrawn safe production costs are used within the prescribed range and belong to expenses, such costs shall be directly deducted from special reserves. Where fixed assets form, incurred expenses are accumulated under the item "construction in progress" and are recognized as fixed assets when the safe project is completed and reaches the working conditions for its intended; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. The balance of specific reserves withdrawn should be directly included in the current profits or losses.

## 3.26 Revenue

The operating revenue of the Group mainly includes revenue from sale of goods, revenue from rendering of service, revenue from transferring use right of assets and revenue from construction contracts, and the revenue recognition principles are listed as follows:

## 3.26.1 Revenue from sales of goods

Revenues from sales of goods are recognized when the seller has transferred to the buyer the significant risks and rewards related to the ownership of goods without retaining neither continuous management rights to the ownership of goods sold nor effective control over such goods, relevant amount of revenue can be measured reliably, relevant economic benefits may well flow into the Company, and relevant costs occurred or to occur can be measured reliably. The Company takes the delivery, acceptance or installation and acceptance of sold goods as the time of revenue recognition.

## 3.26.2 Revenue from rendering of services

The Company recognizes labor revenues when total income from services and total cost from services can be measured reliably; economic benefits related to the service can flow into the Company and the completion of services can be reliably recognized.

On the balance sheet date, if the outcome of a service transaction can be reliably evaluated, the relevant labor revenues will be recognized with the completion percentage method. The percentage of completion of the service transaction is recognized at the percentage of actual costs in total estimated costs; where the outcome of service transactions of rendering of services cannot be estimated reliably and labor costs incurred are expected to be compensated, the revenue from rendering of services is recognized at the amount of labor costs that have been incurred and that can be compensated; and the labor costs that have been incurred should be carried forward; the outcome of service transactions of rendering of services cannot be estimated reliably and labor costs incurred are not expected to be compensated, the labor costs that have been incurred should be included in the current profit and loss and no revenue from rendering of services is recognized.

## 3.26.3 Transfer of asset use rights

Revenues from transferring use right of assets shall be recognized when economic interests related to the transactions are likely to flow into the Company and the amount of the revenue can be measured reliably.

## 3.26.4 Construction contract

When total contract revenue can be measured reliably; it is highly probable that economic benefits associated with the contract will flow to the Company; the contract costs incurred thus far can be clearly identified and measured reliably; and both percentage of completion and the costs necessary to complete the contract can be reliably measured, the contract revenue and contract costs shall be recognized using the percentage of completion method on the balance sheet date. The progress of the completion is recognized based on the proportion of the actually incurred contract costs in the estimated total costs when the percentage of completion method is adopted.

If the final outcome of construction contracts cannot be estimated reliably, such cases will be handled based on different circumstances: if the contract costs are recoverable, the contract income are recognized based on the actual recoverable contact costs and the contract costs are included in the current expenses; if the contract costs are irrecoverable, the contract costs are recognized as the expenses instead of revenues when occurred.

For the existing hydropower units, nuclear power units, 1,000MW and above turbines, generators and project contracting projects meeting the construction contract conditions, contract revenue and contract costs are confirmed by the Company in accordance with the construction contract criteria when the costs actually incur. Due to the particularity of the power plant boiler production, the contract revenue is only confirmed according to the construction contract when the completion ratio reaches a certain level.

Percentage of completion	Remark
≥10%	1941-1944 (
≥20%	
	600MW grade
≥30%	excluded
	300MW grade
≥40%	excluded
	200MW grade
	excluded
≥40%	
≥50%	
	completion         ≥10%         ≥20%         ≥30%         ≥40%

The Company checks the construction contracts at the end of the period: if the total estimated costs of a construction contract exceed the total estimated contract revenue, the loss should be withdrawn and recognized as an expense in the current period.

## 3.27 Government grants

## 3.27.1 Type

The term "government grant" refers to monetary or non-monetary assets received by the Company from the government. Government grants may be classified into government grants relating to assets and government grants relating to income according to the nature of the assistance objects expressly stipulated in relevant government documents.

Government grants related to assets refer to government subsidies obtained by the Company for forming long-term assets by acquisition, construction or other manners. Government grants related to income refer to those other than the government subsidies related to assets. Where government documents fail to clearly define grant objects, the Company will make a judgment according to the aforesaid principle.

## 3.27.2 Timing of recognition

Government grants are recognized when the Company is eligible for the conditions for government grants and can receive them.

## 3.27.3 Accounting treatment

Government subsidies related to assets shall be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss in accordance with the reasonable and systematic methods within useful lives of related assets (Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in non-operating income); The government grants associated with income that are used to recover relevant costs or losses of the Company in subsequent period are recognized as deferred income and included in the current profit or loss when relevant costs or losses are recognized(Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in non-operating income or the expenses for offsetting relevant costs or losses);The grants used to compensate for the relevant costs or losses incurred by the Company will be included in the current profits or losses(Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in the current profits or losses(Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in non-operating income or the expenses for offsetting relevant costs or losses).

The discounted interest of policy-based preferential loan obtained by the Company is divided into two situations and subject to accounting treatment separately:

- (1) When the finance department appropriates the discounted interest to the loan bank, then the loan bank provides the loans at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.
- (2) Where the finance department directly appropriates the discount funds to the Company, the Company will use the corresponding interest discount to offset related borrowing costs.

## 3.28 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets shall be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. For the ones capable of carrying forward the deductible losses and tax deductions in the subsequent years, deferred income tax assets are recognized accordingly to the extent of taxable income that is likely to offset the deductible losses and tax deductions.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the income tax assets and income tax liabilities of the Company for the current period shall be presented based on the net amount after offset.

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different tax paying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved tax paying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

## 3.29 Lease

Leases of the Company are classified as financing lease and operating lease on the lease commence date. Lease under which all the risks and rewards relevant to the ownership of assets are materially transferred is recognized as financing lease. Operating lease refers to the leases other than financing lease.

## 3.29.1 Accounting treatment of operating lease

(1) Lease fees paid by the Company for leased asset shall be amortized at straight-line method over the whole lease period (including rent-free period) and will be included in the current expenses. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as the current expenses.

If the expense related to the lease which shall be paid by the Company is assumed by the lessor of the asset, then such expenses shall be deducted from total lease fees, and the balances shall be amortized over the lease term s and charged to the current expenses.

(2) The Company's rental expenses collected for leased assets shall, within the whole lease term excluding the rent-free period, be amortized with the straight-line method and recognized as relevant rental income. Initial direct costs related to lease transactions and paid by the Company are included in current expenses; in case of a large amount, such costs shall be capitalized and then included in the current revenue by stages at the same base as the recognition of rental income over the whole lease term.

When the Company bears costs related to the lease borne by the lease, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

## 3.29.2 Accounting treatment of financing lease

- (1) Assets acquired under financing leases: At the commencement of the lease term, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized financing expenses. The Company adopts effective interest rate method to amortize unrecognized financing expenses over the lease period of the asset and includes them into financial expenses. The Company records the initial direct expenses in the values of leased assets.
- (2) Assets leased out under financing leases: At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables, and the amount of the income recognized during the lease term shall be reduced.

### 3.30 Discontinued operations

Discontinued operations refer to the component meeting any of the following conditions that can be separately distinguished and that has been disposed by the Company or classified as held for sale by the Company:

(1) The component represents a separate major business or a sole major business area;

- (2) The component is a part of the plan on intended disposal of an independent major business or a sole major business area; or
- (3) The component is a subsidiary acquired only for re-sale.

The component shall be classified as held for sale when meeting the following conditions at the same time: the Company has made a resolution with respect to disposal of the component; the Company has concluded an irrevocable transfer agreement with the transferee and such transfer shall be completed within one year. Non-current assets complying with the conditions for held-for-sale shall be presented as other current assets at the lower of the book value and the fair value less disposal costs. The amount of the fair value less the disposal costs below the original book value is recognized as loss from assets impairment.

## 3.31 Income tax

The balance sheet liability method is adopted for the accounting of income tax. Income tax expense includes the current income tax and deferred income tax. Except for that the current income tax and deferred income tax related to the transactions or events directly recorded in the shareholders' equities are included in the shareholders' equities, and that the book value of the goodwill is adjusted based on the deferred income tax arising from the business combination, other current income taxes and deferred income tax or gains shall be included in the current profit or loss.

Current income tax refers to income tax that shall be paid for transactions and events having occurred in the current period and that is calculated and determined by the Company in accordance with the tax law, namely income tax payable. Deferred income tax refers to the difference of the ending amount of deferred income tax assets and deferred income tax liabilities that shall be recognized in accordance with the provisions of the balance sheet liability method and the amount originally recognized.

#### 3.32 Segment information

The Company determines operating segments based on internal organization structure, management requirements and internal reporting system, determines reporting segments based on operating segments, and disclose the information of the segments.

An operating segment is a constituent part meeting the following conditions within the Company: The component can generate income and expenses in the daily activities; The Company's management is able to regularly evaluate the operating results of this component so as to determine the resources allocation and assess its performance; The Company is able to obtain the financial position, operating results, cash flows and other relevant accounting information of this component. If two or more operating segments have similar economic characteristics, and have met a certain conditions, they will be merged into one operating segment.

## 3.33 Hedge accounting

The Company's hedge businesses include the fair value hedges, cash flow hedges, and hedges of net investment in an overseas operation. When the hedging business meets the following conditions, the offset result arising from the change of the fair value of the hedging instruments and the hedged item is included in the current profit or loss during the same period of accounting.

(1) At the commencement of the hedge, the Company formally designates the hedge relationship (namely the relationship between the hedging instrument and the hedged item) and prepares a formal written document about the hedge relationship, risk management objectives and the strategies of hedging; This document shall at least specify the hedging instrument, the hedged item, the nature of the hedged risk, the method for the assessment of the effectiveness of the hedge and other contents. Hedge shall be associated with specific, recognizable and designated risks and will ultimately affect profit or loss of the enterprise.

- (2) The hedge is expected to be highly effective and consistent with the initial risk management strategy determined by the Company as to the hedging relationship;
- (3) For a cash flow hedge of a forecast transaction, the forecast transaction shall be likely to occur and shall expose the Company to the risk of changes in cash flow, which will ultimately affect profit or loss;
- (4) The effectiveness of the hedge can be reliably measured;
- (5) The Company should constantly evaluate the effectiveness of hedges, and ensure that the hedge is highly effective during the accounting period designated as to the hedging relationship.

The Company's hedging projects are part of foreign exchange collected for export projects preformed in the future, and the corresponding hedging tools are contracts on forward foreign exchange settlement.

The Company makes an estimated evaluation on the effectiveness of the hedging by the comparative law on main terms of the contract (agreement) and makes a retrospective evaluation of the effectiveness of the hedging by ratio analysis method at the end of the reporting period.

## 3.34 Changes in significant accounting policies and accounting estimates

#### 3.34.1 Changes in significant accounting policies

Subject to the Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations, Accounting Standards for Business Enterprises No. 16 - Government Grants and the Circular of the Ministry of Finance on Revising and Issuing the Financial Statement Form of General Enterprise.

The Ministry of Finance has issued the Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations in 2017, providing that, since May 28, 2017, the non-current assets and disposal groups held for sale and discontinued operations existing on the implementation date shall subject to the prospective application method.

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 - Government Grants, and the revised standards are implemented since June 12, 2017. The government grants existing on January 1, 2017 shall apply the future applicable law; the newly added government grants existing from January 1, 2017 to the implementation date are also required to be adjusted according to the revised standards.

In 2017, the Ministry of Finance issued the *Circular of the Ministry of Finance on Revising and Issuing the Financial Statement Form of General Enterprise*, amending the format of the general enterprise financial statements, which is applied to the financial statements in 2017 and subsequent periods.

Main impacts of the Company's implementation of the above three provisions are as follows:

Contents of and reasons for changes	Examination	Name and amount of the
in accounting policies	and approval	affected items in the
in accounting ponoies	process	financial statements
		The net profits from
<ol> <li>"Net profits from continued</li> </ol>		continued operation in
operation" and "net profits from		2017 were RMB
discontinued operation" are listed		683,069,699.46;
respectively in the income statement.		The net profits from
The comparison data will not be	Board of	discontinued operation ir
adjusted.	Directors	2017 were RMB 0.
(2) Where the government grants are		
related to the daily activities of the		
Company, they will be included in		
other income and will not be		
included in non-operating income.		
The comparison data will not be	Board of	The other income was
adjusted.	Directors	RMB 101,303,233.23.
		The non-operating
		income in 2017 was
		reduced by RMB
		23,959,251.61and
		reclassified to income
		from assets disposal; the
		non-operating income in
		2016 was reduced by
		RMB 3,406,076.57 and
		reclassified to the incom
		from asset disposal.
		In 2017, the
		non-operating expenses
		were reduced by RMB
		7,008,577.13 and
(3) The "income from asset disposal"		reclassified to the incom
item is newly added in the income		from assets disposal; in
statement, then some asset disposal		2016, the non-operating
income originally listed as		expenses were reduced
"non-operating income" is		by RMB 8,842,983.53,
reclassified to "income from asset	Deerstef	and reclassified to the
disposal" item. The comparison data	Board of	income from assets
will not be adjusted.	Directors	disposal.

## 3.34.2 Changes in significant accounting estimates

There was no change in significant accounting estimates of the Company during the reporting period.

#### 4. Taxation

4.1 Main tax types and tax rates

Tax type	Tax basis	Tax rate
	Value-added tax payable shall be	
	the difference obtained by the	
	output taxes calculated on the basis	
	of the revenue from the sale of	
	goods and taxable services	
	calculated by tax laws less the	
Value-added tax	input taxes allowed to be deducted	
(Remark 1)	for the current period	2%, 6%, 10%, 11%, 14.5%, 17%
Urban maintenance		
and construction	Paid based on the actual business	
tax	tax, VAT and consumption tax paid	5%, 7%
	Paid based on the actual business	
Educational surtax	tax, VAT and consumption tax paid	3%
Local educational	Paid based on the actual business	
surcharges	tax, VAT and consumption tax paid	2%
Enterprise income	Levied based on the taxable	15%, 25%, 33.063%, 20%,
tax (Remark 2)	income	22%, 34%

Remark 1: Sales of goods of DEC India Company applies the VAT in West Bengal, India. Among them, the internal sales VAT rate is 14.5%, the external sales tax rate is 2%, and DEC India Company's VAT rate for sales of goods is 10%.

Remark 2: Taxpayers with different enterprise income tax rates listed in the table as below:

Taxpayer name	Income tax rate
DTC	15%
DBC	15%
DFEM	15%
DFHM	15%
Eastern Boiler Control Co., Ltd. (hereinafter referred to as the "EBC")	15%
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd. (hereinafter	
referred to as the "DCE")	15%
Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd.	
(hereinafter referred to as the "DEWBE")	15%
Chengdu Dongfang KWH Environmental Protection Catalysts Co.,	
Ltd.(hereinafter referred to as "Chengdu Dongfang KWH")	15%
Dongfang Turbine CO.LTD Resin Division (hereinafter referred to as the	
"DTR")	15%
DEC India Company	33.063%
DEC Indonesia Company (Remark 3)	25%, 20%
Dongfang Electric Venezuela Co., Ltd.(hereinafter referred to as the	
"DEV")	15%, 22%, 34%
Other enterprise within the scope of the Company's consolidation	25%

Remark 3: DEC Indonesia Company collects the enterprise income tax respectively according to 25% and 20% of taxable income and income from deposit interest.

#### 4.2 Tax preference

 On October 9, 2015, DTC obtained the Hi-tech Enterprise Certificate (Certificate Number: GF201551000755) jointly issued by the Science & Technology Department of Sichuan Province, the Finance Department of Sichuan Province, the Sichuan Provincial Office, SAT and the Sichuan Local Taxation Bureau; On December 4, 2017, DBC obtained the Hi-tech Enterprise Certificate (Certificate Number: GR201751000961) jointly issued by the Science & Technology Department of Sichuan Province, the Finance Department of

Sichuan Province, the Sichuan Provincial Office, SAT and the Sichuan Local Taxation Bureau; On October 9, 2015, DFEM obtained the Hi-tech Enterprise Certificate (Certificate Number: GR201551000745) jointly reviewed and issued by the Science & Technology Department of Sichuan Province, the Finance Department of Sichuan Province, the Sichuan Provincial Office, SAT and the Sichuan Local Taxation Bureau; On November 30, 2016, DFHM obtained the Hi-tech Enterprise Certificate (Certificate Number: GR201644000010) jointly identified and issued by the Guangdong Provincial Department of Science and Technology, the Department of Finance of Guangdong Province, the Guangdong Provincial Office, SAT and the Guangdong Local Taxation Bureau; On June 19, 2015, EBC acquired the High-tech Enterprise Certificate (No. GR201544200589) jointly issued by the Shenzhen Science Technology and Innovation Commission, Finance Commission of Shenzhen Municipality, Shenzhen Municipal Office, SAT and Shenzhen Local Taxation Bureau. On December 8, 2016, DCE obtained the Hi-tech Enterprise Certificate (Certificate Number: GR201651000491) jointly reviewed and issued by the Science & Technology Department of Sichuan Province, the Finance Department of Sichuan Province, the Sichuan Provincial Office, SAT and the Sichuan Local Taxation Bureau. According to Article 28 of the Law of the People's Republic of China on Enterprise Income and after being recorded and confirmed by the respective competent tax authority, the enterprise income tax of the above enterprises in 2017 are subject to 15% of preferential tax rate for hi-tech enterprises.

According to the Circular of the Ministry of Finance, the General Administration of 2. Customs and the State Administration of Taxation on Issues concerning Tax Policies for In-depth Implementation of Western Development Strategies (CS [2011] No. 58), from January 1, 2011 to December 31, 2020, the enterprise income tax on enterprises established in western areas and engaging in industries encouraged by the State is levied at a reduced tax rate of 15%; The above- mentioned encouraged enterprises refer to the enterprise taking the industrial items stipulated in the Catalogue of Encouraged Industries in the Western Region as its primary business, and its income from primary business accounts for more than 70% of the total income of the enterprise. According to the Catalogue of Encouraged Industries in the Western Region issued by the National Development and Reform Commission of the People's Republic of China on August 20, 2014, the Company, Chengdu Dongfang KWH and DTR belong to the foresaid encouraged industries in the Western Region and after being recorded and confirmed by the respective competent tax authority, the enterprise income tax of the above enterprises in 2017 are subject to 15% of preferential tax rate for development of the west regions.

# 5. Notes to items of consolidated financial statements

## 5.1 Monetary funds

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Cash on hand	1,682,112.18	2,718,102.76
Bank deposits	27,826,246,688.12	28,373,012,406.14
Other monetary funds	56,117,803.64	33,047,827.24
Total	27,884,046,603.94	28,408,778,336.14
Including: total amount deposited abroad	123,191,899.66	128,787,520.21

## Other monetary funds are listed as follows:

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Bank acceptance bills margin	450,380.00	1,092,380.00
L/C deposit		295,572.96
Performance bond	12,125,930.23	12,323,533.37

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Fixed term deposit or call deposit used for guarantee		
Payment deposited overseas with restrictions on fund repatriation.		
Margin for capital construction	ματη μαρί το το Το Απαγλάζ (1994) η ο Το Σήγγ <sup>ο</sup> (1994) (1994) ποι ποι ποτο το ποληγού άλογο το το ποι το ποι το - -	789,545.49
Refundable deposits	43,541,493.41	18,546,795.42
Total	56,117,803.64	33,047,827.24

Remarks: as at December 31, 2017, among the Company's monetary funds, the funds restricted are converted into RMB 12,576,310.23 in total (Including RMB 12,576,310.23 of L/C deposit, bank acceptance bills margin and performance guarantee deposit) as at January 1, 2017, the funds restricted are converted into RMB 14,501,031.82 in total (Including RMB 13,711,486.33 of L/C deposit, bank acceptance bills margin and performance guarantee deposit as well as RMB 789,545.49 of capital construction margin).

### 5.2 Financial assets measured at fair value through current profit or loss 5.2.1 Financial assets measured at fair value through current profit or loss

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Financial assets held for trading	33,803,471.54	59,661,930.59
Including: investment in debt instruments		
Investment in equity instrument	31,719,439.00	56,504,273.00
Derivative financial assets	2,084,032.54	3,157,657.59
Others		
Financial asset designated to be measured by fair value and which change is recorded in current incomes		
Including: investment in debt instruments		
Investment in equity instrument		
Others		
Total	33,803,471.54	59,661,930.59

Other notes:

- (1) As at December 31, 2017, the Company's investment in equity instrument held for trading refers to the 1,447,000.00 shares belonging to the domestic listing RMB ordinary shares (A-share) without restricted circulation held by the Company in China XD Electricity Co., Ltd., accounting for 0.028% of the share capital of the investee;
- (2) 2,802,100.00 shares belonging to the domestic listing RMB ordinary shares (A-share) without restricted circulation held by the Company in Huaneng Power International, Inc., accounting for 0.0184% of the share capital of the investee;
- (3) 285,400.00 shares belonging to the domestic listing RMB ordinary shares (A-share) without restricted circulation held by the Company in Hubei Energy Group Co., Ltd., accounting for 0.0044% of the share capital of the investee;

- (4) 374,900.00 shares belonging to the domestic listing RMB ordinary shares (A-share) without restricted circulation held by the Company in CITIC Securities, accounting for 0.0031% of the share capital of the investee;
- (5) As at December 31, 2017, the fair value of the investment in the above equity instrument held for trading is determined according to the closing price of the securities market;
- (6) As at December 31, 2017, the Company's financial futures and derivatives are the irrevocable contract on forward foreign exchange sales signed by the Company and the banking institution for avoiding the risk of future exchange rate changes and based on the progress of USD collection for the future performance of the complete set of equipment for export generators. According to the contract on forward foreign exchange sales signed by the Company and the Bank of China Limited in 2015, the Company sold USD 20 million of foreign exchange to the Bank of China Limited at a fixed exchange rate in 2017. In addition, the Company signed the contract on forward foreign exchange sales with Bank of China Limited in 2015 with a total market value of USD 10 million. As at December 31, 2017, the fair value of the above contract on forward foreign exchange sales is RMB 2,084,032.54, which is determined according to the bank's year-end quotation.

Item	Fair value as at December 31, 2017	Fair value as at January 1, 2017
Listing	0.04444.0499 <sup>4</sup> 99 <sup>4</sup> 9	
China (except Hong Kong)	31,719,439.00	56,504,273.00
Sub-total	31,719,439.00	56,504,273.00
Unlisting	2,084,032.54	3,157,657.59
Total	33,803,471.54	59,661,930.59

# 5.2.2 Financial assets held for trading are analyzed as follows:

## 5.3 Notes receivable

## 5.3.1 Presentation of the notes receivable by category

	<u> </u>	
Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Bank acceptance bill	4,690,904,552.74	4,586,249,920.69
Commercial acceptance bill	61,273,148.71	331,542,101.43
Total	4,752,177,701.45	4,917,792,022.12

# 5.3.2 Pledged notes receivable of the Company as at December 31, 2017

Item	Pledged amount as at December 31, 2017
Bank acceptance bill	2,670,000.00
Commercial acceptance bill	
Total	2,670,000.00

# 5.3.3 Notes receivable endorsed or discounted by the Company as at December 31, 2017 but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2017	Amount not derecognized as at December 31, 2017
Bank acceptance bill	2,422,393,524.48	2,670,000.00
Commercial acceptance bill	125,328,987.31	
Total	2,547,722,511.79	2,670,000.00

## 5.4 Accounts receivable

	Item name	Amount as at December 31, 2017	Amount as at January 1, 2017
Accou	ints receivable	18,377,177,420.24	21,621,594,717.31
Less:	provision for bad debts	5,198,387,681.82	5,667,113,328.52
Net a	nount	13,178,789,738.42	15,954,481,388.79
5.4.1	Aging analysis of accounts receivable		
	Aging	Amount as at December 31, 2017	Amount as at January 1, 2017
	Within 1 year	6,669,303,105.59	7,793,619,803.77
	1 - 2 years	3,084,167,094.31	4,273,983,361.46
	2 - 3 years	1,928,415,112.54	2,309,986,085.52
	3 - 4 years	949,304,182.99	1,008,046,862.66
	4 - 5 years	547,600,242.99	568,845,275.38
	Net amount	13,178,789,738.42	15,954,481,388.79

Remark: The Company determined the time of accounts receivable recognized according to relevant invoices and document of settlement and other materials to carry out the aging analysis.

NOTES TO THE FINA FOR THE YEAR END E A 7	NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 E 4 2 Disclosure of accounts receivable by classification	) 7 nuts received	ha hu cla	seification						1	
7.4.C	Discussing of acc		Balance as	ce as at December 31, 2017	2017		1	Bal	Balance as at January 1, 2017	017	
		Book balance	lce	Provision for bad debts	ad debts	Book value	Book balance	8	Provision for bad debts	ld debts	Book value
	Category	Amount	Proportion (%)	Atrount	Proportiou of provisiou (%)		Amount	Propartion (%)	Amount	Proportion of provision (%)	
	Accounts receivable with significant single amount and subject to individual provision for bad debts	435,885.26	2.38	435,852,885.26	100.00		566,575,326.60	2.62	566, <i>5</i> 75,326.60	t00.00	
	Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	17,857,750,102.70	71.17	4,678,960,364.28	26.20	13,178,738,738,42	21,026,006,290.71	97.25	5,071,524,901 <i>9</i> 2	24.12	97.988,189,4621
	Accounts receivable with insignificant single amount and subject to individual provision for bad debts	83,574,432.28	0.45	83,574,432.28	100.00		29,013,100.00	0.13	29,013,100.00	100.00	
	Total	18,377,177,420.24	100.00	5,198,387,681.82		13,178,789,738.42	21,621,594,717.31	100.00	5,667,113,328.52		15,954,481,388.79

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Accounts receivable with insignificant single amount and individual provision for bad debt at December 31, 2017

Accounts receivable		Balance as at De	cember 31, 2017	
(by unit)	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	120,760,000.00	120,760,000.00	100.00	Financial strain of the client
Rank 2	90,354,745.61	90,354,745.61	100.00	Bankruptcy liquidation
Rank 3	72,075,008.82	72,075,008.82	100.00	Financial strain of the client
Rank 4	61,500,000.00	61,500,000.00	100.00	Financial strain of the client
Rank 5	52,405,023.55	52,405,023.55	100.00	Financial strain of the client
Rank 6	38,758,107.28	38,758,107.28	100.00	Financial strain of the client
Total	435,852,885.26	435,852,885.26		

In the portfolio, accounts receivable with the provision for bad debts made under the aging analysis method:

	Balance as at December 31, 2017			
Aging	Accounts receivable	Provision for bad debts	Proportion of provision (%)	
Within 1 year	7,020,319,058.32	351,015,952.73	5.00	
1 - 2 years	3,426,852,327.01	342,685,232.70	10.00	
2 - 3 years	2,410,518,890.68	482,103,778.14	20,00	
3 - 4 years	1,582,173,638.32	632,869,455.33	40.00	
4 - 5 years	1,095,200,485.99	547,600,243.00	50.00	
Over 5 years	2,322,685,702.38	2,322,685,702.38	100.00	
Total	17,857,750,102.70	4,678,960,364.28		

Accounts receivable with individually insignificant amount and individual provision for bad debts as at December 31, 2017

Entity name	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
				The funds of the client are
				insufficient and cannot be
Rank 1	25,711,000.00	25,711,000.00	100.00	collected on time
				The funds of the client are
				insufficient and cannot be
Rank 2	24,450,000.00	24,450,000.00	100.00	collected on time
				The funds of the client are
				insufficient and cannot be
Rank 3	21,737,834.32	21,737,834.32	100.00	collected on time
				The funds of the client are
				insufficient and cannot be
Rank 4	7,200,000.00	7,200,000.00	100.00	collected on time
				The funds of the client are
				insufficient and cannot be
Rank 5	4,400,000.00	4,400,000.00	100.00	collected on time
				The funds of the client are
				insufficient and cannot be
Others	75,597.96	75,597.96	100.00	collected on time
Total	83,574,432.28	83,574,432.28		

## 5.4.3 Provision, reversal or recovery of provision for bad debts in 2017

In 2017, the Company provided the bad debts reserves of RMB -140,225,661.88; and amount recovered or reversed of accounts receivable subject to separate provision for bad debts was RMB 264,717,436.37.

Level sal U	REVERSAL OF LECOVERY OF SIGNIFICATING ANNOUND PLOVISION FOR DAM DEDUS IN 2017.	THE ALFORTE OF DIOVE	SIULI IOL DAU UCULS II	11 2017.		
		Pronortion of	Provision for had	Amount	Basis for determining the original bad	Reason for reversal or
Debtor	Accounts receivable	provision (%)	debts	recovered or reversed in 2017	debts reserve	recovery in 2017
					The funds of the client are insufficient	
Rank l	143,373,546,24	100.00	143,373,546.24	71,298,537.42	and cannot be collected on time	Alteration of contract
					The funds of the client are insufficient	
Rank 2	107,446,230.35	100.00	107,446,230.35	66,960,248.95	and cannot be collected on time	Alteration of contract
						The funds of the
					The funds of the client are insufficient	company become
Rank 3	73,045,550.00	100.00	73,045,550.00	73,045,550.00	and cannot be collected on time	sufficient
						The funds of the
					The funds of the client are insufficient	company become
Rank 4	60,450,000.00	100.00	60,450,000.00	36,000,000.00	and cannot be collected on time	sufficient
						The funds of the
					The funds of the client are insufficient	company become
Rank 5	13,481,900.00	100.00	13,481,900.00	13,481,900.00	and cannot be collected on time	sufficient
				i		The funds of the
					The funds of the client are insufficient	company become
Rank 6	7,700,000.00	100.00	7,700,000.00	500,000.00	and cannot be collected on time	sufficient
						The funds of the
					The funds of the client are insufficient	company become
Rank 7	7,000,000.00	100.00	7,000,000.00	2,600,000.00	and cannot be collected on time	sufficient
					The client is in difficult operation, so	The funds of the
					the funds are expected to be difficult	company become
Rank 8	831,200.00	100.00	831,200.00	831,200.00	to recover.	sufficient
Total	413,328,426.59		413,328,426.59	264,717,436.37		

Reversal or recovery of significant amount of provision for bad debts in 2017:

### 5.4.4 Accounts receivable actually written off in 2017

Item	Amount for write-off
Actual write-off of accounts receivable	1,601,494.06
Remark: The total amount of accounts receivable of 16 ur RMB 1,601,494.06.	its written off in 2017 is

### 5.4.5 Top five accounts receivable in terms of ending balance collected by the debtor

	Balance as at December 31, 2017			
Entity name	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts	
Rank 1	519,463,280.82	2.83	402,794,311.58	
Rank 2	507,573,565.00	2.76	34,953,199.45	
Rank 3	305,219,446.14	1.66	61,043,889.23	
Rank 4	250,993,689.47	1.37	25,099,368.95	
Rank 5	230,018,240.00	1.25	11,500,912.00	
Total	1,813,268,221.43	9.87	535,391,681.21	

5.5.6 The revenue from the Company's construction contract is settled according to the relevant terms of the contract. For a large or long-term client who has good repayment records in the past, he can be granted a longer credit period, such as 2 to 3 years. The revenue from sales of goods is settled according to the relevant terms of the contract. For a large or long-term client who has good repayment records in the past, he can be granted a credit period of 1 year. Revenue from the client with small scale, newly established or in a short term usually will be immediately settled within 180 days after the Company provides services or delivers products.

### 5.5 Advances to suppliers

### 5.5.1 Presentation of advances to suppliers by aging

	Balance as at Decemi	Balance as at December 31, 2017		Balance as at January 1, 2017	
Aging	Book balance	Proportion (%)	Book balance	Proportion (%)	
Within 1 year	1,903,557,961.96	82.77	1,319,565,179.42	52.49	
1 - 2 years	48,133,921.64	2.09	838,665,268.20	33.36	
2 - 3 years	63,959,175.09	2.78	98,829,712.75	3.93	
Over 3 years	284,342,695.88	12.36	256,877,394.54	10.22	
Total	2,299,993,754.57	100.00	2,513,937,554.91	100.00	

Note: The Company's advances to suppliers with aging of over 1 year are RMB 396,435,792.61, mainly the advances for purchase of the large forgings material and entrusted processing. As the production cycle of the materials or the parts and suites is long, such advances have not been settled.

### 5.5.2 Top five advances to suppliers in terms of the ending balance collected by the prepaid object

Prepaid object	Balance as at December 31, 2017	Proportion in the total ending balance of advances to suppliers
Rank 1	177,449,753.99	7.72
Rank 2	163,247,095.67	7.10
Rank 3	108,667,085.02	4.72
Rank 4	77,634,919.12	3.38

Prepaid object Balance as at December 31, 2017		Proportion in the total ending balance of advances to suppliers	
Rank 5	60,365,436.55	2.62	
Total	587,364,290.35	25.54	

### 5.6 Interest receivable

Classification of interest receivable

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Fixed deposit	433,925,963.42	373,159,473.91
Total	433,925,9 <b>6</b> 3.42	373,159,473.91

Note: The Company has no overdue interest among the interest receivable as at December 31, 2017.

### 5.7 Dividends receivable

### Details of dividends receivable

Item (or Investee)	Balance as at December 31, 2017	Balance as at January 1, 2017
AREVA DONGFANG Reactor Coolant Pumps		
Co., Ltd.	37,326,557.40	
Total	37,326,557.40	

### 5.8 Other receivables

	Item name	Amount as at December 31, 2017	Amount as at January 1, 2017	
Other	receivables	536,421,168.93	587,690,918.36	
Less: Provision for bad debts		343,044,390.74	342,550,505.51	
Net a	mount	193,376,778.19	245,140,412.85	
5.8.1	Aging analysis of other receive	ables		
	Aging	Amount as at December 31, 2017	Amount as at January 1, 2017	
	Within 1 year	87,138,780.09	117,429,225.02	
	1 - 2 years	38,136,764.67	52,314,654.84	
	2 - 3 years	42,147,988.83	18,666,695.77	
	3 - 4 years	6,847,678.24	23,603,592.61	
	4 - 5 years	17,393,314.36	30,287,878.61	
	Over 5 years	1,712,252.00	2,838,366.00	
	Net amount	193,376,778.19	245,140,412.85	

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5.8.2

Classification and disclosure of other receivables	re of other re	ceivables								
-		Balanc	Balance as at December 31, 2017	, 2017			Balan	Balance as at January 1, 2017	017	
	Book balance	ance	Provision for bad debts	ad debts		Book balance	Ince	Provision for bad debts	ad debts	
Category	Amount	Propartion (%)	Amount	Propartion of provision (%)	Book valuc	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book valuc
Other receivables with significant single antount and subject to separate provision for bad debts	146,064,314.06	27.23	146,064,314.06	100.00		210,342,615.56	35.79	210,342,615.56	100.00	
Other receivables subject to provision for bad debts by portfolios with credit risk characteristics	346,559,928.24	64.61	154,895,402.05	44.70	191,664,526.19	371,338,696.80	63.19	129,036,649.95	34.75	242,302,046.85
Other receivables with insignificant single amount but subject to separate provision for bad debts	43,796,926.63	8.16	42,084,674.63	96.09	1,712,252.00	6,009,606.00	1.02	3,171,240.00	52.77	2,838,366.00
Total	536,421,168.93	100.00	343,044,390.74	63.95	193,376,778.19	587,690,918.36	100.00	342,550,505.51	58.29	245,140,412.85

Other receivables with significant single amount and subject to individual provision for bad debts as at December 31, 2017

		Balance as at December 31	, 2017	
Other receivables (by unit)	Other receivables	Provision for bad debts	Proportion of provision (%)	Reason for provision
China Science and Technology Securities Co., Ltd.	146,064,314.06	146,064,314.06	100.00	Expected to be irrecoverable
Total	146,064,314.06	146,064,314.06		

Note: For the debts to be received by DBC from China Science and Technology Securities Co., Ltd., it is estimated to be difficult to recover as China Science and Technology Securities Co., Ltd. is in bankruptcy liquidation process. See Note 15.7 to the Financial Statements.

In the portfolio, other receivables subject to provision for bad debts under aging analysis method:

	Bala	nce as at December 31,	, 2017
Aging	Other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	91,725,031.70	4,586,251.61	5.00
1 - 2 years	42,374,182.97	4,237,418.30	10.00
2 - 3 years	52,684,986.04	10,536,997.21	20.00
3 - 4 years	11,412,797.06	4,565,118.82	40.00
4 - 5 years	34,786,628.72	17,393,314.36	50.00
Over 5 years	113,576,301.75	113,576,301.75	100.00
Total	346,559,928.24	154,895,402.05	

Other receivables with insignificant single amount and subject to individual provision for bad debts as at December 31, 2017

Other receivables		Balance as	at December 31, 20	)17
(by unit)	Other receivables	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	4,560,250.50	4,560,250.50	100.00	It is expected to be difficult to recover.
Rank 2	3,149,934.00	3,149,934.00	100.00	It is expected to be difficult to recover.
Rank 3	2,750,000.00	2,750,000.00	100.00	It is expected to be difficult to recover.
Rank 4	2,165,359.70	2,165,359.70	100.00	It is expected to be difficult to recover.
Rank 5	1,872,243.46	1,872,243.46	100.00	It is expected to be difficult to recover.
Rank 6	1,832,667.28	1,832,667.28	100.00	It is expected to be difficult to recover.
Rank 7	1,791,806.80	1,791,806.80	100.00	It is expected to be difficult to recover.
Rank 8	1,790,748.11	1,790,748.11	100.00	It is expected to be difficult to recover.
Rank 9	1,753,688.17	1,753,688.17	100.00	It is expected to be difficult to recover.

Other received 1		Balance as	at December 31, 20	)17
Other receivables (by unit)	Other receivables	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 10	1,729,976.60	1,729,976.60	100.00	It is expected to be difficult to recover.
Rank 11	1,712,252.00			There is no recovery risk
Rank 12	1,674,153.52	1,674,153.52	100.00	It is expected to be difficult to recover.
Rank 13	1,575,005.00	1,575,005.00	100.00	It is expected to be difficult to recover.
Rank 14	1,232,716.91	1,232,716.91	100.00	It is expected to be difficult to recover.
Rank 15	1,176,754.00	1,176,754.00	100.00	It is expected to be difficult to recover.
Rank 16	1,163,025.00	1,163,025.00	100.00	It is expected to be difficult to recover.
Rank 17	1,118,391.13	1,118,391.13	100.00	It is expected to be difficult to recover.
Others	10,747,954.45	10,747,954.45	100.00	It is expected to be difficult to recover.
Total	43,796,926.63	42,084,674.63		

Note: Other receivables of RMB 1,712,252.00 ranking 11 are house-purchase revolving funds temporarily borrowed from DFHM to the backbone personnel. The money will be withdrawn in the salary of the employees in the later months, without the risk of recovery, so the provision for bad debts is not made.

## 5.8.3 Provision for bad debts withdrawn, reversed or recovered in 2017

In 2017, the Company provided the bad debts reserves of RMB 68,292,674.02; and amount recovered or reversed of other receivables subject to separate provision for bad debts was RMB 64,278,301.50.

Reason for reversal or recovery in 2017	Settlement through negotiation	
Basis for determining the original bad debts reserve	54,278,301.50 Suspension of project	
Amount recovered in 2017	64,278,301.50	64,278,301.50
Provision for bad debts	64,278,301.50	64,278,301.50
Proportion of provision (%)	100.00	
Balance of other receivables	64,278,301.50	64,278,301.50
Debtor	Rank 1	Total

Reversal or recovery of significant amount of provision for bad debts in 2017:

### Other receivables actually written off in 2017 5.8.4

	· · · · · · · · · · · · · · · · · · ·
Item	Amount for write-off
Other receivables actually written off	1,634,399.06

Note: The total amount of accounts receivable of 6 units written off in 2017 is RMB 1,634,399.06.

### Classification of other receivables in terms of nature of payment 5.8.5

<b>Classification of other receivables in</b>	terms of nature of payme	nt
Nature of payment	Book balance as at December 31, 2017	Book balance as at January 1, 2017
Advances	173,611,006.16	270,023,876.85
Investment fund	154,164,314.06	154,164,314.06
Margin and deposit	43,229,519.68	66,300,497.43
Petty cash	52,455,698.01	33,044,958.99
Receivables from other business	71,767,112.63	51,677,474.63
Others	41,193,518.39	12,479,796.40
Total	536,421,168.93	587,690,918.36

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5.8.6	Top five other re-	Top five other receivables in terms of the ending balance collected by the debtors	ending balance col	lected by the debtors		
	Entity name	Nature of payment	Balance as at December 31, 2017	Aging	Proportion in the total ending balance of other receivables (%)	Balance of provision for bad debts as at December 31, 2017
	Rank 1	Investment fund of national debt	146,064,314.06	Over 5 years	27.23	146,064,314.06
	Rank 2	Payment for economic housing in Deyang, etc.	60,917,786.62	Within 1 year, 1 - 5 years, over 5 years	11.36	39,565,889.33
	Rank 3	Receivables from other business	39,787,807.40	Within 1 year, 1 - 5 years	7.42	33,133,847.59
	Rank 4	House-purchase deposit	19,500,000.00 Over 5 years	Over 5 years	3.64	19,500,000.00
	Rank 5	Advances	13,612,842.74	2 - 5 years	2.54	13,370,105.25
	Total		279,882,750.82		52.19	251,634,156.23

- 5.9 Inventories 5.9.1 Cla
- 1.1 Classification of inventories

	Balanc	Balance as at December 31, 2017	2017	Bala	Balance as at January 1, 2017	117
ltern	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Raw material	2,977,030,027.97	486,570,805.93	2,490,459,222.04	3,604,710,166.15	633,863,779.42	2,970,846,386.73
Materials in transit					-	
Circulating materials	51,399,278.68	2,835,121.12	48,564,157.56	56,472,773.32	5,477,954.99	50,994,818.33
Commissioned processing materials						
Goods in process	13,932,719,701.22	992,736,837.28	12,939,982,863.94	15,348,701,638.59	970,806,187.10	14,377,895,451.49
commodity stocks	291,575,867.57	9,112,602.29	282,463,265.28	816,440,353.53	76,017,206.83	740,423,146.70
Completed and outstanding assets arising from a construction contract	4,640,973,247.76	1,821,540,148.33	2,819,433,099.43	3,114,951,484.79	1,384,064,757.43	1,730,886,727.36
Total	21,893,698,123.20	3,312,795,514.95	18,580,902,608.25	22,941,276,416.38	3,070,229,885.77	19,871,046,530.61

### 5.9.2 Inventory depreciation reserve

	Inventory depreciation reserve					
-	Balance as at January	Increase in 2017	2017	Decre	Decrease in 2017	Bolonoo oo af December 31, 2017
Item	1,2017	Provision	Others	Reversal or resale	Others	Dalalice as al Decelline J 1, 2017
Raw materials	633,863,779.42	202,980,433.54		169,792,744.16	180,480,662.87	486,570,805.93
Materials in transit						
Revolving materials	5,477,954.99	191,782.34		2,834,616.21		2,835,121.12
Materials for consigned processing						
Goods in process	970,806,187.10	354,229,490.49		217,497,644.32	114,801,195.99	992,736,837.28
Stock commodities	76,017,206.83	7,285,167.04		11,278,592.05	62,911,179.53	9,112,602.29
Assets arising from a construction contract	1,384,064,757.43	575,273,879.47		137,798,488.57		1,821,540,148.33
Total	3,070,229,885.77	1,139,960,752.88		539,202,085.31	358,193,038.39	3,312,795,514.95

DONGFANG ELECTRIC CORPORATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 Remark 1: The other decrease in the inventory depreciation reserve in 2017 is because the original subsidiary Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd. will not be included the consolidation scope and the originally recorded inventory depreciation reserves are transferred out.	Remark 2: The inventory depreciation reserve for raw materials provided by the Company in 2017 is mainly because the change of product process brings in the long-term backlog of the pre-purchase materials and the decline in the fair value of the market. The Company provides the depreciation reserve based on the net realizable value which is lower than the cost.	Remark 3: The inventory depreciation reserves for self-manufactured semi-finished products, goods in progress and stock commodities provided by the Company in 2017 are mainly affected by the intensely competitive market. For the price of some projects undertaken less than the production costs, the Company provides the depreciation reserve based on the net realizable value which is lower than the cost.	Remark 4: The depreciation reserve for construction contract in 2017 is mainly the provision for expected contract losses from the part of estimated total cost higher than contract revenue in some projects implementing the construction contract.	
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### 5.9.3 Provision for inventory depreciation reserve

Item	Specific basis for determining the inventory depreciation reserve	Reason for reversal or write-off in 2017
Raw materials (Purchase of raw materials)	It is estimated that the net realizable value is lower than the book value	By adjusting the process, some backlog materials will be used for the Company's production again.
Self-manufactured semi-finished products and goods in process	It is estimated that the net realizable value is lower than the book value	The production is completed and the sale is realized.
Stock commodities (finished goods)	It is estimated that the net realizable value is lower than the book value	The net realizable value goes up
Circulating materials (packaging materials, low-cost consumables, etc.)	It is estimated that the net realizable value is lower than the book value	Revolving materials will be used for the Company's production again
Assets arising from a construction contract	It is estimated that the total cost will be higher than the total revenue of the contract.	The expected total cost will decrease or the expected total income will increase

### 5.9.4 Completed and outstanding assets arising from a construction contract

Item	Amount
Accumulated cost incurred	38,424,588,708.67
Accumulated gross profit recognized	2,059,794,653.12
Less: estimated loss	1,821,540,148.33
Amount already settled	35,843,410,114.03
Completed and outstanding assets arising from a construction contract	2,819,433,099.43

### 5.10 Other current assets

Item	Balance as atBalance as atDecember 31, 2017January 1, 2017
Entrusted Loan	126,912,737.19
Deductible VAT	107,401,584.42 252,586,538.95
Prepayment of enterprise income tax	73,381,402.86 39,968,243.53
Prepayment of housing property tax	480,222.45 480,222.45
Others	7,783.46 42,791.16
Total	308,183,730.38 293,077,796.09

Note: The entrusted loan is RMB 785,000,000.00 provided by the Company's subsidiary Dongfang Electric Machinery Co., Ltd. to Hangzhou New Energy Company, the provision for impairment is RMB 658,087,262.81 and the book value is RMB 126,912,737.19.

### 5.11 Available-for-sale-financial assets

### 5.11.1 Breakdown of available-for-sale financial assets

	Balance	as at December 31	, 2017	Balan	ce as at January 1,	2017
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale debt						
Available-for-sale equity instrument	33,520,228.35	29,770,941.25	3,749,287.10	33,476,314.66	30,376,314.66	3,100,000.00
Including: measured at fair value	649,287.10		649,287.10			
Measured at cost	32,870,941.25	29,770,941.25	3,100,000.00	33,476,314.66	30,376,314.66	3,100,000.00
Total	33,520,228.35	29,770,941.25	3,749,287.10	33,476,314.66	30,376,314.66	3,100,000.00

### 5.11.2 Available-for-sale financial assets are analyzed as follows:

Item	Amount as at December 31, 2017	Balance as at January 1, 2017
Listing	649,287.10	
Unlisting	32,870,941.25	33,476,314.66
Total	33,520,228.35	33,476,314.66

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# 5.11.3 Available-for-sale financial assets measured at cost as at December 31, 2017

									:	
		BOOK	BOOK Dalance			PTOVISION IC	PTOVISION FOR JUN PARTINERS		Shareholding	1.2
Terresteen	As at	•	ſ	As at	As at			As at	proportion in	Casil bonus in
IIIvestee	January I,	Increase in 2017	in 2017	December 31,	January 1,	in 2017	in 2017	December 31,	the investec	2017
	2017		1.	2017	2017			2017	(%)	
Sichuan Huadian Yibin Power Generation Co., Ltd.	23,800,000.00			23,800,000.00	23,800,000.00			23,800,000.00	10.00	
Beijing Huatsing Gas Turbine & IGCC Technology Co.,			tat tanun tat tan							
Ltd.	5,500,000.00			5,500,000.00	5,500,000.00			5,500,000.00	15.49	
Sichuan Southwest Machinery Industry (Group) Company	210,000.00			210,000.00	210,000.00			210,000.00	2.37	
Deyang Electronnechanical Equipment Import and Export										
Corporation	100,941.25			100,941.25	100,941.25			100,941.25	Unknown	
Southwest Production Data Center	60,000.00			60,000.00	60,000.00			60,000.00	Unknown	
Chengdu Southwest Spherical Tank Company	50,000.00			50,000.00	50,000.00			50,000.00	16.13	
Sichttan Electromechanical Import and Export Corporation	50,000.00			50,000.00	50,000.00			50,000.00	5.00	
South Sichuan High-level Highway Development Company	1,000,000.00			1,000,000.00					0.05	
Guangdong Dongfang Power Plant Complete Equipment										
Company	1,100,000.00			1,100,000.00					11.11	
Sichuan Dongdian Real Estate Development Co., Ltd.	1,000,000.00			1,000,000.00					12.5	
Wuxi Electronic Guesthouse	150,000.00		150,000.00		150,000.00		150,000.00		Unknown	
Chengdu Sandian Co., Ltd.	455,373.41		455,373.41		455,373.41		455,373.41		Unknown	
Total	33,476,314.66		605,373.41	32,870,941.25	30,376,314.66		605,373.41	29,770,941.25		
		i								

5.11.4 Changes in impai	irment of available-for-sa	le financial assets in	2017
Category of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instruments	Total
Provision for impairment as at January 1, 2017	30,376,314.66	an fa fan yw yn yn yw yn	30,376,314.66
Provisions in 2017			
Including: transfer from other comprehensive income			
Decrease in 2017	605,373.41		605,373.41
Including: reversal due to recovery of fair value as at December 31, 2017		Annual March 1997 Annual March 1994 Annual March 1994 Annual March 1997 Annual March 1997 Annual March 1997 Annual March 1997	n an
Provision for impairment as at December 31, 2017	29,770,941.25		29,770,941.25

Note: The Company cancelled the equity of RMB 150,000.00 from Wuxi Electronic Guesthouse and the equity of RMB 455,373.41 from Chengdu Sandian Co., Ltd. after verification in 2017.

DONGFANG ELECTRIC CORPORATION LIMITED	FOR THE YEAR ENDED DECEMBER 31, 2017	NOTES TO THE FINANCIAL STATEMENTS
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### 5.12

## Long-term equity investments 5.12.1 Classification of long-term equity investments

				Incn	Increase/decrease in 2017	017					Delena of
	Balance as at			Profit and loss	Adjustments to		Caslı dividends		Balance as at	Provision for	puante or provision for
Investee	January 1,	Additional	Decrease in	on investments	other	Changes in other	or profit	Others	December 31,	impartnent in	impairment as at
	2017	investment	investment	under the equity	comprehensive income	equity	declared to be distributed		2017	2017	December 31, 2017
1 Innaturate in etheidiariae				method							
Dourfard Flactric Naw Evernt Guidment								-			
Dougrang Ervene rew Lang Equipment								409.363.000.00	409.363.000.00	409 363 000 00 409 363 000 00 409 363 000 00	409.363.000.00
										00 000 000	
Sub-total								409,363,000.00	409,363,000.00	409,363,000.00 409,363,000.00 409,363,000.00	409,363,000.00
2. Joint ventures							*****				
MIHPS Dongfang Boiler Co. Ltd. (Remark 1)	183,179,419.44			11,756,171.75		77,635.28	3,347,961.43		191,665,265.04		ومحملهم والمحملين والمحمد ومريا والمحمل
AREVA DONGFANG Reactor Coolant Punps						-					
Co., Ltd. (Remark 2)	280,278,203.62			34,341,047.98			104,996,971.70		209,622,279.90	01	
Sub-total	463,457,623.06			46,097,219.73		77,635.28	108,344,933.13		401,287,544.94		
3. Associates	-						******				
Mitsubishi Heavy Industries Dongfang Gas											
Turbine Co., Ltd. (Remark 3)	590,105,139.26		i	95,945,704.36			114,870,982.00	11,669,708.51	582,849,570.13		
Leshan Dongle Heavy Lifting Co., Ltd.											
(Remark 4)	26,025,554.98			1,778,145.98					27,803,700.96		
Liangshan Fengguang New Energy Operation		~~*									
and Maintenance Co., Ltd.		2,000,000.00		-3,115.52					1,996,884.48		
Sichuan Energy Wind Power Development											
Co., Ltd. (Remark 5)	242,443,940.15			21,737,695.68			8,625,154.77		255,556,481.06		
Huadian Longkon Wind Power Co., Ltd.	46,581,863.35		1,250,000.00	5,127,948.72					50,459,812.07		
Inner Mongolia Energy Generation											
Hongnijing Wind Power Co., Ltd. (Remark 6)	15,834,151,53			4,012,805.49					19,846,957.02		
Zhongdian United Heavy-duty Gas Turbine											
Technology Co., Ltd. (Remark 7)	11,475,134.69			196,883.00					11,672,017.69		
Inner Mongolia Mengeng Sanshengtai Wind						******					
Power Generation Co., Ltd. (Remark 8)	16,000,000.00			2,537,039.00					18,537,039.00		
Inner Mongolia Mengneng Wulan Ncw		4 <sup>-</sup>									
Energy Co., Ltd. (Remark 9)	35,322,255.21								35,322,255.21		
Sub-total	983,788,039.17	2,000,000.00	1,250,000.00	131,333,106.71			123,496,136.77	11,669,708.51	123,496,136.77 11,669,708.51 1,004,044,717.62		
Total	1,447,245,662.23 2,009,000.00	2,000,000.00	1,250,000.00	177,430,326.44		77,635.28	231,841,069.90	421,032,708.51	1,814,695,262.56	77,635.28 231,841,069.90 421,032,708.51 1,814,695,262.56 409,363,000.00 409,363,000.00	409,363,000.00
Remark 1: hereinafter referred to as MHPS Dongfang; remark 2: hereinafter referred to as Dongfang Areva; remark 3: hereinafter referred to as Dongfang Misubishi: remark 4: hereinafter referred to as Dongle Heavy Lifting Company; remark 5: hereinafter referred to as Sichuan	l to as MHI ark 4: herei	S Dong	fang; rem ferred to	ark 2: here as Dongle	inafter refe Heavy Lif	ting Co	as Dongfar mpany; ret	lg Areva; r nark 5: he	emark 3: h reinafter re	Jongfang; remark 2: hereinafter referred to as Dongfang Areva; remark 3: hereinafter referred to the referred to as Dongle Heavy Lifting Company; remark 5: hereinafter referred to as Sichuan	eferred to Sichuan
The Point dinight of the second secon						D	د کرد				

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- Company mainly engages in the operation and management of wind power generation projects. The Company is entitled to authorize representatives to serve as the director and deputy general manager of Wulan New Energy Company and actually did so. Since the Investment Group New Energy Co., Ltd. on October 22, 2015. The registered capital of Wulan New Energy Company is RMB 180 million, RMB 36 million of which is contributed by the Company, accounting for 20% of the registered capital. Wulan New Energy Company supposes that it may impose significant influence on the production and operation of Wulan New Energy Company, it regards Wulan New Energy Company is a limited liability company jointly invested and established by the Company and Inner Mongolia Energy Wulan New Energy Company as an associate which shall be subject to the accounting under equity method. 4
- transaction profit or loss to which DTC shall be entitled as per shareholding ratio and from the upstream transactions with its associate The other reason for the increases and decreases of Dongfang Mitsubishi Gas Turbine Company in 2017 refers to unrealized internal Dongfang Mitsubishi Gas Turbine Company s.
- of Xiaoshan District, Hangzhou gave a letter of decision (Z 0109 P No. 22) ruling that Hangzhou New Energy Company should conduct the bankruptcy liquidation according to the law and designating Zhejiang Zeda Law Firm as the bankruptcy manager. Hangzhou New Energy Company will not be included in the consolidation scope in 2017. Corporation. Since the establishment in May 2008, Hangzhou New Energy Company experienced consecutive economic losses and had stopped the production and operation. In May 2017, through the application by DFEM Control Equipment Co., Ltd., the People's Court Hangzhou New Energy Company was once a wholly-owned subsidiary of Dongfang Electric Machinery Co., Ltd. of Dongfang Electric ்

### 5.12.2 The long-term equity investments are analyzed as follows:

Item	Amount as at December 31, 2017	Amount as at January 1, 2017
Listing		
Unlisting	1,405,332,262.56	1,447,245,662.23
Total	1,405,332,262.56	1,447,245,662.23

### 5.13 Investment properties

### 5.13.1 Investment properties measured under cost model

Item	Buildings and constructions	Land use rights	Total
1. Original book value		9999 <sup>114</sup> - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	
(1) Balance as at January 1, 2017	128,085,165.60	10,401,505.00	138,486,670.60
(2) Increase in 2017	34,781,396.82	143,499.80	34,924,896.62
- Outsourcing			
- Transfer-in of inventories, fixed assets and construction in progress	34,781,396.82	143,499.80	34,924,896.62
- Increase from business combination			
- Others			
(3) Decrease in 2017	5,920,497.00	6,857,220.00	12,777,717.00
- Disposal			
- Others	5,920,497.00	6,857,220.00	12,777,717.00
(4) Balance as at December 31, 2017	156,946,065.42	3,687,784.80	160,633,850.22
2. Accumulated depreciation and accumulated amortization			
(1) Balance as at January 1, 2017	24,561,828.98	1,981,971.16	26,543,800.14
(2) Increase in 2017	7,630,182.01	222,261.15	7,852,443.16
- provision or amortization	7,630,182.01	222,261.15	7,852,443.16
- Others			
(3) Decrease in 2017	5,160,209.49	1,908,592.90	7,068,802.39
- Disposal			
- Others	5,160,209.49	1,908,592.90	7,068,802.39
(4) Balance as at December 31, 2017	27,031,801.50	295,639.41	27,327,440.91
3. Provision for impairment			
(1) Balance as at January 1, 2017			
(2) Increase in 2017			
- Provision			
- Others			
(3) Decrease in 2017			
- Disposal			
- Others			
(4) Balance as at December 31, 2017			
4. Book value			
(1) Book value as at December 31, 2017	129,914,263.92	3,392,145.39	133,306,409.31
(2) Book value as at January 1, 2017	103,523,336.62	8,419,533.84	111,942,870.46

Remark: The depreciation and amortization of investment properties recognized as the profits or losses in 2017 was RMB 7,852,443.16, largely exceeding that amount in 2016. The increase mainly comes from the newly added investment properties in 2017 (the amount in 2016: RMB 3,598,025.56).

### 5.13.2 The investment properties are analyzed as per location and term:

Amount as at December 31, 2017	Amount as at January 1, 2017
80,386,748.69	66,958,430.05
80,386,748.69	66,958,430.05
52,919,660.62	44,984,440.41
52,919,660.62	44,984,440.41
133,306,409.31	111,942,870.46
	December 31, 2017 80,386,748.69 80,386,748.69 52,919,660.62 52,919,660.62

### 5.14 Fixed assets 5.14.1 Details of fixed assets

lten	1. Land assets	<ol> <li>Buildings and construction</li> </ol>	3. Machinery equipment	4. Transportation facility	<ol> <li>Instrument and apparatus, electronic equipment and others</li> </ol>	Total
1. Original book value						
(1) Balance as at January 1, 2017	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 2017	108,550.45	41,953,965.77	80,392,659.98	2,910,185.75	71,283,717.88	196,649,079.83
-Purchase		202,016.09	3,803,848.30	87,662.39	4,189,576.17	8,283,102.95
-Transfer from construction in progress	107,956.50	18,245,405.76	74,610,605.96	2,822,523.36	37,253,401.47	133,039,893.05
- Increase from business combination						a a a a a a a a a a a a a a a a a a a
- Others	593.95	23,506,543.92	1,978,205.72		29,840,740.24	55,326,083.83
(3) Decrease in 2017	10,050.62	270,689,302.91	350,450,838.10	30,468,443.48	84,724,854.07	736,343,489.18
- Disposal or write-off		22,503,629.51	121,484,932.40	21,851,898.30	26,848,904.38	192,689,364.59
- Others		13,856,748.67	53,536,288.20	134,722.42	3,136,14	67,530,895.43
- Decrease in the scope of consolidation	10,050.62	234,328,924.73	175,429,617.50	8,481,822.76	57,872,813.55	476,123,229.16
(4) Balance as at December 31, 2017	23,399,940.57	7,096,375,890.62	7,941,332,584.71	330,434,789.17	1,269,371,155.87	16,660,914,360.94
2. Accumulated depreciation						,
(1) Balance as at January 1, 2017		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 2017	1	340,380,860.03	477,805,386.60	17,328,692.03	100,770,297.07	936,285,235.73
- Provision		340,380,860.03	477,595,462.34	17,328,692.03	97,633,589.19	932,938,603.59
- Others			209,924.26		3,136,707.88	3,346,632,14
(3) Decrease in 2017		69,499,865.97	209,178,436.76	28,490,309.94	52,876,440.93	360,045,053.60
- Disposal or write-off		6,400,409.95	105,797,579.54	20,408,392.66	25,175,363.93	157,781,746.08
- Others		3,938,402.93	11,705,538.52	188,739.32	2,714.31	15,835,395.08
- Decrease in the scope of consolidation		59,161,053.09	91,675,318.70	7,893,177.96	27,698,362.69	186,427,912.44
(4) Balance as at December 31, 2017		2,793,034,891.48	6,013,597,502.28	286,576,991.73	1,027,986,466.49	10,121,195,851.98
3. Provision for impainnent						
(1) Balance as at January 1, 2017		3,109,865.52	34,178,450.57	114,664.98	970,954.12	38,373,935.19
(2) Increase in 2017			2,922,314.99		268,840.96	3,191,155.95
- Provision			2,922,314.99		268,840.96	3,191,155.95

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- Others (3) Decrease in 2017 2.			facility	clectronic equipment and others	LOCAL
	2,975,559.67	4,525,482.42	22,218.56	18,810.12	7,542,070.77
- Disposal or write-off 2,	2,975,559.67	386,947.37	1,043.33	18,810.12	3,382,360.49
- Ollets					
- Decrease in the scope of consolidation		4,138,535.05	21,175.23		4,159,710.28
(4) Balance as at December 31, 2017	134,305.85	32,575,283.14	92,446.42	1,220,984.96	34,023,020.37
4. Book value					
(1) Book value as at December 31, 2017 23,399,940.57 4,303,	4,303,206,693.29	1,895,159,799.29	43,765,351.02	240,163,704.42	6,505,695,488.59
(2) Book value as at January 1, 2017 23,301,440.74 4,799,	4,799,847,464.82	2,432,241,759.82	60,139,772.28	301,748,727.59	7,617,279,165.25

(1) The land assets in the fixed assets as at the end of the period of the Company refer to the land use right obtained by DEC India Company within India.

- The depreciation of fixed assets in 2017 is RMB 932,938,603.59 which would be included in current profit or loss (the depreciation of fixed assets in 2016 was RMB 1,021,669,835.42). 6
- (3) The net gains from disposal of fixed assets of the Company in 2017 were RMB 16,950,674.48.

### 5.14.2 Temporarily idle fixed assets

remporarny fut		i		··· <del>··</del> ······	
Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions	89,145,860.63	28,966,668.74		60,179,191.89	
Machinery equipment	18,140,962.88	7,676,352.04	6,896,625.26	3,567,985.58	
Transportation facility	1,280,406.15	1,216,385.82		64,020.33	
Total	108,567,229.66	37,859,406.60	6,896,625.26	63,811,197.80	

### 5.14.3 Fixed assets leased out through operating lease

Item	Book value as at December 31, 2017
Transportation facility	53,584.46
Total	53,584.46

### 5.14.4 Fixed assets with certificates of title uncompleted

Item	Book value	Reason for failure to complete the formalities for the certificate of title
DTC: 350T high-speed balancing and Nuclear Power Plant, Nuclear Power Plant, construction of auxiliary engine Ir192 radiographic inspection room, office building at the auxiliary engine building base, gas compressor tested plant and booster station of DTC and Deyang auxiliary engine production plant.	181,780,636.94	It is going through the formalities.
Wind power company: Hulunbeir base Phase I.	29,965,098.63	It is going through the formalities.
Newly-built process technology building, washing room of air compression plant, extension of integrated plant, 10KV No. 2 distribution substation, staff canteen, hydraulic laboratory, No. 2 overspeed laboratory, tooling library of No. 2 overspeed laboratory, 110KV transformer substation control building, and No. 2 staff canteen of DFEM.	74,957,161.74	It is going through the formalities.
No. 5 plant, Deyang flaw detection room 2, Chengdu Building 2, and No. 6 plant of DBC.	233,544,937.50	It is going through the formalities.
Cold state plant, hot state plant and cold auxiliary room of DBC.	8,987,142.08	The land does not belong to DBC, as a result, the certificate of title cannot be applied for.

### 5.14.5 The buildings and constructions are analyzed as per location and term:

Item	Amount as at	Amount as at
	December 31, 2017	January 1, 2017
Located within the territory of China	4,259,908,789.13	4,747,377,014.36
Medium term (10 - 50 years)	4,165,169,290.93	4,656,928,011.05
Short-term (within 10 years)	94,739,498.20	90,449,003.31
Located in other areas	43,297,904.16	52,470,450.46
Short-term (within 10 years, including 10 years)		
Medium term (10 - 50 years)	43,297,904.16	52,470,450.46
Total	4,303,206,693.29	4,799,847,464.82

### 5.15 Construction in progress

5.15.1 Construction in progress

	Balance	as at December	31, 2017	· Balanc	e as at January	1, 2017
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	206,545,373.13	237,690.00	206,307,683.13	107,836,112.31	237,690.00	107,598,422.3
Total	206,545,373.13	237,690.00	206,307,683.13	107,836,112.31	237,690.00	107,598,422.3

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5.15.2	Changes in important projects of construction in progress in 2017	projects of	constructio	n in progr	ess in 2017						·		
	Project	Budget	Balance as at January 1,	Increase in	Amount transferred into	Other decreases in	Balance as at December 31,				Including: capitalization amount of the	Capitalization rate of the	Source of
		3	2017	2017	fixed assets in 2017	2017	2017	investments in the budget (%)	progress	amount of interest	interest in 2017	interest of 2017 (%)	funds
	Construction of the testbed for gas												Proprietary
	turbine of DTC	255,180,000.00		70,362,841.28			70,362,841.28	27.57	27.57				funds
	Construction of the testbed for gas	312 600 000 00	87 217 097 71	7 193 000 00	17 340 71		71 634 468 77	95 00	05 00				Proprietary fimds
		20,000,000,210					110011 0017		22				
	Digital controlled single-column mobile and vertical command									*****			Proprietary
	milling machine of DENE	20,000,000.00	13,692,347.81	3,979,762.46			17,672,110.27	88.36	88.36				funds
	High temperature alloy testbed of												Proprietary
	DTC	115,000,000.00	7,695,410.07	2,402,480.14	129,940.19		9,967,950.02	93.00	93.00				funds
	Intelligent manufacturing of high							******		****			
	temperature and high pressure parts									********			
	for large-scale clean and efficient												Proprictary
	power station boiler of DBC	114,400,000.00	57,821.26	10,013,547.28	5,707,692.37		4,363,676.17	10.84	30.00				funds
	Design of gas booster station with				******								Proprietary
	50MB gas turbine of DTC	15,000,000.00	1,896,592.00	1,749,404.28			3,645,996.28	60.00	00'09				funds
	Decoration of the laboratory used												
	for researching on the 32T15001												
	energy clean usage mechanism of	c 000 000 0	98 996 IV3 C				13 030 000 5	CT 00	00.03				Proprietary 6.046
	Zii 2016.003 daubla alanat	m.mnn'nnn'r	01-100-10-17	00.021,100			17.000	4	22.22				Pronrietary
		2,680,000.00	1,907,692.31				1,907,692.31	90.06	90.00				funds
	One set of 4.2m heavy-2 rotor												
	sleeper with scini-automatic												Proprietary
	precision of DTC	26,000,000.00	449,265.53				449,265.53	100.00	95.00				funds
													Proprietary
	Testbed for gas compressor of DTC	7,500,000.00	6,063,021.20	15,358,995.31	14,956,963.57		6,465,052.94	81.00	85.00				funds
	714_14_02 punching shear laser												Proprietary
	cutting machine of DFEM	8,000,000.00	65,015.87	4,826,844.95			4,891,860.82	33.54	00.07				tunds
	K 2009-874 firebox design and												Proprictary
	experiment research of DTC	33,100,000.00	1,770,688.95	1,448,180.59		-	3,218,869.54	90.00	100.04		-		lunds

DONGFANG ELECTRIC CORPORATION LIMITED	FOR THE YEAR ENDED DECEMBER 31, 2017	NOTES TO THE FINANCIAL STATEMENTS
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Balance as at January 1, 2017     Amount Increase in 2017     Amount transforred into fixed assets in 2017		Amount transferred into fixed assets in 2017		Other decreases in 2017	Balance as at December 31, 2017	Proportion of accumulative project Project Project investments progress in the budget (%)	Project	Project capitalization progress amount of interest in interest 2017	Including: capitalization amount of the interest in 2017	Capitalization rate of the interest of 2017 (%)	Source of funds
											Prontietary
337.000.000.00	00 2.612.004.80	1.180,764.96	1,092,969.88	112,500.00	2,587,299.88	69.16	00.66				funds
1	1										Proprietary
,250,000,000.00	00	3,947,801.19	2,517,947.16		1,429,854.03	99.00	00.66				funds
											Proprietary
_ <b>≍</b>	1,670,000.00	1,366,174.42			1,366,174.42	61.15	61.15				funds
- 1	54,655,469.57	138,601,190.66	54,655,469.57 138,601,190.66 108,606,431.17 31,156,828.70	31,156,828.70	53,493,400.36						
	107 836 112 31	263.018.482.57	107.836 112.31 263.018.482.57 133.039.893.05 31.269.328.70 206.545.373.13	31.269.328.70	206,545,373,13			und refor			

### 5.16 Intangible assets

### 5.16.1 Details of intangible assets

Item	Land use right	Patent right	Non-patent technology	Software	Total
I.Original book value					
(1) Balance as at January 1,					
2017	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 2017	7,966,913.52			11,103,081.63	19,069,995,15
- Purchase	7,966,913.52			6,960,978.98	14,927,892.50
- Internal research and					
development				3,772,871.90	3,772,871.90
- Increase from business					
combination					
-Others				369,230.75	369,230.75
(3) Decrease in 2017	47,102,725.09		13,112,308.00	1,412,181.64	61,627,214.73
- Disposal				433,500.00	433,500.0
- Others					***************************************
- Decrease in the scope of					
consolidation	47,102,725.09		13,112,308.00	978,681.64	61,193,714.73
(4) Balance as at December 31,					
2017	1,041,009,735.23	11,692,161.08	336,104,114.26	158,277,379.33	1,547,083,389,9
2. Accumulated amortization					
(1) Balance as at January 1,	*******				***************************************
2017	194,369,286.87	9,842,186,44	281,846,793.55	93,694,614.91	579,752,881.7
(2) Increase in 2017	21,121,863.75	577,735.64	14,341,647.79	16,190,106.60	52,231,353.7
- Provision	21,121,863.75	577,735.64	14,341,647.79	16,190,106.60	52,231,353.7
-Others					
(3) Decrease in 2017	7,928,958.74		5,354,192.43	637,969.00	13,921,120.1
- Disposal	314,018.17			32,752.73	346,770.90
-Others					
- Decrease in the scope of					
consolidation	7,614,940.57		5,354,192.43	605,216.27	13,574,349.2
(4) Balance as at December 31,			······		
2017	207,562,191.88	10,419,922.08	290,834,248.91	109,246,752.51	618,063,115.3
3. Provision for impairment					, , ,
(1) Balance as at January 1,					
2017	90,428,509.50		7,758,115.57		98,186,625.0
(2) Increase in 2017					
- Provision					
-Others					
(3) Decrease in 2017			7,758,115.57	= 1	7,758,115.5
- Disposal					
- Others					
- Decrease in the scope of					
consolidation			7,758,115.57		7,758,115.5
(4) Balance as at December 31,					
2017	90,428,509.50				90,428,509.5
4. Book value	70,720,007,00		1		50,420,509.5
(1) Book value as at December	1				
31, 2017	743,019,033.85	1,272,239.00	45,269,865.35	49,030,626.82	838,591,765.0
(2) Book value as at January 1,	140,017,020,02	1,2,2,2,7,00	40,207,000.00	47,050,020.82	050,591,703.0
(2) Book value as at January 1, 2017	795,347,750,43	1,849,974.64		54,891,864.43	

### 5.16.2 Land use right with pending certificates of title

Item	Book value	Reason for failure to complete the formalities for the certificate of title
Land No. 6 at the west side of Huashan Road	9,257,155.31	The certificate of land is under process
Total	9,257,155.31	**************************************

### 5.16.3 Analysis of the land use right by region and age limit:

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Located within the territory of China	743,019,033.85	795,347,750.43
Medium term (10 - 50 years)	743,019,033.85	795,347,750.43
Total	743,019,033.85	795,347,750.43

### 5.17 Long-term deferred expenses

Item	Balance as at January 1, 2017	Increase in 2017	Amount amortized in 2017	Other decreases	Balance as at December 31, 2017
ASME forensics	830,608.68		415,304.34		415,304.34
Cost of overhaul of power distribution equipment	245,000.26		69,999.96		175,000.30
Total	1,075,608.94		485,304.30		590,304.64

### 5.18 Deferred income tax assets and deferred income tax liabilities

### 5.18.1 Deferred income tax assets without the offset

	Balance as at De	cember 31, 2017	Balance as at Ja	anuary 1, 2017
Item	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for asset impairment	9,690,503,266.11	1,486,256,677.41	8,595,898,389.08	1,321,586,911.59
Estimated liabilities	1,638,660,788.17	248,579,368.59	1,523,456,753.70	229,029,154.88
Employee compensation payable	1,087,455,574.65	163,124,763.40	770,793,407.08	115,619,011.07
Losses that can be carried forward to the subsequent year	711,986,569.37	106,797,985.41	653,689,045.57	98,053,356.83
Unrealized profits of internal transactions	251,374,295.32	49,614,441.46	202,070,530.22	42,441,440.08
government grants	224,684,652.34	35,787,847.12	243,122,348.49	38,553,501.54
Accounts payable	38,803,280.90	5,820,492.12	48,682,515.22	7,302,377.28
Depreciation of fixed assets	23,633,449.54	3,545,017.43	29,335,437.84	4,401,315.81
Overseas enterprise income tax to be offset	86,279,089.56	21,569,772.39	16,071,515.20	4,017,878.80
Changes in fair value	22,828,625.54	3,424,293.83	20,565,262.08	3,084,789.32
Amortization of intangible assets			6,029,036.07	904,355.41
Total	13,776,209,591.50	2,124,520,659.16	12,109,714,240.55	1,864,994,092.61

### 5.18.2 Deferred income tax liabilities before offset

	Balance as at Dece	mber 31, 2017	Balance as at Jar	nuary I, 2017
Item	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	50,923,512.20	7,638,526.83	45,461,633.89	6,819,245.09
Changes in fair value	2,084,032.54	312,604.88	3,157,657.59	473,648.64
Total	53,007,544.74	7,951,131.71	48,619,291.48	7,292,893.73

### 5.18.3 Details of unrecognized deferred income tax assets

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Losses that can be carried forward to the subsequent year	955,626,962.00	1,560,412,473.62
Provision for inventory depreciation	126,499,895.56	395,899,030.36
Estimated liabilities	294,982,410.37	248,496,009.44
Provision for bad debts	250,550,625.80	243,032,587.51
Evaluation increment		43,982,029.80
Employee compensation payable	20,756,693.82	33,204,030.19
government grants	7,191,139.34	10,692,714.15
Provision for the impairment of intangible assets		7,758,115.57
Provision for the impairment of fixed assets		4,159,710.31
Unrealized profits of internal transactions		1,560,082.33
Total	1,655,607,726.89	2,549,196,783.28

### 5.18.4 Deductible losses of unrecognized deferred income tax assets will be expired in the following years:

Year	Balance as at December 31, 2017	Balance as at January 1, 2017	Remark
Year 2017		47,419,122.33	
Year 2018	77,368,474.45	106,902,110.36	
Year 2019	77,986,204.93	118,367,330.21	
Year 2020	252,620,392.60	401,414,575.84	
Year 2021	488,916,205.46	886,309,334.88	
Year 2022	58,735,684.56		
Total	955,626,962.00	1,560,412,473.62	

### 5.19 Other non-current assets

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Unrealized profits or losses from sale and leaseback under the finance lease		426,208.77
Total		426,208.77

### 5.20 Short-term borrowings

5.20.1 Classification of short-term borrowings

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Pledged borrowings	2,628,570.50	
Mortgage borrowings	144,000,000.00	142,000,000.00
Guaranteed borrowings		22,500,000.00
Credit borrowings	55,000,000.00	120,000,000.00
Total	201,628,570.50	284,500,000.00

Remark 1: The short-term borrowings at the end of the year of the Company decreased by RMB 82.87 million compared with that at the beginning of the year, accounting for 29.13%, which was mainly caused by the due payment of borrowings by DTC and DFHM in this year.

Remark 2: At the end of the year, the mortgage borrowings of the Company amounted to RMB 144 million, and mainly referred to borrowings acquired from DEC Financial Company by DENE by taking machinery equipment, land and housing property as mortgage (the maximum loan amounted to RMB 200 million).

Remark 3: The guaranteed borrowings at the beginning of the year of the Company referred to the borrowings of RMB 22.50 million of DEC Wind Power Co., Ltd. from DEC Financial Company, and such borrowings are specially used to pay for Shanghai Oujikete Slewing Bearing Co., Ltd. for goods; meanwhile, Shanghai Oujikete Slewing Bearing Co., Ltd. provided the joint and several liability for Dongfang Electric Wind Power Co., Ltd., and borne corresponding interest on borrowings, which had been paid in the current period.

Remark 4: As at December 31, 2017, the weighted average annual interest rate of short-term borrowings was 3.86% (which as at December 31, 2016 was 4.02%).

**5.20.2** There were no overdue unpaid borrowings existing in the short-term borrowings of the Company at the end of this year.

### 5.21 Financial liabilities measured at fair value through the current profit or loss

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Financial liabilities held for trading		10,372,195.96
Including: issued bonds held for trading		a fir former for former and the second of th
Derivative financial liabilities		10,372,195.96
Others		
Financial liabilities designated to be measured at fair value through the current profit or loss		
Total		10,372,195.96

Remark 1: At the beginning of the year, the derivative financial liabilities of the Company referred to the contract on forward exchange settlement worth of EUR 2,438,400 signed between the Company and a bank, and the contract on forward exchange settlement worth of USD 30 million signed between DFEM and a bank; at the beginning of the year, the fair value was calculated and determined according to relevant bank quote; at the end of the period, the said contracts on forward exchange settlement had been closed.

### 5.22 Notes payable

Tune	Balance as at	Balance as at
Туре	December 31, 2017	January 1, 2017
Bank acceptance bill	225,897,628.91	187,503,899.76
Commercial acceptance bill	3,356,064,660.71	5,088,828,020.26
Total	3,581,962,289.62	5,276,331,920.02

Remark: At the end of the period, overdue unpaid notes payable amounted to RMB 0.00, and the above bills will be matured within one year.

### 5.23 Accounts payable

### 5.23.1 Presentation of accounts payable:

Item	Balance as at	Balance as at	
nem	December 31, 2017	January 1, 2017	
Within one year	12,763,385,380.90	9,246,484,205.53	
1 - 2 years	231,727,656.50	2,992,948,671.28	
2 - 3 years	286,352,369.51	1,033,600,357.97	
Over 3 years	954,027,525.41	1,107,279,350.58	
Total	14,235,492,932.32	14,380,312,585.36	

Remark: The Company determined the time of accounts payable according to relevant invoices and document of settlement and other materials to carry out the aging analysis.

### 5.23.2 Significant accounts payable with aging over one year:

Item	Balance as at	Reasons for failure of	
	December 31, 2017	repayment or carry-forward	
Rank 1	84,142,486.94	Before the settlement period	
Rank 2	69,681,570.06	Before the settlement period	
Rank 3	50,692,193.55	Before the settlement period	
Rank 4	44,768,069.44	Before the settlement period	
Rank 5	35,286,972.60	Before the settlement period	
Rank 6	34,674,420.00	Before the settlement period	
Rank 7	31,707,564.04	Before the settlement period	
Rank 8	30,055,300.00	Before the settlement period	
Total	381,008,576.63		

### 5.24 Advances from customers

### 5.24.1 Presentation of advances from customers

Item	Balance as at	Balance as at	
	December 31, 2017	January 1, 2017	
Within 1 year	15,909,685,071.28	23,075,461,200.06	
Over 1 year	15,552,941,397.97	12,490,978,482.55	
Total	31,462,626,469.25	35,566,439,682.61	

### 5.24.2 Significant advances from customers with aging more than one year

ltem	Balance as at	Reasons for failure of
	December 31, 2017	repayment or carry-forward
		The project has a long period
Rank 1	1,469,976,036.41	and has not been completed.
		The project has a long period
Rank 2	883,312,566.94	and has not been completed.
		The project has a long period
Rank 3	620,516,686.25	and has not been completed.
		The project has a long period
Rank 4	488,138,624.20	and has not been completed.

Item	Balance as at	Reasons for failure of
	December 31, 2017	repayment or carry-forward
		The project has a long period
Rank 5	404,274,523.93	and has not been completed.
Total	3,866,218,437.73	

### 5.24.3 Settled but uncompleted items formed in construction contracts

Item	Amount
Amount settled	86,162,604,464.57
Less: accumulated cost incurred	67,715,064,698.98
Accumulated gross profit recognized	2,987,091,400.28
Estimated losses	
Settled but not completed labilities from the construction	
contracts	15,460,448,365.31

### 5.25 Employee compensation payable

### 5.25.1 Presentation of employee compensation payable

ltem	Balance as at January 1, 2017	Increase in 2017	Decrease in 2017	Balance as at December 31, 2017
Short-term compensation	234,261,020.06	2,874,148,678.86	2,870,724,724.21	237,684,974.71
Post-employment benefits - defined contribution plan	18,452,064.62	396,048,703.55	357,847,413.71	56,653,354.46
Dismissal benefits	175,156,464.77	293,868,053.11	192,609,914.21	276,414,603.67
Other benefits maturing within one year		1,737,969.00	1,737,969.00	
Total	427,869,549.45	3,565,803,404.52	3,422,920,021.13	570,752,932.84

### 5.25.2 Presentation of short-term compensation

Item	Balance as at January 1,	Increase in 2017	Decrease in 2017	Balance as at December 31,
nem	2017	increase in 2017	Decrease in 2017	2017
(1) Salary, bonus,		and financial financial financial district find the strength of the strength o		
allowance and subsidies	139,727,677.74	2,111,439,071.41	2,113,821,136.66	137,345,612.49
(2) Employee welfare		256,950,695.83	256,950,695.83	
(3) Social insurance				
premiums	1,024,247.18	181,133,757.96	181,500,379.43	657,625.71
Including: medical				
insurance premium	975,748.25	159,780,581.48	160,103,688.40	652,641.33
Work-related injury				
insurance premium	24,020.75	12,838,143.05	12,870,498.34	-8,334.54
Matemity insurance				
premium	24,478.18	8,515,033.43	8,526,192.69	13,318.92
(4) Housing provident				
fund	5,625,496.30	205,930,279.13	205,440,857.33	6,114,918.10
(5) Labor union funds				
and employee education				
funds	87,506,389.14	71,600,631.24	66,099,555.77	93,007,464.61
(6) Short-term				
compensated absences		1,009,301.80	1,009,301.80	
(7) Labor protection				
expenses		24,068,832.70	24,068,832.70	
(8) Others	377,209.70	22,016,108.79	21,833,964.69	559,353.80
Total	234,261,020.06	2,874,148,678.86	2,870,724,724.21	237,684,974.71

### 5.25.3 Presentation of defined contribution plan

Item	Balance as at January 1, 2017	Increase in 2017	Decrease in 2017	Balance as at December 31, 2017
Basic endowment insurance	676,822.11	320,926,041.08	321,129,659.55	473,203.64
Unemployment insurance				
premium	26,448.92	14,287,770.30	14,298,238.53	15,980.69
Enterprise annuity payment	17,748,793.59	60,834,892.17	22,419,515.63	56,164,170.13
Total	18,452,064.62	396,048,703.55	357,847,413.71	56,653,354.46

### 5.26 Taxes and surcharges payable

Taxes and surcharges	Balance as at	Balance as at
Taxes and surcharges	December 31, 2017	January 1, 2017
Value added tax	143,259,171.60	387,468,658.91
Enterprise income tax	42,326,968.18	88,092,611.23
Urban construction and maintenance tax	10,234,994.87	24,797,200.90
Individual income tax withheld or remitted	33,374,847.28	29,332,059.05
Educational surtax	4,311,150.77	11,261,920.75
Local educational surtax	2,895,248.33	6,353,603.86
Property tax	398,652.56	4,915,424.18
Land use tax	1,388,289.17	1,066,025.58
Stamp duty	4,055,859.86	3,901,195.44
Bund protection fees	26.45	94,836.99
Price adjustment funds	7,730,636.39	7,730,636.39
Special funds for water conservancy construction	170,849.57	170,849.57
Others	1,312,706.66	1,022,911.63
Total	251,459,401.69	566,207,934.48

Remark: Among taxes and surcharges payable of the Company at the end of the period, there were no unpaid Hong Kong income tax.

### 5.27 Interest payable

Item	Balance as at	Balance as at
Itelli	December 31, 2017	January 1, 2017
Long-term borrowings with interest paid by		
installments and with principal paid at maturity		736,111.11
Interest on corporate bonds		
Interest payable on short-term borrowings		
preferred stock or perpetual debt interest classified		
into the financial liability		
Total		736,111.11

Remark: At the end of the period, there were no significant overdue unpaid interest.

### 5.28 Dividends payable

Item	Balance as at December 31, 2017	Balance as at January 1, 2017	
Ordinary share dividends	2,823,100.25	2,787,911.77	
Dividend of preferred stock/perpetual debt			
classified into the equity instrument			
Total	2,823,100.25	2,787,911.77	

Remark: At the end of the period, the Company's dividends payable which had not been paid for over one year mainly referred to the cash dividends which had not been paid at the time when DBC delisted due to shareholders of remaining shares failed to go through procedures for getting relevant cash dividends with DBC.

### 5.29 Other payables

5.29.1 Presentation of other payables by nature

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Equity acquisition payment payable	942,336,415.78	942,336,415.78
Funds allocation within the budget of the central government	415,710,000.00	413,710,000.00
Deposit and deposit in security	299,167,840.22	261,176,326.04
Payments payable for leasing, labour service and minor purchase	120,430,713.42	86,192,941.48
Collection trusted	104,949,747.64	119,571,434.14
Advance funds payable	38,018,073.60	79,110,192.06
Personal social insurance payment and housing provident fund	30,182,555.25	16,814,467.07
Others	129,728,238.99	46,997,596.32
Total	2,080,523,584.90	1,965,909,372.89

### 5.29.2 Other significant payables aging over one year

Item	Balance as at December 31, 2017	Reasons for failure of repayment or carry-forward
Rank 1	1,356,046,415.78	Fund-raising and capital construction appropriation
Rank 2	13,082,467.52	The opponent enterprise has carried out the bankruptcy liquidation.
Rank 3	10,898,315.28	Security deposit payable
Total	1,380,027,198.58	

### 5.30 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2017	Balance as at January 1, 2017	
Long-term borrowings maturing within one year	528,320,000.00	723,140,000.00	
Bonds payable maturing within one year			
Long-term payables maturing within one year		8,239,338.40	
Total	528,320,000.00	731,379,338.40	

### Information on overdue borrowings at the end of the period

Lender	Amount	Overdue period	Interest rate (%)	Loan purpose	Nature and reason of the failure in payment on schedule	Expected repayment period
				Carry out the renovation		
				construction of the looping		
Deyang Municipal				Technique combining the		
Finance Bureau	16,320,000.00	85-133 months	2,55	gas and steam	Not bombarded	
Total	16,320,000.00					1

Remark: At the end of the period, the overdue borrowings referred to the Agreement on Enlending Treasury Bond Fund signed between Deyang Municipal Finance Bureau and the original Dongfang Steam Turbine Works (now called "DTC"). Since 2001, DTC has borrowed enlending treasury bond fund of RMB 16.32 million from Deyang Municipal Finance Bureau for several times for implementing the renovation construction of looping technique combining

the gas and steam. The said borrowings had been due one by one during the period from November 2006 to November 2010; as the creditor had not made collection of such borrowings, DTC had not repaid. As at the date when the financial statements are issued, the overdue borrowings have not been repaid.

# 5.31 Other current liabilities

Item	Balance as at December 31, 2017	Balance as at January 1, 2017	
Deferred income - government grants	58,496,817.17	77,113,715.51	
Total	58,496,817.17	77,113,715.51	

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Items involving government grants:						
Liability item	Balance as at January 1, 2017	New subsidy in 2016	Amount included in the current profit or loss at the current period	Other changes	Balance as at December 31, 2017	Related to assets/income
1. Related to assets				-		
						Related to
Refund of value-added tax of three-line enterprises	33,519,746.88		17,897,198.82	17,898,402.86	33,520,950.92	assets
						Related to
Supporting payment for infrastructure construction	4,303,741.99		4,105,741.99	1,105,741.99	1,303,741.99	assets
						Related to
Scientific research grants	1,965,592.24		1,965,592.24	1,836,755.09	1,836,755.09	assets
						Related to
Grants for technical reform	1,399,080.00		1,399,080.00	1,399,080.00	1,399,080.00	assets
						Related to
Financial subsidies	948,550.00		948,550.00	948,550.00	948,550.00	assets
Other grants						
2. Related to income						
						Related to
Refund of value-added tax of three-line enterprises						income
						Related to
Supporting payment for infrastructure construction	;					income
						Related to
Scientific research grants	33,250,746.63	65,536.00	21,707,643.55	5,340,213.11	16,948,852.19	income
			1			Related to
Grants for technical reform						income
						Related to
Financial subsidies	400,000.00				400,000.00	income
						Related to
Other grants	1,326,257.77	288,607.59	444,288.17	968,309.79	2,138,886.98	income
Total	77,113,715.51	354,143.59	48,468,094.77	29,497,052.84	58,496,817.17	
IUtal						

#### 5.32 Long-term borrowings

#### 5.32.1 Classification of long-term borrowings

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Credit borrowings	42,040,000.00	536,940,000.00
Total	42,040,000.00	536,940,000.00

Remark: As at December 31, 2017, the weighted average annual interest rate of long-term borrowings was 2.50% (which was 2.68% as at December 31, 2016).

#### 5.32.2 Analysis on the due date of long-term borrowings

Item	Amount as at December 31, 2017	Balance as at January 1, 2017
1 - 2 years	24,940,000.00	512,000,000.00
2 - 5 years	17,100,000.00	24,940,000.00
Total	42,040,000.00	536,940,000.00

#### 5.33 Long-term payables

Item	Balance as at December 31, 2017	Balance as at January 1, 2017
Financial lease payable		16,537,992.70
Total		16,537,992.70

Remark: At the beginning of the period, the long-term payables of the Company referred to the long-term payables arising from the sale-and-leaseback business of machinery equipment involving Hangzhou New Energy Company and DEC Financial Company. In this period, Hangzhou New Energy Company did not be included in the scope of consolidation; as a result, the balance of long-term payables in this period was zero.

#### 5.33.1 Analysis on the on-time repayment of long-term payables

Nature of funds	Balance as at	Balance as at
	December 31, 2017	January 1, 2017
Net value of long-term payables of		
finance lease		16,537,992.70
Net value of long-term payables		
maturing within one year		8,239,338.40
Total		24,777,331.10
The book value of the above payments		
must be repaid in the following period:		
Within one year		8,239,338.40
Be more than one year but less than		
two years following the balance sheet		
date		8,239,338.40
Be more than two years but less than		
five years following the balance sheet		
date		8,298,654.30
Be more than five year after the		
balance sheet date		
Less: payments maturing within one		
year under the current liabilities		8,239,338.40
Payments presented under the		
non-current liabilities		16,537,992.70

# 5.34 Long-term employee compensation payable

Breakdown of long-term employee compensation payable

Item	Balance as at December 31, 2017	Balance as at January 1, 2017	
I. Post-employment benefit - net liabilities of defined benefit plans			
II. Dismissal welfare	693,858,523.44	462,107,103.50	
III. Other long-term welfare			
Total	693,858,523.44	462,107,103.50	

Remark: At the end of the period, the long-term employee compensation payable of the Company increased by RMB 231,751,419.94 compared with that at the beginning of the year, accounting for 50.15% in increase. Such increase was mainly caused by the increase in the number of early retirement personnel of the Company. The dismissal welfare of the Company referred to the expenditure on early retirement which would be paid to early retirement personnel. The Company discount the expenditure on early retirement based on the bank loan interest rate at the same period.

# 5.35 Special payables

Item	Balance as at January 1, 2017	Increase in 2017	Decrease in 2017	Balance as at December 31, 2017	Forming reason
Refund of import tariff and					
value-added tax	58,062,614.63			58,062,614.63	Remark
Total	58,062,614.63			58,062,614.63	

Remark: The refund of import tariff and value-added tax referred to the refund of customs duty and value-added tax relating to imported equipment of DTC in accordance with the Circular on Implementing the Relevant Import Tax Connection Policies in Several Opinions of the State Council on Acceleration of Development of Equipment Manufacturing Industry (CGS [2007] No. 11) issued by the Ministry of Finance, the National Development and Reform Commission, the General Administration of Customs, the State Administration of Taxation. According to this document (CGS [2007] No. 11), the aforesaid refund will be transferred as the state capital. As at the date when the financial statements are issued, DTC has not finished relevant procedures for the transfer relating to state capital.

#### 5.36 Estimated liabilities

Item	Balance as at December 31, 2017	Balance as at January 1, 2017	Forming reason
Product quality assurance	1,691,413,456.08	1,672,503,907.91	Remark 1
Pending action	2,024,093.82	2,620,800.00	Remark 2
Onerous contract to be performed	120,927,228.93	96,828,055.23	It is estimated that the total cost of the contract will be higher than the total revenue of the contract.
Others	126,100,893.86	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Remark 3
Total	1,940,465,672.69	1,771,952,763.14	984 m. 4984 m. 4997 m. 4

Remark 1: According to the product sale contract entered into by and between the Company and its customers, during the quality assurance period specified in the contract, the Company shall be responsible for the quality assurance of sold products. Quality-related compensation expenses from product repair and change due to quality defects shall be borne by the Company. According to the previous experiential data and production and operation characteristics, the Company made the provision for the quality assurance deposit of products in the proportion of the revenue from the sales of products.

Remark 2: At the end of the year, the estimated liabilities of pending action of the Company referred to the estimated expenditure from the issue concerning the collection of property tax between DEC India Company and the local tax authority.

Remark 3: Other estimated liabilities of the Company mainly referred to the estimated compensation, default fine, amercement outlay and others in this year.

#### 5.37 Deferred income

Item	Balance as at	Increase in	Decrease in	Balance as at	Forming
ncin	January 1, 2017	2017	2017	December 31, 2017	reason
Government grants	473,991,696.19	17,789,122.77	55,451,886.26	436,328,932.70	
Total	473,991,696.19	17,789,122.77	55,451,886.26	436,328,932.70	

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DONGFANG ELECTRIC CORPORATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017						
Items involving government grants:						
Liability item	Balance as at January 1, 2017	New subsidy in 2016	Amount included in the current profit or loss at the current period	Other changes	Balance as at December 31, 2017	Related to assets/income
1. Related to assets						
Refund of value-added tax of three-line enterprises	258,218,102.18		15,623,752.11	17,898,402.86	224,695,947.21	Related to assets
Supporting payment for infrastructure construction	157,013,615.96			1,105,741.99	155,907,873.97	Related to assets
Scientific research grants	14,604,044.53	1,000,000.00	276,315.79	1,836,755.09	13,490,973.65	Related to assets
Grants for technical reform	4,141,862.50			1,399,080.00	2,742,782.50	Related to assets
Financial subsidies	5,832,316.67			948,550.00	4,883,766.67	Related to assets
Other grants	2,018,617.00	4,130,000.00			6,148,617.00	Related to assets
2. Related to income						
						Related to
Scientific research grants	19,712,037.71	23,751,008.34	23,800,936.63	7,298,613.11	12,363,496.31	income
						Related to
Financial subsidies	2,000,000.00				2,000,000.00	income
						Related to
Other grants	10,451,099.64	15,205,095.07	10,592,409.53	968,309.79	14,095,475.39	income
Total	473,991,696.19	44,086,103.41	50,293,414.06	31,455,452.84	436,328,932.70	
Remark 1: Refund of value-added tax of three-line received by DTC, DBC and DFEM during the period	enterprises mei I from January 1	ntioned above re , 2006 to Decem	enterprises mentioned above referred to the refund of value-added tax of three-line enterprises from January 1, 2006 to December 31, 2008 in accordance with the Circular on Issues concerning	of value-added lance with the	I tax of three-li Circular on Issu	ine enterprises les concerning
Taxation Policies of Three-line Enterprises during the Period of "Tenth Five-Year Plan" (CS [2001] No. 133) issued by the Ministry of Finance and the	e Period of "Ten	th Five-Year Pla	n" (CS [2001] No. 13	3) issued by the	e Ministry of F	inance and the
State Administration of Taxation, and the Circular on the Policy of Refund after Collection of Value-added Tax of Three-line Enterprises (CS [2006] No.	the Policy of Re	efund after Colle	ction of Value-added 7	lax of Three-lin	ne Enterprises (1	CS [2006] No.
166) issued by the Ministry of Finance and the State	e Administration	n of Taxation. Ac	Administration of laxation. According to the specific usage of the refund of value-added tax of	ic usage of the	retund of value	e-added tax of
uree-ine enteprises, the Company divided such return into asser-related-related government grants and income-related government grants to carry out separate accounting treatment.	al-lasse oille dur	lateu-relateu gov	er mnem grants and m	come-related g	overnment grar	its to carry out
· · ·	•		•		•	
The supporting payment for infrastructure construction mentioned above mainly referred to the supporting payment for infrastructure construction allocated to DEC (Hulunbeir) New Energy Co., Ltd. (hereinafter referred to as the "Hulunbeir New Energy Company") for the production base, to DEC (Totalica) Wind Decome Environment Totalication Construction and to as the "Totalica Wind Decome"), for the internation base, to DEC	tion mentioned (hereinafter refe	above mainly re rred to as the "H	eferred to the support ulunbeir New Energy	Company") for	or infrastructur t the production	e construction base, to DEC
DEC (Tianjin) Wind Power Technology Co., Ltd. (hereinafter referred to as the "Tianjin Wind Power Technology Co., Ltd.") for the soft land subsidy, to	v., Lu. (IIELEIIIAI reinafter referred	d to as the "Tianj	in Wind Power Techno	rower Compa ology Co., Ltd.	") for the soft is	nasu ucture, to and subsidy, to

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DTC for infrastructure and other projects by the finance departments at all levels and received by the Company. The Company included such supporting payment for infrastructure construction in the current non-operating income by stages during the useful life of assets generated as the asset-related

government grants.

power equipment research and development and technological innovation and received by the Company. The Company divided such kind of grants into asset-related government grants and income-related government grants to carry out separate accounting treatment; scientific research grants which are different to be divided shall be carried forward for the current non-operating income during the period of implementing the scientific research as the Other scientific research or financial grants mentioned above referred to the special funds and other various financial grants allocated by finance departments, science and technology departments and government departments at all level for wind power generation research and development, unclear income-related government grants. Remark 2: Other changes mentioned above referred to the government grants of RMB 29,497,052.84 which has been included in the non-operating income and is expected to be transferred out in 2018 and presented in the item "other current liabilities" and the cooperative expenses of RMB 1,958,400.00 transferred and allocated to the cooperator.

#### 5.38 Capital stock

		Changes	s in 2017 ( "+	" for increase and "	-" for decre	ase)	
Item	Balance as at January 1, 2017	New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	Balance as at December 31, 2017
A-share	1,996,900,368.00						1,996,900,368.00
H-share	340,000,000.00						340,000,000.00
Total of shares without restrictive conditions for sales	2,336,900,368.00						2,336,900,368.00
Total shares	2,336,900,368.00						2,336,900,368.00

# 5.39 Capital reserves

Item	Balance as at January 1, 2017	Increase in 2017	Decrease in 2017	Balance as at December 31, 2017
Capital premium (capital stock premium)	8,819,217,989.98			8,819,217,989.98
Other capital reserves	9,044,499.83	77,375.29		9,121,875.12
Total	8,828,262,489.81	77,375.29		8,828,339,865.10

Remark: In this year, the other capital reserves increased by RMB 77,375.29, which was caused by the change in the special reserves that the Company held at the shareholding ratio in its joint venture, MHPS Dongfang Boiler Co. Ltd.

5.40	Other comprehensive income							
				Am	Amount incurred in 2017			
	Item	Balance as at January I, 2017	Pre-fax amount incurred in 2017	Less: amount included in other comprehensive income in prior period and transferred in the current profit or loss	Less: income tax expenses	After-tax income attributable to the parent company	After-tax amount attributable to minority shareholders	Balance as at December 31, 2017
	1. Other comprehensive income that cannot be reclassified into the profit or loss later							
	Including: changes arising from the re-measurement of net liabilities and net assets of defined benefit plan							
	Share in other comprehensive income of the investee that cannot be reclassified into profits or losses under the equity method							
	<ol><li>Other comprehensive income that will be classified into profits or losses</li></ol>	-28,762,895.01	-821,639.89			-821,639.89		-29,584,534.90
	Including: share in other comprehensive income of the investee that will be reclassified into profits or losses under the equity method							
	Profit or loss from the change in fair value of available-for-sale financial assets							
	Profit or loss from the reclassification of held-to-maturity investments as available-for-sale financial assets							
	Effective portion of profit or loss from cash flow hedging							
	Translation differences of foreign currency financial statements	-28,762,895.01	-821,639.89			-821,639.89		-29,584,534.90
	Total of other comprehensive income	-28,762,895.01	-821,639.89			-821,639.89		-29,584,534.90

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#### 5.41 Special reserves

Item	Balance as at January 1, 2017	Increase in 2017	Decrease in 2017	Balance as at December 31, 2017
Work safety expenses	45,314,931.41	59,240,849.08	54,497,237.50	50,058,542.99
Total	45,314,931.41	59,240,849.08	54,497,237.50	50,058,542.99

Remark: The special reserves increased in this year of the company referred to the work safety expenses calculated and withdrawn in accordance with the Circular on Issuing the Administrative Measures for the Withdrawal and Use of Work Safety Expenses of Enterprises (CQ [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety.

#### 5.42 Surplus reserve

Item	Balance as at January 1, 2017	Increase in 2017	Decrease in 2017	Balance as at December 31, 2017
Statutory surplus reserves	769,092,997.56	5,820,924.60		774,913,922.16
Discretionary surplus reserves				
Reserve funds				
Enterprise development funds				
Others				
Total	769,092,997.56	5,820,924.60		774,913,922.16

Remark: In accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, the Company withdraws the statutory surplus reserves at 10% of the annual net profit. When the accumulated amount of statutory surplus reserves accounts for over 50% of the registered capital, no withdrawal of the statutory surplus reserves is allowed. Upon approval, the statutory surplus reserves can be used to cover the deficit, or increase the capital stock. According to the resolution of the board of directors, the Company shall withdraw the statutory surplus reserves at 10% of the net profit presented in the financial statements of the parent company in 2017.

# 5.43 Undistributed profits

Item	Year 2017	Year 2016
Undistributed profits at the end of the previous period before adjustment	9,193,484,301.02	11,156,346,701.91
Total adjustments to undistributed profits at the beginning of the year (+ for increase and - for decrease)		
Undistributed profits at the beginning of the year after adjustment	9,193,484,301.02	11,156,346,701.91
Plus: net profit attributable to owners of the parent company in current period	673,079,118.85	-1,784,306,804.76
Less: withdrawal of statutory surplus reserves	5,820,924.60	38,341,574.05
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		1999 (1997) (199
Common stock dividend payable		140,214,022.08
Ordinary share dividends transferred to capital stock		
Undistributed profits at the end of the period	9,860,742,495.27	9,193,484,301.02

# 5.44 Minority Interest

Subsidiary	Proportion of minority interest (%)	Amount as at December 31, 2017	Balance as at January 1, 2017
Eastern Boiler Control Co., Ltd.	49.00	78,850,680.29	76,973,231.48
Chengdu Dongfang KWH	38.58	115,635,846.77	116,610,977.02
Controlling company	0.50	985,966.01	983,157.85
Dongfang Electric Machinery Tools & Mould			
Co., Ltd.	0.685	111,219.79	83,726.27
DEC Venezuela Company	1.00	40.68	98.29
Dongfang Electric (Tianjin) Wind Blade			
Engineering Co., Ltd.	49.64	126,965,620.39	123,418,171.62
DFHM	34.8187	593,582,598.63	576,539,565.13
DENE	33.00	12,907,897.68	29,979,772.85
DBC	0.335	17,562,219.99	16,874,026.67
Total		946,602,090.23	941,462,727.18

Remark: Hereinafter referred to as the DEMTM.

#### 5.45 Net current assets

Itom	Amount as at	Balance as at
Item	December 31, 2017	January 1, 2017
Current assets	67,702,526,907.56	72,637,075,446.01
Less: current liabilities	52,974,086,098.54	59,289,960,317.56
Net current assets	14,728,440,809.02	13,347,115,128.45

#### 5.46 Total assets less current liabilities

Item	Amount as at	Balance as at
Item	December 31, 2017	January 1, 2017
Total assets	78,920,765,722.56	84,702,600,301.42
Less: current liabilities	52,974,086,098.54	59,289,960,317.56
Total assets less current liabilities	25,946,679,624.02	25,412,639,983.86

# 5.47 Debit and credit

# 5.47.1 Information of debit and credit of the Company is as below:

	¥	
Item	Amount as at	Balance as at
Item	December 31, 2017	January 1, 2017
Short-term borrowings	201,628,570.50	284,500,000.00
Non-current liabilities maturing		
within one year	528,320,000.00	731,379,338.40
Long-term borrowings	42,040,000.00	536,940,000.00
Long-term payables		16,537,992.70
Total	771,988,570.50	1,569,357,331.10

#### 5.47.2 Analysis on debit and credit

Item	Amount as at	Balance as at
	December 31, 2017	January 1, 2017
Bank borrowings	771,988,570.50	1,544,580,000.00
Borrowings must be repaid within five		
years	771,988,570.50	1,544,580,000.00
Sub-total	771,988,570.50	1,544,580,000.00
Other borrowings and payables		24,777,331.10
Total	771,988,570.50	1,569,357,331.10

#### 5.47.3 Analysis on the debit and credit on the due date

Item	Amount as at December 31, 2017	Balance as at January 1, 2017
Repay within 1 year as required	729,948,570.50	1,015,879,338.40
1 - 2 years	24,940,000.00	520,239,338.40
2 - 5 years	17,100,000.00	33,238,654.30
Over 5 years	and the second	
Total	771,988,570.50	1,569,357,331.10

#### 5.48 Operating revenue and operating costs

The sec	Amount incurred in 2017		Amount incurred in 2016	
Item	Revenue	Cost	Revenue	Cost
Sub-total of primary business	30,551,301,037.80	25,093,199,274.96	33,108,359,821.73	29,164,503,964.42
Sub-total of other business	278,929,393.11	210,092,630.08	177,363,986.61	113,262,106.24
Total	30,830,230,430.91	25,303,291,905.04	33,285,723,808.34	29,277,766,070.66

Remark: Total operating revenue of top five customers of the Company in 2017 amounted to RMB 4,792,625,983.75, accounting for 15.53% of the total of overall operating revenue in the whole year of 2017; total operating revenue of top five customers of the Company in 2016 amounted to RMB 4,229,237,899.18, accounting for 12.70% of the total of overall operating revenue in the whole year of 2016; in 2017, details of operating revenue of top five customers are as below:

Unit name	Operating revenue	Proportion in the total operating income
Rank 1	1,154,291,082.05	3.74%
Rank 2	1,104,934,420.22	3.58%
Rank 3	1,005,900,054.14	3.26%
Rank 4	786,645,726.50	2.55%
Rank 5	740,854,700.84	2.40%
Total	4,792,625,983.75	15.53%

#### 5.49 Taxes and surcharges

Item	Amount incurred in 2017	Amount incurred in 2016
Urban construction and maintenance tax	104,928,578.40	144,562,763.87
Property tax	59,405,149.41	61,720,348.54
Educational surtax	45,617,378.36	62,447,972.40
Stamp duty	37,185,987.14	32,733,514.68
Land use tax	30,445,716.62	31,834,232.87
Local educational surtax	30,182,850.52	41,188,674.17
Bund protection fees	317,781.73	456,593.62
Vehicle and vessel use tax	257,489.07	362,199.30
Special funds for water conservancy construction	24,591.23	780,413.38
Price adjustment funds		14,303.52
Disabled security funds		860,606.97
Others	317,927.25	750,127.26
Total	308,683,449.73	377,711,750.58

#### 5.50 Selling and distribution expenses

Item	Amount incurred in 2017	Amount incurred in 2016
Product quality service fee	535,778,194.33	1,126,545,656.11
Employee compensation payable	229,094,922.53	218,627,127.08
Travel expenses	43,473,158.33	49,855,077.24
Others	45,589,051.53	51,930,087.66
Total	853,935,326.72	1,446,957,948.09

# 5.51 General and administrative expenses

Itom	Amount incurred	Amount incurred
Item	in 2017	in 2016
Employee compensation payable	1,423,614,228.72	1,392,532,425.23
Research and development expenditures	1,196,468,795.69	1,285,959,003.86
Repair charges	238,700,919.13	231,542,718.41
Depreciation costs	169,390,141.16	187,689,899.84
Work safety expenses	61,761,130.12	60,859,979.68
Travel expenses	51,839,589.90	56,932,958.38
Rental fees	47,530,681.36	57,050,515.89
Property management fees	41,452,896.77	50,196,234.72
Amortization of intangible assets	32,264,422.16	38,033,793.91
Hydroelectric power cost	26,886,864.75	38,758,458.30
Entertainment expense	15,552,827.05	17,390,729.84
Telecommunications fees	8,550,546.35	8,229,119.06
Taxes		5,531,754.76
Others	295,851,074.57	131,972,591.57
Total	3,609,864,117.73	3,562,680,183.45

# 5.52 Financial expenses

Category	Amount incurred	Amount incurred
	in 2017	in 2016
Interest expenses	33,181,970.48	61,173,051.70
Less: interest revenue	566,489,396.17	494,928,928.64
Gains or losses on exchange	269,943,660.08	-209,304,776.25
Plus: other expenditure	-46,330,815.95	1,603,476.24
Total	-309,694,581.56	-641,457,176.95

# 5.52.1 Breakdown of interest expenses

Item	Amount in 2017	Amount in 2016
Bank borrowings and overdraft interest	32,671,378.74	59,585,573.09
Bond interest calculated at the real interest rate		
Bill discounting interest	510,591.74	480,643.71
Finance lease expenses		1,106,834.90
Sub-total	33,181,970.48	61,173,051.70
Less: capitalized interest		
Total	33,181,970.48	61,173,051.70

#### 5.52.2 Breakdown of interest revenue

Dicardon of interest revenue		
Item	Amount in 2017	Amount in 2016
Interest revenue from bank deposits	566,489,396.17	494,928,928.64
Total	566,489,396.17	494,928,928.64

#### 5.53 Losses from asset impairment

Item	Amount incurred in 2017	Amount incurred in 2016
I. Provision for bad debts	-400,928,725.73	296,806,461.13
II. Provision for inventory depreciation	1,139,960,752.88	1,188,842,215.54
III. Provision for impairment of available-for-sale financial assets		
IV. Provision for impairment of held-to-maturity investments		
V. Provision for impairment of long-term equity investments		
VI. Provision for impairment of investment properties		
VII. Provision for impairment of fixed assets	3,191,155.95	11,988,857.61
VIII. Provision from impairment of project materials		
IX. Provision for impairment of construction in progress		
X. Provisions for impairment of productive biological assets		
XIII. Provision for impairment of goodwill		
XIV. Provision for other impairment		
Total	742,223,183.10	1,497,637,534.28

# 5.54 Income from changes in fair value

Source of income from changes in fair value	Amount incurred in 2017	Amount incurred in 2016
Financial assets measured at fair value through the current profit or loss	-10,293,217.01	-365,916.99
Including: income from changes in fair value arising from derivative financial instruments	-3,157,657.59	3,157,657.59
Financial liabilities measured at fair value through the current profit or loss	4,660,705.09	-4,529,410.48
Including: income from changes in fair value arising from derivative financial instruments	4,660,705.09	-4,529,410.48
Investment property measured at fair value		
Others		
Total	-5,632,511.92	-4,895,327.47

#### 5.55 Investment income

Item	Amount incurred in 2017	Amount incurred in 2016
Long-term equity investment income calculated by the equity method	177,430,326.44	246,351,801.03
Investment income from the disposal of long-term equity investments		
Investment income from financial assets measured at fair value through the current profit or loss incurred during the holding period	1,259,495.40	-1,827,105.42
Investment income from the disposal of financial assets measured at fair value through the current profit or loss	7,023,725.12	
Investment income from available-for-sale financial assets during the holding period		
Investment income from available-for-sale financial assets during the holding period		10,000.00
Investment income from the disposal of available-for-sale financial assets		
Gains from the remaining equities re-measured at the fair value after the loss of the right of control		
Investment income from the disposal of disposed asset portfolio constituting the business		
Total	185,713,546.96	244,534,695.61

Remark: In 2017, investment income referred to the investment income relating to listing investment and non-listing investment, which respectively amounted to RMB 6,931,697.11 and RMB 178,781,849.85.

# 5.56 Income from asset disposal

Item	Amount incurred in 2017	Amount incurred in 2016	Amount included in non-recurring profit or loss in the current period
Gains on the disposal of fixed assets	23,959,251.61	3,360,087.95	23,959,251.61
Gains from the disposal of other assets		45,988.62	
Losses on the disposal of fixed assets	-7,008,577.13	-8,842,983.53	-7,008,577.13
Total	16,950,674.48	-5,436,906.96	16,950,674.48

#### 5.57 Other income

Subsidy project	Amount incurred in 2017	Amount incurred in 2016	Related to assets/income
Related to income			
Insurance subsidy for the first (set) major technology equipment in 2017	13,620,000.00		Related to income
Research and development projects relating to CFR600 faster reactor	173,791.79		Related to income
Financial interest subsidies	308,550.00		Related to income
A large tax-paying account of the bureau of industry and information in Deyang Economic Technological Development Area	700,000.00		Related to income

Subsidy project	Amount incurred in 2017	Amount incurred in 2016	Related to assets/income
Industrial development funds at the city level allocated by Deyang Municipal Finance Bureau (Payment Center)	500,000.00		Related to income
Rewards of Deyang Economic and Information Technology Commission	200,000.00		Related to income
Research and development of the steam generator, the major equipment for demonstration fast breeder reactor of nuclear power- generation IV	5,180,536.79		Related to income
Scientific research grants	32,049,623.45		Related to income
Social insurance subsidy granted by Nansha Finance Bureau	5,036.76		Related to income
Other grants	12,805,185.43		Related to income
Tax returns	4,397,105.67		Related to income
Special funds for foreign economic and trade development of Deyang Municipal Finance Bureau (Payment Center)	1,148,000.00		Related to income
Related to assets			
Financial interest subsidies	340,000.00		Related to assets
Design of the complete equipment of large-scale half-speed saturated steam turbine generator unit	23,521.36		Related to assets
Scientific research grants	1,113,070.88		Related to assets
Other grants	1,699,080.00		Related to assets
Refund of value-added tax of three-line enterprises	27,039,731.10		Related to assets
Total	101,303,233.23		

In 2017, the other income of the Company included in the non-recurring profit or loss amounted to RMB 101,303,233.23.

# 5.58 Non-operating income

Item	Amount incurred in 2017	Amount incurred in 2016	Amount included in non-recurring profit or loss in the current period
Gains from debt restructuring	136,707,204.50	20,622,378.52	136,707,204.50
Donations received	173,191.69		173,191.69
Government grants	46,986,123.61	180,374,099.82	46,986,123.61
Revenues from liquidated damages and compensation	7,750,574.16	2,619,148.86	7,750,574.16
Net amercement income	8,207,983.62	4,053,242.45	8,207,983.62
Others	16,613,444.81	8,347,599.58	16,613,444.81
Total	216,438,522.39	216,016,469.23	216,438,522.39

Remark: In 2017, Non-operating income of the Company included in the non-recurring profit or loss amounted to RMB 216,438,522.39 (In 2016, the same amounted to RMB 216,016,469.23).

Government grants included in the non-operating income

Project	Amount incurred in 2017	Amount incurred in 2016	Related to assets/income
Subsidies for the first equipment in 2017	6,520,000.00		Related to income
Subsidy for stabilizing posts	4,210,801.94	13,868,199.20	Related to income
Expenditure on scientific research	2,441,939.48		Related to income
Financing interest discount for export order and subsidy for short-term export credit insurance premium	1,921,179.22	4,665,100.00	Related to income
Subsidy for Guangzhou Academician Workstation	1,000,000.00		Related to income
First batch of projects funds for provincial science and technology plan in 2017	1,000,000.00		Related to income
Rewards and funds of energy conservation and emissions reduction		12,000,000.00	Related to income
Related subsidies of high-end equipment		3,722,000.00	Related to income
Subsidy for reform of Mianzhu public rental housing		1,331,000.00	Related to income
Software-related drawback		5,749,144.62	Related to income
Tax rebates for property tax, land use tax, enterprise income tax and others.		2,474,942.50	Related to income
Rewards for introduction of business and investment		1,080,000.00	Related to income
Transfer-in of deferred income (related to income)	17,965,832.11	78,454,383.91	Related to income
Transfer-in of deferred income (related to assets)	6,973,821.99	50,046,416.59	Related to assets
Others	4,952,548.87	6,982,913.00	Related to income
Total	46,986,123.61	180,374,099.82	

#### 5.59 Non-operating expenses

Item	Amount incurred in 2017	Amount incurred in 2016	Amount included in non-recurring profit or loss in the current period
Expenditure on indemnity, liquidated damages and amercement outlay	266,919,813.44	79,342,196.60	266,919,813.44
Expected contract losses	27,460,752.32	74,541,863.37	27,460,752.32
Inventory losses		30,226.04	
External donations	58,873.79		58,873.79
Others	8,837,738.37	4,796,150.28	8,837,738.37
Total	303,277,177.92	158,710,436.29	303,277,177.92

(1) In 2017, the non-operating expenses of the Company increased by RMB 144,536,622.03 compared with the same in the previous year, recording 1.91-time increase. Such increase was mainly caused by the increase in indemnity, liquidated damages and amercement outlay in 2017.

(2) In 2017, the amount included in the non-recurring profit or loss was RMB 303,277,177.92 (The same in the previous year was RMB 158,710,436.29).

#### 5.60 Income tax expenses

#### 5.60.1 Table of income tax expenses

Item	Amount incurred in 2017	Amount incurred in 2016
Current income tax expenses	109,221,959.00	140,616,398.23
Including: China	97,722,879.64	131,712,555.83
India	1,964,696.41	163,923.17
Other regions	9,534,382.95	8,739,919.23
Deferred income tax expenses	-258,868,341.09	-325,242,005.61
Total	-149,646,382.09	-184,625,607.38

#### 5.60.2 Reconciliation statement on income tax expenses and total profit

The income tax expense is determined by adjusting the income tax calculated based on the total profit in the consolidated income statement under applicable tax rate:

Item	Amount in 2017
Total profit	533,423,317.37
Income tax calculated at the statutory tax rate	133,355,829.34
Effect of tax payment of tax-exempt income	-48,955,231.98
Tax payment effect of non-deductible expenses	39,552,601.51
Tax preference	-75,298,009.84
Including: additional deduction in R&D expenses	-67,859,858.85
Income tax subject to reduction and exemption	8,456,658.70
Tax payment effect of unrecognized deductible losses and deductable temporary difference	-80,768,867.75
Effect of the inconsistency in tax rate of the Company	-128,490,616.63
Tax payment effect of adopting the unrecognized deductible losses and deductable temporary difference in previous years	1,972,882.83
Difference in the final settlement for the previous year	528,371.73
Changes in the balance of deferred income tax assets/liabilities at the beginning of the year caused by tax rate	
Total	-149,646,382.09

# 5.61 Items in the statement of cash flows

# 5.61.1 Cash received from other operating activities

Item	Amount in 2017	Amount in 2016
Interest revenue	562,352,273.92	418,940,622.25
government grants	90,409,071.71	223,661,626.35
Advance payment for collection	5,208,036.11	8,220,798.39
Security deposit	153,474,666.87	83,290,934.43
Collection trusted	73,573,346.89	45,353,538.99
Others	217,493,997.82	25,178,068.79
Total	1,102,511,393.32	804,645,589.20

#### 5.61.2 Cash paid for other operating activities

Item	Amount in 2017	Amount in 2016
Operating expenses	802,970,641.12	1,117,610,178.98
Payment of the advance payment	416,965,146.60	56,909,172.83
Payment of security deposit	90,856,038.29	68,882,887.91
Payment of pretty cash	16,788,640.98	10,187,663.51
Others	264,388,522.94	4,579,748.80
Total	1,591,968,989.93	1,258,169,652.03

# 5.61.3 Cash paid for other financing activities

Item	Amount in 2017	Amount in 2016
Leaseback rent and handling charges	4,119,669.20	2,209,834.60
Total	4,119,669.20	2,209,834.60

# 5.62 Supplementary information to statement of cash flows

# 5.62.1 Supplementary information to statement of cash flows

83,069,699.46 42,223,183.10 40,791,046.75 52,231,353.78 485,304.30 18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	-1,759,438,400.27 1,414,980,480.42 1,025,042,109.42 61,969,923.85 514,304.30 5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
42,223,183.10 40,791,046.75 52,231,353.78 485,304.30 18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	1,414,980,480.42 1,025,042,109.42 61,969,923.85 514,304.30 5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
42,223,183.10 40,791,046.75 52,231,353.78 485,304.30 18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	1,414,980,480.42 1,025,042,109.42 61,969,923.85 514,304.30 5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
40,791,046.75 52,231,353.78 485,304.30 18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	1,025,042,109.42 61,969,923.85 514,304.30 5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
52,231,353.78 485,304.30 18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	61,969,923.85 514,304.30 5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
485,304.30 18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	514,304.30 5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
18,205,157.42 1,254,482.94 5,632,511.92 43,557,441.86	5,398,820.43 38,086.53 4,895,327.47 -118,370,386.23
1,254,482.94 5,632,511.92 43,557,441.86	38,086.53 4,895,327.47 -118,370,386.23
1,254,482.94 5,632,511.92 43,557,441.86	38,086.53 4,895,327.47 -118,370,386.23
1,254,482.94 5,632,511.92 43,557,441.86	38,086.53 4,895,327.47 -118,370,386.23
5,632,511.92 43,557,441.86	4,895,327.47 -118,370,386.23
5,632,511.92 43,557,441.86	4,895,327.47 -118,370,386.23
43,557,441.86	-118,370,386.23
43,557,441.86	-118,370,386.23
05 712 546 06	044 CO 4 CO 5 (1
85,713,546.96	-244,534,695.61
59,526,566.55	-317,724,963.10
658,237.98	-7,520,382.43
47,578,293.18	6,459,958,809.35
46,246,916.53	2,531,364,161.56
50,043,706.19	-91,483,001.64
50,239,494.68	8,965,090,194.05
÷	+50,239,494.00

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Supplementary information	Amount in 2017	Amount in 2016
3. Net change in cash and cash		
equivalents		
Ending balance of cash	27,871,470,293.71	28,394,277,304.32
Less: beginning balance of cash	28,394,277,304.32	21,066,533,111.81
Plus: ending balance of cash equivalents		
Less: beginning balance of cash		
equivalents		
Net increase in cash and cash		
equivalents	-522,807,010.61	7,327,744,192.51

# 5.62.2 Net cash received from the disposal of subsidiaries in 2017

	Amount
Cash or cash equivalents received in 2017 from the disposal of	
subsidiaries in the same period	
Less: cash and cash equivalents held by subsidiaries on the date of	
losing the right of control	517,349.04
Including: Dongfang Electric New Energy Equipment (Hangzhou)	
Co., Ltd.	517,349.04
Plus: cash or cash equivalents from the disposal of subsidiaries in	
prior years but received in 2017	·
Net cash received from the disposal of subsidiaries	-517,349.04

#### 5.62.3 Breakdowns of cash and cash equivalents

Item	Balance as at	Balance as at
110111	December 31, 2017	January 1, 2017
I. Cash	27,871,470,293.71	28,394,277,304.32
Including: cash on hand	1,682,112.18	2,718,102.76
Unrestricted bank deposit	27,826,246,688.12	28,373,012,406.14
Other unrestricted monetary funds	43,541,493.41	18,546,795.42
Unrestricted deposits in central bank		
Deposits in banks and other financial		
institutions		
Loans from banks and other financial		
institutions	•	
II. Cash equivalents		
Including: bond investments maturing		
within three months		
III. Ending balance of cash and cash		
equivalents	27,871,470,293.71	28,394,277,304.32
Including: cash and cash equivalents		
with restricted use right by parent		
company or subsidiaries of the Group		

# 5.63 Assets with restrictions on the ownership or use right

Item	Book value as at December 31, 2017	Reason for restriction
		Performance guarantee, bank acceptance bill
Monetary funds	12,576,310.23	and other security deposits
Notes receivable	2,670,000.00	Pledged
Inventories		
Fixed assets	162,609,335.72	Used for mortgage borrowings
Intangible assets	21,501,645.98	Used for mortgage borrowings
Total	199,357,291.93	

#### 5.64 Foreign currency monetary items

	Balance in foreign	Exchange rate	Balance of RMB
Item	currency as at	of conversion	converted as at
	December 31, 2017	or conversion	December 31, 2017
Monetary funds			1,713,506,384.63
Including: USD	251,155,556.46	6.5342	1,641,100,637.01
EUR	5,670,621.46	7.8023	44,243,889.82
HKD	35,797.77	0.8359	29,923.36
JPY	4,599,835.41	0.0579	266,330.47
INR	142,500,320.78	0.102	14,535,032.72
PKR	209,749,711.95	0.0594	12,459,132.89
VND	93,559,466.67	0.0003	28,067.84
IDR	1,159,989,480.00	0.0005	579,994.74
ZAR	1,475,483.33	0.0006	885.29
Others	331,385.54	0.7921	262,490.49
Accounts receivable			65,984,487.23
Including: USD	9,140,893.84	6.5342	59,728,428.54
EUR	380,056.90	7.8023	2,965,317.97
INR	32,262,163.92	0.102	3,290,740.72
Other receivables			67,167,859.05
Including: USD	1,912,089.58	6.5342	12,493,975.73
EUR	697,074.39	7.8023	5,438,783.51
INR	499,852.94	0.102	50,985.00
PKR	9,624,396.63	0.0594	571,689.16
VND	743,913,666.67	0.0003	223,174.10
BAM	9,795,402.40	3.9869	39,053,289.81
SEK	11,785,124.15	0.7921	9,334,996.84
Others	877,181.82	0.0011	964.9
Accounts payable			297,684,517.79
Including: USD	18,854,460.12	6.5342	123,198,813.33
EUR	16,041,548.26	7.8023	125,160,971.95
HKD	116,820.61	0.8359	97,650.35
ЈРҮ	705,915,403.11	0.0579	40,872,501.84
PKR	1,964,996.97	0.0594	116,720.82
CAD	914,012.23	6.6761	6,102,037.08
Others	316,329.10	6.7519	2,135,822.42
Other payables			46,578,606.71
Including: USD	1,855,398.90	6.5342	12,123,547.49
EUR	125,513.75	7.8023	979,295.93
НКД	17,867.20	0.8359	14,935.19
INR	200,495.78	0.102	20,450.5
PKR	297,524,914.65	0.0594	17,672,979.93
VND	52,556,391,100.00	0.0003	15,766,917.33
Others	800,450.00	0.0006	480.27

# 5.65 Audit expenses

In 2017, the audit expense was RMB 1.80 million (2016: RMB 1.80 million).

# 5.66 Depreciation and amortization

Depreciation/amortization recognized in 2017 amounted to RMB 993,507,704.83 (2016: RMB 1,087,526,337.57).

#### 5.67 Expenditure on operating rents

In 2017, the expenditure on operating rents was RMB 38,331,029.91 (2016: RMB 74,810,442.32), of which the rent expenditure on industrial installment and machinery was RMB 0 (2016: RMB 1,202,330.10).

#### 5.68 Rent revenue

In 2017, revenue from land and building leasing was RMB 6,806,574.72 (2016: RMB 6,629,906.30).

#### 6. Changes in the scope of combination

- 6.1 Business combination not under common control None.
- 6.2 Business combination under common control None.
- 6.3 Counter purchase None.
- 6.4 Disposal of subsidiaries None.

#### 6.5 Changes in scope of consolidation due to other reasons Subsidiary subject to bankruptcy liquidation in 2017

No.	Enterprise name	Registration place	Business nature	Shareholding ratio (%)	Voting ratio (%)	Reason for no longer being a subsidiary in 2017
1	Dongfang Electric Hangzhou New Energy Company	Hangzhou, Zhejiang	Machine manufacturing	100	100	Bankruptcy liquidation

Remark: In Many 2017, upon the application by DFEM Control Equipment Co., Ltd., according to the written decision [(2017) Z 0109 P No. 22] issued by Xiaoshan District People's Court in Hangzhou, Dongfang Electric Hangzhou New Energy Company was subject to the bankruptcy liquidation according to law. The written decision also designate Zhejiang Zeda Law Firm as the bankruptcy administrator. At the end of this period, Hangzhou New Energy did not be included in the scope of consolidation.

#### 6.6 Others

None.

#### 7. Equity in other entities

# 7.1Equity in subsidiaries

#### 7.1.1 Structure of the enterprise group

<b>A 1</b> / <b>1</b>	Main business	<b>D</b>		Shareholding	ratio (%)	Method of
Subsidiary	place	Registration place	Business nature	Direct	Indirect	acquisition
		Deyang City, Sichuan				
DTC	Deyang, Sichuan	Province	Production	100,00		Reinark 1
DBC	Zigong, Sichuan	Zigong, Sichuan	Production	99.67		Reinark 1
	Guangzhou,	Guangzhou,				
DFHM	Guangdong	Guangdong	Production	51.05	14.14	Remark 1
DEWBE	Tianjin	Tianjin	Production		50.36	Remark 1
DENE	Wuhan, Hubei	Wuhan, Hubei	Production	67.00		Remark 2
DFEM	Deyang, Sichuan	Deyang, Sichuan	Production	100.00		Remark 3

	Main business		_	Shareholding	ratio (%)	Method of
Subsidiary	place	Registration place	Business nature	Direct	Indirect	acquisition
DEC India						
Company	Calcutta, India	Calcutta, India	Service	100.00		Remark 3
Chengdu						
Dongfang						١
KWH	Chengdu, Sichuan	Chengdu, Sichuan	Production		61.42	Remark 3
	Shenzhen,					
EBC	Guangdong	Shenzhen, Guangdong	Production		51.00	Remark 3
DCE	Deyang, Sichuan	Deyang, Sichuan	Production		99.50	Remark 3
DEMTM	Deyang, Sichuan	Deyang, Sichuan	Production		99.32	Remark 3
Dongfang						
Electric						
(Tianjin) Wind						
Power						
Technology						
Co., Ltd.	Tianjin	Tianjin	Production		100.00	Remark 3
Tongliao Wind						
Power	Tongliao, Inner	Tongliao, Inner			100.00	
Company	Mongolia	Mongolia	Service		100.00	Remark 3
DEC (Jiuquan)	-					
New Energy						
Co., Ltd. (Remark 4)	Jiuquan, Gansu	Jiuquan, Gansu	Production		100.00	Remark 3
	Juquan, Cansu	Juquan, Cansu	Troutenou		100.00	Remark 5
Hulunbeir New	Hulunbeir,					
Energy Company	Mongolia	Hulunbeir, Mongolia	Production		100.00	Remark 3
DEWP	Deyang, Sichuan	Deyang, Sichuan	Production	45.12	54,88	Remark 3
	Deyang, Stelluar	Deyarg, Stendar	Froduction	45.12		Kellak J
DEC Indonesia	Distrate					
Company (Remark 5)	Djakarta, Indonesia	Djakarta, Indonesia	Service	95.00		Remark 3
				,5,00		
DEC Venezuela Company	Venezuela	Venezuela	Project service		99.00	Remark 3
Dongtan Turbine						
CO.LTD Resin						
Division	Deyang, Sichuan	Deyang, Sichuan	Production		100.00	Remark 3
Dongtan	······					
Electric						
(Liangshan)						
Wind Power	Liangshan,					
Co., Ltd.	Sichuan	Liangshan, Sichuan	Production		100.00	Remark 3

Remark 1: A subsidiary acquired from the business combination under common control;

Remark 2: A subsidiary acquired from the business combination not under common control;

Remark 3: A subsidiary acquired by establishment or investment;

Remark 4: DEC (Jiuquan) New Energy Co., Ltd. is hereinafter referred to as Jiuquan New Energy Company;

Remark 5: The authorized registered capital of DEC Indonesia Company is USD 2 million, which includes the investment of USD 1.9 million made by the Company, accounting for 95.00% of the registered capital, and the investment of USD 100,000 made by PT.Dally Energy, accounting for 5% of the registered capital. As at December 31, 2017, DEC Indonesia Company only received the investment of USD 1.90 million from the Company. According to the articles of association of DEC Indonesia Company, a shareholder may not enjoy any shareholder-related right before provide the investment; as a result, the Company may enjoy the shareholder-related right in DEC Indonesia Company with 100% before the minority shareholder of DEC Indonesia Company makes relevant investment.

Remark 6: Dongfang Boiler Group Co., Ltd. is a joint stock limited company (non-listed), and subsidiaries mentioned above are limited liability companies.

Subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders in 2017	Dividends declared to be distributed to minority shareholders in 2017	Balance of minority interest as at December 31, 2017
DFHM	34.8187 %	22,074,359.65	4,990,378.09	593,582,598.63
Chengdu Dongfang KWH	38.58%	438,743.43		115,635,846.77
DEWBE	49.64%	3,024,391.63		126,695,620.39
EBC	49.00%	2,167,499.71		78,850,680.29
DENE	33.00%	-17,048,324.88		12,907,897.68
DBC	0.335%	795,943.21	107,541.60	17,562,219.99
DEC Indonesia Company	5.00%			

#### 7.1.2 Major non-wholly-owned subsidiaries

# 7.1.3 Main financial information on major non-wholly-owned subsidiaries Monetary Unit: RMB '0,000

and a mine mine a manager	22262											
		E	3alance as at De	Balance as at December 31, 2017					Balance as at January 1, 2017	nuary 1, 2017		
Subsidiary		Non-current	- -	current	Non-current	Total		Non-current	Later Later	current	Non-current	Total
	Current assets	assets	I OTAL ASSETS	liabilities	liabilities	liabilities		assets	I O(AI ASSEIS	liabilities	liabilities	liabilities
DFHM	246,245.21	117,160.54	363,405.75	168,117.95	24,809.69	192,927.64	231,235.12	130,860.42	362,095.54	173,564.53	22,947.69	196,512.22
Chengdu Dongfang KWH	31,414.35	12,046.76	43,461.11	10,366.26	2,484.62	12,850.88	36,837.22	13,620.66	50,457.88	15,559.18	4,434.72	19,993.90
DEWBE	46,671.22	14,924.84	61,596.06	32,384.54	3,032.50	35,417.04	63,816.05	15,742.02	79,558.07	50,972.60	3,121.09	54,093.69
EBC	31,658.21	3,391	35,049.30	18,592.61	200.00	18,792.61	30,932.40	3,603.89	34,536.29	18,521.95	200.00	18,721.95
DENE	15,973,47	21,921.10	37,894.57	28,944.61	5,038.48	33,983.09	13,904.86	23,968.76	37,873.62	23,550.99	5,237.84	28,788.83
DBC	1,811,233.90	257,860.74	257,860.74 2,069,094.64	1,444,896.52		80,320.38 1,525,216.90 2,073,811.62	2,073,811.62		260,689.53 2,334,501.15 1,738,484.55	1,738,484.55	72,779.37	1,811,263.92
DEC Indonesia Company	804.33	1.08	805.41	1.31		1.31	1,067.65	1,29	1,068.94	16.36		16.36

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Continued:

		Amount incu	Amount incurred in 2017			Amount i	Amount incurred in 2016	
Subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
DFHM	100,014.00	6,339.80	6,339.80	2,443.74	105,369.33	5,308.32	5,308.32	-7,511.97
Chengdu Dongfang KWH	16,402.61	113.72	113.72	1,888.54	28,789.43	-4,809.79	-4,809.79	1,407.23
DEWBE	38,747.26	609.27	609.27	-1,503.25	69,119.56	3,059.95	3,059.95	7,691.89
EBC	22,397.08	442.35	442.35	3,968.51	23,532.13	66.97	66.97	3,609.50
DENE	6,342.27	-5,166.16	-5,166.16	-1,650.66	3,847.99	-4,962.45	-4,962.45	-3.09
DBC	1,072,051.81	23,845.51	41,034.25	-29,635.22	1,129,925.03	6,525.22	6,525.22	196,087.00
DEC Indonesia Company	28.59	-172.58	-248.48	-142.69	22.90	-158.73	-61.37	-191.57

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#### 7.2Equity in joint venture arrangements or associates

7.2.1 Major joint ventures or associates

				Shareholding	ratio (%)	Accounting
Name of joint venture or associate	Principal place of business	Registration place	Business nature	Direct	Indirect	treatment method in investments in joint ventures or associates
MHPS Dongfang Boiler Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Production		50,00	Equity method
DEC AREVA Company	Deyang, Sichuan	Deyang, Sichuan	Production	50.00		Equity method
Dongfang Mitsubishi Gas Turbine Company	Nansha, Guangzhou	Nansha, Guangzhou	Production		49.00	Equity method
Dongle Heavy Lifting Company	Lushan, Sichuan	Leshan City	Cargo transport	alarlan an an 1186 81 116 (d am anna 2411) 81 81	49.00	Equity method
Sichuan Energy Wind Power Development Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Power station development	20.00		Equity method
Huadian Longkou Wind Power Co., Ltd.	Longkou, Shandong	Longkou, Shandong	Power station development	25.00		Equity method
Hongnijing Wind Power Company	Baotou, Inner Mongolia	Baotou, Inner Mongolia	Project management	20.00		Equity method
Zhongdian Fuel Company	Baoshan, Shanghai	Baoshan, Shanghai	Design research and development	12.00		Equity method
Sanshengtai Wind Power Company	Wuchuan, Inner Mongolia	Wuchuan, Inner Mongolia	Project management	20.00		Equity method
Wulan New Energy Company	Wulate Middle Banner, Bayannur, Inner Mongolia	Wulate Middle Banner, Bayannur, Inner Mongolia	Project management	20.90		Equity method
Liangshan Fengguang New Energy Company	Liangshan, Sichuan	Liangshan, Sichuan	Cargo transport		20.00	Equity method

#### 7.2.2 Main financial information on major joint ventures

		December 31, ncurred in 2017	Balance as a 2017/Amount in	•
	MHPS Dongfang Boiler Co. Ltd.	DEC AREVA Nuclear Pump Company	MHPS Dongfang Boiler Co. Ltd.	DEC AREVA Nuclear Pump Company
Current assets	950,434,046.99	1,195,708,828.94	1,016,054,073.80	1,124,908,270.84
Including: cash and cash equivalents	117,604,468.33	703,535,143.57	216,356,686.27	695,664,210.83
Non-current assets	248,179,405.15	126,841,520.75	219,442,269.99	155,962,452.93
Total assets	1,198,613,452.14	1,322,550,349.69	1,235,496,343.79	1,280,870,723.77
Current liabilities	726,367,218.00	760,195,339.45	774,445,842.13	580,519,392.15

	Balance as at 2017/Amount i		Balance as at January 1, 2017/Amount incurred in 2016		
	MHPS Dongfang Boiler Co. Ltd.	DEC AREVA Nuclear Pump Company	MHPS Dongfang Boiler Co, Ltd.	DEC AREVA Nuclear Pump Company	
Non-current liabilities	88,915,704.43	143,110,450.45	94,691,663.14	139,794,924.40	
Total Liabilities	815,282,922.43	903,305,789.90	869,137,505.27	720,314,316.55	
Minority interest					
Equity attributable to shareholders of the parent company	383,330,529.71	419,244,559.79	366,358,838.52	560,556,407.22	
Share of net assets calculated by the shareholding ratio	191,665,265.04	209,622,279.90	183,179,419.44	280,278,203.62	
Adjustment events					
- Unrealized profit from internal transactions					
- Others					
Book value of the equity investment in joint ventures	191,665,265.04	209,622,279.90	183,179,419.44	280,278,203.62	
Fair value of the equity investment of joint ventures with public offer					
Operating revenue	771,170,377.81	285,644,724.85	702,676,417.29	233,207,915.88	
Financial expenses	4,600,989.69	-10,996,209.46	8,921,315.07	-7,423,281.26	
Income tax expenses	3,021,591.74	11,315,816.98	4,005,722.73	-20,393,534.39	
Net profit	24,749,835.25	68,118,830.14	23,914,010.21	74,089,848.96	
Net profit of discontinuing operations					
Other comprehensive income					
Total comprehensive income	24,749,835.25	68,118,830.14	23,914,010.21	74,089,848.96	
Dividends received from joint ventures the current year	3,347,961.43	104,996,971.70	4,410,351.80		

7.2.3 Main financial information on major associates

			Belance as at	December 31 2017/	Belasses as at December 31–2017/Amount incurred in 2017	2017			
			In the south field of the second seco	December 31, 2011		1107			
Item	Dongfang Mitsubishi Dong	Dongle Heavy Lifting		Huadian Longkou	Hongnijing Wind	Zhongdian Fuel	Sanshengtai Wind	Wulan New	Liangshan Fengguang New
	Gas Turbine Company		Power Development Co., Ltd.	Wind Power Co., Ltd.	Power Company	Company	Power Company	Energy Company	Energy Company
Current assets:	1,666,797,457.25	61,021,307.13	1,075,203,384.35	95,571,691.26	99,314,887.69	25,593,497.04	86,206,913.16	43,069,500.66	9,984,422.41
Including: cash and cash									
equivalents	1,004,247,259.86	50,006,434.05	578,165,278.87	8,835,860.27	75,239.33	11,585,208.56	136,885.56	64,175.85	
Non-current assets	264,367,518.37	2,500,193.68	2,891,967,488.62	573,160,624.20	318,213,853.26	100,134,820.14	372,633,710.53	435,173,776.97	
Total assets	1,931,164,975.62	63,521,500.81	3,967,170,872.97	668,732,315.46	417,528,740.95	125,728,317.18	458,840,623.69	478,243,277.63	9,984,422.41
Current liabilities:	741,170,751.69	2,772,476.96	918,991,964.49	165,369,648.42	58,660,247.02	28,461,503.08	90,335,428.67	-51,306,722.37	
Non-current fiabilities			1,699,900,370.89	347,320,000.00	252,248,000.00	1	275,820,000.00	349,550,000.00	
Total liabilities	741,170,751.69	2,772,476.96	2,618,892,335.38	512,689,648.42	310,908,247.02	28,461,503.08	366,155,428.67	298,243,277.63	
Minority interest			92,448,252.51						
Equity attributable to shareholders					de ad fann al feil				
of the parent company	1,189,994,223.93	60,749,023.85	1,255,830,285.08	156,042,667.04	106,620,493.93	97,266,814.10	92,685,195.02	180,000,000.00	9,984,422.41
Share of net assets calculated by the									
shareholding ratio	582,849,570.13	27,803,700.96	255,556,481.06	50,459,812.07	19,846,957.02	11,672,017.69	18,537,039.00	35,322,255.21	1,996,884.48
Adjustment events									
- Unrealized profits of internal									
transactions									
Book value of the equity investment									
in associates	582,849,570.13	27,803,700.96	255,556,481.06	50,459,812.07	19,846,957.02	11,672,017.69	18,537,039.00	35,322,255.21	1,996,884.48
Operating revenue	841,744,068.73	8,151,694.89	309,894,738.87	64,202,716.03	54,482,796.72	141,509.44	31,582,373.13		
Financial expenses	-17,807,260.73	-1,763,897.92	47,017,078.24	13,893,749.13	12,135,061.57	-1,366,526.02	8,857,229.80		
Income tax expenses	41,008,962.20	539,798.24	7,685,935.16						
Net profit	123,138,398.79	3,985,192.53	115,896,217.47	20,715,213.68	20,064,027.46	1,478,652.96	12,685,195.02		-15,577.59
Other comprehensive income									
Total comprehensive income	123,138,398.79	3,985,192.53	115,896,217.47	20,715,213.68	20,064,027.46	1,478,652.96	12,685,195.02		-15,577.59
Dividends received from associates									
in the current year	114,870,982.00		8,625,154.77						

DONGFANG ELECTRIC CORPORATION LIMITED	NOTES TO THE FINANCIAL STATEMENTS	FOR THE YEAR ENDED DECEMBER 31, 2017
DONGFANG ELECTRIC	<b>NOTES TO THE FINANCI</b>	FOR THE YEAR ENDED I

Continued

			Balance a	Balance as at January 1, 2017/ Amount in 2016	/ Amount in 2016			
Item	Dongfang Mitsubishi	Dongfang Mitsubishi Dongle Heavy Lifting	Sichuan Energy Wind Huadian Longkou	Huadian Longkou	Hongnijing Wind Zhongdian Fuel	Zhongdian Fuel	Wulan New	Sanshengtai Wind
	Gas Turbine Company	Company	Power Development Co., Ltd.	WING POWER Co., Ltd.	Power Company	Company	Energy Company	Power 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	414,382,073.2
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	334,382,073.2
Minority interest			80,697,783.73					
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
Share of net assets calculated by the 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
Adjustment events								
<ul> <li>Unrealized profits of internal transactions</li> </ul>					-1,477,141.76		-677,744.79	
Book value of the equity investment in associates	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 revenue	1,185,570,902.37	5,882,914.94	198,099,729.00	46,449,113.82	27,999,734,69			
Financial expenses	3,488,356.57	-626,268.83	41,259,632.70	11,659,460.89	7,574,224.53	-862,387.78		
Income tax expenses	86,141,011.90	71,623.58				102,160.21		
Net profit	268,927,043.13	1,816,333.57	64,982,344.79	13,268,015.22	6,556,466.47	4,510,804.64		
Other comprehensive income								
Total comprehensive income	268,927,043.13	1,816,333.57	64,982,344.79	13,268,015.22	6,556,466,47	4,510,804.64		
Dividends received from associates in the current year	11,634,957.31		6,000,000.00					

Notes to the Financial Statements Page 105

- 7.2.4 Excess losses incurred to joint ventures or associates None.
- 7.2.5 Unconfirmed commitment related to the investment of joint ventures None.
- 7.2.6 Contingent liabilities related to the investment of joint ventures and associates None.

# 8. Risks related to financial instruments

Major financial instruments of the Company include borrowings, receivables, accounts payable, financial assets held for trading, financial liabilities held for trading, and others; for details of each kind of financial instrument, please see Note 3 hereof. Risks related to these financial instruments and risk management policies adopt by the Company to lower these risks are as follows. The management of the Company carries out management and monitoring over these risk exposures to guarantee that the aforesaid risks are under control within a restricted scope.

# 8.1 Various risk management objectives and policies

The Company works on risk management with the purpose of getting a proper balance between the risk and the income, minimizing the adverse impact of the risk on business performance of the Company, and maximizing interests of shareholders and other equity investors. Based on such purpose, the basic strategy for risk management of the Company is to determine and analyze various risks the Company may encounter, set up a proper risk bearing bottom line, implement the risk management, and supervise various risks in a timely and reliable manner to have these risks be controlled within a restricted scope.

# 8.2 Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and price risks.

(1) Exchange rate risk

Foreign exchange risks to be suffered by the Company are mainly relevant to USD, EUR, PKR and INR; except for the purchase and sales of the Company and its major subsidiaries in USD, EUR, PKR and INR, other business of the Company shall be settled in RMB. On December 31, 2017, except for the balance of asset and liability in USD, EUR, PKR and INR and the sporadic balance of asset and liability in JPY and HKD, the balance of asset and liability of the Company shall be presented in RMB. Foreign exchange risk arising from the asset and liability of which balance is in the one of the following currency may affect the business performance of the Company.

	Equivalent Amount	Equivalent Amount
Item	Converted into RMB as	Converted into RMB
	at December 31, 2017.	as at January 1, 2017
Monetary funds - USD	1,641,100,637.01	1,469,664,106.77
Monetary funds - EUR	44,243,889.82	178,421,743.96
Monetary funds - PKR	12,459,132.89	17,244,844.21
Monetary funds - INR	14,535,032.72	19,470,808.33
Monetary funds - other kind of		
currency	1,167,692.19	46,354,773.70
Derivative financial assets	2,084,032.54	3,157,657.59
Accounts receivable - USD	59,728,428.54	708,550,742.53
Accounts receivable - EUR	2,965,317.97	80,003,824.28
Accounts receivable - INR	329,740.72	292,293.64
Accounts receivable - Other kind of		39999-9999 too too too too too too too too too
currency		4,686,541.44
Other receivables - USD	12,493,975.73	5,485,406.05
Other receivables - EUR	5,438,783.51	3,869,497.15

	Equivalent Amount	Equivalent Amount
Item	Converted into RMB as	Converted into RMB
	at December 31, 2017.	as at January 1, 2017
Other receivables - PKR	571,689.16	18,427,777.04
Other receivables - INR	50,985.00	333,051.95
Other receivables - Other kind of		
currency	48,612,425.65	36,099,168.90
Derivative financial liabilities		10,372,195.96
Accounts payable - USD	123,198,813.33	86,924,490.31
Accounts payable - EUR	125,160,971.95	86,731,339.81
Accounts payable - PKR	116,720.82	412,382.52
Accounts payable - Other kind of		
currency	49,208,011.69	32,271,826.88
Other payables - USD	12,123,547.49	12,946,308.11
Other payables - EUR	979,295.93	955,741.60
Other payables - PKR	17,672,979.93	9,651,451.55
Other payables - INR	20,450.57	6,377,391.61
Other payables - Other kind of		
currency	15,782,332.79	33,045,495.59

# (2) Interest risk

The interest rate risk of the Company may be from the bank borrowings, bonds payable and other interest-bearing debts. The financial liability with a floating rate may bring the interest rate risk of cash flows to the Company, and the financial liability with fixed rate may bring the interest rate risk of fair value to the Company. The Company determines the relative proportion of fixed-rate contracts and floating-rate contracts pursuant to the prevailing market conditions. On December 31, 2017, interest-bearing debts of the Company mainly were the fixed-rate contracts measured in RMB, amounting to RMB 771,988,570.50.

The risk relating to the change in cash flows of the financial instruments due to the change in the interest rate is mainly relevant to the bank borrowings with floating rate. The policy adopt by the Company is to keep the floating rate of such borrowings to eliminate the risk in fair value relevant to the change in interest rate.

#### (3) Price risk

The Company sells the power generating equipment at the market price, as a result, it may be affected by the price fluctuation.

#### 8.3 Credit risk

On December 31, 2017, the maximum exposure to credit risk which may cause financial loss of the Company was mainly from the loss from the financial asset of the Company and the financial guarantee borne by the Company due to the failure of the other party to the contract in obligation performance, including:

The book value of the financial assets identified in the consolidated balance sheet; for financial instruments measured at fair value, the book value reflects its risk exposure but is not the maximum risk exposure and its maximum exposure will vary from the future changes in the fair value.

In order to reduce the credit risk, the Company established a special department to determine the line of credit, carry out the credit-related examination and approval and implement other monitor routine to guarantee that necessary measures for collecting overdue debt can be taken. In addition, on each balance sheet date, the Company shall review the collection of each individual receivables to guarantee that the provision for bad debts due to the failure in relevant payment collection can be made. As a result, the management of the Company believes that the credit risk borne by the Company has been minimized.

As the Company's working capital is deposited with banks with high credit ratings, the working capital may have low credit risk.

The Company adopts necessary policies to guarantee that all sale customers are have nice credit records. Except for top five amounts of accounts receivable, the Company has no other significant credit centralized risk.

Top five amounts of accounts receivable amounted to RMB 1,813,268,221.43 in total.

# 8.4 Liquidity risk

The liquidity risk refers to the risk in which the Company cannot perform its financial obligations on the due date. The method used by the Company for the management over the liquidity risk is to guarantee that there is sufficient fund liquidity to repay the due debts so as to avoid any unacceptable loss or any damage to the enterprise reputation. The Company analyzes the liability structure and term on a regular basis to ensure that the fund is sufficient. The management of the Company supervises the use of the bank borrowings to guarantee the compliance of the borrowings agreement; meanwhile, it actively communicates with financial institutions to have enough line of credit and reduce the liquidity risk.

As the Company has well bank credit and higher credit rating, as at December 31, 2017, borrowings offered by the bank are sufficient to meet the financing demand.

Financial assets and financial liabilities held by the Company are analyzed based on the maturity of remaining undiscounted contractual obligations as follows:

Item	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Financial assets					
Monetary funds	27,884,046,603.94				27,884,046,603.94
Financial assets held for trading	33,803,471.54				33,803,471.54
Notes receivable	4,752,177,701.45				4,752,177,701.45
Accounts receivable	13,178,789,738.42				13,178,789,738.42
Interests receivable	433,925,963.42				433,925,963.42
Dividends receivable	37,326,557.40				37,326,557.40
Other receivables	193,376,778.19				193,376,778.19
Total amount of financial assets	46,513,446,814.36				46,513,446,814.36
Financial liabilities					
Short-term borrowings	201,628,570.50				201,628,570.50
Financial liabilities held for trading					
Notes payable	3,581,962,289.62				3,581,962,289.62
Accounts payable	14,235,492,932.32				14,235,492,932.32

Amount as at December 31, 2017:

Item	Within I year	I - 2 years	2 - 5 years	Over 5 years	Total
Other payables	2,080,523,584.90				2,080,523,584.90
Dividends payable	2,823,100.25				2,823,100.25
Interest payable					
Employee compensation payable	570,752,932.84				570,752,932.84
Non-current liabilities maturing within one year	528,320,000.00				528,320,000.00
Long-term borrowings		24,940,000.00	17,100,000.00		42,040,000.00
Long-term employee compensation payable		183,105,061.00	342,211,615.63	168,541,846.82	693,858,523.45
Total amount of financial liabilities	21,201,503,410.43	208,045,061.00	359,311,615.63	168,541,846.82	21,937,401,933.88

# 8.5 Sensitivity analysis

The Company uses sensitivity analysis techniques to analyze the possible effects of reasonable and potential changes of risk variables on the current profit and loss and shareholders' equity. As any risk variate hardly changes in isolation, and the pertinence existing among the variates will have significant effect on the final affected amount of the change of any risk variate, the following content is conducted on the basis of the assumption that the change of every variate is independent.

#### 8.5.1 Sensitivity analysis on foreign exchange risk

Assumption of sensitivity analysis on foreign exchange risk: all hedges of net investment in an overseas operation and cash flow hedges are highly effective.

Based on the above assumption, under the circumstance that other variables are unchanged, the after-tax effect of the rational change in exchange rate on the current profit or loss and equity is as below:

		Year	2017	Year	2016
ltem	Fluctuation in exchange rate	Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
All foreign currency	5% of appreciation in RMB	13,497,183.00	13,497,183.00	8,895,452.99	8,895,452.99
All foreign currency	5% of depreciation in RMB	-13,497,183.00	-13,497,183.00	-8,895,452.99	-8,895,452.99

#### 8.5.2 Sensitivity analysis on interest rate risk

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

The change in market interest rate affects the interest revenue or expenses of the financial instrument with variable rate;

For the financial instrument with fixed interest rate measured at fair value, the change in market interest rate only affects the interest revenue or expenses;

The fair value of derivative financial instruments calculated by the cash flow capitalization method at the market interest rate on the balance sheet date and the fair value of other financial asset and liability change.

Based on the above assumptions, under the circumstance that other variables are unchanged, the after-tax effect of the rational change in interest rate on the current profit or loss and equity is as below:

		Yes	<b>r</b> 2017	Yea	r 2016
Item	Change in interest rate	Effect on net	Effect on	Effect on net	Effect on
		profit	owners' equity	profit	owners' equity
Borrowings with floating rate	Increase by 1%	-260,018.13	-260,018.13	-383,121.44	-383,121.44
Borrowings with floating rate	Decrease by 1%	260,018.13	260,018.13	383,121.44	383,121,44

#### 9. Disclosure of fair value

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the asset or liability other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

Levels of the results of fair value measurement are decided by the lowest level of great significance in fair value measurement as a whole.

#### 9.1 Fair value of assets and liabilities measured at fair value as at the end of the period

		Fair value at the e	nd of the period	
Item	Measurement of fair value at	Measurement of fair value at	Measurement of fair value at	Total
I. Measurement at fair value on a going concern	level 1	level 2	level 3	
Financial assets measured at fair value through the current profit or loss				
1. Financial assets held for trading				
(1) Investment in debt instruments				
(2) Investment in equity instrument	31,719,439.00			31,719,439.00
(3) Derivative financial assets		2,084,032.54		2,084,032.54
Total amount of assets measured at fair value on a going concern	31,719,439.00	2,084,032.54		33,803,471.54
Financial liabilities held for trading				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				
Total amount of liabilities measured at fair value on a going concern				
II. Measurement at fair value not on a going concern				

# 9.2 Basis for recognition of the market price of items measured at fair value of Level 1 on a going and non-going concern

For basis for recognition of the market price of items measured at the Company's fair value of Level 1 on a going concern, see Note 5.2 to the Financial Statements for details.

**9.3** Nature and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 2 on a going and non-going concern For nature and quantitative information of valuation techniques and key parameters adopted for the Company's items measured at the fair value of Level 2 on a going concern, see Note 5.2 to the Financial Statements for details.

# 10. Related parties and related-party transactions

# 10.1 The Company's parent company

Name of Parent Company	Registration place	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
		General contracting and sub-contracting			
	No. 333, Shuhan Road,	of water, fire and nuclear power projects,			
Dongfang Electric	Jinniu District,	manufacturing and sales of power station			
Corporation	Chengdu City	equipment.	479,167.50	41.68	41.68

The Company's ultimate controller: Dongfang Electric Corporation.

# 10.2 Subsidiaries of the Company

See "Note 7 Equity in other entities" for subsidiaries of the Company.

# 10.3 Joint ventures and associates of the Company

See "Note 7 Equity in other entities" for details on major joint ventures and associates of the Company.

# 10.4 Other related parties

Name	Relationship with the Company		
Dongfang Electrical Machinery Works	Other enterprises controlled by the same parent company and ultimate controller		
Dongfang Boiler Works	Other enterprises controlled by the same parent company and ultimate controller		
DEC Financial Company	Other enterprises controlled by the same parent company and ultimate controller		
DEC Dongfeng Electric Machinery Co., Ltd. (hereinafter referred to as the "DFEM")	Other enterprises controlled by the same parent company and ultimate controller		
Guangdong Dongfang Power Plant Complete Equipment Company (hereinafter referred to as the "Guangdong Company")	Other enterprises controlled by the same parent company and ultimate controller		
Dongfang Electric International Corporation (hereinafter referred to as "DEIC")	Other enterprises controlled by the same parent company and ultimate controller		
DECPROJECT Cargo Logistics Co., Ltd. (hereinafter referred to as the "DCL")	Other enterprises controlled by the same parent company and ultimate controller		
Deyang Dongfang Abele Pipe System Co., Ltd. (hereinafter referred to as "Abele Company")	Other enterprises controlled by the same parent company and ultimate controller		
Dongfang Electric Corporation Materials Company. (hereinafter referred to as the "DECMC")	Other enterprises controlled by the same parent company and ultimate controller		
DEC Henan Station Auxiliary Equipment Co., Ltd. (hereinafter referred to as the "Henan Station Auxiliary")	Other enterprises controlled by the same parent company and ultimate controller		
Sichuan Dongdian Real Estate Development Co., Ltd. (hereinafter referred to as the	Other enterprises controlled by the same parent company and ultimate controller		

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ationship with other related parties

Other remarks of related parties:

Among the related parties of the Company, CWPI, Germany ENV, WBG and Guangdong Yudean as well as the joint ventures and associates listed in Note 7.2 to the Financial Statements do not belong to the related parties determined according to the Listing Rules of the Stock Exchange of Hong Kong Ltd. and Shanghai Stock Exchange.

### 10.5 Related-party transactions

# 10.5.1 Related party transactions on purchase and sales of goods, rendering and receipt of labor services

Purchase of goods/ receipt of labor services

		, , , ,	
Related party	Purchase of goods/receipt of labor services	Amount incurred in 2017	Amount incurred in 2016
Parent company and ultimate controller		36,635,745.72	19,466,981.13
Including: Dongfang Electric Corporation	Receipt of labor services	33,767,821.2	14,146,226.41
Dongfang Electric Corporation	Purchase of goods	2,867,924.52	5,320,754.72
Joint ventures and associates		447,158,585.49	849,907,988.02
Including: MHPS Dongfang Boiler Co., Ltd.	Purchase of goods	335,915,258.79	682,645,305.01
Dongfang Mitsubishi Gas Turbine Company	Purchase of goods	111,243,326.70	167,262,683.01
Other enterprises controlled by the same parent company and ultimate controller		1,190,113,315.24	1,490,141,130.27
Including: DECMC	Purchase of goods	445,408,503.91	353,215,719.28
DECMC	Receipt of labor services	224,567.87	602,462.06
DEA	Purchase of goods	403,191,910.95	619,078,708.09
Henan Station Auxiliary	Purchase of goods	54,255,184.64	62,104,278.89
(Yingxing) MAGI Solar	Purchase of goods	8,769,300.00	3,037,054.74
Abele Company	Purchase of goods	48,883,848.65	70,336,750.43
DHECE	Purchase of goods	65,406.84	18,556,510.32
(Leshan) New Energy	Purchase of goods		125,752,483.33
DFEM	Purchase of goods		28,392,734.17
DFEM	Receipt of labor services		1,461,811.97
DCL	Receipt of labor services	212,037,238.88	190,496,070.74
SDPM	Receipt of labor services		8,005,812.34
Dongfang Boiler Works	Receipt of labor services		8,352,500.00
DEIC	Purchase of goods	102,043.50	
DEIC	Receipt of labor services		
DEC Intelligent	Purchase of goods	3,418,803.40	
Jieneng Technology	Purchase of goods	235,849.06	
Guangdong Company	Receipt of labor services		748,233.91

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Related party	Purchase of goods/receipt of labor services	Amount incurred in 2017	Amount incurred in 2016
Dongfang Electrical Machinery Works	Receipt of labor services	13,520,657.54	
The investor having a significant impact			3,476,216.94
Including: CWPI	Purchase of goods		
Guangdong Yudean	Purchase of goods		3,476,216.94
Total		1,673,907,646.45	2,362,992,316.36

## Sales of goods / receipt of services

Related party	Sales of goods/rendering of services	Amount incurred in 2017	Amount incurred in 2016
Joint ventures and associates		465,504.27	40,615,647.47
Including: MHPS Dongfang Boiler Co., Ltd.	Rendering of labor services		
MHPS Dongfang Boiler Co., Ltd.	Sales of goods		112,259.29
Dongfang Mitsubishi Gas Turbine Company	Sales of goods		21,749,779.53
Dongfang Mitsubishi Gas Turbine Company	Rendering of labor services	273,504.27	
Dongfang Areva	Sales of goods	192,000.00	18,700,000.00
Dongfang Areva	Rendering of labor services		53,608.65
Other enterprises controlled by the same parent company and ultimate controller		210,997,296.85	104,168,209.69
Including: DEIC	Sales of goods	68,899,939.03	75,709,853.47
DEIC	Rendering of labor services		
Dongfang Electrical Machinery			
Works	Sales of goods	99,283,760.68	2,146,597.94
DFEM	Rendering of labor services		551,039.55
Abele Company	Sales of goods	1,962,648.65	419,506.83
Guangdong Company	Rendering of labor services		641,169.23
Guangdong Company	Sales of goods	1,481,931.63	14,184,961.27
DEA	Sales of goods	284,323.08	201,396.66
DEA	Rendering of labor services		580,268.98
(Yingxing) MAGI Solar	Sales of goods		
DECMC	Sales of goods	1,409,766.99	6,197,722.21
DCL	Sales of goods	664,295.11	291,880.34
DCL	Rendering of labor services		43,813.21
Dongqi Investment Development	Rendering of labor services		3,200,000.00

Related party	Sales of goods/rendering of services	Amount incurred in 2017	Amount incurred in 2016
Henan Station Auxiliary	Sales of goods	3,382,851.41	
DHECE	Sales of goods	103,421.30	
DEC Financial Company	Sales of goods	33,524,358.97	
The investor having a significant impact		300,341.90	2,915,746.91
Including: CWPI	Sales of goods	300,341.90	2,912,550.93
CWPI	Rendering of labor services		3,195.98
Total		211,763,143.02	147,699,604.07

### 10.5.2 Lease of related parties

The Company as the lessor:

Name of lessee	Type of leased asset	Rental income recognized in 2017	Rental income recognized in 2016
DEA	House	26,750.00	40,750.00
MHPS Dongfang Boiler Co., Ltd.	Land use rights, houses and buildings, equipment	1,849,094.14	1,859,315.89
Guangdong Yudean	Site	74,126.13	74,126.13
Total		1,949,970.27	1,974,192.02

### The Company as the lessee:

Name of lessor	Type of leased asset	Lease fees recognized in 2017	Lease fees recognized in 2016
Dongfang Electric Corporation	Houses and buildings	32,159,829.71	25,314,285.71
Dongfang Electrical Machinery Works	Workshop, office room, land, special railway line	13,520,657.54	16,862,842.52
Dongfang Electric Corporation	Machinery equipment	410,256.41	410,256.41
Dongfang Boiler Works	Houses and buildings, machinery equipment, office equipment, etc.;	0.00	2,406,901.53
Total		46,090,743.66	44,994,286.17

### 10.5.3 Related party guarantee

The Company as a guarantor: Unit: RMB '0,00					
Guarantee	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not	
Dongfang Mitsubishi Gas Turbine					
Company	2,450.00	September 22, 2016	April 30, 2025	No	
Hongnijing Wind Power Company	Remark 1	January 19, 2016	January 19, 2026	No	
Sanshengtai Wind Power Company	Remark 2	June 29, 2016	June 29, 2026	No	
Wulan New Energy Company	Remark 3	October 27, 2016	October 27, 2026	No	

Remark 1: After approval by the 5th meeting of the 8th board of directors on January 8, 2016, the Company provides the pledge guarantee for Hongnijing Wind Power

Company's finance lease of relevant equipment from Dao Sheng International Financial Leasing Co., Ltd. with its 20% equity in Hongnijing Wind Power Company. The total estimated rent of the leasing business is RMB 342,337,300.

Remark 2: After approval by the 10th meeting of the 8th board of directors on June 27, 2016, the Company provides the pledge guarantee for Sanshengtai Wind Power Company's finance lease of relevant equipment from Dao Sheng International Financial Leasing Co., Ltd. with its 20% equity in Sanshengtai Wind Power Company. The total estimated rent of the leasing business is RMB 292,040,000.

Remark 3: After approval by the 8th meeting of the 8th board of directors on August 26, 2016, the Company provides the pledge guarantee for Wulan New Energy Company's finance lease of relevant equipment from Dao Sheng International Financial Leasing Co., Ltd. with its 20% equity in Wulan New Energy Company. The total estimated rent of the leasing business is RMB 544,000,000.

Related party	Lending/borrowing amount	Starting date	Maturity date	Remarks
Loans from				
Dongfang Electric Corporation	8,690,000.00	2014.07.16	2017.07.15	Long-term credit borrowings of DFEM
Dongfang Electric Corporation	30,910,000.00	2014.11.04	2017.11.03	Long-term credit borrowings of DFEM
Dongfang Electric Corporation	12,000,000.00	2015.12.24	2018.12.23	Long-term credit borrowings of DFEM
Dongfang Electric Corporation	24,940,000.00	2016.03.25	2019.03.24	Long-term credit borrowings of DFEM
Dongfang Electric Corporation	20,120,000.00	2014.09.28	2017.09.27	Long-term credit borrowings of DBC
Dongfang Electric Corporation	130,000, 000. 00	2014.09.25	2017.09.24	Long-term credit borrowings of DBC
DEC Financial Company	15,000,000.00	2016.10.27	2017.04.26	Short-term credit borrowings of Eastern Boiler Control Co., Ltd.
DEC Financial Company	25,000,000.00	2016.05.13	2017.05.12	Short-term credit borrowings of Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd.
DEC Financial Company	30,000, 000. 00	2016.11.11	2017.11.10	Short-term credit borrowings of Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd.
DEC Financial Company	25, 000,000, 00	2017.05.22	2018.05.21	Short-term credit borrowings of Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd.

### 10.5.4 Loans from/to related parties

DECEMBER 31, 2017				
Related party	Lending/borrowing amount	Starting date	Maturity date	Remarks
DEC Financial Company	30,000, 000. 00	2017.11.15	2018.11.14	Short-term credit borrowings of Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd.
DEC Financial Company	22,500,000.00	2016.06.28	2017.06.27	Short-term guaranteed borrowings of DEWP
DEC Financial Company	10,000,000.00	2016.01.11	2017.01.11	Short-term mortgage borrowings of DENE
DEC Financial Company	40,000,000.00	2016.04.26	2017.04.26	Short-term mortgage borrowings of DENE
DEC Financial Company	25, 000,000. 00	2016.06.8	2017.06.8	Short-term mortgage borrowings of DENE
DEC Financial Company	12,000,000.00	2016.06.20	2017.06.20	Short-term mortgage borrowings of DENE
DEC Financial Company	15,000,000.00	2016.07.11	2017.07.11	Short-term mortgage borrowings of DENE
DEC Financial Company	10,000,000.00	2016.09.19	2017.09.19	Short-term mortgage borrowings of DENE
DEC Financial Company	10,000,000.00	2016.10.17	2017.10.17	Short-term mortgage borrowings of DENE
DEC Financial Company	10,000,000.00	2016.11.11	2017.11.11	Short-term mortgage borrowings of DENE
Short-term mortgage borrowings of DENE	10,000,000.00	2016.11.30	2017.11.30	Short-term mortgage borrowings of DENE
DEC Financial Company	10,000,000.00	2017.01.06	2018.01.05	Short-term mortgage borrowings of DENE
DEC Financial Company	15,000,000.00	2017.03.01	2018.02.28	Short-term mortgage borrowings of DENE
DEC Financial Company	15,000,000.00	2017.03.31	2018.03.30	Short-term mortgage borrowings of DENE
DEC Financial Company	10,000,000.00	2017.04.24	2018.04.23	Short-term mortgage borrowings of DENE
DEC Financial Company	10,000,000.00	2017.04.27	2018.04.26	Short-term mortgage borrowings of DENE
DEC Financial Company	17,000,000.00	2017.06.05	2018.05.20	Short-term mortgage borrowings of DENE Short-term mortgage
DEC Financial Company	15,000,000.00	2017.06.16	2018.06.15	borrowings of DENE Short-term mortgage
DEC Financial Company	12,000,000.00	2017.06.29	2018.06.28	borrowings of DENE Short-term mortgage
DEC Financial Company	10,000,000.00	2017.09.25	2018.09.24	borrowings of DENE Short-term mortgage
DEC Financial Company	10,000,000.00	2018.10.31	2019.10.30	borrowings of DENE Short-term mortgage
DEC Financial Company	10,000,000.00	2017.11.17	2018.11.16	borrowings of DENE
DEC Financial Company	10,000,000.00	2017.11.29	2018.11.28	Short-term mortgage borrowings of DENE

Related party	Lending/borrowing amount	Starting date	Maturity date	Remarks
DEC Financial Company	50,000, 000. 00	2016.07.29	2017.07.28	Short-term credit borrowings of DFHM
Dongfang Electric Corporation	17,100,000.00	2014.03.27	2017.03.26	Long-term credit borrowings of DFHM
Dongfang Electric Corporation	17,100,000.00	2017.12.19	2020.12.18	Long-term credit borrowings of DFHM
DEC Financial Company	150,000,000.00	2017.02.28	2017.05.05	Long-term credit borrowings of DTC
Total	894,360,000.00			

### 10.5.5 Remuneration of key officers

- (1) Remuneration of directors or supervisors
  - The remuneration of each director or supervisor in 2017 is as follows:

Name	Emoluments of director or supervisor	Salaries and subsidies	Performance salary	Contributions of retirement welfare plan	Total
Director					
Chen Zhangwu	80,000.00				80,000.00
Gu Dake	80,000.00				80,000.00
Xu Haihe	80,000.00				80,000.00
Supervisor					
Wang Zaiqiu		191,320.00	72,126.05	28,120.95	291,567.00
Wang Congyuan		176,691.00	45,042.95	34,370,05	256,104.00
Zeng Yi		20,123.00	7,458.45	3,124.55	30,706.00
Total	240,000.00	388,134.00	124,627.45	65,615.55	818,377.00

### (2) The remuneration of each director or supervisor in 2016 is as follows:

Name	Emoluments of director or supervisor	Salaries and subsidies	Performance salary	Contributions of retirement welfare plan	Total
Director					
Chen Zhangwu	80,000.00				80,000.00
Gu Dake	80,000.00				80,000.00
Xu Haihe	80,000.00				80,000.00
Supervisor					
Wang Zaiqiu		254,033.00	122,203.00	32,089.00	408,325.00
Wang Congyuan		203,003.00	81,257.00	25,235.00	309,495.00
Total	240,000.00	457,036.00	203,460.00	57,324.00	957,820.00

The directors and supervisors who receive remuneration from the Company are determined by the Company's remuneration committee based on their personal performance and market trend.

(3) The top five employees with the highest remuneration:

In 2017, the five top members with the highest remuneration included zero (in 2016: zero) directors, and the remuneration for the rest five members with the highest remuneration (in 2016: top five):

Item	Amount in 2017	Amount in 2016
Salaries and subsidies	3,202,509.84	3,489,947.00
Contributions of retirement welfare		
plan	187,482.12	90,479.00
Total	3,389,991.96	3,580,426.00

Remark: none of the Company's key officers (including directors) has the remuneration of more than HKD 1 million in 2017 and 2016.

The number of the members with the highest remuneration is classified according to the type of remuneration group as below: (by the number):

Item	Year 2017	Year 2016
HKD 0 to 1 million	5	5
Total	5	5

### 10.6 Receivables and payables of related parties

### 10.6.1 Receivables

		Balance as at De	cember 31, 2017	Balance as at Ja	anuary 1, 2017
Item name	Related party	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts					
receivable		709,942,953.35	475,133,343.12	688,476,987.87	470,134,250.18
	Parent company and ultimate				
	controller	17,940,824.00	15,481,867.30	17,940,824.00	13,743,098.05
	Including: Dongfang Electric				
	Corporation	17,940,824.00	15,481,867.30	17,940,824.00	13,743,098.05
****	Joint ventures and associates	7,545,553.88	191,347.50	5,742,047.18	305,735.36
	Including: MHPS Dongfang Boiler				
	Co. Ltd.	6,678,343.88	110,400.00	5,452,249.18	272,612.46
	Dongfang Areva	867,210.00	80,947.50	289,798.00	33,122.90
	Other enterprises controlled by				
	the same parent company and				
	ultimate controller	587,977,636.50	458,811,903.60	656,744,006.68	455,463,967.61
	Including: DEIC	519,463,280.82	402,794,311.58	576,359,989.22	396,319,420.33
	ZSDE	22,500,100.00	22,305,700.00	23,043,100.00	22,322,050.00
A-1444-14-14-14-14-14-14-14-14-14-14-14-1	Guangdong Company	11,229,094.33	11,092,266.26	14,324,410.40	12,418,295.03
	Emei Semiconductor	16,860,900.00	16,860,900.00	17,707,637.77	17,199,595.11
	DEA	3,983,937.83	206,873.90	1,388,544.49	75,398.24
	(Leshan) New Energy	10,138,597.49	5,069,298.74	13,969,797.49	5,587,919.00
	Abele Company			8,840.23	442.01
	(Yingxing) MAGI Solar	148,714.00	28,138.82	2,851,046.65	285,104.67
	DCL	578,624.79	47,594.92	143,329.79	15,165.21
	Dongqi Investment Development	299,279.18	152,120.30	1,758,429.18	705,852.39
	(Jiuquan) Solar	649,673.64	129,934.73	649,673,64	64,967.36
	DECMC	1,840,129.50	110,499.10	4,465,674.50	440,344.93
	DFEM			73,533.32	29,413.33
	Dongfang Mitsubishi Gas Turbine				
	Company	285,304.92	14,265.25		
	The investor having a significant			]	
	impact	6,124,193.36	648,224.72	8,050,110.01	621,449.16

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DECEMBE					
		Balance as at Dec	cember 31, 2017	Balance as at Ja	nuary I, 2017
Item name	Related party	Book balance	Provision for	Book balance	Provision for
		Book balance	bad debts	BOOK Datatice	bad debts
na ar ar an	Including: WBG	1,689,280.00	1,689,28.00	1,689,280.00	84,464.00
a 1999	Germany ENV	429,230.66	171,692.26	401,971.55	80,394.31
	CWPI	4,005,682.70	476,532.46	5,958,858,46	456,590.8
	Other subsidiary	90,354,745.61	90,354,745.61		
a	Hangzhou New Energy Company	90,354,745.61	90,354,745.61		
Interests					
receivable		309,044,068.40		306,940,540.58	
	Other enterprises controlled by				
	the same parent company and				
	ultimate controller	309,044,068.40		306,940,540,58	
	Including: DEC Financial Company	309,044,068.40		306,940,540.58	
Advances to		205,699,179.53		57 012 508 62	
suppliers	Bernet as means and ultimate	203,099,119.33		57,913,508.63	
	Parent company and ultimate controller	1,800,603.77		1,731,200.00	
	Including: Dongfang Electric	1,000,000.17		1,101,200.00	
	Corporation	1,800,603.77		1,731,200.00	
	Joint ventures and associates	163,247,095.67		10,889,271.04	
	Including: Dongfang Mitsubishi				
	Gas Turbine Company	163,247,095,67		10,889,271.04	
	Other enterprises controlled by				
	the same parent company and				
	ultimate controller	40,650,480.09		45,292,037.59	
	Including: DCL	15,368,561.70		20,838,561.70	
	DEIC	14,083,869.39		4,397,576.52	
	DECMC	5,316,949.00		15,439,986.70	
	DEA	5,745,100.00		4,478,000.00	
	DHECE	136,000.00		137,912.67	
	DFEM				
	The investor having a significant				
	impact	1,000.00		1,000.00	
	Including: CWPI	1,000.00		1,000.00	) 4 a 1 a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a 2 f a
Other					
receivables		61,547,718.85	38,559,479.37	75,393,154.96	26,084,500.14
	Parent company and ultimate				
	controller	10,357,067.84	2,119,103.27	21,572,500.35	11,225,128.04
	Including: Dongfang Electric				
	Corporation	10,357,067.84	2,119,103.27	21,572,500.35	11,225,128.04
	Other enterprises controlled by				
	the same parent company and				
	ultimate controller	45,009,881.22	35,363,824.83	49,043,142.74	14,334,000.5
	Including: Dongqi Investment				
	Development	39,787,807.40	33,133,847.59	38,311,201.03	12,799,943.0
	(Jiuquan) Solar	5,057,478.72	2,201,009.77	2,805,863.46	1,129,413.6
	Dongdian Real Estate	3,015.77	229.58	6,672.87	333.6
	DEA	71,733.00	14,345.57	34,128.40	6,746,4
	DECMC				
	DCL	21,000.00	1,950.00	6,000.00	600.0
		60,000.00	12,000.00	60,000,00	6,000.0
	DHECE	00,000.00			
	DHECE Dongfang Electrical Machinery Works	8,846.33	442.32	7,819,276.98	390,963.8

		Balance as at De	cember 31, 2017	Balance as at Ja	muary 1, 2017
Item name	Related party	Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Including: MHPS Dongfang Boiler Co. Ltd.	6,180,769.79	1,076,551,27	4,777,511.87	525,371,52
Entrusted loans		785,000,000.00	658,087,262.81		
	Hangzhou New Energy Company	785,000,000.00	658,087,262.81		

### 10.6.2 Payables

Item name	Related party	Book balance as at	Book balance as at
		December 31, 2017	January 1, 2017
Accounts payable		915,426,633.3	1,461,774,450.2
	Parent company and ultimate controller	5,380,735.84	2,103,875.47
	Including: Dongfang Electric Corporation	5,380,735.84	2,103,875.47
****	Joint ventures and associates	296,332,350.60	421,431,350.66
	Including: MHPS Dongfang Boiler Co. Ltd.	285,040,095.91	420,685,664.39
	Dongfang Mitsubishi Gas Turbine Company	11,292,254.69	745,686.2
	Other enterprises controlled by the		
	same parent company and ultimate		
	controller	611,769,598.23	1,022,251,316.6
	Including: DEA	268,053,818.68	506,825,956.74
	DECMC	181,318,946.83	167,252,782.6
	(Leshan) New Energy	10,371,290.00	146,105,635.13
	DCL	38,054,267.65	39,971,202.1
	DEIC	24,296.32	
	Abele Company	6,316,942.33	23,723,752.4
****	DFEM		8,658,423.64
	Henan Station Auxiliary	30,731,049.59	19,663,579.9
	DHECE	8,280,632.40	12,594,453.0
	(Yingxing) MAGI Solar	32,507,594.30	44,909,928.3
	(Yingxing) MAGI Solar	7,041,180.00	7,041,180.0
	ZSDE	1,225,000.00	1,225,000.0
	Dongfang Electrical Machinery Works		16,862,842.5
	Dongqi Investment Development	27,416,580.13	27,416,580.1
	DEC Intelligent	400,000.00	
	DHPJ	28,000.00	
	The investor having a significant		
	impact	1,943,948.63	15,987,907.4
	Including: CWPI	1,943,948.63	15,987,907.4
Notes payable		212,485,313.41	516,413,318.6
	Joint ventures and associates	25,540,000.00	64,141,997.1
	Including: MHPS Dongfang Boiler Co. Ltd.	25,400,000.00	36,200,000.0
	Dongle Heavy Lifting Company	140,000.00	1,800,000.0
	Dongfang Mitsubishi Gas Turbine Company	1	26,141,997.1
	Other enterprises controlled by the		1
	same parent company and ultimate		
	controller	186,945,313.41	451,471,321.5
	Including: DEA	117,524,282.36	201,847,669.6
	DECMC	41,241,122.37	111,012,953.3

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Item name	Related party	Book balance as at	Book balance as at
		December 31, 2017	January 1, 2017
	DCL	9,059,003.63	38,127,938.74
	(Leshan) New Energy		57,348,856.00
	Henan Station Auxiliary		14,399,264.35
	Dongfang Electrical Machinery Works	2,912,731.78	800,000.00
	DFEM		6,230,000.00
	Abele Company	15,631,173.27	21,364,522.02
	DHECE		340,117.40
	Emei Semiconductor Material Research		
	Institute	577,000.00	
	The investor having a significant		
	impact		800,000.00
	Including: CWPI		800,000.00
Other			
payables		1,448,099,227.32	1,417,211,059.37
	Parent company and ultimate		
	controller	1,420,193,535.43	1,372,921,878.06
	Including: Dongfang Electric Corporation	1,420,193,535.43	1,372,921,878.06
	Joint ventures and associates	200,000.00	200,000.00
	Including: MHPS Dongfang Boiler Co.		
	Ltd.	200,000.00	200,000.00
	Other enterprises controlled by the		
	same parent company and ultimate		
	controller	23,888,869.99	39,820,028.69
	Including: Dongfang Boiler Works	14,263,068.89	31,840,028.69
	Dongle Heavy Lifting Company	1,500,000.00	1,500,000.00
	Guangdong Company	200,000.00	200,000.00
	DECMC	6,410,000.00	6,080,000.00
	Henan Station Auxiliary	700,000.00	200,000.00
	Dongfang Electrical Machinery Works	815,801.10	200,000100
	The investor having a significant	015,001.10	
	impact	3,816,821.90	4,269,152.62
headafha f Andréa (B. 1976) (B. 1974) Malanda (B. 1976) (B. 1974) Malanda (B. 1976) (B. 1977)  (B. 1977) (	Including: MHPS Dongfang Boiler Co.	5,010,021.70	4,209,192.02
	Ltd.	3,639,290.32	3,639,290.32
	Germany ENV	177,531.58	166.257.10
		177,551.58	······
A T	CWPI		463,605.20
Advances			
from		720 (02 42( 07	100 (05 111 05
customers		739,603,426.97	189,625,111.35
	Joint ventures and associates	112,187,419.87	68,271,570.79
	Including: Dongfang Areva	80,278,740.45	51,631,619.45
*****	MHPS Dongfang Boiler Co. Ltd.	31,908,679.42	12,598,411.34
	Hongnijing Wind Power Company		4,041,540.00
	Other enterprises controlled by the		
	same parent company and ultimate		
	controller	627,416,007.10	121,353,540.56
	Including: DEIC	100,437,323.34	113,046,022.87
	DECMC	6,000.00	5,500,824.00
	Guangdong Company	5,599,139.57	2,489,983.69
	Abele Company	316,710.00	316,710.00
	DEA	133,962.40	
	DEC Financial Company	514,272,871.79	
	ZSDE	6,650,000.00	
Short-term			
borrowings		244,905,000.00	284,500,000.00

Item name	Related party	Book balance as at December 31, 2017	Book balance as at January 1, 2017
s en menn a en receivitet 1940 (se annen schen er 1940)	Other enterprises controlled by the same parent company and ultimate		
	controller	244,905,000.00	284,500,000.00
	Including: DEC Financial Company	244,905,000.00	284,500,000.00
Long-term borrowings		42,040,000.00	243,760,000.00
	Parent company and ultimate controller	42,040,000.00	243,760,000.00
	Including: Dongfang Electric Corporation	42,040,000.00	243,760,000.00

10.6.3	Deposited monetary funds of the related parties	lated parties				
	Related party	Currency type	Amount as at December 31, 2017 (Converted into RMB)	Amount as at January 1, 2017 (Converted into RMB)	Amount as at December 31, 2017 (Original currency)	Amount as at January 1, 2017 (Original currency)
	Other enterprises controlled by the same parent company and ultimate controller					
	Including: DEC Financial Company	HKD	0.75		0.90	
	DEC Financial Company	USD	327,361,528.02	446,379,579.86	50,099,710.45	64,347,640.17
	DEC Financial Company	EUR	5,042,471.38	2,128,834.90	646,280.12	291,349.79
	DEC Financial Company	RMB	11,599,084,028.78	11,463,198,047.85	11,599,084,028.78	11,463,198,047.85
	DEC Financial Company	JРҮ	40,518.24	0.10	700,002.50	1.75
	Total		11,931,528,547.17	11,911,706,462.71	11,650,530,022.75	11,527,837,039.56

### 11. Share-based payments

### 11.1 General information of share-based payment

The Company deliberated and adopted the H-share stock appreciation plan at the first interim general meeting of 2012 held on December 14, 2012 with the main contents included:

- (1) The effective period of the incentive plan of stock appreciation right shall be 5 years from the date of granting the first stock appreciation right. The vesting period of stock appreciation right is 2 years. Under the premise of satisfying the vested conditions, the incentive object can exercise the granted stock appreciation right with constant speed and in three times.
- (2) The granting conditions of the stock appreciation right require the Company's performance in the previous fiscal year meeting the following conditions: 1) The economic value added (EVA) is not less than RMB 2.2 billion; 2) The growth rate of business income is not less than 9.00%; 3) The return on equity (ROE) is not less than 13.00%; 4) The above 2, 3) indexes are not lower than 50 fractiles of the advanced enterprise in the same industry.
- (3) The exercising conditions of the stock appreciation right require the Company's performance meeting the following conditions in the previous fiscal year before exercising the stock appreciation right: 1) The economic value added (EVA) is not less than RMB 2.4 billion, RMB 2.6 billion or RMB 2.8 billion; 2) The growth rate of business income is not less than 9.00%, 11.00% or 13.00% and not less than 75 fractiles of the advanced enterprise in the same industry; 3) The return on equity (ROE) is not less than 13.00%, 15.00% or 17.00% and not lower than 75 fractiles of the advanced enterprise in the same industry.

In accordance with the resolution of the general meeting and the authorization of the shareholders' meeting, the board of directors of the Company passed the resolution on December 14, 2012, determining that the grant date of the H-share stock appreciation right is December 14, 2012, and approving that the granted price of the H-share stock appreciation right is HKD 15.14, namely the closing price of the Company's H share on December 14, 2012;The Company granted to 175 eligible granting subjects the 16,540,000 shares (accounting for 0.8254% of the Company's total existing shares equal to 2,003,860,000 shares) of H-share stock appreciation right were granted to 11 persons consisting of directors and senior officers, and 14,400,000 shares of H-share stock appreciation right were granted to 164 persons consisting of managers and key employees, which played an important role in the development of the Company.

According to the first meeting of remuneration and assessment committee of the Company in 2014, the Company's reduced the first incentive object of stock appreciation right to three persons. Upon the adjustment, the Company granted to 172 eligible granting objects the 16,320,000 shares (accounting for 0.8144% of the Company's total existing shares equal to 2,003,860,000 shares) of H-share stock appreciation right in the first time. Among them, 2,140,000 shares of H-share stock appreciation right were granted to 11 persons consisting of directors and senior officers, and 14,180,000 shares of H-share stock appreciation right were granted to 161 persons consisting of managers and key employees, which played an important role in the development of the Company.

According to the resolution of the 16th meeting of the 7th board of directors of the Company in 2014, the Company has passed the results of the first assessment period (year 2013) of the H-share stock appreciation right plan. Only 5,440,000 shares of H-share stock appreciation right among 16,320,000 shares of H-share stock appreciation right granted by the Company meet the vesting conditions. After the vesting period of the H-share stock appreciation right is ended, the incentive object may choose to exercise the right, the exercising period is from December 14, 2014 to December 14, 2017.

The Company has confirmed the total amount of invalid equity instruments equal to 10,880,000 shares in 2014, including: 5,440,000 shares are valid because the Company's performance in financial statements in 2014 fails to meet the vesting conditions of H-share stock appreciation right, and 5,440,000 shares are valid because the Company's performance in financial statements in 2015 fails to meet the vesting conditions of H-share stock appreciation right.

The aforementioned 5,440,000 shares of H-share stock appreciation right qualified for vesting conditions have no any exercising act because they are continuously lower than the granted price of HKD 15.14 for the H-share stock appreciation right from the end date (December 14, 2014) of vesting period to December 14, 2017.

So far, the incentive plan of stock appreciation right has all ended.

### 11.2 Cash-settled share-based payments

Item	Situation
Method for determining fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company.	BS model
Accumulative amount of liabilities arising from the cash-settled share payment in debt	
Total expenses recognized for cash-settled share-based payments in the current year	0

### 12. Government grants

### 12.1 Government grants relating to assets

Туре	Amount	Items listed on the balance sheet	The amount that the current pro- used to offset related Amount incurred in 2017	ofit or loss or the losses of	The item that is included in the current profit or loss or used to offset the losses of related costs
Refund of value-added tax of three-line enterprises	33,520,950.92	Other current liabilities	27,039,731.10		Other income
Supporting payment for infrastructure construction	1,303,741.99	Other current liabilities	3,000,000.00		Non-operating income
Scientific research grants	1,113,070.88	Other current liabilities	1,113,070.88		Other income
Design of the complete equipment of large-scale half-speed saturated steam turbine generator unit		Other current liabilities	23,521.36		Other income
Grants for technical reform					
Financial subsidies		Other current liabilities	340,000.00		Other income
Other grants	1,154,193.19	Other current liabilities	1,699,080.00		Other income

12.2 Government grants relating to income

		The amount that is included in the			
		current profit or	loss or used to	The item that is included	
Туре	Amount	offset the cost o	f related costs	iu the current profit or	
Туре	Amount	Amount	Amount	loss or used to offset the	
		incurred in	incurred in	losses of related costs	
		2017	2016		
Insurance subsidy for the first (set) major					
technology equipment in 2017	13,620,000.00	13,620,000.00		Other income	
Research and development projects relating to					
CFR600 faster reactor	173,791.79	173,791.79		Other income	
Financial interest discount	308,550.00	308,550.00		Other income	
A large tax-paying account of the bureau of					
industry and information in Deyang					
Economic Technological Development Area	700,000.00	700,000.00		Other income	
Industrial development funds at the city level					
allocated by Deyang Municipal Finance					
Bureau (Payment Center)	500,000.00	500,000.00		Other income	
Rewards of Deyang Economic and					
Information Technology Commission	200,000.00	200,000.00	*****	Other income	
Research and development of the steam					
generator, the major equipment for					
demonstration fast breeder reactor of nuclear					
power- generation IV	5,180,536.79	5,180,536.79		Other income	
Scientific research grants	32,049,623.45	32,049,623.45		Other income	
Social insurance subsidy granted by Nansha					
Finance Bureau	5,036.76	5,036.76		Other income	
Other grants	12,805,185.43	12,805,185.43		Other income	
Tax returns	4,397,105.67	4,397,105.67		Other income	
Special funds for foreign economic and trade					
development of Deyang Municipal Finance					
Bureau (Payment Center)	1,148,000.00	1,148,000.00		Other income	
Subsidies for the first equipment in 2017	6,520,000.00	6,520,000.00		Non-operating income	
Subsidy for stabilizing posts	4,210,801.94	4,210,801.94	13,868,199.20	Non-operating income	
Research funding	2,441,939.48	2,441,939.48		Non-operating income	
Financing interest discount for export order					
and subsidy for short-term export credit					
insurance premium.	1,921,179.22	1,921,179.22	4,665,100.00	Non-operating income	
Subsidy for Guangzhou Academician					
Workstation	1,000,000.00	1,000,000.00		Non-operating income	
First batch of projects funds for provincial					
science and technology plan in 2017	1,000,000.00	1,000,000.00		Non-operating income	
Rewards and funds of energy conservation					
and emissions reduction			12,000,000.00	Non-operating income	
Related subsidies of high-end equipment			3,722,000.00	Non-operating income	
Subsidy for reform of Mianzhu public rental					
housing			1,331,000.00	Non-operating income	
Software tax rebate			5,749,144.62	Non-operating income	
Tax rebates for property tax, land use tax,					
enterprise income tax and others.			2,474,942.50	Non-operating income	
Rewards for introduction of business and					
investment			1,080,000.00	Non-operating income	
Scientific research grants	25,307,904.29	25,307,904.29	78,454,383.91	Non-operating income	
Others	1,584,298.68	I,584,298.68	6,982,913.00	Non-operating income	

### 13. Commitments and contingencies

- 13.1 Significant commitments
  - 13.1.1 Significant commitments existed on the balance sheet date
    - (1) The Company's commitment on capital expenditure at the end of the period A commitment on capital expenditure which has been signed and yet confirmed in the financial statements (Monetary Unit: RMB '0,000)

	Balance as at	Balance as at
ltem	December 31, 2017	January 1, 2017
Capital construction	14,670.22	18,041.34
Equipment	20,513.64	10,832.92
Total	35,183.86	28,874.26

As at December 31, 2017, the Company still had a contract on agreed significant foreign investment expenditure which has not been paid (Monetary Unit: RMB '0,000)

Name of investment project	Contracted investment amount	Investment amount paid	Investment amount unpaid	Expected investment period	Remark
Capital construction	113,721.41	99,051.19	14,670.22	2018 - 2019	
Equipment	52,685.64	32,172.00	20,513.64	2018 - 2019	
Total	166,407.05	131,223.19	35,183.86		

(2) Signed lease contracts being performed or to be performed and their financial effects

As at December 31, 2017, the total payment for future minimum rents payable required for irrevocable operating leases of the Company as a lessee are listed in the following periods:

Period	Amount in 2017	Amount in 2016
Within 1 year	39,809,853.53	39,054,164.40
1 - 2 years	23,143,016.04	24,989,231.77
2 - 3 years	2,029,479.99	21,013,017.52
Over 3 years	3,299,008.81	
Total	68,281,358.37	85,056,413.69

# 13.1.2 Apart from the above items, as at December 31, 2017, the Company has no other significant commitments needing to be disclosed.

### 13.2 Contingencies

### 13.2.1 Significant contingencies existing on balance sheet date

- (1) See Note 7 Equity in other entities for details of relevant contingent liabilities of joint ventures or associates.
- (2) Equity pledge

1 1	<u> </u>			
Pledgor	Pledgee	Proportion of equity pledge	Descriptions about pledge matters	
			The Company provides the pledge guarantee for	
			Hongnijing Wind Power Company's finance lease of	
			relevant equipment from Dao Sheng International Financial	
			Leasing Co., Ltd. with its 20% equity in Hongnijing Wind	
			Power Company. After approval by the 5th meeting of the	
			8th board of directors on January 8, 2016, the Company	
	Dao Sheng		provides the pledge guarantee for Hongnijing Wind Power	
	International		Company's finance lease of relevant equipment from Dao	
	Financial		Sheng International Financial Leasing Co., Ltd. with its	
The	Leasing Co.,		20% equity in Hongnijing Wind Power Company. The tota	
Company	Ltd.	20%	estimated rent of the leasing business is RMB 342,337,300	

Pledgor	Pledgee	Proportion of equity pledge	Descriptions about pledge matters
	Dao Sheng		The Company provides the pledge guarantee for
	International		Sanshengtai Wind Power Company's finance lease of
	Financial		relevant equipment from Dao Sheng International Financial
The	Leasing Co.,		Leasing Co., Ltd. with its 20% equity in Sanshengtai Wind
Company	Ltd.	20%	Power Company.
•			The Company provides the pledge guarantee for Wulan
			New Energy Company's finance lease of relevant
			equipment from Dao Sheng International Financial Leasing
			Co., Ltd. with its 20% equity in Wulan New Energy
			Company. After approval by the 11th meeting of the 8th
			board of directors on August 26, 2016, the Company
	Dao Sheng		provides the pledge guarantee for Wulan New Energy
	International		Company's finance lease of relevant equipment from Dao
	Financial		Sheng International Financial Leasing Co., Ltd. with its
The	Leasing Co.,	1	20% equity in Wulan New Energy Company. The total
Company	Ltd.	20%	estimated rent of the leasing business is RMB 544,000,000.

### (3) Matters such as L/C that generate contingent liabilities

As at December 31, 2017, the balance of irrevocable L/C opened by the Company is equivalent to RMB

Currency type	Amount in original currency	Amount converted into RMB
RMB	19,880,000.00	19,880,000.00
USD	60,875,055.46	394,280,142.70
EUR	53,559,608.64	416,927,982.10
YEN	1,477,500,632.00	85,477,698.37
CHF	758,820.00	5,067,324.07
GBP	45,500.00	399,453.60
Total	]	922,032,600.84

### (4) Letter of guarantee issued

As at December 31, 2017, the balance of letter of guarantee opened by the Company is equivalent to RMB

Currency type	Amount in original currency	Amount converted into RMB
RMB	18,868,867,306.49	18,868,867,306.49
USD	657,148,081.36	4,297,794,336.62
EUR	42,032,737.33	327,952,026.47
INR	3,710,000.00	378,293.86
PKR	234,915,496.14	13,953,980.47
RUB	1,100,300,000.00	124,884,050.00
VEF	253,940,252.68	146,697.24
Total		23,633,976,691.15

### (5) As at December 31, 2017, the Company provides guarantee for other units.

Item	Guarantee type	Guarantee amount (RMB '0,000)
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Guarantee warranty	2,450.00
Total	en alternannannannannannannannannannannannannan	2,450.00

Remarks: Dongfang Mitsubishi Gas Turbine Company intends to sign the Agreement on Long-term Management of M701F Gas Turbine Component, Repair of Component and Technical Consulting Service(hereinafter referred to as the Agreement on Long-term Service of Gas Turbine) with CNOOC Zhuhai Gas Power Generation Co., Ltd., Zhongshan Jiaming Electric Power Co., Ltd., CNOOC Fujian Gas Power Co., Ltd. and Guangdong Huizhou LNG Power Co., Ltd. (hereinafter collectively referred to as "client"), the Agreement on Long-term Service of Gas Turbine involves 12 units, and the client requests the parent company of the Dongfang Mitsubishi Gas Turbine Company(Mitsubishi Hitachi Power Systems, Ltd. and the Company) to sign the Guarantee Agreement of Parent company for providing the guarantee for the performance of Dongfang Mitsubishi Gas Turbine Company. The total guarantee amount of the long-term service agreement is RMB 50 million. The Company provides a guarantee amount of RMB 24.5 million in accordance with the shareholding ratio of Dongfang Mitsubishi Gas Turbine Company, and Dongfang Mitsubishi Gas Turbine Company provides the same amount of counter guarantee to the Company. Guarantee period: after the expiration or termination of the Agreement on Long-term Service of Gas Turbine, the guarantee liability shall have full effect within the scope of the obligation or responsibility of the seller hereunder until the seller's obligations and responsibilities (including but not limited to the warranty obligation) hereunder or related hereto have been performed without defect.

(6) Apart from the above items, as at December 31, 2017, the Company has no other significant contingency needing to be disclosed.

### 14. Post-balance sheet events

### 14.1 Significant non-adjusting events

1. Purchase of assets by issuing of shares

Dongfang Electric Corporation Limited ("DEC Ltd.") received the Official Reply to Approving Dongfang Electric Corporation Limited to Issue Shares to Purchase Assets from Dongfang Electric Corporation (ZJXK [2018] No. 354) ("Official Reply") made by the China Securities Regulatory Commission ("CSRC") on March 1, 2018, which examined and approved DEC Ltd. to issue 753,903,063 shares to Dongfang Electric Corporation to purchase the relevant assets. The underlying assets are the intangible assets such as 95% equity of Dongfang Electric Finance Co., Ltd., 100% equity of Dongfang Electric International Corporation, 100% equity of Dongfang Electric Control Engineering Co., Ltd., 41.24% equity of Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd., 100% equity of Dongfang Electric Corporation Materials Company, 100% equity of DECPROJECT Cargo Logistics Co., Ltd., 100% equity of Dongfang Electric Chengdu Qingeng Technology Co., Ltd., 100% equity of Dongfang Electric Chengdu Intelligent Technology Co., Ltd. and equipment assets and intellectual property held by Dongfang Electric Corporation.

The purchase of assets by issuing of shares is in progress.

2. Profit distribution

The Company's profit distribution plan in 2017 will neither distribute profit nor transfer of capital reserve into share capital or other forms.

3. Apart from the above items, the Company has no post-balance sheet events needing to be disclosed as at the date when the financial reports are approved for issuance.

### 15. Other significant events

15.1 Correction of accounting errors in previous periods

There are no corrections of accounting errors in prior periods required to be disclosed during the reporting period.

### 15.2 Debt restructuring

Methods for debt restructuring	Gains on debt restructuring	Increase in share capital	Contingent amounts payable
Liquidation of debts by cash lower than the book value of the debts	136,529,292.5		
Total	136,529,292.5		

Remarks: the debt restructuring in 2017 is mainly the debt restructuring agreement by Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd. and several suppliers with respect to the settlement of payable purchase payments of RMB 254 million with funds of RMB 117 million.

### 15.3 Annuity plan

According to the Official Reply to the Trial Implementation of Enterprise Annuity System by Dongfang Electric Corporation (GZFP [2007] No. 1201), the annuity expenses are disbursed from balance of gross wage and costs for the current year according to the method of mutual payment by enterprise and employee. The annuity accrued every year will be paid to the special account of the social security office of Dongfang Electric Corporation, and then entrusted by Dongfang Electric Corporation to China Life Pension Company Limited for operation and management.

### 15.4 Discontinued operation

15.4.1 Net profit from continued operation and net profit from discontinued operation attributable to owners of the parent company

Item	Amount incurred in 2017	Amount incurred in 2016
Net profit from continued operation attributable to owners of the parent company	673,079,118.85	-1,784,306,804.76
Net profit from discontinued operation attributable to owners of the parent company		

- 15.4.2 Net profit from discontinued operation None.
- **15.4.3** Adjustment to profit or loss from disposal of discontinued operation None.
- 15.4.4 Cash flow of discontinued operation None.
- 15.4.5 Note that discontinued operation will no longer satisfy the conditions for the division of held-for-sale category None.

### 15.5 Leased operating asset (lessor of operating lease) As at December 31, 2017, the category of the Company's assets leased out under operating lease are as follows:

Category of leased assets for operation purpose	Balance as at December 31, 2017	Balance as at January 1, 2017
Houses and buildings	140,336,030.39	103,523,336.62
Land use right	8,340,772.49	8,419,533.84
Machinery equipment	41,060.01	1,341,328.28
Transportation equipment	53,584.46	53,584.46
Instrument and apparatus and electronic equipment		277.78
Total	148,771,447.35	113,338,060.98

# 15.6 Bankruptcy liquidation of the original Level 3 subsidiary Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.("Hangzhou New Energy Company")

As the Company's Level 3 subsidiary Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd. cannot pay off the due debts, the People's Court of Xiaoshan District, Hangzhou City made a ruling [(2017) Z 0109 PS No. 24), requiring Hangzhou New Energy Company to conduct the bankruptcy liquidation according to the law, and designating Zhejiang Zeda Law Firm to serve as the custodian of Hangzhou New Energy Company. According to the first creditor meeting material of the custodian of Hangzhou New Energy Company, 73 creditors declared the creditor's right of RMB 1.552 billion, of which the internal units of Dongfang Electric Corporation declared RMB 1.345 billion, and the external creditors declared RMB 207 million.

The bankruptcy liquidation of Hangzhou New Energy Company is in progress.

### 15.7 Other important transaction and events affecting decision-making of investors

In 2004, without the consent of DBC, Chongqing Business Office of China Science and Technology Securities Co., Ltd. arbitrarily and illegally pledged the national debts of face value amounted to RMB 201,404,000.00 purchased by DBC in batch. In 2006, China Science and Technology Securities Co., Ltd. was managed by China Securities Investor Protection Fund Corporation Limited under the commission of the CSRC in accordance with the law. Upon the deliberation and approval at the interim meeting of the board of directors, DBC makes provision of RMB 150,000,000.00 for impairment of national debts having the risk of compensation in 2006.

On September 7, 2007, No. 2 Intermediate People's Court of Beijing accepted the bankruptcy case of China Science and Technology Securities Co., Ltd.

On August 4, 2008, DBC received RMB 10,709,456.86 from the first property distribution made by the bankruptcy liquidation committee of China Science and Technology Securities Co., Ltd. In March 2014, all creditors voted to restore the property distribution of creditor's right confirmed by DBC. DBC received a total of payable allocated payments amounted to RMB 29,013,662.90 from the property distribution from the second to fourth times. In November 2016, DBC received RMB 11,386,129.34 from the fifth property distribution made by the bankruptcy liquidation committee of China Science and Technology Securities Co., Ltd., and the aging remaining debt that has not been recovered is over 5 years, DBC makes full provision of RMB 146,064,314.06 for impairment of the above debts having the risk of compensation. As at the date of the financial report, China Science and Technology Securities Co., Ltd. is still under bankruptcy liquidation process.

### 15.8 Segment information

According to the Company's internal organization structure, management requirement and internal reporting system, the Company's operating business are divided into five reportable segments, which are determined on the basis of the internal organization structure, management requirement and internal reporting system. The Company's management regularly evaluates the operating results of these reportable segments to determine to allocate resources and assess its performance. Main products and labor services provided by each reportable segment of the Company are respectively as follows: clean and efficient power generation equipment, new energy, water energy and environmental protection equipment, engineering and service and others.

Information on segment reporting are disclosed according to the accounting policies and measurement standards adopted by each segment to report to the management, which are consistent with the accounting and measurement basis adopted when the financial statements are prepared.

DONGFANG ELECTRIC CORPORATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 Reportable segment in 2017							
	Clean and		Water energy and				
11	efficient power	Norr another	environmental	Engineering and	Othere	Officer	Total
Item	generation	Ivew cilcity	protection	service	Outers	Ottoo	10(41
		CO 102 CEO 107 2		10 674 FOR 234 K	00 055 500 AD	15 127 600 955 72	10 021 020 020 02
Operating income	32,388,/04,830.82	0,401,012,04.02	2,132,038,092.34	10.00+,104,004,4	U+.YOC,OCY,YOC	C1.000,400,101,01	16.00+,000,000
Including: income from foreign transactions	20,773,547,451.72	3,932,148,630.63	1,998,768,400.55	3,846,836,554.90	278,929,393.11		30,830,230,430.91
Income from inter-segment transactions	11,815,217,385.10	2,468,924,673.39	133,869,692.04	608,570,908.91	111,027,196.29	15,137,609,855.73	
Operating cost	28,956,974,166.76	5,639,914,692.92	1,740,289,888.70	3,822,041,753.73	321,119,826.37	15,177,048,423.44	25,303,291,905.04
Offiset of cost	11,837,120,489.17	2,517,764,044.19	77,069,803.22	634,066,890.57	111,027,196.29	15,177,048,423.44	
Period expenses					4,082,678,915.00	-71,425,947.89	4,154,104,862.89
Operating profits (losses)	3,631,790,670.06	761,158,611.10	392,348,203.89	633,365,710.08	4,013,842,151.97	784,559,070.26	620,261,972.90
Total assets					114,773,708,236.59	35,852,942,514.03	78,920,765,722.56
Including: the amount of a single asset with							
significant impairment loss							
Total liabilities					80,925,378,835.01	24,772,585,861.30	56,152,792,973.71
Supplementary information							
Capital expenditure							
Impairment loss recognized in current period					1,086,734,072.30	344,510,889.20	742,223,183.10
Including: allocation of goodwill impairments							
Depreciation and amortization costs					993,507,704.83		993,507,704.83
Other non-cash expenses excluding impairment							
loss, depreciation and amortization							
Renortable segment in 2016							
-	Clean and		Water energy and				
Item	efficient power	New energy	environmental	Engineering and	Others	Offset	Total

	Clean and		Water energy and				
	efficient power	New energy	environmental	Engineering and	Othere	Officet	Total
Itell	generation	INCH CILCURY	protection	service		1707	10101
	equipment		equipment				
Operating income	29,755,334,517.78	13,832,530,472.23	1,741,807,436.70	4,619,462,844.64	442,136,894.53	442,136,894.53 17,105,548,357.54	33,285,723,808.34
Including: income from foreign transactions	19,674,428,536.27	7,936,769,747.08	1,604,246,497.40	3,892,915,040.98	177,363,986.61		33,285,723,808.34
Income from inter-segment transactions	10,080,905,981.51	5,895,760,725.15	137,560,939.30	726,547,803.66	264,772,907.92	264,772,907.92 17,105,548,357.54	
Operating cost	26,709,168,625.32	13,085,309,142.15	1,701,283,073.49	4,436,775,087.40	367,522,391.56	367,522,391.56 17,022,292,249.26	29,277,766,070.66
Offiset of cost	10,151,733,087.12	5,906,076,107.15	28,591,219.20	681,631,550.47	254,260,285.32	254,260,285.32 17,022,292,249.26	
Period expenses					4,370,858,967.20	2,678,012.61	4,368,180,954.59
Operating profits (losses)	3,046,165,892.46	747,221,330.08	40,524,363.21	40,524,363.21 182,687,757.24	4,296,244,464.23	4,296,244,464.23 1,716,288,012.39 -1,995,933,133.63	-1,995,933,133.63

Notes to the Financial Statements Page 134

DONGFANG ELECTRIC CORPORATION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017							
Item	Clean and efficient power generation equinment	New energy	Watcr energy and environmental protection coulinment	Engineering and service	Others	Offset	Total
Total assets					127,494,702,619.40	42,792,102,317.98	84,702,600,301.42
Including: the amount of a single asset with similized invariment lose							
Total liabilities					96,589,242,187.92	33,972,396,806.47	62,616,845,381.45
Supplementary information							
Capital expenditure Impairment loss recognized in current period					2,323,845,985.41	826,208,451.13	1,497,637,534.28
Including: allocation of goodwill impairments							
Depreciation and amortization costs					1,087,526,337.57		1,087,526,337.57
Other non-cash expenses excluding impairment							
loss, depreciation and autoruzation							

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### 15.9 Other matters

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 14 - Revenue in 2017, and the revised standards came into effect from January 1, 2018;

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 22 -Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets and Accounting Standards for Business Enterprises No. 24 - Hedge Accounting in 2017, and the revised standards came into effect from January 1, 2018;

### 16. Notes to the main items of the parent company's financial statements

### 16.1 Accounts receivable

Item name	Balance as at December 31, 2017	Balance as at January 1, 2017
Original book value of accounts receivable	4,813,924,703.01	5,656,335,397.67
Less: provision for bad debts	758,930,471.94	910,662,474.96
Net amount	4,054,994,231.07	4,745,672,922.71
16.1.1 Aging analysis of accounts receivable		

Aging	Balance as at	Balance as at
Aging	December 31, 2017	January 1, 2017
Within 1 year	2,324,670,834.28	2,468,006,799.90
1 - 2 years	765,821,601.56	1,509,359,367.05
2 - 3 years	802,967,444.28	628,304,567.08
3 - 4 years	142,434,350.95	81,049,191.12
4 - 5 years	19,100,000.00	58,952,997.56
Over 5 years		
Net amount	4,054,994,231.07	4,745,672,922.71

The Company determined the time of accounts receivable recognized according to relevant invoices and document of settlement and other materials to carry out the aging analysis.

# 16.1.2 Accounts receivable disclosed by risk category

trantin trait for mannen mannen in trait		0	- -							
		Balanc	Balance as at December 31, 2017	1, 2017			Balan	Balance as at January 1, 2017	210	مرد میکونیون br>میکونیونیونیونیونیونیونیونیونیونیونیونیونیو
	Book balance	ıce	Provision for bad debts	bad debts		Book balance	8	Provision for bad debts	ad debts	
Category	Amount	Proportion (%)	Aittount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Accounts receivable with significant single amount and subject to separate provision for bad debts	146,217,866.69	3.04	146,217,866.69	<b>100</b> .00		323,865,326,60	5.73	323,865,326.60	100.00	
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	4,667,706,836.32	96.96	612,712,605.25	13.13	4,054,994,231.07	5,332,470,071.07	94.27	586,797,148.36	11.00	4,745,672,922.71
Accounts receivable with insignificant single amount and subject to separate provision for bad debts										
Total	4,813,924,703.01	100.00	758,930,471.94	15.77	4,054,994,231.07	5,656,335,397.67	00'001	910,662,474.96	16.10	4,745,672,922.71

Notes to the Financial Statements Page 137

Accounts receivable with insignificant single amount and individual provision for bad debt as at December 31, 2017

4		Balance as	at December 31, 2	017
Accounts receivable (by unit)	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	72,075,008.82	72,075,008.82	100.00	The client is in difficult operation, the funds are expected to be difficult to recover.
Rank 2	52,405,023.55	52,405,023.55	100.00	The client is in difficult operation, so the funds are expected to be difficult to recover.
Rank 3	21,737,834.32	21,737,834.32	100.00	The client is in difficult operation, so the funds are expected to be difficult to recover.
Total	146,217,866.69	146,217,866.69	100.00	

In the portfolio, accounts receivable with the provision for bad debts made under the aging analysis method:

	Bal	lance as at December 31, 2017	
Aging	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	2,447,021,930.83	122,351,096.55	5.00
1 - 2 years	850,912,890.64	85,091,289.06	10.00
2 - 3 years	944,119,305.34	188,823,861.07	20.00
3 - 4 years	316,843,918.24	126,737,567.30	40.00
4 - 5 years	38,200,000.00	19,100,000.00	50.00
Over 5 years	70,608,791.27	70,608,791.27	100.00
Total	4,667,706,836.32	612,712,605.25	

### 16.1.3 Provision, reversal or recovery of provision for bad debts in 2017

In 2017, the Company provided the bad debts reserves of RMB 59,572,333.35; and amount recovered or reversed of accounts receivable subject to separate provision for bad debts was RMB 211,304,336.37.

Reversal or recovery of significant amount of provision for bad debts in 2017:

Debtor	Balance of accounts receivable	Proportion of provision (%)	Provision for bad debts	Reversal in 2017	Basis for determining the original bad debts reserve	Reason for reversal or recovery in 2017
Rank 1	143,373,546.24	100.00	143,373,546.24	71,298,537.42	The funds of the client are insufficient and cannot be collected on time	Alteration of Contract
Rank 2	107,446,230.35	100.00	107,446,230.35	66,960,248.95	The funds of the client are insufficient and cannot be collected on time	Alteration of Contract
~					The funds of the client are insufficient and cannot be collected on	The funds of the company become
Rank 3 Total	73,045,550.00	100.00	73,045,550.00 323,865,326.59	73,045,550.00	time	sufficient.

### 16.1.4 Top five accounts receivable in terms of ending balance collected by the debtor

	Balance	as at December 31,	2017
Entity name	Accounts receivable	Proportion in the total accounts receivables (%)	Provision for bad debts
Rank 1	305,219,446.14	6.34	61,043,889.23
Rank 2	226,955,628.08	4.71	28,454,400.93
Rank 3	217,459,515.00	4.52	20,447,496.95
Rank 4	202,427,702.56	4.21	10,121,385.13
Rank 5	180,000,000.00	3.74	9,000,000.00
Total	1,132,062,291.78	23.52	129,067,172.24

The sum amount of Top five accounts receivable in terms of ending balance collected by the debtor is RMB 1,132,062,291.78, accounting for 23.52% of the ending balance of accounts receivable, and the corresponding ending balance of provision for bad debts is RMB 129,067,172.24.

### 16.2 Other receivables

	Item name	Balance as at December 31, 2017	Balance as at January 1, 2017
Other	receivables	6,037,219,682.21	6,278,187,236.66
Less: j	provision for bad debts	43,943,498.91	134,171,512.49
Net an	nount	5,993,276,183.30	6,144,015,724.17
16.2.1	Aging analysis of other receivables		
	Aging	Balance as at December 31, 2017	Balance as at January 1, 2017
	Within 1 year	207,238,431.43	51,768,802.96
	1 - 2 years	15,247,200.92	146,813,470.12
	2 - 3 years	23,265,679.99	1,188,860,350.55
	3 - 4 years	1,182,426,138.45	7,650,159.18
	4 - 5 years	2,625,732.51	128,152,941.36
	Over 5 years	4,562,473,000.00	4,620,770,000.00
	Net amount	5,993,276,183.30	6,144,015,724.17

1677	Other received	e diselased	NV.	is L	ateo
7.7.07			5		j0 I

Other receivables disclosed by risk categor	s disclosed by	risk cate	gory							
		Bala	Balance as at December 31, 2017	31, 2017			Bala	Balance as at January 1, 2017	2017	
ŧ	Book balance	100	Provision fo	Provision for bad debts		Book balance	31	Provision for bad debts	-bad debts	
Lype	Amount	Proportion (%)	Arnount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Other receivables with significant single amount and subject to separate provision for									5	
bad debts	5,928,710,000.00	98.20			5,928,710,000.00	05,992,988,301,50	95.40	04,278,301.50	1.07	00.000,017,824,c
Other receivables subject to provision for bad debts by portfolios with credit risk characteristics	108,509,682.21	1.80	43,943,498.91	40.50	64,566,183.30	285,198,935.16	4,54	69,893,210.99	24.51	215,305,724.17
Other receivables with insignificant single amount but subject to separate provision for bad debts										
Total	6,037,219,682.21	100.00	43,943,498.91	40.50	5,993,276,183.30	6,278,187,236.66	100.00	134,171,512.49	25.58	6,144,015,724.17

Notes to the Financial Statements Page 140

Other receivables with significant single amount and subject to individual provision for bad debts as at December 31, 2017

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		Balance	as at Decembe	r 31, 2017
Other receivables (by unit)	Other receivables	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	3,551,853,000.00			Central budget funds, additional raising funds for A share, special funds and raising funds for convertible bonds will not be accrued
Rank 2	1,189,350,000.00			Central budget funds, additional raising funds for A share and raising funds for convertible bonds will not be accrued
Raлk 3	843,000,000.00			Appropriation of expenditure for capital construction, additional raising funds for A share and raising funds for convertible bonds will not be accrued
Rank 4	186,237,000.00			Central budget funds and additional raising funds for A share and raising funds will not be accrued
Rank 5	113,970,000.00			The funds for autonomization of nuclear power equipment and energy independent innovation project are not accrued.
Rank 6	44,300,000.00			The funds for autonomization of nuclear power equipment and energy independent innovation project are not accrued.
Total	5,928,710,000.00			

In the portfolio, other receivables with the provision for bad debts under the aging analysis method:

	Balanc	e as at December 31, 20	)17
Aging	Other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	22,106,769.92	1,105,338.48	5.00
1 - 2 years	16,941,334.37	1,694,133.44	10.00
2 - 3 years	29,082,099.96	5,816,419.99	20.00
3 - 4 years	4,043,564.08	1,617,425.63	40.00
4 - 5 years	5,251,465.03	2,625,732.52	50.00
Over 5 years	31,084,448.85	31,084,448.85	100.00
Total	108,509,682.21	43,943,498.91	

### 16.2.3 Provision, reversal or recovery of provision for bad debts in 2017 In 2017, the Company provided the bad debts reserves of RMB -90 228 013

In 2017, the Company provided the bad debts reserves of RMB -90,228,013.58.

### 16.2.4 Classification of other receivables by the nature of payment

Item	Balance as at	Balance as at
Item	December 31, 2017	January 1, 2017
Central budget funds, additional raising		
funds for A share, special funds and		
raising funds for convertible bonds	5,928,710,000.00	5,928,710,000.00
Advances	90,866,414.39	328,551,184.54
Petty cash	2,611,115.81	2,144,689.53
Margin and deposit	15,032,152.01	18,781,362.59
Total	6,037,219,682.21	6,278,187,236.66

### 16.2.5 Top five other receivables due from debtors as at December 31, 2017

Entity name	Nature of funds	Balance as at December 31, 2017	Aging	Proportion in the total ending balance of other receivables (%)	Balance of provision for bad debts as at December 31, 2017
	Advances		1 - 4 years		
Rank 1	Investment fund	3,553,696,148.59	Over 5 years	58,86	192,163.30
	Advances		1 - 4 years		
Rank 2	Investment fund	1,220,235,486.08	Over 5 years	20.21	29,466,541.67
	Advances		3 - 4 years		
Rank 3	Investment fund	844,589,639.14	Over 5 years	13.99	326,300.96
	Advances		Within 1 year		
Rank 4	Investment fund	190,354,148.02	1 - 2 years	3.15	279,158.26
			Within I year		
Rank 5	Investment fund	113,970,000.00	1 - 3 years	1.89	
Total		5,922,845,421.83		98.10	30,264,164.19

DONGFANG ELECTRIC CORPORATION LIMITED	FOR THE YEAR ENDED DECEMBER 31, 2017	NOTES TO THE FINANCIAL STATEMENTS	
DONGFANG EL	FOR THE YEAR	NOTES TO THE	

1		40000
	Long-term equity investments	
 	-term equi	
	5	1021
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# 16.3.1 Classification of long-term equity investments

				Increa	Increase/decrease in 2017						
-	Balance as at	Additional	ni escenario Li	Profit or loss on investments	Adjustment to	Other	Cash dividends or		Balance as at	Provision for	provision for
	January 1, 2017	Additional	investments	recognized under the equity	outer comprehensive income	changes in equities	changes in profit declared to be equities distributed	Others	December 31, 2017	2017	December 31, 2017
l faumetimente in											
enbeidiarioe											
Donefang Boiler Grun						-					
Co., Ltd. of Dongfang											
Electric Corporation	4,391,395,417.83								4,391,395,417.83		
Dongfang Turbine Co.,			1								
Ltd. of Dongfang Electric				kerna an fad fad							
Corporation	2,542,003,999.71						-		2,542,003,999.71		
DEC Dongfang Electric			********				****				
Machinery Co., Ltd.	2,000,000,000.00								2,000,000,000.00		
Dongfang Electric (India)											
Corporation	129,504,712.22								129,504,712.22		
Dongfang Electric											
(Wuhan) Nuclear								****			
Equipment Co., Ltd.	131,560,000.00								131,560,000.00		
Dongfang Electric											
(Guangzhou) Heavy		****									
Machinery Co., Ltd.	589,459,392.37								589,459,392.37		
Dongfang Electric Wind											
Power Co., Ltd.	370,000,000.00								370,000,000.00		
Dongfang Electric											
(Indonesia) Co., Ltd.	11,621,730.00								11,621,730.00		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Subtotal	10,165,545,252.13								10,165,545,252.13		
2. Joint ventures											
AREVA DONGFANG											
Reactor Coolant Pumps											
Co., Ltd.	280,278,203.62			34,341,047.98			-104,996,971.70		209,622,279.90		
Sub-total	280,278,203.62			34,341,047.98			-104,996,971.70		209,622,279.90		
<ol><li>Associates</li></ol>											

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DONGFANG ELECTRIC CORPORATION LIMITED FOR THE YEAR ENDED DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS	LIMITED 2017 TS										
				Increa	Increase/decrease in 2017						
Investec	Balance as at January 1, 2017	Additional investment	Decrease in investments	Profit or loss on investments recognized under the equity method	Adjustment to other compretiensive income	Other changes in equities	Cash dividends or profit declared to be distributed	Others	Balance as at December 31, 2017	Provision for impairment in 2017	Balance of provision for impairment as at December 31, 2017
Sichuan Energy Wind											And a second
Power Development Co.,											
Ltd.	242,443,940.15			21,737,695.68			-8,625,154.77		255,556,481.06		
Huadian Longkou Wind											
Power Co., Ltd.	46,581,863.35		1,250,000.00	5,127,948.72					50,459,812.07		
Inner Mongolia Energy											
Generation Hongnijing											
Wind Power Co., Ltd.	15,834,151.53			4,012,805.49					19,846,957.02		
China United Heavy-duty	×.										
Gas Turbine Technology											
Co., Ltd.	11,475,134.69			196,883.00				+	11,672,017.69		
Inner Mongolia Mengeng	20										
Sanshengtai Wind Power				******							
Generation Co., Ltd.	16,000,000.00			2,537,039.00					18,537,039.00		
Inner Mongolia											
Mengneng Wulan New											
Energy Co., Ltd.	35,322,255.21								35,322,255.21		84
Subtotal	367,657,344.93		1,250,000.00	33,612,371.89			-8,625,154.77		391,394,562.05		
Total	10,813,480,800.68		1,250,000.00	67,953,419.87			-113,622,126.47		10,766,562,094.08		

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### 16.3.2 The long-term equity investment is analyzed as follows:

The long-term equity investment is a	naryzeu as tonows.	
Item	Amount as at December 31, 2017	Amount as at January 1, 2017
Listing		
Unlisting	10,766,562,094.08	10,813,480,800.68
Total	10,766,562,094.08	10,813,480,800.68

TED	iates a
DN LIM 31, 2017 ENTS	in assoc
PORATI EMBER : STATEM	Investments in associates a
DONGFANG ELECTRIC CORPORATION LIMITED FOR THE YEAR ENDED DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS	Inves
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THE CONTRACTOR AN AUTO CANNER MAKE CANNEL CANNER										
				Increase/d	Increase/decrease in 2017					Balance of
	Renimin			Profit or loss on	Adjustment to	Other	Caels dividende or	Balance as at	is at Provision for	provision for
Investee	balance	Additional	Decrease in	investments	other			Others December 31,		impairment in impairment as at
	Data	investment	investments	recognized under	comprehensive	=		2017	2017	December 31,
				the equity method	income	cdmncs	ne distributed			2017
I. Joint ventures										
AREVA DONGFANG Reactor										
Coolant Pumps Co., Ltd.	280,278,203.62			34,341,047.98			-104,996,971.70	209,622,279.90	79.90	
Subtotal	280,278,203.62			34,341,047.98			-104,996,971.70	209,622,279.90	79.90	
2. Associates									u yaq a kun yaq a	
Sichnan Encrgy Wind Power						********			******	
Development Co., Ltd.	242,443,940.15			21,737,695.68			-8,625,154.77	255,556,481.06	81.06	
Huadian Longkou Wind Power Co.,								-		
Ltd.	46,581,863.35		-1,250,000.00	5,127,948.72				50,459,812.07	12.07	
Inner Mongolia Energy Generation										
Hongnijing Wind Power Co., Ltd.	15,834,151.53			4,012,805.49				19,846,957.02	57.02	
China United Heavy-duty Gas										
Turbine Technology Co., Ltd.	11,475,134.69			196,883.00				11,672,017.69	17.69	
Inner Mongolia Mengeng										n. 1-1-1-1
Sanshengtai Wind Power Generation										
Co., Ltd.	16,000,000.00			2,537,039.00				18,537,039.00	39.00	
Inner Mongolia Mengneng Wulan						******			*****	
New Energy Co., Ltd.	35,322,255.21							35,322,255.21	55.21	
Subtotal	367,657,344.93		-1,250,000.00	33,612,371.89			-8,625,154.77	391,394,562.05	52.05	
Total	647,935,548.55		-1,250,000.00	67,953,419.87			-113,622,126.47	601,016,841.95	11.95	1994 (Balancia)

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### 16.4 Operating income and operating costs

L	Amount incurred in 2017		Amount incurred in 2016		
Item	Income	Cost	Income	Cost	
Sub-total of primary business	16,015,996,007.50	15,676,588,880.27	16,303,870,478.39	16,412,414,067.17	
Sub-total of other business	2,528,782.17	1,243,931.79	6,872,804.27	1,447,698.68	
Total	16,018,524,789.67	15,677,832,812.06	16,310,743,282.66	16,413,861,765.85	

### 16.5 Investment income

Item	Amount incurred in 2017	Amount incurred in 2016
Long-term equity investment income calculated under cost method	39,321,713.50	142,966,741.81
Income from long-term equity investments calculated under the equity method	67,953,419.87	62,887,237.07
Investment income from financial assets measured at fair value through the current profit or loss incurred during the holding period	1,259,495.40	2,110,799.32
Investment income from the disposal of financial assets measured at fair value through the current profit or loss	5,672,201.71	2001/1 <sup>4</sup> 931/1493/Advantantation
Others	2,678,262.58	4,752,082.02
Total	116,885,093.06	212,716,860.22

Remark: The investment income generated from the listed and non-listed investment in 2017 is RMB 6,931,697.11 and RMB 109,953,395.95 respectively. There are no significant restrictions on the remittance back of the investment income of the Company.

### 17. Supplementary information

## 17.1 Breakdown of non-recurring profits and losses in 2017

Item	Amount	Remarks
Profit or loss from disposal of non-current assets	16,950,674.48	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	148,289,356.84	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses	136,707,204.50	
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses from non-monetary asset exchange		*****
Gains or losses from entrusting the investments or management of asset		an mana pananan gana ang gana kang ang ang ang ang ang ang ang ang ang
Impairment provision for force majeure such as natural calamities		
Gains or losses from debt restructuring		

Item	Amount	Remarks
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		
Current net gains and losses of the subsidiaries from enterprise merger under the same control from the beginning of the period to the merger date.		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	2,650,708.60	
Reversal of the impairment provision for receivables subject to separate impairment test	190,736,951.50	
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenses except for the above-mentions items	-270,531,983.64	
Other items of gains and losses subject to the definition of non-recurring gains and losses		
Affected amount of income tax	-36,817,500.84	
Affected amount of minority equity	-6,709,457.43	
Total	181,275,954.01	

### 17.2 Rate of return on net assets and earnings per share:

	Weighted	Earnings per share (RMB/share)	
Profit during the reporting period	average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	3.13	0.29	0.29
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	2.29	0.21	0.21

### Dongfang Electric Corporation Limited (Official seal affixed) March 29, 2018